



**Itaú Unibanco Holding S.A.**

# **Itaú Unibanco Holding S.A.**

*a sociedade por ações incorporated in the Federative Republic of Brazil  
acting through its head office or its Cayman Islands Branch*

## **US\$10,000,000,000 Global Medium-Term Note Programme**

Under the global medium-term note programme (the “**Programme**”), Itaú Unibanco Holding S.A. (acting through its head office or its Cayman Islands Branch) (the “**Issuer**”) may from time to time issue medium-term notes denominated in U.S. dollars or in such other currencies as may be agreed with the Dealers (as defined below). Such notes will be either unsecured and unsubordinated obligations of the Issuer ranking equally in right of payment with its other present and future unsecured and unsubordinated indebtedness (the “**Senior Notes**”) or unsecured and subordinated obligations of the Issuer subordinated in right of payment to its present and future Senior Liabilities (as defined in “Terms and Conditions of the Subordinated Notes”) as described herein (the “**Subordinated Notes**” and, together with the Senior Notes, the “**Notes**”). The Notes will have maturities from 30 days in the case of Senior Notes and five years in the case of Subordinated Notes from the date of issue (except as set out herein). The Notes may bear interest on a fixed or floating rate basis, or be issued on a fully discounted basis and not bear interest. The maximum aggregate nominal amount of all Notes issued and outstanding under the Programme will not exceed US\$10,000,000,000 (or its equivalent in other currencies at the time of agreement to issue), subject to any duly authorised increase as further described herein. Notes will be issued in one or more series (each a “**Series**”) having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series may be issued in one or more tranches (each a “**Tranche**”) on different issue dates. Each Series of the Senior Notes will be all in bearer form or all in registered form, and each Series of the Subordinated Notes will be all in registered form. Details applicable to each Tranche will be specified in final terms issued in respect of such Tranche (the relevant “**Final Terms**”).

Payment of principal on the Subordinated Notes may be accelerated only in the case of certain events involving our bankruptcy, dissolution, suspension of payment on or failure or inability to pay all or a material part of (or of a particular type of) our debts generally as they become due or similar events. We will only be required to make payment on acceleration after we have been declared bankrupt, have been dissolved or suspend payment on or fail or are unable to pay all or a material part of (or of a particular type of) our debts generally as they become due. There will be no right of acceleration in the case of default in the performance of any of our covenants, including the payment of principal or interest in respect of the Subordinated Notes.

### **Prospective investors should consider the factors described under “Risk Factors” included in this Offering Memorandum.**

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme for the period of 12 months from the date of this Offering Memorandum to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market of that exchange (the “**Euro MTF Market**”). References in this Offering Memorandum to Notes being “listed” (and all related references) mean that such Notes have been admitted to trading on the Euro MTF Market. However, Notes may be issued under the Programme that will not be listed on the Euro MTF Market or any other stock exchange, and the Final Terms applicable to a Series will specify whether or not the Notes of such Series will be listed on the Euro MTF Market or any other stock exchange. With respect to the Programme and any listed Note issued under the Programme, there can be no assurance that a listing on the Euro MTF Market or any other stock exchange will be achieved prior to the launch date of the Programme or the issue date of any Notes or otherwise. This Offering Memorandum constitutes a prospectus for the purpose of the Luxembourg law of 10 July 2005 on prospectuses for securities and may be used in connection with listings on the official list of the Luxembourg Stock Exchange for a period of one year from the date hereof.

**WE HAVE NOT REGISTERED AND WILL NOT REGISTER THE NOTES UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY (I) IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND (II) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT. BECAUSE THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED, THEY ARE SUBJECT TO RESTRICTIONS ON REALES AND TRANSFERS DESCRIBED UNDER “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS.”**

The Notes may be offered by us through one or more dealers appointed from time to time by us (each a “**Dealer**” and together the “**Dealers**”) on a continuous basis or through syndicated placements. The applicable Final Terms will specify the Dealer, Dealers or syndicate of Dealers through which the Notes of a particular Series will be offered. Notes may also be sold to a Dealer or Dealers as principal, at negotiated discounts or otherwise, and Notes may be sold to or through syndicates of financial institutions for which a Dealer will act as lead manager. We may also offer Notes directly to purchasers.

**This Offering Memorandum should be read together with the applicable Final Terms, any supplemental information and any documents incorporated herein by reference.**

**Arrangers and Dealers**

**Goldman, Sachs & Co.**

**Itaú**

**Morgan Stanley**

The date of this Offering Memorandum is March 29, 2010.

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In this Offering Memorandum, except where otherwise specified or the context otherwise requires, all references to “**we**”, “**us**”, “**our**” or “**ourselves**” are references to Itaú Unibanco Holding S.A. (“**Itaú Unibanco Holding**”) and its subsidiaries, except where otherwise specified or the context otherwise requires. The “**Issuer**” refers to Itaú Unibanco Holding, or any successor thereof, whether acting through its head office or its Cayman Islands Branch, except where otherwise specified or the context otherwise requires. The business of Itaú Unibanco Holding is described in this Offering Memorandum on a consolidated basis, except where otherwise specified or

where the context otherwise requires. The term “**Brazil**” refers to the Federative Republic of Brazil. The phrase “**Brazilian government**” refers to the federal government of the Federative Republic of Brazil.

Itaú Unibanco Holding is the parent of two main operating subsidiaries: Itaú Unibanco S.A. (“**Itaú Unibanco**”) and Banco Itaú BBA S.A. (“**Itaú BBA**”). Together with its subsidiaries and affiliates, Itaú Unibanco Holding is referred to in this Offering Memorandum as the “**Itaú Unibanco Group**.” Itaú Unibanco carries on our commercial banking, consumer credit and other financial activities. Itaú BBA carries on our corporate and investment banking activities. On February 18, 2009, the Central Bank of Brazil (the “**Central Bank**”) approved a series of transactions whereby the operations of Banco Itaú Holding Financeira S.A. (now Itaú Unibanco Holding S.A.) and its subsidiaries (“**Banco Itaú Holding**”) and Unibanco Holdings S.A., including its subsidiary Unibanco — União de Banco Brasileiros S.A. (“**Unibanco**”) and Unibanco’s subsidiaries (“**Unibanco Holdings**”), were merged.

Prospective purchasers of the Notes should be aware that the Notes are not guaranteed by, nor do they constitute, an obligation of Itaú Unibanco or any other subsidiary of Itaú Unibanco Holding.

Having made all reasonable enquiries, the Issuer confirms that this Offering Memorandum, when taken together with the relevant Final Terms, contains all information with respect to the Issuer, its subsidiaries and affiliates taken as a whole and the Programme and the Notes to be issued under the Programme which is material in the context of the issue and offering of the Notes, that such information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts the omission of which would, in the context of the offering and issue of the Notes hereunder, make any statement in this Offering Memorandum, when taken together with the relevant Final Terms as a whole, misleading in any material respect. The Issuer accepts responsibility accordingly.

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Dealers and the Trustee (as defined hereinafter) to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Memorandum, see “Subscription and Sale.”

You should rely only on the information contained in or incorporated into this Offering Memorandum. No person is authorised to give any information or to make any representation not contained in or incorporated into this Offering Memorandum and any information or representation not so contained or incorporated must not be relied upon as having been authorised by or on behalf of the Issuer, any of the Dealers or the Trustee. The information contained in this Offering Memorandum is accurate only as of the date of this Offering Memorandum and information incorporated by reference is accurate only as of the date of the document in which it is contained. The delivery of this Offering Memorandum at any time does not imply that the information contained in or incorporated into it is correct as at any time subsequent to its date, regardless of such time of delivery of this Offering Memorandum or of any sale of Notes.

This Offering Memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual document, all of which will be made available to you upon request to us when available, for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

In receiving this Offering Memorandum and any supplement (including any relevant Final Terms), you hereby acknowledge that (i) you have been afforded an opportunity to request from us and to review, and have received, all additional public information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained or incorporated by reference herein, (ii) you have had the opportunity to review all of the documents described or incorporated by reference herein, (iii) you have not relied on the Dealers or any person affiliated with the Dealers in connection with any investigation of the accuracy of such information or the investment decision and (iv) no person has been authorised to give any information or to make any representation

concerning us or the Notes (other than as contained or incorporated by reference herein) and, if given or made, you should not rely upon any such other information or representation as having been authorised by us or the Dealers.

**IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF OUR BUSINESS AND THE TERMS OF THE SECURITIES OFFERED BY THIS OFFERING MEMORANDUM, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (“SEC”), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

**THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A AND FOR LISTING OF THE NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE. THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS.”**

The Notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários* or “CVM”). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to an offering of Notes by this Offering Memorandum, as well as information contained therein, may not be supplied to the public in Brazil (as an offering of Notes by this Offering Memorandum is not a public offering of the Notes in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. The Dealers have agreed not to offer or sell the Notes in Brazil, except in circumstances which do not constitute a public offering or distribution of securities under applicable Brazilian laws and regulations.

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) persons falling within Article 49(2)(a) to (d) of the Order or (iv) persons to whom this offering memorandum may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Notes are only offered to, and no invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes may be proposed or made other than with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. For a description of certain restrictions on offers and sales of Notes and the distribution of this offering memorandum in the United Kingdom, see “Subscription and Sale.”

This offering memorandum is not a prospectus which has been approved by the Financial Services Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000 (the “FSMA”).

No invitation whether directly or indirectly may be made to members of the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

Neither this Offering Memorandum nor any other material relating to the Notes will be offered, sold, distributed or otherwise made available in the Grand Duchy of Luxembourg other than in compliance with the law of 10 July 2005 on prospectuses for securities.

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#### NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor any Dealer shall have any responsibility therefor.

We have prepared this Offering Memorandum solely for use in connection with the offer and sale of the Notes in the United States to qualified institutional buyers (“QIBs”) as defined in Rule 144A under the Securities Act (“**Rule 144A**”) and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act (“**Regulation S**”). You agree that you will hold the information contained in this Offering Memorandum and the transaction contemplated hereby in confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. Notwithstanding anything to the contrary contained herein, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and US federal income tax structure (as such terms are used in Sections 6011, 6111 and 6112 of the U.S. Internal Revenue Code of 1986, as amended, (the “**Code**”) and the Treasury Regulations promulgated thereunder) of an offering of the Notes pursuant to this Offering Memorandum and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure.

Certain amounts included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

References herein to “US\$,” “\$,” “U.S. dollars” or “dollars” are to United States dollars, references to “**Brazilian real**,” “**Brazilian reais**,” “*real*,” “*reais*” or “R\$” are to Brazilian *reais*, the official currency of Brazil since July 1, 1994, references to “CI\$” are to Cayman Islands dollars, references to “**Euro**” and “**€**” are to the lawful currency of the member states of the European Union (the “**EU**”) that adopt the single currency in accordance with the treaty, as amended, establishing the European Community, references to “**Yen**” are to the Japanese Yen, the



official currency of Japan, and references to “**Sterling**” are to Pounds Sterling. References to “billions” are to thousands of millions.

Our operations are based primarily in Brazil and the financial statements contained in this Offering Memorandum are expressed in *reais*. The selling rate of *reais* for U.S. dollars on March 25, 2010 was R\$1.8008 per US\$1.00. Further information regarding the exchange rate system in Brazil is given under “Exchange Rates.”

See “Risk Factors” in this Offering Memorandum for a description of certain factors relating to an investment in the Notes, including information about our business. None of us, the Dealers and any of our or their respective representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

## MARKET DATA

Certain industry data presented herein have been derived from the following sources: *Sistema de Informações do Banco Central* (“**SISBACEN**”), a database of information provided by financial institutions to the Central Bank; the Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing* or “**ABEL**”); the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social* or “**BNDES**”); the Brazilian Financial and Capital Market Association (*Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais* or “**ANBIMA**”); the National Monetary Council (*Conselho Monetário Nacional* or “**CMN**”); and the Superintendency of Private Insurance (*Superintendência de Seguros Privados* or “**SUSEP**”). Such data has been accurately reproduced and, as far as the Issuer can ascertain from data published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, such data have not been independently verified, and neither the Issuer nor any of the Dealers makes any representation as to the accuracy of such data.

## ENFORCEABILITY OF JUDGMENTS

### Cayman Islands

We have been advised by Maples and Calder, our Cayman Islands legal counsel, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in England, New York or Brazil, a judgment obtained in such jurisdiction will be recognised and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (i) is given by a foreign court of competent jurisdiction; (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

### Brazil

A final conclusive judgment for the payment of money rendered by any English court or any New York state or federal court sitting in New York City in respect of the Notes would be recognised in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction), and such courts would enforce such judgment without any retrial or re-examination of the merits of the original action only if such judgment has been previously ratified by the Brazilian Federal Superior Court of Justice (*Superior Tribunal de Justiça* or the “**Superior Court of Justice**”), such ratification being available only if:

- the judgment fulfils all formalities required for its enforceability under the laws of England or of the State of New York and the United States of America;
- the judgment contemplates an order to pay a determined sum of money;
- the judgment is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil or, after sufficient evidence of the parties’ absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment is authenticated by the Brazilian consulate in England or in the State of New York and is accompanied by a sworn translation into Portuguese; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of English or U.S. securities laws with respect to the Notes.

Further, we note that:

- civil actions may be brought before Brazilian courts in connection with the offer and sale of Notes under the Programme based solely on the securities laws of England or the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (*provided* that the provisions of such laws do not contravene Brazilian public policy, good morals or national sovereignty and *provided further* that Brazilian courts can assert jurisdiction over the particular action);
- the ability of a judgment creditor to satisfy a judgment by attaching certain of our assets is limited by provisions of Brazilian law;
- pursuant to Article 835 of the Brazilian Code of Civil Procedure, a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil, must post a bond to secure the payment of the defendant’s legal fees and court expenses. The bond must have a value sufficient to satisfy the payment of court fees and the defendant’s attorney fees, as determined by a Brazilian judge. This requirement does not apply (i) pursuant to Article 836 of the Brazilian Code of Civil Procedure, in case of collection claims based on an instrument (which does not include the Notes issued hereunder) that may be enforced in Brazilian courts without the

review of its merit (*título executivo extrajudicial*) or counterclaims (*reconvenções*); and (ii) to the enforcement of foreign judgments which have been duly confirmed by the Superior Court of Justice;

- interlocutory decisions ordering measures over the course of a procedure do not need to be ratified by the Superior Court of Justice. These measures may be accomplished by a simple inquiry letter, and interested parties may challenge compliance by means of motions; and
- in addition to the ratification of a final decision, Brazilian law requires due process to obtain a writ of execution in order to enforce such decision. Such due process consists of certain enforcement proceedings to be carried out before federal courts pursuant to the Brazilian Code of Civil Procedure. No assurance can be given that such writ of execution would be obtained in a timely manner.

Notwithstanding the foregoing, no assurance can be given that the process described above can be conducted in a timely manner.



## DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference in this Offering Memorandum the documents described below. This means:

- we can disclose important information to you by referring you to those documents;
- information incorporated by reference is considered to be part of this Offering Memorandum, even though it is not repeated in this Offering Memorandum; and
- information that we make available later on the Quarterly Update Web Site (as defined below) will automatically update and supersede the information in this Offering Memorandum.

As of the date of this Offering Memorandum, there are no documents incorporated by reference. We incorporate by reference in this Offering Memorandum the following documents that we will regularly make available to investors on our website at <http://www.itaunibancoir.com/docs> (the “**Quarterly Update Web Site**”).

- our most recently published interim consolidated financial statements, from time to time, in each case prepared in accordance with generally accepted accounting principles in Brazil (“**Brazilian GAAP**”) and in the English language; and
- a quarterly MD&A (Management’s Discussion and Analysis of Financial Conditions and Results of Operations) made available on the Quarterly Update Web Site subsequent to publication of our interim consolidated financial statements prepared in accordance with Brazilian GAAP, including a discussion of material recent developments since the date of our most recent consolidated financial statements.

All documents made available by us on the Quarterly Update Web Site from the date of this Offering Memorandum and prior to the termination of this Programme shall also be deemed to be incorporated by reference in this Offering Memorandum. References to this “**Offering Memorandum**” shall mean this document and all documents from time to time incorporated herein by reference. Upon publication of the annual update of this Offering Memorandum based on our most recent annual audited consolidated financial statements, we will remove from the Quarterly Update Web Site all documents made available thereon prior to such date and after such date such documents will be deemed no longer to be incorporated by reference into this Offering Memorandum.

We will, at the specified office of our Listing Agent (as hereinafter defined), provide, without charge, a copy of this Offering Memorandum and a copy of any or all of the documents incorporated herein by reference, where such documents will be available free of charge to any interested person. We have agreed to furnish to the Luxembourg Stock Exchange all such information as required by the rules of the Luxembourg Stock Exchange in connection with the listing on the Luxembourg Stock Exchange of the Notes. We shall, during the continuance of the Programme, prepare a supplement to this information memorandum whenever required by the rules of the Luxembourg Stock Exchange. Documents incorporated by reference after the date of this Offering Memorandum will not be published on the Luxembourg Stock Exchange website.

Other than the information made available to investors on the Quarterly Update Web Site in connection with this Programme, no information on our website, [www.itaui.com.br](http://www.itaui.com.br), is part of, or incorporated by reference in, this Offering Memorandum.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions including, among other risks:

- General economic, political and business conditions in Brazil and changes in interest rates, exchange rates and the performance of financial markets;
- Disruptions and volatility in the global financial markets;
- Difficulties in integrating acquired or merged businesses;
- Government regulations and tax laws and changes therein;
- Competition and industry consolidation;
- Increases in reserve and compulsory deposit requirements;
- Changes in our loan, securities and derivatives portfolios;
- Our exposure to Brazilian federal government debt;
- Incorrect pricing expectations and inadequate reserves;
- Effectiveness of our risk management policies;
- Losses associated with counterparty exposures;
- The ability of our controlling shareholder to direct our business;
- Regulation of our business on a consolidated basis; and
- Other risk factors as set forth under “Risk Factors.”

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this Offering Memorandum might not occur. Our actual results and performance could differ substantially from those anticipated in such forward-looking statements.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The selected financial data set out in this Offering Memorandum is derived from and should be read in conjunction with the audited consolidated financial statements of Itaú Unibanco Holding as of and for the years ended December 31, 2009, 2008 and 2007, which are included elsewhere in this Offering Memorandum. Our audited consolidated financial statements as of and for the year ended December 31, 2009, 2008 and 2007 are referred to as our consolidated financial statements.

We maintain our books and records in *reais*, the official currency of Brazil, and prepare our consolidated financial statements and our financial statements for statutory and regulatory purposes in accordance with Brazilian GAAP. Accounting principles and standards generally applicable under Brazilian GAAP include those established by Law No. 6,404, as amended, including by Law No. 11,638 (“**Brazilian Corporate Law**”), by the recently created accounting pronouncements committee (*Comitê de Pronunciamentos Contábeis* or “**CPC**”), by the federal accounting council (*Conselho Federal de Contabilidade* or “**CFC**”) and interpretative guidance issued by the Brazilian professional body of independent accountants (*Instituto dos Auditores Independentes do Brasil* or “**IBRACON**”). In the case of companies subject to regulation by the Central Bank, such as Itaú Unibanco Holding, the effectiveness of accounting pronouncements issued by accounting standard setters, such as the CPC, depends on approval of the pronouncement by the Central Bank which also establishes the effective date of the pronouncements. In addition, the CVM and other regulatory entities, such as SUSEP and the Central Bank, provide additional industry-specific guidelines.

Unless expressly stated otherwise, all financial data included in this Offering Memorandum has been prepared in accordance with Brazilian GAAP. Brazilian GAAP differs in certain respects from generally accepted accounting principles in the United States (“**U.S. GAAP**”). No reconciliation to U.S. GAAP of the consolidated financial statements presented in this Offering Memorandum has been prepared for the purposes of this Offering Memorandum or for any other purposes. There can be no assurance that a reconciliation would not identify material quantitative differences between such financial statements prepared in accordance with Brazilian GAAP and such financial statements as prepared on the basis of U.S. GAAP. This Offering Memorandum describes certain differences between Brazilian GAAP and U.S. GAAP. See “Annex A — Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP.” In making an investment decision, investors must rely upon their own examination of the Issuer, the terms of the Notes offered by this Offering Memorandum and the financial information. Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and U.S. GAAP, and how those differences might effect the financial information herein.

On November 28, 2008, the shareholders of each of Itaúsa — Investimentos Itaú S.A. (“**Itaúsa**”) and Unibanco Holdings approved the “Association” (as defined hereafter). Subsequently, the financial operations of Itaú Unibanco and Unibanco were integrated through a series of reorganisation transactions completed on February 28, 2009. As a result of these transactions, the consolidated financial statements as of and for the year ended:

- December 31, 2009 reflect all operations of Unibanco as of that date and for the entire year;
- December 31, 2008 reflect all operations of Unibanco as of that date, but only reflect the operations of Unibanco for the period from October 1, 2008 (the first day of the financial quarter in which shareholders approved the “Association”) to December 31, 2008; and
- December 31, 2007 do not reflect the operations of Unibanco.

On December 28, 2007, Law No. 11,638 was enacted, primarily to enable the convergence of Brazilian GAAP with International Financial Reporting Standards (“**IFRS**”) and increase the transparency of financial statements in general. CMN Resolution No. 3,786 establishes that financial institutions meeting certain criteria, such as Itaú Unibanco Holding, are required to present consolidated financial statements in accordance with IFRS for the year ended December 31, 2010, without presenting comparative data. Such financial statements must be prepared based on IFRS as translated into Portuguese by IBRACON.

As result of the issuance of Law No. 11,638, in a parallel process, CPC has issued approximately 40 standards with the objective of making Brazilian GAAP similar to IFRS as described above. In the case of Itaú Unibanco Holding, effectiveness of the standards issued by CPC depends on approval of the standards by the Central Bank.

CPC has issued several standards for application beginning with the year ended December 31, 2008 and during 2009 issued several additional standards. As of the date of this Offering Memorandum, the Central Bank has approved three of those standards which are effective beginning with the year ended December 31, 2008. Itaú Unibanco Holding has applied those standards to its financial statements beginning with the year ended December 31, 2008 and has opted not to retroactively apply those standards to the financial information presented as comparative information as of and for the year ended December 31, 2007. See Note 20(o) to our consolidated financial statements as of and for the year ended December 31, 2008 for a description of the changes in accounting standards introduced for the year ended December 31, 2008. Standards issued by the CPC but not approved by the Central Bank are not required to be applied by Itaú Unibanco Holding.

The financial statements included in this Offering Memorandum are prepared in accordance with Brazilian GAAP effective as of the date reported. As a result, the financial information presented in this Offering Memorandum may differ significantly from financial statements that could be prepared in accordance with IFRS and financial statements prepared in the future under IFRS or Brazilian GAAP (including financial information as of and for the years ended December 31, 2009, 2008 and 2007 that may be presented as comparative information). Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and IFRS.

## SUMMARY

*This summary highlights, and is qualified in its entirety by, information contained elsewhere or incorporated by reference in this Offering Memorandum. This summary does not contain all the information that may be important to prospective investors. Prospective investors should read this entire Offering Memorandum carefully, including the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections, and our consolidated financial statements and related notes beginning on page B-1.*

### Overview

On November 3, 2008, we announced the merger of the operations of Banco Itaú Holding (now Itaú Unibanco Holding) and Unibanco Holdings. The result of this “Association” was the creation of Itaú Unibanco Holding. The final approval from the Central Bank was received on February 18, 2009. As of December 31, 2009, we were the largest bank in Brazil based on market capitalisation, according to Bloomberg.

Our principal areas of operation are: (i) commercial banking (including insurance, pension plan and capitalisation products, credit cards, asset management and a variety of credit products and services for individuals, small and middle-market companies), (ii) Itaú BBA (corporate and investment banking) and (iii) consumer credit (financial products and services to our non-accountholders).

### Our Ownership Structure

We are a financial holding company controlled by Itaú Unibanco Participações S.A. (“**IUPAR**”), a holding company jointly controlled by (i) Itaúsa, which is a holding company controlled by members of the Egydio de Souza Aranha family, and (ii) Companhia E. Johnston de Participações (“**E. Johnston**”), which is a holding company controlled by the former controlling shareholders of Unibanco, the Moreira Salles family. Itaúsa also owns directly 36.2% of the shares of our common stock. See “Principal Shareholders and Dividends.”

### History

We trace our origins to 1944, when members of the Egydio de Souza Aranha family founded Banco Federal de Crédito S.A. in São Paulo. Since 1973, we have operated through Banco Itaú S.A., now Itaú Unibanco Holding. Unibanco was founded by the Moreira Salles family in 1924, making it Brazil’s oldest non-state owned bank at the time of the “Association.”

Itaú Unibanco Holding’s legal and commercial name is Itaú Unibanco Holding S.A. We were incorporated on September 9, 1943 and registered with the number NIRE 35300010230. We are organised as a publicly held corporation for an unlimited period of time under the laws of the Federative Republic of Brazil. Our head offices are located at Praça Alfredo Egydio de Souza Aranha, 100, Torre Olavo Setubal, 04344-902, São Paulo, SP, Brazil and our telephone number is +55-11-5019-1267.

### Competitive Strengths

We believe the following strengths provide us with significant competitive advantages and distinguish us from our competitors.

#### ***Premier banking brand in Brazil.***

Our brands are very strong and very well recognised in Brazil. They represent quality and reliability and, with our large portfolio of products, help us to maintain a low customer turnover rate, especially among customers in the high income segment.

#### ***Large branch network in geographic areas of high economic activities.***

We have an extensive network with 3,936 branches and 33,114 ATMs as of December 31, 2009. Our Brazilian branch network, while national in scope, is strategically concentrated in Southeast Brazil, the country’s wealthiest region. Our branch network in other countries of the Southern Cone (Argentina, Chile, Paraguay, and Uruguay) is also positioned in regions of high levels of economic activity. A branch network in wealthier and key economic areas gives us a strong presence and a competitive advantage to offer our services to a broad range of customers and profit from selective market opportunities. Our exclusive ATM network allows us to offer a wide range of products and services to our customers which we see as one of our competitive strengths.

***Diverse line of products and services.***

We are a multi-service bank offering a diverse line of products and services that are designed to address the needs of various types of clients, including corporate clients, small and medium-sized enterprises, retail customers, high-income individuals, private bank clients, non-accountholders and credit card users. We believe that this model creates opportunities to improve our client relationships and thereby increase our market share. We expect to sustain our leading presence by capturing a solid and growing pipeline of transactions across a number of business segments.

***Technology and electronic distribution channels as drivers for sales.***

Our intensive use of technology and electronic distribution channels, which has contributed significantly to an increase in sales of products and services, is one of our most important competitive advantages. In 2009, we spent R\$3,692 million on information technology, R\$757 million for the purchase of hardware and software and R\$2,935 million for the cost of information technology (“IT”) infrastructure, operation and maintenance. We have sophisticated technology that supports other remote banking access (call centres, Internet banking, etc.) and offers customers the ability to verify their statements and perform their transactions. Our sales teams can access client credit scores directly through mobile phones and credit proposals can be sent over the Internet by any broker registered in our systems.

***Risk-based pricing model as a tool to manage risk while exploring opportunities.***

Our risk-based pricing model is an important competitive advantage as it gives us a more precise dimension of the risk equation versus return in various scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risks. Depending on the product, each contract is individually priced using risk adjusted return on capital models that give us a better assessment of the market.

**Business Strategy**

Our board of directors is responsible for the definition of our strategy and the strategies of our subsidiaries. Strategic decisions by our board of directors are supported by the strategy committee of our board of directors which provides data and information about strategic business issues. See “Management — Corporate Governance — Committees of the Board of Directors — Strategy Committee.” The strategy committee’s activities and responsibilities range from evaluating investment opportunities and budget guidelines to providing advice and support to the chief executive officer for the monitoring of our consolidated strategy. The strategy committee is supported by the institutional treasury supervisory committee that provides macroeconomic data in order to support discussions on strategies, investments and budgets.

***Integration in connection with the Association should position us to grow.***

During 2009 we were, and in 2010, we will continue to be, very focused on completing the integration of the Unibanco branches, while maintaining the service quality and increasing our customer products offering. Upon completion of this integration, we intend to focus on expanding in Brazil and abroad. Our objective is to be recognised as a leading specialist in Latin America by customers, companies and investors.

***Growing our loan portfolio with the maintenance of asset quality.***

The growth of our loan portfolio and the maintenance of asset quality are central issues to our strategy. We are constantly seeking to improve our models for risk management and our economic predictions and scenario modelling. We intend to increase the average volume of credit operations to maintain and even grow our market share, depending on the product, market and customer type, including through the development of new products for specific client demographics.

***Implementation of an advanced and fully integrated risk management approach should position us to increase profitability.***

Our main strategic goals in risk management include: (i) the incorporation of best practice recommendations and the implementation of the advanced approaches under the new Basel Accord (“**Basel II**”), which should enhance profitability from more precise risk-based pricing and risk-adjusted performance measurement frameworks, which are important sources of competitive advantage; and (ii) developing and



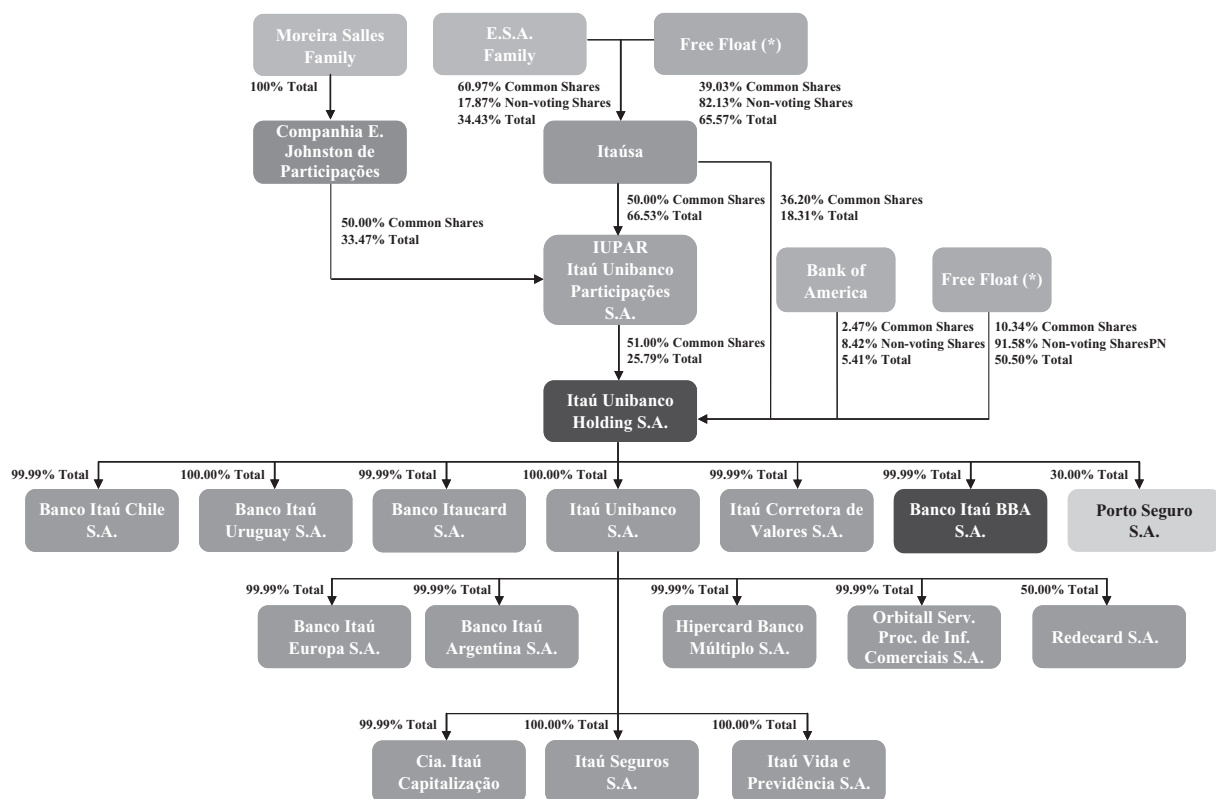
implementing a fully integrated risk management approach, through the integration of processes and systems, providing a comprehensive picture of risk exposures across risk types and from multiple viewpoints.

***Developing strong relationships with our clients based on customer segmentation.***

We will continue to work on our customer segmentation strategy in order to identify our customers' needs and enhance our relationship with our customer base, as well as to increase market penetration. A customer segment is a distinguishable part of our customer base that is subject to a specific set of needs that we focus on meeting. We believe that our customer segmentation tools and strategy provide us an important competitive advantage developed over the course of more than 25 years. We aim to fulfil clients' financial needs through a wide product portfolio, including cross-selling of banking and insurance products and sales through a variety of channels. It is also extremely important to deliver best-in-class customer service, in order to maintain and increase client satisfaction and increase portfolio profitability.

***Organisation of the Itaú Unibanco Group***

The following chart is a simplified overview of the direct and indirect ownership structure of the Itaú Unibanco Group as of December 31, 2009:



***Note:***

Ownership percentages above refer to the total of direct and indirect ownership. All of the above companies are based in Brazil, except Banco Itaú Argentina S.A. (located in Argentina), Banco Itaú Europa, S.A. (located in Portugal), Banco Itaú Chile S.A. (located in Chile) and Banco Itaú Uruguay S.A. (located in Uruguay).

## THE OFFERING OF THE SENIOR NOTES

The following is a brief summary of the terms and conditions of the Senior Notes and is subject to and qualified in its entirety by the section “Terms and Conditions of the Senior Notes” in this Offering Memorandum and the Trust Deed between Itaú Unibanco Holding and the Trustee (the “**Trust Deed**”) relating thereto. Terms which are defined in other sections of the Offering Memorandum or in the section “Terms and Conditions of the Senior Notes” have the same meaning when used in this summary.

<b>Issuer</b> . . . . .	Itaú Unibanco Holding S.A., acting through its head office or its Cayman Islands Branch.
<b>Description</b> . . . . .	Global Medium-Term Note Programme.
<b>Arrangers</b> . . . . .	Banco Itaú Europa, S.A. - London Branch, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated. Banco Itaú Europa, S.A. - London Branch is an affiliate of the Issuer.
<b>Dealers</b> . . . . .	Banco Itaú Europa, S.A. - London Branch, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated. Banco Itaú Europa, S.A. - London Branch is an affiliate of the Issuer.  The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.
<b>Trustee</b> . . . . .	The Bank of New York Mellon, acting through its New York branch.
<b>London Paying Agent</b> . . . . .	The Bank of New York Mellon, acting through its London branch.
<b>Principal Paying Agent</b> . . . . .	The Bank of New York Mellon, acting through its London branch, or such other Principal Paying Agent as specified in the relevant Final Terms.
<b>Paying Agents</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York office and any other Paying Agent as specified in the relevant Final Terms.
<b>Registrar</b> . . . . .	The Bank of New York Mellon.
<b>Transfer Agents</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York branch.
<b>Calculation Agent</b> . . . . .	The Bank of New York Mellon, acting through its London branch.
<b>Listing Agent</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A.
<b>Offering</b> . . . . .	The Senior Notes have not been and will not be registered under the Securities Act. The Senior Notes will be offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S and inside the United States to QIBs in accordance with Rule 144A. See “Subscription and Sale.”
<b>Final Terms</b> . . . . .	The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to any Senior Notes and any other relevant provisions of such Senior Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Senior Notes and will be specified in the relevant Final Terms. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein.

<b>Currency</b> .....	Subject to compliance with all relevant laws, regulations and directives, any currency as may be agreed between the Issuer and the relevant Dealer(s).
<b>Amount</b> .....	Up to US\$10,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of the Senior Notes. Under the Dealer Agreement among Itaú Unibanco Holding and the Dealers (the “ <b>Dealer Agreement</b> ”), the nominal amount of the Senior Notes which may be issued under the Programme may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of Senior Notes outstanding, Senior Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortisation yield formula as specified in the relevant Final Terms or, if none is specified in the relevant Final Terms, their face amount and Senior Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
<b>Maturities</b> .....	Subject to compliance with all relevant laws, regulations and directives, any maturity from 30 days or such other minimum maturity and any maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
<b>Issue Price</b> .....	The Senior Notes may be issued at their nominal amount or at a discount to or premium over their nominal amount.
<b>Method of Issue</b> .....	The Senior Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Senior Notes of each Series being intended to be interchangeable with all other Senior Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms.
<b>Form of the Senior Notes</b> .....	<p>The Senior Notes may be in bearer form (“<b>Bearer Notes</b>” comprising a “<b>Bearer Series</b>”) or registered form (“<b>Registered Notes</b>” comprising a “<b>Registered Series</b>”).</p> <p>Subject as provided below, each Bearer Series will be represented on issue by a temporary global Note (a “<b>Temporary Global Note</b>”) if</p> <p>(i) definitive Senior Notes are to be made available to holders of the Senior Notes following expiration of the period that is 40 days after the later of the commencement of offering of the relevant Tranche and the relevant closing date (the “<b>Distribution Compliance Period</b>”) or</p> <p>(ii) such Senior Notes are being issued in compliance with the D Rules (as defined in “— Selling Restrictions”), otherwise such Series will be represented by a permanent global Note (“<b>Permanent Global Note</b>”).</p> <p>Each Registered Series will be represented on issue by a definitive global unrestricted Registered Note (each an “<b>Unrestricted Global Note</b>”) or a definitive global restricted Registered Note (each a</p>

	“ <b>Restricted Global Note</b> ”). See “Form of the Notes; Book Entry and Transfer.”
<b>Clearing Systems</b> . . . . .	Clearstream Banking, société anonyme (“ <b>Clearstream</b> ”) and Euroclear Bank S.A./N.V. (“ <b>Euroclear</b> ”) for Bearer Notes; Euroclear, Clearstream and The Depository Trust Company (“ <b>DTC</b> ”) for Registered Notes.
<b>Initial Delivery of the Senior Notes</b> . . . . .	On or before the issue date for each Tranche, the Temporary Global Note or Permanent Global Note representing Bearer Notes may be deposited with a common depository for Euroclear and Clearstream or the Unrestricted Global Note or Restricted Global Note representing Registered Notes may be registered in the name of and deposited with a common nominee for Euroclear and Clearstream or a nominee of DTC. The Senior Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, <i>provided</i> that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
<b>Denomination</b> . . . . .	The Senior Notes will be issued in such denominations as may be specified in the applicable Final Terms and, in all cases, Senior Notes shall be issued in such other minimum denominations as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, or any laws or regulations applicable to the Issuer or the relevant specified currency, as the case may be, subject in all cases to changes in applicable legal or regulatory requirements. In the case of any Senior Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC, the minimum denomination shall be at least €50,000 and integral multiples of €1,000 thereafter (or its equivalent in any other currency as at the date of issue of the relevant Senior Notes). Registered Notes resold pursuant to Rule 144A shall be in denominations of US\$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) and integral multiples of US\$1,000 thereafter.
<b>Fixed Rate Notes</b> . . . . .	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Notes</b> . . . . .	<p>Floating rate Notes will bear interest determined separately for each Series as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (the “<b>ISDA Definitions</b>”); or</p> <p>(ii) by reference to London Interbank Offered Rate (“<b>LIBOR</b>”), London Interbank Bid Rate (“<b>LIBID</b>”), London Interbank Mean Rate (“<b>LIMEAN</b>”) or Euro Interbank Offer Rate (“<b>EURIBOR</b>”) (or such</p>

	other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.
	Floating rate Notes may have a maximum interest rate, a minimum interest rate or both.
<b>Zero Coupon Notes</b> . . . . .	Zero coupon Notes do not bear interest but will ordinarily be issued at a discount to their nominal amount. The amount payable on early redemption of a zero coupon Note will be specified in the relevant Final Terms.
<b>Dual Currency Notes</b> . . . . .	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of dual currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
<b>Index Linked Notes</b> . . . . .	Payments of principal or of interest in respect of index linked Notes will be calculated by reference to such index or formula as may be specified in the relevant Final Terms.
<b>Interest Periods and Interest Rates</b> . . . . .	The length of the interest periods for the Senior Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. The Senior Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Senior Notes to bear interest at different rates in the same interest period. All such information will be specified in the relevant Final Terms.
<b>Use of Proceeds</b> . . . . .	The net proceeds of any issue of Senior Notes will be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.
<b>Consolidation, Merger or Sales of Assets</b> . . . . .	The Issuer may consolidate with or merge into any other corporation or convey or transfer (including in connection with a <i>cisão</i> ), in one transaction or a series of transactions, all or substantially all of its properties or assets to any other person if it complies with specified requirements.
<b>Redemption</b> . . . . .	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, any Senior Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC must have a minimum redemption amount of at least €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Senior Notes).
<b>Other Notes</b> . . . . .	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be specified in the relevant Final Terms.
<b>Optional Redemption</b> . . . . .	The Final Terms issued in respect of each issue of Senior Notes will state whether such Senior Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) or the holders of the Senior Notes, and if so, the terms applicable to such redemption.

<b>Early Redemption</b> . . . . .	Except as provided in “Optional Redemption” above, the Senior Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Senior Notes — Redemption and Purchase.”
<b>Status of the Senior Notes</b> . . . . .	The Senior Notes issued under the Programme will constitute direct, unsecured and unsubordinated obligations of the Issuer ranking at all times <i>pari passu</i> and without any preference among themselves.
<b>Negative Pledge</b> . . . . .	<p>Subject to certain exceptions described in “Terms and Conditions of the Senior Notes,” so long as any Senior Note remains outstanding, the Issuer will not create or permit to subsist any Security (other than any Permitted Security) upon the whole or any part of the Issuer’s assets, present or future, to secure any of the Issuer’s Public External Indebtedness or any of the Issuer’s Affected Guarantees without, at the same time or prior thereto and for so long as such other obligation is so secured, securing the Senior Notes equally and ratably therewith or providing such other security for the Senior Notes as shall be not materially less beneficial to holders of the Senior Notes at the Issuer’s determination or as shall be approved by an Extraordinary Resolution of the holders of the Senior Notes.</p> <p>The terms “Security,” “Permitted Security,” “Public External Indebtedness,” “Affected Guarantee” and “Extraordinary Resolution” are defined in “Terms and Conditions of the Senior Notes.”</p>
<b>Covenant Defeasance</b> . . . . .	Upon satisfaction of the conditions set forth in Condition 11(c) in “Terms and Conditions of the Senior Notes,” the Issuer at any time may terminate its obligations under certain covenants, including the covenant described in Condition 5 (“Negative Pledge”) and the limitations described in Condition 19 (“Consolidation, Merger and Sales of Assets”) and the occurrence of a Default specified in Condition 10(b) (“Events of Default — Breach of other obligations”) or Condition 10(c) (“Events of Default — Cross default”) shall be deemed not to be or result in an Event of Default.
<b>Withholding Tax</b> . . . . .	All payments by or on behalf of the Issuer in respect of the Senior Notes and the coupons will be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, “ <b>Taxes</b> ”) of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of Senior Notes issued by Itaú Unibanco Holding through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of Senior Notes issued by Itaú Unibanco Holding S.A., Grand Cayman Branch (the “ <b>Cayman Islands Branch</b> ”), unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the holders of Senior Notes or, as the case may be, the couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in “Terms and Conditions of the Senior Notes — Taxation.”
<b>Further Issuances</b> . . . . .	The Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes of such series, to issue additional Notes of such Series so that the same shall be



	consolidated with, form a single issue with, and increase the aggregate nominal amount of, such Series of Notes.
<b>Substitution</b> .....	The Issuer may, with respect to any Series of Senior Notes issued by it (the <b>“Relevant Senior Notes”</b> ), without the consent of any holder, substitute for itself any other entity organised in any country in the world as the debtor in respect of the Senior Notes and the Trust Deed (the <b>“Substituted Debtor”</b> ) if it complies with specified requirements. In connection with such substitution, the Issuer will, at its option, either continue to be an obligor on the Relevant Senior Notes together with the Substituted Debtor or be released from its obligations as obligor as long as it has agreed to guarantee the obligations of the Substituted Debtor in relation to outstanding Relevant Senior Notes.
<b>Governing Law</b> .....	English.
<b>Listing</b> .....	Application has been made for Senior Notes issued under the Programme to be listed on the Euro MTF Market of the Luxembourg Stock Exchange. The relevant Final Terms will specify whether or not the Senior Notes of the relevant Series will be listed on the Euro MTF Market (or any other stock exchange).
<b>Selling Restrictions</b> .....	United States, European Economic Area, United Kingdom, Brazil and the Cayman Islands. See “Subscription and Sale.”  Each Bearer Series will be issued in compliance with U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the <b>“D Rules”</b> ) unless (i) the relevant Final Terms state that Senior Notes are issued in compliance with U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the <b>“C Rules”</b> ) or (ii) the Senior Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Senior Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 ( <b>“TEFRA”</b> ), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
<b>Transfer Restrictions</b> .....	There are restrictions on the transfer of the Senior Notes. See “Transfer Restrictions.”
<b>ERISA Considerations</b> .....	The Senior Notes may not be acquired by an “employee benefit plan” (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended, ( <b>“ERISA”</b> )) that is subject to Title I of ERISA, a “plan” subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Notes will not result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential purchasers should read the sections entitled “Certain ERISA and Other Considerations” and “Transfer Restrictions.”

## THE OFFERING OF THE SUBORDINATED NOTES

The following is a brief summary of the terms and conditions of the Subordinated Notes and is subject to and qualified in its entirety by the section “Terms and Conditions of the Subordinated Notes” in this Offering Memorandum and the Trust Deed relating thereto. Terms which are defined in other sections of the Offering Memorandum or in the section “Terms and Conditions of the Subordinated Notes” have the same meaning when used in this summary.

<b>Issuer</b> . . . . .	Itaú Unibanco Holding S.A., acting through its head office or its Cayman Islands Branch.
<b>Description</b> . . . . .	Global Medium-Term Note Programme.
<b>Arrangers</b> . . . . .	Banco Itaú Europa, S.A.- London Branch, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated. Banco Itaú Europa, S.A.- London Branch is an affiliate of the Issuer.
<b>Dealers</b> . . . . .	Banco Itaú Europa, S.A. - London Branch, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated. Banco Itaú Europa, S.A. - London Branch is an affiliate of the Issuer.
	The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.
<b>Trustee</b> . . . . .	The Bank of New York Mellon, acting through its New York branch.
<b>London Paying Agent</b> . . . . .	The Bank of New York Mellon, acting through its London branch.
<b>Principal Paying Agent</b> . . . . .	The Bank of New York Mellon, acting through its London branch, or such other Principal Paying Agent as specified in the relevant Final Terms.
<b>Paying Agents</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York office and any other Paying Agent as specified in the relevant Final Terms.
<b>Registrar</b> . . . . .	The Bank of New York Mellon.
<b>Transfer Agents</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York branch.
<b>Calculation Agent</b> . . . . .	The Bank of New York Mellon, acting through its London branch.
<b>Listing Agent</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A.
<b>Offering</b> . . . . .	The Subordinated Notes have not been and will not be registered under the Securities Act. The Subordinated Notes will be offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S and inside the United States to QIBs in accordance with Rule 144A. See “Subscription and Sale.”
<b>Final Terms</b> . . . . .	The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to any Subordinated Notes and any other relevant provisions of such Subordinated Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Subordinated Notes and will be specified in the relevant Final Terms, to which the relevant subordination nucleus prepared in accordance with Resolution 3,444 will be annexed. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein. The term

	“Resolution 3,444” is defined in “Terms and Conditions of the Subordinated Notes.”
<b>Currency</b> .....	Subject to compliance with all relevant laws, regulations and directives, any currency as may be agreed between the Issuer and the relevant Dealer(s).
<b>Amount</b> .....	Up to US\$10,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of the Subordinated Notes. Under the Dealer Agreement, the nominal amount of the Subordinated Notes which may be issued under the Programme may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of the Subordinated Notes outstanding, the Subordinated Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortisation yield formula as specified in the relevant Final Terms or, if none is specified in the relevant Final Terms, their face amount and the Subordinated Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
<b>Maturities</b> .....	Subject to compliance with all relevant laws, regulations and directives, any maturity from five years or such other minimum maturity and any maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
<b>Issue Price</b> .....	The Subordinated Notes may be issued at their nominal amount or at a discount to or premium over their nominal amount.
<b>Method of Issue</b> .....	The Subordinated Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Subordinated Notes of each Series being intended to be interchangeable with all other Subordinated Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the relevant Final Terms.
<b>Form of the Subordinated Notes</b> . . . . .	The Subordinated Notes will be Registered Notes. Each Series will be represented on issue by an Unrestricted Global Note or a Restricted Global Note. See “Form of the Notes; Book Entry and Transfer.”
<b>Clearing Systems</b> .....	Euroclear, Clearstream and DTC.
<b>Initial Delivery of the Subordinated Notes</b> .....	On or before the issue date for each Tranche, the Unrestricted Global Note or Restricted Global Note may be registered in the name of and deposited with a common nominee for Euroclear and Clearstream or a nominee of DTC. The Subordinated Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, <i>provided</i> that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue

will be registered in the name of nominees or a common nominee for such clearing systems.

<b>Denomination</b> . . . . .	The Subordinated Notes will be issued in such denominations as may be specified in the applicable Final Terms and, in all cases, Subordinated Notes shall be issued in such other minimum denominations as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, or any laws or regulations applicable to the Issuer or the relevant specified currency, as the case may be, subject in all cases to changes in applicable legal or regulatory requirements. In the case of any Subordinated Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC, the minimum denomination shall be at least €50,000 and integral multiples of €1,000 thereafter (or its equivalent in any other currency as at the date of issue of the relevant Subordinated Notes). Registered Notes resold pursuant to Rule 144A shall be in denominations of US\$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) and integral multiples of US\$1,000 thereafter.
<b>Fixed Rate Notes</b> . . . . .	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Notes</b> . . . . .	Floating rate Notes will bear interest determined separately for each Series as follows: <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating the ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</li> <li>(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Floating rate Notes may have a maximum interest rate, a minimum interest rate or both.</li> </ul>
<b>Dual Currency Notes</b> . . . . .	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of dual currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
<b>Index Linked Notes</b> . . . . .	Payments of principal or of interest in respect of index linked Notes will be calculated by reference to such index or formula as may be specified in the relevant Final Terms.
<b>Interest Periods and Interest Rates</b> . . .	The length of the interest periods for the Subordinated Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. The Subordinated Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Subordinated Notes to bear interest at different rates in the same interest period. All such information will be specified in the relevant Final Terms.
<b>Deferral of Interest and Principal</b> . . .	Any payment on the Subordinated Notes will be deferred if the Issuer determines that it is, or such payment would result in it being, in non-compliance with its Risk-Based Capital Requirements. See Condition 17 of “Terms and Conditions of the Subordinated Notes.” The term

	“Risk-Based Capital Requirements” is defined in “Terms and Conditions of the Subordinated Notes.”
<b>Use of Proceeds</b> . . . . .	The net proceeds of any issue of the Subordinated Notes will be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.
<b>Consolidation, Merger or Sales of Assets</b> . . . . .	The Issuer may consolidate with or merge into any other corporation or convey or transfer (including in connection with a <i>cisão</i> ), in one transaction or a series of transactions, all or substantially all of its properties or assets to any other person if it complies with specified requirements.
<b>Redemption</b> . . . . .	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, any Subordinated Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC must have a minimum redemption amount of at least €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Subordinated Notes).
<b>Other Notes</b> . . . . .	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
<b>Optional Redemption</b> . . . . .	Subject to the prior approval of the Central Bank, the Final Terms issued in respect of each issue of Subordinated Notes will state whether such Subordinated Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part), and if so, the terms applicable to such redemption.
<b>Early Redemption</b> . . . . .	Subject to the prior approval of the Central Bank, the Subordinated Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons. See “Terms and Conditions of the Subordinated Notes — Redemption and Purchase.”
<b>Redemption for Regulatory Reasons</b> . . . . .	Subject to the prior approval of the Central Bank, the Subordinated Notes will be redeemable at the option of the Issuer prior to maturity if, subsequent to the time that the Subordinated Notes initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Subordinated Notes may not be included in the consolidated Tier 2 Capital of the Issuer. The terms “Tier 2 Capital” and “Brazilian Governmental Authority” are defined in “Terms and Conditions of the Subordinated Notes.”
<b>Events of Default</b> . . . . .	The Terms and Conditions of the Subordinated Notes contain limited events of default. Payment of principal of the Subordinated Notes may be accelerated only in the case of certain events involving our bankruptcy, dissolution, suspension of payment on or failure or inability to pay all or a material part of (or of a particular type of) our debts generally as they become due or similar events. We will only be required to make payment on acceleration after we have been declared bankrupt, have been dissolved or suspend payment on or fail

or are unable to pay all or a material part of (or of a particular type of) our debts generally as they become due.

**Amendments to the Terms and  
Conditions of the Subordinated Notes;  
Modification by the Issuer . . . . .**

We expect to qualify each Series of Subordinated Notes as Tier 2 Capital subject to Central Bank's approval. In relation to a Series of Subordinated Notes, the Central Bank may require us to amend certain terms and conditions of such Subordinated Notes as a condition to granting such approval. In relation to any Series of Subordinated Notes, the Issuer may (once per Series) and the Trustee shall, if requested by the Issuer acting in compliance with Condition 11(c) of the Terms and Conditions of the Subordinated Notes, without the consent of the holders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank in order to qualify such Subordinated Notes as Tier 2 Capital pursuant to Resolution 3,444. The Issuer will not be permitted to make any modifications without holders' consent if such modification would affect in any way the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. The term "Resolution 3,444" is defined in "Terms and Conditions of the Subordinated Notes."

Other amendments to the terms and conditions of any Series of Notes (other than in respect of minor amendments required to cure inconsistencies, defects, ambiguities and similar matters) are subject to the prior consent of the holders as set out in Condition 11 in "Terms and Conditions of the Subordinated Notes."

**Status of Subordinated Notes . . . . .**

The Subordinated Notes will be direct, unsecured and subordinated obligations of the Issuer and shall be subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with Condition 17 in "Terms and Conditions of the Subordinated Notes." The term "Senior Liabilities" is defined in "Terms and Conditions of the Subordinated Notes."

**Covenant Defeasance . . . . .**

Upon satisfaction of the conditions set forth in Condition 20(c) in "Terms and Conditions of the Subordinated Notes," the Issuer at any time may terminate its obligations under the limitations described in Condition 18 ("Consolidation, Merger and Sales of Assets").

**Withholding Tax . . . . .**

All payments by or on behalf of the Issuer in respect of the Subordinated Notes will be made without withholding or deduction for, or on account of, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of the Subordinated Notes issued by Itaú Unibanco Holding through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of the Subordinated Notes issued by the Cayman Islands Branch unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the holders of the Subordinated Notes of such amounts as would have been received by them had no such withholding or deduction been required, subject to



	<p>certain exceptions as described in “Terms and Conditions of the Subordinated Notes — Taxation.”</p>
<b>Further Issuances</b> . . . . .	<p>The Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes of such series, to issue additional Notes of such Series so that the same shall be consolidated with, form a single issue with, and increase the aggregate nominal amount of, such Series of Notes.</p>
<b>Substitution</b> . . . . .	<p>The Issuer may, with respect to any Series of Subordinated Notes issued by it (the “<b>Relevant Subordinated Notes</b>”), without the consent of any holder, substitute for itself the Substituted Debtor if it complies with specified requirements. In connection with such substitution, the Issuer will, at its option, either continue to be an obligor on the Relevant Subordinated Notes together with the Substituted Debtor or be released from its obligations as obligor as long as it has agreed to guarantee the obligations of the Substituted Debtor in relation to outstanding Relevant Subordinated Notes.</p>
<b>Governing Law</b> . . . . .	<p>The Trust Deed, the Subordinated Notes, the Final Terms (including the summary of the Final Terms set out in section 5 of the subordination nucleus) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, provided that the provisions contained in Condition 17 of the Terms and Conditions of the Subordinated Notes, as amended by the subordination nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution 3,444, will be governed by and construed in accordance with the laws of Brazil. The terms “Tier 2 Capital” and “Resolution 3,444” are defined in “Terms and Conditions of the Subordinated Notes.”</p>
<b>Listing</b> . . . . .	<p>Application has been made for the Subordinated Notes issued under the Programme to be listed on the Euro MTF Market of the Luxembourg Stock Exchange (or any other stock exchange). The relevant Final Terms will specify whether or not the Subordinated Notes of the relevant Series will be listed on the Euro MTF Market (or any other stock exchange).</p>
<b>Selling Restrictions</b> . . . . .	<p>United States, European Economic Area, United Kingdom, Brazil and the Cayman Islands. See “Subscription and Sale.</p>
<b>Transfer Restrictions</b> . . . . .	<p>There are restrictions on the transfer of the Subordinated Notes. See “Transfer Restrictions.”</p>
<b>ERISA Considerations</b> . . . . .	<p>The Subordinated Notes may not be acquired by an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, a “plan” subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Subordinated Notes will not result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or holder of the Subordinated Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential purchasers should read the sections entitled “Certain ERISA and Other Considerations” and “Transfer Restrictions.”</p>

## RISK FACTORS

*The following section does not describe all the risks of an investment in the Notes. Prospective investors should carefully read this Offering Memorandum and any information incorporated by reference herein in its entirety. Prospective investors should consider, among other things, the risk factors with respect to Itaú Unibanco Holding, to Brazilian financial institutions and to Brazil not normally associated with investments in securities of United States, European and other similar issuers, including those risk factors set out below. Our business, results of operations, financial condition or prospects could be negatively affected if any of such risks occurs, and as a result, the trading price of the Notes could decline and you could lose all or part of your investment.*

*Prospective investors should further note that the risk factors described below are not the only risks we face or that relate to an investment in the Notes. These are the risks we consider material. There may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have similar effects to those set forth below.*

### General Economic and Political Risks

***The Brazilian government has exercised, and continues to exercise, influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could have a material adverse effect on our business, financial condition and results of operations.***

The Brazilian government from time to time intervenes in the Brazilian economy and makes changes in policies and regulations. The Brazilian government's actions have involved, in the past, among other measures, increases in interest rates, changes in tax policies, price controls, capital controls limits on selected imports and, prior to the current floating exchange regime, currency devaluations. Our business, financial condition, and results of operations may be materially and adversely affected by changes in policies or regulations involving or affecting factors, such as:

- interest rates;
- reserve requirements;
- capital requirements and liquidity of capital and credit markets;
- general economic growth, inflation and currency fluctuations;
- tax policies and rules;
- restrictions on remittances abroad and other exchange controls;
- increases in unemployment rates, decreases in wage and income levels and other factors that influence our customers' ability to meet their obligations with us; and
- other political, social and economic developments in Brazil.

As a bank in Brazil, the vast majority of our income, expenses, assets and liabilities are directly tied to interest rates. Therefore, our results of operations and financial condition are significantly affected by inflation, interest rate fluctuations and related government monetary policies, all of which may have a material adverse effect on the growth of the Brazilian economy and on us, including our loan portfolio, our cost of funding and our income from credit operations.

In addition, changes in administrations may result in changes in government policy that may affect us. Uncertainty over whether the Brazilian government in the future will implement changes in policies or regulations affecting these and other factors in the future may contribute to heightened volatility in the Brazilian securities markets and in the securities of Brazilian issuers, which in turn may have a material adverse effect on us.

***Fluctuations in interest rates could have a material adverse effect on our business, financial condition and results of operations.***

Interest rates have fluctuated in Brazil. Between 2005 and 2009, the base interest rate established by the Central Bank, which is the benchmark interest rate payable to holders of securities issued by the Brazilian government and traded at the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia* or the “**SELIC rate**”), varied between 19.75% per year and 8.75% per year. Public expectations regarding possible future governmental actions in the economy, government intervention in the foreign exchange market and the effects of the downturn in the global financial markets have caused and may continue to cause interest rates to fluctuate. In addition, if Brazil experiences fluctuations in rates of inflation in the future, our costs and net margins may be adversely affected, and government measures to combat inflation may include tightening monetary policy with high interest rates which may harm our business. Increases in the SELIC rate could adversely affect us by reducing the demand for credit, increasing our cost of funds and increasing the risk of customer default. Conversely, decreases in the SELIC rate could also adversely affect us by decreasing revenues on interest-earning assets and lowering our margins.

***Exchange rate instability may have a material adverse effect on the Brazilian economy and our business, financial condition and results of operations.***

The Brazilian currency fluctuates in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past implemented various economic plans and utilised a number of exchange rate regimes, including sudden devaluations, periodic mini-devaluations in which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, and dual exchange rates coupled with exchange controls. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank in buying or selling foreign currency. From time to time, the exchange rate between the Brazilian currency and the U.S. dollar and other currencies has fluctuated significantly. For example, the *real* depreciated 15.7% and 34.3% against the U.S. dollar in 2001 and 2002, respectively, and appreciated 22.3%, 8.8%, 13.4%, 9.5% and 20.7% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively. More recently, in 2008, the *real* depreciated 24.2% against the U.S. dollar. In 2009, the *real* appreciated 34.2% against the U.S. dollar from an exchange rate of R\$2.3370 per US\$1.00 as of December 31, 2008 to an exchange rate of R\$1.741 per US\$1.00 as of December 31, 2009. The average exchange rate in 2009 was R\$1.99 per US\$1.00 compared to an average exchange rate of R\$1.84 per US\$1.00 in 2008.

Some of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar. As of December 31, 2009, 13.2% of our total liabilities and 10.9% of our total assets were denominated in, or indexed to, a foreign currency. Although as of December 31, 2009, our material foreign investments were economically hedged in order to mitigate effects arising out of foreign exchange volatility, including the potential tax impact of such investments, there can be no assurance that such hedge strategies will remain in place or will offset such effects. Therefore, a depreciation of the Brazilian currency could have several adverse effects on us, including (i) losses on our liabilities denominated in or indexed to foreign currencies, (ii) impairments to our ability to pay our dollar-denominated or dollar-indexed liabilities by making it more costly for us to obtain the foreign currency required to pay such obligations, (iii) impairments to the ability of our borrowers to repay dollar-denominated or dollar-indexed liabilities to us and (iv) negatively affect the market price of our securities portfolio. Conversely, an appreciation of the Brazilian currency could cause us to incur losses on our assets denominated in or indexed to foreign currencies. Therefore, depending on the circumstances, either a depreciation or appreciation of the *real* could have a material adverse effect on our business, financial condition and results of operations.

***Developments and the perception of risk of other countries, including the United States and emerging market countries, may adversely affect the Brazilian economy and the market price of Brazilian securities.***

Economic and market conditions in other countries, including the United States, the European Union and emerging market countries, may affect to varying degrees the market value of securities of Brazilian issuers. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of

securities of Brazilian issuers, the availability of credit in Brazil and the amount of foreign investment in Brazil. Crises in the United States, the European Union, and emerging market countries may diminish investor interest in securities of Brazilian issuers, including Itaú Unibanco Holding. This could adversely affect the market price of our securities, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Banks located in countries considered to be emerging markets, such as ourselves, may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which could have a material adverse impact on our financial condition. In addition, the availability of credit to entities that operate within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and any factor that impacts market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

### **Risks Relating to Our Business and the Banking Industry**

***We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil.***

The financial global markets have deteriorated sharply since the end of 2007. Major financial institutions, including some of the largest global commercial banks, investment banks and insurance companies have been experiencing significant difficulties, especially lack of liquidity and depreciation of financial assets. These difficulties have constricted the ability of a number of major global financial institutions to engage in further lending activity and have caused losses. In addition, defaults by, and doubts about the solvency of certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by, and bankruptcies of, other institutions.

We are exposed to the disruptions and volatility in the global financial markets because of their effects on the financial and economic environment in the countries in which we operate, especially Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability. We lend primarily to Brazilian borrowers and these effects could materially and adversely affect our customers and increase our non-performing loans and, as a result, increase the risk associated with our lending activity and require us to make corresponding revisions to our risk management and loan loss reserve models. For example, in 2009, we experienced an increase in our non-performing loans overdue above 90 days from 3.9% of total loans in December 31, 2008 to 5.6% December 31, 2009.

The global financial downturn has had significant consequences for Brazil and the other countries in which we operate, including stock, interest and credit market volatility, a general economic slowdown, and volatile exchange rates that may, directly or indirectly, adversely affect the market price of Brazilian securities and have a material adverse effect on our business, financial condition and results of operations. In addition, institutional failures and disruption of the financial market in Brazil and the other countries in which we operate could restrict our access to the public equity and debt markets.

Continued or worsening disruption or volatility in the global financial markets could lead to further increase negative effects on the financial and economic environment in Brazil and the other countries in which we operate, which could have a material adverse effect on us.

***We may not be able to successfully integrate acquired or merged businesses, including the merger between Itaú and Unibanco.***

We have engaged in a number of mergers and acquisitions in the past and may make further acquisitions in the future as part of our growth strategy in the Brazilian financial services industry. Recently, these transactions included the merger between Itaú and Unibanco (announced in the last quarter of 2008, approved by the Central Bank in the first quarter of 2009 and which is pending approval by Brazilian anti-trust authorities) and the acquisition of operations under the “BankBoston” brand in Brazil, Chile and Uruguay in 2006 and 2007 from Bank of America Corporation (“BAC”) and certain of its affiliates. We believe that these transactions will contribute to our continued growth and competitiveness in the Brazilian banking sector.

The acquisition and merger of institutions and assets and the integration of such institutions and assets involves certain risks including the risk that:

- integrating new networks, information systems, personnel, financial and accounting systems, risk and other management systems, financial planning and reporting, products and customer bases into our existing business may run into difficulties or unexpected costs and place additional demands on our senior management, information systems, head office and back office operations and marketing resources;
- we may incur unexpected liabilities or contingencies relating to the acquired businesses;
- antitrust and other regulatory authorities may impose restrictions or limitations on the terms of the acquisition or merger, require disposition of certain assets or businesses or withhold their approval of such transaction; and
- delays in the integration process may cause us to incur greater operating expenses than expected with respect to our acquired businesses.

In addition, the expected operation and financial synergies and other benefits from such mergers or acquisitions may not be fully achieved. If we fail to achieve the business growth opportunities, cost savings and other benefits we anticipate from mergers and acquisition transactions (including the ongoing Itaú Unibanco integration), or incur greater integration costs than we have estimated, our results of operations and financial condition may be materially and adversely affected.

***Changes in applicable law and regulation may have a material adverse effect on our business.***

Brazilian banks, including us, are subject to extensive and continuous regulatory review by the Brazilian government, principally by the Central Bank. We have no control over applicable law and government regulations, which govern all aspects of our operations, including regulations that impose:

- minimum capital requirements;
- reserve and compulsory deposit requirements;
- minimum levels for federal housing and rural sector lending;
- funding restrictions;
- lending limits, earmarked lending and other credit restrictions;
- limits on investments in fixed assets;
- corporate governance requirements;
- limitations on charging of commissions and fees by financial institutions for services to retail clients and the amount of interest financial institutions can charge; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian financial institutions, including banks, broker-dealers, leasing companies and insurance companies, is continuously evolving. Parts of our business that are not currently subject to government regulation may become regulated in the future. For example, there are several legislative proposals currently under discussion in the Brazilian congress. Disruptions and volatility in the global financial markets resulting in liquidity problems at major international financial institutions could lead the Brazilian government to change laws and regulations applicable to Brazilian financial intuitions based on such international developments. The amendment of existing laws and regulations or the adoption of new laws and regulations could have a material adverse effect on our business and results of operations, including our ability to provide loans, make investments or render certain financial services. See “The Brazilian Financial System and Banking Regulation.”

***Tax reforms may have a material adverse impact on our results of operations.***

To maintain its fiscal policies, the Brazilian government regularly enacts reforms to tax and other assessment regimes. These reforms include the enactment of new taxes or assessments, changes in the bases of calculation or

rates of assessments, including rates applicable solely to the banking industry, and occasional enactment of temporary taxes for designated governmental purposes. For example, in October 2009, the Brazilian government imposed a 2.0% tax on the inflow of monies for investments in the Brazilian capital markets. The effects of these changes and any other changes that could result from the enactment of additional tax reforms cannot be quantified. These changes, however, may reduce our volume of operations, increase our costs or limit our profitability.

Furthermore, such changes have produced uncertainty in the financial system which may increase the cost of borrowing and may contribute to an increase in our non-performing loan portfolio.

***The increasingly competitive environment and consolidations in the Brazilian banking industry may have a material adverse effect on us.***

The markets for financial and banking services in Brazil are highly competitive. We face significant competition from other large Brazilian and international banks, including an increase in competition from Brazilian public banks. Competition has increased as a result of recent consolidations among financial institutions in Brazil and as a result of new regulations by CMN that facilitate the customer's ability to switch business between banks. See "The Brazilian Financial System and Banking Regulation." The increased competition may materially and adversely affect us by, among other things, limiting our ability to retain our existing consumer base, increase our customer base and to expand our operations, reducing our profit margins on banking and other services and products we offer, and to the extent it limits investment opportunities.

***Increases in reserve and compulsory deposit requirements may have a material adverse effect on business, financial condition and results of operations.***

The Central Bank has periodically changed the level of reserves and compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank. The Central Bank may increase the reserve and compulsory deposits requirements in the future or impose new requirements.

Reserve and compulsory deposit requirements reduce our liquidity to make loans and other investments. In addition, the compulsory deposits generally do not yield the same return as other investments and deposits because a portion of compulsory deposits:

- do not bear interest;
- must be held in Brazilian federal government securities; and
- must be used to finance government programs, including a federal housing program and rural sector subsidies.

As of December 31, 2009, we had R\$9,827 million in interest-bearing compulsory deposits and R\$4,042 million in non-interest-bearing compulsory deposits. Any increase in the compulsory deposits requirements may reduce our ability to lend funds and make other investments and, as a result, may have a material adverse effect on business, financial condition and results of operations. For more detailed information on compulsory deposits, see "Selected Statistical Information — Central Bank Compulsory Deposits."

***Changes in the profile of our business may have a material adverse effect on our loan portfolio.***

As of December 31, 2009, our loan and financing portfolio was R\$245,951 million, compared to R\$241,043 million as of December 31, 2008. Our allowance for loan losses was R\$24,052 million, representing 9.8% of our total loan portfolio, as of December 31, 2009, compared to R\$19,972 million, representing 8.3% of our total loan portfolio, as of December 31, 2008. The quality of our loan portfolio is subject to changes in the profile of our business resulting from organic growth and our merger and acquisition activity and is dependent on domestic and, to a lesser extent, international economic conditions. Adverse changes affecting any of the sectors to which we have significant lending exposure, political events within and external to Brazil and the variability of economic activity may have a material adverse impact on our business and our results of operations. Furthermore, our historic loan loss experience may not be indicative of our future loan losses.



In addition, our strategy includes efforts to significantly expand our loan portfolio as well as increase the number of clients, particularly individuals and small and middle-market companies, that we serve. Certain financial products we offer to individuals and other clients are generally characterised by higher margins, but also higher risks of default. A future increase in our loan portfolio, as well as a shift to higher margins and higher risk products, could result in increased default rates, which could have a material adverse effect on our financial condition and results of operations.

***The value of our securities and derivatives positions are subject to market fluctuations due to changes in Brazilian or international economic conditions and may produce material losses.***

As of December 31, 2009, investment securities represented R\$114,249 million, or 18.8% of our assets, and derivative financial instruments, which are used to hedge against risks in each of our business areas, represented R\$5,938 million, or 1.0% of our assets, and realised and unrealised gains and losses have had and will continue to have a significant impact on our results of operations. These gains and losses, which we record when investments in securities are sold or are marked to market (in the case of trading securities) or when our derivative financial instruments are marked to market, may fluctuate considerably from period to period and are impacted by domestic and international economic conditions. If, for example, we have entered into derivatives transactions to protect against decreases in the value of the *real* or in interest rates and the *real* increases in value or interest rates increase, we may incur financial losses. We cannot predict the amount of realised or unrealised gains or losses for any future period, and variations from period to period have no practical analytical value in helping us to make such a prediction. Such losses could materially and adversely affect our results of operations and financial condition. Gains or losses on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realise the appreciation or depreciation now existing in our consolidated investment portfolio or any portion thereof.

***Exposure to Brazilian federal government debt could have a material adverse effect on us.***

Like many other Brazilian banks, we invest in debt securities of the Brazilian government. As of December 31, 2009, approximately 7.2% of our total assets, and 36.5% of our securities portfolio, was comprised of debt securities issued by the Brazilian government. Any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on us.

***If our pricing expectations are incorrect or our reserves for future policyholder benefits and claims are inadequate, the profitability of our insurance and pension products or our results of operations and financial condition may be materially and adversely affected.***

Our insurance and pension plan business sets prices and establishes reserves for many of our insurance and pension products based upon actuarial or statistical estimates. The pricing of our insurance and pension products and the insurance and pension plans reserves carried to pay future policyholder benefits and claims are each based on models that include many assumptions and projections which are inherently uncertain and involve the exercise of significant judgment, including as to the levels of and timing of receipt or payment of premiums, contributions, benefits, claims, expenses, interest credits, investment results, interest rates, retirement, mortality, morbidity and persistency. Although we frequently review the pricing of our insurance and pensions products and the adequacy of our insurance and pension plans reserves, we cannot determine with precision the ultimate amounts that we will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting our policy liabilities, together with future premiums and contributions will be sufficient for payment of benefits and claims. Significant deviations in actual experience from our pricing assumptions could have a material adverse effect on the profitability of our insurance and pension plans products. In addition, if we conclude that our reserves, together with future premiums, are insufficient to cover future policy benefits and claims, we would be required to increase our reserves and incur income statement charges for the period in which the determination is made, which may have a material adverse effect on our results of operations and financial condition.

***Our market, credit and operational risk management policies, procedures and methods may not be fully effective in mitigating our exposure to unidentified or unanticipated risks.***

Our market, credit and operational risk management policies, procedures and methods, including our statistical modelling tools, may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behaviour. We apply statistical and other tools to these observations to quantify our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modelling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits.

In addition, our businesses depend on the ability to process a large number of transactions securely, efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, information systems failures or breaches or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures for mitigating operational risk proves to be inadequate or is circumvented.

***We may incur losses associated with counterparty exposures.***

We face the possibility that a counterparty will be unable to honour its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into reinsurance agreements or loan facilities or other credit agreements under which counterparties have obligations to make payments to us; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. In addition, we routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients.

***Our controlling shareholder has the ability to direct our business.***

As of December 31, 2009, IUPAR, our controlling shareholder, directly owned 51.0% of our common stock and 25.5% of our total capital stock. See “Principal Shareholders and Dividends.” As a result, IUPAR has the power to control us, including the power to elect our directors and officers and determine the outcome of any action requiring shareholder approval, including corporate reorganisations and the timing and payment of dividends. In addition, IUPAR is jointly controlled by Itaúsa, which is controlled by the Egidio de Souza Aranha family, and the former controlling shareholders of Unibanco, the Moreira Salles family. The interests of IUPAR, Itaúsa and the Egidio de Souza Aranha and Moreira Salles families may be different from your interests as a holder of the Notes.

***We are subject to regulation on a consolidated basis and may be subject to liquidation or intervention on a consolidated basis.***

The Central Bank treats us and our subsidiaries and affiliates as a single financial institution for regulatory purposes. While our consolidated capital base provides financial strength and flexibility to our subsidiaries and affiliates, their activities could indirectly put our capital base at risk. In particular, any investigation of, or intervention by the Central Bank in, the affairs of any of our subsidiaries and affiliates could have an adverse impact on our other subsidiaries and affiliates and ultimately on us.

If we or one or more of our subsidiaries become insolvent, the Central Bank has the prerogative to conduct the intervention or liquidation proceeding on a consolidated basis, merging Itaú Unibanco Holding with some or all of its subsidiaries (“**Merged Subsidiaries**”), instead of separately conducting the liquidation or intervention procedure at each entity. In the event of such a consolidation, creditors of Itaú Unibanco Holding, including

holders of the Senior Notes and the Subordinated Notes, would have claims on the assets of both the Merged Subsidiaries and Itaú Unibanco Holding, but the claims of such creditors would rank equally in right of payment with the claims of all other senior or subordinated creditors, as the case may be, of the Merged Subsidiaries and Itaú Unibanco Holding. However, if the Central Bank separately conducts such liquidation or intervention proceeding, the holders of the Notes would not have a direct claim on the assets of such subsidiaries, and any indirect claim of the holders of the Notes on the assets of such subsidiaries would be subject to the prior claims of the creditors of such subsidiaries. The Central Bank also has the authority to carry out other corporate reorganisations or transfer control in the case of intervention or liquidation.

## **Risks Relating to the Notes**

### ***Obligations under the Notes may be subordinated to certain statutory liabilities.***

Under Brazilian law, our obligations under the Notes will be subordinated to certain statutory preferences. In the event of our liquidation, certain claims, such as claims for salaries, wages, social security, taxes and court fees and expenses will have preference over any other claim, including the Notes. See “The Brazilian Financial System and Banking Regulation — Repayment of Creditors in Liquidation” for a discussion of the legal regime affecting the priority of repayment of creditors.

### ***The Subordinated Notes are subordinated obligations of the Issuer and the Issuer may defer payment on principal or interest in respect of Subordinated Notes.***

The Subordinated Notes will be subordinated in right of payment to all present and future Senior Liabilities in accordance with Condition 17 in “Terms and Conditions of the Subordinated Notes.” Senior Liabilities means all liabilities of the Issuer, except for: (i) any securities or liabilities of the Issuer that form part of or will form part of the Issuer’s regulatory capital (*patrimônio de referência*) in accordance with the terms of Resolution No. 3,444 excluding any Second Priority Liabilities (“**Parity Liabilities**”) and (ii) all types or classes of the Issuer’s capital stock (“**Second Priority Liabilities**”). There is a significant risk that an investor in Subordinated Notes will lose all or some of his investment if the Issuer becomes insolvent.

In addition, the Issuer is entitled in certain circumstances to defer the due date for payment of any principal and interest due in respect of Subordinated Notes in accordance with Condition 17 in “Terms and Conditions of the Subordinated Notes.” Although the Issuer may only opt to defer, and not to cancel, such payments, investors may not receive amounts in respect of interest or principal in respect of the Subordinated Notes on the scheduled payment date.

### ***If we do not satisfy our obligations under the Subordinated Notes, your remedies will be limited.***

Payment of principal of the Subordinated Notes may be accelerated only in the case of certain events involving our bankruptcy, dissolution, suspension of payment on or failure or inability to pay all or a material part of (or of a particular type of) our debts generally as they become due or similar events. There will be no right of acceleration in the case of a default in the performance of any of our covenants, including the payment of principal or interest in respect of the Subordinated Notes.

Even if the payment of principal of the Subordinated Notes is accelerated, our assets will be available to pay those amounts only after:

- all of our Senior Liabilities have been paid in full, as described above in “ — The Subordinated Notes are subordinated obligations of the Issuer and the Issuer may defer payment on principal or interest in respect of Subordinated Notes;” and
- we have been declared bankrupt, have been dissolved or suspend payment on or fail or are unable to pay all or a material part of (or of a particular type of) our debts generally as they become due.

If, after these conditions are met, we make any payment from Brazil, we may be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil. See “—We may not be able to obtain necessary governmental authorisations.”

***We may amend certain terms and conditions of the Subordinated Notes without your prior consent to comply with Central Bank requirements to qualify the Subordinated Notes as Tier 2 Capital.***

In order to qualify each Series of Subordinated Notes as tier 2 capital (“**Tier 2 Capital**”), Central Bank approval is required. We intend to seek Central Bank approval for each Series of Subordinated Notes. This approval is an administrative act and we cannot assure you that such approval will be granted by the Central Bank prior to the issuance of a Series of Subordinated Notes. The Central Bank may require us to amend certain terms and conditions so as to grant such approval. We may (one time per Series of Subordinated Notes), without the consent of holders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank to qualify such Subordinated Notes as Tier 2 Capital pursuant to Resolution No. 3,444. We will not be permitted to make any modifications without holders’ consent if such modification would in any way affect the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. Any amendment to the Subordinated Notes may adversely impact your rights as a holder and may adversely impact the market value of the Subordinated Notes.

***The Notes will be unsecured and effectively subordinated to the rights of our existing and future secured creditors.***

The Notes are unsecured and therefore do not have the benefit of any collateral. Accordingly, the Notes will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness, other than Public External Indebtedness, if any, with respect to which we are required to secure the Senior Notes equally and ratably pursuant to the negative pledge covenant applicable to the Senior Notes. This covenant is subject to important exceptions and permits us to incur a significant amount of secured indebtedness. Secured creditors will have a prior right to collateral securing their indebtedness in case of an event of default under the secured indebtedness of us and our subsidiaries, to the exclusion of the holders of the Notes, even if we are in default under the Notes. In that event, such collateral would first be used to repay in full all indebtedness and other obligations secured by such secured creditors, resulting in all or a portion of the collateral being unavailable to satisfy the claims of the holders of the Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment to secured creditors of us or our subsidiaries of collateral in any foreclosure, dissolution, winding-up, liquidation, reorganisation, or other bankruptcy proceeding, holders of Notes will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such Notes, and potentially with all other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, holders of Notes should expect to receive less, ratably, than holders of secured indebtedness.

***The Central Bank or Brazilian courts may, in certain circumstances including a liquidation of or intervention at Itaú Unibanco Holding or one or more of its subsidiaries, treat Itaú Unibanco Holding as a co-obligor of the debt of our subsidiaries.***

Under Brazilian law, the Central Bank or Brazilian courts may, in certain circumstances including a liquidation of or intervention at Itaú Unibanco Holding or one or more of its subsidiaries, disregard the ownership structure of our subsidiaries and treat Itaú Unibanco Holding and its subsidiaries as jointly liable for the subsidiaries’ debts. In this event, creditors of our subsidiaries may have claims against assets of Itaú Unibanco Holding that they would not have had in the absence of such action and such creditors’ claims may rank equally in right of payment with Itaú Unibanco Holding’s creditors.

***We may not be able to obtain necessary governmental authorisations.***

Under Brazilian law, the issue of Notes through our Cayman Islands Branch is not subject to the Central Bank’s prior approval or registration. In the event we are required to pay any amount due in respect of the Notes from Brazilian sources, we will need the specific approval of the Central Bank. Any specific approval from the Central Bank may only be requested at such time as we remit the payment abroad, and will be granted by the Central Bank on a case-by-case basis. It is not certain that any such approval will be obtainable on a timely basis or at all at a future date.

In addition, where we are acting through our head office or the proceeds of the Notes are transferred as a loan to such head office, the issue of Notes is subject to certain registrations with the Central Bank, namely (i) registration of the financial terms of each transaction under the Electronic Declaratory Registry — Registry of Financial Transactions (*Registro Declaratório Eletrônico — Registro de Operações Financeiras* or “**ROF**”) with the Central Bank or through the SISBACEN at least five days prior to the issue date for the issue of each Tranche under the Programme; (ii) registration with the Central Bank of the schedule of payments under the respective ROF in respect of each Tranche issued under the Programme, as soon as practicable after the issue date; (iii) further authorisation from the Central Bank to make payments outside Brazil in a specified currency other than scheduled payments of principal, interest, commissions, fees and expenses as contemplated by the ROF or to make any payments of principal, interest, commissions, fees and expenses provided for in the ROF earlier than the due date thereof or more than 120 days after their due date and (iv) prior authorisation to be granted by the Central Bank regarding the classification of Subordinated Notes as Tier 2 of the regulatory capital (*patrimônio de referência*).

***Judgments of Brazilian courts enforcing our obligations under any Notes would be payable only in reais.***

If proceedings were brought in Brazil seeking to enforce our obligations under the Notes, we would not be required to discharge our obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than Brazilian currency, which is payable in Brazil, may only be satisfied in Brazilian currency at the rate of exchange, as determined by the Central Bank, in effect on the date of payment. We cannot assure you that such rate of exchange will result in compensation equal to the amount invested in the Notes plus accrued interest, if any.

***Exchange rates and exchange controls may affect the value of, or return on, Notes.***

Notes involving one or more foreign currencies are subject to general exchange rate and exchange control risks. An investment in Notes that are denominated or payable in, or the payment of which is linked to the value of, currencies (including *reais*) other than U.S. dollars or Euros entails significant risks. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar or Euro and the relevant currencies and the possibility of the imposition or modification of exchange controls by governments. These risks generally depend on economic and political events over which we have no control.

Exchange rates may affect an investment in the Notes. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any of the Notes. Depending on the specific terms of currency-linked Notes, depreciation against the U.S. dollar or Euro of the currency in which Notes are payable or to which payment on such Notes is linked, or changes in exchange rates between currencies, could result in a decrease in the effective yield of the Notes and could result in a loss of all or a substantial portion of the value of those Notes.

We have no control over exchange rates. Exchange rates can either float or be fixed by governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and Euro and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank or the imposition of regulatory controls or taxes, to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. As a consequence, these government actions could adversely affect the U.S. dollar or Euro-equivalent yields or payouts for Notes denominated or payable in currencies other than the U.S. dollar or Euro and currency-linked Notes.

Except to the extent, if any, set forth in the applicable Final Terms, we will not make any adjustment or change to the terms of Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting any relevant currency.



Some currencies may become unavailable. From time to time, governments have imposed, and may in the future impose, exchange controls that could affect the availability of a specific currency. Even if there are no actual exchange controls, it is possible that the currency in which Notes are payable will not be available when payments on such Notes are due.

***Notes linked to currency prices, commodity prices, single securities, baskets of securities or indices entail significant risks.***

In addition to potential currency risks as described above, an investment in currency-linked Notes and Notes linked to commodity prices, single securities, baskets of securities or indices presents certain significant risks not associated with other types of securities. Currency-linked Notes and Notes linked to commodity prices, single securities, baskets of securities or indices may present a high level of risk, and holders of Notes may lose their entire investment if they have purchased such Notes.

Holders of Notes may risk the loss of principal or interest on their investment. The principal amount of currency-linked Notes and Notes linked to commodity prices, single securities, baskets of securities or indices payable at maturity, and the amount of interest payable on an interest payment date may be determined by reference to one or more of the following (each, an “**index**”):

- currencies, including baskets of currencies;
- commodities, including baskets of commodities;
- securities, including baskets of securities; or
- any other index.

The direction and magnitude of the change in the value of the relevant index will determine either or both the principal amount of Notes linked to such index payable at maturity or the amount of interest payable on an interest payment date. The terms of particular Notes may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Accordingly, holders of Notes linked to an index may lose all or a portion of the principal invested in such Notes and may receive no interest on such Notes.

Volatility may affect the value of or return on Notes linked to indices. Certain indices are highly volatile. The expected principal amount payable at maturity of, or the interest rate on, Notes based on a volatile index may vary substantially from time to time. Because the principal amount payable at the maturity of, or interest payable on, Notes linked to an index is generally calculated based on the value of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on such Notes may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by, among other things, political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these could adversely affect the value of or return on Notes linked to such index.

The availability and composition of certain indexes may affect the value of or return on Notes linked to indexes. Certain indexes reference several different currencies, commodities, securities or other financial instruments. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value of the index is calculated. Such an alteration may result in a decrease in the value of or return on Notes which are linked to such index.

An index may become unavailable due to such factors as war, natural disasters, cessation of publication of the index, or suspension of or disruption in trading in the currency or currencies, commodity or commodities, security or securities or other financial instrument or instruments comprising or underlying such index. If an index becomes unavailable, the determination of principal of or interest on Notes linked to that index may be delayed or an alternative method may be used to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that such alternative methods of valuation will produce values identical to those that would



be produced were the relevant index to be used. An alternative method of valuation may result in a decrease in the value of or return on Notes linked to an index.

Certain Notes may be linked to indexes that are not commonly utilised or have been recently developed. The lack of a trading history may make it difficult to anticipate the volatility or other risks to which such Notes are subject. In addition, there may be less trading in such indices or instruments underlying such indices, which could increase the volatility of such indices and decrease the value of or return on Notes relating thereto.

***An active trading market for the Notes may not develop.***

There is currently no market for the Notes. Application has been made for the Notes to be issued under the Programme to be admitted for listing on the official list of the Luxembourg Stock Exchange and to be admitted to trade on the Euro MTF Market of the Luxembourg Stock Exchange. We cannot assure you that this application will be accepted. Even if the Notes are listed on this stock exchange, we may delist the Notes. A trading market for the Notes may not develop, or if a market for the Notes were to develop, the Notes may trade at a discount from their initial offering price, depending on many factors including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The dealers are not under any obligation to make a market with respect to the Notes and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the Notes. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be materially and adversely affected.

***The prescription period of the Notes may not be respected by Brazilian courts.***

The terms and conditions of the Notes provide that claims in respect of principal and interest will not be required to be made unless made within a period of ten years, in respect of principal, and five years, in the case of interest, while the Brazilian Civil Code provides that the times for prescription of principal and interest are five and three years, respectively. In the event enforcement proceedings are initiated in Brazil in connection with the Notes or a foreign judgment is brought for enforcement in Brazil after the prescription periods provided in the Brazilian Civil Code, there can be no assurance that a Brazilian court will respect the prescription periods provided in the terms of the Notes.

### **USE OF PROCEEDS**

The net proceeds of any issue of Notes under the Programme are to be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.

## CAPITALISATION

The table below presents our capitalisation as of December 31, 2009. The information described below is derived from our consolidated financial statements included elsewhere in this Offering Memorandum. As of the date of this Offering Memorandum, there has been no material change in our capitalisation since December 31, 2009.

You should read the table below in conjunction with the information included in “Selected Financial and Other Information,” “Selected Statistical Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, and related notes thereto, included elsewhere in this Offering Memorandum and other financial information included or incorporated by reference herein.

	<b>As at December 31, 2009</b>	
	<b>(In millions of R\$)</b>	<b>(In millions of US\$)(1)</b>
<b>Current liabilities</b>		
Deposits . . . . .	121,938	70,031
Deposits received under securities repurchase agreements . . . . .	88,416	50,779
Funds from acceptance and issuance of securities . . . . .	10,452	6,003
Interbank accounts . . . . .	291	167
Interbranch accounts . . . . .	2,787	1,601
Borrowings and onlendings . . . . .	14,478	8,315
Derivative financial instruments . . . . .	3,335	1,916
Technical provisions for insurance, pension plan and capitalisation . . . . .	9,214	5,292
Other liabilities . . . . .	74,971	43,057
<b>Total . . . . .</b>	<b>325,881</b>	<b>187,159</b>
<b>Long-term liabilities</b>		
Deposits . . . . .	68,834	39,533
Deposits received under securities repurchase agreements . . . . .	43,519	24,994
Funds from acceptance and issuance of securities . . . . .	6,868	3,944
Borrowings and onlendings . . . . .	20,214	11,609
Derivative financial instruments . . . . .	2,141	1,229
Technical provisions for insurance, pension plan and capitalisation . . . . .	43,190	24,805
Other liabilities . . . . .	43,209	24,816
<b>Total . . . . .</b>	<b>227,975</b>	<b>130,930</b>
<b>Deferred income . . . . .</b>	<b>194</b>	<b>111</b>
<b>Minority interest in subsidiaries . . . . .</b>	<b>3,540</b>	<b>2,033</b>
<b>Stockholders’ equity(2) . . . . .</b>	<b>50,683</b>	<b>29,108</b>
<b>Total capitalisation(3) . . . . .</b>	<b>608,273</b>	<b>349,341</b>
<b>Regulatory capital to risk weighted assets ratio(4) . . . . .</b>	<b>16.7%</b>	

*Notes:*

- (1) Convenience translation at 1.7412 *reais* per U.S. dollar, the exchange rate in effect on December 31, 2009.
- (2) Itaú Unibanco Holding’s authorized and outstanding share capital consists of 2,289,286,475 common shares and 2,281,649,744 preferred shares, all of which are fully paid. For more information regarding our share capital see Note 16 to our consolidated financial statements as of and for the year ended December 31, 2009.
- (3) Total capitalisation corresponds to the sum of total current liabilities, long-term liabilities, deferred income, minority interest in subsidiaries and stockholders’ equity.
- (4) Calculated on a fully consolidated basis, including our financial and non-financial subsidiaries.

## EXCHANGE RATES

Prior to March 14, 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. The commercial market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from the Central Bank, such as registered investments by foreign persons and related remittances of funds abroad (including the payment of principal and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and registered with the Central Bank). The floating rate exchange market generally applied to specific transactions for which Central Bank approval was not required. Rates in the two markets were generally the same. On March 4, 2005, the CMN, through Resolution No. 3,265 effective March 14, 2005, as updated by CMN Resolution No. 3,568 of May 29, 2008, unified the two markets and allowed the exchange rate to float freely for all purposes. Recently, CMN issued Resolutions No. 3,844 and No. 3,845, both dated March 3, 2010, and the Central Bank issued Circulars No. 3,491, No. 3,492 and No. 3,493, all dated March 24, 2010, which consolidate and simplify certain exchange rules and related procedures. Currently, the Brazilian foreign exchange system allows the purchase and sale of foreign currency and the performance of international transfers in *reais* by any individual or legal entity, subject to certain regulatory procedures.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law allows the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance. We cannot predict whether the Brazilian government will impose remittance restrictions in the future. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

As of March 25, 2010, the U.S. dollar-*real* exchange rate was R\$1.8008 to US\$1.00.

The following table sets forth information on the selling rate for U.S. dollars as reported by the Central Bank for the periods and dates indicated.

<u>Year</u>	<u>Exchange Rate of Brazilian Currency per US\$1.00</u>			
	<u>Low</u>	<u>High</u>	<u>Average(1)</u>	<u>Period-End</u>
2005 .....	2.1633	2.7621	2.4125	2.3407
2006 .....	2.0586	2.3711	2.1679	2.1380
2007 .....	1.7325	2.1556	1.9300	1.7713
2008 .....	1.5593	2.5004	1.8335	2.3370
2009 .....	1.7024	2.4218	1.9905	1.7412
2010 (through March 25, 2010) .....	1.7227	1.8773	1.8289	1.8008

<u>Month</u>	<u>Low</u>	<u>High</u>	<u>Average(1)</u>	<u>Period-End</u>
September .....	1.7781	1.9038	1.8198	1.7781
October .....	1.7037	1.7844	1.7384	1.7440
November .....	1.7024	1.7588	1.7262	1.7505
December .....	1.7096	1.7879	1.7503	1.7412
January .....	1.7227	1.8748	1.7798	1.8748
February .....	1.8046	1.8773	1.8416	1.8110
March (through March 25, 2010) .....	1.7637	1.8030	1.7825	1.8008

*Note:*

Source: Central Bank

(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

## **SELECTED FINANCIAL AND OTHER INFORMATION**

The following summary of our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 presented under “— Income Statement Data” and “— Balance Sheet Data” has been derived from our consolidated financial statements for these respective periods prepared in accordance with Brazilian GAAP. Our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007, included elsewhere in this Offering Memorandum, have been audited by PricewaterhouseCoopers Auditores Independentes, independent accountants, as stated in their reports appearing therein.

As a result of the “Association” (as defined hereafter) and related transactions, the consolidated financial statements as of and for the year ended:

- December 31, 2009 reflect all operations of Unibanco as of that date and for the entire year;
- December 31, 2008 reflect all operations of Unibanco as of that date, but only reflect the operations of Unibanco for the period from October 1, 2008 (the first day of the financial quarter during which shareholder approval for the “Association” was obtained) to December 31, 2008; and
- December 31, 2007 do not reflect the operations of Unibanco.

Investors should read and analyse the information below in conjunction with our audited financial statements and their related notes included in this Offering Memorandum in Annex B and the other financial information included elsewhere or incorporated by reference in this Offering Memorandum, and the sections entitled “Presentation of Financial and Certain Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The information below is qualified in its entirety by reference to our consolidated financial statements included elsewhere in this Offering Memorandum.

## Income Statement Data

	Year Ended December 31,		
	2009	2008	2007
	(In millions of R\$)		
<b>Income from financial operations</b>			
Loan, lease and other credit operations . . . . .	47,477	37,892	21,055
Securities and derivative financial instruments . . . . .	24,025	13,899	7,831
Insurance, pension plan and capitalisation . . . . .	4,576	2,321	2,210
Foreign exchange operations . . . . .	9	987	148
Compulsory deposits . . . . .	641	1,332	886
<b>Total income from financial operations . . . . .</b>	<b>76,728</b>	<b>56,431</b>	<b>32,130</b>
<b>Expenses on financial operations</b>			
Interest on deposits (money market) . . . . .	(26,297)	(26,830)	(9,445)
Technical provisions for pension plan and capitalisation . . . . .	(3,993)	(1,841)	(1,841)
Borrowings and onlendings . . . . .	(292)	(4,392)	127
<b>Total expenses on financial operations . . . . .</b>	<b>(30,581)</b>	<b>(33,064)</b>	<b>(11,158)</b>
<b>Income from financial operations before loan losses . . . . .</b>	<b>46,147</b>	<b>23,367</b>	<b>20,971</b>
Expense for allowance for loan losses . . . . .	(16,399)	(14,280)	(6,563)
Income from recovery of credits written off as loss . . . . .	2,234	1,334	1,068
Result of loan losses . . . . .	(14,165)	(12,946)	(5,495)
<b>Gross income from financial operations . . . . .</b>	<b>31,981</b>	<b>10,422</b>	<b>15,476</b>
<b>Other operating income (expenses)</b>			
Banking service fees . . . . .	12,455	8,649	7,775
Asset management . . . . .	2,249	1,968	2,006
Current account services . . . . .	466	301	363
Credit cards . . . . .	5,817	3,019	2,349
Sureties and credits granted . . . . .	1,323	1,244	1,044
Receipt services . . . . .	1,205	901	902
Other . . . . .	1,395	1,218	1,112
Income from bank charges . . . . .	2,772	2,555	2,399
Result from insurance, pension plan and capitalisation operations . . . . .	2,432	1,307	1,219
Personnel expenses . . . . .	(9,832)	(7,632)	(5,523)
Other administrative expenses . . . . .	(11,593)	(7,921)	(6,403)
Tax expenses . . . . .	(4,238)	(2,336)	(2,533)
Equity in earnings of affiliates . . . . .	178	194	220
Other operating revenues . . . . .	941	1,509	521
Other operating expenses . . . . .	(5,480)	(7,448)	(2,107)
<b>Total other operating income (expenses) . . . . .</b>	<b>(12,365)</b>	<b>(11,123)</b>	<b>(4,431)</b>
Operating income (loss) . . . . .	19,617	(701)	11,045
Non-operating income . . . . .	430	206	2,873
<b>Income (loss) before taxes on net income and profit sharing . . . . .</b>	<b>20,047</b>	<b>(496)</b>	<b>13,919</b>
<b>Income tax and social contribution</b>			
Due on operations for the period . . . . .	(6,199)	(2,795)	(3,032)
Related to temporary differences . . . . .	(1,222)	12,215	(1,724)
<b>Total income tax and social contribution . . . . .</b>	<b>(7,421)</b>	<b>9,420</b>	<b>(4,756)</b>
<b>Profit sharing</b>			
Employees — Law No. 10,101 of 12/19/2000 . . . . .	(1,491)	(748)	(616)
Officers — Statutory — Law 6,404 of 12/15/1976 . . . . .	(205)	(107)	(128)
<b>Total profit sharing . . . . .</b>	<b>(1,695)</b>	<b>(855)</b>	<b>(744)</b>
<b>Minority interest in subsidiaries . . . . .</b>	<b>(864)</b>	<b>(266)</b>	<b>55</b>
<b>Net income . . . . .</b>	<b>10,067</b>	<b>7,803</b>	<b>8,474</b>



## Per Share Information

	As of December 31,		
	2009	2008	2007
	(In R\$, except number of shares)		
Weighted average of the number of outstanding shares (in thousands)(1) . . . . .	4,517,816	3,472,966	3,298,207
Net income per share(1)(2) . . . . .	2.23	2.25	2.57
Book value per share(1)(3) . . . . .	11.19	10.68	8.79

### Notes:

- (1) Takes into account retroactively the effect of bonus shares of one bonus share per every ten shares previously owned, as approved at the annual shareholders' meetings on April 24, 2009 and April 23, 2008.
- (2) Calculated based on the weighted average of the number of outstanding shares.
- (3) Calculated based on the number of outstanding shares at December 31 of each year.

	As of December 31,		
	2009	2008	2007
Dividends and interest on stockholders' equity per share (net of withholding taxes for interest on stockholders' equity)(1)(2)(In R\$) . . . . .	0.79	0.80	0.77
Dividends and interest on stockholders' equity per share (net of withholding taxes for interest on stockholders' equity)(1)(3)(In US\$) . . . . .	0.46	0.34	0.44

### Notes:

- (1) Under Brazilian Corporate Law, we are allowed to pay interest on stockholders' equity as an alternative to paying dividends to our shareholders.
- (2) Takes into account retroactively the effect of bonus shares of one bonus share per every ten shares previously owned, as approved at the annual shareholders' meetings on April 24, 2009 and April 23, 2008.
- (3) Convenience translation at the exchange rate in effect at the end of each period.

## Balance Sheet Data

	As of December 31,		
	2009	2008	2007
	(In millions of R\$)		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents . . . . .	10,594	15,847	4,288
Interbank investments . . . . .	133,012	120,269	55,116
Securities and derivative financial instruments . . . . .	95,275	109,273	52,961
Interbank accounts . . . . .	13,991	13,571	17,298
Interbranch accounts . . . . .	57	41	43
Loan, lease and other credit operations . . . . .	140,671	147,156	69,933
Other receivables . . . . .	56,312	78,069	26,086
Other assets . . . . .	2,813	3,064	1,339
<b>Total current assets . . . . .</b>	<b>452,726</b>	<b>487,290</b>	<b>227,062</b>
<b>Long-term receivables</b>			
Interbank investments . . . . .	6,184	4,277	1,670
Securities and derivative financial instruments . . . . .	24,913	29,071	8,377
Interbank accounts . . . . .	522	656	387
Loan, lease and other credit operations . . . . .	81,228	73,915	37,689
Other receivables . . . . .	30,862	29,546	12,523
Other assets . . . . .	1,545	2,022	858
<b>Total long-term receivables . . . . .</b>	<b>145,253</b>	<b>139,487</b>	<b>61,504</b>
<b>Income from financial operations before loan losses</b>			
Investments . . . . .	2,187	2,258	1,260
Fixed assets . . . . .	4,353	4,025	2,218
Operating lease assets . . . . .	6	9	12
Intangible assets . . . . .	3,748	4,133	2,820
<b>Total permanent assets . . . . .</b>	<b>10,295</b>	<b>10,426</b>	<b>6,310</b>
<b>Total assets . . . . .</b>	<b>608,273</b>	<b>637,202</b>	<b>294,876</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Deposits . . . . .	121,938	125,328	74,928
Deposits received under securities repurchase agreements . . . . .	88,416	86,322	38,873
Funds from acceptance and issuance of securities . . . . .	10,452	10,845	3,035
Interbank accounts . . . . .	291	399	404
Interbranch accounts . . . . .	2,787	2,609	1,452
Borrowings and onlending . . . . .	14,478	23,468	10,212
Derivative financial instruments . . . . .	3,335	11,224	2,500
Technical provisions for insurance, pension plan and capitalisation . . . . .	9,214	7,051	3,190
Other liabilities . . . . .	74,971	89,031	38,501
<b>Total current liabilities . . . . .</b>	<b>325,881</b>	<b>356,276</b>	<b>173,095</b>
<b>Long-term liabilities</b>			
Deposits . . . . .	68,834	80,862	6,664
Deposits received under securities repurchase agreements . . . . .	43,519	38,037	25,860
Funds from acceptance and issuance of securities . . . . .	6,868	8,751	5,336
Borrowing and onlending . . . . .	20,214	19,169	6,589
Derivative financial instruments . . . . .	2,141	3,583	1,357
Technical provisions for insurance, pension plan and capitalisation . . . . .	43,190	36,131	20,642
Other liabilities . . . . .	43,209	47,979	24,170
<b>Total long-term liabilities . . . . .</b>	<b>227,975</b>	<b>234,512</b>	<b>90,618</b>
<b>Deferred income . . . . .</b>	<b>194</b>	<b>231</b>	<b>74</b>
<b>Minority interest in subsidiaries . . . . .</b>	<b>3,540</b>	<b>2,519</b>	<b>2,121</b>
<b>Stockholders' equity . . . . .</b>	<b>50,683</b>	<b>43,664</b>	<b>28,969</b>
<b>Total liabilities and stockholders' equity . . . . .</b>	<b>608,273</b>	<b>637,202</b>	<b>294,876</b>

## Selected Consolidated Ratios

	As of December 31,		
	2009	2008	2007
<b>Profitability and performance</b>			
Return on average assets(1) . . . . .	1.6%	1.9%	3.2%
Return on average equity(2) . . . . .	21.4%	23.8%	32.1%
<b>Liquidity</b>			
Loans and leases as a percentage of total deposits(3)(4) . . . . .	128.9%	116.9%	141.6%
<b>Capital</b>			
Total equity as a percentage of total assets(4) . . . . .	8.3%	6.9%	9.8%

### Notes:

- (1) Net income divided by average total assets. For annual periods, it represents the ratio between net income and the average assets based on quarterly book balances ((December + September + June + March + December)/5).
- (2) Net income divided by average stockholder's equity. For annual periods, it represents the ratio between net income and the average equity based on quarterly book balances ((December + September + June + March + December)/5).
- (3) Loans and leases as of period-end divided by total deposits as of period-end.
- (4) As of the end of the applicable period.

## SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in connection with our audited consolidated financial statements and the notes thereto contained elsewhere in this Offering Memorandum as well as with “Presentation of Financial and Certain Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Offering Memorandum. Information is presented as of and for the years ended December 31, 2009, 2008 and 2007, and in the case of certain information related to our loans and leases and related allowances, also as of and for the years ended December 31, 2006 and 2005.

Data included in this section have been calculated in accordance with Brazilian GAAP. The comparability of data presented in this section is limited as a result of the “Association.” See “Presentation of Financial and Certain Other Information.”

### Average Balance Sheet and Interest Rate Data

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related financial income and financial expense amounts (which comprise, in addition to interest income and expense, other amounts such as effect of valuation to fair value of securities and derivative financial instruments and foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities) and the average real yield/rate for each period. We calculated the average balances using quarterly book balances (December + September + June + March + December)/5 for the years ended December 31, 2009, 2008 and 2007. Non-accruing loans and leases are disclosed as a non-interest earning assets in the table below.

	Year Ended December 31,								
	2009			2008			2007		
	Average Balance	Financial Income	Average Yield/Rate	Average Balance	Financial Income	Average Yield/Rate	Average Balance	Financial Income	Average Yield/Rate
	(In millions of R\$, except percentages)								
<b>Assets</b>									
Interest-earning assets . . . .	493,089	76,728	15.6%	321,215	56,431	17.6%	208,422	35,501	17.0%
Interbank investments . . .	131,315	12,706	9.7%	78,454	9,050	11.5%	46,130	5,208	11.3%
Interbank — central bank accounts . . . . .	8,159	641	7.9%	10,762	1,332	12.4%	9,650	936	9.7%
Securities and derivative instruments . . . . .	128,420	15,904	12.4%	85,000	8,157	9.6%	59,357	6,928	11.7%
Loans and leases . . . . .	225,195	47,477	21.1%	146,998	37,892	25.8%	93,285	22,429	24.0%
Non-interest-earning assets . . . . .	122,705			79,727			54,842		
Cash and due from banks . . . . .	11,841			7,390			4,219		
Other interbank and interbranch accounts . .	7,622			8,073			7,286		
Loan and lease and other credit operations — non-accrual . . . . .	14,579			6,631			4,766		
Other assets . . . . .	4,781			3,624			3,010		
Other receivables . . . . .	96,173			57,944			39,339		
Allowance for loan and lease losses . . . . .	(22,529)			(10,644)			(7,745)		
Investments in unconsolidated companies . . . . .	2,223			1,488			1,344		
Other permanent assets . .	8,013			5,221			2,623		
<b>Total assets . . . . .</b>	<b>615,794</b>			<b>400,942</b>			<b>263,264</b>		

Year Ended December 31,									
	2009			2008			2007		
	Average Balance	Financial Expense	Average Yield/Rate	Average Balance	Financial Expense	Average Yield/Rate	Average Balance	Financial Expense	Average Yield/Rate
(In millions of R\$, except percentages)									
<b>Liabilities</b>									
Interest-bearing liabilities . .	414,218	30,581	7.4%	259,212	33,064	12.8%	156,027	14,530	9.3%
Interest-bearing deposits . . . . .	170,183	13,598	8.0%	89,534	8,040	9.0%	48,262	4,514	9.4%
Savings deposits . . . . .	42,372	2,473	5.8%	30,896	2,087	6.8%	24,787	2,013	8.1%
Deposits from banks . .	2,791	224	8.0%	1,950	288	14.8%	1,673	134	8.0%
Time deposits . . . . .	125,020	10,901	8.7%	56,687	5,664	10.0%	21,803	2,367	10.9%
Deposits received under repurchase agreements . . . . .	126,475	12,322	9.7%	95,361	12,213	12.8%	58,039	6,542	11.3%
Funds from acceptance and issuance of securities . . . . .	19,021	(686)	-3.6%	10,693	5,052	47.2%	7,794	(460)	-5.9%
Borrowings and onlendings . . . . .	36,255	292	0.8%	23,413	4,392	18.8%	13,746	609	4.4%
Other obligations — securitisation of foreign payment orders and subordinated debt . . . .	23,710	1,064	4.5%	15,919	1,525	9.6%	10,342	1,484	14.4%
Technical provisions for insurance, pension plan and capitalisation . . . .	38,574	3,993	10.4%	24,292	1,841	7.6%	17,844	1,841	10.3%
Non-interest-bearing liabilities . . . . .	154,480			108,964			80,826		
Non-interest-bearing deposits . . . . .	25,538			23,026			20,909		
Other non-interest-bearing liabilities . . . . .	128,942			85,937			59,916		
Stockholders' equity . . . . .	<u>47,095</u>			<u>32,766</u>			<u>26,411</u>		
<b>Total liabilities and     stockholders' equity . . .</b>	<b><u>615,794</u></b>			<b><u>400,942</u></b>			<b><u>263,264</u></b>		

## Changes in Financial Income and Expenses — Volume and Rate Analysis

The following table sets forth the allocation of the changes in our financial income and expenses between average volume and changes in the average yields/rates for the year ended December 31, 2009 compared to 2008, and for the year ended December 31, 2008 compared to 2007. Volume and rate variations have been calculated based on fluctuations of average balances over the period and changes in average yield/rates on interest-earning assets and interest-bearing liabilities from one period to the other. Volume change has been computed as the change in the average interest-earning assets or interest-bearing liabilities from one period to the other multiplied by the average yield/rate in the later period. Yield/rate change has been computed as the change in the yield/rate in the period multiplied by the average interest-earning assets or interest-bearing liabilities in the earlier period. We allocated the net change from the combined effects of volume and yield/rate proportionately to volume change and yield/rate change considering positive and negative effects.

	Increase/(Decrease) Due to Changes in:					
	2009/2008			2008/2007		
	Volume	Yield/Rate	Net Change	Volume	Yield/Rate	Net Change
	(In millions of R\$)					
<b>Interest-earning assets</b> . . . . .	<b>25,808</b>	<b>(5,511)</b>	<b>20,297</b>	<b>19,782</b>	<b>1,147</b>	<b>20,930</b>
Interbank investments . . . . .	4,806	(1,150)	3,656	3,726	116	3,842
Interbank — central bank accounts . . . . .	(275)	(416)	(691)	117	280	396
Securities and derivative instruments . . . . .	4,939	2,808	7,746	2,089	(860)	1,229
Loans and leases . . . . .	14,575	(4,990)	9,585	13,742	1,721	15,463
<b>Interest-bearing liabilities</b> . . . . .	<b>8,398</b>	<b>(5,915)</b>	<b>(2,483)</b>	<b>11,888</b>	<b>6,646</b>	<b>18,534</b>
Interest-bearing deposits . . . . .	7,517	(1,959)	5,558	3,730	(203)	3,526
Savings deposits . . . . .	609	(223)	386	234	(160)	75
Deposits from banks . . . . .	1,053	(1,117)	(64)	25	128	154
Time deposits . . . . .	5,856	(619)	5,237	3,470	(172)	3,298
Deposits received under repurchase agreements . . . . .	407	(298)	108	4,680	991	5,671
Funds from acceptance and issuance of securities . . . . .	15,013	(20,752)	(5,739)	238	5,750	5,512
Borrowings and onlendings . . . . .	5,504	(9,605)	(4,100)	676	3,107	3,783
Other obligations — securitisation of foreign payment orders and subordinated debt . . . . .	5,345	(5,806)	(461)	106	(66)	41
Technical provisions for insurance, pension plan and capitalisation . . . . .	1,327	824	2,151	3	(2)	1



## Net Financial Margin and Spread

The following table sets forth our average interest-earning assets, average interest-bearing liabilities, net financial income and the comparative net financial margin and net financial spread for the years ended December 31, 2009, 2008 and 2007.

	Year Ended December 31,		
	2009	2008	2007
	(In millions of R\$, except percentages)		
Total average interest-earning assets . . . . .	493,089	321,215	208,422
Total average interest-bearing liabilities . . . . .	414,218	259,212	156,027
Net financial income(1) . . . . .	46,147	23,367	20,971
Average yield on average interest-earning assets(2) . . . . .	15.6%	17.6%	17.0%
Average rate on average interest-bearing liabilities(3) . . . . .	7.4%	12.8%	9.3%
Net interest spread(4) . . . . .	8.2%	4.8%	7.7%
Net interest margin(5) . . . . .	9.4%	7.3%	10.1%

### Notes:

- (1) Total financial income less total financial expense, before loan losses.
- (2) Total financial income divided by average interest-earning assets.
- (3) Total financial expense before loan losses, divided by average interest-bearing liabilities.
- (4) Difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.
- (5) Net financial income divided by average interest-earning assets.

## Return on Equity and Assets

The following table sets forth certain data with respect to return on equity and assets for the years ended December 31, 2009, 2008 and 2007.

	Year Ended December 31,		
	2009	2008	2007
	(In millions of R\$, except percentages)		
Net income . . . . .	10,067	7,803	8,474
Average total assets . . . . .	615,794	400,942	263,264
Average stockholders' equity . . . . .	47,095	32,766	26,411
Net income as a percentage of average total assets(1) . . . . .	1.6%	1.9%	3.2%
Net income as a percentage of average stockholders' equity(1) . . . . .	21.4%	23.8%	32.1%
Average stockholders' equity as a percentage of average total assets(1) . . . . .	7.6%	8.2%	10.0%
Dividend payout ratio per share(2) . . . . .	35.5%	35.4%	30.0%

### Notes:

- (1) Calculated using quarter-end balances.
- (2) Dividend and interest on stockholders' equity per share divided by earnings per share. Please see Note 16 to our consolidated financial statements for additional information on the computation of both dividends and interest on stockholders' equity and basic earnings per share.

## Securities Portfolio

### General

The following table sets forth our portfolio of trading assets, available for sale securities, held-to-maturity securities and derivative assets and liabilities as of December 31, 2009, 2007 and 2008. Our held-to-maturity securities are stated at amortised cost. See Notes 4.c and 7 to our consolidated financial statements for a description of the accounting policies applied to account for our securities portfolio and for additional information on the portfolio maintained as of such dates.

As of December 31,						
	2009	% of Total	2008	% of Total	2007	% of Total
(In millions of R\$, except percentages)						
<b>Trading assets</b>						
<b>Government Securities — Domestic . . . . .</b>	<b>25,828</b>	<b>35.9%</b>	<b>32,940</b>	<b>45.4%</b>	<b>11,013</b>	<b>28.4%</b>
Financial treasury bills . . . . .	9,586	13.3%	8,876	12.2%	1,831	4.7%
National treasury bills . . . . .	7,066	9.8%	14,128	19.5%	7,387	19.0%
National treasury notes . . . . .	8,464	11.8%	9,300	12.9%	1,186	3.1%
National treasury/securitisation . . . . .	487	0.7%	102	0.1%	84	0.2%
Brazilian external debt bonds . . . . .	223	0.3%	470	0.6%	240	0.6%
Investments in Non-Exclusive Funds . . . . .	2	—%	64	0.1%	259	0.7%
Other . . . . .	—	—%	—	—%	26	0.1%
<b>Government securities — abroad . . . . .</b>	<b>1,057</b>	<b>1.4%</b>	<b>2,535</b>	<b>3.4%</b>	<b>3,366</b>	<b>8.7%</b>
Argentina . . . . .	178	0.2%	64	0.1%	37	0.1%
Central Bank . . . . .	32	—%	37	0.1%	35	0.1%
National treasury . . . . .	146	0.2%	27	—%	2	—%
Russia . . . . .	—	—%	—	—%	275	0.7%
Denmark . . . . .	—	—%	—	—%	196	0.5%
Spain . . . . .	—	—%	418	0.6%	847	2.2%
Korea . . . . .	—	—%	291	0.4%	1,583	4.1%
Chile . . . . .	78	0.1%	164	0.2%	71	0.2%
Uruguay . . . . .	30	0.1%	6	—%	—	—%
Paraguay . . . . .	—	—%	398	0.5%	—	—%
United States . . . . .	747	1.0%	1,038	1.4%	286	0.7%
Mexico . . . . .	10	—%	154	0.2%	69	0.2%
Other . . . . .	14	—%	2	—%	2	—%
<b>Corporate securities . . . . .</b>	<b>6,726</b>	<b>9.2%</b>	<b>7,062</b>	<b>9.8%</b>	<b>5,735</b>	<b>14%</b>
Eurobonds and others . . . . .	628	0.9%	1,317	1.8%	821	2.1%
Bank deposit certificates . . . . .	2,258	3.1%	1,433	2.0%	1,775	4.6%
Shares . . . . .	1,188	1.6%	598	0.8%	393	1.0%
Debentures . . . . .	1,591	2.2%	1,253	1.7%	1,248	3.2%
Promissory notes . . . . .	91	0.1%	108	0.2%	—	—%
Shares of funds . . . . .	937	1.3%	2,314	3.2%	1,396	3.6%
Fixed income . . . . .	492	0.7%	1,976	2.7%	1,029	2.7%
Credit right funds . . . . .	337	0.5%	201	0.3%	356	0.9%
Other . . . . .	108	0.1%	137	0.2%	11	—%
Securitised real estate loans . . . . .	33	—%	39	0.1%	102	0.3%
<b>PGBL/VGBL fund shares . . . . .</b>	<b>38,626</b>	<b>53.5%</b>	<b>30,023</b>	<b>41.4%</b>	<b>18,664</b>	<b>48.1%</b>
<b>Total . . . . .</b>	<b>72,237</b>	<b>100.0%</b>	<b>72,560</b>	<b>100.0%</b>	<b>38,778</b>	<b>100.0%</b>
<b>Total trading assets as a percentage of total assets . . . . .</b>		<b>12.1%</b>		<b>11.7%</b>		<b>13.2%</b>

As of December 31,						
	2009	% of Total	2008	% of Total	2007	% of Total
(In millions of R\$, except percentages)						
<b>Available for sale securities</b>						
<b>Government securities — domestic</b>	<b>15,884</b>	<b>40.2%</b>	<b>15,968</b>	<b>36.5%</b>	<b>2,425</b>	<b>14.2%</b>
Financial treasury bills	7,826	19.8%	5,422	12.4%	1,032	6.1%
National treasury bills	2,199	5.6%	5,083	11.6%	732	4.3%
National treasury notes	3,623	9.2%	2,519	5.8%	269	1.6%
National treasury/securitisation	254	0.6%	123	0.3%	109	0.6%
Brazilian external debt bonds	1,980	5.0%	2,819	6.4%	278	1.6%
Other	2	—%	2	—%	5	—%
<b>Government securities — abroad</b>	<b>7,245</b>	<b>18.2%</b>	<b>9,477</b>	<b>21.6%</b>	<b>7,696</b>	<b>45.2%</b>
Portugal	26	0.1%	301	0.7%	240	1.4%
Austria	214	0.5%	1,460	3.3%	2,107	12.4%
Argentina	1	—%	1	—%	53	0.3%
Central Bank	—	—%	—	—%	53	0.3%
National treasury	1	—%	1	—%	—	—%
Denmark	1,971	5.0%	2,194	5.0%	173	1.0%
Spain	1,093	2.8%	2,829	6.5%	2,286	13.4%
Korea	1,756	4.4%	1,765	4.0%	2,159	12.7%
Chile	1,274	3.2%	483	1.1%	355	2.1%
Paraguay	417	1.0%	—	—%	—	—%
Uruguay	475	1.2%	74	0.1%	65	0.4%
United States	18	—%	25	0.1%	—	—%
Norway	—	—%	345	0.8%	188	1.1%
Italy	—	—%	—	—%	70	0.4%
<b>Corporate Securities</b>	<b>16,453</b>	<b>41.6%</b>	<b>18,362</b>	<b>41.9%</b>	<b>6,886</b>	<b>40.6%</b>
Eurobonds and others	1,824	4.6%	3,406	7.8%	2,749	16.2%
Bank deposit certificates	264	0.7%	1,393	3.2%	17	0.1%
Shares	2,603	6.6%	2,691	6.1%	554	3.3%
Debentures	4,535	11.4%	4,095	9.3%	1,417	8.3%
Promissory notes	1,626	4.1%	2,043	4.7%	359	2.1%
Shares of funds	1,271	3.3%	1,013	2.3%	973	5.7%
Fixed income	304	0.8%	149	0.3%	49	0.3%
Credit right funds	743	1.9%	784	1.8%	828	4.9%
Other	224	0.6%	80	0.2%	96	0.6%
Securitised real estate loans	4,311	10.9%	3,304	7.6%	817	4.8%
Other	19	—%	417	0.9%	—	—%
<b>Total available for sale securities</b>	<b>39,582</b>	<b>100.0%</b>	<b>43,807</b>	<b>100.0%</b>	<b>17,007</b>	<b>100.0%</b>
<b>Available for sale securities as a percentage of total assets</b>		<b>6.6%</b>		<b>7.0%</b>		<b>5.8%</b>
<b>Held-to-maturity securities</b>						
<b>Government Securities — domestic</b>	<b>2,178</b>	<b>89.8%</b>	<b>3,999</b>	<b>91.5%</b>	<b>1,131</b>	<b>79.0%</b>
National treasury notes	1,941	80.0%	2,410	55.1%	800	55.9%
National treasury notes — M	—	—%	8	0.2%	25	1.7%
Brazilian external debt bonds	237	9.8%	1,581	36.2%	306	21.4%

As of December 31,						
	2009	% of Total	2008	% of Total	2007	% of Total
(In millions of R\$, except percentages)						
<b>Government securities — abroad —</b>						
Uruguay . . . . .	17	0.7%	23	0.5%	20	1.4%
<b>Corporate securities . . . . .</b>	<b>235</b>	<b>9.5%</b>	<b>350</b>	<b>8.0%</b>	<b>281</b>	<b>19.6%</b>
Eurobonds and others . . . . .	184	7.5%	275	6.3%	211	14.7%
Debentures . . . . .	46	1.8%	68	1.6%	63	4.4%
Securitized real estate loans . . . . .	5	0.2%	7	0.1%	7	0.5%
<b>Total held-to-maturity securities . . . . .</b>	<b><u>2,430</u></b>	<b><u>100.0%</u></b>	<b><u>4,372</u></b>	<b><u>100.0%</u></b>	<b><u>1,432</u></b>	<b><u>100.0%</u></b>
<b>Held-to-maturity securities, as a percentage of total assets . . . . .</b>		<b>0.4%</b>		<b>0.7%</b>		<b>0.5%</b>
<b>Derivative financial instruments</b>						
<b>Assets</b>						
Futures . . . . .	—	—%	377	2.1%	—	—%
Options . . . . .	2,212	37.2%	6,728	38.2%	518	12.6%
Forwards . . . . .	67	1.1%	1,076	6.1%	1,105	26.8%
Swaps . . . . .	2,578	43.4%	3,533	20.1%	1,785	43.3%
Credit derivatives . . . . .	16	0.3%	64	0.4%	39	0.9v
Forwards . . . . .	313	5.2%	3,573	20.3%	655	15.9v
Swaps with target flow . . . . .	233	4.0%	2,086	11.8%	—	—%
Other . . . . .	519	8.8%	168	1.0%	19	0.5%
<b>Total . . . . .</b>	<b><u>5,938</u></b>	<b><u>100.0%</u></b>	<b><u>17,605</u></b>	<b><u>100.0%</u></b>	<b><u>4,121</u></b>	<b><u>100.0%</u></b>
<b>Derivative financial instruments — assets — as percentage of total assets . . . . .</b>		<b>1.0%</b>		<b>2.8%</b>		<b>1.4%</b>
<b>Liabilities</b>						
Futures . . . . .	(25)	0.5%	—	—%	(82)	2.2%
Options . . . . .	(1,989)	36.3%	(8,335)	56.3%	(478)	12.3%
Forwards . . . . .	(67)	1.2%	(251)	1.7%	(149)	3.9%
Swaps . . . . .	(2,114)	38.7%	(3,303)	22.3%	(1,791)	46.4%
Credit Derivative . . . . .	(106)	1.9%	(274)	1.9%	(46)	1.2%
Forwards . . . . .	(407)	7.4%	(1,412)	9.5%	(1,298)	33.7%
Swaps with target flow . . . . .	(229)	4.2%	(746)	5.0%	—	—%
Other . . . . .	(539)	9.8%	(486)	3.3%	(13)	0.3%
<b>Total . . . . .</b>	<b><u>(5,476)</u></b>	<b><u>100.0%</u></b>	<b><u>(14,807)</u></b>	<b><u>100.0%</u></b>	<b><u>(3,857)</u></b>	<b><u>100.0%</u></b>
<b>Derivatives financial instruments — Liabilities — as percentage of total assets . . . . .</b>		<b>0.9%</b>		<b>2.4%</b>		<b>1.3%</b>

As of December 31, 2009, we held securities issued by the Brazilian federal government classified above as “Government securities — domestic” with an aggregate book value and an aggregate market value of R\$43,890 million, which amount represented 87.0% of our consolidated stockholders’ equity as of that date. We did not hold securities of any other issuer which in the aggregate represented more than 10.0% of our consolidated stockholders’ equity.

The following table sets forth our portfolio of trading assets, securities available for sale and held-to-maturity securities at its amortised cost and its fair value, as of December 31, 2009.

	<b>As of December 31, 2009</b>	
	<b>Amortised Cost</b>	<b>Fair Value</b>
	<b>(In millions of R\$)</b>	
<b>Trading Assets</b>		
<b>Government securities — domestic</b>	<b>25,786</b>	<b>25,828</b>
Financial treasury bills	9,586	9,586
National treasury bills	7,063	7,066
National treasury notes	8,431	8,464
National treasury/securitisation	482	487
Brazilian external debt bonds	221	223
Investments in non-exclusive funds	3	2
<b>Government securities — abroad</b>	<b>1,045</b>	<b>1,057</b>
Argentina	178	178
Central bank	33	32
National treasury	145	146
Chile	78	78
Uruguay	30	30
United States	735	747
Mexico	10	10
Other	14	14
<b>Corporate securities</b>	<b>6,455</b>	<b>6,726</b>
Eurobonds and others	625	628
Bank deposit certificates	2,258	2,258
Shares	954	1,188
Debentures	1,590	1,591
Promissory notes	91	91
Shares of funds	905	937
Fixed income	492	492
Credit right funds	337	337
Other	76	108
Securitised real estate loans	32	33
<b>PGBL/VGBL fund shares</b>	<b>38,626</b>	<b>38,626</b>
<b>Total trading assets</b>	<b>71,912</b>	<b>72,237</b>
<b>Available for sale securities</b>		
<b>Government securities — domestic</b>	<b>15,600</b>	<b>15,884</b>
Financial treasury bills	7,826	7,826
National treasury bills	2,192	2,199
National treasury notes	3,51	3,623
National treasury/securitisation	287	254
Brazilian external debt bonds	1,783	1,980
Other	2	2

As of December 31, 2009		
	Amortised Cost	Fair Value
	(In millions of R\$)	
<b>Government securities — abroad</b> . . . . .	<b>7,261</b>	<b>7,245</b>
Portugal . . . . .	26	26
Austria . . . . .	212	214
Argentina . . . . .	1	1
Denmark . . . . .	1,995	1,971
Spain . . . . .	1,090	1,093
Korea . . . . .	1,748	1,756
Chile . . . . .	1,278	1,274
Paraguay . . . . .	417	417
Uruguay . . . . .	476	475
United States . . . . .	18	18
<b>Corporate securities</b> . . . . .	<b>16,305</b>	<b>16,453</b>
Eurobonds and others . . . . .	1,765	1,824
Bank deposit certificates . . . . .	263	264
Shares . . . . .	2,560	2,603
Debentures . . . . .	4,522	4,535
Promissory notes . . . . .	1,626	1,626
Shares of funds . . . . .	1,258	1,271
Fixed income . . . . .	298	304
Credit right funds . . . . .	743	743
Other . . . . .	217	224
Securitised real estate loans . . . . .	4,292	4,311
Other . . . . .	19	19
<b>Total</b> . . . . .	<b><u>39,166</u></b>	<b><u>39,582</u></b>
<b>Held-to-maturity securities</b>		
<b>Government securities — domestic</b> . . . . .	<b>2,178</b>	
National treasury notes . . . . .	1,941	
Brazilian external debt bonds . . . . .	237	
<b>Government securities — abroad — Uruguay</b> . . . . .	<b>17</b>	
<b>Corporate securities</b> . . . . .	<b>235</b>	
Eurobonds and others . . . . .	184	
Debentures . . . . .	46	
Securitised real estate loans . . . . .	5	
<b>Total</b> . . . . .	<b><u>2,430</u></b>	



## Maturity Distribution

The following table sets forth the maturity distribution as of December 31, 2009 for our securities (trading assets, securities available for sale, held-to-maturity securities and derivative assets and liabilities), adjusted to their mark-to-market values.

As of December 31, 2009							
	Maturity						Total Carrying Amount
	0-30 Days	31-90 Days	91-180 Days	181-365 Days	366-720 Days	Over 720 Days	
	(In millions of R\$)						
<b>Trading Securities</b>							
<b>Government securities —</b>							
<b>domestic . . . . .</b>	<b>5,080</b>	<b>395</b>	<b>1,102</b>	<b>4,244</b>	<b>4,241</b>	<b>10,766</b>	<b>25,828</b>
Financial treasury bills . . . . .	242	216	607	266	691	7,564	9,586
National treasury bills . . . . .	4,485	—	276	349	1,956	—	7,066
National treasury notes . . . . .	338	151	55	3,274	1,530	3,116	8,464
National treasury/securitisation . . .	10	15	114	264	25	59	487
Brazilian external debt bonds . . . . .	3	13	50	91	39	27	223
Investments in non-exclusive funds . . . . .	2	—	—	—	—	—	2
<b>Government securities — abroad . . .</b>	<b>56</b>	<b>51</b>	<b>76</b>	<b>12</b>	<b>4</b>	<b>858</b>	<b>1,057</b>
Argentina . . . . .	—	12	44	9	—	113	178
Central Bank . . . . .	—	—	29	—	—	3	32
National treasury . . . . .	—	12	15	9	—	110	146
Chile . . . . .	43	9	26	—	—	—	78
Uruguay . . . . .	8	11	4	1	4	2	30
United States . . . . .	5	13	2	—	—	727	747
Mexico . . . . .	—	6	—	—	—	4	10
Other . . . . .	—	—	—	2	—	12	14
<b>Corporate securities . . . . .</b>	<b>2,748</b>	<b>187</b>	<b>271</b>	<b>636</b>	<b>1,241</b>	<b>1,643</b>	<b>6,726</b>
Eurobonds and others . . . . .	36	73	32	30	47	410	628
Bank deposit certificates . . . . .	554	82	14	448	682	478	2,258
Shares . . . . .	1,188	—	—	—	—	—	1,188
Debentures . . . . .	33	32	134	153	506	733	1,591
Promissory notes . . . . .	—	—	91	—	—	—	91
Shares of funds . . . . .	937	—	—	—	—	—	937
Fixed income . . . . .	492	—	—	—	—	—	492
Credit right funds . . . . .	337	—	—	—	—	—	337
Other . . . . .	108	—	—	—	—	—	108
Securitised real estate loans . . . . .	—	—	—	5	6	22	33
<b>PGBL/VGBL fund shares . . . . .</b>	<b>38,626</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>38,626</b>
<b>Total . . . . .</b>	<b>46,510</b>	<b>633</b>	<b>1,449</b>	<b>4,892</b>	<b>5,486</b>	<b>13,267</b>	<b>72,237</b>

As of December 31, 2009							
	Maturity						Total Carrying Amount
	0-30 Days	31-90 Days	91-180 Days	181-365 Days	366-720 Days	Over 720 Days	
	(In millions of R\$)						
Available for sale securities							
Government securities — domestic . . .	2,013	675	450	379	5,280	7,087	15,884
Financial treasury bills . . . . .	34	672	387	155	4,113	2,465	7,826
National treasury bills . . . . .	1,872	—	6	48	273	—	2,199
National treasury notes . . . . .	107	3	2	110	572	2,829	3,623
National treasury/securitisation . . . . .	—	—	—	—	—	254	254
Brazilian external debt bonds . . . . .	—	—	55	66	321	1,538	1,980
Other . . . . .	—	—	—	—	1	1	2
Government securities — abroad . . . . .	483	987	2,407	2,783	514	71	7,245
Portugal . . . . .	—	—	26	—	—	—	26
Austria . . . . .	—	214	—	—	—	—	214
Argentina . . . . .	—	—	—	—	—	1	1
Denmark . . . . .	294	244	673	334	426	—	1,971
Spain . . . . .	—	4	1,004	85	—	—	1,093
Korea . . . . .	—	—	—	1,756	—	—	1,756
Chile . . . . .	100	395	545	175	21	38	1,274
Paraguay . . . . .	49	67	76	158	36	31	417
Uruguay . . . . .	40	63	83	275	13	1	475
United States . . . . .	—	—	—	—	18	—	18
Corporate securities . . . . .	4,252	655	1,646	2,420	1,801	5,679	16,453
Eurobonds and others . . . . .	25	121	119	97	447	1,015	1,824
Bank deposit certificates . . . . .	49	—	2	33	82	98	264
Shares . . . . .	2,603	—	—	—	—	—	2,603
Debentures . . . . .	240	366	893	1,289	1,068	679	4,535
Promissory notes . . . . .	53	133	557	883	—	—	1,626
Shares of funds . . . . .	1,267	—	—	—	—	4	1,271
Fixed income . . . . .	300	—	—	—	—	4	304
Credit right funds . . . . .	743	—	—	—	—	—	743
Other . . . . .	224	—	—	—	—	—	224
Securitised real estate loans . . . . .	15	35	75	109	204	3,873	4,311
Other . . . . .	—	—	—	9	—	10	19
Total . . . . .	6,748	2,317	4,503	5,582	7,595	12,837	39,582

As of December 31, 2009							
	Maturity						Total Carrying Amount
	0-30 Days	31-90 Days	91-180 Days	181-365 Days	366-720 Days	Over 720 Days	
	(In millions of R\$)						
<b>Held-to-maturity securities</b>							
<b>Government securities — domestic</b> . . . . .	—	9	—	8	195	1,966	2,178
National treasury notes . . . . .	—	9	—	8	141	1,783	1,941
Brazilian external debt bonds . . . . .	—	—	—	—	54	183	237
<b>Government securities — abroad — Uruguay</b> . . . . .	—	—	—	—	—	17	17
<b>Corporate securities</b> . . . . .	5	1	1	17	92	119	235
Eurobonds and others . . . . .	5	1	—	—	90	88	184
Debentures . . . . .	—	—	1	17	2	26	46
Quotas of funds — other . . . . .	—	—	—	—	—	5	5
<b>Total</b> . . . . .	<u>5</u>	<u>10</u>	<u>1</u>	<u>25</u>	<u>287</u>	<u>2,101</u>	<u>2,430</u>
<b>Derivative financial instruments</b>							
<b>Assets</b>							
Optimum premiums . . . . .	751	201	547	325	385	3	2,212
Forwards . . . . .	67	—	—	—	—	—	67
Swaps — difference receivable . . . . .	409	206	271	455	469	768	2,578
Credit derivatives . . . . .	1	7	2	1	1	4	16
Forwards . . . . .	88	81	105	27	7	5	313
Swaps with target flow . . . . .	45	1	1	2	135	49	233
Other . . . . .	26	101	101	25	125	141	519
<b>Total</b> . . . . .	<u>1,387</u>	<u>597</u>	<u>1,027</u>	<u>835</u>	<u>1,122</u>	<u>970</u>	<u>5,938</u>
<b>Liabilities</b>							
Futures . . . . .	8	8	(9)	(2)	1	(31)	(25)
Optimum premiums . . . . .	(625)	(198)	(153)	(385)	(625)	(3)	(1,989)
Forwards . . . . .	(67)	—	—	—	—	—	(67)
Swaps — difference receivable . . . . .	(242)	(71)	(577)	(286)	(382)	(556)	(2,114)
Credit derivatives . . . . .	(9)	(6)	(5)	(5)	(3)	(78)	(106)
Forwards . . . . .	(91)	(118)	(90)	(95)	(10)	(3)	(407)
Swaps with target flow . . . . .	(4)	(5)	(8)	(2)	(63)	(147)	(229)
Other . . . . .	(46)	(57)	(121)	(74)	(159)	(82)	(539)
<b>Total</b> . . . . .	<u>(1,076)</u>	<u>(447)</u>	<u>(963)</u>	<u>(849)</u>	<u>(1,241)</u>	<u>(900)</u>	<u>(5,476)</u>

The following table sets forth our securities portfolio by currency as of December 31, 2009, 2008 and 2007.

	Fair Value		Amortised Cost	
	Trading Assets	Securities Available for Sale	Held-to-Maturity Securities	Total
	(In millions of R\$)			
As of December 31, 2009				
Denominated in Brazilian currency . . . . .	69,258	30,209	2,222	101,689
Denominated in Brazilian currency and indexed to foreign currency(1) . . . . .	709	1,172	184	2,065
Denominated in foreign currency(1) . . . . .	2,270	8,201	24	10,495
As of December 31, 2008				
Denominated in Brazilian currency . . . . .	64,808	29,393	2,433	96,634
Denominated in Brazilian currency and indexed to foreign currency(1) . . . . .	4,584	2,751	1,669	9,004
Denominated in foreign currency(1) . . . . .	3,168	11,663	270	15,101
As of December 31, 2007				
Denominated in Brazilian currency . . . . .	39,883	12,251	784	52,918
Denominated in Brazilian currency and indexed to foreign currency(1) . . . . .	106	431	111	648
Denominated in foreign currency(1) . . . . .	2,910	4,325	537	7,772

*Note:*

(1) Predominantly U.S. dollar.

### Central Bank Compulsory Deposits

We are required to either maintain certain deposits with the Central Bank or to purchase and hold federal government securities as compulsory deposits. The following table shows the amounts of these deposits at December 31, 2009, 2008 and 2007.

	As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	R\$	% of Total Compulsory Deposits	R\$	% of Total Compulsory Deposits	R\$	% of Total Compulsory Deposits
	(In millions of R\$, except percentages)					
Non-interest-earning(1) . . . . .	4,042	29.1%	5,086	37.9%	6,293	36.6%
Interest-earning(2) . . . . .	9,827	70.9%	8,321	62.1%	10,882	63.4%
<b>Total</b> . . . . .	<b>13,869</b>	<b>100.0%</b>	<b>13,408</b>	<b>100.0%</b>	<b>17,175</b>	<b>100.0%</b>

*Notes:*

(1) Mainly related to demand deposits.

(2) Mainly related to time and savings deposits.

## Loans and Leases

The following table presents our loan and lease portfolio by category of transaction. Substantially all of our loans are to borrowers domiciled in Brazil and are denominated in *reais*. Additionally, the majority of our loan portfolio is indexed to Brazilian base interest rates or to the U.S. dollar.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In millions of R\$)				
<b>Type of loans and leases(1)</b>					
<b>Loan operations</b> . . . . .	<b>164,684</b>	<b>158,826</b>	<b>73,508</b>	<b>57,418</b>	<b>43,748</b>
Loans and discounted trade receivables . . . . .	100,605	102,133	44,686	35,352	26,368
Financing . . . . .	47,951	42,391	20,511	16,149	12,829
Farming and agribusiness industries . . . . .	5,143	5,654	3,654	3,481	2,662
Real estate financing . . . . .	10,984	8,648	4,657	2,436	1,889
<b>Lease operations</b> . . . . .	<b>47,212</b>	<b>50,098</b>	<b>28,502</b>	<b>15,842</b>	<b>8,292</b>
<b>Credit card operations</b> . . . . .	<b>30,101</b>	<b>24,558</b>	<b>11,533</b>	<b>9,321</b>	<b>7,269</b>
<b>Advances on exchange contracts(2)</b> . . . . .	<b>3,540</b>	<b>6,924</b>	<b>1,796</b>	<b>1,359</b>	<b>1,210</b>
<b>Other sundry receivables(3)</b> . . . . .	<b>415</b>	<b>637</b>	<b>209</b>	<b>208</b>	<b>117</b>
<b>Total operations with credit granting characteristics</b> . . . . .	<b>245,951</b>	<b>241,043</b>	<b>115,548</b>	<b>84,148</b>	<b>60,636</b>
Endorsements and sureties . . . . .	32,431	30,895	12,041	9,500	7,121
<b>Total with endorsements and sureties</b> . . . . .	<b>278,382</b>	<b>271,938</b>	<b>127,589</b>	<b>93,648</b>	<b>67,756</b>

### Notes:

- (1) We consider all loans and leases that are 60 days or more overdue as non-accrual loans and leases and we discontinue accruing financial charges related to them. Non-accrual loans amounted to R\$16,297 million, R\$10,833 million, R\$5,055 million, R\$4,426 million and R\$2,137 million as of December 31, 2009, 2008, 2007, 2006 and 2005, respectively. Non-accrual loans and leases are presented in the table above in the appropriate category of loan and lease.
- (2) Includes advances on exchange contracts and income receivable from advances granted, reclassified from liabilities — foreign exchange portfolio/other receivables.
- (3) Includes securities and receivables, debtors for purchase of assets, endorsements and sureties paid and receivables from export contracts.

Loans and discounted trade receivables include short and medium-term loans and financing for large, medium, and small companies, as well as loans for individuals. We also act as a financial agent for the Brazilian government through BNDES and its affiliates for the on-lending of money to target groups of private sector borrowers. Our trade financing activities focus on export, pre-export and import financing.

Financing includes mainly operations for acquisition of vehicles, machinery and equipment for both individuals and businesses.

Farming and agribusiness industries include agricultural loans primarily funded from Central Bank compulsory deposits. We extend agricultural loans principally to agro-industrial borrowers.

Real estate financing consists mainly of loans for the construction, refurbishment, extension and acquisition of homes. We fund real estate loans primarily from the Central Bank compulsory deposits. See “Business — Our Business — Commercial Banking — Real Estate Financing.” We extended real estate loans principally to retail bank customers to finance home acquisitions. Maturity is generally up to 15 years.

Lease operations includes participating in the Brazilian leasing market through our subsidiary, Itauleasing. Our leasing portfolio mainly consists of automobiles leased to individuals and machinery and equipment leased to corporate and middle market borrowers.

### Loan Approval Process

For a discussion of our loan approval process, see “Business — Risk Management — Credit Risk Management.”

### *Indexing*

Most of our portfolio is denominated in *reais*. However, a portion of our portfolio is indexed to foreign currencies, primarily the U.S. dollar. The foreign currency portion of our portfolio consists of loans and financing for foreign trade and pass-through operations. Our loans indexed to foreign currencies or denominated in foreign currencies represented 13.7%, 21.9% and 18.7% of our loan portfolio as of December 31, 2009, 2008 and 2007, respectively.

### *Loans and Leases — Maturity and Interest Rates*

The following tables present an analysis of the distribution of the credit portfolio as of December 31, 2009 by maturity according to the type of loans and leases, as well as the classification of the portfolio between variable and fixed rates of interest by maturity.

Type of Loans and Leases	Current					
	Due in 01 to 30 Days	Due in 31 to 60 Days	Due in 61 to 90 Days	Due in 91 to 180 Days	Due in 181 to 365 Days	Over 365 Days
	(In millions of R\$)					
<b>Loan operations</b> . . . . .	<b>23,808</b>	<b>14,681</b>	<b>9,551</b>	<b>17,895</b>	<b>24,535</b>	<b>66,971</b>
Loans and discounted trade receivables . . .	20,231	10,687	7,072	11,035	15,718	29,483
Financing . . . . .	2,977	2,469	1,846	4,974	6,210	28,770
Farming and agribusiness loans . . . . .	344	262	459	1,376	1,583	1,044
Real estate financing . . . . .	256	1,263	174	510	1,024	7,674
<b>Lease operations</b> . . . . .	<b>2,153</b>	<b>2,019</b>	<b>1,802</b>	<b>5,409</b>	<b>10,325</b>	<b>23,661</b>
<b>Credit card operations</b> . . . . .	<b>11,504</b>	<b>5,185</b>	<b>2,729</b>	<b>4,151</b>	<b>2,053</b>	<b>152</b>
<b>Advances on exchange contracts</b> . . . . .	<b>687</b>	<b>560</b>	<b>366</b>	<b>945</b>	<b>780</b>	<b>—</b>
<b>Other sundry receivables</b> . . . . .	<b>33</b>	<b>81</b>	<b>31</b>	<b>75</b>	<b>52</b>	<b>60</b>
<b>Total operations with credit granting characteristics</b> . . . . .	<b><u>38,184</u></b>	<b><u>22,526</u></b>	<b><u>14,479</u></b>	<b><u>28,475</u></b>	<b><u>37,745</u></b>	<b><u>90,844</u></b>

Type of Loans and Leases	Overdue							
	Due in 01 to 14 Days	Due in 15 to 30 Days	Due in 31 to 60 Days	Due in 61 to 90 Days	Due in 91 to 180 Days	Due in 181 to 365 Days	Over 365 Days	Total Gross Loans
	(In millions of R\$)							
<b>Loan operations(1)</b> . . . . .	<b>818</b>	<b>573</b>	<b>709</b>	<b>575</b>	<b>2,052</b>	<b>2,466</b>	<b>49</b>	<b>164,683</b>
Loans and discounted trade receivables . . . . .	673	503	632	495	1,844	2,202	30	100,605
Financing . . . . .	100	59	64	66	185	217	14	47,951
Farming and agribusiness loans . . . . .	29	5	3	2	4	32	—	5,143
Real estate financing . . . . .	16	6	10	12	19	15	5	10,984
<b>Lease operations</b> . . . . .	<b>268</b>	<b>157</b>	<b>234</b>	<b>163</b>	<b>393</b>	<b>495</b>	<b>133</b>	<b>47,212</b>
<b>Credit card operations</b> . . . . .	<b>546</b>	<b>402</b>	<b>357</b>	<b>364</b>	<b>948</b>	<b>1,665</b>	<b>45</b>	<b>30,101</b>
<b>Advances on exchange contracts</b> . . . . .	<b>44</b>	<b>13</b>	<b>17</b>	<b>11</b>	<b>115</b>	<b>1</b>	<b>1</b>	<b>3,540</b>
<b>Other sundry receivables</b> . . . . .	<b>1</b>	<b>—</b>	<b>2</b>	<b>9</b>	<b>19</b>	<b>53</b>	<b>—</b>	<b>415</b>
<b>Total operations with credit granting characteristics</b> . . . . .	<b><u>1,677</u></b>	<b><u>1,145</u></b>	<b><u>1,319</u></b>	<b><u>1,122</u></b>	<b><u>3,527</u></b>	<b><u>4,680</u></b>	<b><u>228</u></b>	<b><u>245,951</u></b>

*Note:*

(1) Non-accrual loans and leases of R\$16,297 million are presented in the table above in the appropriate category of loan and lease. Non-accrual loans and leases include in the case of loans payable in instalments both current and overdue instalments.

	Current					
	Due in 01-30 Days	Due in 31-90 Days	Due in 91-180 Days	Due in 181-365 Days	Due in One Year to Three Years	Due After Three Years
	(In millions of R\$)					
<b>Interest rate of loans to customers by maturity:</b>						
Variable rates . . . . .	12,756	13,947	9,625	11,221	20,764	17,196
Fixed rates . . . . .	<u>25,428</u>	<u>23,058</u>	<u>18,850</u>	<u>26,524</u>	<u>45,372</u>	<u>31</u>
<b>Total(1) . . . . .</b>	<b><u>38,184</u></b>	<b><u>37,005</u></b>	<b><u>28,475</u></b>	<b><u>37,745</u></b>	<b><u>66,136</u></b>	<b><u>1,746</u></b>

	Overdue					
	Due in 01-30 Days	Due in 31-90 Days	Due in 91-180 Days	Due in 181-365 Days	Due in One Year or More	Total Gross Loans
	(In millions of R\$)					
<b>Interest rate of loans to customers by maturity:</b>						
Variable rates . . . . .		368	274	662	338	88,902
Fixed rates . . . . .		<u>2,454</u>	<u>2,167</u>	<u>2,865</u>	<u>4,342</u>	<u>157,049</u>
<b>Total(1) . . . . .</b>		<b><u>2,822</u></b>	<b><u>2,441</u></b>	<b><u>3,527</u></b>	<b><u>4,680</u></b>	<b><u>245,951</u></b>

Note:

(1) Non-accrual loans of R\$16,297 million are presented in the tables above in the appropriate category of loan and lease. Non-accrual loans and leases include in the case of loans payable in instalments both current and overdue instalments.

### Loans and Lease Quality Information

The table below presents our non-accrual loans together with certain asset quality ratio for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.

	2009	2008	2007	2006	2005
	(In millions of R\$, except percentages)				
Non-accrual loans and leases and foreclosed assets . . . . .	16,564	11,187	5,352	4,741	2,420
Non-accrual loans and leases . . . . .	16,297	10,833	5,055	4,426	2,137
Foreclosed assets, net of reserves . . . . .	267	354	297	315	283
Allowance for loan losses . . . . .	24,052	19,972	7,926	7,431	4,107
Total loans and leases . . . . .	245,951	241,043	115,548	84,148	60,636
Non-accrual loans and leases as a percentage of total loans . .	6.6%	4.5%	4.4%	5.3%	3.5%
Non-accrual loans and leases and foreclosed assets as a percentage of total loans . . . . .	6.7%	4.6%	4.6%	5.6%	4.0%
Allowance for loan losses as a percentage of total loans . . . .	9.8%	8.3%	6.9%	8.8%	6.8%
Allowance for loan losses as a percentage of non-accrual loans and leases . . . . .	147.6%	184.4%	156.8%	167.9%	192.2%
Allowance for loan losses as a percentage of non-accrual loans and leases and foreclosed assets . . . . .	145.2%	178.5%	148.1%	156.7%	169.7%

### Overseas Loans and Leases

Loans outstanding to foreign borrowers exceeded 1.0% of total assets in the case of borrowers from our subsidiaries and branches in Argentina, Chile, Europe, Paraguay and Uruguay. Total amounts outstanding to such borrowers, consisting of loans and leases, deposits in banks, securities, cash and cash equivalents and interbank and



interbranch accounts at December 31, 2009 amounted to R\$26,533 million. The amounts have been translated to *reais* from their amounts expressed in foreign currency (Argentine pesos, Chilean pesos, Euros, U.S. dollars, Paraguayan Guarani and Uruguayan pesos, respectively) using the exchange rate as of December 31, 2009.

The total outstanding amounts to borrowers from our subsidiaries and branches in Argentina, Chile, Europe, Paraguay and Uruguay as of December 31, 2009 consist of:

	<b>As of December 31, 2009</b>
	<b>(In millions of R\$)</b>
Cash and cash equivalents . . . . .	2,853
Interbank investments . . . . .	3,350
Securities and derivative financial instruments . . . . .	4,561
Loans, leases and other credit operations . . . . .	15,769
<b>Total outstanding</b> . . . . .	<b><u>26,533</u></b>

### *Loans and Leases by Economic Activity*

The following table presents the composition of our credit portfolio, including non-accrual loans, by economic activity of the borrower at each of the dates indicated.

<b>Economic Activities</b>	<b>As of December 31,</b>					
	<b>2009</b>		<b>2008</b>		<b>2007</b>	
	<b>Loan</b>	<b>% of Loan</b>	<b>Loan</b>	<b>% of Loan</b>	<b>Loan</b>	<b>% of Loan</b>
	<b>Portfolio</b>	<b>Portfolio</b>	<b>Portfolio</b>	<b>Portfolio</b>	<b>Portfolio</b>	<b>Portfolio</b>
	<b>(In millions of R\$, except percentages)</b>					
<b>Public Sector</b> . . . . .	<b>1,652</b>	<b>0.7%</b>	<b>1,802</b>	<b>0.7%</b>	<b>866</b>	<b>0.7%</b>
Generation, transmission and distribution of electrical energy . . . .	720	0.3%	890	0.4%	506	0.4%
Chemical and petrochemical . . . . .	288	0.1%	217	0.1%	170	0.1%
Other . . . . .	644	0.3%	694	0.3%	190	0.2%
<b>Private Sector</b> . . . . .	<b>244,299</b>	<b>99.3%</b>	<b>239,241</b>	<b>99.3%</b>	<b>114,682</b>	<b>99.3%</b>
<b>Companies</b> . . . . .	<b>131,449</b>	<b>53.4%</b>	<b>136,651</b>	<b>56.7%</b>	<b>54,299</b>	<b>47.4%</b>
<b>Industry and Commerce</b> . . . . .	<b>68,090</b>	<b>27.7%</b>	<b>74,210</b>	<b>30.8%</b>	<b>29,694</b>	<b>26.0%</b>
Food and beverages . . . . .	10,698	4.3%	11,953	5.0%	4,687	4.2%
Autoparts and accessories . . . . .	2,683	1.1%	2,500	1.0%	1,074	0.9%
Agribusiness capital assets . . . . .	689	0.3%	555	0.2%	318	0.3%
Industrial capital assets . . . . .	4,064	1.7%	3,557	1.5%	1,226	1.1%
Pulp and paper . . . . .	1,647	0.7%	1,566	0.6%	781	0.7%
Distribution of fuels . . . . .	1,605	0.7%	1,683	0.7%	560	0.5%
Electrical and electronic . . . . .	5,805	2.4%	5,543	2.3%	2,438	2.2%
Pharmaceuticals . . . . .	1,634	0.7%	1,660	0.7%	951	0.8%
Fertilizers, insecticides and crop protection . . . . .	1,407	0.6%	2,874	1.2%	1,285	1.1%
Tobacco . . . . .	523	0.2%	826	0.3%	336	0.3%
Import and export . . . . .	1,579	0.6%	2,303	1.0%	939	0.8%
Hospital care materials and equipment . . . . .	722	0.3%	561	0.2%	239	0.2%
Construction material . . . . .	3,521	1.4%	3,216	1.3%	810	0.7%
Steel and metallurgy . . . . .	5,645	2.3%	9,066	3.8%	2,836	2.5%
Wood and furniture . . . . .	2,259	0.9%	2,391	1.0%	1,059	0.9%
Chemical and petrochemical . . . . .	5,259	2.1%	6,012	2.5%	2,697	2.3%
Supermarkets . . . . .	993	0.4%	787	0.3%	194	0.2%
Light and heavy vehicles . . . . .	5,397	2.2%	4,999	2.1%	2,010	1.7%
Clothing . . . . .	5,540	2.3%	4,889	2.0%	2,075	1.8%
Other — commerce . . . . .	3,717	1.5%	3,784	1.6%	1,604	1.4%
Other — industry . . . . .	2,703	1.1%	3,486	1.4%	1,577	1.4%

Economic Activities	As of December 31,					
	2009		2008		2007	
	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio
(In millions of R\$, except percentages)						
<b>Services</b>	<b>48,705</b>	<b>19.8%</b>	<b>43,919</b>	<b>18.2%</b>	<b>17,681</b>	<b>15.3%</b>
Heavy construction (constructors)	2,879	1.2%	2,529	1.0%	953	0.8%
Financial	4,822	2.0%	6,064	2.5%	2,050	1.8%
Generation, transmission and distribution of electrical energy	5,833	2.4%	5,021	2.1%	2,073	1.8%
Holding companies	2,917	1.2%	3,024	1.3%	1,219	1.1%
Real estate agents	7,101	2.9%	5,178	2.1%	2,611	2.3%
Media	2,232	0.9%	2,086	0.9%	1,270	1.1%
Service companies	3,186	1.3%	2,668	1.1%	1,147	1.0%
Health care	1,337	0.5%	1,119	0.5%	379	0.3%
Telecommunications	1,195	0.5%	1,954	0.8%	625	0.5%
Transportation	9,819	4.0%	8,434	3.5%	2,460	2.1%
Other services	7,383	3.0%	5,843	2.4%	2,893	2.5%
<b>Primary Sector</b>	<b>13,375</b>	<b>5.4%</b>	<b>14,823</b>	<b>6.1%</b>	<b>5,533</b>	<b>4.9%</b>
Agribusiness	11,411	4.6%	12,877	5.3%	4,546	4.0%
Mining	1,965	0.8%	1,946	0.8%	987	0.9%
<b>Other Companies</b>	<b>1,279</b>	<b>0.5%</b>	<b>3,700</b>	<b>1.5%</b>	<b>1,390</b>	<b>1.2%</b>
<b>Individuals</b>	<b>112,849</b>	<b>45.8%</b>	<b>102,590</b>	<b>42.6%</b>	<b>60,384</b>	<b>52.3%</b>
Credit cards	29,987	12.2%	24,307	10.1%	11,352	9.8%
Consumer loans/overdrafts	23,147	9.4%	23,731	9.8%	15,237	13.3%
Real estate financing	7,439	3.0%	6,698	2.8%	4,185	3.6%
Vehicles	52,276	21.3%	47,854	19.9%	29,611	25.6%
<b>Total</b>	<b>245,951</b>	<b>100.0%</b>	<b>241,043</b>	<b>100.0%</b>	<b>115,548</b>	<b>100.0%</b>

As of December 31, 2009 there was no concentration of loans exceeding 10.0% of total loans not otherwise disclosed as a category of loans.

### *Rating of the Loan and Lease Portfolio*

We present below the classification of our loan and lease portfolio based on the risk categories established by the Central Bank. The Central Bank categories apply to specific transactions and not to borrowers. In order to apply the Central Bank categories to transactions, we consider the classification of the borrower as a starting point. In addition, we also take into consideration any overdue time with respect to the transaction and the specific terms and purposes of the transactions (e.g., guarantees). The table below presents as of December 31, 2009 and 2008 our classification of the loan and lease portfolio, according to the Central Bank categories, and as of December 31, 2009 non-accrual loans and leases and the allowance corresponding to the loans and leases classified within each Central Bank category.

Central Bank	As of December 31,					
	2009			2008		
	Loans and Leases	% of Total	Non-Accrual Loans and Leases	Allowance for Loan and Lease Losses	Loans and Leases	% of Total
(In millions of R\$, except percentages)						
AA	35,933	14.6%	—	—	53,264	22.1%
A	118,313	48.0%	—	(1,063)	108,971	45.2%
B	46,978	19.1%	—	(1,405)	43,856	18.1%
C	15,810	6.4%	928	(1,579)	13,489	5.6%
D	8,584	3.5%	1,438	(2,574)	7,705	3.2%
E	4,194	1.7%	1,694	(2,097)	3,269	1.4%
F	2,682	1.1%	1,513	(1,877)	2,147	0.9%
G	1,676	0.7%	1,293	(1,676)	1,244	0.5%
H	11,781	4.8%	9,431	(11,781)	7,098	2.9%
<b>Total</b>	<b>245,951</b>	<b>100.0%</b>	<b>16,297</b>	<b>(24,052)</b>	<b>241,043</b>	<b>100.0%</b>

### *Non-accrual loans and leases*

We consider all loans that are 60 days or more overdue as non-accrual loans and leases and we discontinue accruing financial charges related to them. In 2009, we did not have any individually material non-accrual loans and leases.

### *Charge-offs*

Loans and leases are charged off against the allowance when the loan is not collected or is considered permanently impaired. We normally charge off loans when they become 360 days overdue. However, charge-offs may be recognised earlier than 360 days if we conclude that the loan is not recoverable.

### *Allowance for Loan and Lease Losses*

The table below sets forth allowance for loan and lease losses for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions of R\$, except percentages)				
<b>Balance at the beginning of the period</b>	<b>19,972</b>	<b>7,926</b>	<b>7,431</b>	<b>4,107</b>	<b>3,054</b>
<b>Balance arising from acquisitions</b>	<b>171</b>	<b>4,395</b>	<b>131</b>	<b>371</b>	<b>—</b>
<b>Net increase for the period</b>	<b>16,399</b>	<b>14,280</b>	<b>6,563</b>	<b>6,448</b>	<b>3,716</b>
<b>Charge-offs</b>	<b>(12,490)</b>	<b>(6,628)</b>	<b>(6,199)</b>	<b>(3,495)</b>	<b>(2,663)</b>
<b>Loan operations</b>	<b>(7,831)</b>	<b>(4,381)</b>	<b>(4,583)</b>	<b>(2,656)</b>	<b>(1,987)</b>
Loans and discounted trade receivables	(7,248)	(3,690)	(3,915)	(2,340)	(1,743)
Financing	(537)	(613)	(496)	(189)	(137)
Farming and agribusiness loans	(1)	(8)	(7)	(4)	(8)
Real estate financing	(45)	(70)	(165)	(123)	(99)
<b>Lease operations</b>	<b>(1,704)</b>	<b>(453)</b>	<b>(280)</b>	<b>(183)</b>	<b>(73)</b>
<b>Credit card operations</b>	<b>(2,486)</b>	<b>(1,599)</b>	<b>(1,263)</b>	<b>(610)</b>	<b>(568)</b>
<b>Advances on exchange contracts(1)</b>	<b>(364)</b>	<b>(172)</b>	<b>(28)</b>	<b>(7)</b>	<b>(5)</b>
<b>Other sundry receivables(2)</b>	<b>(104)</b>	<b>(23)</b>	<b>(45)</b>	<b>(40)</b>	<b>(30)</b>
<b>Balance at the end of period</b>	<b>24,052</b>	<b>19,972</b>	<b>7,926</b>	<b>7,431</b>	<b>4,107</b>
Ratio of charge-offs during the period to average loans outstanding during the period	5.2%	4.3%	6.3%	4.9%	5.0%
Ratio of allowance for loan losses to total loans and leases	9.8%	8.3%	6.9%	8.8%	6.8%

#### *Notes:*

- (1) Includes advances on exchange contracts and income receivables from advances granted, reclassified from liabilities — foreign exchange portfolio/other receivables.
- (2) Includes securities and receivables, debtors for purchase of assets, endorsements and sureties paid and receivables from export contracts.

The following table set forth the amounts charged as expenses against allowance for loan losses and the amount of recoveries recognised in income of loans previously written-off for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions of R\$)				
Allowance for loan losses — increase for the period . . . . .	(16,399)	(14,280)	(6,563)	(6,448)	(3,716)
Recoveries of loans previously written-off. . . . .	2,234	1,334	1,068	943	889
<b>Allowance for loan losses net of recoveries . . . . .</b>	<b>(14,165)</b>	<b>(12,946)</b>	<b>(5,495)</b>	<b>(5,505)</b>	<b>(2,827)</b>

### Renegotiated Loans

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions of R\$, except percentages)				
Renegotiated loans(*) . . . . .	7,669	5,142	2,928	2,726	1,370
Allowance for loan losses . . . . .	(4,017)	(2,498)	(1,525)	(1,576)	(560)
<b>Renegotiated loans/allowance for loan losses. . . . .</b>	<b>52.4%</b>	<b>48.6%</b>	<b>52.1%</b>	<b>57.8%</b>	<b>40.9%</b>

(\*) Includes debt consolidation, deferment or any other arrangement that modifies the original payment periods or conditions.

During the year ended December 31, 2005 we charged off credits in the total amount of R\$2,663 million and as of December 31, 2005 our ratio of allowance for loan and lease losses to total loans and leases was 6.8%. The increase in the ratio of allowance for loan and lease losses to total loans and leases was a result of the increase in the volume of credit operations, mainly as a result of our strategy of increasing our presence in the consumer credit segment, and a significant increase in the demand for credit from the retail segment. We maintained our policy of continuously seeking to enhance the quality of our credit portfolio, in order to obtain the best risk-return ratio from operations. Our recoveries also improved, mainly as a result of our efforts to improve our recovery process, while preserving the relationship with our customers.

During the year ended December 31, 2006 we charged off credits in a total amount of R\$3,495 million and as of December 31, 2006 our ratio of allowance for loan and lease losses to total loans and leases was 8.8%. The increase in the number of business units focused on serving customers from the several segments in which we operated contributed to increases in loans and financing, with significant growth in vehicle financing, personal loans and credit card operations. The change in the mix of our credit portfolio contributed to the increase in allowance for loan and lease losses because allocating funds to transactions capable of generating greater financial margins simultaneously means being exposed to greater risks. We maintained our policy of enhancing credit quality, in order to obtain the best risk-return ratio from operations. Our efforts to enhance recovery processes while preserving the relationship with customers showed positive results.

During the year ended December 31, 2007 we charged off credits in the total amount of R\$6,199 million and as of December 31, 2007 our ratio of allowance for loan and lease losses to total loans and leases was 6.9%. The increase in the volume of credits written off in 2007 was a result of the growth of and the change in the mix of our credit portfolio, which occurred in the prior four years. However, the credit portfolio also presented an improvement in quality indicators during the year as a result of the adoption of improved credit policies. Our continuously developing risk models have permitted us to reach our goals of increasing our credit portfolio with improvements in quality indicators. Therefore, the growth in expenses with provision for loan and lease losses in 2007 was low when compared to the growth in our credit portfolio. Also, collection efforts resulted in an increase in the recovery of credits previously written off as losses.

During the year ended December 31, 2008 we charged off credits in the total amount of R\$6,628 million and as of December 31, 2008 our ratio of allowance for loan and lease losses to total loans and leases was 8.3%. The increase in the provision for loan losses resulted from the impact of the economic downturn as well as a result of additional allowances that accounted for the expected deterioration of the macroeconomic scenario. The rapid deterioration of the economic cycle caused our nonperforming ratio to decline sharply.

During the year ended December 31, 2009 we charged off credits in the total amount of R\$12,490 million and as of December 31, 2009 our ratio of allowance for loan and lease losses to total loans and leases was 9.8%. The increase in losses reflects the adverse economic environment and occurred in accordance with our forecasted scenario. Recent data indicate that leading indicators for default rates, such as first payment default rates, improved and we believe that this is a result of increased selectivity in our origination policies, our ongoing development of risk analysis procedures and an overall improvement in macroeconomic conditions in Brazil.

### Allocation of the Allowance for Loan and Lease Losses

The following table sets forth our allocation of the allowance for loan and lease losses as of December 31, 2009, 2008, 2007, 2006 and 2005. The allocated amount of the allowance is expressed as a percentage of the related loan and lease amount with the corresponding percentage of the loan and lease category to total loans and leases.

	As of December 31,					
	2009		2008		2007	
	Allocated Allowance	Allocated Allowance as a % of Total Loans and Leases	Allocated Allowance	Allocated Allowance as a % of Total Loans and Leases	Allocated Allowance as a % of Total Loans and Leases	Allocated Allowance as a % of Total Loans and Leases
<b>Loan operations . . .</b>	<b>15,757</b>	<b>6.4%</b>	<b>14,255</b>	<b>5.9%</b>	<b>6,059</b>	<b>7.2%</b>
Loans and discounted trade receivables . . . .	12,639	5.1%	10,659	4.4%	5,023	6.0%
Financing . . . . .	2,375	1.0%	2,724	1.1%	669	0.8%
Farming and agribusiness loans . . . . .	275	0.1%	332	0.1%	96	0.1%
Real estate financing . . . . .	468	0.2%	540	0.2%	271	0.3%
<b>Lease operations . . .</b>	<b>2,752</b>	<b>1.1%</b>	<b>1,764</b>	<b>0.7%</b>	<b>417</b>	<b>0.5%</b>
<b>Credit card operations . . . . .</b>	<b>5,224</b>	<b>2.1%</b>	<b>3,539</b>	<b>1.5%</b>	<b>846</b>	<b>1.0%</b>
Advances on exchange contracts(1) . . . .	217	0.1%	346	0.1%	76	0.1%
Other sundry receivables(2) . . .	102	—%	68	—%	33	—%
<b>Total operations with credit granting characteristics . . .</b>	<b>24,052</b>	<b>9.8%</b>	<b>19,972</b>	<b>8.3%</b>	<b>7,431</b>	<b>8.8%</b>
					<b>4,107</b>	<b>6.8%</b>
						<b>100.0%</b>
						<b>100.0%</b>

Notes:

- (1) Includes advances on exchange contracts and income receivable from advances granted, reclassified from liabilities — foreign exchange portfolio/other receivables.
- (2) Includes securities and receivables, debtors for purchase of assets, endorsements and sureties paid and receivables from export contracts.

### Average Deposit Balances and Interest Rates

The table below sets forth the average balances of deposits together with the average interest rates paid for each period presented.

	Year Ended December 31,					
	2009		2008		2007	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(In millions of R\$, except percentages)					
<b>Non-interest-bearing deposits</b> . . . . .	<b>25,538</b>		<b>23,026</b>		<b>20,909</b>	
Demand deposits and others . . . . .	25,538		23,026		20,909	
<b>Interest-bearing deposits</b> . . . . .	<b>170,183</b>	<b>8.0%</b>	<b>89,534</b>	<b>9.0%</b>	<b>48,262</b>	<b>9.4%</b>
Deposits from banks . . . . .	2,791	8.0%	1,950	14.8%	1,673	8.0%
Savings deposits . . . . .	42,372	5.8%	30,896	6.8%	24,787	8.1%
Time deposits . . . . .	125,020	8.7%	56,687	10.0%	21,803	10.9%
<b>Total</b> . . . . .	<b>195,721</b>		<b>112,560</b>		<b>69,171</b>	

The following tables sets forth the maturity distribution of our deposits at December 31, 2009, 2008 and 2007.

	As of December 31, 2009				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(In millions of R\$)				
<b>Non-interest-bearing deposits</b> . . . . .	<b>25,834</b>	—	—	—	<b>25,834</b>
Demand deposits . . . . .	24,837	—	—	—	24,837
Other deposits . . . . .	997	—	—	—	997
<b>Interest-bearing deposits</b> . . . . .	<b>65,177</b>	<b>16,191</b>	<b>14,737</b>	<b>68,834</b>	<b>164,938</b>
Savings deposits . . . . .	48,222	—	—	—	48,222
Time deposits . . . . .	16,374	15,437	14,175	68,685	114,671
Deposits from banks . . . . .	582	754	562	149	2,047
<b>Total</b> . . . . .	<b>91,011</b>	<b>16,191</b>	<b>14,737</b>	<b>68,834</b>	<b>190,772</b>

	As of December 31, 2008				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(In millions of R\$)				
<b>Non-interest-bearing deposits</b> . . . . .	<b>28,071</b>	—	—	—	<b>28,071</b>
Demand deposits . . . . .	26,933	—	—	—	26,933
Other deposits . . . . .	1,138	—	—	—	1,138
<b>Interest-bearing deposits</b> . . . . .	<b>63,967</b>	<b>20,667</b>	<b>12,621</b>	<b>80,862</b>	<b>178,118</b>
Savings deposits . . . . .	39,296	—	—	—	39,296
Time deposits . . . . .	24,040	19,391	12,011	80,459	135,901
Deposits from banks . . . . .	631	1,277	610	403	2,921
<b>Total</b> . . . . .	<b>92,039</b>	<b>20,667</b>	<b>12,621</b>	<b>80,862</b>	<b>206,189</b>



As of December 31, 2007					
	<u>0-30 Days</u>	<u>31-180 Days</u>	<u>181-365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
	(In millions of R\$)				
<b>Non-interest-bearing deposits . . .</b>	<b>28,134</b>	—	—	—	<b>28,134</b>
Demand deposits . . . . .	26,729	—	—	—	26,729
Other deposits . . . . .	1,405	—	—	—	1,405
<b>Interest-bearing deposits . . . . .</b>	<b>35,938</b>	<b>6,781</b>	<b>4,075</b>	<b>6,664</b>	<b>53,458</b>
Savings deposits . . . . .	27,990	—	—	—	27,990
Time deposits . . . . .	6,898	6,439	3,957	6,558	23,852
Deposits from banks . . . . .	1,050	342	118	106	1,616
<b>Total . . . . .</b>	<b><u>64,072</u></b>	<b><u>6,781</u></b>	<b><u>4,075</u></b>	<b><u>6,664</u></b>	<b><u>81,592</u></b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007, and the notes thereto, included elsewhere in this Offering Memorandum, as well as the information presented under "Presentation of Financial and Certain Other Information," "Selected Financial and Other Information," "Selected Statistical Information" and in the documents incorporated by reference herein.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those set forth in "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

### Overview

Our results of operations are significantly affected by the following key factors, among others.

#### *Brazilian Economic, Political and Social Conditions*

As a Brazilian bank with most of our operations in Brazil, we are significantly affected by economic, political and social conditions in Brazil. In recent years, we have benefited from Brazil's generally stable economic environment, with average annual gross domestic product ("GDP") growth of 4.0% from 2004 to 2009, which led to increased bank loans and deposits. The downward trend in inflation in recent years has allowed the Central Bank to ease the short-term benchmark interest rate to 8.75% at December 2009 from 17.75% in December 2004. This reduction of interest rates lowered the cost of credit for households and businesses. As a proportion of GDP, bank lending expanded to 45.0% in 2009 from 24.5% in 2004.

In 2009, the Brazilian economy stagnated in the wake of the international financial crisis; however, the recession lasted a few quarters until the second quarter of 2009 before the Brazilian economy emerged from recession and regained its growth momentum. Notwithstanding the relatively brief effects of the international crisis, we remain exposed to volatility in the Brazilian currency, the *real*, with respect to the U.S. dollar, the Euro and the Yen. We also continue to be exposed to inflation, tax-policy changes and regulatory changes, which are sometimes adopted on short notice.

Recent changes in tax policy that affect financial operations include the Brazilian senate's elimination of the provisional contribution on financial transactions (*Contribuição Provisória sobre a Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira* or "CPMF") in 2008. CPMF was a temporary tax instituted in 1992 that was payable on certain banking transactions at a rate of 0.38% of the financial value of the transaction. The CPMF was payable on all transfers from checking accounts and financial institutions were responsible for the collection and remittance of the CPMF. Currently, the CPMF tax is no longer levied. However, much uncertainty exists as to whether it will be levied again and it is unclear whether or not the CPMF tax will be re-introduced in the future. In response, the Brazilian government increased the social contribution on net profits (*Contribuição Social Sobre o Lucro Líquido* or "CSLL") in May 2008 from 9.0% to 15.0% and the tax on financial transactions (*Imposto Sobre Operações Financeiras* or "IOF") beginning in January 2008. Also, in the aftermath of the international crisis, in October 2009, the government imposed a 2.0% IOF tax rate on foreign investment flows to the financial and capital markets. It also extended the IOF at a 1.5% tax rate to domestically negotiated operations backed by depositary receipts. The CSLL is a tax on income with specific tax rates for banking institutions, while the IOF is a tax levied on foreign exchange transactions, loan transactions, insurance transactions and transactions involving bonds and securities. For more information on Brazilian taxes see "The Brazilian Financial System and Banking Regulation — Taxation."

To moderate the impact of the international crisis, the Central Bank responded in 2009 with a number of measures. Besides reducing the SELIC rate, the Central Bank deployed part of its international reserves to replace international credit lines impacted by Lehman Brothers Holdings Inc.'s bankruptcy and reduced reserve requirements with the specific purpose of acquiring assets from small banks and increasing the insurance limit for small banks' time deposits. Those initiatives, along with fiscal measures, contributed to keeping the recession

relatively brief (mostly concentrated between the fourth quarter of 2008 through the first quarter of 2009) and ensured a strong recovery in the second half of 2009.

The crisis has not had a significant effect on Brazil's financial institutions, as most Brazilian banks, including us, generally had no material exposure to U.S. mortgages. We have not undertaken any credit operations in the U.S. market, including collateralised debt obligations. However, the recent crisis in the United States mortgage market could affect the market value of Brazilian institutions, due to increased volatility in international markets. There is also a risk that the Brazilian government chooses to adopt regulatory measures to avoid abrupt shifts in international financial flows, with potentially adverse effects on our operations. In addition, certain measures issued by the Central Bank in 2009 due to the international crisis have since been reversed. For example, reserve requirements have now increased to prior levels and may increase further in the future. See "The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank — Reserve Requirements."

Despite Brazilian regulators' successful management of the crisis, a number of regulatory changes for the local banking sector are under consideration, such as limits to financial institution compensation packages, more disclosure of operations with derivatives and possible modifications to capital requirement models. These changes have the potential to adversely affect our operations and profitability.

One consequence of the crisis in Brazil has been a decline in fiscal revenues and, consequently, a reduction in the primary surplus. In 2009, the public sector posted a primary surplus of 2.1% of GDP, lower than the recent historical average (3.3% of GDP from 2003 to 2008). The resumption of stricter fiscal policy targets is necessary for returning to the downward trend in the debt to GDP ratio, which rose to 42.9% at the end of 2009 from 38.4% at the end of 2008, after several years of continuous reduction. Fiscal responsibility is important to safeguard the sovereign investment grade rating of Brazil and to bolster the fiscal flexibility necessary to manage future economic downturns.

Another effect of the crisis has been a contraction in export revenues to US\$152,995 million in 2009 from US\$197,942 million in 2008. The trade balance surplus remained generally stable at US\$25,347 million in 2009 compared to US\$24,836 million in 2008, but the current account (net balance from trade of goods and services plus international transfers) posted a deficit of 1.6% of GDP, a deficit for the second consecutive year in 2009. The deficit is expected to widen in 2010. Even though Brazil's external solvency improved considerably with US\$238,520 million in international reserves and only US\$202,329 million in external debt in December 2009, the recent external account results could increase exchange-rate volatility.

On April 30, 2008, Standard & Poor's Rating Services upgraded the long-term rating of Brazil's sovereign foreign currency debt to BBB- from BB+, lifting it to investment grade. On May 29, 2008, Fitch Ratings ("**Fitch**") followed suit and upgraded Brazil to investment grade, raising its rating to BBB- from BB+. On September 22, 2009, Moody's Investors Service Inc. ("**Moody's**") raised Brazil's sovereign rating to Baa3 from Ba1. Those upgrades contributed to further increase the inflow of foreign capital, which in turn strengthened the *real*. Yet, the rating agencies have highlighted weaknesses in Brazil's fiscal policy, including Brazil's high debt to GDP ratio in comparison to countries with a similar credit rating, along with structural impediments to growth and investment vis-à-vis similarly situated countries.

The next presidential elections in Brazil will take place in October 2010. Economic policy may change with a new administration. In the past, both the exchange rate and the risk spread of Brazil's sovereign debt experienced increased volatility during electoral campaigns.

The table below shows GDP growth in real terms, the inflation rate and the average real interest rate in Brazil:

	As of and for the Year Ended December 31,		
	2009	2008	2007
Real GDP growth(1) . . . . .	(0.1)%	5.1%	6.1%
Inflation rate(2) . . . . .	(1.4)%	9.1%	7.9%
Inflation rate(3) . . . . .	4.3%	5.9%	4.5%
Exchange rate appreciation (depreciation) (R\$/US\$)(4) . . . . .	34.2%	(24.2)%	20.7%
TR — a reference interest rate(5) . . . . .	0.20%	2.27%	0.85%
CDI — interbank interest rate(6) . . . . .	8.61%	13.49%	11.11%
SELIC — overnight interest rate(5) . . . . .	8.65%	13.66%	11.18%

*Notes:*

- (1) Source: *Instituto Brasileiro de Geografia e Estatística* (“**IBGE**”).
- (2) Source: General Price Index — Internal Availability (*Índice Geral de Preços — Disponibilidade Interna*), published by *Fundação Getúlio Vargas*.
- (3) Source: *Índice Nacional de Preços ao Consumidor Amplo* (“**IPCA**”), which is the consumer price index, published by IBGE.
- (4) Source: Central Bank (accumulated rates for the period).
- (5) Source: Central Bank (end of period).
- (6) Source: *Custody and Settlement Agency* (end of period).

***Certain Effects of Foreign Exchange Rates on Our Net Interest Income***

The variation of the *real* has the potential to affect our net interest income because a significant amount of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar. When the *real* depreciates, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and short-term borrowings, because the cost in *reais* of the related interest expense increases. At the same time, we realise gains on monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, due to increased interest income from such assets measured in *reais*. When the *real* appreciates, the effects are the opposite of those described above. Consequently, the management of the gap in foreign currencies can have material effects on our net income. Our foreign currency gap management takes into account the tax effects of such positions. As the profits from exchange rate variation on investments abroad are not taxable, we aim to maintain sufficient hedges (a liability position in foreign exchange derivatives) to reduce the potential effects from our total foreign-exchange exposure, net of tax effects.

Unless otherwise indicated, the discussion in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” relates to our average interest rates and yields. Our interest rates are measured in *reais* and include the effect of the variation of the *real* against foreign currencies.

**Trends**

We expect that several factors will affect our future results of operations, liquidity and capital resources, including:

- the Brazilian economic environment,
- the effects of any continued international financial turmoil, including on our required liquidity and capital,
- the effects of fluctuations in the value of the *real* and interest rates on our net interest income, and
- the acquisition of any financial institutions we make in the future.

In addition, the “Association” could affect the comparability of our financial statements as described fully under “— Overview.” You should read “Risk Factors” for a discussion of the risks we face in our business operations which could affect our results of operations or financial condition.

### **Seasonality**

Generally our retail banking and our credit card businesses have some seasonality, with increased levels of retail and credit card transactions during the Christmas season and a subsequent decrease of these levels at the beginning of the year. We also have some seasonality in our banking service fees related to collection services at the beginning of the year, which is when taxes and other fiscal contributions are generally paid. Finally, we experience a seasonal decrease in personnel expenses in the first quarter of the year because of the summer vacation season during this period.

### **Discussion of Critical Accounting Policies**

#### ***General***

Our main accounting policies are described in Note 4 to our consolidated financial statements prepared in accordance with Brazilian GAAP as of and for the years ended December 31, 2009, 2008 and 2007. The preparation of the financial statements involves certain assumptions that are derived from historical experience and various other factors that we deem reasonable and relevant. While we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often requires our management to make judgements on matters that are inherently uncertain. The following discussion describes those areas that require the most judgement or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations.

Investors should read the following discussion in conjunction with our financial statements and the sections in this Offering Memorandum headed “Selected Statistical Information,” “The Brazilian Financial System and Banking Regulation” and “Annex A — Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP.”

#### ***Use of Estimates and Assumptions***

The preparation of financial statements in accordance with Brazilian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used for, but not limited to, the calculation of the allowance for loan and lease losses, the selection of useful lives for certain assets, the determination of whether a specific asset or group of assets has been impaired, the expected realisable amount of deferred tax assets, the market value of certain financial instruments, the classification and computation of contingent liabilities and the amount of technical provisions for insurance, pension plans and capitalisation. The accounting estimates made in these contexts require management to make assumptions about matters that are highly uncertain. In each case, if management had made other estimates, or if changes in these estimates occur from period to period, it could have a material impact on our financial condition and results of operations. Therefore, actual results may differ from our estimates.

#### ***Allowance for Loan and Lease Losses***

The allowance for loan and lease losses represents our estimate of the probable losses on our loan and lease portfolio at the end of each reporting period. The allowance for loan losses is calculated taking into consideration the classification of loan losses in one of nine different risk levels (from AA through H). See “Selected Statistical Information — Loans and Leases — Rating of the Loan and Lease Portfolio.” The classification of the risk levels is a judgement that takes into consideration the economic and political situation, credit quality trends, past experience and the portfolio’s specific and global risks, as well as Central Bank and CMN guidelines. CMN rules specify a minimum allowance for loan losses and other extensions of credit in each rating category ranging from zero per cent (in the case of a credit that is not in arrears) to 100.0% (in the case of any credit that is more than 180 days in arrears). In addition to recognising allowances for loan and lease losses in accordance with the CMN minimum requirements, we also recognise an allowance that we identify as “generic,” which represents our estimate of the

allowance as of any given date based on our loss experience based on historical information. Beginning in December 31, 2008, we also recognised an “additional allowance,” which represents an adjustment to our generic allowance considering the economic scenario.

The methodologies to compute the generic allowance depend on several criteria including the criteria used to segment our loan portfolio, the period used to measure our historical losses, the specific method used to measure such historical losses, the impact of our loan granting criteria on losses overtime and other factors. Additionally, the methodologies used to measure the additional allowance also depend on significant judgements, including the relationship between the level of loan losses observed and economic factors as of any given date. If our estimates differ from the amounts actually collected, additional provisions may be required.

#### ***Market Value of Financial Instruments***

In accordance with Brazilian GAAP and specific rules of the Central Bank, we record some of our financial instruments at market value. Financial instruments recorded at market value on our balance sheet include mainly securities classified as trading, available-for-sale, and other trading assets, including derivatives. Securities classified as held-to-maturity are recorded at their amortised cost on our balance sheet, and their corresponding market values are disclosed in the notes to our consolidated financial statements.

Market value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable party. We estimate market value using quoted market prices when available. When quoted market prices are not available, we use a variety of sources, which include dealer quotes, pricing models and quoted prices of instruments with similar characteristics or discounted cash flows. The determination of market value when quoted market prices are not available involves judgement by our management. Similarly, judgement must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. While we believe our valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies and assumptions to determine the market value of certain instruments could result in a different estimate of market value at the reporting date, which may affect the amount of revenue or loss recorded for a specific asset or liability. Judgements are also required to determine whether a decline in market value below amortised costs are permanent in available-for-sale or held-to-maturity securities, therefore requiring cost basis to be written down and recognition of related effects on our results of operations. Factors that are used by our management in determining whether a decline is permanent include mainly the observed period of the loss, the degree of the loss and the expectation, as of the date of analysis, as to the potential for realisation of the security.

#### ***Contingent Liabilities***

We are currently party to civil, labour, tax and social security proceedings arising from the normal course of our business. We normally make provisions for these contingencies based on the following: (i) for lawsuits individually reviewed, on the opinion of internal and external legal counsel and the probability that financial resources will be required to settle the claim, where settlement amounts may be estimated with sufficient certainty and (ii) for lawsuits collectively evaluated, by the use of statistical references by group of lawsuits, type of legal body (small claims court or regular court) and claimant. We classify as “probable”, “possible” or “remote” the risk that such contingencies arising from these proceedings will materialise into actual losses for us. We generally recognise provisions for these contingencies when we classify the loss related to these claims as probable. While we do not recognise provisions for contingencies whose risk we consider possible or remote, we disclose contingencies whose risk we consider possible. We measure contingency amounts by using models and criteria that, in spite of the uncertainty of these contingencies’ terms and amounts, we feel accurately estimate their values. Although we believe that these contingencies are adequately reflected in our financial statements, their outcomes may result in obligations to pay amounts higher than the aggregate values of our contingency provisions, given the inherent difficulties in estimating the exact amounts involved in the claims made against us.

#### **Significant Changes in Accounting Rules**

On December 28, 2007, Law No. 11,638 was approved in order to amend and revoke some provisions of Law No. 6,404 of December 15, 1976 and Law No. 6,385 of December 7, 1976 in connection with accounting practices, preparation and disclosure of financial statements.



The main changes in accounting practices in connection with Law No. 11,638 reflected in our consolidated financial statements beginning with our consolidated financial statements as of and for the year ended December 31, 2008 were:

- Fixed assets include assets arising from operations that transfer to the company any benefits, risks and control of such assets, and deferred charges include pre-operating and restructuring expenses. Accordingly, leasehold improvements and software purchases were reclassified from deferred charges to fixed assets and intangible assets, respectively, including in our consolidated financial statements as of and for the year ended December 31, 2007 for comparison purposes;
- Periodic analysis on recovery, measurement and disclosure of losses in relation to the recoverable amount of assets, as regulated by CMN Resolution No. 3,566 of May 29, 2008. No losses were found by the assessment carried out by our management in the fourth quarter of 2008;
- Creation of the subgroup “intangible assets” in permanent assets, in order to classify any rights relating to intangible assets intended for maintenance of the company and which are exercised for such purpose, including acquired goodwill. Accordingly, rights for acquisition of payroll and acquisition of customer portfolios and software were reclassified from prepaid expenses and deferred charges, respectively, to intangible assets, including in our consolidated financial statements as of and for the year ended December 31, 2007 for comparison purposes;
- According to CVM Resolution No. 554, dated as of November 12, 2008, assets with respect to which we are a lessee were recorded as assets and a corresponding financial liability was recognised; and
- According to CVM Resolution No. 562, dated as of November 17, 2008, the fair value of options granted to officers was recognised proportionally to the vesting period as personnel expenses, with a corresponding entry in the capital reserves account.

For more information regarding the impact of Law No. 11,638 on our accounting practices, including the effect on stockholders’ equity and net income, see Note 22(o) to our consolidated financial statements as of and for the year ended December 31, 2008.

## **Results of Operations for Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

### ***Highlights***

For the year ended December 31, 2009, our consolidated net income was R\$10,067 million. As of December 31, 2009, our total stockholders’ equity was R\$50,683 million. Our return on average equity was 21.4% in 2009. Our solvency ratio on a fully consolidated basis reached 16.7%, a 60 basis point increase in comparison to the previous year.

During 2009, we faced two main challenges. First, internally we experienced significant changes related to the “Association”. At the end of 2008, we defined the management team that would lead the new institution. In addition, we finalised the selection of the members of the board of directors and board of officers who would be responsible for leading the integration process. In the first half of 2009, this process was expanded to all managerial levels of our company. At the same time, market opportunities and business models were re-evaluated and redefined targets for the commercial area were established. The branch transformation program associated with the integration of the operations of the two banks started in the second half of 2009 and is expected to be accelerated in 2010. The second challenge was related to the turmoil in the international financial markets. The main impact of the economic crisis on the Brazilian financial industry in general was an increase in nonperforming loans. Our operations were affected by a change of asset quality. During the first nine months of 2009, we used part of our additional allowance for loan losses to address these changes in asset quality. But, at the end of 2009, the balance of nonperforming loans began to decrease, changing the trend of gradual deterioration of asset quality that began at the end of 2008.

As of December 31, 2009, the total balance of credit transactions, including endorsements and guarantees, was R\$278,382 million. Credit to individuals increased by 10.4% while credit to companies decreased by 2.3% compared to December 31, 2008. We maintained our strategy of increasing the volume of consumer credit loan, mainly credit cards and vehicle financing, and loans to micro, small and mid-sized companies during 2009.



Changes in exchange rates and the appreciation of the *real* in relation to foreign currencies as well as the migration of corporate clients to the capital markets as a source for financing operations were the main causes of the decrease of the balance of corporate loans.

On August 23, 2009, Itaú Unibanco Holding and Porto Seguro S.A. (“**Porto Seguro**”) entered into an alliance to combine their respective homeowner and automobile insurance operations. We also entered into an operating agreement for the exclusive offer and distribution of homeowner and automobile insurance products to clients of the Itaú Unibanco branch network in Brazil and Uruguay. As a consequence of this association, the results of Porto Seguro have been proportionally consolidated beginning with the fourth quarter of 2009, in light of our 30.0% interest in Porto Seguro. For a more detailed summary of this transaction and other material transactions in 2009. See “Business — Significant Transactions.”

### **Net Income**

The table below shows the major components of our net income for 2009 and 2008.

	Year Ended December 31,		
	2009	2008	Variation (%)
	(In millions of R\$)		
Income from financial operations . . . . .	76,728	56,431	36.0%
Expenses on financial operations . . . . .	(30,581)	(33,064)	(7.5)%
Income from financial operations before loan losses . . . . .	46,147	23,367	97.5%
Result of loan losses . . . . .	(14,165)	(12,946)	9.4%
Gross income from financial operations . . . . .	31,981	10,422	206.9%
Other operating revenues (expenses), net . . . . .	(12,364)	(11,123)	11.2%
Operating income (loss) . . . . .	19,617	(701)	n.m.
Non-operating income . . . . .	430	206	108.7%
Income (loss) before taxes on income and profit sharing . . . . .	20,047	(496)	n.m.
Income tax and social contribution . . . . .	(7,421)	9,420	n.m.
Profit sharing . . . . .	(1,695)	(855)	98.2%
Minority interest in subsidiaries . . . . .	(864)	(266)	224.8%
<b>Net income . . . . .</b>	<b>10,067</b>	<b>7,803</b>	<b>29.0%</b>

In 2009, our net income was influenced by the following non-recurring transactions which are presented on an after tax basis: (i) amortisation of goodwill (expense of R\$390 million), principally related to Redecard S.A. (“**Redecard**”); (ii) payments to Companhia Brasileira de Distribuição (“**CBD**”) in connection with extension of the Itaú Unibanco/CBD joint venture (expense of R\$363 million); (iii) provision for contingencies related to civil litigation in connection with economic plans (expense of R\$191 million); (iv) sale of investments, principally Visa Inc. (“**Visa**”) and Companhia Brasileira de Meios de Pagamento — CBMP — Visanet (“**Visanet**”) (income of R\$228 million); and (v) the program for settlement or instalment payment of federal taxes — Law No. 11,941 (income of R\$292 million).

### *Income from Financial Operations*

The table below shows the major components of our income from financial operations for 2009 compared to 2008.

	Year Ended December 31,		
	2009	2008	Variation (%)
	(In millions of R\$)		
Loan, lease and other credit operations . . . . .	47,477	37,892	25.3%
Securities and derivative financial instruments . . . . .	24,025	13,899	72.9%
Insurance, pension plan and capitalisation . . . . .	4,576	2,321	97.2%
Foreign exchange operations . . . . .	9	987	(99.1)%
Compulsory deposits . . . . .	641	1,332	(51.9)%
<b>Total income from financial operations . . . . .</b>	<b>76,728</b>	<b>56,431</b>	<b>36.0%</b>

Our income from financial operations increased by 36.0% from R\$56,431 million for 2008 to R\$76,728 million for 2009, an increase of R\$20,297 million. This increase is primarily due to an increase in the volume of operations, the consolidation of operations from Unibanco during the whole year of 2009 compared to the fourth quarter of 2008 and our strategy of changing the asset mix to increase the relative amounts of loans that have higher spreads.

### *Income from Loan, Lease and Other Credit Operations*

Our income from loan, lease and other credit operations increased by 25.3% from R\$37,892 million for 2008 to R\$47,477 million for 2009, an increase of R\$9,585 million. This increase was mainly due to an increase in the average volume of loans and lease transactions (other than with large companies and loans to clients of subsidiaries abroad, which experienced a decrease) in 2009 compared to 2008, which grew 14.0% in the period. The consolidation of Unibanco during the whole year of 2009 (versus only the fourth quarter of 2008) also had an impact on the increase of our income from loan, lease and other credit operations. Credit card transaction amounts, loans to small and mid-sized companies, mortgage loans and vehicle financings grew by 23.1%, 20.4%, 36.3% and 9.1%, respectively, in 2009 compared to 2008. The appreciation of the *real* against foreign currencies and the migration from bank loans to funding in the capital markets were the main reasons for the decline of the average balance of loans to large companies in 2009 compared to 2008. Changes in exchange rates also affected the average balance of loans in our operations abroad.

The table below shows the performance of credit transactions with loans classified by type of creditor (individuals and corporations), further broken down by type of product for individuals and by size of customer for corporations. We also present information on our “regulatory required loans,” which are loans required by Brazilian

regulation, including financing for housing and agricultural loans. See “The Brazilian Financial System and Banking Regulation.”

	As of December 31,		
	2009	2008	Variation (%)
	(In millions of R\$)		
<b>Loans to individuals</b> . . . . .	<b>102,845</b>	<b>93,173</b>	<b>10.4%</b>
Credit card . . . . .	29,096	23,638	23.1%
Personal credit . . . . .	21,545	21,681	(0.6)%
Vehicles . . . . .	52,204	47,854	9.1%
<b>Loans to companies</b> . . . . .	<b>149,873</b>	<b>153,465</b>	<b>(2.3)%</b>
Large companies . . . . .	88,880	102,826	(13.6)%
Small and mid-sized companies . . . . .	60,992	50,640	20.4%
<b>Regulatory required loans(1)</b> . . . . .	<b>13,654</b>	<b>11,898</b>	<b>14.8%</b>
Rural loans . . . . .	5,143	5,654	(9.0)%
Mortgage loans . . . . .	8,510	6,244	36.3%
<b>Loans to clients of subsidiaries located in</b>			
<b>Argentina/Chile/Uruguay/Paraguay</b> . . . . .	<b>11,708</b>	<b>13,402</b>	<b>12.6%</b>
<b>Porto Seguro Portfolio</b> . . . . .	<b>303</b>	<b>—</b>	<b>n.m.</b>
<b>Total of loan, lease and other credit operations</b> <b>(including sureties and endorsements)</b> . . . . .	<b><u>278,382</u></b>	<b><u>271,938</u></b>	<b>2.4%</b>

*Note:*

(1) Regulatory required loans are composed of rural and mortgage loans to individuals and to companies.

The total balance of loans and financing portfolio, including sureties and endorsements, was R\$278,382 million at December 31, 2009, a 2.4% increase compared to the balance at December 31, 2008. Loans to individuals totalled R\$102,845 million, an increase of 10.4% compared to December 31, 2008. The balance of credit card lending increased 23.1% from December 31, 2008 to December 31, 2009. Vehicle financing also increased 9.1% from December 31, 2008 to December 31, 2009. Personal credit operations decreased 0.6% and were affected by our restrictive credit policies adopted to manage the turmoil in the international financial markets. Loans to companies totalled R\$149,873 million at December 31, 2009, a decrease of 2.3% compared to December 31, 2008. The balance of loans to small and mid-sized companies increased 20.4% as consequence of our strategic focus on these customers. Changes in exchange rates and the appreciation of the *real* in relation to foreign currencies, as well as the migration by corporate borrowers from bank financing to capital markets financing, were the main causes of the decrease of average balance of corporate loans. Changes in exchange rates also had a significant impact on our activities abroad, decreasing the average balance of our loans portfolios in Argentina, Chile, Uruguay and Paraguay. The balance of regulatory required loans increased significantly as a result of the 36.3% increase of our mortgage loans in connection with favourable Brazilian economic scenario. The consolidation of Porto Seguro in the fourth quarter also resulted in a R\$303 million increase in our credit transactions in 2009.

#### *Income from Securities and Derivative Financial Instruments*

Our income from securities and derivative financial instruments increased by 72.9% in 2009 from R\$13,899 million in 2008 to R\$24,025 million for 2009, an increase of R\$10,126 million. This increase in income from securities and derivative financial instruments mainly reflects the increase of average volume of operations related to the consolidation of Unibanco during the whole year of 2009 (versus only the fourth quarter of 2008) and our gap management policy. As profits from exchange rate fluctuation on investments abroad are not taxed, we have set up a hedge (a liability in foreign exchange derivatives) to minimise our total foreign exchange exposure, net of tax effect, consistent with our strategy of low exposure to risk.

#### *Income from Insurance, Pension Plan and Capitalisation*

Our income from insurance, pension plan and capitalisation increased by 97.2% in 2009, from R\$2,321 million for 2008 to R\$4,576 million for 2009, an increase of R\$2,255 million. This increase was mainly due to the increased revenues from *Plano Gerador de Benefício Livre* (“PGBL”) which is a defined

contribution pension plan) and to a lesser extent *Vida Gerador de Benefício Livre* (“VGBL”), and the consolidation of Unibanco operations in the whole year of 2009.

#### *Income from Foreign Exchange Operations*

Our income from foreign exchange operations decreased by 99.1% from R\$987 million for 2008 to R\$9 million for 2009, a decrease of R\$978 million. This decrease in income from foreign exchange operations was mainly due to lower gains on foreign exchange operations as a result of the appreciation of the *real* in relation to foreign currencies.

#### *Income from Compulsory Deposits*

Our income from compulsory deposits decreased by 51.9% from R\$1,332 million for 2008 to R\$641 million for 2009, a decrease of R\$691 million. This decrease was mainly due to decreases in the levels of compulsory deposits required by the Central Bank as part of their adoption of anticyclical measures to manage the international financial crisis by increasing the liquidity of the financial system as a whole. As consequence, we redirected these resources to loans that yield higher returns. See “The Brazilian Financial System and Banking Regulation — Reserve Requirements.”

#### *Expenses on Financial Operations*

The following table describes the main components of our expenses on financial operations in 2009 and 2008.

	Year Ended December 31,		
	2009	2008	Variation (%)
	(In millions of R\$)		
Money market . . . . .	(26,297)	(26,830)	(2.0)%
Technical provisions for pension plan and capitalisation . . . . .	(3,992)	(1,842)	116.8%
Borrowings and onlending . . . . .	(292)	(4,392)	(93.4)%
<b>Total expenses on financial operations . . . . .</b>	<b>(30,581)</b>	<b>(33,064)</b>	<b>(7.5)%</b>

Our expenses on financial operations decreased by 7.5% from R\$33,064 million for 2008 to R\$30,581 million for 2009, a decrease of R\$2,483 million.

#### *Expenses from Money Market*

Our expenses from money market operations decreased by 2.0% from R\$26,830 million for 2008 to R\$26,297 million for 2009, a decrease of R\$533 million. This decrease mainly reflects the impact of exchange rate fluctuations on liabilities denominated in or indexed to foreign currencies.

#### *Expenses from Technical Provisions for Pension Plans and Capitalisation*

Our expenses from technical provisions for pension plan and capitalisation operations increased by 116.8% from R\$1,841 million for 2008 to R\$3,992 million for 2009, an increase of R\$2,152 million. This increase was mainly due to the significant organic growth in the average balance of investment contracts for pension plans and to a lesser extent the increase in the cost of technical provisions.

#### *Expenses from Borrowings and Onlending*

Our expenses from borrowings and onlending decreased from R\$4,392 million for 2008 to R\$292 million for 2009, a decrease of R\$4,100 million. This decrease was mainly due to the decrease of the average balance of borrowings denominated in or indexed to foreign currencies and the exchange rate variation in the period.

#### *Income from Financial Operations before Loan Losses*

Our income from financial operations before loan losses increased by 97.5% from R\$23,367 million for 2008 to R\$46,147 million for 2009, an increase of R\$22,780 million, mainly as a result of the factors described above under “— Income from Financial Operations” and “— Expenses on Financial Operations.”

### *Results of Loan Losses*

Our results of loan losses increased by 9.4% from R\$12,946 million for 2008 to R\$14,165 million for 2009, an increase of R\$1,219 million. The main components of results of loan losses in 2009 and 2008 are listed below.

#### *Expense for Allowance for Loan Losses*

Our expense for allowance for loan losses increased by 14.8% from R\$14,280 million for 2008 to R\$16,397 million for 2009, an increase of R\$2,119 million. During the first half of 2009, the adverse effects of the international economic and financial crisis spread among a number of industries, resulting in increased risk related to certain credit portfolios. Levels of non-performing loans increased for individuals and company portfolios generally, reflecting this adverse context. At the end of the first half of 2009, however, the Brazilian economic outlook improved, as a result of the tax incentive packages to foster consumption and overall economic activity levels. By the end of third quarter 2009, there was evidence that the worst moment of the adverse credit cycle for retail lending was over. At the end of 2009, we also had evidence that the quality of our commercial lending portfolio had improved significantly.

We use models to calculate provisions in addition to those required by Central Bank regulations based on historical data and economic stress projections. As of December 31, 2009, we had provisions of R\$6,104 million in excess of those required by the Central Bank based on our models. We recorded income of R\$1,687 million during 2009 related to the reversal of prior provisions. See “Select Statistic Information — Loans and Leases.”

#### *Income from Recovery of Credits Written Off as Loss*

Our income from recovery of credits written off as loss increased by 67.5% from R\$1,334 million for 2008 to R\$2,234 million for 2009, an increase of R\$900 million. The consolidation of the operations of Unibanco for the whole year of 2009 and a better economic environment in the second half of 2009 were the main causes for this increase.

#### *Gross Income from Financial Operations*

Our gross income from financial operations increased by 206.9% from R\$10,422 million for 2008 to R\$31,981 million for 2009, an increase of R\$21,559 million.

#### *Other Operating Revenues (Expenses), Net*

The table below shows the main components of our other operating revenues (expenses), net in 2009 and 2008.

	Year Ended December 31,		
	2009	2008	Variation (%)
	(In millions of R\$)		
Banking service fees and income from bank charges . . . . .	15,227	11,204	35.9%
Result of operations from insurance, pension plan and capitalisation . . . . .	2,432	1,307	86.1%
Personnel expenses . . . . .	(9,832)	(7,632)	28.8%
Other administrative expenses . . . . .	(11,593)	(7,921)	46.4%
Tax expenses . . . . .	(4,238)	(2,336)	81.4%
Equity in earnings of affiliates . . . . .	178	194	(8.2)%
Other operating revenues . . . . .	941	1,509	(37.6)%
Other operating expenses . . . . .	<u>(5,480)</u>	<u>(7,448)</u>	26.4%
<b>Total other operating revenues (expenses), net . . . . .</b>	<b><u>(12,365)</u></b>	<b><u>(11,123)</u></b>	<b>11.2%</b>

#### *Banking Service Fees and Income from Bank Charges*

Our banking service fees and income from bank charges increased by 35.9% from R\$11,204 million for 2008 to R\$15,227 million for 2009, an increase of R\$4,023 million. The consolidation of the operations of Unibanco for the whole year of 2009 had a significant impact on this increase.

Banking service fees increased by 44.0% from R\$8,649 million for 2008 to R\$12,455 million for 2009, an increase of R\$3,806 million. This increase was mainly due to increased revenues from credit card operations, which increased by 92.7% from R\$3,019 million for 2008 to R\$5,817 million for 2009, an increase of R\$2,798 million, due to the increased use of credit cards as the method of payment in commercial transactions and an increase in offering of consumer credit lines, such as cash in advance, offered by us through retailers. Banking service fees include fees on receipt services related to tax collection, which increased by 33.7% from R\$901 million for 2008 to R\$1,205 million for 2009, an increase of R\$304 million. This change is related to an increase of our operational activities due to the consolidation of the operations of Unibanco. Banking service fees also include fees from asset management, which increased by 14.3% from R\$1,968 million for 2008 to R\$2,249 million for 2009, an increase of R\$281 million. Fees from asset management were positively impacted by the increased volume of assets under management.

Income from bank charges increased by 8.5% from R\$2,555 million for 2008 to R\$2,772 million for 2009, an increase of R\$217 million. The decrease was principally due to changes made to charging practices for priority services pursuant to Central Bank policy, which was partially offset by the increase of fees for service packages and by the increased volume of operations. See “The Brazilian Financial System and Banking Regulation — Rules Governing the Collection of Bank Fees.”

#### *Results of Operations from Insurance, Pension Plan and Capitalisation*

Our results of operations from insurance, pension plan and capitalisation increased by 86.1% from R\$1,307 million for 2008 to R\$2,432 million for 2009, an increase of R\$1,125 million. The results of operations from insurance, pension plan and capitalisation were mainly affected by the consolidation of the operations of Unibanco during the whole year of 2009, as well as by the increase in our sales of insurance pension plans and capitalisation products.

#### *Personnel Expenses*

Our personnel expenses increased by 28.8% from R\$7,632 million for 2008 to R\$9,832 million for 2009, an increase of R\$2,200 million. This increase in personnel expenses was mainly due to the consolidation of operations of Unibanco during 2009 and the impact of the annual renegotiation of the collective labour agreements, which increased employees' salaries by 6.0% effective as of September 2009, on our provisions for vacations.

#### *Other Administrative Expenses*

Our other administrative expenses increased by 46.4% from R\$7,921 million for 2008 to R\$11,593 million for 2009, an increase of R\$3,672 million. This increase in other administrative expenses was mainly due to the consolidation of Unibanco during the whole year of 2009 and to expenses related to our organic growth. During 2009, the number of branches of Itaú Unibanco grew from 3,906 as of December 31, 2008 to 3,936 as of December 31, 2009, an increase of 0.8%. Notwithstanding, the number of employees of Itaú Unibanco decreased from approximately 108,000 as of December, 2008 to 102,000 as of December, 2009.

#### *Tax Expenses*

Our tax expenses increased by 81.4% from R\$2,336 million for 2008 to R\$4,238 million for 2009, an increase of R\$1,902 million. This increase in tax expenses was mainly due to increased operational activity and the consolidation of Unibanco for the whole year of 2009.



#### *Equity in Earnings of Affiliates*

Our equity in earnings of affiliates decreased from R\$194 million for 2008 to R\$178 million for 2009, a decrease of R\$16 million, and was principally due to a decrease in the earnings of Banco BPI S.A.

#### *Other Operating Revenues*

Our other operating revenues decreased from R\$1,509 million for 2008 to R\$941 million for 2009, a decrease of R\$568 million. In 2009, we did not have the repetition of some events that took place in 2008, such as the reversal of R\$720 million of provision for CPMF on lease operations, the reversal of R\$127 million of provision for depreciation in excess of IT assets and equipment, and R\$64 million reversal of provisions related to a lawsuit relating to the Contribution for the Program of Social Integration (*Contribuição para o Programa de Integração Social* or “**PIS**”), described below in the discussion of our results of operations for 2008 compared to 2007. Moreover, in 2009 we had the impact of the reversal of R\$292 million related to the program for settlement or instalment payment of federal taxes — Law No. 11,941/09.

#### *Other Operating Expenses*

Our other operating expenses decreased by 26.4% from R\$7,448 million for 2008 to R\$5,480 million for 2009, a decrease of R\$1,968 million. During 2009 we did not have the repetition of some events that took place in 2008, such as the constitution of provisions for integration expenditures related to the “Association”, the provision for health insurance set up to cover possible future deficits, higher amortisation of goodwill on investments generally related to the “Association” and higher provision for tax and social security contingencies due to assessment notices, as discussed below in the discussion of our results of operations for 2008 compared to 2007. On the other hand, the increase of our credit card operations in 2009 increased selling expenses such as commissions and awards. Similarly, we had an increase in provisions for civil contingencies in the normal course of business during 2009.

#### *Operating Income (Loss)*

Our operating income (loss) increased from a loss of R\$701 million for 2008 to a profit of R\$19,617 million for 2009, a variation of R\$20,318 million.

#### *Non-Operating Income*

Our non-operating income increased by 108.7% from R\$206 million for 2008 to R\$430 million for 2009, an increase of R\$224 million. This increase was basically related to sales of investments, such as the disposal of our investments in Visa (R\$144 million), MasterCard Inc. (R\$83 million) and Brazilian stock exchange (“**BM&FBOVESPA**”) (R\$64 million) in 2008, in comparison with the disposal of our stake in Visa and Visanet (R\$345 million) and Allianz Seguros S.A. (R\$25 million) in 2009.

#### *Income (Loss) before Taxes on Income and Profit Sharing*

Our income (loss) before taxes on income and profit sharing increased from a loss of R\$496 million for 2008 to a profit of R\$20,047 million for 2009, a variation of R\$20,543 million.



### *Income (Loss) Tax and Social Contribution*

The table below shows the major components of our income (loss) tax and social contribution for 2009 compared to 2008.

	Year Ended December 31,		
	2009	2008	Variation (%)
	(In millions of R\$)		
<b>Income (loss) before income tax and social contribution . . . . .</b>	<b>20,047</b>	<b>(496)</b>	<b>n.m.</b>
<b>Charges (income (loss) tax and social contribution) at the rates in effect . . . . .</b>	<b>(8,019)</b>	<b>198</b>	<b>n.m.</b>
<b>Increase/decrease to income (loss) tax and social contribution charges arising from:</b>			
<b>(Additions) exclusions . . . . .</b>	<b>598</b>	<b>9,223</b>	<b>(93.5)%</b>
Foreign exchange variation on investments abroad . . . . .	(2,034)	1,281	n.m.
Interest on capital . . . . .	1,478	700	111.1%
Increase arising from Itaú Unibanco merger . . . . .	—	6,131	n.m.
Other . . . . .	1,153	1,111	3.8%
<b>Total income (loss) tax and social contribution . . . . .</b>	<b><u>(7,421)</u></b>	<b><u>9,420</u></b>	<b>n.m.</b>

Income (loss) tax and social contribution for the year resulted in an expense of R\$7,421 million in 2009 compared to tax benefit of R\$9,420 million in 2008. The main factors that contributed to the decrease were: (i) in 2008 we had exclusions from our tax base of R\$6,131 million arising from the “Association”, which was not repeated in 2009 and (ii) the effect of exchange rate gains and losses in our investments abroad resulting in an expense of R\$2,034 million in 2009, in comparison with a benefit of R\$1,281 million in 2008. This was partially offset by a higher tax benefit on dividends paid in the form of interest on stockholders’ equity (a form of tax deductible dividend) of R\$1,478 million in 2009, an increase of R\$778 million compared to 2008.

Our total tax on income is composed of current income tax and deferred tax. Certain amounts of income and expenses are recognised in our income statement but do not affect our taxable basis and, conversely certain amounts are taxable income or deductible expenses in determining our taxes on income but do not affect our income statement. Those items are known as “permanent differences.” For Brazilian tax purposes, exchange rate gains and losses on our investments in subsidiaries abroad are not taxable, if a gain, or not deductible, if a loss, and are a permanent difference. From an economic perspective we hedge our investments in subsidiaries abroad by using foreign-currency denominated liabilities or derivative instruments. The gains or losses on derivative instruments and the exchange rate gains and losses on foreign currency denominated liabilities are taxable or deductible for purposes of Brazilian taxes. During 2009, we experienced significant appreciation of the *real* against the foreign currencies in which our subsidiaries operate, generating losses that were not deductible for tax purposes. The appreciation of the *real* generated taxable gains on derivatives instruments used as economic hedge and taxable exchange rate gains on liabilities used as economic hedges.

### *Profit Sharing*

Our profit sharing increased by 98.2% from R\$855 million for 2008 to R\$1,695 million for 2009, an increase of R\$840 million. This increase was mainly a result of the consolidation of the operations of Unibanco during the whole year of 2009 as compared to only the fourth quarter of 2008.

### *Minority Interest in Subsidiaries*

Results from minority interest in subsidiaries increased from an expense of R\$266 million for 2008 to an expense of R\$864 million for 2009, an increase of R\$598 million. This variation was principally due to the consolidation of Redecard beginning in the first quarter of 2009.

## Results of Operations for Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

### Highlights

For the year ended December 31, 2008, our consolidated net income was R\$7,803 million. As of December 31, 2008, our total stockholders' equity was R\$43,664 million. Our return on average equity was 23.8% in 2008, while our solvency ratio on a fully consolidated basis decreased to 16.1% at December 31, 2008, a 260 basis point decrease in comparison to December 31, 2007.

The results achieved in 2008 were affected by the agreement to effect the "Association", as well as the impact of the acquisition of shares of Itaúsa Europa Investimentos, SGPS, Lda. ("**Itaúsa Europa**"), Itaúsa Export S.A. ("**Itaúsa Export**"), and Unibanco AIG Seguros S.A. ("**Unibanco AIG**"), and the consequent effects of the consolidation of the results of each of these institutions during the fourth quarter of the year. See "Business — Significant Transactions." Our consolidated financial statements as of and for the year ended December 31, 2008 reflect the operations of Unibanco for the period from October 1, 2008 through December 31, 2008. In order to facilitate an analysis of our results and the effects of the consolidation of Unibanco in the last quarter of 2008, our consolidated financial statements as of and for the year ended December 31, 2008 include as additional supplementary information a column named "Without Unibanco," which does not consolidate the financial positions and results of operations of Unibanco.

The results of 2008 were also affected by measures that we took to manage the international economic turmoil of the last months of 2008, for example, the increase in the balance of our additional allowance for loan losses.

In 2008, our credit portfolio increased as a result of our strategy to increase the volume of our commercial activities in segments where we had traditionally limited our activities, such as consumer credit and loans to very small, small and mid-sized companies. As of December 31, 2008, the total balance of credit transactions, taking into account the Unibanco consolidation and including endorsements and guarantees, was R\$271,938 million. Credit to individuals increased by 71.2% while credit to companies increased by 166.8% in 2008. If the Unibanco consolidation is not taken into account, credit operations would have been R\$180,659 million as of December 31, 2008, with credit to individuals increasing by 26.6% and credit to companies increasing by 58.1% in 2008.

### Net Income

The table below shows the major components of our net income for 2008 and 2007.

	Year Ended December 31,		
	2008	2007	Variation (%)
	(In millions of R\$)		
Income from financial operations . . . . .	56,431	32,130	75.6%
Expenses on financial operations . . . . .	(33,064)	(11,158)	196.3%
Income from financial operations before loan losses . . . . .	23,367	20,971	11.4%
Result of loan losses . . . . .	(12,946)	(5,495)	135.6%
Gross income from financial operations . . . . .	10,422	15,476	(32.7)%
Other operating revenues (expenses), net . . . . .	(11,123)	(4,431)	151.0%
Operating income (loss) . . . . .	(701)	11,045	n.m.
Non-operating income . . . . .	206	2,873	(92.8)%
Income (loss) before taxes on income and profit sharing . . . . .	(496)	13,919	n.m.
Income (loss) tax and social contribution . . . . .	9,420	(4,756)	n.m.
Profit sharing . . . . .	(855)	(744)	14.9%
Minority interest in subsidiaries . . . . .	(266)	55	n.m.
<b>Net income . . . . .</b>	<b>7,803</b>	<b>8,474</b>	<b>(7.9)%</b>

In 2008, our net income was influenced by the following non-recurring transactions which are presented on an after tax basis: (i) additional allowance for loan losses (an expense of R\$3,089); (ii) equalisation of accounting

criteria between Itaú Unibanco Holding (formerly Banco Itaú Holding) and Unibanco Holdings — particularly non-technical provisions for health insurance, technical provisions for insurance and pension plan, adjustment on the allowance for loan losses to the minimum required by CMN Resolution No. 2,682, provisions for contingent liabilities and legal liabilities and others (an expense of R\$1,414 million); (iii) provision for integration expenditures related to the “Association” (an expense of R\$888 million); (iv) amortisation of goodwill (an expense of R\$223 million), principally related to the increase of our ownership interest in Banco BPI S.A.; (v) provision for contingencies related to economic plans (an expense of R\$174 million); (vi) effect of adoption of Law No. 11.638 — changes related to stock based compensation and lease operations — (an expense of R\$136 million); and (vii) other non-recurring events (an expense of R\$60 million); partially offset by (viii) effects from the “Association” (an income of R\$5,183 million); and (ix) sale of investments, mainly our stake on Visa (an income of R\$233 million).

#### *Income from Financial Operations*

The table below shows the major components of our income from financial operations for 2008 compared to 2007.

	Year Ended December 31,		Variation (%)
	2008	2007	
	(In millions of R\$)		
Loan, lease and other credit operations . . . . .	37,892	21,055	80.0%
Securities and derivative financial operations . . . . .	13,899	7,831	77.5%
Insurance, pension plan and capitalisation . . . . .	2,321	2,210	5.0%
Foreign exchange operations . . . . .	987	148	566.9%
Compulsory deposits . . . . .	<u>1,332</u>	<u>886</u>	50.3%
<b>Total income from financial operations . . . . .</b>	<b><u>56,431</u></b>	<b><u>32,130</u></b>	<b>75.6%</b>

Our income from financial operations increased by 75.6% from R\$32,130 million for the year ended December 31, 2007 to R\$56,431 million for the year ended December 31, 2008, an increase of R\$24,301 million. This increase was mainly due to the gains on assets denominated in or indexed to foreign currencies, to the consolidation of Unibanco in the fourth quarter of 2008, and the increased volume of loan and financial transactions to individuals and companies in Brazil and internationally.

#### *Income from Loan, Lease and Other Credit Operations*

Our income from loan, lease and other credit operations increased by 80.0% from R\$21,055 million for the year ended December 31, 2007 to R\$37,892 million for the year ended December 31, 2008, an increase of R\$16,837 million. This increase was mainly due to gains on loans and leases denominated in or indexed to foreign currencies, as well as an increase in the average volume of loans and lease transactions in 2008 compared 2007, partially due to the consolidation of Unibanco. In particular, credit card operations, vehicle financing transactions, mortgage loans and loans to companies grew by 116.4%, 61.6%, 132.8% and 166.8%, respectively.

The table below shows the performance of credit transactions with loans classified by type of creditor (individuals and corporations) and further broken down by type of product for individuals and by size of customer for corporations. We also present the information on our “regulatory required loans,” which are loans required by

Brazilian regulation, including financing for housing and agricultural loans. See “The Brazilian Financial System and Banking Regulation — Reserve Requirements.”

	As of December 31,		
	2008	2007	Variation (%)
	(In millions of R\$)		
<b>Loans to individuals</b> . . . . .	<b>93,173</b>	<b>54,416</b>	<b>71.2%</b>
Credit card . . . . .	23,638	10,925	116.4%
Personal credit . . . . .	21,681	13,881	56.2%
Vehicles . . . . .	47,854	29,611	61.6%
<b>Loans to companies</b> . . . . .	<b>153,465</b>	<b>57,524</b>	<b>166.8%</b>
Large companies . . . . .	102,825	36,236	183.8%
Small and mid-sized companies . . . . .	50,640	21,288	137.9%
<b>Regulatory required loans(1)</b> . . . . .	<b>11,898</b>	<b>6,335</b>	<b>87.8%</b>
<b>Argentina/Chile/Uruguay/Paraguay</b> . . . . .	<b>13,402</b>	<b>9,314</b>	<b>43.9%</b>
<b>Total of loan, lease and other credit operations (including sureties and endorsements)</b> . . . . .	<b><u>271,938</u></b>	<b><u>127,589</u></b>	<b>113.1%</b>

*Note:*

(1) Regulatory required loans are composed of rural and mortgage loans to individuals and to companies.

The total balance of our loan and financing portfolio, including sureties and endorsements, totalled R\$271,938 million at December 31, 2008, representing an 113.1% increase compared to December 31, 2007. The consolidation of the results of Unibanco played an important part in this increase. In particular, loan and financing transactions to companies grew significantly, increasing by 166.8% from December 31, 2007 to December 31, 2008. Loans to large companies increased by 183.8% and loans to small and middle-market companies increased by 137.9%. Credit card transactions increased by 116.4% and from December 31, 2007 to December 31, 2008. The vehicle portfolio increased by 61.6% from December 31, 2007 to December 31, 2008. Regulatory required loans increased 87.8% mainly due to an increase in our mortgage portfolio. Credit transactions carried out by our foreign units (Argentina, Chile, Uruguay and Paraguay) also increased significantly by 43.9%, driven mainly by the exchange rate fluctuation and our consolidation of the results of operations of Interbanco S.A. (“**Interbanco**”) in Paraguay. Excluding the results of Unibanco, the total balance of our loan and financing portfolio would have totalled R\$180,659 million at December 31, 2008, a 41.5% increase compared to December 31, 2007.

#### *Income from Securities and Derivative Financial Operations*

Our income from securities and derivative financial instruments increased by 77.5% from R\$7,831 million for the year ended December 31, 2007 to R\$13,899 million for the year ended December 31, 2008, an increase of R\$6,068 million. This increase was principally due to: (i) the consolidation of the results of Unibanco in the fourth quarter of 2008; (ii) gains on financial instruments denominated in or indexed to foreign currencies; and (iii) the increased volume of repurchase transactions entered into using funds from investment funds.

#### *Income from Insurance, Pension Plan and Capitalisation*

Our income from insurance, pension plan and capitalisation increased by 5.0% from R\$2,210 million for the year ended December 31, 2007 to R\$2,321 million for the year ended June 31, 2008, an increase of R\$111 million. This increase was mainly due to increased revenues from our PGBL and to a lesser extent VGBL retirement plan operations, mainly as a result of the higher volume of sales of PGBL and VGBL products, and to the consolidation of Unibanco in the fourth quarter of 2008.

#### *Income from Foreign Exchange Operations*

Our income from foreign exchange operations increased by 566.9% from R\$148 million for the year ended December 31, 2007 to R\$987 million for the year ended December 31, 2008, an increase of R\$839 million. This

increase was mainly due to gains related to foreign currencies trades and gains related to positions taken mainly against the U.S. dollar, Euro and Yen in a volatile environment during the last quarter of the year.

#### *Income from Compulsory Deposits*

Our income from compulsory deposits increased by 50.3% from R\$886 million for the year ended December 31, 2007 to R\$1,332 million for the year ended December 31, 2008, an increase of R\$446 million. This increase was mainly due to the increased volume of compulsory deposits as a result of the increase in our funding from deposits made by our clients — See “The Brazilian Financial System and Banking Regulation — Reserve Requirements.”

#### *Expenses on Financial Operations*

The following table describes the main components on our expenses of financial operations in 2008 and 2007.

	Year Ended December 31,		
	2008	2007	Variation (%)
	(In millions of R\$)		
Money market . . . . .	(26,830)	(9,445)	184.1%
Technical provisions for pension plan and capitalisation . . . . .	(1,841)	(1,841)	0.0%
Borrowings and onlending . . . . .	(4,392)	127	n.m.
<b>Total expenses on financial operations . . . . .</b>	<b>(33,064)</b>	<b>(11,158)</b>	<b>196.3%</b>

Our expenses on financial operations increased by 196.3% from R\$11,158 million for the year ended December 31, 2007 to R\$33,064 million for the year ended December 31, 2008, an increase of R\$21,906 million.

#### *Expenses from Money Market*

Our expenses from money market operations increased by 184.1% from R\$9,445 million for the year ended December 31, 2007 to R\$26,830 million for the year ended December 31, 2008, an increase of R\$17,385 million. This increase mainly reflects the consolidation of Unibanco and the increase in the volume of time deposits and repurchase transactions entered into with investment funds.

#### *Expenses from Borrowings and Onlending*

Our expenses from borrowings and onlending increased from income of R\$127 million for the year ended December 31, 2007 to an expense of R\$4,392 million for the year ended December 31, 2008, an increase of R\$4,265 million. This increase mainly reflects the impact of the increase in the average volume of this source of funding and the impact of the exchange rate variation on liabilities denominated in or indexed to foreign currencies.

#### *Income from Financial Operations Before Loan Losses*

Our income from financial operations before loan losses increased by 11.4% from R\$20,971 million for the year ended December 31, 2007 to R\$23,367 million for the year ended December 31, 2008, an increase of R\$2,396 million. This increase is due to the events described above under “— Income from Financial Operations” and “— Expenses on Financial Operations.”

#### *Results of Loan Losses*

Our results of loan losses increased by 135.6% from R\$5,495 million for the year ended December 31, 2007 to R\$12,946 million for the year ended December 31, 2008, an increase of R\$7,451 million. The main components of results of loan losses in the year ended December 31, 2008 and 2007 are listed below.

#### *Expense for Allowance for Loan Losses*

In 2008, in light of the economic crisis and the uncertainties surrounding it, we revised the criteria for provisioning additional reserves (those exceeding the required minimum by the Central Bank) to include risks

relating to deteriorated economic scenarios for 2009 and 2010, which significantly exceeded the historical scenarios of recent years. At year-end 2008, total provisions reached R\$7,791 million, up from \$2,150 million a year earlier.

Our expenses for allowance for loan losses increased by 117.6% from R\$6,563 million for the year ended December 31, 2007 to R\$14,280 million for the year ended December 31, 2008, an increase of R\$7,716 million. Such increase resulted primarily from the consolidation of Unibanco's operations in the fourth quarter of 2008 and the organic growth of our credit portfolio. Additionally, risk ratings for larger companies were reclassified, while the global economic slowdown affected risk in the portfolios for very small, small and middle market companies and individual clients at year-end, each of which resulted in increased provisions.

#### *Income from Recovery of Credits Written Off as Loss*

Our income from recovery of credits written off as loss increased by 24.9% from R\$1,068 million for the year ended December 31, 2007 to R\$1,334 million for the year ended December 31, 2008, an increase of R\$266 million related to the consolidation of the operations of Unibanco.

#### *Gross Income from Financial Operations*

Our gross income from financial operations decreased by 32.7% from R\$15,476 million for the year ended December 31, 2007 to R\$10,422 million for the year ended December 31, 2008, a decrease of R\$5,055 million.

#### *Other Operating Revenues (Expenses), Net*

The table below shows the main components of our other operating revenues (expenses), net in 2008 and 2007.

	<b>Year Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Variation (%)</b>
	<b>(In millions of R\$)</b>		
Banking service fees and income from bank charges . . . . .	11,204	10,174	10.1%
Result of operations from insurance, pension plan and capitalisation . . . . .	1,307	1,219	7.2%
Personnel expenses . . . . .	(7,632)	(5,523)	38.2%
Other administrative expenses . . . . .	(7,921)	(6,403)	23.7%
Tax expenses . . . . .	(2,336)	(2,533)	(7.8)%
Equity in earnings of affiliates . . . . .	194	220	(11.8)%
Other operating revenues . . . . .	1,509	521	189.6%
Other operating expenses . . . . .	<u>(7,448)</u>	<u>(2,107)</u>	253.5%
<b>Total other operating revenues (expenses), net . . . . .</b>	<b><u>(11,123)</u></b>	<b><u>(4,431)</u></b>	<b>151.0%</b>

#### *Banking Service Fees and Income from Bank Charges*

Our banking service fees and income from bank charges increased by 10.1% from R\$10,174 million for the year ended December 31, 2007 to R\$11,204 million for the year ended December 31, 2008, an increase of R\$1,030 million. The consolidation of the operations of Unibanco in the fourth quarter of 2008 was responsible for a significant portion of to this increase.

Banking service fees increased by 11.2% from R\$7,775 million for the year ended December 31, 2007 to R\$8,649 million for the year ended December 31, 2008, an increase of R\$874 million. This increase was mainly as a result of increased revenues from credit card operations, fees on sureties and credits granted and fees on receipt services. Fees from credit cards increased by 28.5% from R\$2,349 million for the year ended December 31, 2007 to R\$3,019 million for the year ended December 31, 2008, an increase of R\$670 million due to increased use of our credit cards. Fees on sureties and credits granted increased by 19.1% from R\$1,044 million for the year ended December 31, 2007 to R\$1,244 million for the year ended December 31, 2008, an increase of R\$200 million due to increased volume of operations.



Income from bank charges increased by 6.5% from R\$2,399 million for the year ended December 31, 2007 to R\$2,555 million for the same period in 2008, an increase of R\$156 million. This increase was primarily a result of the consolidation of Unibanco in the fourth quarter of 2008. We conducted a fee reduction campaign that started during the second half of 2007 aimed at improving customer loyalty as well as made changes to pricing practices for priority services pursuant to a new Central Bank policy were primarily responsible for a decrease in the income from bank charges, excluding the consolidation of Unibanco. See “The Brazilian Financial System and Banking Regulation — Rules Governing the Collection of Bank Fees.”

#### *Results of Operations from Insurance, Pension Plan and Capitalisation*

Our results of operations from insurance, pension plan and capitalisation increased by 7.2% from R\$1,219 million for the year ended December 31, 2007 to R\$1,307 million for the year ended December 31, 2008, an increase of R\$88 million. The results of operations from insurance, pension plan and capitalisation were affected by adjustments to technical provisions for insurance and pension plan arising from the “Association” which totalled R\$292 million.

#### *Personnel Expenses*

Our personnel expenses increased by 38.2% from R\$5,523 million for the year ended December 31, 2007 to R\$7,632 million for the year ended December 31, 2008, an increase of R\$2,109 million. This increase in personnel expenses was mainly due to the consolidation of Unibanco in the fourth quarter of 2008, which was the primary driver of the increase in the number of employees from 66,104 employees at December 31, 2007 to 108,027 employees at December 31, 2008, the latter including Unibanco. The provisions of the new collective labour agreements increased employees’ salaries by 6.0% for all banks in Brazil effective as of September 2007 and compensation and benefits increased by 8.2% or 10.0%, depending on the salary range, effective as of September 2008.

#### *Other Administrative Expenses*

Our other administrative expenses increased by 23.7% from R\$6,403 million for the year ended December 31, 2007 to R\$7,921 million for the year ended December 31, 2008, an increase of R\$1,517 million. This was primarily due to the consolidation of Unibanco in the fourth quarter of 2008 and to a variety of factors related to our growth. During 2008, the total number of branches (excluding Unibanco) grew from 2,764 as of December 31, 2007 to 2,898 as of December 31, 2008, an increase of 4.8%. The number of clients (excluding Unibanco) grew from 13.0 million on December, 2007 to 14.2 million on December, 2008. The increase of our operations led to the increase in communication expenses, marketing expenses, expenses relating to premises and expenses related to third party service providers.

#### *Tax Expenses*

Our tax expenses decreased by 7.8% from R\$2,533 million for the year ended December 31, 2007 to R\$2,336 million for the year ended December 31, 2008, a decrease of R\$197 million. This decrease in tax expenses was mainly due to the repeal of the CPMF, which became effective as of January 1, 2008.

#### *Equity in Earnings of Affiliates*

Our equity in earnings of affiliates decreased from R\$220 million for the year ended December 31, 2007 to R\$194 million for the year ended December 31, 2008, a decrease of R\$26 million, mainly due to the decrease of our equity participation in Serasa S.A. (“**Serasa**”).

#### *Other Operating Revenues*

Our other operating revenues increased from R\$521 million for the year ended December 31, 2007 to R\$1,509 million for the year ended December 31, 2008, an increase of R\$1,045 million. In 2008, we had the reversal of R\$720 million of provision for CPMF on lease operations. We also had the impact of the reversal of R\$127 million of provision for depreciation of IT assets and equipment, and R\$64 million arising from the lawsuit for repetition of PIS Gross Operating Revenue (ROB) in excess of PIS Repique relating to the period from July 1988 to May 1989. In November 2002 a decision recognising the entitlement to the credit was considered final and unappealable and in September 2008 the expert’s calculation for settling the decision was completed.



### *Other Operating Expenses*

Our other operating expenses increased by 253.5% from R\$2,107 million for the year ended December 31, 2007 to R\$7,448 million for the year ended December 31, 2008, an increase of R\$5,399 million. The main factors responsible for this variation were: (i) R\$1,543 million of amortisation of goodwill on investments, which in 2008 was primarily related to the “Association”; (ii) provision of R\$1,331 million for the expenditures on communication with customers, adequacy of systems and personnel related to the “Association”; (iii) an increased provision for tax and social security contingencies due to assessment notices, amounting to R\$1,067 million, of which R\$290 million were related to CPMF on transactions with customers, R\$402 million were related to deductibility of goodwill, R\$158 million are related to CPMF on transfer of securities, R\$18 million were associated with ISS on banking activities and R\$199 million are due to Social Welfare (*Instituto Nacional de Seguridade Social* or “**INSS**”) on surplus profit sharing related to collective bargaining agreement; and (iv) provision of R\$531 million for health insurance, set up to cover possible future deficits up to the total discontinuance of the portfolio, arising from the difference of adjustments to monthly instalments, authorised annually by the regulatory body, and the actual variation of hospital costs.

### *Operating Income (Loss)*

Our operating income (loss) decreased from a profit of R\$11,045 million for the year ended December 31, 2007 to a loss of R\$701 million for the year ended December 31, 2008, a variation of R\$11,747 million.

### *Non-Operating Income*

Our non-operating income decreased by 92.8% from R\$2,873 million for the year ended December 31, 2007 to R\$206 million for the year ended December 31, 2008, a decrease of R\$2,668 million. This decrease was as a result of the non-recurring effects on our non-operating income in the years ended December 31, 2007 and 2008, including income received upon the disposal of our investments in Serasa (R\$743 million); Redecard (R\$1,544 million); BM&FBOVESPA (R\$475 million) and the sale of the former head office of Banco ItaúBank S.A. in 2007 compared to the disposal of our investments in Visa (R\$144 million), MasterCard Inc. (R\$83 million) and BM&FBOVESPA (R\$64 million) in 2008. See “Business — Significant Transactions.”

### *Income (Loss) before Taxes on Income and Profit Sharing*

Our income (loss) before taxes on income and profit sharing decreased from a profit of R\$13,919 million for the year ended December 31, 2007 to a loss of R\$496 million for the year ended December 31, 2008, a variation of R\$14,414 million.

### *Income (Loss) Tax and Social Contribution*

The table below shows the major components of our income (loss) tax and social contribution for 2008 compared to 2007.

	Year Ended December 31,		
	2008	2007	Variation (%)
	(In millions of R\$)		
<b>Income (loss) before income tax and social contribution</b> . . . . .	<b>(496)</b>	<b>13,919</b>	<b>n.m.</b>
<b>Charges (income (loss) tax and social contribution) at the rates in effect</b> . . . . .	<b>198</b>	<b>(4,732)</b>	<b>n.m.</b>
<b>Increase/decrease to income (loss) tax and social contribution charges arising from:</b>			
<b>(Additions) exclusions</b> . . . . .	<b>9,223</b>	<b>(24)</b>	<b>n.m.</b>
Foreign exchange variation on investments abroad . . . . .	1,281	(540)	n.m.
Interest on capital . . . . .	700	82	753.8%
Increase arising from Itaú Unibanco merger . . . . .	6,131	—	n.m.
Other . . . . .	1,111	434	155.8%
<b>Total income (loss) tax and social contribution</b> . . . . .	<b><u>9,420</u></b>	<b><u>(4,756)</u></b>	<b>n.m.</b>

Income (loss) tax and social contribution for the year resulted in a benefit of R\$9,420 million in 2008 compared to a tax expense of R\$4,756 million in the prior year. The main factors that contributed to the increase from year to year were: (i) during 2008, we had exclusions from our tax base of R\$6,131 million arising from the “Association”, (ii) the effect of exchange rate gains and losses on our investments abroad totalling a benefit of R\$1,421 million in 2008, an increase of R\$1,961 million compared to 2007, and (iii) a higher tax benefit on dividends paid as interest on stockholders’ equity (a form of tax deductible dividend), which totalled R\$655 million in 2008, an increase of R\$573 million compared to 2007.

Our total tax on income is composed of current income tax and deferred tax. Certain amounts of income and expenses are recognised in our statement of income but do not affect our taxable basis and, conversely certain amounts are taxable income or deductible expenses in determining our taxes on income but do not affect our statement of income. Those items are known as “permanent differences.” For Brazilian tax purposes exchange rate gains and losses on our investments in subsidiaries abroad are not taxable, if a gain, or not deductible, if a loss, and are a permanent difference. From an economic perspective we hedge our investments in subsidiaries abroad by using foreign-currency denominated liabilities or derivative instruments. The gains or losses on derivative instruments and the exchange rate gains and losses on foreign-currency denominated liabilities are taxable or deductible for purposes of Brazilian taxes. During 2008, we experienced significant devaluation of the *real* against the foreign currencies on which our subsidiaries operate generating non-taxable gains. The devaluation of the *real* generated tax deductible losses on derivatives instruments used as economic hedge and tax deductible foreign-exchange losses on liabilities were used also as economic hedges. The resulting effect is that in certain companies we had taxable losses for which a deferred tax asset was recognised.

#### *Profit Sharing*

Our profit sharing increased by 15.0% from R\$744 million for the year ended December 31, 2007 to R\$855 million for the year ended December 31, 2008, an increase of R\$111 million. This increase was primarily a result of the higher number of employees in 2008 as compared to 2007, principally as a result of the “Association”.

#### *Minority Interest in Subsidiaries*

Results from our minority interest in subsidiaries decreased from an income of R\$55 million for the year ended December 31, 2007 to a loss of R\$266 million for the year ended December 31, 2008, a decrease of R\$321 million, due to the impact of exchange rate variation on our minority interest in Banco Itaú Europa, S.A.’s (“**Banco Itaú Europa**”).

### **Liquidity and Capital Resources**

Our institutional treasury and liquidity supervisory committee determines our policy regarding asset and liability management. See “Business — Risk Management — Implementation of New Risk Management Processes.” Our policy is to maintain a close match of our maturity, interest rate and currency exposures. In establishing our policies and limits, the institutional treasury and liquidity supervisory committee considers our exposure limits for each market segment and product, and the volatility and correlation across different markets.

We have invested in improving risk management of the liquidity inherent in our activities. We have simultaneously maintained a portfolio of bonds and securities with higher liquidity (an “operational reserve”), which represents a potential source for additional liquidity.

Management controls our liquidity reserves by projecting the resources that will be available for investment by our treasury department. The technique we employ involves the statistical projection of scenarios for our assets and liabilities, considering the liquidity profile of our counterparts.

Short-term minimum liquidity limits are defined according to guidelines set by the institutional treasury and liquidity supervisory committee. These limits aim to ensure sufficient liquidity, including upon the occurrence of unforeseen market events. These limits are revised periodically and founded on the projection of cash needs in atypical market situations (i.e., stress scenarios).

Management of liquidity makes it possible for us to simultaneously meet our operating requirements, protect our capital and exploit market opportunities. Our strategy is to maintain adequate liquidity to meet our present and future financial obligations and to capitalise on business opportunities as they arise. See “Business — Risk Management — Liquidity Risk Management.”

Due to our stable sources of funding, which include a large deposit base, the large number of correspondent banks with which we have long-standing relationships as well as facilities in place pursuant to which we can access further funding, we have not historically experienced any liquidity problems, despite the recent disruptions in the international financial markets. See “Risk Factors — Risks Relating to Our Business and the Banking Industry — We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil.”

The following table sets forth our average deposits and borrowings for 2009, 2008 and 2007.

	Year Ended December 31,					
	2009		2008		2007	
	Average Balance	% of Total	Average Balance	% of Total	Average Balance	% of Total
(In millions of R\$, except percentages)						
<b>Interest-bearing liabilities</b> . . . . .	<b>414,218</b>	<b>72.8%</b>	<b>259,212</b>	<b>70.4%</b>	<b>156,027</b>	<b>65.9%</b>
Interest-bearing deposits . . . . .	170,183	29.9%	89,534	24.3%	48,262	20.4%
Savings deposits . . . . .	42,372	7.5%	30,896	8.4%	24,787	10.5%
Deposits from banks . . . . .	2,791	0.5%	1,950	0.5%	1,673	0.7%
Time deposits . . . . .	125,020	22.0%	56,687	15.4%	21,803	9.2%
Deposits received under repurchase agreements . . . . .	126,475	22.2%	95,361	25.9%	58,039	24.5%
Funds from acceptance and issuance of securities . . . . .	19,021	3.3%	10,693	2.9%	7,794	3.3%
Borrowings and onlending . . . . .	36,255	6.4%	23,413	6.4%	13,746	5.8%
Other obligation — Securitisation of foreign payment orders and subordinated debt . . . . .	23,710	4.2%	15,919	4.3%	10,342	4.4%
Technical provisions for insurance, pension plan and capitalisation . . . . .	38,574	6.8%	24,292	6.6%	17,844	7.5%
<b>Non-interest bearing liabilities</b> . . . . .	<b>154,480</b>	<b>27.2%</b>	<b>108,964</b>	<b>29.6%</b>	<b>80,826</b>	<b>34.1%</b>
Non-interest bearing deposits . . . . .	25,538	4.5%	23,026	6.3%	20,909	8.8%
Other non-interest bearing liabilities . . . . .	128,942	22.7%	85,937	23.3%	59,917	25.3%
<b>Total liabilities</b> . . . . .	<b>568,698</b>	<b>100.0%</b>	<b>368,176</b>	<b>100.0%</b>	<b>236,853</b>	<b>100.0%</b>

Our principal sources of funding are deposits, deposits received under repurchase agreements, onlending from government financial institutions, lines of credit with foreign banks and the issuance of securities abroad. For a more detailed description of our sources of funding, see “Business — Funding” and Note 10 to our consolidated financial statements as of and for the year ended December 31, 2009.

Our current funding strategy is to continue to use all our funding sources in accordance with their cost and availability and our general asset and liability management strategy. We consider our current level of liquidity to be adequate. The recent international financial turmoil has magnified the importance of issues associated with the funding of the transactions and the liquidity of financial institutions around the world. In order to finance our operations, we intensified the use of liquidity provided by savings deposits, deposits received under repurchase agreements, and onlending in 2009. The balance of time deposits decreased in 2009 because we utilised less expensive funding sources. We are seeking to increase our savings deposit base and our base of managed market funds. This funding strategy is designed to provide better profitability through higher spreads on our savings deposits and more favourable fees earned on market funds.

Our ability to obtain funding depends on numerous factors, including our credit ratings, general economic conditions, investors' perception of emerging markets in general and of Brazil (in particular, prevailing economic and political conditions in Brazil and government regulations in relation to foreign exchange funding).

Some of our long-term debt provides for acceleration of the outstanding principal balance upon the occurrence of specified events, which are events ordinarily found in long-term financing agreements. As of December 31, 2009, none of these events, including any events of default or failure to satisfy financial covenants, had occurred and we have no reason to believe that it is reasonably likely that any of these events will occur during 2010.

### *Changes in Cash Flows*

During the years ended December 31, 2009, 2008 and 2007, our cash flow was affected principally by the changes in the Brazilian economic environment and market conditions. The "Association" also had a material impact on our cash flows in 2009 and, to a lesser extent, in 2008.

The following table sets forth the main variations in our cash flows during 2009, 2008 and 2007.

	Year Ended December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
(In millions of R\$, except percentages)						
Net cash provided by/used in operating activities . . . .	32,666	113.7%	8,302	84.0%	8,027	86.4%
Net cash provided by/used in investing activities . . . .	1,742	6.1%	6,230	63.0%	(3,215)	(34.6)%
Net cash provided by/used in financing activities . . . .	(5,674)	(19.8)%	(4,646)	(47.0)%	4,484	48.2%
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b><u>28,735</u></b>	<b><u>100.0%</u></b>	<b><u>9,887</u></b>	<b><u>100.0%</u></b>	<b><u>9,296</u></b>	<b><u>100.0%</u></b>

### *Operating Activities*

Our cash flows from operating activities generated cash inflows of R\$32,666 million, R\$8,302 million and R\$8,027 million for 2009, 2008 and 2007, respectively. The changes in cash flows from operating activities resulted mainly from the "Association" in the fourth quarter of 2008.

### *Investing Activities*

Our cash flows from investing activities generated cash inflows of R\$1,742 million and R\$6,230 million in 2009 and 2008, respectively, and generated cash outflows of R\$3,215 million in 2007. The changes in cash flows from investing activities resulted mainly from the "Association" in the fourth quarter of 2008.

### *Financing Activities*

Our cash flows from financing activities generated cash outflows of R\$5,674 million, R\$4,646 million in 2009 and 2008, respectively, and generated cash inflows of R\$4,484 million in 2007. The changes in cash flows from financing activities resulted mainly from the "Association" in the fourth quarter of 2008.

We paid dividends and interest on stockholders' equity in the amounts of approximately R\$3,782 million, R\$2,910 million and R\$2,279 million for 2009, 2008 and 2007, respectively. We also acquired treasury stock, generating cash outflows of approximately R\$7 million, R\$1,618 million and R\$261 million for 2009, 2008 and 2007, respectively.

### *Capital*

We are required to comply with Brazilian capital adequacy regulations under Central Bank rules, which require banks to have total capital equal to or greater than 11% of risk-weighted assets, in lieu of the 8% minimum capital requirement of the original Basel Accord ("Basel I") and Basel II. See "The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank — Capital Adequacy and Leverage/Regulatory Capital Requirements."

As required by Central Bank rules, we currently measure our capital compliance according to two different methods: (i) by consolidating only our financial subsidiaries, and (ii) on a fully consolidated basis, including all of our financial and non-financial subsidiaries. We believe we have a solid capital base as measured by both methods. As of December 31, 2009, 2008 and 2007 our solvency ratio measured on a fully consolidated basis was 16.7%, 16.3% and 17.9%, respectively. The decrease in our solvency ratio measured on a fully consolidated basis since December 31, 2007 has been the result of several factors, including: (i) an organic increase in our total risk-weighted assets, mainly due to the growth of credit operations and (ii) the effects of the “Association” with Unibanco in the fourth quarter of 2008, partially offset by (iii) the impact of net income less payments of dividends and interest on stockholders’ equity for each period and (iv) the inclusion in tier 1 capital (“**Tier 1 Capital**”) as of December 31, 2009 and 2008 of any excess allowance for loan losses over the minimum amounts required by CMN regulations (as described below).

The following table sets forth our capital positions of total risk-weighted assets, as well as our minimum capital requirements under Central Bank rules, in each case as of December 31, 2009, 2008 and 2007, in each case on a fully consolidated basis, including our financial and non-financial subsidiaries.

	As of December 31,		
	2009	2008	2007
	(In millions of R\$, except percentages)		
Tier 1 Capital . . . . .	57,706	52,156	29,611
Tier 2 Capital . . . . .	12,837	15,926	7,721
Tier 1 plus Tier 2 Capital . . . . .	70,543	68,082	37,332
Adjustments . . . . .	(28)	(87)	(237)
Our regulatory capital . . . . .	70,515	67,995	37,095
Minimum regulatory capital required . . . . .	46,513	45,819	22,850
<b>Excess over minimum regulatory capital required . . . . .</b>	<b>24,002</b>	<b>22,176</b>	<b>14,245</b>
<b>Total risk-weighted assets. . . . .</b>	<b>422,840</b>	<b>416,540</b>	<b>207,726</b>
<b>Our regulatory capital to risk-weighted assets ratio . . . . .</b>	<b>16.7%</b>	<b>16.3%</b>	<b>17.9%</b>

CMN Resolution 3,490, of August 29, 2007, which sets out the criteria currently applicable to our computation of our minimum regulatory capital required, has been in effect since July 1, 2008. For calculation of our risk portions, we follow the procedures of the following Central Bank circulars and circular letters:

- Circular No. 3,360, of September 12, 2007 for credit risk;
- Circulars No. 3,361, 3,362, 3,363, 3,364, 3,366 and 3,368, of September 12, 2007, 3,388, of June 4, 2008, and 3,389, of June 25, 2008 and Circular Letters No. 3,309 and 3,310, of April 15, 2008 for market risk, and
- Circular No. 3,383 and Circular Letters Nos. 3,315 and 3,316, of April 30, 2008 for operational risk. For calculation of our operational risk portion, we opted for the use of the standardised alternative approach.

The changes arising from CMN Resolution 3,490 and the related circulars and circular letters above have not resulted in significant changes in our credit and market risks portions. We expect, however, that the following three changes scheduled to come into effect in 2010 will affect our solvency ratio.

First, the operational risk portion of our total risk-weighted assets will be increasingly incorporated, as set forth by Circular No. 3,383. From July 1, 2009, we incorporate 80.0% of the required amount, and this percentage will be increased in every six-month period until reaching the full incorporation of the operational risk portion in our total risk-weighted assets from January 1, 2010. If we had fully incorporated operational risk portion in our total risk-weighted assets as of December 31, 2009, our solvency ratio on a fully consolidated basis as of December 31, 2009 would have been 16.5%.

Second, CMN Resolution 3,674, of December 30, 2008, permitted the full addition to Tier 1 Capital of any excess allowance for loan losses over the minimum amounts required by CMN Resolution No. 2,682 of December 21, 1999. This addition is reflected in our solvency ratio as of December 31, 2009 and 2008.



However, CMN Resolution No. 3,825, of December 16, 2009, revoked Resolution No. 3,674, and will take effect from April 1, 2010. If this revocation had been in effect and we had fully incorporated the operational risk portion into our total risk-weighted assets as described in the prior paragraph as of December 31, 2009, our solvency ratio on a fully consolidated basis would have been 15.3%.

Circular No. 3,476, of December 28, 2009, requires that from June 30, 2010 our minimum regulatory capital required on a fully consolidated basis include an additional portion under regulatory capital to cover operational risk, which portion is calculated based on our weighted equity in the earnings of our subsidiaries and affiliated companies. If this requirement and the requirements described in the two preceding paragraphs had been in effect as of December 31, 2009, our solvency ratio on a fully consolidated basis would have been 15.2%.

Funds obtained through the issuance of subordinated debt securities, which are considered Tier 2 Capital for the purposes of our regulatory capital to risk-weighted assets ratio, are set forth below as of December 31, 2009:

### Description

<u>Name of Security</u>	<u>Issue</u>	<u>Maturity</u>	<u>Return per Annum</u>	<u>Principal Amount</u> (In millions of R\$)
Subordinated Euronotes . . . . .	2nd half of 2001	August 2011	10.00%	457
Subordinated Euronotes . . . . .	August 2001	August 2011	4.25%	625
Subordinated CDB . . . . .	March 2007	April 2012	103.5% of CDI	5,000
Subordinated CDB(1) . . . . .	May 2007	May 2012	103.9% of CDI	1,406
Subordinated CDB(1) . . . . .	July 2007	July 2012	CDI + 0.38%	422
Subordinated CDB(1) . . . . .	August 2007	August 2012	CDI + 0.38%	200
Subordinated CDB(1) . . . . .	October 2007	October 2012	IGPM + 7.33%	290
Subordinated CDB(1) . . . . .	October 2007	October 2012	103.8% of CDI	93
Subordinated CDB(1) . . . . .	October 2007	October 2012	CDI + 0.45%	450
Subordinated CDB . . . . .	November 2007	November 2012	CDI + 0.35%	300
Subordinated CDB . . . . .	December 2002	December 2012	102.25% of CDI	220
Subordinated CDB . . . . .	January 2008	February 2013	CDI + 0.50%	880
Subordinated CDB . . . . .	February 2008	February 2013	CDI + 0.50%	1,256
Subordinated CDB(1) . . . . .	1st quarter of 2008	1st quarter of 2013	CDI + 0.60%	817
Subordinated CDB(1) . . . . .	1st quarter of 2008	2nd quarter of 2013	106.5% of CDI	38
Subordinated CDB(1) . . . . .	2nd quarter of 2008	2nd quarter of 2013	107% of CDI	10
Subordinated CDB . . . . .	November 2003	November 2013	102% of CDI	40
Subordinated CDB . . . . .	May 2007	May 2014	CDI + 0.35%	1,804
Subordinated CDB(1) . . . . .	August 2007	August 2014	CDI + 0.46%	50
Subordinated CDB . . . . .	November 2008	October 2014	112% of CDI	1,000
Subordinated CDB(1) . . . . .	October 2007	October 2014	IGPM + 7.35%	33
Subordinated CDB(1) . . . . .	December 2007	December 2014	CDI + 0.60%	10
Preferred shares . . . . .	December 2002	March 2015	3.04%	1,388
Subordinated CDB(1) . . . . .	3rd quarter of 2008	3rd quarter of 2015	119.8% of CDI	400
Subordinated CDB(2) . . . . .	December 2006	December 2016	CDI + 0.47%	500
Subordinated bonds . . . . .	April 2008	April 2033	3.50%	64
Subordinated bonds . . . . .	October 2008	October 2033	4.50%	45
Perpetual non-cumulative junior Eurobonds subordinated securities(3) . . . . .	July 2005	Not determined	8.70%	1,195

### Notes:

CBDs are bank deposit certificates (*certificado de depósito bancário*).

(1) May not be redeemed prior to maturity.

(2) May be redeemed starting on November 2011.

- (3) May be fully redeemed only at the option of the issuer starting on July 29, 2010 or at each subsequent interest payment date.

### Interest Rate Sensitivity

Management of interest rate sensitivity is a key component of our asset and liability policy. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. The pricing structure is matched when an equal amount of these assets or liabilities matures or re-prices. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while a positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest income. These relationships are as of one particular date only, and significant swings can occur daily as a result of both market forces and management decisions. Our interest rate sensitivity strategy takes into account rates of return, the underlying degree of risk, and liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds.

Our institutional treasury supervisory committee analyzes the statement of income and risk information on a monthly basis and establishes limits for market risk exposure, interest rate positions and foreign currency positions. For more detailed information on the monitoring of our positions, see “Business — Risk Management — Market Risk Management.”

The following table sets forth our interest-earning assets and liabilities as of December 31, 2009 and therefore, does not reflect interest rate gap positions that may exist at other times. In additions, variations in interest rate sensitivity may exist within the re-pricing periods presented due to differing re-pricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held.

	Up to 30 Days	% of Total	31-180 Days	% of Total	181-365 Days	% of Total	Over 1 Year	% of Total	Total
(In millions of R\$, except percentages)									
<b>Total interest-earning assets</b>	<b>159,764</b>	<b>40.79%</b>	<b>89,223</b>	<b>22.78%</b>	<b>43,547</b>	<b>11.12%</b>	<b>99,121</b>	<b>25.31%</b>	<b>391,655</b>
Interbank investments	105,925	76.10%	22,118	15.89%	4,968	3.57%	6,184	4.44%	139,195
Central Bank deposits	13,869	100.00%	—	0.00%	—	0.00%	—	0.00%	13,869
Securities and derivative financial instruments	1,387	23.35%	1,624	27.34%	835	14.06%	2,093	35.24%	5,939
Loans, lease and other credit operations	38,583	16.58%	65,481	28.15%	37,744	16.22%	90,844	39.05%	232,652
<b>Total interest-bearing liabilities</b>	<b>135,464</b>	<b>31.59%</b>	<b>46,955</b>	<b>10.95%</b>	<b>39,618</b>	<b>9.24%</b>	<b>206,765</b>	<b>48.22%</b>	<b>428,802</b>
Savings deposits	48,222	100.00%	—	0.00%	—	0.00%	—	0.00%	48,222
Time deposits	16,374	14.28%	15,437	13.46%	14,175	12.36%	68,685	59.90%	114,671
Interbank deposits	581	28.40%	754	36.85%	562	27.47%	149	7.28%	2,046
Deposits received under repurchase agreements	64,838	49.14%	16,128	12.22%	7,449	5.65%	43,519	32.99%	131,934
Funds from acceptance and issuance of securities	2,303	13.30%	6,480	37.42%	1,668	9.63%	6,868	39.66%	17,319
Borrowings and onlendings	2,057	5.93%	6,722	19.38%	5,699	16.43%	20,214	58.27%	34,692
Securitisation of foreign payment orders	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—
Subordinated debt	13	0.06%	23	0.10%	3	0.01%	21,999	99.82%	22,038
Derivative financial instruments	1,076	19.65%	1,411	25.77%	848	15.49%	2,141	39.10%	5,476
Mathematical provision of benefits to be granted and benefits granted	—	0%	—	0.00%	9,214	17.58%	43,190	82.42%	52,404
Asset/liability gap	24,300	(65.42)%	42,268	(113.79)%	3,929	(10.58)%	(107,644)	289.78%	(37,147)
<b>Cumulative gap</b>	<b>24,300</b>		<b>66,568</b>		<b>70,497</b>		<b>(37,147)</b>		<b>124,218</b>
Ratio of cumulative gap to total interest-earning assets	6.20%		17.00%		18%		(9.48)%		31.72%

### Exchange Rate Sensitivity

The greater part of our operations is denominated in or indexed to *reais*. We also have assets and liabilities denominated in foreign currency, mainly in U.S. dollars, as well as assets and liabilities, which, although denominated in *reais*, are dollar-indexed and, therefore, expose us to exchange rate risks. The Central Bank



regulates our maximum open, short and long foreign currency positions. As at December 31, 2009, our net foreign exchange position, including investments abroad was a liability totalling R\$14,002 million. The gap management policy adopted by our institutional treasury supervisory committee takes into consideration the tax effects on this position. Since the profits from exchange rate variation on investments abroad are not taxed, we have set up a hedge (a liability in foreign exchange derivatives) of a sufficient amount, so that our total foreign exchange exposure, net of the tax effects, is consistent with our strategy of low exposure to risk.

Our foreign currency position is composed on the liability side of the issuance of securities in the international capital markets, credit from foreign banks to finance trade operations, and dollar-linked onlendings from government financial institutions. The proceeds of these operations are mainly applied to dollar-linked lending operations and securities purchases.

The following table sets forth assets and liabilities classified by currency, including those in Brazilian *reais* and those denominated in or indexed to foreign currencies as of December 31, 2009. This table may not reflect currency gap positions at other times. Variations may also arise among the different currencies that are held.

	As of December 31, 2009		
	Total	Brazilian <i>Real</i> (In millions of R\$)	Denominated in or Indexed to Foreign Currency
<b>Assets</b>			
Cash and cash equivalents . . . . .	10,594	4,880	5,714
Short term interbank deposits . . . . .	139,195	130,548	8,647
Securities . . . . .	120,189	106,998	13,191
Loans . . . . .	245,951	212,287	33,664
(Allowance for loan losses) . . . . .	(24,052)	(23,337)	(715)
Other assets . . . . .	106,101	82,991	23,110
Foreign exchange portfolio . . . . .	27,239	7,140	20,099
Other . . . . .	78,861	75,851	3,010
Permanent assets . . . . .	10,295	8,878	1,417
<b>Total assets . . . . .</b>	<b><u>608,273</u></b>	<b><u>523,244</u></b>	<b><u>85,029</u></b>
<b>Derivatives — purchased positions . . . . .</b>			<b>24,871</b>
Futures . . . . .			7,646
Options . . . . .			4,592
Swaps . . . . .			7,934
Other . . . . .			4,700
<b>Total assets after adjustments(a) . . . . .</b>			<b><u>109,900</u></b>

As of December 31, 2009			
	Total	Brazilian Real (In millions of R\$)	Denominated in or Indexed to Foreign Currency
<b>Liabilities</b>			
Deposits . . . . .	190,772	161,498	29,274
Funds received under securities repurchase agreements . . . . .	131,935	130,359	1,576
Funds from acceptances and issue of securities . . . .	17,230	12,467	4,853
Borrowings and onlendings . . . . .	34,692	22,665	12,027
Interbank and interbranch accounts . . . . .	3,077	1,705	1,372
Derivative financial instruments . . . . .	5,476	4,362	1,114
Other liabilities . . . . .	118,180	92,398	25,782
Foreign exchange portfolio . . . . .	27,682	7,174	20,508
Other . . . . .	90,498	85,224	5,274
Technical provisions of insurance, pension plans and capitalisation . . . . .	52,404	52,398	6
Deferred income . . . . .	194	171	23
Minority interest in subsidiaries . . . . .	3,540	2,852	688
Stockholders' equity . . . . .	50,683	50,683	—
<b>Total liabilities</b> . . . . .	<b>608,273</b>	<b>531,558</b>	<b>76,715</b>
<b>Derivatives — sold positions</b> . . . . .			<b>47,187</b>
Futures . . . . .			27,045
Options . . . . .			5,788
Swaps . . . . .			10,918
Other . . . . .			3,436
<b>Total liabilities after adjustments(b)</b> . . . . .			<b>123,902</b>
Foreign exchange position(c = a - b) . . . . .			(14,002)

#### Derivative Instruments

The following table presents the composition of our off-balance sheet derivative instruments as of December 31, 2009, classified in *reais* and foreign currency, which also includes the instruments linked to foreign currency. We enter into these derivative instruments as part of our overall market risk strategy.

	Notional Amounts		
	R\$	Denominated in or Indexed to Foreign Currency (In millions of R\$)	Total
<b>Off-balance sheet financial instruments</b>			
Swap contracts			
Buy (sale) commitments, net . . . . .	(5,755)	5,755	—
Forward contracts			
Buy (sale) commitments, net . . . . .	1,142	9,032	10,174
Future contracts			
Buy (sale) commitments, net . . . . .	(46,477)	(32,497)	(78,975)
Option contracts			
Buy (sale) commitments, net . . . . .	121,786	13,118	134,904

### Capital Expenditures

In 2009, we made capital expenditures related to the integration process of Unibanco branches under the “Itaú” brand, as well as the opening of new branches and other points of sale. Over the past three years, we also have made significant capital expenditures to automate and upgrade our branch network and develop specific programmes to improve the layout of several of our branches. In addition, we have made significant capital expenditures for computer systems, communications equipment and other technology designed to increase the efficiency of our operations, the services offered to our customers and our productivity.

The following table sets forth our capital expenditures for the years ended December 31, 2009, 2008 and 2007.

	For the Year Ended December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
(In millions of R\$, except percentages)						
Land and buildings . . . . .	137	6.8%	466	11.4%	92	3.1%
Furniture and data processing equipment . . . . .	969	48.0%	1,061	25.9%	469	15.8%
Leasehold improvements . . . . .	90	4.5%	696	17.0%	151	5.1%
Software developed or obtained for internal use . . . . .	220	10.9%	261	6.4%	68	2.3%
Acquisition of rights to credit payroll . . . . .	148	7.3%	831	20.3%	1,586	53.6%
Partnership for the promotion and offer of financial products and services . . . . .	390	19.3%	618	15.1%	290	9.8%
Other . . . . .	64	3.2%	156	3.8%	305	10.3%
<b>Total . . . . .</b>	<b>2,018</b>	<b>100.0%</b>	<b>4,089(*)</b>	<b>100.0%</b>	<b>2,961</b>	<b>100.0%</b>

(\*) Total amount related to the “Association” as of December 31, 2008 was R\$2,040 million.

We expect that our capital expenditures in 2010 will not be substantially greater than our historical expenditure levels and will consist mainly of investments to continue the upgrade of our technology, customer service and back-office administrative systems, as well as internet-related investments. We anticipate that, in accordance with our practice during recent years, our capital expenditures in 2010 will be funded by our internal resources. We cannot assure you, however, that the capital expenditures will be made and, if made, that those expenditures will be made in the amounts currently expected.

### Contractual Obligations

The table below summarizes the maturity profile of our consolidated long-term debt, operating leases and other commitments as of December 31, 2009:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Year	3-5 Year	More than 5 Years
(In millions of R\$)					
<b>Contractual Obligations</b>					
Long-term debt obligations . . . . .	93,284	—	34,892	13,809	44,583
Operating and capital (finance) lease obligations . . . . .	3,390	—	1,919	727	744
Guarantees and standby letters of credit . . . . .	<u>32,431</u>	<u>12,675</u>	<u>2,873</u>	<u>13,945</u>	<u>2,938</u>
<b>Total . . . . .</b>	<b><u>129,105</u></b>	<b><u>12,675</u></b>	<b><u>39,684</u></b>	<b><u>28,481</u></b>	<b><u>48,265</u></b>

### Quantitative and Qualitative Disclosures about Market Risk

#### Derivative Instruments Qualifying for Hedge Accounting

During 2009, 2008 and 2007, in connection with two cash flow hedge strategies, we designated certain exchange-traded future contracts (“**DI Futures**”) as hedging instruments for variable-rate certificates of deposit and certain interest rate swaps as hedging instruments for variable rate redeemable preferred shares.

The hedge strategies aim to protect against changes in the interest cash flows for certain variable-interest rate subordinated certificates of deposit, attributable to changes in the interbank interest rate (*Certificado de Depósito Interbancário* or “**CDI**”) and for certain variable-interest rate redeemable preferred shares, attributable to changes in the LIBOR rate. The hedge strategies result in fixing the cash flows associated with the variability of the CDI rate and LIBOR rate. In order to hedge the variability in the cash flows of interest payments, we use DI Futures traded on the BM&FBOVESPA and swaps traded with third parties. Under the DI Futures contracts, a net payment is made or received for the difference between an amount computed as the notional amount multiplied by the CDI rate and the notional amount multiplied by a fixed rate.

The carrying amount at December 31, 2009 of such variable-rate certificates of deposits and the notional amount of the related DI Futures were R\$19,316 million. The carrying amount at December 31, 2009 of such redeemable preferred shares and the notional amount of the related swaps were R\$684 million. The hedge certificates of deposits and related DI Futures and the redeemable preferred shares and related swaps have maturities between 2010 and 2017. These instruments are included below in the discussion under “— Market Risk.”

### **Market Risk**

Market risk management is the process through which we monitor and manage the potential risks of changes in market prices of financial instruments that may, either directly or indirectly, affect the value of assets, our liabilities and off-balance sheet positions.

We conduct comprehensive analyses of market risk based on market risk factors which may affect our positions. Transactions, including derivatives, are separated according to risk factors which may affect their market value and are then grouped in different categories: trading and non-trading portfolio and domestic and international operations. A risk factor refers to a measure of market impact which causes changes in the potential loss in future earnings. Each risk factor is related to market parameters (volatility and correlation) whose variation may affect the market value of our transactions. Risk analyses are conducted for each risk factor, estimating potential losses using Value at Risk (“**VaR**”) models based on the statistical behaviour of risk factors at a confidence level of 99.0%. The main technique employed for the quantification of risk is the measurement based on market parameters of the potential reduction (or increase) in the fair value of assets (or liabilities) associated with a change in market factors by market parameter. The risk analysis process quantifies the exposure and risk appetite using risk limits based on market risk factors, VaR (at 99.0% confidence level), stress simulations (“**VaR Stress**”) and economic capital to cover market risk. In discussing our capital in this Offering Memorandum, we refer to: (i) regulatory capital, which is the amount of our capital as calculated in accordance with applicable Central Bank and CMN rules; and (ii) economic capital, which is the amount of our capital as calculated with proprietary methodologies and models.

Our risk management process begins with determining limits, which are approved by the institutional treasury supervisory committee, based on the risk appetite and the financial capacity of each business unit. These limits are informed by each business unit’s risk control division that carries out daily risk management and provides information periodically to Itaú Unibanco Holding’s risk control division. Our risk control division monitors the scope, precision and quality of our controls. The risk control cycle is concluded with a consolidated risk report to the institutional treasury supervisory committee. The committee is responsible for monitoring all strategies and exposures, understanding and managing market risk on a consolidated corporate level. See “Business — Risk Management.”

In order to monitor our market risk exposure, we manage two categories of exposures:

- Trading portfolio (trading book): consists of all transactions in financial instruments and commodities, including derivatives, which are held with the intention of trading or to hedge other elements of the trading book and are not subject to limitations on their marketability. Transactions held in the trading book are those intended for resale. The trading book is managed by the flow book trading desk and the proprietary trading desk; and
- Non-trading portfolio (banking book or “**structural gap**”): consists of all transactions not classified in the trading book. It consists of structural transactions and their hedges, as well as transactions to manage our non-trading portfolio.

We monitor our trading book through the use of VaR models, VaR Stress scenarios, maximum loss limits (“**Stop Loss**”), maximum loss alerts (which alerts that the Stop Loss may be reached under stress scenarios). We manage our banking book through the use of VaR models, VaR Stress scenarios and profit and loss simulations under stress scenarios.

VaR is a statistical measure that estimates the maximum potential economic loss under normal market conditions based on probability and time horizon. As presented in the following tables, VaR corresponds to the maximum potential economic loss in one day with a confidence level of 99.0%. VaR Stress is a scenario analysis that evaluates the assets and liabilities of a portfolio assuming extreme market conditions, based on historical and projected scenarios. In certain cases, we further analyse VaR Stress based on worst-scenario and worst-combination. Stop Loss is a maximum loss amount measured based on the materiality standards for our financial statements that a single trader, a group of traders or a trading desk can reach in one day. Maximum loss alerts are triggered by actual losses considered together with the maximum potential loss under stress scenarios. Profit and loss simulations under stress scenarios is a scenario analysis that evaluates profits and losses of a portfolio assuming extreme market conditions that vary from optimistic, pessimistic to very pessimistic. The stress scenarios for VaR Stress and profit and loss simulations under stress scenarios are defined by the economic scenarios sub-committee, which projects interest rates, inflation, spreads, exchange rates, GDP and other inputs and determines the optimistic, pessimistic and very pessimistic scenarios. See “Management — Corporate Governance — Committees of the Board of Directors — Strategy Committee.”

Material foreign exchange rate exposure disclosed under “foreign exchange rate” in the VaR tables represent the approximate aggregate potential loss from changes in foreign currency exchange rates measured under VaR.

### *Domestic Operations*

The main market risk factors that we analyze in the domestic operations risk control process are:

- Fixed interest rate;
- Referential rates, primarily the reference interest rate (*Taxa Referencial* or “**TR**”);
- Dollar-linked interest rate;
- Foreign exchange rate;
- Equity;
- Brazilian inflation index-linked rates, including the General Market Price Index (*Índice Geral de Preços — Mercado*) and the IPCA;
- Sovereign risk;
- Commodities; and
- Diversification effect, which is the reduction of risk due the diversification of risk through the combination of several risk factors.

### *VaR of Structural Gap*

In the following tables, we present VaR levels for our banking book, or structural gap (which excludes the operations of our proprietary trading desk and flow book trading desk). The structural gap has historically stayed within a close range because it is composed mainly of assets and liabilities in our retail business and derivatives used to hedge the structural gap portfolio’s market risk.

In 2009, the structural gap included commercial transactions and related financial instruments and its period-end and maximum VaR values decreased significantly due to increased financial market stability and our conservative management of the composition of the structural gap portfolio. In 2009, our average VaR of the structural gap was R\$137.6 million, or 0.3% of our consolidated stockholders’ equity, as of December 31, 2009, compared to R\$150.8 million in 2008, or 0.5% of our consolidated stockholders’ equity, as of December 31, 2008.

**VaR of Structural Gap  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
	<u>(In millions of R\$)</u>			
<b>Risk Factor</b>				
Fixed interest rate(*) . . . . .	49.3	126.7	46.8	252.6
TR . . . . .	12.4	15.9	6.9	30.5
Dollar linked interest rate . . . . .	7.2	14.3	2.7	58.6
Foreign exchange rate(*) — U.S. dollar . . . . .	4.2	2.2	0.0	18.4
Equity . . . . .	3.3	4.9	0.4	11.7
Brazilian inflation index linked interest rate . . . . .	16.8	8.6	2.4	21.1
Others . . . . .	0.0	0.7	0.0	8.2
Diversification effect . . . . .	(37.4)	—	—	—
<b>Total</b> . . . . .	<u>55.7</u>	<u>137.6</u>	<u>53.4</u>	<u>251.7</u>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

**VaR of Structural Gap  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
	<u>(In millions of R\$)</u>			
<b>Risk Factor</b>				
Fixed interest rate(*) . . . . .	145.6	145.7	51.8	707.8
TR . . . . .	13.8	12.5	5.1	56.7
Dollar linked interest rate . . . . .	13.7	14.4	4.1	71.1
Foreign exchange rate(*) — U.S. dollar . . . . .	7.6	8.6	0.0	75.6
Equity . . . . .	10.0	7.1	1.6	22.4
Brazilian inflation index linked interest rate . . . . .	3.3	5.7	2.7	10.2
Diversification effect . . . . .	(33.3)	—	—	—
<b>Total</b> . . . . .	<u>160.8</u>	<u>150.8</u>	<u>53.8</u>	<u>674.1</u>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

*VaR of Flow Book Trading Desk*

We present the VaR for the operations of our flow book trading desk in the following tables. Our flow book trading desk trades in the domestic and foreign market, specifically to hedge risk from transactions with clients. The VaR of these operations is sensitive to market conditions and the expectations of portfolio managers, and may result in significant day-to-day changes. However, the liquidity of the markets for these trading instruments and our active management of the flow book trading desk portfolio allow the reversal of positions within a short period, which reduces market exposure in cases of economic instability. We monitor the flow book trading desk by using VaR Stress scenarios and VaR, the latter of which was incorporated into our flow book trading desk's controls in the third quarter of 2009.

During 2009, the main positions that contributed to our flow book trading desk risk exposure as measured by VaR and VaR Stress were related to fixed interest rate, LIBOR and equity. In 2009, the average VaR Stress of the flow book trading desk was R\$117.7 million, or 0.2% of our consolidated stockholders' equity, as of December 31, 2009, compared to R\$84.8 million in 2008, or 0.3% of our consolidated stockholders' equity, as of December 31, 2008.

**VaR Stress of Flow Book Trading Desk  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of R\$)		
<b>Trading Desk</b>				
<b>Total</b> .....	<u>(121.5)</u>	<u>(117.7)</u>	<u>(49.1)</u>	<u>(437.7)</u>

**VaR Stress of Flow Book Trading Desk  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of R\$)		
<b>Trading Desk</b>				
<b>Total</b> .....	<u>(79.4)</u>	<u>(84.8)</u>	<u>(32.2)</u>	<u>(162.7)</u>

**VaR of Flow Book Trading Desk  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of R\$)		
<b>Risk Factor</b>				
Fixed interest rate(*) .....	2.9	2.6	0.4	7.6
Dollar linked interest rate .....	6.7	1.0	0.4	2.1
Foreign exchange rate(*) — U.S. dollar .....	0.7	1.5	0.1	6.5
Equity .....	1.2	4.3	0.8	13.8
Sovereign risk .....	0.7	1.8	0.0	5.6
Brazilian inflation index linked interest rate .....	0.9	1.1	0.0	1.6
Foreign interest rate .....	1.4	1.7	0.5	4.3
Commodities .....	0.1	0.4	0.0	2.2
Others foreign exchange rate risk .....	0.0	0.0	0.0	0.0
Other .....	0.3	1.0	0.0	3.4
Diversification effect .....	<u>(6.2)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b> .....	<u>2.7</u>	<u>6.6</u>	<u>0.4</u>	<u>14.4</u>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

*VaR of Proprietary Trading Desk*

Our proprietary trading desk takes proprietary positions in order to optimise our risk adjusted return on capital. In 2009, our treasury continued to play its role as a pricing source for commercial operations and taking advantage of arbitrage opportunities.

Our management of market risk was an important tool in efficiently handling the changes in economic scenarios and in continuing to carry out diversified and sophisticated transactions. The last quarter of 2009 was marked by an improvement in global financial markets and an improvement in the Brazilian economy. The values of risk assumed by us did not change significantly in 2009 compared to 2008. In 2009, the average VaR of the proprietary trading desk was R\$45.3 million, or 0.1% of our consolidated stockholders' equity, as of December 31, 2009, compared to R\$26.0 million in 2008, or 0.1% of our consolidated stockholders' equity, as of December 31, 2008.



**VaR of Proprietary Trading Desk  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
	(In millions of R\$)			
<b>Risk Factor</b>				
Fixed interest rate(*) . . . . .	25.9	33.7	4.3	107.6
Dollar linked interest rate . . . . .	5.1	3.6	0.5	11.3
Foreign exchange rate(*) — U.S. dollar . . . . .	10.3	15.0	0.1	40.8
Equity . . . . .	5.7	5.6	1.4	17.8
Sovereign risk . . . . .	0.1	3.2	0.0	9.6
Brazilian inflation index linked interest rate . . . . .	1.2	1.6	0.6	7.2
Foreign interest rate . . . . .	1.5	4.1	0.8	11.5
Commodities . . . . .	3.0	0.9	0.0	4.1
Others foreign exchange rate risk . . . . .	4.1	3.0	0.2	30.9
Other . . . . .	3.6	2.7	0.5	10.2
Diversification effect . . . . .	(20.7)	—	—	—
<b>Total</b> . . . . .	<u>39.7</u>	<u>45.3</u>	<u>16.5</u>	<u>108.2</u>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

**VaR of Proprietary Trading Desk  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
	(In millions of R\$)			
<b>Risk Factor</b>				
Fixed interest rate(*) . . . . .	14.0	4.5	0.5	17.8
Dollar linked interest rate . . . . .	3.1	6.0	0.7	18.9
Foreign exchange rate(*) — U.S. dollar . . . . .	8.7	17.4	0.0	126.3
Equity . . . . .	3.7	4.3	0.7	16.3
Sovereign risk . . . . .	9.6	12.0	0.7	35.7
Brazilian inflation index linked interest rate . . . . .	2.7	2.7	1.1	7.4
Foreign interest rate . . . . .	1.9	3.3	0.4	11.2
Commodities . . . . .	0.0	0.4	0.0	2.2
Others foreign exchange rate risk . . . . .	1.0	1.5	0.3	4.3
Other . . . . .	8.6	4.8	0.6	28.4
Diversification effect . . . . .	(35.6)	—	—	—
<b>Total</b> . . . . .	<u>17.6</u>	<u>26.0</u>	<u>6.9</u>	<u>112.8</u>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

**International Operations**

We maintain active positions with respect to our international operations. The main risk factors to which we are exposed are the LIBOR interest rate and the market risk of corporate bonds and bonds issued by the Brazilian government. We carry out these transactions through Itaúbank Ltd., located in the Cayman Islands, and our New York branch, whose VaR is presented below under “— VaR of Foreign Units.”

Banco Itaú Argentina S.A.’s (“**Banco Itaú Argentina**”) VaR is presented separately in the second set of tables below. In 2009, the average VaR of Banco Itaú Argentina was US\$1.68 million, or 1.7% of Banco Itaú Argentina’s stockholders’ equity, compared to US\$2.42 million in 2008, or 2.3% of Banco Itaú Argentina’s stockholders’ equity.

Banco Itaú Chile S.A. (“**Banco Itaú Chile**”) and Banco Itaú Uruguay S.A. (“**Banco Itaú Uruguay**”) also have local risk management teams that, since 2008, monitor our exposure in banking (assets and liabilities management) and trading positions in those locations. Banco Itaú Chile and Banco Itaú Uruguay’s VaR for 2009 and 2008 are also presented in the tables below. In 2009, the average VaR of Banco Itaú Chile was US\$0.71 million, or 0.1% of Banco Itaú Chile’s stockholders’ equity, compared to US\$0.62 million in 2008, or 0.1% of Banco Itaú Chile’s stockholders’ equity. In 2009, the average VaR of Banco Itaú Uruguay was US\$0.32 million, or 0.2% of Banco Itaú Uruguay’s stockholders’ equity, compared to US\$1.62 million in 2008, or 1.1% of Banco Itaú Uruguay’s stockholders’ equity.

The last set of tables present Banco Itaú Europa VaR. The results show VaR amounts much smaller than structural gap VaR, reflecting the relatively low exposure level of our international operations when compared to Brazil. In 2009, the average VaR of Banco Itaú Europa was US\$1.57 million, or 0.2% of Banco Itaú Europa’s stockholders’ equity, compared to US\$2.35 million in 2008, or 0.3% of Banco Itaú Europa’s stockholders’ equity.

**VaR of Foreign Units  
2009**

	<u>December 31</u>	<u>Average</u> (In millions of US\$)	<u>Minimum</u>	<u>Maximum</u>
<b>Risk Factor</b>				
Sovereign and private bonds . . . . .	1.3	8.1	1.4	10.9
LIBOR . . . . .	1.2	3.4	1.0	7.7
Diversification effect . . . . .	<u>(0.6)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b> . . . . .	<u><b>2.0</b></u>	<u><b>6.4</b></u>	<u><b>1.7</b></u>	<u><b>9.5</b></u>

**VaR of Foreign Units  
2008**

	<u>December 31</u>	<u>Average</u> (In millions of US\$)	<u>Minimum</u>	<u>Maximum</u>
<b>Risk Factor</b>				
Sovereign and private bonds . . . . .	13.6	8.6	5.2	14.4
LIBOR . . . . .	2.5	2.6	0.2	6.4
Diversification effect . . . . .	<u>(2.7)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b> . . . . .	<u><b>13.4</b></u>	<u><b>9.0</b></u>	<u><b>4.1</b></u>	<u><b>13.4</b></u>

**VaR of Banco Itaú Argentina  
2009**

	<u>December 31</u>	<u>Average</u> (In millions of US\$)	<u>Minimum</u>	<u>Maximum</u>
<b>Risk Factor</b>				
Inflation index linked interest rate . . . . .	0.00	0.02	0.00	0.16
LIBOR . . . . .	0.44	0.20	0.08	0.84
Interest rate local currency . . . . .	0.76	1.93	0.71	4.50
Badlar(*) . . . . .	0.10	0.14	0.06	0.29
Foreign exchange rates — Euros . . . . .	0.03	0.04	0.00	0.39
Diversification effect . . . . .	<u>(0.52)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b> . . . . .	<u><b>0.82</b></u>	<u><b>1.68</b></u>	<u><b>0.68</b></u>	<u><b>3.91</b></u>

(\*) Badlar is the average rate offered by commercial banks based on a survey by the Central Bank of Argentina for time deposits over 1 million pesos with a maturity of 30 to 35 days.

**VaR of Banco Itaú Argentina  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
Inflation index linked interest rate . . . . .	0.36	0.13	0.01	0.40
LIBOR . . . . .	0.30	0.23	0.03	0.99
Interest rate local currency . . . . .	1.58	2.23	0.79	5.06
Badlar(*) . . . . .	0.09	0.30	0.05	0.86
Foreign exchange rates — Euros . . . . .	0.27	0.09	0.00	0.75
Diversification effect . . . . .	(0.41)	—	—	—
<b>Total</b> . . . . .	<u><b>2.20</b></u>	<u><b>2.42</b></u>	<u><b>0.80</b></u>	<u><b>5.01</b></u>

(\*) Badlar is the average rate offered by commercial banks based on a survey by the Central Bank of Argentina for time deposits over 1 million pesos with a maturity of 30 to 35 days.

**VaR of Banco Itaú Chile  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
Chilean peso + inflation index linked interest rate . .	0.28	0.52	0.16	1.10
Dollar linked interest rate . . . . .	0.31	0.42	0.08	1.22
Diversification effect . . . . .	(0.15)	—	—	—
<b>Total</b> . . . . .	<u><b>0.44</b></u>	<u><b>0.71</b></u>	<u><b>0.23</b></u>	<u><b>1.94</b></u>

**VaR of Banco Itaú Chile  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
Chilean peso + inflation index linked interest rate . .	0.26	0.39	0.01	1.03
Dollar linked interest rate . . . . .	0.46	0.46	0.07	0.80
Diversification effect . . . . .	(0.26)	—	—	—
<b>Total</b> . . . . .	<u><b>0.46</b></u>	<u><b>0.62</b></u>	<u><b>0.23</b></u>	<u><b>1.29</b></u>

**VaR of Banco Itaú Uruguay  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
Foreign exchange rate — Uruguayan peso . . . . .	0.07	0.06	0.03	0.30
Inflation index linked interest rate . . . . .	0.14	0.15	0.05	0.45
Dollar linked interest rate . . . . .	0.15	0.21	0.08	0.69
Other foreign exchange rate . . . . .	0.07	0.11	0.00	0.41
Diversification effect . . . . .	(0.23)	—	—	—
<b>Total</b> . . . . .	<u><b>0.20</b></u>	<u><b>0.32</b></u>	<u><b>0.14</b></u>	<u><b>0.65</b></u>

**VaR of Banco Itaú Uruguay  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
Foreign exchange rate — Uruguayan peso . . . . .	0.34	0.57	0.34	0.99
Inflation index linked interest rate . . . . .	0.36	0.51	0.33	0.85
Dollar linked interest rate . . . . .	0.41	0.64	0.35	0.93
Other foreign exchange rate . . . . .	0.97	1.87	0.97	2.95
Diversification effect . . . . .	(0.87)	—	—	—
<b>Total</b> . . . . .	<u><b>1.21</b></u>	<u><b>1.62</b></u>	<u><b>0.90</b></u>	<u><b>3.28</b></u>

**VaR of Banco Itaú Europa  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
EURIBOR . . . . .	0.22	0.33	0.05	1.20
LIBOR . . . . .	0.51	0.63	0.18	1.94
Foreign exchange rate . . . . .	0.33	0.71	0.07	1.60
Other . . . . .	0.18	0.24	0.09	0.60
Diversification effect . . . . .	(0.26)	—	—	—
<b>Total</b> . . . . .	<u><b>0.99</b></u>	<u><b>1.57</b></u>	<u><b>0.27</b></u>	<u><b>3.64</b></u>

**VaR of Banco Itaú Europa  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of US\$)		
<b>Risk Factor</b>				
EURIBOR . . . . .	0.08	0.14	0.05	0.52
LIBOR . . . . .	2.51	2.29	0.40	8.47
Sovereign risk . . . . .	0.27	0.51	0.18	0.86
Diversification effect . . . . .	(0.32)	—	—	—
<b>Total . . . . .</b>	<b><u>2.54</u></b>	<b><u>2.35</u></b>	<b><u>0.41</u></b>	<b><u>8.49</u></b>

**Global VaR**

The Global VaR shown in the following tables encompasses the consolidated VaR of Itaú Unibanco Holding's domestic and international operations, including the portfolios of Itaú Unibanco, Itaú BBA, Banco Itaú Europa, Banco Itaú Argentina, Banco Itaú Chile and Banco Itaú Uruguay. The portfolios of Itaú Unibanco and Itaú BBA are presented together, segregated by risk factor.

Itaú Unibanco Holding seeks to maintain a policy of operating within low limits relative to our capital base. We observed that the diversification of risk within our business units significantly reduced our global VaR. In 2009, our average global VaR was R\$160.8 million, or 0.3% of our consolidated stockholders' equity, as of December 31, 2009, compared to R\$165.5 million in 2008, or 0.5% of our consolidated stockholders' equity, as of December 31, 2008.

**Global VaR  
2009**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
		(In millions of R\$)		
<b>Risk Factor</b>				
Fixed interest rate(*) . . . . .	69.1	147.5	30.7	219.7
TR . . . . .	11.7	16.0	8.8	23.4
Dollar linked interest rate . . . . .	11.3	8.8	2.6	18.8
Foreign exchange rate (*) — U.S. dollar . . . . .	13.7	21.7	1.2	35.1
Equity . . . . .	7.4	15.1	6.2	31.5
Brazilian inflation index linked interest rate . . . . .	16.2	14.1	10.2	21.0
Sovereign and private bonds . . . . .	2.2	14.4	2.2	22.8
Foreign interest rate . . . . .	1.8	8.6	1.7	20.5
Commodities . . . . .	3.1	2.0	0.7	4.4
Other foreign exchange risk . . . . .	3.7	3.2	0.1	6.8
Other . . . . .	3.8	3.1	0.9	8.8
Itaú Argentina . . . . .	1.4	2.9	1.2	6.8
Itaú Chile . . . . .	0.8	1.2	0.4	3.4
Itaú Uruguay . . . . .	0.3	0.6	0.3	1.1
Itaú Europa . . . . .	1.7	2.7	0.5	6.3
Diversification effect . . . . .	(62.9)	—	—	—
<b>Total . . . . .</b>	<b><u>87.2</u></b>	<b><u>160.8</u></b>	<b><u>60.9</u></b>	<b><u>241.6</u></b>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

**Global VaR  
2008**

	<u>December 31</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
<b>Risk Factor</b>		(In millions of R\$)		
Fixed interest rate(*) . . . . .	159.3	148.2	56.1	713.8
TR . . . . .	13.8	12.5	5.1	56.7
Dollar linked interest rate . . . . .	16.6	15.0	4.2	58.6
Foreign exchange rate(*) — U.S. dollar . . . . .	17.2	25.6	0.1	168.7
Equity . . . . .	15.5	11.4	1.4	29.1
Brazilian inflation index linked interest rate . . . . .	4.6	6.3	3.0	10.6
Sovereign and private bonds . . . . .	22.2	19.8	11.2	44.8
Foreign interest rate . . . . .	7.8	9.3	0.8	26.2
Commodities . . . . .	0.0	0.4	0.0	2.2
Other foreign exchange risk . . . . .	1.0	1.4	0.3	4.3
Other . . . . .	8.6	4.8	0.6	28.4
Itaú Argentina . . . . .	5.1	5.7	1.9	11.7
Itaú Chile . . . . .	1.1	1.5	0.5	3.0
Itaú Uruguay . . . . .	2.8	3.8	2.1	7.7
Itaú Europa . . . . .	5.9	5.5	0.9	19.8
Diversification effect . . . . .	(97.9)	—	—	—
<b>Total</b> . . . . .	<b><u>183.7</u></b>	<b><u>165.5</u></b>	<b><u>65.1</u></b>	<b><u>673.4</u></b>

(\*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.

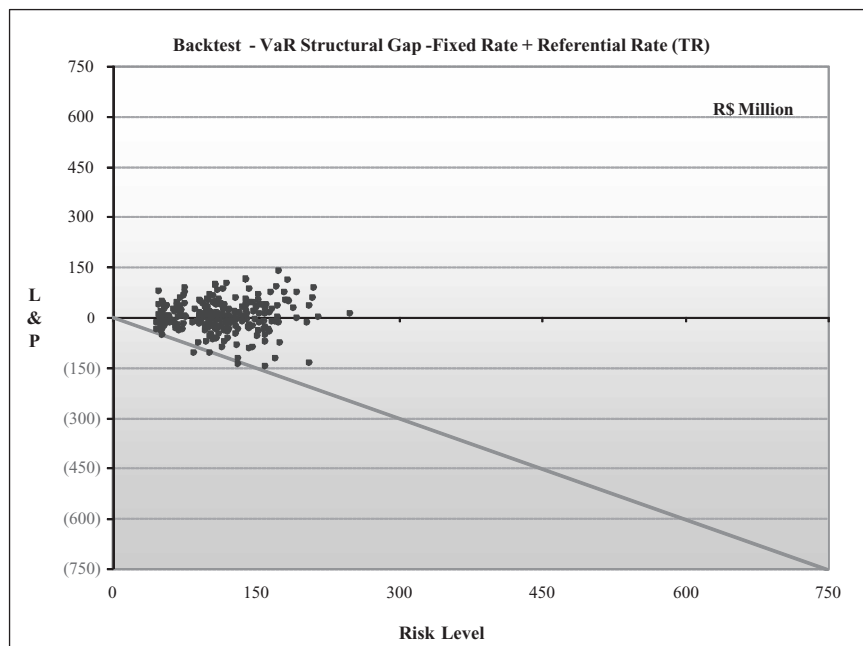
**Backtesting**

We validate our statistical models on a daily basis by using backtesting techniques. We update stress scenarios on a monthly basis to ensure that market risks are not underestimated.

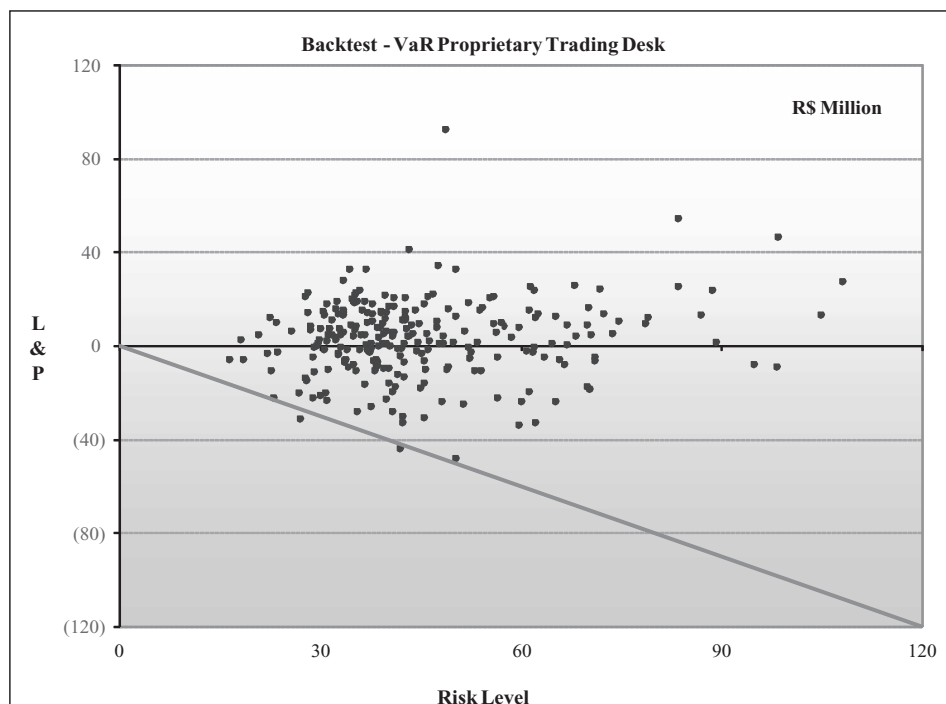
Risks are calculated with a confidence level of 99.0%, i.e., there is only a 1.0% probability that financial losses could be greater than the losses forecasted by our models.

One way of evaluating the adopted method for risk measurement is to calculate the percentage of cases in which actual daily profits and losses fell outside the VaR interval. Due to the limited importance of our VaR in international operations, the analysis below refers only to the portfolio related to our domestic operations.

In order to illustrate the quality of our risk management models, we present below backtesting graphs for the year ended December 31, 2009 for each of (i) the VaR of our structural gap positions based on fixed rate and TR risk factors, the two most material risk factors for this portfolio, and (ii) the overall VaR for our proprietary trading desk. In the first case, financial losses were greater than the losses forecasted by our models on only three days, a result which is within the 99.0% confidence level we use to calculate risk.



With respect to the overall VaR of our proprietary trading desk, financial losses were greater than the losses forecasted by our models on only two days during the period, a result which is also within the 99.0% confidence level we use to calculate risk.





## BUSINESS

### Overview

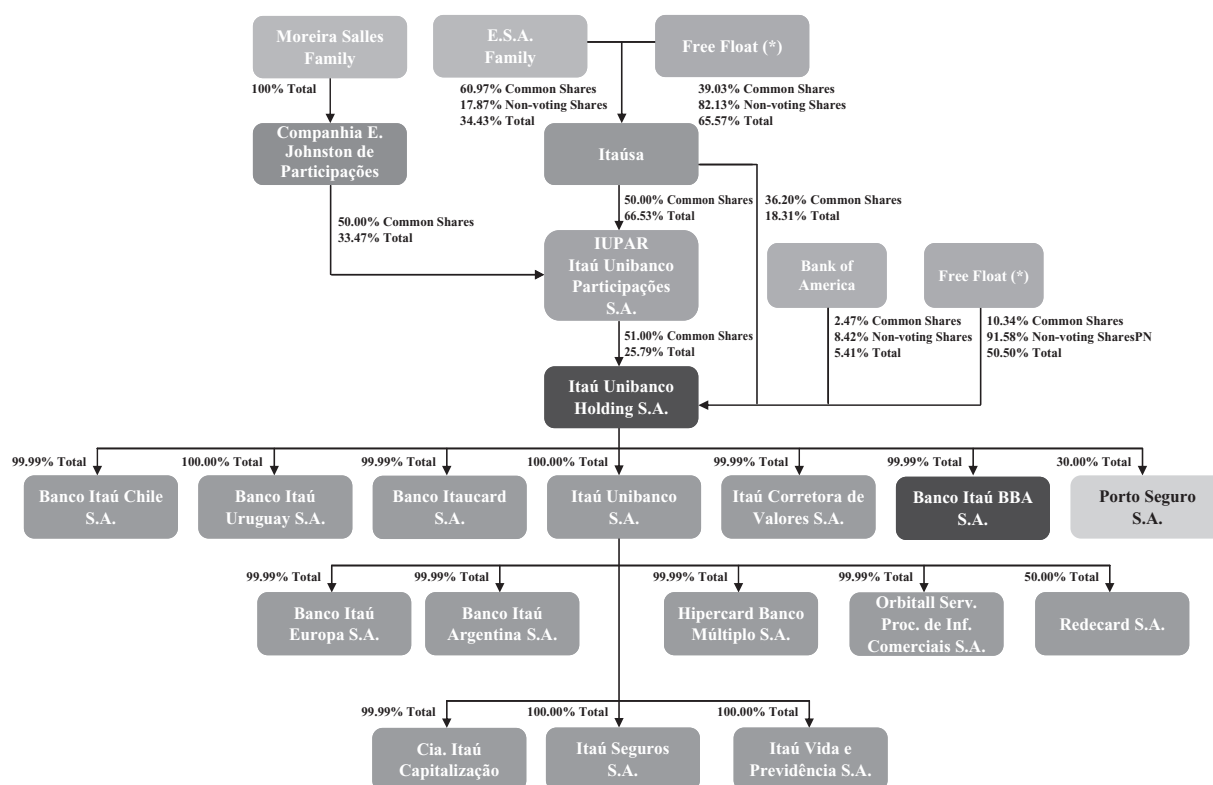
On November 3, 2008, we announced the merger of the operations of Banco Itaú Holding (currently Itaú Unibanco Holding) and Unibanco Holdings. The result of this “Association” was the creation of Itaú Unibanco Holding. Since the final approval by the Central Bank on February 18, 2009, we have been working on the integration of the operations of the two banks. Based on the strengths of each institution, we have reviewed the business model for Itaú Unibanco Holding. Both banks’ longstanding commitment to modernisation, customer and employee management, efficient use of technology, good corporate governance practices and transparency with shareholders has facilitated the development of a new corporate culture. In 2009, as a result of the integration currently underway at Itaú Unibanco Holding, we have introduced certain changes to our business model.

*Our principal operations are:* (i) commercial banking (including insurance, pension plan and capitalisation products, credit cards, asset management and a variety of credit products and services for individuals, small and middle-market companies); (ii) Itaú BBA (corporate and investment banking); and (iii) consumer credit (financial products and services to our non-accountholders).

### Our Ownership Structure

We are a financial holding company controlled by IUPAR, a holding company jointly controlled by (i) Itaúsa, which is a holding company controlled by members of the Egydio de Souza Aranha family, and (ii) E. Johnston, which is a holding company controlled by the former controlling shareholders of Unibanco, the Moreira Salles family. Itaúsa also owns directly 36.2% of the shares of our common stock. See “Principal Shareholders and Dividends.”

The following chart is a simplified overview of the direct and indirect ownership structure of the Itaú Unibanco Group as of December 31, 2009.



#### Note:

Ownership percentages above refer to the total of direct and indirect ownership. All of the above companies are based in Brazil, except Banco Itaú Argentina S.A. (located in Argentina), Banco Itaú Europa S.A. (located in Portugal), Banco Itaú Chile S.A. (located in Chile) and Banco Itaú Uruguay S.A. (located in Uruguay).

## History

We trace our origins to 1944, when members of the Egydio de Souza Aranha family founded Banco Federal de Crédito S.A. in São Paulo. Since 1973 we have operated through Banco Itaú S.A., now Itaú Unibanco. Unibanco was founded by the Moreira Salles family in 1924, making it Brazil's oldest non-state owned bank at the time of the "Association."

On November 3, 2008, the controlling shareholders of Itaúsa and of Unibanco Holdings entered into an association agreement to combine the operations of Banco Itaú Holding (now Itaú Unibanco Holding) and its subsidiaries and Unibanco Holdings, Unibanco and Unibanco's subsidiaries (the "**Association**"). To effect the Association, we carried out a corporate restructuring pursuant to which Unibanco Holdings and its subsidiary Unibanco became wholly owned subsidiaries of Itaú Unibanco Holding through a series of transactions:

- the merger of all shares of E. Johnston Representação e Participações S.A. into Itaú Unibanco,
- the merger of all shares of Unibanco Holdings and Unibanco that were not already indirectly held by Itaú Unibanco into Itaú Unibanco, and
- the merger of all shares of Itaú Unibanco into Itaú Unibanco Holding.

A merger of shares means "*incorporação de ações*," as defined by article 252 of the Brazilian Corporate Law, and is a corporate restructuring where one company ("A") exchanges its shares for shares of another company ("B"), and as a consequence the shareholders of B become shareholders of A, and A becomes the sole shareholder of B. The shareholders of each of Itaú Unibanco Holding, Itaú Unibanco, E. Johnston Representação e Participações S.A., Unibanco Holdings and Unibanco approved the transactions at extraordinary shareholders' meetings held on November 28, 2008. The transactions were approved by the Central Bank in February 2009, and the minutes of the shareholders' meetings reflecting the approval of the merger of shares were registered by the Commercial Registry of the State of São Paulo in March 2009. The Association is pending approval by Brazilian anti-trust authorities (*Conselho Administrativo de Defesa Econômica* or "**CADE**").

The shares of Itaú Unibanco Holding, including those issued in exchange for shares of Unibanco and Unibanco Holdings, commenced trading under the same symbol on March 31, 2009. In May 2009, the trading symbols were standardised to "ITUB" on all the stock exchanges where Itaú Unibanco Holding's securities are listed. At the extraordinary shareholders' meeting held on November 28, 2008, our shareholders approved the change of our corporate name from Banco Itaú Holding Financeira S.A. to Itaú Unibanco Banco Múltiplo S.A. At the extraordinary shareholders' meeting held on April 24, 2009, our shareholders approved a further change of our corporate name to Itaú Unibanco Holding S.A., which change was approved by the Central Bank on August 12, 2009. Finally, at the extraordinary shareholders' meeting held on April 30, 2009, the shareholders of Itaú Unibanco approved the change of the corporate name of Banco Itaú S.A. to Itaú Unibanco S.A., which change was approved by the Central Bank on December 30, 2009.

As of December 31, 2009, we were the largest bank in Brazil based on market capitalisation according to Bloomberg.

Since the merger in 2008, we have been working on the integration of the operations of the two banks. The main initiatives regarding integration in 2009 included:

- the adoption of a new corporate governance structure by the board of directors;
- the integration of the corporate, investment banking, brokerage, asset management, vehicle lending, private banking and treasury divisions, which have been operating on a unified basis since the first quarter of 2009;
- the interconnection of ATMs; and
- reporting under a single annual report and the adoption of unified corporate governance policies and risk management.

In addition, in the second half of 2009, we began the integration process of Unibanco branches under the "Itaú" brand and we expect to complete this process by the end of 2010.

## **Competitive Strengths**

We believe the following strengths provide us with significant competitive advantages and distinguish us from our competitors.

### ***Premier banking brand in Brazil.***

Our brands are very strong and very well recognised in Brazil. They represent quality and reliability and, with our large portfolio of products, help us to maintain a low customer turnover rate, especially among customers in the high income segment.

### ***Large branch network in geographic areas of high economic activities.***

We have an extensive network with 3,936 branches and 33,114 ATMs as of December 31, 2009. Our Brazilian branch network, while national in scope, is strategically concentrated in Southeast Brazil, the country's wealthiest region. Our branch network in other countries of the Southern Cone (Argentina, Chile, Paraguay, and Uruguay) is also positioned in regions of high levels of economic activity. A branch network in wealthier and key economic areas gives us a strong presence and a competitive advantage to offer our services to a broad range of customers and profit from selective market opportunities. Our exclusive ATM network allows us to offer a wide range of products and services to our customers which we see as one of our competitive strengths.

### ***Diverse line of products and services.***

We are a multi-service bank offering a diverse line of products and services that are designed to address the needs of various types of clients, including corporate clients, small and medium-sized enterprises, retail customers, high-income individuals, private bank clients, non-accountholders and credit card users. We believe that this model creates opportunities to improve our client relationships and thereby increase our market share. We expect to sustain our leading presence by capturing a solid and growing pipeline of transactions across a number of business segments.

### ***Technology and electronic distribution channels as drivers for sales.***

Our intensive use of technology and electronic distribution channels, which has contributed significantly to an increase in sales of products and services, is one of our most important competitive advantages. In 2009, we spent R\$3,692 million on information technology, R\$757 million for the purchase of hardware and software and R\$2,935 million for the cost of IT infrastructure, operation and maintenance. We have sophisticated technology that supports other remote banking access (call centres, Internet banking, etc.) and offers customers the ability to verify their statements and perform their transactions. Our sales teams can access client credit scores directly through mobile phones and credit proposals can be sent over the Internet by any broker registered in our systems.

### ***Risk-based pricing model as a tool to manage risk while exploring opportunities.***

Our risk-based pricing model is an important competitive advantage as it gives us a more precise dimension of the risk equation versus return in various scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risks. Depending on the product, each contract is individually priced using risk adjusted return on capital models that give us a better assessment of the market.

## **Business Strategy**

Our board of directors is responsible for the definition of our strategy and the strategies of our subsidiaries. Strategic decisions by our board of directors are supported by the strategy committee of our board of directors which provides data and information about strategic business issues. See "Management — Corporate Governance — Committees of the Board of Directors — Strategy Committee." The strategy committee's activities and responsibilities range from evaluating investment opportunities and budget guidelines to providing advice and support to the chief executive officer for the monitoring of our consolidated strategy.

The strategy committee is supported by the institutional treasury supervisory committee that provides macroeconomic data in order to support discussions on strategies, investments and budgets.

***Integration in connection with the Association should position us to grow.***

During 2009 we were, and in 2010, we will continue to be, very focused on completing the integration of the Unibanco branches, while maintaining the service quality and increasing our customer products offering. Upon completion of this integration, we intend to focus on expanding in Brazil and abroad. Our objective is to be recognised as a leading specialist in Latin America by customers, companies and investors.

***Growing our loan portfolio with the maintenance of asset quality.***

The growth of our loan portfolio and the maintenance of asset quality are central issues to our strategy. We are constantly seeking to improve our models for risk management and our economic predictions and scenario modelling. We intend to increase the average volume of credit operations to maintain and even grow our market share, depending on the product, market and customer type, including through the development of new products for specific client demographics.

***Implementation of an advanced and fully integrated risk management approach should position us to increase profitability.***

Our main strategic goals in risk management include: (i) the incorporation of best practice recommendations and the implementation of the advanced approaches under Basel II, which should enhance profitability from more precise risk-based pricing and risk-adjusted performance measurement frameworks, which are important sources of competitive advantage; and (ii) developing and implementing a fully integrated risk management approach, through the integration of processes and systems, providing a comprehensive picture of risk exposures across risk types and from multiple viewpoints.

***Developing strong relationships with our clients based on customer segmentation.***

We will continue to work on our customer segmentation strategy in order to identify our customers' needs and enhance our relationship with our customer base, as well as to increase market penetration. A customer segment is a distinguishable part of our customer base that is subject to a specific set of needs that we focus on meeting. We believe that our customer segmentation tools and strategy provide us an important competitive advantage developed over the course of more than 25 years. We aim to fulfil clients' financial needs through a wide product portfolio, including cross-selling of banking and insurance products and sales through a variety of channels. It is also extremely important to deliver best-in-class customer service, in order to maintain and increase client satisfaction and increase portfolio profitability.

## **Significant Transactions**

### **2007**

***Acquisition of BankBoston in Chile and Uruguay***

On February 26, 2007, Itaú Unibanco Holding completed the acquisition of BAC's operations under the "BankBoston" brand in Chile through the issuance of 17,406,444 common shares (representing approximately 1.42% of total shares, including treasury stock) of Itaú Unibanco Holding. On March 23, 2007, Itaú Unibanco Holding completed the acquisition of BAC's operations under the "BankBoston" brand in Uruguay and the operations of OCA S.A. ("OCA"), OCA Casa Financiera S.A. and ACO Ltda. through the issuance of 3,130,392 common shares of Itaú Unibanco Holding (representing approximately 0.3% of total shares, including treasury stock). Previously, Itaú Unibanco Holding acquired BAC's operations under the "BankBoston" brand in Brazil ("**BankBoston Brazil**") and entered into acquisition agreements with BAC under which Itaú Unibanco Holding agreed to acquire operations under the "BankBoston" brand in Chile and in Uruguay, as well as the operations of OCA, OCA Casa Financiera S.A. and ACO Ltda. in Uruguay. Itaú Unibanco Holding and Itaúsa also entered into a shareholders' agreement with BAC, which became effective upon completion of the acquisition of BankBoston

Brazil on September 1, 2006. See “Principal Shareholders and Dividends — Shareholders’ Agreements — Bank of America.”

#### *Acquisition of BankBoston International*

On May 31, 2007, Banco Itaú Europa and its subsidiary Banco Itaú Europa Luxembourg S.A. (“**BIEL**”) completed the acquisition of BankBoston International (currently named Banco Itaú Europa International S.A. (“**BIEI**”)), with headquarters in Miami, and BankBoston Trust Company Limited (currently named BIE Bank & Trust Ltd. (“**BIE Bahamas**”)), with headquarters in Nassau. Those entities were engaged in private banking activities for non-US residents. The operations of the acquired entities included, at the time of the acquisitions, assets under management of approximately US\$3.2 billion.

#### *Acquisition of ABN AMRO private banking operations in Miami and Montevideo*

On June 8, 2007, we completed the acquisition of the international private banking assets of Latin American customers of the Miami and Montevideo branches of ABN AMRO Bank N.V. This acquisition comprised assets under management of approximately US\$3.0 billion, located in the United States (Miami), Switzerland, Luxembourg and Uruguay (Montevideo). Beginning in the second quarter of 2007, the assets registered in Miami were recorded by BIEI and the assets registered in Uruguay were recorded by Banco Itaú Uruguay. This transaction consolidated the positions of Itaú Unibanco Holding and Banco Itaú Europa as one of the leading private banking institutions in the Latin American markets.

#### *Sale of Stock in Serasa*

In June 2007, we disposed of part of our interest in the capital stock of Serasa to Experian Brasil Aquisições Ltda. (“**Experian Brasil**”), a Brazilian subsidiary of Experian Solutions, Inc. Serasa is a leading provider in Brazil of analytical and information products and services for credit and business support. The disposition corresponded to 1,321,371 shares comprising 35.5% of the total shares of Serasa. On the same date, we and another bank formed BIU Participações S.A. (“**BIU**”) for the purpose of holding the Serasa shares owned by us and such other bank. On October 11, 2007, BIU sold an additional 11,025 shares of Serasa to Experian Brasil, which, together with the June sale, amounted to approximately R\$1,230 million. As of December 31, 2009, we held a 16.1% indirect interest in the total capital stock of Serasa through BIU and the right to appoint two members to Serasa’s board of directors.

#### *Sale of Stock in Redecard*

In July 2007, Banco Itaucard S.A. (“**Banco Itaucard**”) and Unibanco Participações Societárias S.A. sold approximately 107.6 million common shares (approximately 16.4% of total capital) of Redecard in a secondary sale, a company that captures and transmits information on MasterCard’s and Diners Club’s credit and debit card transactions in Brazil. Each share was sold at R\$27, generating a revenue of R\$1,680 million, after taxes. In March 2009, we acquired 24,082,760 shares of Redecard from Banco Citibank S.A. (“**Citibank**”) at a total price of R\$590 million, giving rise to goodwill of R\$557 million which was fully amortised in our consolidated financial statements as of and for the year ended December 31, 2009. In view of this transaction, we own more than 50.0% of Redecard’s total and voting capital. We fully consolidated the results of Redecard in our consolidated financial statements beginning in the first quarter of 2009.

#### *Association with Aenik*

On September 3, 2007, Itaú Unibanco Holding entered into an agreement with Aenik Participações Ltda. (“**Aenik**”), to create and develop Kinea Investimentos S.A. (“**Kinea**”), of which Itaú Unibanco Holding holds indirectly 80.0% of the capital stock and Aenik holds the remaining 20.0%. Kinea manages alternative investments which are focused on the operations of hedge funds, real estate equity funds and private equity funds targeted at high net worth individuals and corporate clients. We fully consolidated the results of Kinea in our consolidated financial statements.



### *Sale of Stock in Bovespa*

In October 2007, in connection with the initial public offering of Bovespa Holding S.A. (“**Bovespa Holding**”) (since the merger with BM&F, BM&FBOVESPA), Itaú Unibanco and Itaú BBA sold 11.4 million shares of Bovespa Holding and Unicard Banco Múltiplo S.A. (“**Unicard**”) sold 23.3 million shares of Bovespa Holding for R\$23 per share. The transaction generated income after taxes of R\$164 million for Banco Itaú Holding and R\$320 million for Unibanco Holdings. As of December 31, 2009, we held approximately 3.0% of the capital stock of BM&FBOVESPA.

### *Sale of Stock in Bolsa de Mercadorias e Futuros — BM&F*

In November 2007, in connection with the initial public offering of Bolsa de Mercadorias e Futuros — BM&F S.A. (“**BM&F**”) (since the merger with Bovespa Holdings S.A., BM&FBOVESPA), Itaubank Distribuidora de Títulos e Valores Mobiliários S.A. (“**Itaubank Distribuidora**”), Itaú Corretora de Valores S.A. (“**Itaú Corretora**”), Itaú Unibanco and Itaú BBA sold 10.4 million shares of BM&F and Unicard sold 4.5 million shares of BM&F for R\$20 per share. In addition, prior to the initial public offering of BM&F, Itaubank Distribuidora, Itaú Corretora, Itaú Unibanco and Itaú BBA sold 3.4 million shares for R\$11 per share to GA Latin America Investments LLC and Unicard sold 1.5 million shares for R\$11 per share to General Atlantic Private Equity Group. These transactions generated income after taxes of R\$150 million for Banco Itaú Holding and R\$62 million for Unibanco Holdings.

### *Joint Venture with Lopes*

On December 28, 2007, Itaú Unibanco Holding, Itaú Unibanco, LPS Brasil — Consultoria de Imóveis S.A. (“**Lopes**”), a Brazilian estate brokerage and consulting company, and SATI — Assessoria Imobiliária Ltda. (“**SATI**”), a subsidiary of Lopes, entered into a joint venture agreement pursuant to which Itaú Unibanco Holding and its affiliates were granted the exclusive right for 20 years to distribute and sell certain financial products and services, such as real estate mortgage loans and financing of durable goods, to Lopes’ clients. Itaú Unibanco Holding and SATI incorporated a new entity, Olímpia Promoção e Serviços S.A. (“**Olímpia**”), each holding 50.0% of its capital stock. Olímpia promotes our financial products and services to Lopes’ clients. The joint venture was structured as a profit sharing agreement, pursuant to which Itaú Unibanco Holding is entitled to 50.0% of the profits from the sale of such financial products and services and SATI is entitled to the remaining 50.0%.

## **2008**

### *Partnership with Dafra*

On March 5, 2008, Itaú Unibanco entered into a joint venture agreement with Dafra da Amazônia, Indústria e Comércio de Motocicletas Ltda. (“**Dafra**”), a motorcycle manufacturer belonging to the Itavema group. Pursuant to the joint venture agreement, for a period of ten years, (i) Itaú Unibanco and its affiliates have the exclusive right to offer credit lines to Dafra’s authorised dealers; (ii) Itaú Unibanco and its affiliates have the exclusive right to offer and distribute financial products relating to sale campaigns of Dafra’s motorcycles; and (iii) Dafra will only recommend to its dealers the financial products and services offered by Itaú Unibanco. The partnership was structured as a profit sharing agreement, under which Itaú Unibanco is entitled to 60.0% of the profits from the sale of its products and services and Dafra is entitled to the remaining 40.0%. In addition, Itaú Unibanco paid R\$20 million to Dafra as consideration for these rights.

### *Partnership with Coelho da Fonseca*

On April 7, 2008, Itaú Unibanco Holding, Itaú Unibanco and Coelho da Fonseca Empreendimentos Imobiliários Ltda. (“**Coelho da Fonseca**”), a real estate consulting company in Brazil, entered into a joint venture agreement pursuant to which we were granted the exclusive right to distribute and sell financial products and services, such as real estate mortgage loans and the financing of durable goods, to Coelho da Fonseca’s real estate clients in Brazil for ten years. Pursuant to the partnership agreement, Coelho da Fonseca is entitled to a commission based on the financial products and services its clients purchase from us.

### ***Acquisition of Itaúsa Export and Itaúsa Europa***

On November 12, 2008, Itaú Unibanco Holding entered into an agreement with Itaúsa for the acquisition of a 77.8% total and 80.0% voting interest of Itaúsa Export, and of a 12.1% total and voting interest of Itaúsa Europa, a subsidiary of Itaúsa Export, for approximately R\$1,136 million. As a result of such acquisition and a subsequent corporate restructuring, Itaú Unibanco Holding now holds 100.0% of the total and voting interest of Itaúsa Europa and Itaúsa Export. Itaúsa Export is a holding company domiciled in Brazil which holds a controlling interest in Itaúsa Europa. Itaúsa Europa is a holding company domiciled in Portugal. Itaúsa Export's and Itaúsa Europa's business activities are carried out by their indirect subsidiaries and include corporate banking, international cash management services and private banking. The acquisition by Itaú Unibanco Holding of all of the stock of Itaúsa Export and Itaúsa Europa was a condition precedent to the Association.

### ***Transaction with AIG***

On November 26, 2008, Unibanco entered into an agreement with American International Group, Inc. (“**AIG**”) regarding the exchange of shares that Unibanco and AIG respectively held in certain Brazilian insurance companies, as follows: (i) Unibanco acquired the shares held by AIG in Unibanco AIG, which changed its name to Unibanco Seguros S.A. (“**Unibanco Seguros**”) for US\$820 million; and (ii) AIG acquired the shares held by Unibanco in AIG Brasil Companhia de Seguros S.A. (“**AIG Seguros**”) for US\$15 million. Upon the completion of the exchange, Unibanco Seguros and Unibanco AIG Vida e Previdência S.A. and Unibanco AIG Saúde Seguradora S.A. (which were wholly owned subsidiaries of Unibanco Seguros) became wholly owned by us.

### ***The Association***

The Association of Itaú and Unibanco was approved at the extraordinary shareholders' meeting held on November 28, 2008, approved by the Central Bank on February 18, 2009 and is pending approval by CADE. For the details regarding the Association, see “— History.”

### ***Partnership with Marisa***

On December 4, 2008, Itaú Unibanco and Marisa S.A. and Credi 21 Participações S.A. (together with Marisa S.A., “**Marisa**”) entered into a partnership agreement whereby Itaú Unibanco and its affiliates were granted the exclusive right to offer and sell financial products and services, namely co-branded credit cards, personal loans and other types of consumer credit financial products through Marisa's sales network (physical and online stores) for ten years. The partnership was structured as a profit sharing agreement, under which each party is entitled to 50.0% of the profits from the sale of our products through Marisa's network. The partnership represented an investment of approximately R\$120 million by Itaú Unibanco, R\$65 million of which was paid in exchange for the exclusivity right and for the access to Marisa's customer base for the period of the agreement, and payment of up to R\$55 million which is linked to certain sales targets over a five-year period.

### ***Acquisition of the remaining participation in Itaú BBA***

On December 29, 2008, Itaú Unibanco acquired the remaining Itaú BBA shares not held by us from certain Itaú BBA managers and employees who were minority shareholders. Itaú Unibanco currently holds approximately 100.0% of the capital stock of Itaú BBA.

## **2009**

### ***Partnership with Vivo***

On March 31, 2009, Banco Itaucard, a subsidiary of Itaú Unibanco Holding, and Vivo S.A. and Telemig Celular S.A., a subsidiary of Vivo S.A. (together, “**Vivo**”), a leading Brazilian mobile telecommunication services provider, entered into a partnership agreement pursuant to which we were granted the right to distribute and sell co-branded credit cards and certain other financial and insurance products and services to Vivo's clients in Brazil for ten years.



### ***Joint Venture with Porto Seguro***

On August 23, 2009, Itaú Unibanco Holding and Porto Seguro entered into an operating agreement for the exclusive offer and distribution of homeowner and automobile insurance products to clients of Itaú Unibanco Holding in Brazil and Uruguay (the “**Porto Seguro Alliance**”). In connection with the Porto Seguro Alliance, Itaú Unibanco Holding transferred all the assets and liabilities related to its current portfolio of homeowner and automobile insurance to Itaú Seguros de Auto e Residência S.A. (“**ISAR**”), all of the shares of which were subsequently transferred to Porto Seguro. In exchange, Porto Seguro issued shares representing 30.0% of its capital stock to Itaú Unibanco Holding. The controlling shareholders of Porto Seguro and Itaú Unibanco Holding established a new company named Porto Seguro Itaú Unibanco Participações S.A. (“**PSIUPAR**”) and transferred their shares of Porto Seguro to PSIUPAR. The controlling shareholders of Porto Seguro remained controlling shareholders of PSIUPAR, which became the parent company of Porto Seguro. Itaú Unibanco Holding is entitled to nominate two members of the board of directors of each of Porto Seguro and PSIUPAR. ISAR, which is directly controlled by Porto Seguro and indirectly controlled by PSIUPAR, will be managed by Porto Seguro and will utilise the trademarks Porto Seguro, Itaú Unibanco and Azul. On October 16, 2009, SUSEP granted prior authorisation for the corporate acts related to the Porto Seguro Alliance. As of the date of this Offering Memorandum, approval by CADE for the transaction is pending.

### ***Renewal of Association with CBD***

On August 28, 2009, CBD, which operates under the brand “Pão de Açúcar,” and Itaú Unibanco completed their negotiations concerning Financeira Itaú CBD S.A. (“**FIC**”), leading to: (i) the release of Itaú Unibanco’s exclusivity obligation towards CBD in exchange for a R\$550 million payment to CBD; and (ii) the extension of the exclusivity term granted by CBD to FIC to August 2029 in exchange for a R\$50 million payment. The association provides for the sale of financial services and products in stores of all types that were, at the time of the agreement, directly or indirectly operated or owned by CBD, including supermarkets, convenience stores, electronic appliance stores, retail and wholesale stores, gas stations, drugstores, and e-commerce. New stores acquired by CBD may be included in the association under certain conditions. FIC is proportionally consolidated in our consolidated financial statements based on our ownership interest of 50.0%.

### ***Joint Venture with XL Capital Ltd.***

On November 12, 2009, Itaú Seguros S.A. (“**Itaú Seguros**”), on the one hand, and XL Swiss Holdings Ltd. (“**XL Swiss**”), on the other hand, a company controlled by XL Capital Ltd. (“**XL Capital**”), signed an agreement providing for the acquisition by Itaú Seguros of all of XL Swiss’s shares in Itaú XL Seguros Corporativos S.A. (“**Itaú XL**”). Itaú XL will be wholly owned by Itaú Unibanco Holding. After completion of the sale, Itaú Seguros will provide, under a separate agreement, insurance coverage to XL Capital’s clients in Brazil and XL Capital’s Global Programs clients with operations in Brazil. The transaction is pending approval by the Brazilian insurance regulator, SUSEP.

### ***Renewal of Association with Magazine Luiza***

On November 27, 2009, Itaú Unibanco Holding entered into an agreement to extend until December 31, 2029 its joint venture with Magazine Luiza S.A. (“**Magazine Luiza**”), a Brazilian department store, pursuant to which Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento (“**Luizacred**”) offers and sells consumer credit financial services and products to Magazine Luiza’s customers. Itaú Unibanco Holding paid R\$250 million to extend its exclusive rights to distribute credit products through Luizacred at all physical and virtual Magazine Luiza stores, in addition to its call centres, internet, and direct mailing. Each of Magazine Luiza and Itaú Unibanco Holding holds 50.0% of Luizacred’s capital stock. Luizacred is proportionally consolidated in our consolidated financial statements based on our ownership interest of 50.0%.

## Activities

The table below presents income from financial operations before loan losses and fee and commission income data for each of our three business areas, and such income and fees classified under corporate and treasury, for each of the years ended December 31, 2009, 2008 and 2007.

	<u>2009(1)</u>	<u>2008</u>	<u>2007</u>
	(In millions of R\$)		
<b>Commercial banking</b> . . . . .	<b>32,466</b>	<b>22,626</b>	<b>19,886</b>
Income from financial operations before loan losses(2) . . . . .	24,249	14,919	12,000
Fee and commission income . . . . .	8,217	7,706	7,886
<b>Itaú BBA</b> . . . . .	<b>5,567</b>	<b>3,619</b>	<b>2,259</b>
Income from financial operations before loan losses(2) . . . . .	4,075	2,840	1,589
Fee and commission income . . . . .	1,492	779	670
<b>Consumer credit</b> . . . . .	<b>16,324</b>	<b>9,488</b>	<b>6,586</b>
Income from financial operations before loan losses . . . . .	10,767	6,769	4,905
Fee and commission income . . . . .	5,557	2,719	1,681
<b>Corporate and treasury(3)</b> . . . . .	<b>7,017</b>	<b>(1,161)</b>	<b>2,414</b>
Income from financial operations before loan losses(2) . . . . .	7,056	(1,161)	2,477
Fee and commission income . . . . .	(39)	—	(63)
<b>Total</b> . . . . .	<b><u>61,374</u></b>	<b><u>34,572</u></b>	<b><u>31,146</u></b>
<b>Income from financial operations before loan losses</b> . . . . .	<b><u>46,147</u></b>	<b><u>23,367</u></b>	<b><u>20,971</u></b>
<b>Fee and commission income</b> . . . . .	<b><u>15,227</u></b>	<b><u>11,204</u></b>	<b><u>10,174</u></b>

### Notes:

- (1) The results for 2009 consist of the consolidation of operations from Unibanco during the whole year as opposed to only the fourth quarter of 2008.
- (2) For comparison purposes, income from financial operations before loan losses from commercial banking and Itaú BBA was reclassified to corporate and treasury in 2008 and 2007.
- (3) Corporate and treasury includes the results related to the trading activities in our proprietary portfolio, trading related to managing currency, interest rate and other market risk factors, gap management and arbitrage opportunities in domestic and foreign markets. It also includes the results associated with financial income from the investment of our excess capital.

We mainly carry out our business activities in Brazil and we do not break down our revenues by geographic market within Brazil. Our revenues consisting of income from financial operations before loan losses, fee and commission income and insurance premiums, income on private retirement plans and capitalisation plans are divided between revenues earned in Brazil and abroad. The information in the table below presents revenues for each of the years ended December 31, 2009, 2008 and 2007 and is presented after eliminations upon consolidation.

	<u>2009(1)</u>	<u>2008</u>	<u>2007</u>
	(In millions of R\$)		
<b>Income from financial operations before loan losses . . . . .</b>	<b>46,147</b>	<b>23,367</b>	<b>20,971</b>
Brazil . . . . .	44,220	21,335	20,034
Abroad . . . . .	1,927	2,032	937
<b>Fee and commission income . . . . .</b>	<b>15,227</b>	<b>11,204</b>	<b>10,174</b>
Brazil . . . . .	14,586	10,557	9,783
Abroad . . . . .	640	647	391
<b>Insurance premiums, income on private retirement plans and on capitalisation plans . . . . .</b>	<b>2,432</b>	<b>1,307</b>	<b>1,219</b>
Brazil . . . . .	2,412	1,305	1,219
Abroad . . . . .	20	3	—

*Note:*

- (1) The results for 2009 reflect the consolidation of operations from Unibanco during the whole year as opposed to only the fourth quarter of 2008.

The table below presents revenues abroad by business areas for each of the years ended December 31, 2009, 2008 and 2007:

	<u>2009(1)</u>	<u>2008</u>	<u>2007</u>
	(In millions of R\$)		
<b>Itaú Unibanco — commercial banking . . . . .</b>	<b>2,062</b>	<b>1,491</b>	<b>1,156</b>
Argentina . . . . .	184	231	193
Chile . . . . .	443	467	660
Uruguay . . . . .	73	180	143
Other companies abroad(2) . . . . .	1,361	613	160
<b>Itaú BBA . . . . .</b>	<b>441</b>	<b>1,073</b>	<b>96</b>
Other companies abroad(2) . . . . .	441	1,073	96
<b>Itaú Unibanco — credit card . . . . .</b>	<b>114</b>	<b>118</b>	<b>77</b>
Argentina . . . . .	21	25	11
Chile . . . . .	14	—	—
Uruguay . . . . .	79	92	65

*Notes:*

- (1) The results for 2009 reflect the consolidation of operations from Unibanco during the whole year as opposed to only the fourth quarter of 2008.
- (2) Includes BIEL, Itaú Unibanco's Grand Cayman, New York, Tokyo and Nassau branches, Itaú BBA's Nassau branch, Itaú BBA's Uruguai branch, Itaú Unibanco Holding's Grand Cayman branch, the Unibanco Grand Cayman Branch, BIEL Holdings AG, IPI — Itaúsa Portugal Investimentos, SGPS Lda. Itaú Europa Luxembourg Advisory Holding Company S.A., Itaúsa Europa, Itaú Europa, SGPS, Lda., Itaúsa Portugal — SGPS S.A., Banco Itaú Europa, BIE Bahamas, BIEL, Banco Itaú Europa Fund Management Company S.A., BIEL Fund Management Company S.A., BIE Cayman, BIEL, IES, Unibanco — União de Bancos Brasileiros (Luxembourg) S.A., Itaú Madeira Investimentos, SGPS, Ltda, BIE Directors, Ltd, BIE Nominees, Lda, Brazcomp 1 Limited, Fin Trade, Kennedy Director International Services S.A., Federal Director International Services S.A., Bay State Corporation Limited, Cape Ann Corporation Limited; BFB Overseas N.V., BFB Overseas Cayman, Ltd., Itaú Bank Ltd., ITB Holding Ltd., Jasper International Investment LLC, Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc., UBB Holding Company, Inc., Uni-Investments Inter. Corp., Unipart Partic. Internac. Ltd, Rosefield Finance Ltd., Interbanco, Afinco Americas Madeira, SGPS, Soc. Unipessoal Ltda., Itaú Asset Management S.A., Sociedad Gerente de Fondos Comunes de Inversión, Zux Cayman Company Ltd., Zux SGPS, Lda., Agate SARL, Topaz Holding

Ltd., Itaú USA Inc., Itaú International Investment LLC, ITrust Servicios Financieros S.A., Albarus S.A., Banco Del Paraná S.A., Amethyst Holding Ltd., Garnet Corporation, Itaú Securities Holding (new name of Zircon Corporation), Spinel Corporation, Tanzanite Corporation, Itaú Sociedad de Bolsa S.A., Peroba Ltd., Mundostar S.A., Karen International Ltd., Nevada Woods S.A., Itaú Asia Securities Ltd., Líbero Trading International Ltd., Itaú USA Securities, Inc., Itaú Middle East Securities Limited, Unipart B2B Investments, S.L., Tarjetas Unisoluciones S. A. de Capital Variable, Proserv — Promociones Y Servicios S.A. de C. V. and Itau UK Securities Ltd.

## **Our Businesses**

We provide a broad range of banking services to a diverse customer base of individuals and corporate customers. We provide these services on an integrated basis through the following areas:

- Commercial banking,
- Itaú BBA (corporate and investment banking), and
- Consumer credit.

The commercial banking area offers a wide range of banking services to a diversified base of individuals and companies. Services offered by the commercial banking area include insurance, pension plan and capitalisation products, credit cards, asset management, credit products and customised products and solutions specifically developed to meet customers' demands. Our marketing strategies are adjusted for each customer profile and implemented through the most suitable distribution channels. We aim to increase the number of products used by our customers, thus diversifying our revenue sources. This area is an important funding source for our operations and generates significant financial income and banking fees. The commercial banking area comprises:

- Retail banking (individuals);
- Public sector banking;
- Personnalité (banking for high-income individuals);
- Private banking (banking and financial consulting for wealthy individuals);
- Very small business banking;
- Small business banking;
- Middle-market banking;
- Credit cards;
- Real estate financing;
- Asset management;
- Corporate social responsibility fund;
- Securities services for third parties;
- Brokerage; and
- Insurance, private retirement and capitalisation products.

Itaú BBA is responsible for our corporate and investment banking activities. Itaú BBA's management model is based on building close relationships with its customers by obtaining an in-depth understanding of their needs and offering them customised solutions. Corporate activities include providing banking services to large corporations and investment banking activities include offering funding resources to the corporate segment, including through fixed and variable income instruments.

Through the consumer credit area, we implement our strategy of expanding our offering of financial products and services beyond our current accountholders. As such, this division oversees the financing of vehicles outside

our branch network, credit cards to individuals who are not accountholders, and lending to lower income consumers.

In addition, Itaú Unibanco Holding has a broad range of overseas operations and has built its international presence based on strategically positioned units in the Americas, Europe and Asia. This creates significant synergies in foreign trade finance, the placement of Eurobonds, offering more sophisticated financial transactions, and private banking operations.

### ***Commercial Banking***

#### *Overview of Accountholder Products and Services*

We have a large and diverse portfolio of products to address our customers' needs. The main available products to our accountholders are:

- *Credit:* personal loans, overdraft protection, payroll loans, vehicles, credit cards, mortgage and agricultural loans, working capital, trade note discount and export;
- *Investments:* pension plans, mutual funds, time deposits, demand deposit accounts, savings accounts and capitalisation plans; and
- *Services:* insurance (life, home, credit/cash cards, vehicles, loan protection, among others), exchange, brokerage and others.

#### *Retail Banking*

Our core business is retail banking, which serves individuals with monthly incomes below R\$7,000. Our goal is to meet our over 13.7 million customers' needs by offering high quality banking products and services through our 4,465 branches and customer site branches under the "Itaú" and "Unibanco" brands as of December 31, 2009. Our retail banking unit is present in all Brazilian states and in cities that together represent more than 80.0% of Brazil's individual domestic consumption as of December 31, 2009.

In the second half of 2009, we started the pilot project to convert branches under the "Unibanco" brand to the "Itaú" brand. Around 50 branches were converted during 2009. At December 31, 2009, there were 950 remaining branches under the "Unibanco" brand. During 2010, we will intensify the conversion process and intend to convert approximately 160 branches per month starting in June 2010. Our retail clients are divided in accordance with their income and profile as described below:

- Itaú retail customers, who earn less than R\$4,000 per month; and
- Itaú Uniclass ("Uniclass") customers, who earn more than R\$4,000 and less than R\$7,000 per month. These customers are serviced by specialised account managers and have access to some customised products. This segment was created after the Association and we expect to increase the number of retail branches that provide Uniclass services and the number of clients served.

For the year ended December 31, 2009, credit products represented 67.0% of our consolidated revenue from retail banking, while investments represented 24.0% and services and other fee-based products represented 9.0%.

#### *Public Sector*

Our public sector business is structured to operate in all areas of the public sector, including at the federal, state and municipal levels of the executive, legislative and judicial branches. To service our public sector customers, we use platforms that are separate from the retail banking branches, with teams of specially trained managers who offer customised solutions in tax collection, foreign exchange services, administration of public agency assets, payments to suppliers, payroll for civil and military servants and retirement. Based on these platforms, we have a significant amount of business with public sector clients, particularly in those Brazilian states where we acquired previously state-owned financial institutions. As of December 31, 2009, we provided services to 1.4 million civil and military public sector employees.

### *Itaú Personnalité*

Itaú Personnalité (“**Personnalité**”) is the division that offers specialised services to satisfy the demands of affluent customers. Personnalité’s strategy consists of offering (i) an advisory service by its managers, who are trained to understand the specific needs of these customers; and (ii) a large portfolio of exclusive products and services, which are available through a dedicated network located in the main Brazilian cities and composed of dedicated branches. Our Personnalité customers also have access to the “Itaú” and “Unibanco” network branches and ATMs throughout the country.

In September 2009, Personnalité repositioned its strategy and raised its client target to high income individuals who earn more than R\$7,000 per month (previously R\$5,000) or have investments in excess of R\$80,000 (previously R\$50,000). This strategy is in line with the creation of the Uniclass division mentioned under our retail banking business.

Through a dedicated network of 165 branches, Personnalité’s customer base reached approximately 520,000 individuals as of December 31, 2009.

### *Itaú Private Bank*

Itaú Private Bank is a leading Brazilian bank in the global private banking industry, providing financial advisory services to approximately 20,000 Latin American customers as of December 31, 2009. Our 620 employees are focused on offering financial consulting services to customers with at least US\$200,000 in investment assets. In addition, we provide our customers with a full range of traditional banking products and services.

Financial advisory services are provided by teams of experienced relationship managers located in Brazil, Miami, Argentina, Uruguay, Chile and Paraguay, and supported by investment specialists, who recommend the most appropriate solutions for each individual risk profile. Our private banking client base is composed of clients from Brazil, Argentina, Venezuela, Chile, Uruguay, Ecuador, Paraguay, Mexico, and other Latin American countries.

We serve our customers’ needs for offshore wealth management solutions in three major jurisdictions through independent institutions: in the United States, through BIEI and Itaú Europa Securities Inc. (“**IES**”); in Luxembourg, through BIEL; and in the Caribbean, through BIE Bahamas and Unicorp Bank & Trust in Cayman (“**UBT Cayman**”).

We manage individual portfolios on a non-discretionary basis, subject to guidelines agreed upon with each customer. Portfolios managed by Itaú Private Bank may also invest in mutual funds managed by other financial institutions which have more flexibility in making investment decisions. Fees earned from our private banking customers are, in most cases, a function of the assets under management.

As of December 31, 2009, our private banking activity for Latin American clients had assets under management equivalent to R\$97,548 million, including R\$13,945 million in BIEL, R\$6,810 million in BIEI and IES and R\$2,129 million in BIE Bahamans and UBT Cayman.

Itaú Private Bank was awarded as the “The Outstanding Private Bank — Latin America” in 2009, which we believe shows strong and consistent recognition of good performance in our target market. According to the 2010 Annual Private Banking and Wealth Management Survey, coordinated by Euromoney magazine, Itaú Private Bank was recognised as offering “The Best Private Banking Overall Services” in Brazil for the second consecutive year. In the latest ranking published in the February edition of Euromoney magazine, Itaú Private Bank was also named “Best Private Banking Services Overall” in Chile and Top 5 “Best Private Banking Services Overall” in Latin America.

### *Very Small Business Banking*

At the end of 2005, we set up 150 offices in the city of São Paulo to provide specialised services to companies with annual revenues below R\$500,000. In 2006, we expanded our services to over 80 locations throughout the interior of the State of São Paulo, followed by 94 additional offices in the State of Rio de Janeiro. In 2007, we



expanded into the States of Minas Gerais and Paraná. In 2008 and 2009 we continued expanding and additional very small business banking offices were set up.

The managers of these offices are trained to offer customised solutions and provide detailed counselling on all products and services to very small companies. Our strategy is to capture the significant potential of this potential customer base by meeting the needs of these companies and their owners, particularly with respect to the management of cash flow and credit facilities. The amounts available under credit facilities provided by us to small businesses increased approximately 92.9% in 2009.

After the announcement of the Association in 2009, efforts have been directed at consolidating offices and customer service. As of December 31, 2009, we had over 430 very small business banking offices located throughout Brazil and approximately 1,700 managers working for over 537,000 small business customers. In 2010, we expect to continue to consolidate our very small business banking operations and to increase the number of managers.

Loans to very small businesses totalled R\$5,444 million as of December 31, 2009.

#### *Small Business Banking*

We have structured our relationships with small business customers through the use of specialised offices since 2001. As of December 31, 2009, we had 277 offices located nationwide in Brazil and nearly 1,500 managers who worked for over 260,000 companies with annual revenues from R\$500,000 to R\$6 million. In 2010, we expect to continue to consolidate our small business banking operations and to expand our offices geographically.

All our managers are certified by ANBIMA and throughout the year they receive training to position them to offer the best solutions for each customer profile. Our customers rely on our ability to provide products, terms and rates customised to their needs.

Loans to small businesses totalled R\$18,330 million as of December 31, 2009.

#### *Middle-Market Banking*

We believe the Association has strengthened our middle market banking position. The best products and services of each bank were selected to be offered to our customers and dedicated customer managers are positioned to serve our customers' needs.

As of December 31, 2009, we maintained relationships with approximately 104,000 middle-market corporate customers that represented a broad range of Brazilian companies located in over 75 cities in Brazil. Our middle-market customers are generally companies with annual revenues from R\$6 million to R\$150 million.

We offer a full range of financial products and services to middle-market customers, including deposit accounts, investment options, insurance, private retirement plans and credit products. Credit products include investment capital loans, working capital loans, inventory financing, trade financing, foreign currency services, equipment leasing services, letters of credit and guarantees. We also carry out financial transactions on behalf of middle-market customers, including interbank transactions, open market transactions and futures, swaps, hedging and arbitrage transactions. We also offer our middle-market customers collection services and electronic payment services. We are able to provide these services for virtually any kind of payment, including Internet office banking. We charge collection fees and fees for making payments, such as payroll, on behalf of our customers.

As of December 31, 2009, we had over 1,300 managers specialising in the middle-market area and we intend to increase this number in 2010. These managers work from one of the 213 specialised offices located at key branches as of December 31, 2009, and we intend to further increase the number of these branches in 2010.

Consistent with customary lending practices in Brazil, our loan portfolio for our middle-market customers is composed predominantly of short-term products, defined as having a maturity of less than 12 months. Loans to middle-market businesses totalled R\$37,219 million as of December 31, 2009.



### *Credit Cards*

We are a leader in the Brazilian credit card market, based both on the number of credit card holders and on the volume of customer transactions as of December 31, 2009. Our credit card brands “Itaucard,” “Unicard” and “Hipercard,” offer a wide range of products to 23.4 million customers as of December 31, 2009, including both accountholders and non-accountholders. In the year ended December 31, 2009, the volume of customer transactions on credit cards was R\$84,938 million, a 17.8% increase from the prior year. The results of customer transactions by non-accountholders are reported in the consumer credit division.

Our main challenges in the credit card business are to continually increase our cardholder base and improve our portfolio profitability. To this end, our credit card division focuses on the development of new products, the enhancement of partnerships, cross-selling of banking and insurance products and sales through a variety of channels.

Since January 2009, we do not have the rights to use the “Credicard” brand, which had been used by us since 2004. Therefore, the related credit cards were re-issued under the “Itaucard” brand.

### *Real Estate Financing*

As of December 31, 2009, we had approximately R\$8,510 million in outstanding real estate loans. Given our expectation of growth over the next several years in the mortgage market in Brazil, we are investing in the operational platform in order to reduce costs and improve quality for our customers. We are also developing our distribution channels for mortgage loans by focusing on our branch network and developing our relationships with real estate brokers. According to Brazilian regulations, financial institutions are required to allocate at least 65.0% of their savings accounts balances to fund mortgage financing, of which 80.0% must be used to finance properties with value lower than R\$500,000 and must have annual interest rates lower than 12.0%.

We use different distribution channels to reach our customers, including our *Personnalité* branches and real estate brokers. Itaú Unibanco Holding has partnerships with two of the largest real estate brokers in Brazil: Lopes and Coelho da Fonseca. These long term partnerships provide for real estate financing origination exclusively from us at a large number of locations throughout Brazil. See “— Significant Transactions.”

### *Asset Management*

According to ANBIMA, as of December 31, 2009, we were the largest mutual fund manager among private banks in Brazil based on our assets under management. As of that date, we had total net assets under management of R\$297,987 million on behalf of approximately 1.5 million customers. We also provide portfolio management services for pension funds, corporations, private bank customers and foreign investors. According to ANBIMA, as of December 31, 2009, we were the largest manager of private bank clients’ assets and the largest private manager of pension fund assets in Brazil, based on our assets under management. As of December 31, 2009, we had R\$176.363 million of assets under management for pension funds, corporations and private bank customers.

Our fees are based on the average net asset value of the funds under management, which we calculate on a daily basis. Fees generally average approximately 2.7% per year for funds from individuals and 0.2% to 0.5% per year for funds from companies. Fees for portfolio management services are privately negotiated and vary depending on the size and investment parameters of the funds under management.

As of December 31, 2009, we offered and managed about 1,478 mutual funds, which are mostly fixed-income and money market funds. For individual customers, we offered 157 funds to our retail customers and about 300 funds to our *Personnalité* customers. Private banking customers may invest in over 600 funds, including those offered by other institutions. Itaú BBA’s capital markets area also provides tailor-made mutual funds to institutional, corporate and private banking customers.

In June 2009, Fitch, one of the largest international rating agencies in Brazil, maintained its M1 (bra) rating (the highest rating granted to an asset manager) of our asset management area. We have been in the top rating category since July 2003.

### *Securities Services for Third Parties*

We provide securities services for third parties in the Brazilian capital markets, where we act as custodian, transfer agent and registered holder. In December 2009, we were ranked the top provider of securities services in Brazil to third parties by ANBIMA.

As of December 31, 2009, Itaú Unibanco held assets of R\$685,360 million in connection with securities services for third parties, representing 28.5% of the Brazilian market based on assets held. Our broad range of products relates to both domestic and international custody. Our services include acting as transfer agent, providing services relating to debentures and promissory notes, custody and control services for mutual funds, pension funds and portfolios, providing trustee services and non-resident investor services, and acting as custodian for depositary receipt programmes.

In 2009, we acted as custodian and transfer agent for 438 companies and as the registered holder with respect to 145 transactions. As of December 31, 2009, our specialised staff reached 659 employees managing portfolios for mutual funds, institutional investors and private portfolios.

### *Brokerage*

Itaú Corretora has been providing brokerage services since 1965, with operations on BM&FBOVESPA — Securities, Commodities and Futures Exchange. BM&FBOVESPA was created in 2008 with the integration of BM&F with the São Paulo Stock Exchange (“**BOVESPA**”). We also provide brokerage services to international customers through our broker-dealer operations in New York, through our London branch, and through our broker dealers in Hong Kong and Dubai.

For the year ended December 31, 2009, Itaú Corretora was ranked in the BM&FBOVESPA third place in equity trading volume and third place among brokers controlled by large commercial banks in Brazil in commodities and futures trading volume.

### *Corporate Social Responsibility*

The Itaú Social Excellence Fund (*Fundo Itaú Excelência Social* or “**FIES**”), launched in 2004, is a socially responsible investment fund, investing in the shares of companies with superior corporate social responsibility practices with the goal of obtaining higher long-term returns than those offered by the main Brazilian financial market indices. In addition to analysing the risks and returns of companies, fund managers take into account three fundamental criteria in relation to companies: corporate social activities; environmental protection practices; and good corporate governance practices. Every year the fund donates part of its accumulated asset management fees to social projects in the following categories: environmental education, employment education and childhood education.

As of December 31, 2009, FIES had net assets of R\$365 million, and the fund donated more than R\$3.3 million in 2009, which corresponded to 50.0% of the management fee from July 1, 2008 to June 30, 2009. The nineteen projects chosen to receive this donation were divided into two investment categories, with 16 non-governmental organisations receiving R\$100,000 each and three non-governmental organisations receiving R\$150,000 each, and almost R\$1.3 million spent on consulting. The projects are selected by the fund advisory council, which is composed by market leaders and specialists in corporate social responsibility.

### *Insurance, Private Retirement and Capitalisation Products*

#### *Insurance*

As of December 31, 2009, according to SUSEP, we were one of the largest insurance groups in Brazil based on direct premiums, including nine months of Itaú Unibanco Holding’s results related to homeowner and automobile insurance prior to the Porto Seguro Alliance, as described below, and excluding health insurance and VGBL, which is a private retirement plan providing annuity benefits but for regulatory purposes is considered life insurance. For the year ended December 31, 2009, our direct premiums totalled approximately R\$6,715 million.

Our main lines of insurance are life insurance (excluding VGBL; see “— Private Retirement Plans”), property and casualty insurance and vehicle insurance, which accounted for 31.4%, 27.5% and 27.3% of direct premiums, respectively, for the year ended December 31, 2009. Our policies are sold through our banking operations, independent local brokers, multinational brokers and other channels. We reinsure a portion of the risks we underwrite, particularly large marine property and casualty risks that exceed the retention limits we have established within regulatory limits. Risks that exceed the retention limit must be ceded to licensed Brazilian reinsurers in accordance with the complementary Law No. 126 published on January 15, 2007 and the SUSEP regulations published on December 17, 2007.

Our strategy to increase our level of penetration in the Brazilian insurance market depends on the markets in which we operate. In the high risk market, we intend to enhance our market share through independent local brokers and multinational brokerage firms. For individuals and small and medium company markets, we focus on operations within our banking client base (“**bancassurance operations**”), in order to increase customer penetration. We are working on improving bancassurance operations in property and casualty insurance for small and medium companies. Our customer relationship management has implemented several advances and the development of specific products for different segments allows more efficient use of each marketing channel (our branches, telemarketing, Internet, ATMs and bank teller terminals).

In August 2009, Itaú Unibanco Holding and Porto Seguro entered into an alliance unifying their homeowner and automobile insurance operations. The operating agreement provides for the offering and distribution, on an exclusive basis, of homeowner and automobile insurance products for customers of our network in Brazil and Uruguay, through ISAR. In August 2009, PSIUPAR, ISAR’s parent company, had 3.4 million automobiles and 1.2 million homes insured and has been proportionally consolidated in our financial statements starting in the fourth quarter of 2009 considering our 30.0% ownership interest. See “— Significant Transactions.”

In November, 2009, Itaú Seguros and XL Swiss, a company controlled by XL Capital, signed an agreement providing for the acquisition by Itaú Seguros of XL Swiss’ participation in Itaú XL such that Itaú XL will be wholly owned by us. In line with XL Capital’s interest in continuing to operate in Brazil and our existing relationship with XL Capital, a separate arrangement has been entered into by which Itaú Seguros will provide insurance to XL Capital’s clients in Brazil and XL Capital’s Global Program clients with operations in Brazil. These insurance policies will be reinsured by a reinsurance company of XL Capital constituted in Brazil in the same way that they were reinsured before the termination of the joint venture. These transactions remain subject to approval by SUSEP. See “— Significant Transactions.”

In December, 2009, Allianz South America Holding B.V. (“**Allianz**”) entered into an agreement with Itaú Unibanco Holding for the purchase of the 14.0% indirect interest that Itaú Unibanco Holding held in Allianz for R\$109 million. The transaction was completed in January 2010, submitted to CADE for approval and SUSEP was informed of the transaction. The deal did not have a significant impact on our net income for 2009.

#### *Private Retirement Plans*

As of December 31, 2009, balances under private retirement plans (including VGBL) totalled R\$43,435 million, an increase of 25.0% compared to December 31, 2008.

As of December 31, 2009, we were the second largest private retirement plan manager in Brazil based on total liabilities according to SUSEP. As of December 31, 2009, we had R\$43,636 million in assets related to our private retirement liabilities (including VGBL). We concentrate our activities on managing open private retirement plans, which experienced strong growth in 2009.

#### *Capitalisation Products*

Capitalisation products are savings account products which generally require a customer to deposit a fixed sum with us that will be returned at the end of an agreed upon term, with interest accrued. In return, the customer is automatically entered into periodic drawings that give the customer the opportunity to win a significant cash prize. As of December 31, 2009, we had 9.7 million capitalisation plans outstanding with assets of R\$2,300 million. We distribute these products through our retail network, Personnalité and Uniclass branches, electronic channels and

ATMs. These products are sold by our subsidiary, Cia. Itaú de Capitalização S.A. During 2009, R\$1,786 million of capitalisation products were sold and we distributed over R\$41.1 million in prize money to 6,085 customers.

### ***Itaú BBA***

Itaú BBA is responsible for our corporate and investment banking activities. Itaú BBA offers a complete portfolio of products and services through a team of highly qualified professionals. Itaú BBA's activities range from typical operations of a commercial bank to capital markets operations and advisory services for mergers and acquisitions. These activities are fully integrated, which enables Itaú BBA to achieve a performance tailored to its clients' needs. As of December 31, 2009, our corporate loan portfolio reached R\$90,830 million. During 2009, this portfolio was affected mainly by the appreciation of the *real* and weaker economic conditions when compared to 2008. In investment banking, the fixed income department was responsible for the issuance of debentures and promissory notes that totalled R\$17,849 million and securitisation transactions that amounted to R\$1,378 million in Brazil in 2009. According to ANBIMA, Itaú BBA was the leader in distribution of fixed income in 2009 with a 24.2% market share, thus maintaining the bank's historic leadership in the domestic fixed income market. In the international debt markets, Itaú BBA acted as joint bookrunner in the issuance of US\$4,950 million of debt securities in 2009, earning the second place in Bloomberg's rankings of Brazilian-based corporate issuers based on number of transactions.

With respect to equity issuances, Itaú BBA coordinated public offerings that totalled R\$14,229 million in 2009, and was ranked third in ANBIMA's origination rankings in Brazil, with 13.7% of the market share in 2009. Itaú BBA's investment banking division also started to manage the wholesale brokerage business in 2009 and is implementing several initiatives to grow its presence in the markets in which it operates.

In addition, Itaú BBA advised merger and acquisition transactions with a total volume of R\$19,964 million in 2009, ranking second in Brazil based on the number of merger and acquisition deals according to Thomson.

Itaú BBA is active in BNDES, on-lending to finance large-scale projects, aiming at strengthening domestic infrastructure and increasing the productive capacity of various industrial sectors. In consolidated terms, total loans granted under BNDES on-lending represented more than R\$4,889 million for various projects and financings in 2009. As an integral part of its risk management and sustainability policies, the on-lending of funds to large-scale projects is in compliance with Itaú Unibanco's social and environmental risk policy. Itaú Unibanco is the current leader in the ranking of Latin American banks which adopt the best corporate governance practices drawn up by the consultancy Management & Excellence and *Latin Finance* magazine. All lending categorised as project finance, as defined under Basel II, is also in compliance with the Equator Principles, which Itaú BBA adopted in 2004, as the first financial institution from an emerging market to adopt the Principles. The Equator Principles were launched in 2003 and became the benchmark within the financial sector for addressing environmental and social risks in project financing. By February 2010, 67 financial institutions have adopted the Equator Principles, and therefore have voluntarily committed themselves to incorporating the Principles in projects worth US\$10 million or more. The Principles were revised in 2006 and were extended to advisory services in structuring projects. Itaú Unibanco plays a leading role in the Equator Principles Steering Committee and Working Groups, having occupied the position of Chair of the Steering Committee from September 2008 until March 2010.

Itaú BBA focuses on the following products and initiatives in the international area: (1) *câmbio pronto* (whereby a foreign exchange purchase in *reais* or sale in foreign currency is completed in two business days), which exceeded US\$88,677 million in volume in 2009; and (2) structuring long-term, bilateral and syndicated financing. In addition, in 2009 Itaú BBA continued to offer a large number of lines of credit for foreign trade, having a total of approximately US\$6,797 million in lines of credit drawn from corresponding banks at December 31, 2009.

In 2009, Itaú BBA was awarded Investment Bank of the Year in Latin America by *The Banker* magazine and Best Local Investment Bank accolade from *Latin Finance*.

### *Banco Itaú Europa*

Banco Itaú Europa is a Portuguese-chartered bank controlled by Itaú Unibanco Holding. Banco Itaú Europa focuses mainly on two lines of business:

- *Corporate banking:* providing international corporate banking, international capital markets operations, foreign trade financing and other financial services to support investments and other economic relations between Latin America and Europe through its operations in Lisbon, Madrid, Frankfurt, Paris and London; and
- *Private banking:* delivering international private banking products and services to our Latin American customer base, through its subsidiaries — BIEL in Luxembourg and BIEL in Miami.

As of December 31, 2009, Banco Itaú Europa had €5,055 million in assets, €2,013 million in loans and leases, €1,609 million in deposits and €876 million in stockholders' equity (including minority interests).

Banco Itaú Europa's corporate banking business offers several products, such as credit, derivatives and advisory services for European companies with Latin American subsidiaries.

The private banking business provides financial and asset management services to Latin American customers with a minimum of US\$200,000 in investments, putting at their disposal a diversified and specialised range of investment funds, dealing in and managing securities and other financial instruments, trusts and investment companies on behalf of customers. Currently, the private banking business has clients in Argentina, Brazil, Chile, Mexico, Uruguay, Venezuela and others. Assets under management of private banking business amounted to €6,924 million in December 2009.

All of our transactions with Banco Itaú Europa and its subsidiaries are on an arm's-length basis. Banco Itaú Europa's senior unsecured debt is rated Baa1 by Moody's and BBB+ by Fitch.

### *Other International Operations*

The other international operations managed by Itaú BBA have the following objectives:

- (1) Support our customers in cross-border financial transactions and services.

The international areas of Itaú Unibanco Holding are active in providing our customers with a variety of financial products such as trade financing, loans from multilateral credit agencies, off-shore loans, international cash management services, foreign exchange, letters of credit, guarantees required in international bidding processes, derivatives for hedging or proprietary trading purposes, structured transactions, and international capital markets offerings.

*Our international units include:* Itaú BBA, Nassau branch (focused on corporate banking business); Itaú Unibanco, New York branch, Itaú Unibanco, Nassau branch and Itaú Unibanco, Cayman Islands branch (focused on middle-market customers); Banco Itaú Argentina, Banco Itaú Chile and Banco Itaú Uruguay (focused on retail customers, international corporate banking and middle-market); and Itaú Unibanco, Tokyo branch (focused on Brazilian retail customers living in Japan). The Financial Service Agency in Japan granted a banking licence to Itaú Unibanco on September 7, 2004, and our Tokyo branch started its operations in October of the same year. On December 23, 2006, we acquired the portfolio of customers and respective deposits of Banco do Estado de São Paulo S.A. ("**BANESPA**") branch in Japan. The main purpose of the Tokyo branch is to offer a portfolio of services and products that satisfies the banking needs of Brazilians living in Japan.

- (2) Manage proprietary portfolios and raise capital through the issuance of securities in the international market.

Capital raising through the issuance of securities, certificates of deposit, commercial paper and trade notes can be executed by Itaú Unibanco's branches located in the Cayman Islands, Nassau, Bahamas and New York, Itaú Bank Ltd. ("**Itaú Bank**"), a banking subsidiary incorporated in the Cayman Islands, or Banco Itaú BBA's Nassau branch. Itaú Unibanco's Cayman Islands branch has issued subordinated debt which is treated



as Tier 2 Capital. For a description of Tier 1 and Tier 2 Capital, see “The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank — Capital Adequacy and Leverage/Regulatory Capital Requirements.”

The proprietary portfolios are mainly held by Itaú Bank and also Itaú Unibanco’s Cayman Islands branch. These offices also enhance our ability to manage our international liquidity. Itaú BBA’s proprietary positions abroad are booked in the Itaú BBA, Nassau branch.

Through our international operations, we establish and monitor trade-related lines of credit from foreign banks and maintain correspondent banking relationships (banks that maintain credit lines with us) with money centres and regional banks throughout the world and oversee our other foreign currency raising activities.

(3) Participate in the international capital markets as dealers.

The group has international fixed-income and equity desks in Brazil (Itaú BBA), New York (Itaú USA Securities Inc.), Lisbon and London (Banco Itaú Europa and Itaú UK Securities Ltd.), Argentina (Banco Itaú Argentina), and recently in Hong Kong (Itaú Asia Securities Ltd.). Our international fixed-income and equity teams are active in trading and offering emerging markets securities. In line with the strategy to become a one-stop-shop market dealer and for capital markets transactions, the Hong Kong desk started its operation in October 2006.

(4) In addition, we are also present and servicing our clients in Asia, especially in China, through Itaú BBA’s representative office in Shanghai.

#### *Trade Financing*

As of December 31, 2009, our trade finance portfolio accounted for US\$8,601 million, of which US\$7,501 million was export related (both pre-export and post-export financing). Our export financing to larger corporate customers is generally unsecured, but some transactions require complex guarantees, particularly those originally structured to be syndicated. Our import financing business accounted for US\$1,099 million as of December 31, 2009. For the year ended December 31, 2009, our total volume of foreign exchange transactions related to exports was approximately US\$17,138 million and our total volume of foreign exchange transactions related to imports was approximately US\$14,556 million.

#### *Consumer Credit*

##### *Vehicle Financing*

As of December 31, 2009, our portfolio of vehicle financing, leasing and consortium lending consisted of approximately 3.7 million contracts. The personal loan portfolio relating to vehicle financing and leasing grew 9.1% to R\$52,240 million in 2009 as compared to 2008, representing a market share in Brazil of approximately 33.5% as of December 31, 2009. Our strong performance and the Association has impacted our leadership market share.

The vehicle financing sector in Brazil is dominated by bank and finance companies that are affiliated with vehicle manufacturers. According to the ABEL, the Brazilian association of leasing companies, as of December 31, 2009, we were the largest leasing company in Brazil in terms of present value of lease operations.

We lease and finance vehicles through 13,270 dealers. Sales are made through computer terminals installed in the dealerships that are connected to our computer network. Each vehicle financing application is reviewed based on credit scoring and dealer scoring systems. The dealer scoring system analyzes the credit quality and amount of business provided by each vehicle dealer. Credit approvals are usually granted within 11 minutes, depending on the credit history of the customer. A majority of our credit approvals in 2009 were made through an automated system because we have developed scoring models that permit pre-approvals for our customers, which provide us with a very efficient tool and high credit approval performance. Currently, all of the applications are processed through the Internet, conferring more security and agility to the process of concession of credit, for the dealers, customers and us.

The division for the financing of trucks corresponded to approximately 5.7% of vehicle financing and leasing in 2009. We also have a division responsible for the financing of motorcycles. The financial volume of transactions relating to motorcycles until December increased 19.1% compared to December 2008. In March 2009, Itaú Unibanco Holding entered into a partnership with MMC Automotores do Brasil Ltda. and SBV Automotores do Brasil Ltda. for exclusive financing of the “Mitsubishi” and “Suzuki” brands. The financial volume of related transactions in 2009 reached R\$370 million. The agreement includes that Itaú Unibanco Holding will provide loans to Mitsubishi and Suzuki dealers and that dealers will offer our products and services to their customers.

#### *Redecard*

Redecard is a multibrand credit card provider in Brazil, also responsible for the capturing, transmission, processing and settlement of credit, debit and benefit card transactions. We hold 50.0% plus one share of Redecard’s capital stock. On March 30, 2009, Itaú Unibanco purchased 24,082,760 common shares of Redecard for R\$590.0 million, giving rise to a goodwill amounting to R\$556.6 million which, net of taxes, totalled R\$506.5 million and was fully amortised in our consolidated financial statements. In view of this transaction, we have control over Redecard and its results are fully consolidated in our consolidated financial statements beginning in the first quarter of 2009. See “— Significant Transactions.”

#### *Joint Ventures*

Itaú Unibanco Holding has joint ventures and partnership agreements with retailers in the Brazilian market, serving more than 17.2 million customers as of December 31, 2009. The consumer credit joint ventures’ portfolios amounted to R\$7,941 million as of December 31, 2009.

We have developed a strong presence in the consumer finance sector through our strategic alliances with main retailers in Brazil such as Magazine Luiza, Marisa, Pão de Açúcar (CBD), Ponto Frio (Globex Utilidades S.A.), Lojas Americanas S.A. and Ipiranga (Ultrapar Participações S.A.). Since 2001, when the first partnerships were established, these alliances have supported consumer finance through several products, such as co-branded credit cards, private label cards, personal loans and insurance. See “— Significant Transactions.”

Prior to the Association, we operated in the consumer finance business by offering unsecured personal loans to individuals through Taíf and Fininvest store networks. In the last three years, the unsecured personal loan products have experienced competition from other credit products, and, as a consequence, the delinquency levels increased materially. As a result of the change in the market for unsecured personal loans, we decided to focus the consumer credit business on credit card instruments, especially through partnerships with retailers.

#### *International Operations*

##### *Banco Itaú Argentina*

Argentina is the third largest economy in Latin America, Brazil’s main trading partner, one of the countries with the highest GDP per capita in Latin America and we believe Argentina has potential for greater penetration of banking services. Banco Itaú Argentina has its core business in retail banking, with approximately 250,000 customers in the middle-and upper-income segments as of December 31, 2009. Compared with 2008, this represents an increase of 6.0% in the number of clients. As of December 31, 2009, Banco Itaú Argentina had assets of R\$2,119 million, loan and leasing operations of R\$1,137 million, deposits totalling R\$1,576 million and stockholders’ equity of R\$172 million. As of the same date, Banco Itaú Argentina had 81 branches (73 in metropolitan Buenos Aires), 164 ATMs and 23 customer site branches.

##### *Itaú Chile Operations*

Banco Itaú Chile started its official activities on February 26, 2007, when BAC transferred the operations of BankBoston (Chile) and BankBoston, N.A. — Sucursal Uruguay to us. This acquisition increased our presence in Latin America and expanded the scope of our operations. In addition, Itaú Chile Inversiones Servicios y Administración S.A. provides services related to collection, securitisation and insurance.



As of December 31, 2009, our consolidated Chilean operations had R\$10,738 million in assets, R\$8,300 million in loans and leases, R\$7,029 million in deposits and R\$1,301 million in stockholders' equity. According to the Chilean banking and financial institutions regulator (*Superintendencia de Bancos e Instituciones Financieras*) as of that same date, Banco Itaú Chile ranked eighth in the Chilean loans and leases market with a 3.2% market share and ranked sixth in number of demand deposit accounts in the private sector, with approximately 89,094 accounts.

Banco Itaú Chile offers several products such as factoring, leasing, corporate finance, mutual funds, insurance brokerage and trading, which are offered through different entities and different lines of business.

The retail segment focuses on the upper-income segment that, as of December 31, 2009, accounted for 59.6% of Banco Itaú Chile's total revenues. As of December 31, 2009, Banco Itaú Chile had 48 ATMs and 70 branches, of which 66.0% were located in Santiago.

Banco Itaú Chile's commercial banking segment offers a wide range of products to improve customer experience by building a competitive advantage based on service quality, products and processes for targeted customers (companies with annual revenues of between R\$3.6 million and R\$180 million).

Banco Itaú Chile's global corporate banking segment offers local and international corporate finance capabilities such as syndications, private placements and securitisations. It also provides trade financing and global treasury services complementing Banco Itaú Chile's marketing strategy. Treasury products such as foreign exchange and derivatives are a key part of this strategy.

#### *Itaú Uruguay Operations*

Banco Itaú Uruguay is one of the leading financial institutions in Uruguay. Local operations also include the main credit card issuer, OCA, and the pension fund management company, Unión Capital AFAP S.A. ("**Unión Capital**"). Banco Itaú Uruguay's strategy is to serve a broad range of customers through customised banking solutions. As of December 31, 2009, Itaú Uruguay had R\$3,067 million in assets, ranking second in terms of asset volume among private banks in Uruguay, according to the Uruguayan Central Bank (*Banco Central del Uruguay* or "**BCU**"), R\$1,267 million in loans and leases, and R\$2,341 million in deposits. The stockholders' equity totalled R\$279 million.

The retail banking business is focused on individuals and small business customers, with approximately 130,000 customers as of December 31, 2009. The core branch network is located in the metropolitan area of Montevideo with 15 branches. In addition, Banco Itaú Uruguay has branches in Punta del Este, Tucumán and Salto. Retail products and services focus on the middle and upper-income segments, and also include current and savings accounts, payroll payment, self-service areas and ATMs in all branches, and phone and Internet banking.

The wholesale banking division is focused on multinational companies, financial institutions, large- and medium-sized corporations and the public sector. It provides lending, cash management, treasury, trade and investment services. Additionally, the private banking unit provides a dedicated regional service (for both resident and non-resident customers), offering a full portfolio of local and international financial market products.

OCA is a credit card issuer in Uruguay and performs the three main credit card operations: customer acquisition, issuing of cards and transaction processing. Credit cards and consumer loans are the main products offered by OCA through a network of 20 branches, as of December 31, 2009.

Unión Capital is a pension fund management company which has been operating in Uruguay since 1996, when the current Uruguayan pension system was created. As of December 31, 2009, it had 194,739 customers.

#### *Interbanco S.A. (Paraguay)*

Interbanco was set up in Paraguay in 1978 and has become one of the largest banks in the Paraguayan financial market. Interbanco was acquired by Unibanco in 1995.

Interbanco has experienced significant growth since 1999, expanding the variety and excellence of its services across the whole country. As of December 31, 2009, Interbanco had 19 branches, approximately 220,000 customers and 166 ATMs.

Its main sources of income are consumer banking products, primarily credit cards. Interbanco has launched innovative products and services under the brand “24IN,” and provides its customers several products and services, such as International Debit Card Cirrus Maestro and the Internet Banking Service Interhome Banking and also offers banking customer information through mobile phones with the Click Banking service. As of December 31, 2009, Interbanco had R\$1,924 million in assets, R\$975 million in loans and leases, R\$1,572 million in deposits and R\$247 million in stockholders’ equity. The structure of Interbanco products and services operates under: corporate banking (small and medium businesses, agribusiness, large companies, institutional clients) and consumer banking (individuals and wage payment). Under corporate banking, Interbanco has a well established presence in the agribusiness segment, which has presented attractive levels of profitability since 2002 and credit performance in Paraguay. Under consumer banking, the main marketing channel is the payment of wages, placing pre-approved products to all customers who receive their wages through Interbanco.

### ***Marketing and Distribution Channels***

We provide integrated financial services and products to our customers through a variety of marketing and distribution channels. Our distribution network consists principally of branches, ATMs and customer site branches (“CSBs”), which are banking service centres located on a corporate customers’ premises.

The following table provides information relating to our branch network, customer site branches and ATMs as of December 31, 2009 in Brazil and abroad:

	<u>Branches</u>	<u>CSBs</u>	<u>ATMs</u>
Itaú Unibanco Holding . . . . .	3,550	915	32,352
Itaú Personnalité. . . . .	165	3	352
Itaú BBA . . . . .	9	—	—
<b>Total in Brazil . . . . .</b>	<b><u>3,724</u></b>	<b><u>918</u></b>	<b><u>32,704</u></b>
Itaú abroad (excluding Latin America) . . . . .	4	—	—
Argentina . . . . .	81	23	164
Chile . . . . .	70	—	48
Uruguay . . . . .	38	1	32
Paraguay . . . . .	19	6	166
<b>Total . . . . .</b>	<b><u>3,936</u></b>	<b><u>948</u></b>	<b><u>33,114</u></b>

The following table provides information as to the geographic distribution of our distribution network throughout Brazil as of December 31, 2009:

<u>Region</u>	<u>Branches</u>	<u>CSBs</u>	<u>ATMs</u>
South . . . . .	633	125	4,611
Southeast . . . . .	2,499	653	23,631
Centre-west . . . . .	282	62	1,824
Northeast . . . . .	242	45	2,014
North . . . . .	68	33	624
<b>Total in Brazil . . . . .</b>	<b><u>3,724</u></b>	<b><u>918</u></b>	<b><u>32,704</u></b>

### ***Branches***

As of December 31, 2009, we had a network of 3,724 full service branches throughout Brazil. We had branches in municipalities representing over 83.9% of Brazil’s GDP as of December 31, 2009. As of December 31,

2009, 81.4% of our branches were located in the States of São Paulo, Rio de Janeiro and Minas Gerais in the Southeast region, Paraná in the South, and Goiás and in the Centre-west, which collectively accounted for more than 62.7% of Brazil's GDP (according to information published by the Central Bank on the breakdown of national GDP by state for 2006). The branch network serves as a distribution network for all of the products and services we offer to our customers, such as credit cards, insurance plans and private retirement plans.

#### *Customer Site Branches*

As of December 31, 2009, we operated 918 CSBs throughout Brazil, as shown in the table above. The range of services provided at the CSBs may be the same as those provided at a full service branch, or more limited according to the size of a particular corporate customer and its needs. CSBs represent a low-cost alternative to opening full service branches. In addition, we believe CSBs provide us with an opportunity to target new retail customers while servicing corporate customers and personnel.

#### *ATMs*

As of December 31, 2009, we operated 32,704 ATMs for the use of our customers throughout Brazil. In 2009, our ATM network handled on average approximately 125 million transactions per month. Our customers may conduct almost all account-related operations through ATMs. ATMs are low cost alternatives to employee-based services and give us points of service at costs significantly lower than branches. Our customers may conduct transactions through ATMs that we operate under both the "Itaú" and "Unibanco" brands. We also have arrangements with other network operators such as the brands "Cirrus" and "Maestro" to allow our clients to use simplified services through their networks.

#### *Other Distribution Channels*

We also offer customers the ability to obtain information as to the status of their accounts, investment funds and credit lines through various electronic channels, which allow us to conduct our retail operations at a lower transaction cost. These channels include:

- call centres, with an average monthly volume of approximately 43.3 million transactions in 2009. This distribution channel corresponded to 3.0% of total products sold by our commercial bank area in 2009;
- home and office computer banking system, with an average monthly volume of approximately 167.7 million transactions in 2009. This distribution channel corresponded to 5.0% of total products sold by our commercial bank area in 2009;
- Point-of-Sale/Redeshop, a network which allows customers to use a direct debit card to purchase goods at the merchant's point-of sale, with an average of approximately 45.6 million transactions per month in 2009; and
- various other channels, such as e-mail, cellular phone and wireless application protocol links, drive-through facilities and courier services.

### **Risk Management**

#### *New Risk Management Processes*

We have implemented new processes to comply with new risk management rules adopted by the Central Bank in line with Basel II. Basel II provides methodologies to compute the minimum capital to be maintained by financial institutions. Basel II methodologies are more sensitive to risk than those of the Basel I. Since its publication in June 2004, Basel II has undergone revision and is in various stages of implementation around the world. In Brazil, standardised methods for calculating regulatory capital for credit risk, market risk and operational risk in line with Basel II were implemented by Resolution No. 3,490 and have been in effect since July 1, 2008, as described below. The prescribed methodologies for internal credit, operational and market risk modelling must be implemented according to a schedule set by the Central Bank's Statement 16137, under which the Central Bank authorised the use of internal models to calculate capital requirements for market risk in 2009 and we adjusted our internal models

to comply with these requirements. According to this schedule, the Central Bank has already authorised the use of the basic model based on ratings to calculate capital requirements for credit risk; by the end of 2011, a more advanced model based on ratings will be authorised; and by the end of 2012, internal models will be authorised to calculate capital requirements for operational risk. Over time, the Central Bank, in collaboration with the financial industry, will adapt the Basel II guidelines to the characteristics and needs of the Brazilian market.

We believe that full implementation of Basel II represents a significant advance in risk management and will help strengthen the entire global financial system. Therefore, we are actively contributing to the adaptation and standardisation of Basel II through active participation in discussions in several forums, including the Institute of International Finance (“IIF”), the Brazilian Banks Federation (*Federação Brasileira de Associação de Bancos* or “**FEBRABAN**”), and through the Central Bank.

Basel II is structured around three pillars: capital requirements (minimum required capital), bank supervision and information disclosure. Currently, our efforts are concentrated on the first and second pillars. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources — Capital” for a discussion of our calculation of regulatory capital and minimum regulatory capital required.

### ***Implementation of New Risk Management Processes***

Our risk management tools include proprietary risk management models that comply with Central Bank regulations as well as international practices and procedures. These models are based on the following elements:

- Economic, financial and statistical analyses, based on different scenarios using inputs such as inflation, industrial activity, unemployment and exchange rates, to evaluate the effects of adverse events on our liquidity related to credit and market risk;
- VaR models to evaluate market risk in both our trading and non-trading (including our structural portfolio) portfolios;
- VaR Stress test models using different scenarios to evaluate our exposure on a consolidated basis in extreme scenarios;
- Portfolio management models to quantify and allocate regulatory capital and economic capital for market risk;
- Quantitative risk management tools and statistical models, which identify expected losses based on statistical averages (which are the basis for the calculation of allowance for loan losses) and unexpected losses based on the possibility of loss under adverse scenarios (which are the basis for calculating regulatory and economic capital for credit risk), to evaluate credit risk;
- Identification of operational risks and implementation of monitoring, control and mitigation of operational risks based on internal databases and statistical models that monitor the frequency and the severity of internal events leading to losses, which are used to quantify these risks and to allocate regulatory and economic capital for operational risk;
- Daily monitoring of positions in relation to pre-established market risk limits; and
- Simulations of alternatives for protection from liquidity losses and contingency plans for crisis situations in different scenarios.

Based on governance practices recommended by international organisations and Basel II, we created the capital and risk management committee (*Comitê de Gestão de Riscos e de Capital*) in April 2008 to be the highest risk management body at Itaú Unibanco Holding. See “Management — Corporate Governance — Committees of Our Board of Directors — Capital and Risk Management Committee.” The capital and risk management committee is a committee of our board of directors and establishes limits for exposure levels to several types of risks and capital allocation. The capital and risk management committee also reviews, approves and monitors the application of new policies and risk and capital management methodologies.

In addition, we have established the following committees that report, directly and indirectly, to the capital and risk management committee of our board of directors:

- Risk policies supervisory committee (*Comissão Superior de Riscos*) establishes general risk policies, sets aggregate risk limits based on capital allocation and other parameters within the levels set by the capital and risk management committee, reports to the capital and risk management committee and discusses strategies to optimise our risk-return ratio and to ensure consistent risk management within Itaú Unibanco Holding;
- Institutional treasury and liquidity supervisory committee (*Comissão Superior de Tesouraria Institucional Liquidez*) manages liquidity risks within the limits set by the risk policies supervisory committee, determines our policy regarding asset and liability management, reports to the risk policies supervisory committee and oversees the institutional treasury and liquidity management committee (*Comitê Gestor de Tesouraria Institucional Liquidez*), which is composed of the managers from our institutional treasury division who meet to discuss liquidity risk issues;
- Institutional treasury supervisory committee (*Comissão Superior de Tesouraria Institucional*) reviews market risk exposure and market positions within the limits determined by the risk policies supervisory committee, reports to the risk policies supervisory committee, sets market risk limits for individual treasury desks and oversees the institutional treasury management committee (*Comitê Gestor de Tesouraria Institucional*), which is composed of the managers from our institutional treasury division who meet to discuss market risk issues;
- Credit supervisory committee (*Comissão Superior de Crédito*) establishes overall credit risk policy and makes major credit risk decisions; and
- Audit and operational risk management supervisory committee (*Comissão Superior de Auditoria e Gestão de Riscos Operacionais*) monitors operational risk controls and compliance systems.

In 2007, we developed stress test models for certain portfolios and implemented a system to consolidate information and compute our consolidated capital ratio, in addition to adjusting controls for compliance with the requirements set forth by Resolution No. 3,380 regarding operating risks. In 2008, we created a department responsible for verification of internal models which is independent from other departments that develop models. In 2009, we focused on integrating the risk management of the two banks in connection with the Association. In addition, we are also working on the implementation of a system to consolidate information related to Basel II capital calculation. We believe that the changes to be implemented will result in lower allocated capital and, as a result, will position us to increase our volume of credit operations resulting without having to increase our capital base.

### **Market Risk Management**

Market risk is defined as the possibility of losses and reduction in capital as a result of fluctuations in the market prices of financial instruments. It includes, among other things, risks associated with interest rates, foreign exchange rates, commodity prices and stock prices. Our institutional treasury supervisory committee oversees management of market risk and its main goals are to control market risk exposure and to optimise the risk/return ratio by using advanced management models and tools. Market risk management covers all financial instruments in the portfolios of subsidiaries of Itaú Unibanco Holding and the relevant processes and related controls. The market risk management policy of Itaú Unibanco Holding is in line with the principles of CMN Resolution No. 3,464 and outlines our strategy to control and manage market risk in all our business units.

To manage and control market risk, we have implemented internal risk management and valuation models. These models employ statistical and historical information with regard to interest and foreign exchange rates, volatilities and trends, and seek to reduce the impact of market fluctuations on our liquidity, results of operations and financial condition. Our VaR model analyzes volatility and the correlation of market trends within a one day time horizon. The model provides statistical results at a 99.0% confidence level. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk — Market Risk.”

Our institutional treasury supervisory committee analyzes the statement of income and risk information on a monthly basis and establishes limits for market risk exposure, interest rate positions and foreign currency positions. The institutional treasury supervisory committee takes into account correlations across different markets. Depending on prevailing macroeconomic and microeconomic conditions, the committee may also propose that particular scenarios be considered in risk models. In addition, the committee analyzes and approves criteria and rules for internal pricing of resources.

### ***Credit Risk Management***

Credit risk is defined as the possibility of losses associated with the failure by the borrower or counterparty to fulfil their obligations. It includes, among other things, counterparty risk, country risk, currency transfer risk, guarantor risk, settlement risk and product concentration risk. Guided by market best practices and our ongoing improvement in the processes for decision-making and for credit risk management and control, we use methodologies based on mathematical modelling of credit risk, including the following:

- Analysis of our credit portfolios and definition of credit limits using economic capital for credit risk as a measure of risk;
- A Risk-Adjusted Return on Capital model;
- Review of new products and credit policy changes that indicate increased risk;
- Quality of the portfolios by customer, industry group, product lines, line of business, and economic sector;
- Concentration and dispersion of the portfolios (by maturities, lines of business, currency, credit by customer and economic sector);
- Evolution of the profile of the portfolio and economic impacts arising therefrom (e.g., allowance for loan losses and allocated capital);
- Validation of customer rating models, probabilities of default, loss given default and exposure at default for market segments;
- Control of ratings change and volatility;
- Monitoring of the largest credits, including evolution of amounts borrowed, allowance and allocated economic capital for credit risk; and
- Assessment and risk control of changes in products, credit and collection policies that involve changes in risk parameters is overseen by the credit supervisory committee and the risk policies supervisory committee.

We prepare our credit policy on the basis of internal and external factors, relating to the economic environment in Brazil and abroad. Customer ratings, determined by advanced credit analysis and control instruments, levels of default, rates of return, quality of the portfolio, and economic capital for credit risk allocated are among the internal factors considered. We have focused on evaluating the risk/return ratio in our strategy to expand our assets.

Our credit decision-making process and the definition of our credit policy are centralised to ensure synchronised action and optimise business opportunities. Our credit risk management is centralised and structured under our corporate risk division. The corporate risk division establishes standards and limits, sets risk classifications and oversees the credit operation approval process, models and policies. Depending on the amount and terms of a proposed loan, as well as on the risk rating of the potential borrower, the corporate risk division must obtain the approval of the credit supervisory committee. Our credit supervisory committee defines the credit policies and the credit approval authority levels for individual divisions.

Within retail and small business operations, most types of loans to individuals and small companies are subject to our automated credit process. When an account is established with us, we obtain information about the customer's income, net worth and professional standing (in the case of individuals). In addition, information from outside agencies, including the Central Bank, is also gathered automatically and the credit history and relationship history are continuously updated. Based on this data and advanced credit and behaviour scoring models, we assign each customer an aggregate credit limit. The customer must update his or her credit information at least annually.



There is a different credit review process for credit amounts higher than those available through the automated credit process and for categories of customer or types of credit not subject to the automated credit process, including credit operations in the middle market and corporate divisions. In these cases, we examine each application individually, verify data and carry out traditional credit analysis review.

In addition, our corporate risk division carries out technical support research on business groups and economic and industrial sectors within Brazil. This enables us to evaluate credit risk for companies in the middle market (with annual revenues in excess of R\$6 million) and corporate divisions. Within the middle market and corporate division, we currently have ratings for approximately 60,000 business groups comprising approximately 100,000 companies. Payroll deduction loans are re-evaluated at least on a yearly basis, or sooner if a material development comes to the attention of the corporate risk division.

We give to each credit manager (manager of the credit division responsible for a team of credit analysts) and commercial division manager (relationship manager) a credit approval authorisation limit for each of several categories of loans. The amount of the limit depends upon the experience of the particular manager and economic conditions. Loans up to R\$70 million require approval from our operational credit committees and may require approval from the credit supervisory committee, depending on the terms of the proposed loan and the credit rating of the potential borrower. In addition, any loan greater than R\$70 million is subject to the approval of the credit supervisory committee.

Itaú BBA services large corporate clients and its credit decision process is also based on the risk rating and size of the loan. There is no individual authority. The highest credit authority within Itaú BBA is represented by the president (or two commercial vice-presidents) and the credit director who together can approve up to R\$350 million, depending on the risk rating. Any loan above R\$350 million has to be submitted to the approval of credit supervisory committee.

### ***Liquidity Risk Management***

Liquidity risk is defined as the occurrence of imbalances between assets and liabilities, or a mismatch between payments and receipts, that may affect the payment capacity of an institution, taking into account the different currencies and terms of settlement of rights and obligations. Liquidity risk management aims to use best practices to avoid funding shortages and defaults on debt.

Liquidity risk management is overseen by the institutional treasury and liquidity supervisory committee (described above), which analyses current and expected levels of liquidity and establishes limits related to liquidity, including the maximum levels of liquidity mismatch based on maturities and currencies and minimum levels of reserves in domestic and foreign currencies. It also establishes policies for raising and investing funds in the national and international markets and strategies for funding our portfolios. This committee reports to the risk policies supervisory committee (described above) and oversees the institutional treasury and liquidity management committee (described above), to whom it may delegate setting limits on liquidity risk and developing criteria and models for liquidity risk assessment.

Itaú Unibanco Holding has a structure dedicated to improve monitoring and analysis of variables which impact cash flows and our holdings of local or foreign currencies by utilising statistical models and economic and financial forecasts. In addition, we have established guidelines and limits (compliance with which is reviewed periodically) and our institutional treasury and liquidity supervisory committee and institutional treasury and liquidity management committee are designed to ensure an additional safety margin with respect to liquidity requirements based on models that use historical data and economic stress projections. Our liquidity management policies and minimum reserve limits are established in accordance with political and economic scenarios, as well as directives from the institutional treasury and liquidity supervisory committee and are subject to regular review to assess cash requirements under atypical market conditions or based on strategic decisions.

Pursuant to the requirements of Central Bank Resolution No. 2,804, the following items are regularly prepared and submitted monthly to the institutional treasury and liquidity supervisory committee:

- Scenarios for liquidity projections;



- Contingency plans for critical situations, where cash is below minimum levels established by models using historical data and economic stress projections;
- Reports and charts to monitor risk positions for a period of up to two years;
- Evaluation of funding costs and alternatives for funding sources; and
- Tracking funding sources considering counterparty type, maturity and other aspects.

### ***Operational Risk Management***

Operational risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems or from external events. It includes legal risk, coupled with inadequacy or deficiency of contracts, as well as the penalties due to non-compliance with laws and punitive damages to third parties arising from the activities undertaken by an institution.

The sophistication of the banking businesses and the evolution of technologies have increased the complexity of our risk profiles and affected our operational risk management. While our management is experienced and operational risk management is not a new practice, it has been necessary to establish a specific structure for the operational risk distinct from the one traditionally applied to market and credit risks. The audit and operational risk management supervisory committee (described above) oversees operational risk management and establishes guidance for internal auditing. The committee analyses audit reports, establishes operational risk management guidelines and models and monitors internal controls, operational risks and legal compliance.

In line with the principles established by the CMN, we established an operational risk management policy, which was approved by our audit committee and ratified by the board of directors. The operational risk management policy is applicable to the Itaú Unibanco Holding consolidated with its subsidiaries in Brazil and abroad. The policy is comprised of a set of principles, procedures and guidelines that provide for the management of products, services, activities, processes and systems' risks, also taking into consideration their nature and complexity. The policy defines the procedures for identifying, assessing, monitoring, mitigating, controlling and disclosing operational risks as well as its participants' roles and responsibilities.

On July 1, 2008, the Central Bank put into effect legislation requiring financial institutions to allocate capital for operational risk. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital." In addition to allocating regulatory capital, Itaú Unibanco Holding uses decision-making models and also statistical models based on loss distributions by line of business, to allocate economic capital for operational risk.

### ***Insurance Underwriting and Portfolio Risk Management***

Insurance underwriting and portfolio risk is the risk from an adverse economic scenario that contradicts the assumptions used in our underwriting policy and in estimating its reserves. This risk is managed by the same bodies that oversee operational risk as described above. Management for our insurance operations establishes our underwriting policies relating to retention, protection, reinsurance programs and pricing, depending on the type of business. This approach is designed to maintain high quality underwriting and pricing discipline. In the retail market, the prices of our insurance products are established according to proprietary scoring and rating systems based on data we gather and analyse over many years, which is used to assess and evaluate risks prior to quotation. This information provides specialised knowledge about industry segments and helps analyse risk based on account characteristics and pricing parameters.

In the fourth quarter of 2009, Itaú Unibanco Holding transferred all the assets and liabilities related to its current portfolio of homeowner and automobile insurance to ISAR, all of the shares of which were subsequently transferred to Porto Seguro. In exchange, Porto Seguro issued shares representing 30.0% of its capital stock to Itaú Unibanco Holding. See "Business — Significant Transactions."

The International Association of Insurance Supervisors, similarly to Basel II, advises insurance companies to build a risk management system in order to complement their minimum capital and solvency margins. Itaú

Unibanco Holding has managed insurance operations through the use of models since 2006, in anticipation of the establishment of regulatory capital allocation, which was required by SUSEP Resolution No. 178.

Capital-based procedures to manage risk cover almost all products in our insurance portfolio. Itaú Unibanco Holding has a specialised team to analyze and control underwriting risks from insurance products as well as to develop mathematical models capable of measuring these risks and providing appropriate capital allocation.

## Funding

### Main Sources

Our principal source of funding is deposits. Deposits include non-interest bearing demand deposits, interest bearing savings account deposits, time deposits certificates sold to customers and interbank deposits from financial institutions. As of December 31, 2009, total deposits amounted to approximately R\$190,772 million, representing 48.2% of total funding. As of December 31, 2008, total deposits amounted to approximately R\$206,189 million, representing 49.2% of our total funding. Our savings deposits represent one of our major sources of funding which, as of December 31, 2009 and 2008, accounted for 25.3% and 19.1% of total deposits, respectively.

The following table sets forth a breakdown of our sources of funding as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009		2008		2007	
	Millions of R\$	% of total Funding	Millions of R\$	% of total Funding	Millions of R\$	% of total Funding
<b>Deposits</b> . . . . .	<b>190,772</b>	<b>48.0%</b>	<b>206,189</b>	<b>49.1%</b>	<b>81,592</b>	<b>44.2%</b>
Demand deposits . . . . .	24,837	6.2%	26,933	6.4%	26,729	14.5%
Other deposits . . . . .	997	0.3%	1,138	0.3%	1,405	0.8%
Savings deposits . . . . .	48,221	12.1%	39,296	9.4%	27,990	15.1%
Time deposits . . . . .	114,671	28.9%	135,901	32.4%	23,852	12.9%
Deposits from banks . . . . .	2,046	0.5%	2,921	0.7%	1,616	0.9%
<b>Total short-term borrowings</b> . . . . .	<b>113,388</b>	<b>28.5%</b>	<b>122,111</b>	<b>29.1%</b>	<b>55,059</b>	<b>29.8%</b>
Own portfolio . . . . .	35,949	9.0%	22,882	5.4%	17,878	9.7%
Third-party portfolio . . . . .	51,799	13.0%	62,350	14.8%	20,995	11.4%
Free portfolio . . . . .	668	0.2%	1,090	0.3%	—	—%
Real estate notes . . . . .	5,711	1.4%	3,745	0.9%	233	0.1%
Mortgage notes . . . . .	144	0.0%	—	—%	49	—%
Credit and similar notes . . . . .	2,411	0.6%	3,914	0.9%	—	—%
Debentures . . . . .	237	0.1%	128	0.0%	1.6	0.9%
Foreign borrowings through securities . . .	1,949	0.5%	3,058	0.7%	1,153	0.6%
Borrowings . . . . .	8,509	2.1%	17,964	4.3%	8,069	4.4%
Onlending . . . . .	5,969	1.5%	5,503	1.3%	2,142	1.2%
Securitisation of foreign payment orders . . . . .	—	—%	215	0.1%	167	0.1%
Subordinated debt(1) . . . . .	42	0.0%	1,262	0.3%	2,773	1.5%
<b>Total long-term debt</b> . . . . .	<b>93,284</b>	<b>23.5%</b>	<b>91,703</b>	<b>21.8%</b>	<b>48,038</b>	<b>26.0%</b>

	As of December 31,					
	2009		2008		2007	
	Millions of R\$	% of total Funding	Millions of R\$	% of total Funding	Millions of R\$	% of total Funding
Own portfolio . . . . .	39,271	9.9%	37,862	9.0%	25,503	13.8%
Third-party portfolio . . . . .	62	0.0%	174	—%	—	—%
Free portfolio . . . . .	4,185	1.1%	—	—%	357	0.2%
Real estate notes . . . . .	158	0.0%	490	0.1%	—	—%
Mortgage notes . . . . .	368	0.1%	496	0.1%	907	0.5%
Credit and similar notes . . . . .	60	0.0%	368	0.1%	—	—%
Debentures . . . . .	2,527	0.6%	3,462	0.8%	2,130	1.2%
Foreign borrowings through securities . . .	3,755	0.9%	3,935	0.9%	2,299	1.2%
Borrowings . . . . .	3,828	1.0%	6,216	1.5%	2,614	1.4%
Onlending . . . . .	16,386	4.1%	12,953	3.1%	3,975	2.2%
Securitisation of foreign payment orders . . . . .	—	—%	3,613	0.9%	943	0.5%
Subordinated debt . . . . .	22,684	5.7%	22,134	5.3%	9,310	5.0%
<b>Total . . . . .</b>	<b>397,444</b>	<b>100.0%</b>	<b>420,003</b>	<b>100.0%</b>	<b>184,689</b>	<b>100.0%</b>

Note:

- (1) Includes redeemable preferred shares (classified under minority interests in subsidiaries in our balance sheet) totalling R\$688 million, R\$931 million, R\$708 million as of December 31, 2009, 2008 and 2007, respectively.

The following tables set forth a breakdown of our deposits by maturity at December 31, 2009, 2008 and 2007.

	As of December 31, 2009				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(In millions of R\$)				
<b>Non-interest-bearing deposits . . . . .</b>	<b>25,834</b>	—	—	—	<b>25,834</b>
Demand deposits . . . . .	24,837	—	—	—	24,837
Other deposits . . . . .	997	—	—	—	997
<b>Interest-bearing deposits . . . . .</b>	<b>65,176</b>	<b>16,191</b>	<b>14,738</b>	<b>68,834</b>	<b>164,939</b>
Savings deposits . . . . .	48,222	—	—	—	48,222
Time deposits . . . . .	16,374	15,437	14,175	68,685	114,671
Deposits from banks . . . . .	581	754	562	149	2,046
<b>Total . . . . .</b>	<b>91,010</b>	<b>16,191</b>	<b>14,738</b>	<b>68,834</b>	<b>190,772</b>

	As of December 31, 2008				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(In millions of R\$)				
<b>Non-interest-bearing deposits . . . . .</b>	<b>28,071</b>	—	—	—	<b>28,071</b>
Demand deposits . . . . .	26,933	—	—	—	26,933
Other deposits . . . . .	1,138	—	—	—	1,138
<b>Interest-bearing deposits . . . . .</b>	<b>63,967</b>	<b>20,667</b>	<b>12,622</b>	<b>80,862</b>	<b>178,118</b>
Savings deposits . . . . .	39,296	—	—	—	39,296
Time deposits . . . . .	24,040	19,391	12,011	80,459	135,901
Deposits from banks . . . . .	631	1,277	610	403	2,921
<b>Total . . . . .</b>	<b>92,839</b>	<b>20,667</b>	<b>12,622</b>	<b>80,862</b>	<b>206,189</b>

As of December 31, 2007					
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(In millions of R\$)				
<b>Non-interest-bearing deposits . . . . .</b>	<b>28,134</b>	—	—	—	<b>28,134</b>
Demand deposits . . . . .	26,729	—	—	—	26,729
Other deposits . . . . .	1,405	—	—	—	1,405
<b>Interest-bearing deposits . . . . .</b>	<b>35,939</b>	<b>6,781</b>	<b>4,075</b>	<b>6,664</b>	<b>53,458</b>
Savings deposits . . . . .	27,990	—	—	—	27,990
Time deposits . . . . .	6,898	6,439	3,957	6,558	23,852
Deposits from banks . . . . .	1,050	342	118	106	1,616
<b>Total . . . . .</b>	<b><u>64,073</u></b>	<b><u>6,781</u></b>	<b><u>4,075</u></b>	<b><u>6,664</u></b>	<b><u>81,592</u></b>

### Other Sources

We also act as a financial agent through borrowing funds from the BNDES and from the National Industrial Finance Authority (*Fundo de Financiamento para Aquisição de Máquinas e Equipamentos Industriais* or “FINAME”) and passing of such funds at a spread determined by the government to the targeted sectors of the economy. These borrowings are primarily in the form of credit lines that are directed by the government agencies through private banks to specific targeted sectors for economic development. As of December 31, 2009, we participated as on-lender in BNDES and FINAME financed transactions valued at approximately R\$22,355 million. See “— Our Business — Itaú BBA.”

We obtain U.S. dollar-denominated lines of credit from our correspondent banks to provide a source of trade finance funding for Brazilian companies. As of December 31, 2009, our total import and export funding was approximately R\$12,337 million.

In addition, we obtain foreign currency funds from the issuance of securities in the international capital markets, either by borrowing privately or by issuing debt securities generally to on-lend these funds in Brazil to Brazilian corporations and financial institutions. These on-lendings take the form of loans denominated in *reais*, which are indexed to the U.S. dollar. As of December 31, 2009, we had approximately R\$5,704 million outstanding of structured and financial transactions. Our international operations, including the Cayman Islands Branch, Itaú Unibanco’s Cayman Islands and New York branches, and Itaú BBA’s Nassau branch, represent further funding vehicles for us, being responsible for issuing securities and establishing programmes for the issuance of several financial instruments. See “— Our Business — International Operations.”

We also generate additional funds for our operations through the resale to our customers of securities issued by us and previously held in our treasury account. Our customers have the right to sell the securities back to us at their option until the maturity date. We pay interest on these securities funds at variable rates based on the Interbank Deposit Certificate. As of December 31, 2009, total funding under this financial product amounted to R\$75,220 million.

In addition, our leasing subsidiary periodically issues debentures, which represent another source of funding.

### Technology

IT at Itaú Unibanco Holding is seen as core to our business. In 2009, our budget consisted of approximately R\$2,900 million in expenses (including software development) and R\$800 million in investments. We believe our brands are strongly associated with innovation and we reinforce that internally with specific IT projects to more effectively deploy technology in our operations.

Itaú Unibanco Holding’s IT officers are involved in a program under which we are developing several initiatives to build an IT group to support our growth and to enable us to be competitive in the following years. The main initiatives of this program are:

- Maintaining our customers’ association of our brands with innovation,

- Reducing time-to-market for launching new products,
- Increasing systems availability in order to improve customer satisfaction,
- Designing systems architecture,
- Consolidating “one-client-view” for all of our businesses,
- Ensuring IT business alignment, and
- Improving IT operational efficiency.

Itaú Unibanco Holding is currently building its software development operational model and outsourcing certain IT services, such as coding. We expect to increase outsourcing of software development in 2010. In the shorter term, our main focus is to finalise the integration of IT operations and risk functionalities. In 2009, we prioritised branch integration. In 2010, we intend to finalise back-office integration and benefit from IT synergies. We have workplace contingency and disaster recovery processes for our main businesses. We have a back-up site located in Campinas, São Paulo, which is more than 100 kilometers away from our main site.

## Competition

### *General*

The last several years have been characterised by increased competition and consolidation in the financial services industry in Brazil. As of December 31, 2009, there were 137 multiple-service banks, 18 commercial banks, and numerous savings and loan, brokerage, leasing and other financial institutions in Brazil.

We, together with Banco Bradesco S.A. (“**Bradesco**”), Banco Santander (Brasil) S.A. (“**Banco Santander**”) and HSBC Bank Brasil S.A. (“**HSBC**”) are the leaders in the non-state-owned multiple-services banking sector. As of September 30, 2009, these banks accounted for 41.0% of the Brazilian banking sector’s total assets. We also face competition from state-owned banks. As of September 30, 2009, Banco do Brasil S.A. (“**Banco do Brasil**”), BNDES and Caixa Econômica Federal (“**CEF**”) ranked first, fourth and fifth in the banking sector, respectively, accounting for 38.6% of the banking system’s total assets.

The table below sets forth the total assets of the top 14 banks in Brazil, ranked according to their share of the Brazilian banking sector’s total assets.

	September 30, 2009(*)	
	(in billions of R\$)	%
Banco do Brasil(**) . . . . .	669.9	18.8
Itaú Unibanco Holding . . . . .	592.8	16.7
Bradesco . . . . .	428.9	12.1
BNDES . . . . .	360.5	10.1
CEF . . . . .	342.0	9.6
Banco Santander . . . . .	327.8	9.2
HSBC . . . . .	108.0	3.0
Banco Votorantim . . . . .	89.9	2.5
Safra . . . . .	65.3	1.8
Citibank . . . . .	44.2	1.2
Banrisul . . . . .	28.8	0.8
Credit Suisse . . . . .	24.1	0.7
BNP Paribas . . . . .	19.8	0.6
UBS Pactual . . . . .	18.1	0.5
Others . . . . .	437.9	12.3
<b>Total</b> . . . . .	<b>3,558.0</b>	<b>100.0</b>

(\*) Based on banking services, excluding insurance and pension funds

(\*\*) Includes the consolidation of 50.0% of Banco Votorantim based on Banco do Brasil ownership of a 50.0% interest in Banco Votorantim.

Source: Central Bank, 50 Largest Banks and the Consolidated Financial System (September 2009)

With the Association and the establishment of Itaú Unibanco Holding, new business opportunities arose in the domestic market, in which the economies of scale have become crucial for competition. Itaú Unibanco Holding has a leading position in many areas in the domestic financial market. We achieved a market share of 16.2% based on total loans as of December 2009, positioning us at the second place in the Brazilian market. Not considering the public banks, we had a leading position based on total loans with 27.0% of the Brazilian market share. We are in second position in the market based on total funding, achieving 19.5% of market share as of December 31, 2009.

We also have a qualified team of employees, made up of top individuals. At the same time, we intensified our presence in the Southern Cone (Argentina, Chile, Paraguay, and Uruguay) because we want to strengthen our operations in Latin America in order to become a leader in the international market. Our long-term strategy is to move gradually to a global position, but our strategy gives priority to the consolidation of our presence in the domestic and regional markets.

The Brazilian credit card market is highly competitive, growing at a rate of over 21.7% per year over the last three years, according to the *Associação Brasileira das Empresas de Cartões de Crédito e Serviços*. Our major competitors are Bradesco, Banco do Brasil, and Banco Santander. Credit card companies are increasingly adopting alliances and co-branding strategies and adapting pricing policies (interest rates, cardholder fees and merchant fees) in order to strengthen their position in the market.

The Brazilian insurance market is highly competitive. Our primary competitors in this sector are Sul América S.A., Bradesco Seguros S.A. and other related companies, and BB Seguros e Participações S.A. and other related companies. As of December 31, 2009, this industry consisted of approximately 113 insurance companies of varying sizes. We believe our alliance with Porto Seguro will result in gains in scale and efficiency. Considering our interest of 30.0% in the Porto Seguro, we had a leading position on insurance premiums as of November 2009, with 14.8% of Brazilian market share.

Our primary competitors in private retirement plans and capitalisation products are controlled by large commercial banks, such as Bradesco, Banco do Brasil, Banco Santander (for private retirement plans only) and CEF, which, like us, take advantage of their branch network to gain access to the retail market.

In the wholesale credit market, the main competitors of Itaú BBA are Banco do Brasil (including Banco Votorantim), and to a lesser extent Bradesco and Banco Santander (Brasil). In cash management, Itaú BBA has been recognised for its leadership role, having received the Best Domestic Cash Manager in Brazil award from Euromoney in 2009, based on its large credit portfolio and high service standards. Its main competitors are Banco do Brasil, Banco Santander and Bradesco. Itaú BBA also has a prominent position in derivatives operations, particularly in structured derivatives. In this market, its main competitors are international banks, including Citibank, Banco Credit Suisse Brasil S.A., HSBC, Banco JP Morgan S.A., Banco Morgan Stanley S.A. and Banco Santander.

Large competitors in the consumer finance industry include HSBC and Bradesco, as well as Banco Panamericano S.A., Citifinancial, a brand of Citibank, GE Money, a brand of Banco GE Capital S.A. and Banco Ibi S.A. Key competitive factors in this industry are distribution, strong brands, consumer relationship management and strategic alliances with key retailers. We have made alliances with CBD and Lojas Americanas S.A., Magazine Luiza, Ponto Frio (Globex Utilidades S.A.), Hipercard (Wal-Mart Brasil) and Ipiranga (Ultrapar Participações S.A.).

The main player in the Brazilian real estate market is CEF, a government owned bank. CEF is focused on real estate financing and, with its aggressive pricing strategy, is the leader in this market. This position is reinforced with the “Minha Casa Minha Vida” federal program, which is responsible for the construction and financing of one million low income homes and for which CEF is the main operator. There are also two important private bank competitors: Banco Santander and Bradesco.



## ***Litigation***

### ***Overview***

We are party to numerous lawsuits and administrative proceedings that arise during the normal course of our business. We are routinely involved in consumer complaints filed with SUSEP and the Central Bank, which do not constitute administrative proceedings. We are not defendants in any material administrative proceeding with the CVM, SUSEP, the Central Bank or any municipalities.

Our financial statements only include reserves for probable losses that can be reasonably estimated and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. As of December 31, 2009, our provisions for such contingencies were R\$14,109 million, of which R\$8,278 million are related to tax contingencies, R\$3,164 million are related to labour contingencies, R\$2,410 million are related to civil contingencies and R\$257 million to other contingencies. Our management believes that our provisions, including interest, for legal proceedings in which we are defendants are sufficient to cover probable losses that can be reasonably estimated in the event of unfavourable court decisions. It is currently not possible to estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have reserves. We believe that any potential liabilities related to these lawsuits and administrative proceedings will not have a material adverse effect on our financial condition or results. There are no material proceedings in which any of our directors, any member of our senior management or any of our affiliates is either a party adverse to us or to our subsidiaries or has a material interest adverse to us or our subsidiaries.

### ***Civil Litigation***

#### ***Litigation Arising from Government Monetary Stabilisation Plans***

From 1986 to 1994, the Brazilian federal government implemented several consecutive monetary stabilisation plans to combat hyper-inflation. In order to implement these plans, the Brazilian federal government enacted several laws based on its power to regulate the monetary and financial systems as granted by the Brazilian federal constitution.

Holders of savings accounts during the periods when the monetary stabilisation plans were implemented have challenged the constitutionality of the laws that implemented those plans, claiming from the banks where they held their savings accounts additional amounts of interest based on the inflation rates applied to savings accounts under the monetary stabilisation plans.

We are defendants in numerous standardised lawsuits filed by individuals in respect of the monetary stabilisation plans. We record provisions for such claims upon receipt of summons to present a defence based on statistical criteria, considering the average amount paid in similar lawsuits. Each provision may be adjusted based on the balance in the savings account statements of each plaintiff during the relevant periods and based on the collateral we may be required to post with respect to each lawsuit.

In addition, we are defendants in class actions, similar to the lawsuits by individuals, filed by either (i) consumer protection associations or (ii) public attorneys' office (*Ministério Público*) on behalf of holders of savings accounts. Upon final judgment of a class action, holders of savings accounts may collect any amount due based on such a decision. We record provisions when individual plaintiffs apply to enforce such decisions, using the same criteria used to determine provisions for individual lawsuits.

The Federal Supreme Court (*Supremo Tribunal Federal*) has issued some decisions in favour of holders of savings accounts, but has not issued a final ruling with respect to the constitutionality of the monetary stabilisation plans as applicable to savings accounts. In relation to a similar dispute with respect to the constitutionality of monetary stabilisation plans as applicable to time deposits and other private agreements the Federal Supreme Court has decided that the laws were in accordance with the federal constitution. Due to this contradiction, the *Confederação Nacional do Sistema Financeiro* — Consif filed a special proceeding with the Federal Supreme Court called “*Arguição de Descumprimento de Preceito Fundamental nº 165*” — ADPF 165, in which the Central Bank has filed a friend of the court (*amicus curiae*) brief, challenging the existing Federal Supreme Court ruling



with respect to savings accounts and arguing that holders of savings accounts did not incur actual damages and that the monetary stabilisation plans as applicable to savings accounts were in accordance with the federal constitution.

#### *Other Civil Litigation*

In addition to litigation arising from government monetary stabilisation plans, we are defendants in numerous civil lawsuits arising from the normal course of our business. We are not able to currently predict the total amounts involved in these claims, due to the nature of the matters disputed. However, we believe that any potential liabilities related to these lawsuits will not have a material adverse effect on our financial condition or results.

As of December 31, 2009, our total amount of provisions related to civil litigation, including the monetary stabilisation plans, was R\$2,410 million.

#### *Tax Litigation*

We are involved in several tax disputes, including judicial lawsuits and administrative proceedings, mainly relating to the constitutionality and legality of certain taxes imposed on us by the Brazilian government, among which the most relevant are claims in connection with: (i) the imposition of different rates of CSLL on companies participating in the financial system; and (ii) the imposition of the CPMF on the disposal of leasing companies' cash accounts.

Regarding item (i), we have filed several lawsuits contesting the increase of CSLL's rate based on the fact that it applies only to companies participating in the financial system. Such lawsuits are still pending a decision from the São Paulo Federal Court Circuit.

In relation to item (ii), in February 2008 following previous decisions, the Superior Court of Justice published a ruling concerning a tax claim of one of our leasing companies according to which leasing companies will be considered financial institutions and therefore will benefit from the CPMF exemption on financial transfers related to any funding or investments made in the course of financial business. Such ruling is favourable to all of our remaining claims relating to this issue.

In addition, special payment conditions were created by Law No. 11,941, enacted on May 27, 2009, with respect to tax debts, especially those under litigation (the "**Tax Program**"). Under those special payment conditions, litigating taxpayers who agree to discontinue the litigation can pay only the principal amount under dispute without any penalty and only 45.0% of the interest regularly applicable to such tax debts.

We applied for inclusion in the Tax Program tax disputes in which we considered that an unfavourable decision "more likely than not" would occur (higher than a 50.0% chance of loss) based on legal counsel opinion. The most relevant lawsuits included in the Tax Program were those filed by certain of our financial institution subsidiaries against the increase of the scope of the PIS/Social Security Financing Contribution (*Contribuição para o Financiamento da Seguridade Social* or "**COFINS**") assessment.

Due to application to this Tax Program, we have recorded a net revenue of R\$292 million as result of the reversal of tax provisions related to the litigation we discontinued. Such revenue was categorized as other operational revenues.

#### *Labour Litigation*

Labour unions and former employees file lawsuits against us seeking compensation for alleged violations of their labour contract or related statutory rights. As of December 31, 2009, there were approximately 43,000 labour claims filed against us. Individual labour lawsuits against us are primarily related to overtime pay and salary parity. Collective labour lawsuits against us are primarily related to maintenance of healthcare plans, security rules, strikes and salary differences resulting from monetary stabilisation plans implemented by the Brazilian federal government. We are also defendants in labour lawsuits filed by the Public Labour Prosecutor Office related to union classification, outsourcing, occupational disease, health and safety, determination of working days, and compliance with minimum share of disabled personnel. For the fiscal year ended December 31, 2009, we paid approximately R\$503 million in settlements with former employees and judgments imposed by the labour courts.

## DESCRIPTION OF THE CAYMAN ISLANDS BRANCH

We were authorised by the Central Bank of Brazil to operate our Cayman Islands Branch on December 3, 2004, principally for the purpose of obtaining short- to medium-term funding used for general corporate purposes. The Cayman Islands Branch's registered office is at the offices of Close Brothers (Cayman) Limited, Harbour Place, 4th Floor, 103 South Church Street, Grand Cayman, KY1-1102, Cayman Islands.

We were registered under Part IX of the Companies Law (2009 Revision) of the Cayman Islands as a foreign company on July 18, 2003, and were granted a Class B (unrestricted) banking licence on March 31, 2005 to operate in the Cayman Islands under the Banks and Trust Companies Law (2009 Revision) ("**Banks and Trust Companies Law**"). This licence allows the Cayman Islands Branch to conduct all types of banking business within and outside the Cayman Islands, but does not allow the Cayman Islands Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, inter alia, exempted or ordinary non-resident companies and other licensees.

The Cayman Islands Branch is a vehicle for the sourcing of funds in the international debt capital markets. The Cayman Islands Branch has not issued any securities in the U.S. and international markets in the past.

The Cayman Islands Branch's results of operations are consolidated in the consolidated financial statements of Itaú Unibanco Holding. As of December 31, 2009, the capital account of the Cayman Islands Branch was US\$50.0 million and it had total assets of US\$55.8 million. Since its inception, the Cayman Islands Branch had invested all of its capital in deposits with Itaú Unibanco's Grand Cayman branch (formerly the Banco Itaú S.A., Grand Cayman branch) and has not engaged in any other business.

The liabilities of the Cayman Islands Branch are first covered by the total resources of the Cayman Islands Branch, but under Brazilian law we are ultimately responsible for all obligations of the Cayman Islands Branch. The Cayman Islands Branch is part of us and has no separate legal status or existence. The CMN has issued regulations with respect to the operating and maintaining of offshore branches by Brazilian financial institutions as prescribed by Resolution No. 2,723. See "The Brazilian Financial System and Banking Regulation — Regulation of Presentation of Financial Statements."

The Cayman Islands Branch does not maintain management separate from our own. The Cayman Islands Branch does, however, maintain its own administrative staff, headed by its general manager. The operations of the Cayman Islands Branch are controlled by our board of executive officers, who maintain corporate authority over the Cayman Islands Branch.

## MANAGEMENT

We are managed by our *Conselho de Administração*, or board of directors, and our *Diretoria*, or board of officers.

Pursuant to our bylaws, our board of directors must be composed of a minimum of ten and a maximum of fourteen directors elected by our shareholders at the annual shareholders' meeting. It meets regularly eight times a year and extraordinarily any time it deems necessary.

Pursuant to our bylaws, our board of officers must be composed of a minimum of five and a maximum of 20 members. Our board of officers is elected by our board of directors.

All of our directors and officers are elected for a term of one year and can be re-elected. Set forth below are the names, positions and dates of birth of the members of our board of directors and board of officers as of the date hereof. The members of our board of directors and board of officers were elected on April 24, 2009 and April 29, 2009, at our annual shareholders' meeting and a meeting of our board of directors, respectively.

Pursuant to Brazilian law, the election of each member of our board of directors and board of officers must be approved by the Central Bank. An acting director or officer retains his or her position until he or she is reelected or a successor is elected. We have three directors who are independent as determined pursuant to our corporate governance policy. See “— Principal Differences between Brazilian and U.S. Corporate Governance Practices — Majority of Independent Directors.”

The business address for correspondence with each of our directors and officers is Praça Alfredo Egydio de Souza Aranha, 100, Torre Olavo Setubal, 04344-902, São Paulo, SP, Brazil.

### Directors:

<u>Name</u>	<u>Position</u>	<u>Date of Birth</u>
Pedro Moreira Salles . . . . .	Chairman	10/20/1959
Alfredo Egydio Arruda Villela Filho . . . . .	Vice Chairman	11/18/1969
Roberto Egydio Setubal . . . . .	Vice Chairman	10/13/1954
Alcides Lopes Tapias(*) . . . . .	Director	09/16/1942
Alfredo Egydio Setubal . . . . .	Director	09/01/1958
Candido Botelho Bracher . . . . .	Director	12/05/1958
Fernando Roberto Moreira Salles . . . . .	Director	05/29/1946
Francisco Eduardo de Almeida Pinto . . . . .	Director	12/14/1958
Gustavo Jorge Laboissiere Loyola(*) . . . . .	Director	12/19/1952
Henri Penchas . . . . .	Director	02/03/1946
Israel Vainboim . . . . .	Director	06/01/1944
Pedro Luiz Bodin de Moraes(*) . . . . .	Director	07/13/1956
Ricardo Villela Marino . . . . .	Director	01/28/1974

(\*) Independent director.

## Officers:

<u>Name</u>	<u>Position</u>	<u>Date of Birth</u>
Roberto Egydio Setubal . . . . .	President and Chief Executive	10/13/1954
Alfredo Egydio Setubal . . . . .	Executive Vice President	09/01/1958
Candido Botelho Bracher . . . . .	Executive Vice President	12/05/1958
Antonio Carlos Barbosa de Oliveira . . . . .	Executive Officer	06/13/1951
Claudia Politanski . . . . .	Executive Officer	08/31/1970
Marcos de Barros Lisboa . . . . .	Executive Officer	08/02/1964
Ricardo Baldin . . . . .	Executive Officer	07/14/1954
Rodolfo Henrique Fischer . . . . .	Executive Officer	12/26/1962
Sérgio Ribeiro da Costa Werlang . . . . .	Executive Officer	06/23/1959
Silvio Aparecido de Carvalho . . . . .	Executive Officer	05/09/1949
Jackson Ricardo Gomes . . . . .	Officer	08/21/1957
José Eduardo Lima de Paula Araujo . . . . .	Officer	10/22/1970
Luiz Felipe Pinheiro de Andrade . . . . .	Officer	09/14/1954
Marco Antonio Antunes . . . . .	Officer	10/31/1959
Wagner Roberto Pugliese . . . . .	Officer	12/15/1958

As described below in the biographical descriptions of our directors and officers, some of the members of our board of directors and board of officers also perform senior management functions at our subsidiaries and Itaúsa and its subsidiaries. Set forth below are brief biographical descriptions of our directors and officers:

*Mr. Pedro Moreira Salles* has been chairman of our board of directors since November 28, 2008 (with investiture (i.e., the date on which he assumed such role after approval of his election by the Central Bank) on February 19, 2009) and was our executive vice president from November 2008 to April 2009. He worked at Unibanco since 1989, where he served as vice chairman of the board of directors from 1991 to 1997, chairman of the board of directors from 1997 to 2004, and again as vice chairman of the board of directors from 2004 until November 2008. At Unibanco, he also held the post of chief executive officer from April 2004 to November 2008. At Unibanco Holdings he served as vice chairman of the board of directors and chief executive officer. He served as chairman of the boards of directors of Unibanco Seguros and Banco Fininvest S.A. and vice chairman of the board of AIU Seguros S.A. He is currently a member of the board of Ibmecc and was previously a member of the board of Instituto Empreender Endeavor Brasil, as well as the president of the board of PlaNet Finance Brasil. Mr. Pedro Moreira Salles has a bachelor's degree, *magna cum laude*, in economics and history from the University of California, Los Angeles. He also attended the international relations masters program at Yale University and the OPM — Owners/President Management Program at Harvard University.

*Mr. Alfredo Egydio Arruda Villela Filho* has been the vice chairman of our board of directors since April 23, 2001 (with investiture on July 30, 2001). He has served as president and CEO of Itaúsa since September 2008 and was a member of the board of directors of Itaúsa from 1995 to 2008. He is the chairman of the board of directors of Itaútec S.A. (“**Itaútec**”) and vice chairman of the boards of Duratex S.A. (“**Duratex**”) and of Elekeiroz S.A. (“**Elekeiroz**”). Mr. Villela Filho has a bachelor's degree in mechanical engineering from the Mauá Engineering School of the Instituto Mauá de Tecnologia (IMT) and a post-graduate degree in business administration from Fundação Getúlio Vargas.

*Mr. Roberto Egydio Setubal* has been the vice chairman of our board of directors since April 23, 2001 (with investiture on July 30, 2001). He has served as a director since April 1995 and president and chief executive officer since April 1994. He served as our general manager from 1990 to 1994. He has served as executive vice president of Itaúsa since May 1994 and chairman of the board of directors of Itaú BBA since February 2003. Mr. Roberto Setubal was the president of the FEBRABAN and of the Brazilian National Federation of Banks (*Federação Nacional de Bancos* or “**FENABAN**”), from April 1997 to March 2001. He was a member of the board of directors of Petróleo Brasileiro S.A. — PETROBRÁS from March 2002 to

January 2003. He is currently a board member of the IIF and of the International Monetary Conference and serves on the international advisory committee of the Federal Reserve Bank of New York and the international advisory committee of the New York Stock Exchange (“NYSE”). Mr. Roberto Setubal has a bachelor’s degree in production engineering from Escola Politécnica da Universidade de São Paulo and a master of science degree in engineering from Stanford University.

*Mr. Alcides Lopes Tapias* has been a member of our board of directors since April 30, 2002 (with investiture on August 5, 2002). He has been a member of the audit committee of Itaú Unibanco Holding since 2004. He is a partner in Aggrego Consultores and a member of its advisory board and a member of the board of directors and of the audit, finance and actuarial, human resources and information technology committees of Medial Saúde S.A. He served on the board of directors of Tigre S.A. — Tubos e Conexões from 1995 to 1999 and again since 2004. He was the president of FEBRABAN from 1991 to 1994 and chairman of the board of Camargo Corrêa S.A. from 1996 to 1999, of Usinas Siderúrgicas de Minas Gerais — Usiminas S.A. from 1997 to 1999 and of São Paulo Alpargatas S.A. from 1996 to 1999. He was the Minister for Development, Industry and Commerce of the Brazilian Federal Government from September 1999 to July 2001. He was also a member of the trustee board of the Antonio Prudente Foundation Cancer Hospital from 1999 to 2005 and the Advisory Council of the BMF&BOVESPA (formerly the BM&F — Futures and Commodities Exchange) from 2003 to 2008. He also served as the president of the fiscal council of Cia. de Bebidas das Américas — AMBEV from 2005 to 2008. Mr. Tapias has a bachelor’s degree in business administration from Universidade Mackenzie and a bachelor’s degree in law from Faculdades Metropolitanas Unidas.

*Mr. Alfredo Egydio Setubal* has been a member of our board of directors since April 25, 2007 (with investiture on June 29, 2007) and has served as executive vice president since April 29, 1996 (with investiture on July 3, 1996). He has served as our investor relations officer since 1995. He is currently responsible for our wealth management and capital markets services divisions, with primary responsibility for communications with capital markets, for increasing the transparency of financial and strategic information through improvements in the quality, relevance, timeliness, reliability and comparability of information and for managing relations with the CVM, the Central Bank and other official capital markets authorities. He served as our executive officer between 1993 and 1996 and managing officer between 1988 and 1993. He has been a member of the board of directors of Itaúsa since September 2008. He was a member of ANBIMA from 1994 to August 2003 and its president from August 2003 to August 2008. He has been a member of the board of directors of the Securities Dealers’ Association (*Associação das Empresas Distribuidoras de Valores*), or ADEVAL, since 1993, of BM&FBOVESPA (formerly BOVESPA) since 1996, of the Brazilian Association of Listed Companies (*Associação Brasileira das Companhias Abertas*), or ABRASCA, since 1999, and of BM&FBOVESPA (formerly BOVESPA) since August 2007. He was a member of the board of directors of the Brazilian Settlement and Custody Company (*Companhia Brasileira de Liquidação e Custódia*), or CBLIC, from 1998 to 2003. He was president of the board of directors of the Brazilian Institute of Investor Relations (*Instituto Brasileiro de Relações com Investidores*), or IBRI, from 2000 to 2003 and a member since 2004. He has served as the finance officer of the Museum of Modern Art of São Paulo — MAM since 1992. Mr. Alfredo Setubal has a bachelor’s and a post-graduate degree in business management from Fundação Getúlio Vargas.

*Mr. Candido Botelho Bracher* has been a member of our board of directors since November 28, 2008 (with investiture on February 19, 2009) and a member of our board of officers since May 2, 2005 (with investiture on August 1, 2005). He is currently responsible for our corporate treasury division. He has been a member of the board of directors of Itaú BBA since February 2003, CEO since April 2005, and is responsible for the commercial, capital markets and human resources divisions and was vice president of the board of officers from February 2003 to April 2005. He served as an officer at Banco BBA Creditanstalt S.A. from 1988 to 2003. He has served as executive vice president of Unibanco since November 2008. He is a member of the board of directors of Pão de Açúcar S.A. and of BM&FBOVESPA (formerly BOVESPA). Mr. Bracher has a degree in business administration from the Escola de Administração de Empresas de São Paulo — Fundação Getúlio Vargas.

*Mr. Fernando Roberto Moreira Salles* has been a member of our board of directors since November 28, 2008 (with investiture on February 19, 2009). He was vice chairman of the board of directors of E. Johnston. He has been chairman of the boards of directors of Companhia Brasileira de Metalurgia e Mineração since



2008 and of Brasil Warrant Administração de Bens e Empresas S.A. since 1988. He has been an officer of Editora Schwarcz Ltda. since 1988. He served as vice chairman of the board of directors of Unibanco from 1976 to 1988. He has been a member of the advisory board of Fundação Roberto Marinho since 1996 and a member of the board of directors of Instituto Moreira Salles, serving as president of the board from 2001 to 2008. Mr. Fernando Moreira Salles has a degree in finance and capital markets from Fundação Getúlio Vargas — FGV.

*Mr. Francisco Eduardo de Almeida Pinto* has been a member of our board of directors since November 28, 2008 (with investiture on February 19, 2009). During 1982, he was a financial assistant at Visius — Instituto Boavista de Seguridade Social. From 1983 to 1984, he served as the technical department manager at Saga Investimentos e Participações do Brasil Ltda. From 1984 to 1993, he was at Banco da Bahia Investimentos (currently Banco BBM S.A.), most recently as finance officer. From 1993 to 1994, he served as deputy governor of monetary policy at the Central Bank. From 1994 to 1995 he served as general officer of Banco da Bahia Investimentos S.A., and during 1995 as general officer of Unibanco Asset Management. He was the managing partner at Radix Gestão de Recursos Financeiros Ltda. from 1996 to 1998 and the chief financial officer of BBA Capital DTVM (and its successor, BBA Icatu Investimentos DTVM) from 1998 to 2002. From 2002 to 2007, he worked for his own account. Since 2007 he has been a director at Brasil Warrant Administração de Bens e Empresas S.A. and from 2007 to 2008 he served on the board of directors of Unibanco. Since 2008 he has been a director of BW Gestão de Investimentos Ltda. Mr. Almeida Pinto graduated from the Pontifícia Universidade Católica do Rio de Janeiro (PUC) in economics.

*Mr. Gustavo Jorge Laboissiere Loyola* has been a member of our board of directors since April 26, 2006 (with investiture on July 31, 2006). He has also been a member of our audit committee since May 2007, and since September 2008 he has served as its president. He was president of our fiscal council from March 2003 to April 2006. He has been a partner and an officer of Gustavo Loyola Consultoria S/C since February 1998 and a member of the board of directors of Caramuru Alimentos S.A. and Mabel Alimentos S.A., since April 2008 and August 2006, respectively. He was the governor of the Central Bank from November 1992 to March 1993 and from June 1995 to August 1997, as well as the deputy governor for the Financial System Regulation and Organisation from March 1990 to November 1992. He was a partner and an officer of MCM Consultores Associados Ltda. from August 1993 to May 1995, assistant officer of Banco de Investimento Planibanc S.A. from February to October 1989 and operating officer of Planibanc Corretora de Valores S.A. from November 1987 to January 1989. Mr. Loyola has a bachelor's degree in economics from Universidade de Brasília and a master's degree and Ph.D. in economics from the Fundação Getúlio Vargas.

*Mr. Henri Penchas* has been a member of our board of directors since April 25, 1997 (with investiture on June 26, 2007) and served as senior vice president from April 1997 to April 2008, executive vice president from 1993 to 1997 and executive officer from 1988 to 1993. He was an executive officer of Itaúsa from December 1984 to April 2008, has been its investor relations officer since 1995 and its executive vice president since April 2009. He has also been the chief executive officer of Duratex since April 2009. Mr. Penchas was the vice president of the board of directors of Itaú BBA from February 2003 to April 2008. Mr. Penchas has a bachelor's degree in mechanical engineering from Universidade Mackenzie and a post-graduate degree in finance from Fundação Getúlio Vargas.

*Mr. Israel Vainboim* has been a member of our board of directors since November 28, 2008 (with investiture on February 19, 2009). He was elected to the board of directors of Unibanco in 1988 and to the board of directors of Unibanco Holdings in 1994. He was chairman of Unibanco from 1988 to 1992. He has served as executive chairman of Unibanco Holdings since 1992. He joined Unibanco in 1969. He has served on the board of directors of Souza Cruz S.A., Iochpe Maxion S.A., E-Bit Tecnologia em Marketing S.A., Vinhedo Investimentos Ltda., Casa da Cultura de Israel, Museu de Arte Moderna de São Paulo — MAM and Hospital Israelita Albert Einstein. Mr. Vainboim has a bachelor's degree in mechanical engineering from the Universidade Federal do Rio de Janeiro (UFRJ) and a master's degree in business administration, or MBA, from Stanford University.

*Mr. Pedro Luiz Bodin de Moraes* has been a member of our board of directors since November 28, 2008 (with investiture on February 19, 2009). He was a partner in Icatu Holding S.A. and a member of the board of

directors of Unibanco, from April 2003 to November 2008. He was an officer and partner at Banco Icatu S.A. from 1993 to 2002. He served as deputy governor for monetary policy at the Central Bank from 1991 to 1992 and officer of BNDES from 1990 to 1991. Mr. Bodin de Moraes has a bachelor's and master's degree in economics from the Pontifícia Universidade Católica do Rio de Janeiro (PUC) and a Ph.D. in economics from Massachusetts Institute of Technology (MIT).

*Mr. Ricardo Villela Marino* has been a member of our board of directors since April 23, 2008 (with investiture on June 2, 2008) and of our board of officers since September 1, 2006 (with investiture on September 1, 2006). He is currently responsible for our human resources and international division. He served as our senior managing officer from May 2005 to August 2006, managing officer from April 2004 to April 2005, head of the derivatives dealing desk (heading the team responsible for the structuring and sale of derivative products to middle market companies, institutional investors and private individuals) from 2003 to 2004 and head of business intelligence (responsible for the implementation of new technologies and methodologies which have helped us become a leader in the credit card industry in Brazil) from 2002 to 2003. He has served as chairman of Federación Latino Americana de Bancos, or FELABAN, since November 2008. He was a manager of the emerging markets' equities portfolio covering Argentina, Chile, Peru, Colombia and South Africa and of the relations with governments, banks and manager of companies in each of these countries at Goldman Sachs Asset Management in London. Mr. Villela Marino has a degree in business administration from MIT Sloan School of Management, Cambridge, a master's degree in business administration with specialisation in financial administration and bachelor's degree in mechanical engineering from Escola Politécnica (USP).

*Mr. Antonio Carlos Barbosa de Oliveira* has been a member of our board of officers since March 28, 1994 (with investiture on April 25, 1994) and currently is responsible for our technology, legal and compliance divisions. He served as an executive officer between 1994 and 2002 and as a managing officer between 1991 and 1994. He was a member of the board of directors of Itaú BBA from February 2002 to February 2009 and has served as its executive vice president since February 2003. He was an executive officer of Banco Itaú Argentina between 1995 and 2001. Mr. Barbosa de Oliveira has a bachelor's degree in production engineering from Escola Politécnica da Universidade de São Paulo and a master of science degree from the Massachusetts Institute of Technology (MIT).

*Ms. Claudia Politanski* has been a member of our board of officers since November 12, 2008 (with investiture on November 27, 2008) and is currently responsible for our legal and compliance legal divisions and serves as general legal counsel. She joined Unibanco in 1991 and was elected executive officer of Unibanco in 2007. Ms. Politanski has a law degree from the Universidade de São Paulo. She also holds a master's degree in law, or LL.M., from the University of Virginia and an MBA from the Fundação Dom Cabral, Minas Gerais.

*Mr. Marcos de Barros Lisboa* has been a member of our board of officers since April 29, 2009 (with investiture on September 1, 2009) and is currently responsible for our operational risk and efficiency divisions. He was elected executive officer of Unibanco in July 2006. From 2001 to 2003, he was the academic director of the graduate school of economics of Fundação Getúlio Vargas, Rio de Janeiro. He was also the Secretary of Economic Policy at the Finance Ministry of Brazil from 2003 to 2005 and the chief executive officer of the Brazilian Reinsurance Institute (*Instituto de Resseguros do Brasil*) from 2005 to 2006. He was elected to the boards of directors of AIG Brasil Cia. de Seguros and Unibanco AIG in 2008. He holds a bachelor's degree and a master's degree in economics from the Universidade Federal do Rio de Janeiro and a Ph.D. in economics from the University of Pennsylvania. Mr. Lisboa held academic positions at the department of economics at Stanford University and at the Fundação Getúlio Vargas, São Paulo.

*Mr. Ricardo Baldin* has been a member of our board of officers since April 29, 2009 (with investiture on September 1, 2009) and is currently responsible for our internal audit division. In 1977 he joined PricewaterhouseCoopers as a trainee and was a partner there for 18 years. As an independent auditor, he was the leading partner in the area of financial institutions. He was also the partner responsible for PricewaterhouseCoopers' financial institutions group in South America, where he was responsible for coordinating various projects in the region, including the evaluation of the Ecuadorian financial system.



He was an officer of the National Association of Financial, Administrative and Accounting Executives and was also responsible for the financial institutions group at IBRACON for several years. Mr. Baldin has a bachelor's degree in accounting science from the Universidade do Vale do Rio dos Sinos, Rio Grande do Sul and university extension courses in management and finance from the Fundação Dom Cabral and Fundação Getúlio Vargas.

*Mr. Rodolfo Henrique Fischer* has been a member of our board of officers since February 22, 1999 (with investiture on March 18, 1999) and is currently responsible for our corporate treasury, banking, anti-money laundering, products and clients divisions. He held various positions at Banco Itaú Holding between 1984 and 1999, including general manager of the exchange and foreign trade division between 1991 and 1994 and managing officer of the exchange and foreign trade division between 1994 and 1999. Mr. Fischer is the head of our treasury and financial divisions. He was a member of the board of directors of Itaú BBA from February 2003 to February 2009 and the president of the board of CIP — Câmara Interbancária de Pagamentos. Mr. Fischer has been a member of the board of directors of the Emerging Markets Trade Association, or EMTA, since January 2006. He was a member of the board of directors of ANBIMA until April 2007 and a member of the board of directors of the BM&FBOVESPA (formerly BM&F) until October 2007. Mr. Fischer has a bachelor's degree in civil engineering from Escola Politécnica da Universidade de São Paulo and a master's degree in management from Massachusetts Institute of Technology (MIT).

*Mr. Sérgio Ribeiro da Costa Werlang* has been a member of our board of officers since April 30, 2003 (with investiture on October 1, 2003) and has served as our chief risk officer since May 2008. He is currently responsible for our risk and financial controls divisions. He was our senior managing officer from March 2002 to March 2003. He has been a member of Itaú BBA since April 2005. He was a deputy governor for economic policy for the Central Bank from February 1999 to September 2000 and an executive officer of Banco BBM S.A. from October 1997 to December 1998. He was an officer for research and administrative resources and asset management of Banco BBM S.A. from 1994 to 1998. Mr. Werlang has a degree in naval engineering from the Universidade Federal do Rio de Janeiro, a master's degree in mathematical economics from Instituto de Matemática Pura e Aplicada do Rio de Janeiro and a Ph.D. in economics from Princeton University.

*Mr. Silvio Aparecido de Carvalho* has been a member of our board of officers since October 23, 2000 (with investiture on January 2, 2001) and has served as our chief financial officer since May 2008. He is currently responsible for our controller's division. He was our general manager from 1984 to 1986, our technical officer from 1986 to 1988, a managing officer from 1988 to 1999, and our senior managing officer from 1999 to 2000. He was the investor relations officer of Itaúbank Leasing S.A. Arrendamento Mercantil from September 2007 to February 2009. Mr. Carvalho has a degree in business administration and accounting sciences from the Economics, Business Administration and Accounting Sciences Faculty of the Universidade de São Paulo, a master's degree and Ph.D. in comptrollership and accounting from the same university, both obtained with honours. He completed the Stanford Executive Program at Stanford University in 1985 and the INSEAD (France) Specialisation Courses in the Banking Area. He has been a lecturer at the Universidade de São Paulo since 1976.

*Mr. Jackson Ricardo Gomes* has been a member of our board of officers since August 28, 1995 (with investiture on September 29, 1995) and is currently responsible for our credit risk, insurance and operational divisions. He began working for the Itaú Unibanco Holding in 1983 as an analyst in the area of economic control. He was a department manager from 1988 to 1989 and general manager/superintendent from 1990 to 1995. He has been an officer of Banco Itaúcréd Financiamentos S.A. ("**Itaucréd**") since December 2003, of Banco Itaúcard since April 2000, and a managing officer of Banco Itaúleasing S.A. since April 2000. Mr. Gomes has a degree in aeronautical engineering from the Instituto Tecnológico da Aeronáutica and an MBA from the University of Chicago.

*Mr. José Eduardo Lima de Paula Araujo* has been a member of our board of officers since May 5, 2008 (with investiture on July 1, 2008) and is currently responsible for the legal support for our proprietary M&A division. He was our legal business superintendent from August 2001 to April 2008. At that time he was in charge of: (i) the negotiations involving acquisitions, divestments, corporate restructurings, strategic partnerships and associations; (ii) the management of the intellectual property rights of Itaú and its

affiliates (copyrights, patents and more than 1,500 applications for trade mark registration) and the coordination of the procedures (economic concentration acts and administrative processes of conduct) with the Brazilian anti-trust authorities; and (iii) the secretary of the U.S. SEC 20-F disclosure committee and consultant on disclosure of material acts or facts and trading policies. He was a consultant at the Inter-American Development Bank from March 1998 to October 1999. Mr. Paula Araujo has a law degree from the Universidade de São Paulo. He has an LL.M. and an MBA from George Washington University.

*Mr. Luiz Felipe Pinheiro de Andrade* has been a member of our board of officers since April 29, 2009 (with investiture on September 1, 2009) and is currently responsible for our market risk and liquidity division. He was an executive officer of Unibanco Asset Management between 2005 and 2009 and of Unibanco Serviços de Investimentos' back office and financial control of investment funds between 2003 and 2005 and was a deputy officer between 1998 and 2003. He was a lecturer at Fundação Getúlio Vargas from 1998 to 2005 and at the PUC from 1989 to 1990. Mr. Pinheiro de Andrade has a Ph.D. in finance from the University of Colorado, a master of science degree in industrial engineering from the Pontifícia Universidade Católica do Rio de Janeiro (PUC) and a master of science degree in mechanical engineering from the Universidade Federal de Minas Gerais.

*Mr. Marco Antonio Antunes* has been a member of our board of officers since March 13, 2000 (with investiture on April 12, 2000) and is currently responsible for our accounting division. He was the manager of the budget control department from December 1990 to May 1997 and general manager from June 1997 to February 2000. He has been an officer of Itaúcred since February 2003, of Banco Itaúcard since July 2000, and a managing officer of Banco Itaúleasing S.A. since April 2003. Mr. Antunes holds a degree in metallurgical engineering from Universidade Presbiteriana Mackenzie and a specialisation (master's degree level) in accounting and finance from the Universidade de São Paulo.

*Mr. Wagner Roberto Pugliese* has been a member of our board of officers since May 8, 2006 (with investiture on July 31, 2006) and is currently responsible for our audit division with respect to our investment banking, foreign entities and corporate departments. He was our deputy managing officer from May 2005 to April 2006. He was an auditing manager from 1990 to 1997, auditing superintendent from 1997 to 2002, and superintendent of auditing coordination from 2002 to 2005. He was responsible for financing, international, capital markets and overseas operations and commercial and administration divisions. Mr. Pugliese was an auditor at an independent international auditing firm from 1978 to 1980. He has been a sector officer for internal accounting and compliance at FEBRABAN since 2004. He was a coordinator of the sub-commission for internal accounting from 1999 to 2004, a second vice president of the CLAIN — Latin American Internal Audit and Risk Management Committee within the FELABAN from 2002 to May 2007 and has been its president since June 2007. He has also been a representative of FELABAN in FEBRABAN since 1999. He was a national officer of training at the Brazilian Institute of Internal Auditors from 1995 to 1997. Mr. Pugliese has a degree in business administration from IMES, an accounting degree from Universidade São Judas, and a post graduation degree in business administration from the Fundação Dom Cabral.

There are no pending legal proceedings in which any of our directors, nominees for director, or officers is a party adverse to us. We have no knowledge of any arrangement or understanding with major shareholders, customers, suppliers or any other person pursuant to which any person was selected as a director or executive officer, except the shareholders' agreements between (i) Itaúsa and E. Johnston to govern their relationship regarding IUPAR, Itaú Unibanco Holding and its subsidiaries; and (ii) Itaúsa and BAC. See "Principal Shareholders and Dividends — Shareholders' Agreements."

## Compensation

For the year ended December 31, 2009, the aggregate compensation accrued by us for all members of our board of directors and officers for services rendered during that year in all capacities was approximately R\$467 million. This number includes salaries in the amount of approximately R\$218 million, profit-sharing plans and management participation in the amount of approximately R\$225 million and contributions to pension plans we sponsor in the amount of approximately R\$24 million. Except for the highest and lowest remuneration per body without identification of individuals, we are not required under Brazilian law to disclose the compensation of

our directors, officers and members of our administrative, supervisory or management bodies on an individual basis, and we do not otherwise publicly disclose this information.

We have also granted options to our officers and members of our board of directors under our stock option plan described below. Each option gives the holder the right to purchase one preferred share. When the share options are exercised, we can either issue new shares or transfer treasury shares.

Our officers and members of our board of directors receive additional benefits generally provided to our employees, such as medical assistance and dental care and educational expenses, which benefits totalled approximately R\$5.2 million for the year ended December 31, 2009.

We have established a profit sharing or management participation plan for our management, including our board of directors and board of officers. The plan and its rules have been approved by our board of directors. Under the terms of the plan, each member of our management (including our board of directors and board of officers) participating in the plan is assigned semi-annually a base amount for computation of payments under the profit sharing plan. The final amount of the profit sharing payment to an individual is determined by multiplying the base amount by an index applicable to all participants. This index depends on our level of return on stockholders' equity.

In addition, the members of our fiscal council and the alternate members received monthly compensation of R\$10,000 and R\$4,000, respectively, from January 2009 up to May 2009, at which time this amount was increased to a monthly compensation of R\$12,000 and R\$5,000, respectively.

Our directors have not entered into any service contract with us or any of our subsidiaries providing for benefits upon termination of employment.

### **Stock Option Plan**

We have been issuing stock options as compensation since 1995. Accordingly, part of our management's variable compensation is in the form of stock options, which we believe reinforces their commitment to our performance. Our stock option plan has been instituted with the purpose of integrating officers into our medium and long-term development. Our shareholders, at the general extraordinary meeting held on April 24, 2009, included the board of directors among the beneficiaries of the plan. We believe that this will allow them to benefit from additional value that their work created for the shares of Itaú Unibanco Holding. Our stock option plan is designed to retain the services of members of management and our board of directors and to obtain highly qualified employees.

Our stock option plan is governed by the personnel committee, whose members are appointed by our board of directors. The personnel committee periodically designates members of our management to whom stock options are granted in the quantities specified. Stock options may also be granted to the members of management of controlled companies or to senior employees of Itaú Unibanco Holding or such controlled companies. Our board of directors may modify the decisions of the personnel committee in their first meeting after the date the options are granted. If not modified, the options granted by the personnel committee are deemed to have been confirmed. The personnel committee may only grant options if our profits are sufficient to permit the distribution of the mandatory dividend in accordance with Brazilian Corporate Law. The amount of options granted in any given year may not exceed 0.5% of our total shares at the end of the relevant fiscal year. If in a specific fiscal year, the amount of stock options granted during such year is below the 0.5% maximum limit of the total number of shares, the difference may be added to options granted in any one of seven subsequent fiscal years.

The options have an exercise period of between five and ten years from the date of their issuance; however, they may only be exercised after a vesting period determined by the personnel committee and outside certain blackout periods. The vesting period varies, at the personnel committee's discretion, from one to five years from the date of issuance of the options. Blackout periods are time periods during which the CVM forbids management from trading shares of the company with which they are affiliated and therefore no options may be exercised.

The exercise price of an option is determined by the personnel committee at the time of the grant and can be restated up to the month prior to the exercise of the option. In determining the exercise price, the personnel committee considers the average prices for our preferred shares on the days the BM&FBOVESPA is open for

business for a period of at least one and at the most three months prior to the issuance of the option. An adjustment of up to 20.0% more or less than the average price is permitted.

The plan also stipulates that, after the exercise of the option, the holder can dispose of half of his or her shares immediately and may dispose of the other half only after a period of two years from the date of the exercise of his or her option.

In addition, the general extraordinary meeting held on April 24, 2009 also created a new mechanism for the granting of options to officers who are considered to have had outstanding performance and have potential according to the criteria established by the personnel committee and through the use of performance and leadership evaluation tools. The personnel committee may grant options for which the strike price is paid through the obligation of the beneficiary to invest 20.0% of the portion of his or her bonus that is tied to profits and results in shares of Itaú Unibanco Holding. The officers to whom these options are granted must keep ownership of the shares unaltered and with no encumbrances of any nature from the date the option is granted until the exercise of the option.

The general extraordinary meeting held on April 24, 2009 amended the Banco Itaú Holding stock option plan creating the Itaú Unibanco Holding plan and also approved the assumption by Itaú Unibanco Holding of all the rights and obligations that Unibanco and Unibanco Holdings had under their respective stock option plans. After this assumption, the options held by the officers to acquire shares issued by Unibanco and Unibanco Holdings were exchanged for options to acquire shares of Itaú Unibanco Holding, at the same exchange ratio used for the Association. No options have been granted under the Itaú Unibanco Holding plan, as amended.

We present below the main terms of the options outstanding as of December 31, 2009 relating to Itaú Unibanco Holding granted under Banco Itaú Holding's stock option plan:

<u>Exercise Price (in R\$)</u>	<u>Vesting Period</u>	<u>Exercise Period</u>	<u>As of December 31, 2009 Number of Simple Options(*)</u>
7.62	12/31/2007	12/31/2010	570,500
7.62	12/31/2007	12/31/2010	6,187
11.52	12/31/2008	12/31/2011	1,886,792
16.21	12/31/2009	12/31/2012	7,082,200
16.21	12/31/2009	12/31/2012	27,500
16.21	12/31/2009	12/31/2012	11,357
24.12	12/31/2010	12/31/2013	9,579,384
24.12	12/31/2010	12/31/2013	15,867
30.72	12/31/2011	12/31/2014	10,220,925
30.72	12/31/2011	12/31/2014	30,649
30.72	12/31/2011	12/31/2014	45,954
35.41	12/31/2012	12/31/2015	11,485,485
35.41	12/31/2012	12/31/2015	20,625
35.41	12/31/2012	12/31/2015	45,954
23.16	12/31/2013	12/31/2016	16,829,780
23.16	12/31/2013	12/31/2016	45,954
27.43	12/31/2010	12/31/2014	874,167
31.69	9/23/2012	12/31/2014	29,551
			<b><u>58,808,831</u></b>

(\*) Simple options have an exercise price in *reais* and cannot have a cashless exercise.

The table below shows the simple options granted, cancelled and exercised under the Banco Itaú Holding plan, in 2009.

	<u>Number</u>	<u>Price (in R\$)(*)</u>
<b>Balance at 12/31/2008</b> .....	<b>58,888,291</b>	<b>25.34</b>
Granted .....	18,050,550	
Cancelled .....	(29,370)	
Exercised .....	(18,100,640)	
<b>Balance at 12/31/2009</b> .....	<b><u>58,808,831</u></b>	<b>25.11</b>

(\*) Weighted average exercise price.

We present below the main terms of the options outstanding as of December 31, 2009, which were initially issued by Unibanco and were assumed by Itaú Unibanco Holding on April 24, 2009:

<u>Exercise Price (in R\$)</u>	<u>Vesting Period</u>	<u>Exercise Period</u>	<u>As of December 31, 2009 Number of Simple Options(*)</u>
7.77	09/02/2008	02/25/2010	38,263
12.16	07/19/2009	07/18/2010	29,516
7.07	01/13/2009	05/05/2010	329,506
15.31	02/01/2010	01/31/2011	1,287,893
19.42	09/19/2010	09/18/2011	37,950
25.62	07/04/2011	07/03/2012	158,127
28.37	08/30/2011	08/29/2012	63,251
32.32	03/21/2012	03/20/2013	227,703
32.29	03/22/2012	03/21/2013	88,550
40.17	05/14/2013	05/13/2014	75,901
			<b><u>2,336,660</u></b>

(\*) Simple options have an exercise price in *reais* and cannot have a cashless exercise.

The table below shows the simple options granted, cancelled and exercised under the Unibanco plan in 2009.

	<u>Number</u>	<u>Price (in R\$)(*)</u>
<b>Balance at 12/31/2008</b> .....	<b>9,154,693</b>	<b>9.41</b>
Impact of exchange for shares of Itaú Unibanco Holding .....	(3,890,702)	
Cancelled .....	(7,168)	
Granted .....		
Exercised .....	(2,855,650)	
<b>Balance at 12/31/2009</b> .....	<b><u>2,336,660</u></b>	<b>18.40</b>

(\*) Weighted average exercise price.

As mentioned above, the general extraordinary meeting held on April 24, 2009 created a new mechanism for the granting of options, which are called bonus options. Unibanco had bonus options since 2007. We present below the main terms of the bonus options outstanding as of December 31, 2009, issued originally by Unibanco (and assumed by Itaú Unibanco Holding) and by Itaú Unibanco Holding.

<u>Exercise Period</u>	<u>Quantity of Bonus Stock Options</u>
09/03/2012 .....	684,981
09/03/2012 .....	66,948
03/03/2013 .....	846,402
09/03/2013 .....	1,004,353
03/06/2014 .....	1,539,637
03/06/2014 .....	<u>158,891</u>
	<b><u>4,301,212</u></b>

The table below shows the bonus options granted, cancelled and exercised under the Unibanco plan in 2009.

	<u>Number</u>
<b>Balance at 12/31/2008</b> .....	<b><u>4,902,284</u></b>
Impact of exchange for shares of Itaú Unibanco Holding. ....	(2,083,547)
Cancelled .....	(93,801)
Granted .....	1,856,427
Exercised .....	<u>(280,15)</u>
<b>Balance at 12/31/2009</b> .....	<b><u>4,301,212</u></b>

Prior to 2007, Brazilian GAAP did not require the recognition of compensation expenses related to stock option plans. Starting in 2008, according to CPC 10, we began to record expenses related to our stock option plan and such expenses were R\$116 million and R\$102 million for the years ended December 31, 2009 and 2008, respectively.

For further information relating to our stock option plan and the issuance of options see Note 16 to our consolidated financial statements as of and for the year ended December 31, 2009.

## Corporate Governance

### *Board of Directors*

Our board of directors is responsible for, among other things:

- establishing our general business policies;
- electing and removing the members of our board of officers and establishing their functions;
- appointing officers to the boards of officers of certain controlled companies;
- supervising our management and examining our corporate books;
- convening shareholders' meetings;
- approving the annual report and our financial statements;
- approving budgets in connection with our results of operations and investments and respective action plans;
- choosing and removing the external auditors;
- electing and removing the members of our audit committee and approving the operational rules that this committee may establish for its own functioning;
- determining the payment of interim dividends and interest on stockholders' equity;
- making decisions regarding buy-back operations on a non-permanent basis;



- making decisions regarding the purchase and writing of put and call options supported by the shares issued by us for the purposes of cancellation, holding as treasury stock or sale and observing the limits pursuant to the specific legislation;
- making decisions regarding the institution of committees to handle specific issues within the scope of our board of directors;
- approving investments and divestments (direct and indirect) of equity investments with a market value of more than 15.0% of the book value of our company as registered in the last audited balance sheet; and
- making decisions regarding any increase of capital within the limit of the authorised capital, pursuant to our bylaws.

In addition to the board of directors and board of officers, we have a fiscal council and an audit committee. Brazilian Corporate Law sets out the responsibilities of our fiscal council and CMN Resolution No. 3,198 sets out the requirements for our audit committee.

In addition, on June 24, 2009, our board of directors reevaluated our corporate governance practices following the Association and determined that the following committees of the board of directors be formed:

- the strategy committee;
- the capital and risk management committee;
- the appointment and corporate governance committee; and
- the personnel committee.

### ***Fiscal Council***

According to Brazilian Corporate Law, the adoption of a fiscal council is voluntary. Our fiscal council has been established annually since 2000, even when our bylaws granted permanent status to our fiscal council. The fiscal council may be adopted on a permanent or temporary basis. The fiscal council is an independent body elected by shareholders annually to supervise the activities of management and independent auditors. The responsibilities of the fiscal council are established by Brazilian Corporate Law and encompass the oversight of management's compliance with the laws and bylaws, the issuance of a report included in the annual and quarterly reports and certain matters submitted for shareholders' approval and calling of shareholders' meetings and the reporting of specific adverse matters arising at those meetings. Our fiscal council is composed of the following individuals, each of whom serves for a term of one year and was elected on April 24, 2009, at our annual shareholders' meeting:

<u>Name</u>	<u>Position</u>	<u>Date of Birth</u>
Iran Siqueira Lima(*) . . . . .	President	05/21/1944
Alberto Sozin Furuguem(*) . . . . .	Member	02/09/1943
Artemio Bertholini(**) . . . . .	Member	04/01/1947
José Marcos Konder Comparato(*) . .	Alternate	09/25/1932
João Costa(*) . . . . .	Alternate	08/10/1950
Susana Hanna Stiphan Jabra(**) . . .	Alternate	08/26/1957

(\*) Members elected by the controlling block of shareholders.

(\*\*) Members elected by holders of preferred shares.

### ***Audit Committee***

In accordance with CMN regulations, all financial institutions that (i) have reference assets or consolidated reference assets equal to or in excess of R\$1 billion, (ii) manage third-party funds of at least R\$1 billion, or (iii) hold deposits and manage third-party funds in an aggregate amount of at least R\$5 billion, are required to have an in-house audit committee. Audit committees are required to be created under an express provision in the bylaws of the

respective financial institution and are required to be composed of at least three members, one of which specialises in accounting and auditing.

Audit committee members of publicly held financial institutions may not (i) be or have been in the previous twelve months: (a) an officer of the institution or its affiliates, (b) an employee of the institution or its affiliates, (c) an officer, manager, supervisor, technician, or any other member of the team involved in auditing activities at the institution, or (d) a member of the institution's fiscal council or that of its affiliates; and (ii) be a spouse or relative (first or second-degree relative) of the persons described in (i).

Audit committee members of publicly held financial institutions are also prohibited from receiving any compensation from the institution or its affiliates other than as a member of the audit committee. In the event an audit committee member of the institution is also a member of the board of directors of the institution or its affiliates, such member must opt for compensation related to only one of the positions.

The audit committee reports to the board of directors and its principal functions are to oversee:

- the quality and integrity of the financial statements of Itaú Unibanco Holding;
- the compliance with legal and regulatory requirements;
- the performance, independence and quality of the services rendered by the independent auditors of Itaú Unibanco Holding;
- the performance, independence and quality of the work performed by the internal auditors of Itaú Unibanco Holding;
- the quality and the effectiveness of the internal controls and risk management systems of Itaú Unibanco Holding; and
- recommendations for hiring and replacement of independent auditors to the board of directors.

According to Central Bank regulations, the audit committee is required to be a corporate body, created by shareholder resolution, which is separate from the board of directors. Notwithstanding the requirement of separate corporate bodies, the members of the audit committee may be members of the board of directors, provided that they meet certain independence requirements. In addition, under Brazilian law, the hiring of the independent auditor is a function reserved exclusively for the board of directors of a company. However, Brazilian regulation permits the creation of a single committee for an entire group of companies.

Independent auditors and the audit committee must immediately notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of the same, including:

- non-compliance with legal and regulatory norms that place the continuity of the audited entity at risk,
- fraud of any amount perpetrated by the administration of said institution,
- relevant fraud perpetrated by entity employees or third parties, and
- errors that result in significant mistakes in the accounting records of the entity.

Our audit committee is comprised of the following individuals, each of whom serves for a one year term and was elected by our board of directors.

<u>Name</u>	<u>Position</u>
Gustavo Jorge Laboissiere Loyola . . . . .	President
Alcides Lopes Tapias . . . . .	Member
Eduardo Augusto de Almeida Guimarães. .	Member
Guy Almeida Andrade . . . . .	Member and financial expert
Tereza Cristina Grossi Togni . . . . .	Member and financial expert

Our board of directors has determined that two members of our audit committee, Mr. Guy Almeida Andrade and Ms. Tereza Cristina Grossi Togni, are audit committee financial experts and meet the requirements set forth by the SEC and the NYSE. Our audit committee financial experts, along with the other members of our audit committee, are independent pursuant to CMN Resolution No. 3,198, which requires that such members not be, or have been in the last year, an officer or employee of the company or its affiliates or an employee with managerial responsibilities in the internal audit division of the company. Mr. Andrade is an expert in U.S. GAAP, which is the accounting standard used by us in our primary financial statements filed with the SEC. Other members of our audit committee are experts in accounting practices adopted in Brazil and we believe the skills, experience and education of our audit committee members qualify them to carry out all of their duties as members of the audit committee, including overseeing the preparation of our U.S. GAAP financial statements. In addition, our audit committee has the ability to retain independent accountants, financial advisers or other consultants, advisers and experts whenever it deems appropriate.

See above for the biographies of Gustavo Jorge Laboissiere Loyola and Alcides Lopes Tapias. Set forth below are brief biographical descriptions of Mr. Eduardo Augusto de Almeida Guimarães, Mr. Guy Almeida Andrade and Ms. Tereza Cristina Grossi Togni.

*Mr. Guy Almeida Andrade* has been a member of our audit committee since December 2008. He was a member of the audit committee of Unibanco from April 2004 to December 2008. He began his career in 1974 at Magalhães Andrade S/S Auditores Independentes, where he became a partner in 1982, a position he currently holds. In 1984, he joined an intern program at Dunwoody & Co., Toronto, Canada. In 1983 he was admitted to the Chamber of Independent Auditors of IBRACON. From 2002 to 2004, he was president of the National Executive Board of IBRACON, where he held the position of alternate director for Brazil for the Inter-American Accounting Association from 1999 to 2003. In 2000, he was elected as a member of the board of directors of the International Federation of Accountants — IFAC, headquartered in New York, a position he held until November 2006. Mr. Andrade is the chairman of IFAC's audit committee. In 2003 he founded RBA Global Auditores Independentes, where he holds the position of administrative officer. Mr. Guy Almeida Andrade has a bachelor's degree in accounting from the Universidade de São Paulo and a bachelor's degree in business administration from Universidade Mackenzie.

*Mr. Eduardo Augusto de Almeida Guimarães* has been a member of our audit committee since December 2008. He was a member of the audit committee of Unibanco from April 2004 to December 2008. He previously held the positions of president of the IBGE from 1990 to 1992, National Treasury Secretary at the Ministry of Finance from 1996 to 1999, chairman of the BANESPA from 1999 to 2000, and chairman of Banco do Brasil from 2001 to 2003. He has been a member of the boards of directors of various companies such as Banco do Brasil, CEF, BNDES Participações S.A. and Banco Nossa Caixa S.A. He has also undertaken various academic functions, such as dean of the Economics Institute of the Universidade Federal de Rio de Janeiro, lecturer in the Economics Department of the Pontifícia Universidade Católica of Rio de Janeiro (PUC), and a member of the Economics and Business Administration Faculty of the Universidade Federal Fluminense. Mr. Guimarães has a degree in civil engineering, a degree in economics, a master's degree in production engineering from the Universidade Federal do Rio de Janeiro and a Ph.D. in economics from the University of London.

*Ms. Tereza Cristina Grossi Togni* has been a member of our board of directors since February 2004 and a member of the audit committee of Itaú Unibanco Holding since July 1, 2004. Ms. Grossi was appointed by our board of directors as our financial expert in compliance with the requirements and responsibilities set forth by Resolution No. 3,198 of the CMN and the Sarbanes-Oxley Act ("**Sarbanes-Oxley**"), due to her qualifications in accounting and auditing. She was a member of the board of directors and deputy governor responsible for banking supervision of the Central Bank from April 2000 to March 2003. She was also a consultant, deputy head and department head for supervision of the Central Bank from 1997 to March 2000 and inspector and supervision coordinator of the Central Bank in Belo Horizonte from August 1984 to February 1997. She has been a member of the advisory banking board of the Toronto International Leadership Centre for Financial Sector Supervision since 2003. She graduated in business administration and accounting from the Universidade Católica de Minas Gerais in 1977 and has completed post graduation courses in Switzerland and in the United States.

## **Committees of the Board of Directors**

### *Strategy Committee*

Our strategy committee is responsible for corporate strategy, investments and budget.

With respect to corporate strategy, the strategy committee: (i) supports the board of directors in its discussions with the board of officers regarding the strategic guidelines with respect to business matters; (ii) issues opinions and recommendations on the strategic guidelines and provides input for the board of directors' discussions and decisions; and (iii) takes the initiative in the discussion of key matters and those of a high impact nature.

Regarding investments, the committee: (i) reviews investment opportunities presented by the board of officers which have a relevant impact on the business; and (ii) issues opinions and recommendations on investment opportunities presented, providing input and support to the discussions and decisions of the board of directors.

As to the budget, the committee: (i) proposes budgetary guidelines; (ii) conducts a thorough discussion with the board of officers in order to establish budgetary guidelines; (iii) conducts discussions with the board of officers and makes a recommendation on the budget for the current year to the board of directors; and (iv) advises and supports the CEO in monitoring corporate strategy in relation to the budget.

Further, the strategy committee also establishes an economic scenarios sub-committee, made up of key employees of Itaú Unibanco Holding and its controlled companies that have recognised expertise in macroeconomy. Such sub-committee supplies macroeconomic input to the strategy committee to provide support for its considerations in defining strategy, investments and budgets.

The board of directors appoints directors to the strategy committee on an annual basis. However, key employees of Itaú Unibanco Holding and specialists in strategy may be invited by the board of directors to be members of the committee.

The following members of our board of directors were appointed to our strategy committee: Pedro Moreira Salles, Roberto Egydio Setubal, Alfredo Egydio Arruda Villela Filho, Henri Penchas and Israel Vainboim.

### *Capital and Risk Management Committee*

Our capital and risk management committee is responsible for managing our risks and assets.

In relation to managing risk, the capital and risk management committee: (i) reviews risk management policies and assists in the establishment of the general philosophy of the Itaú Unibanco Holding with respect to risk; (ii) proposes and discusses procedures and systems for measuring and managing of risk; (iii) recommends general limits for risk and levels of control; (iv) surveys best practices with respect to significant financial risk exposure; (v) is kept informed by the board of officers of material themes with respect to risk exposure; (vi) receives and analyzes reports from the board of officers as to monitoring, control and limits of Itaú Unibanco Holding's risks; (vii) monitors the performance of the Itaú Unibanco Holding with respect to risk including monitoring risks relating to large accounts; and (viii) discusses and reviews limits of exposure to credit, market and operational risks.

In connection with the management of our assets, the committee: (i) discusses fiduciary activities and policies, as well as asset management activities and policies; (ii) reviews the liquidity and financing positions of the companies under the Itaú Unibanco Holding; (iii) discusses and monitors capital allocation and structure (economic, regulatory and rating); (iv) recommends limits for the allocation of capital considering risk-return and ensures compliance with regulatory requirements; and (v) reviews performance and allocation of capital in relation to levels of risk.

The board of directors appoints directors to the capital and risk management committee on an annual basis. However, key employees of Itaú Unibanco Holding and specialists in capital and risk management may be invited by the board of directors to be members of the committee.

The following members of our board of directors were appointed to our capital and risk management committee: Roberto Egydio Setubal, Gustavo Loyola, Pedro Luiz Bodin de Moraes, Francisco Eduardo de Almeida Pinto and Candido Botelho Bracher.

### *Appointment and Corporate Governance Committee*

Our appointment and corporate governance committee is responsible for certain corporate governance matters, such as the selection, appointment and assessment of members of our board of directors and CEO.

In connection with corporate matters, the committee: (i) analyzes and opines on potential situations of conflicts of interest between the directors and companies that are part of the Itaú Unibanco Holding based on criteria established by the board of directors, in particular (a) situations arising from external activities undertaken by members of the board of directors or the board of officers in the statutory bodies of other companies which are not part of the Itaú Unibanco Holding, and (b) transactions between directors and companies which are part of the Itaú Unibanco Holding; (ii) proposes the division among the directors of the fixed aggregate compensation established by the annual shareholders meeting; (iii) recommends changes in the composition of the board of directors and its committees; and (iv) recommends changes to the structure of committees, including the creation and dissolution of committees.

In connection with selection and appointment of members of the board of directors and the CEO, the appointment and corporate governance committee: (i) identifies, analyzes and proposes candidates for the board of directors to be presented at the annual shareholders meeting, and determines, if elected, whether the candidate will be deemed an internal (also an officer of the company), external (not an officer of the company) or independent (not elected by the controlling shareholder, among other independence requirements) director; (ii) periodically reviews criteria for defining independent, external and internal directors pursuant to best practice governance principles and applicable regulations, recommends to the board of directors any modifications that may be necessary and reevaluates the standing of each director in the light of any new independence criteria that may be established; (iii) assesses the functioning of the board of directors; (iv) discusses and makes recommendations on the succession of the chairman of the board of directors; (v) discusses and makes recommendations on the succession of the CEO; and (vi) assists in the identification of directors qualified to fill vacancies on the board committees, including the appointment and corporate governance committee, and is specifically required to provide an opinion with respect to the independence and financial specialisation of members of the audit committee.

With respect to the assessment of members of the board of directors and the CEO, the committee: (i) recommends processes for evaluating the board of directors, individual directors, the chairman of the board, the committees and the CEO; and (ii) provides support with respect to evaluation methodology and to the board of directors, individual directors, chairman of the board, committees and CEO.

The board of directors appoints directors to the appointment and corporate governance committee on an annual basis. However, key employees of Itaú Unibanco Holding and specialists in human resources and corporate governance may be invited to be members of the committee.

The following members of the board of directors were appointed to the appointment and corporate governance committee: Pedro Moreira Salles, Alfredo Egydio Arruda Villela Filho, Alfredo Egydio Setubal, Henri Penchas, Israel Vainboim and Fernando Roberto Moreira Salles.

### *Personnel Committee*

Our personnel committee is responsible for establishing compensation for the CEO, vice presidents and executive officers, defining stock options, recruiting, training and retaining talented employees and recruiting and training.

Regarding compensation and stock options, the personnel committee: (i) proposes compensation models for the companies under the Itaú Unibanco Holding; (ii) proposes a compensation package for the CEO for approval by the board of directors; (iii) evaluates and approves the compensation packages proposed by the CEO for the vice presidents and executive officers of Itaú Unibanco Holding and Itaú Unibanco, including the fixed and variable incomes, benefits and long-term incentives of such packages; (iv) ensures that the board of directors is informed of any material information with respect to compensation at all salary levels of the companies of Itaú Unibanco Holding; and (v) approves the granting of stock options of Itaú Unibanco Holding, as it is the committee responsible for the institutional decisions within the scope of the stock option plans sponsored by Itaú Unibanco Holding.



With respect to recruitment and training issues, the committee: (i) proposes guidelines for recruitment, evaluation and career development policies of the companies which are part of Itaú Unibanco Holding, ensuring the preparation of successors for all key positions; (ii) discusses, monitors and advises the board of officers on the career of key personnel within Itaú Unibanco Holding (varying from 100 to 150 persons) identified not necessarily according to hierarchical function; (iii) monitors the performance of key employees of Itaú Unibanco Holding, evaluating their results in comparison with established targets; (iv) monitors the results of the trainee program, including recruitment during the year, development of the trainees from previous years and an overall analysis of the program; (v) tracks the evaluation system used by the board of officers to evaluate Itaú Unibanco Holding's employees and analyzes compliance with the established guidelines; (vi) assists in the establishment of mentoring guidelines; (vii) advises on skills necessary for Itaú Unibanco Holding to achieve its medium term goals while complying with ethical and moral principles; (viii) reviews the profiles of the principal employees to be hired, recommending their engagement to the CEO and, if hiring an officer, to the board of directors; (ix) recommends general recruitment policies; (x) tracks what companies in the same sector are seeking in regard to their key employees; (xi) advises on the engagement of consultants and specialists for assisting in the hiring process; (xii) monitors the number of employees per business unit compared with established targets; (xiii) discusses the culture and training needs; (xiv) tracks policies with respect to courses and training programs for training personnel; and (xv) assists in the definition of continuing education programs.

The board of directors appoints directors to the personnel committee on an annual basis. However, key employees of Itaú Unibanco Holding and specialists in the human resources division may be invited to be members of the committee.

The following members of our board of directors were appointed to our personnel committee: Pedro Moreira Salles, Roberto Egydio Setubal, Ricardo Villela Marino, Francisco Eduardo de Almeida Pinto and Candido Botelho Bracher.

### ***Committees of the Board of Officers***

#### ***Disclosure and Trading Committee***

Our disclosure and trading committee's main responsibility is to manage our trading and disclosure policies. It covers a range of internal actions in order to improve the flow of information and oversee the ethical conduct of the management and employees in order to: (i) ensure the transparency, quality, equality and accuracy of the information rendered to shareholders, investors, press, government authorities and other capital market entities; (ii) address and implement the criteria established by us so that Itaú Unibanco Holding's management, shareholders, controllers and employees, as well as third parties that have a relationship with us, may comply with ethical and legal standards in the trading of our securities; (iii) evaluate the guidelines and procedures under our trading policy and guidelines for disclosure of an act or material fact and for maintaining confidentiality of certain information established by our disclosure policy, as well as the prior analysis of the content of announcements to the press; (iv) monitor and regulate compliance by management and other employees of Itaú Unibanco Holding to our policies, and (v) investigate cases of breach of our policies, notifying any infractions to the board of directors.

Our disclosure and trading committee is comprised of our principal investor relations officer and from two to ten persons elected annually among the members of the board of directors, board of officers or controlled companies and specialists in capital markets.

### **Principal Differences between Brazilian and U.S. Corporate Governance Practices**

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than those applied to U.S. listed companies. Under the NYSE rules, we are only required to: (i) have an audit committee or audit board that meets certain requirements, as discussed below, (ii) provide prompt certification by our chief executive officer to the NYSE each year that he is not aware of any violation by the company of NYSE corporate governance listing standards, (iii) submit an executed written affirmation annually to the NYSE and submit an interim written affirmation each time a change occurs to the board or any of the committees subject to Section 303A of the NYSE rules, and (iv) provide a brief description of the



significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

### ***Majority of Independent Directors***

The NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company.

Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, Brazilian Corporate Law, the Central Bank and the CVM have established rules that require directors to meet certain qualification requirements relating to professional qualifications and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's officers and directors and our directors meet the qualification requirements of Brazilian Corporate Law, the Central Bank and the CVM. Our corporate governance policy discloses the criteria used by our board of directors to determine if a director is independent. According to those criteria, three of our directors are considered independent. Brazilian Corporate Law requires that our directors be elected by our shareholders at an annual shareholders' meeting. All of our directors are elected by our controlling shareholder, IUPAR, and six of our directors are members of the Egydio de Souza Aranha and Moreira Salles families that control IUPAR.

### ***Executive Sessions***

NYSE rules require that non-management directors meet at regularly scheduled executive sessions without the presence of management. Brazilian Corporate Law does not have a similar provision. According to Brazilian Corporate Law, up to one-third of the members of the board of directors can be elected from management. Our president Roberto Setubal, our executive vice presidents Alfredo Egydio Setubal and Candido Botelho Bracher and the executive officer of Itaú Unibanco Ricardo Villela Marino are members of our board of directors. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors do not typically meet in executive sessions. Our board of directors consists of nine non-management directors.

### ***Committees***

NYSE rules require that listed companies have a nominating and corporate governance committee and a compensation committee composed entirely of independent directors and governed by written charters addressing the committees' required purposes and detailing their required responsibilities. The responsibilities of the nominating and corporate governance committee include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. The responsibilities of the compensation committee, in turn, include, among other things, reviewing and approving corporate goals and objectives relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending non-chief executive officer compensation, incentive-compensation and equity-based plans to the board.

We are not required under applicable Brazilian Corporate Law to have a nominating committee, corporate governance committee and compensation committee. However, we have an appointment and corporate governance committee and a personnel committee. Pursuant to our bylaws, our directors are elected by our shareholders at an annual shareholders' meeting. Aggregate compensation for our directors and officers is established by our shareholders. The personnel committee is responsible for the management of our stock option plan, which was approved by our shareholders. This plan defines the objectives, guidelines, conditions, limits, characteristics of the plan to be followed by the personnel committee and grants the committee authority for deciding certain issues relating to the plan.

### ***Audit Committee and Audit Committee Additional Requirements***

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate; (ii) meets the SEC rules regarding audit committees for listed companies; (iii) has at least one member who has accounting or financial management expertise; and (iv) is governed by a written charter addressing the committee's required purpose and annual performance evaluation of the audit committee and detailing its required responsibilities.

Brazilian Banking Law (Resolution No. 3,198 from the Central Bank) requires us to have an audit committee of at least three members, and Brazilian Corporate Law requires us to have a fiscal council, which is composed of three to five members. Pursuant to Brazilian Corporate Law and Resolution No. 3,198 of the Central Bank, the fiscal council members are elected at the annual shareholders' meeting and the audit committee is elected by the board of directors among its members and professionals of proven knowledge of the audit area, provided that, according to our bylaws, its chairman must be also a member of our board of directors.

The fiscal council operates independently from our management and from our external auditors. Its main function is to examine the financial statements for each fiscal year and provide a formal report to our shareholders. We have a fiscal council that consists of three members and three alternates and which meets once a month.

According to the SEC, foreign private issuers are exempt from the audit committee requirements if the issuer meets certain requirements. We believe that our audit committee is able to act independently in performing the responsibilities of an audit committee under Sarbanes-Oxley, satisfies the other requirements of the exemption of Rule 10A-3(c)(3) and therefore is in compliance with Rule 10A-3 of the Exchange Act. Our audit committee, to the extent permitted under Brazilian law, performs all the functions required of an audit committee under Rule 10A-3. As required by Brazilian law, our board of directors and audit committee are separate corporate bodies. Only two of the five members of our audit committee are also members of our board of directors. In addition, under Brazilian law, the authority to hire independent auditors is reserved exclusively for a company's board of directors. Therefore, our board of directors acts as our audit committee, as permitted under Rule 10A-3(c)(3)(v) of the Exchange Act, for the purpose of the appointment of our independent auditors. Our audit committee is currently composed of five members, of which two members are also members of our board of directors.

### ***Shareholder Approval of Equity Compensation Plans***

NYSE rules require that stockholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. Under Brazilian Corporate Law, shareholders must also approve all stock option plans. In addition, any issuance of new shares that exceeds our authorised share capital is subject to shareholder approval. However, our shareholders do not have to vote on all equity compensation plans but any issuance of new shares that exceeds the authorised capital is subject to approval at a shareholders' meeting.

### ***Corporate Governance Guidelines***

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We comply with the corporate governance guidelines imposed by applicable Brazilian law. We believe the corporate governance guidelines applicable to us under Brazilian law are consistent with the guidelines established by the NYSE. We have adopted standards beyond what is required by applicable Brazilian law: we voluntarily adhere to BM&FBOVESPA's Level 1 of Corporate Governance and have tag-along rights for all shareholders, regardless of their voting rights.

In addition, we have adopted (i) the Policy of Material Information Disclosure, which deals with the public disclosure of all relevant information as per CVM's Instruction No. 358 guidelines; and (ii) the Policy on Trading of Securities, which restricts the negotiation of securities during certain periods and requires management to inform all transactions relating to our securities, and which was an optional device included in the CVM's Instruction No. 358. Going beyond the requirements of applicable Brazilian law, in July 2002 we created the disclosure and trading committees, which were unified in the disclosure and trading committee in April 2006.

### *Code of Business Conduct and Ethics*

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. However, we adopted a Code of Ethics in 2000 which regulates the conduct of our managers in connection with the registration and control of financial and accounting information and their access to privileged and non-public information. In 2004, we included a supplement to our Code of Ethics in order to comply with the requirements of Sarbanes-Oxley and the NYSE rules. In October 2005, we announced our newly and updated Code of Ethics, and this Code was reviewed in February 2010 due to the Association.

### *Internal Audit*

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control.

Our internal auditing directorate has the independence from management to conduct methodologically structured examinations, analyses, surveys and fact-finding to evaluate the integrity, adequacy, effectiveness and efficiency of the information systems processes and internal controls related to our risk management. The directorate reports directly to our board of directors and interacts with the audit committee and, in carrying out its duties, the internal auditing directorate has access to all documents, records, systems, locations and people involved with the activities under review.

### *Sarbanes-Oxley Act of 2002*

We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarise and disclose this information within the time periods specified in the rules of the SEC.

### **Employees**

The following table sets forth the number of our employees as of December 31, 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Employees (on a consolidated basis)</b> . . . . .	<b>101,640</b>	<b>108,027</b>	<b>66,109</b>
Brazil . . . . .	96,240	102,649	61,460
Abroad . . . . .	5,400	5,378	4,649
Argentina . . . . .	1,376	1,394	1,368
Chile . . . . .	2,012	1,989	1,850
Uruguay . . . . .	983	1,001	917
Paraguay . . . . .	461	448	—
Europe . . . . .	345	344	362
Other . . . . .	223	202	152

Employees from each of our business operations as of December 31, 2009, 2008 and 2007 are presented in the following table:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Commercial banking . . . . .	89,360	92,838	55,324
Itaú BBA . . . . .	2,310	1,094	963
Consumer credit . . . . .	9,888	13,886	9,705
Corporate . . . . .	<u>82</u>	<u>209</u>	<u>117</u>
<b>Total</b> . . . . .	<b><u>101,640</u></b>	<b><u>108,027</u></b>	<b><u>66,109</u></b>

The number of our employees increased by 35.0% from December 31, 2007 to December 31, 2009, as a result of the Association between Itaú and Unibanco. During 2009, the integration process related to the Association included integrating our employees. We endeavour to simultaneously redesign strategies and identify the potential of the two institutions to incorporate into management, in order to ensure the development of a common agenda with the values and vision of Itaú Unibanco Holding. We support this common agenda through training programs and education.

Our employees are represented by 209 labour unions in Brazil (including CONTRAF and CONTEC mentioned below), which consist of banking labour unions in various localities in which we operate. Since 1986, the banking industry in Brazil has been the target of periodic strikes organised by labour unions, usually during wage negotiations in the third quarter of each year. During a strike, part of the normal activities of certain branches suffer from temporary disruptions. Despite the disruptions to our retail banking operations and, to a lesser extent, our corporate banking operations, we have not in the past suffered significant losses due to strikes. We have in place contingency plans for access to our corporate buildings and branches in case of strikes.

FENABAN represents banking institutions as employers and negotiates with the two entities representing the employees, National Federation of Financial Industry Workers (*Confederação Nacional dos Trabalhadores do Ramo Financeiro* or “**CONTRAF**”) and the National Federation of Credit Industry Workers (*Confederação Nacional dos Trabalhadores nas Empresas de Crédito* or “**CONTEC**”). They carry out annual wage negotiations to update salaries, banks’ overtime pay levels and other benefits. The negotiation takes place in September of each year. We traditionally set the salary structure of our employees above these levels. We seek to maintain good relationships with our employees and with the labour unions which represent them.

Itaú Unibanco Holding, through sponsored enterprises, offers its employees 19 pension plans that are administered by the eight entities described below, all of which are closed pensions funds. The plans’ main objective is to provide a supplement to Brazilian federal social security benefits. Twelve of the plans are defined benefit plans, under which the calculation of the benefit amount on retirement is determined by a set formula. Three are defined contribution plans, under which contribution amounts are fixed and the benefit amount is proportional to investment returns over time and four are variable contribution plans under which contribution amounts vary by participant and the benefit amount also depends on investment returns over time. All of these plans are closed to new participants. New employees can participate in a defined contribution plan managed by Itaú Vida e Previdência S.A.

The plans are administered by the following entities:

- Fundação Itaúbanco,
- Funbep — Fundo de Pensão Multipatrocinado,
- Caixa de Previdência dos Funcionários do BEG (“**PREBEG**”),
- Fundação Bemgeprev,
- Itaúbank Sociedade de Previdência Privada,
- Itaú Fundo Multipatrocinado,
- UBB PREV — Previdência Complementar, and
- Fundação Banorte.

Our pension plans are managed in accordance with our corporate governance principles, which aim to ensure that participants receive superior retirement benefits through plan management. As required by Brazilian regulatory agencies, actuarial valuations are made by the actuary responsible for each plan each year. During 2009, 2008 and 2007, we made contributions to the pension plans at levels required by actuarial standards. We made contributions to our pension plans of approximately R\$51.3 million, R\$44.9 million, and R\$38.1 million in 2009, 2008 and 2007, respectively.

## Training and Development

Personnel development is one of our main values, and we make an effort to train high performance teams engaged and motivated by sustainable development. For this reason we created the Itaú Unibanco Business School, which provides continuing education in three areas: business (knowledge management of different business areas), leadership (knowledge management for more senior employees for development of leadership) and performance (knowledge management of general application, such as corporate MBA programs, certification preparation programs and IT courses). The Itaú Unibanco Business School was created to further the unification of processes at the two banks prior to the Association by combining the best programs of each bank in Itaú Unibanco Holding. The continuing education of our teams and leaders promotes a high level of discussion on themes such as ethics, sustainability, and social and environmental responsibility.

We support diversity, seeing it as a way of promoting creative solutions and an open work environment. We have implemented social and economic programmes for minorities, such as the Apprentice Development Program (*Programa de Desenvolvimento de Aprendiz*) and the Afro-Descendants Internship and Development Program (*Programa de Estágio e Desenvolvimento de Afro-descendentes*), which both provide mentoring and support for programme members in their career development and in their understanding of the professional environment.

In January 2009, we conducted a study and analysis on Itaú Unibanco Holding's culture, with the aim of proposing a plan to consolidate the culture of the new company. It included surveys and research involving approximately 16,000 employees, approximately 70 interviews and a focus group with 90 officers and 240 managers. The process of building our corporate culture involves developing an integrated set of principles and a philosophy, which each bank had done for their institution, and we have combined and defined the principles which define our culture as “*Nosso Jeito de Fazer*.”

In 2009, we also conducted an organisational environment survey (*Fale Francamente*) of all employees for the first time after the Association. This research enables us to know the opinions of employees about their day-to-day work. It assists managers with information about the organisational culture of their divisions, allowing us maximise our strengths and act on opportunities for improvement. The research directs the implementation of actions to ensure the continuous improvement of management processes and employment satisfaction levels.

Our dedication to the development of our employees is illustrated by our International Organisation for Standardisation 9001 certification. All certifications are valid for three years, during which there must be annual follow-up audits. After three years, there is a recertification audit.

During the course of 2009 the issues listed below have been audited by SGS ICS Certificadora Ltda.:

- Record of working hours — Electronic TimeSheet;
- Payroll — Calculation, Credit, Accounting and Collection;
- Fundação Itaú Unibanco — Analysis of Credit Granting and Benefits Payment;
- Fundação Prebep — Analysis of Credit Granting and Benefits Payment;
- Fundação Funbep — Analysis of Credit Granting and Benefits Payment; and
- Fundação Bemgeprev — Analysis of Credit Granting and Benefits Payment.

The only process recertified in 2009 was the Itaú Unibanco Business School Management.

## Share Ownership

Except for the stock indirectly owned by our controlling shareholders (owned through their participation in IUPAR, Itaúsa and E. Johnston), the members of our board of directors and our board of officers, on an individual basis and as a group, beneficially own less than 1.0% of the shares of our common stock and less than 1.0% of the shares of our preferred stock.

## PRINCIPAL SHAREHOLDERS AND DIVIDENDS

In accordance with our bylaws, our capital stock is divided into two classes of shares: common shares (*ações ordinárias*) and preferred shares (*ações preferenciais*). Each common share entitles its holder to one vote at meetings of our shareholders, and there are no differences in the voting rights conferred by each of our common shares. The preferred shares are non-voting.

The following table sets forth certain information as of February 26, 2010 with respect to:

- any person known to us to be the beneficial owner of more than 5.0% of our outstanding common shares, and
- any person known to us to be the beneficial owner of more than 5.0% of our outstanding preferred shares.

	Common Shares		Preferred Shares		Total	
	Total Number of Shares	%	Total Number of Shares	%	Total Number of Shares	%
(Per share, except percentage amounts)						
<b>IUPAR — Itaú Unibanco Participações S.A.</b> . . . .	1,167,536,097	51.00%	0.00	0.00%	1,167,536,102	25.54%
CNPJ 04.676.564/0001-08						
<b>Itaúsa — Investimentos Itaú S.A.</b> . . . . .	828,666,680	36.20%	77,082	0.01%	828,743,762	18.13%
CNPJ 61.532.644/0001-15						
<b>Bank Of America Corporation</b> . . . . .	56,476,299	2.47%	188,424,758	8.26%	244,901,057	5.36%
CNPJ 08.387.504/0001-18						
<b>Treasury stock</b> . . . . .	2,202	0.00%	41,477,336	1.81%	41,479,538	0.91%
<b>Others</b> . . . . .	236,605,192	10.33%	2,051,670,568	89.82%	2,288,275,760	50.06%
<b>Total</b> . . . . .	<u>2,289,286,470</u>	<u>100.00%</u>	<u>2,281,649,744</u>	<u>100.00%</u>	<u>4,570,936,219</u>	<u>100.00%</u>

On November 28, 2008, as a result of the Association, Itaú Unibanco Holding became controlled by IUPAR, a holding company controlled by (i) Itaúsa, which holds 50.0% of the common stock and 100.0% of the preferred stock of IUPAR and also directly holds 36.2% of our common stock, is a holding company controlled by the Egydio de Souza Aranha family, and (ii) E. Johnston, which holds 50.0% of the common stock of IUPAR, is a holding company controlled by the Moreira Salles family. Three of our directors, Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal and Alfredo Egydio Setubal, are members of the Egydio de Souza Aranha family and two of our directors, Pedro Moreira Salles and Fernando Roberto Moreira Salles, are members of the Moreira Salles family. See “Business — History.” In addition, BAC held 5.4% of our total capital as of February 26, 2010.

The table below contains information regarding our shares and American Depositary Shares (“ADS”) according to our internal share record as of February 26, 2010:

	Number of Shares	Number of Shareholders of Record
Common shares . . . . .	57,796,021	18
Preferred shares . . . . .	394,942,333	299
Preferred shares represented by ADS . . . . .	760,479,343	1(*)
<b>Total</b> . . . . .	<u>1,213,217,697</u>	<u>318</u>

(\*) The Bank of New York Mellon



## **Shareholders' Agreements**

### ***Itaúsa and E. Johnston***

Itaúsa and E. Johnston (which is owned by the Moreira Salles family) have a shareholders' agreement in order to regulate their relationship regarding IUPAR, Itaú Unibanco Holding and its subsidiaries. Its main provisions are described below.

#### ***Corporate Governance***

The board of directors of IUPAR will be composed of four members: two appointed by Itaúsa and two by E. Johnston, and its board of officers will be composed of four officers: two appointed by Itaúsa and two by E. Johnston. The board of directors of Itaú Unibanco Holding will be composed of up to 14 members, out of which six will be appointed by Itaúsa and E. Johnston, and will vote jointly on certain matters.

#### ***Lock-up Period, Right of First Refusal and Tag-Along Rights.***

The shares issued by IUPAR may not be transferred by its shareholders to third parties until November 3, 2018. After this period, in case one of the parties decides to transfer shares of IUPAR, the other party may choose to (i) exercise its right of first refusal to acquire the shares, (ii) exercise its tag-along right, in the exact same terms and conditions, or (iii) waive both its rights of first refusal and tag-along. Itaúsa may freely transfer the shares issued by Itaú Unibanco Holding that are directly owned by it. In case the parties decide to jointly transfer the totality of their shares issued by IUPAR, Itaúsa may exercise its tag-along right in order to include all or part of the shares issued by Itaú Unibanco Holding that are directly owned by Itaúsa.

### ***Bank of America***

Itaú Unibanco Holding and Itaúsa entered into a shareholders' agreement with BAC, which became effective upon completion of the acquisition of BankBoston Brazil on September 1, 2006. Pursuant to the terms of this shareholders' agreement, BAC has the right to appoint one member of Itaú Unibanco Holding's board of directors and may not increase its shareholdings in Itaú Unibanco Holding above 20.0% of Itaú Unibanco Holdings' issued and outstanding shares of capital stock. The newly-issued shares to BAC were subject to a three-year lock-up, which expired in September 2009, and BAC does not have a right of first refusal, but is entitled to tag-along rights in the case of sale by Itaúsa of its shares of Itaú Unibanco Holding.

## **Dividend Policy and Dividends**

### ***General***

Brazilian Corporate Law generally requires that the bylaws of each Brazilian corporation specify a minimum percentage of the distributable profits of the corporation, comprising normal dividends and interest on stockholders' equity, that must be distributed to the shareholders as described below. Under Brazilian Corporate Law, distributable profits may be paid in the form of normal dividends or in the form of interest on stockholders' equity. The principal difference between dividends and interest on stockholders' equity is their tax treatment.

Interest on stockholders' equity is limited to the daily pro rata variation of the Brazilian long-term interest rate (*Taxa de Juros de Longo Prazo*), and cannot exceed the greater of 50.0% of the net income for the period in respect of which the payment is made and 50.0% of retained earnings. Distribution of interest on stockholders' equity may also be accounted for as a tax deductible expense, and any payment of interest on preferred shares to shareholders, whether Brazilian residents or not, including holders of ADSs, is subject to Brazilian withholding tax at the rate of 15.0%. The amount paid to shareholders as interest on stockholders' equity, net of withholding tax, may be included as part of the mandatory distribution. In such cases, we are required to distribute to shareholders an amount sufficient to ensure that the net amount received by the shareholders, after the payment by us of applicable withholding taxes in respect of the distribution of interest on stockholders' equity, is at least equal to the mandatory distribution.

Under our bylaws, we are required to distribute to our shareholders as dividends in respect to each fiscal year an amount equal to not less than 25.0% of the distributable amount (adjusted net profit, as per article 202 of Law No. 6,404), or the mandatory dividend. Our board of directors may also declare the payment of interim dividends

from retained earnings and profit reserves. Any payment of interim dividends or payment of interest on stockholders' equity will be netted against the amount of the mandatory dividend for that fiscal year. Each preferred share will be entitled to a priority minimum annual dividend of R\$0.022.

Under Brazilian Corporate Law, a company is allowed to withhold payment of the mandatory dividend in respect of common shares and preferred shares if management reports to shareholders at a meeting that the distribution would be incompatible with the financial circumstances of the company and the shareholders ratify this decision at a meeting. In this case, the fiscal council must prepare and issue an opinion about the report of management and management must forward an explanation to the CVM within five days of the shareholders' meeting, justifying the decision. The profits that were not distributed are to be recorded as a special reserve and, if not absorbed by losses in subsequent fiscal years, should be paid as dividends as soon as the company's financial situation permits.

#### ***Payment of Dividends***

We are required to hold an annual shareholders' meeting by no later than April 30 of each year at which an annual dividend may be declared or ratified. Additionally, interim dividends may be declared by our board of directors. According to Brazilian Corporate Law, the payment of dividends must occur prior to the end of the fiscal year in which the dividend was declared. A shareholder has a three-year period from the dividend payment date to claim dividends in respect of its shares, after which we have no liability for that payment. Shareholders who do not reside in Brazil must generally register with the Central Bank to have dividends and interest on stockholders' equity, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil.

#### ***Dividend Policy***

We currently intend to pay dividends and interest on stockholders' equity equal to the mandatory dividend, subject to any determination by our board of directors that such distribution would be inadvisable in view of our financial condition and provided that our board of directors determines to pay solely the minimum, non-cumulative preferred dividend in respect of the preferred shares. We pay a fixed amount of dividends monthly, which is equal to R\$0.012 per share. As this fixed amount per share was maintained after the inclusion in the shareholders' position of the stock dividend approved by our extraordinary shareholders' meeting held on April 24, 2009, the total value we pay monthly to shareholders was increased by 10.0% as a result of such inclusion.

The record date in Brazil for the monthly payment is the last business day of the preceding month and in the United States the record date is three business days after the Brazilian record date. The payment of the dividend is the first business day of the following month.

The calculation of the monthly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, taking into consideration that the payment is made on the first business day of the subsequent month.

#### ***History of Dividend Payments***

The following table sets forth the dividends and interest on stockholders' equity paid to or provisioned for holders of our common shares and preferred shares since 2007.

<u>Years</u>	<u>Total of Payments</u>		<u>Total of Payments/Annual Consolidated Net Profit(*)</u> (In millions of R\$)	<u>Net Per Share (R\$)(*)</u>
	<u>Gross</u>	<u>Net(*)</u>		
2009 .....	3,977	3,472	34.5%	0.79
2008 .....	3,205	2,852	36.5%	0.80
2007 .....	2,830	2,544	30.0%	0.77

(\*) Net of taxes in Brazil.

We also paid our shareholders a dividend of R\$0.012 per share, net of taxes in Brazil, on each of February 1 and March 1, 2010.

## RELATED PARTY TRANSACTIONS

We engage in a number of transactions with related parties. The granting of credit to officers, directors or affiliates of financial institutions is subject to restrictions under Brazilian law. In addition, under Brazilian law, financial institutions may not grant loans, advances or guarantees to:

- any individual, or the immediate family members of such individual, or entity that controls the financial institution or any entity under common control with the financial institution;
- any officer, director or member of the fiscal council of the financial institution, or the immediate family members of such individual, or entity in which such individual directly or indirectly holds more than 10.0% of the capital stock;
- any entity controlled by the financial institution; or
- any entity in which the financial institution directly or indirectly holds more than 10.0% of the capital stock or which directly or indirectly holds more than 10.0% of the financial institution's capital stock.

As of the date of this Offering Memorandum, we believe that we are in compliance with the restrictions under Brazilian law. Brazilian law does not limit our ability to enter into transactions in the interbank market with our affiliates that are financial institutions. See "The Brazilian Financial System and Banking Regulation."

Transactions between related parties are disclosed in compliance with CVM Resolution No. 560, of December 11, 2008, and CMN Resolution No. 3,750 of June 30, 2009. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices, as well as under reciprocal conditions. Transactions with companies whose results are consolidated with ours were eliminated from our consolidated financial statements.

The unconsolidated related parties with whom we entered into transactions are the following:

- Itaúsa, its controlling companies and certain subsidiaries, including Itaútec, Duratex, Elekeiroz and Itaúsa Empreendimentos S.A.;
- Fundação Itaúbank, FUNBEP — Fundo de Pensão Multipatrocinado, PREBEG, Fundação Bemgeprev, Itaúbank Sociedade de Previdência Privada, UBB — Prev Previdência Complementar, and Fundação Manoel Baptista da Silva de Seguridade Social, closed-end private pension entities, that administer supplementary retirement plans sponsored by Itaú Unibanco Holding and its subsidiaries; and
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema and Associação Clube "A," not-for profit entities sponsored by Itaú Unibanco Holding and its subsidiaries.

The transactions with these related parties are basically characterised as described in the table below.

	ITAÚ Unibanco Holding(1)						ITAÚ Unibanco Holding Consolidated(1)					
	Assets/(Liabilities)			Revenue/(Expenses)			Assets/(Liabilities)			Revenue/(Expenses)		
	12/31/2009	12/31/2008	12/31/2007	01/01 to 12/31/2009	01/01 to 12/31/2008	01/01 to 12/31/2007	12/31/2009	12/31/2008	12/31/2007	01/01 to 12/31/2009	01/01 to 12/31/2008	01/01 to 12/31/2007
	(In millions of R\$)											
<b>Interbank investments</b> . . . . .	<b>6,851</b>	<b>350</b>	<b>757</b>	<b>474</b>	<b>78</b>	<b>116</b>	—	—	—	—	—	—
Itaú Unibanco S.A. . . . .	6,851	350	757	474	78	116	—	—	—	—	—	—
<b>Securities and derivative financial instruments</b> . . . . .	<b>(1)</b>	<b>(2)</b>	<b>30</b>	—	<b>10</b>	<b>39</b>	—	—	—	—	—	—
Itaú Unibanco S.A. . . . .	(1)	(2)	30	—	10	39	—	—	—	—	—	—
<b>Deposits</b> . . . . .	<b>(899)</b>	<b>(346)</b>	—	<b>(70)</b>	<b>(77)</b>	—	<b>(58)</b>	<b>(66)</b>	<b>(47)</b>	—	—	—
Duratex S.A. . . . .	—	—	—	—	—	—	(18)	(11)	(6)	—	—	—
Itaú Unibanco S.A. . . . .	(899)	(346)	—	(70)	(77)	—	—	—	—	—	—	—
ITH Zux Cayman Company Ltd. . . . .	—	—	—	—	—	—	(41)	(54)	(41)	—	—	—
<b>Repurchase agreements</b> . . . . .	—	—	—	—	—	—	<b>(48)</b>	<b>(127)</b>	<b>(37)</b>	<b>4</b>	<b>(4)</b>	<b>(12)</b>
Itaúsa Empreendimentos S.A. . . . .	—	—	—	—	—	—	(48)	(44)	—	4	(1)	—
Duratex S.A. . . . .	—	—	—	—	—	—	—	(15)	(15)	—	(1)	(11)
Itaú Gestão de Ativos S.A. . . . .	—	—	—	—	—	—	(1)	—	—	—	—	—
Elekeiroz S.A. . . . .	—	—	—	—	—	—	—	(59)	(22)	—	(2)	(1)
Itautec S.A. . . . .	—	—	—	—	—	—	—	(9)	—	—	—	—
<b>Amounts receivable from/payable to related parties</b> . . . . .	<b>1</b>	<b>(4)</b>	<b>(26)</b>	<b>(5)</b>	<b>(2)</b>	<b>(2)</b>	<b>(73)</b>	<b>(90)</b>	—	<b>(103)</b>	<b>(14)</b>	—
Itaú Corretora de Valores S.A. . . . .	(1)	—	—	(5)	(2)	(2)	—	—	—	—	—	—
Itaúsa Investimentos S.A. . . . .	—	—	—	—	—	—	(73)	—	—	(103)	—	—
UBB Prev Previdência Complementar . . . . .	—	—	—	—	—	—	—	(13)	—	—	(3)	—
Fundação Banorte Manuel Baptista da Silva de Seguridade Social . . . . .	—	—	—	—	—	—	—	(77)	—	—	(11)	—
Itaú Unibanco S.A. . . . .	2	(4)	(26)	—	—	—	—	—	—	—	—	—
<b>Banking service fees</b> . . . . .	—	—	—	—	—	—	—	—	—	<b>14</b>	<b>13</b>	<b>3</b>
Fundação Itaúbanco . . . . .	—	—	—	—	—	—	—	—	—	9	6	2
FUNBEP — Fundo de Pensão Multipatrocinado . . . . .	—	—	—	—	—	—	—	—	—	2	2	—
UBB Prev Previdência Complementar . . . . .	—	—	—	—	—	—	—	—	—	—	4	—
Itaúsa Investimentos S.A. . . . .	—	—	—	—	—	—	—	—	—	2	1	1
<b>Rent expenses</b> . . . . .	—	—	—	—	—	—	—	—	—	<b>(32)</b>	<b>(26)</b>	<b>(22)</b>
Duratex S.A. . . . .	—	—	—	—	—	—	—	—	—	—	2	2
Itautec S.A. . . . .	—	—	—	—	—	—	—	—	—	—	2	3
Itaúsa — Investimentos Itaú S.A. . . . .	—	—	—	—	—	—	—	—	—	(1)	(1)	—
FUNBEP — Fundo de Pensão Multipatrocinado . . . . .	—	—	—	—	—	—	—	—	—	(7)	(6)	(5)
Fundação Itaúbanco . . . . .	—	—	—	—	—	—	—	—	—	(24)	(23)	(22)
<b>Donation expenses</b> . . . . .	—	—	—	—	—	—	—	—	—	<b>(50)</b>	<b>(37)</b>	<b>(87)</b>
Instituto Itaú Cultural . . . . .	—	—	—	—	—	—	—	—	—	(39)	(37)	(35)
Fundação Itaú Social . . . . .	—	—	—	—	—	—	—	—	—	(1)	—	(52)
Instituto Unibanco de Cinema . . . . .	—	—	—	—	—	—	—	—	—	(10)	—	—
Associação Clube “A” . . . . .	—	—	—	—	—	—	—	—	—	(1)	—	—
<b>Data processing expenses</b> . . . . .	—	—	—	—	—	—	—	—	—	<b>(274)</b>	<b>(227)</b>	<b>(191)</b>
Itautec S.A. . . . .	—	—	—	—	—	—	—	—	—	(274)	(227)	(191)

Note:

- (1) Data presented under “Itaú Unibanco Holding” correspond to balances for transactions with related parties recognised in the unconsolidated financial statements of Itaú Unibanco Holding while balances presented under “Itaú Unibanco Holding Consolidated” correspond to balances for transactions with the related parties recognised in the consolidated financial statements of Itaú Unibanco Holding.

The transactions in the table above generally consist of:

- Interbank investments, which are investments in other financial institutions;
- Securities and derivative financial instruments, which are investments in fixed-income securities, available for sale and include financial treasury bills, national treasury bills, national treasury notes, government securities abroad, Eurobonds, bank deposit certificates, debentures, swaps, forwards, options and futures contracts;
- Deposits, which are funds received as deposits from other entities;
- Repurchase agreements, which are funds received from security repurchase agreements for financial treasury bills, national treasury bills, national treasury notes, government securities abroad, Eurobonds, bank deposit certificates, debentures, swaps, forwards, options and futures contracts;
- Amounts receivable from and payable to related parties, which arise from custody fees and risk management fees;
- Banking service fees, which arise from affiliate portfolio management fees, custody fees, risk management fees and social security and investment management fees;
- Rent expenses, which consist of rent for space used by not-for profit entities sponsored by us;
- Donation expenses, which consist of donations for investment in projects of not-for profit entities sponsored by us; and
- Data processing expenses, which consist of expenses for processing services, including expert technical assistance and maintenance of equipment, provided by Itaútec.

In addition to the aforementioned transactions, Itaú Unibanco Holding and non-consolidated entities are parties to an agreement for apportionment of common costs, pursuant to which such subsidiaries pay Itaú Unibanco Holding for certain services and office space provided by Itaú Unibanco Holding. In connection with such agreement, the non-consolidated entities paid Itaú Unibanco Holding R\$8.9 million, R\$6.8 million and R\$8.4 million in 2009, 2008 and 2007, respectively.

## THE BRAZILIAN FINANCIAL SYSTEM AND BANKING REGULATION

The basic institutional framework of the Brazilian financial system was established in 1964 through Law No. 4,595 of December 31, 1964 (the “**Banking Reform Law**”). This legislation created the CMN, as the regulatory agency responsible for establishing currency and credit policies promoting economic and social development, as well as for the operation of the financial system.

### Principal Regulatory Agencies

#### *The CMN*

The CMN, currently the highest authority responsible for monetary and financial policies in Brazil, is responsible for the overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies. In accordance with the changes introduced by the *Plano Real* (“**Real Plan**”), the CMN is chaired by the minister of finance and includes the minister of planning and budget and the president of the Central Bank. The CMN is authorised to regulate the credit operations which Brazilian financial institutions are engaged in, to regulate the Brazilian currency, to supervise Brazil’s reserves of gold and foreign exchange, to determine Brazilian saving and investment policies and to regulate the Brazilian capital markets. In this regard, the CMN also oversees the activities of the Central Bank and the CVM.

#### *The Central Bank*

The Central Bank is responsible for implementing the policies of the CMN as they relate to monetary policy and exchange control matters, regulating public and private sector Brazilian financial institutions, monitoring and registration of foreign investment in Brazil and overseeing the Brazilian financial markets. The president of the Central Bank is appointed by the president of Brazil for an indefinite term subject to ratification by the Brazilian senate. Since January 2003, the president of the Central Bank has been Mr. Henrique de Campos Meirelles.

#### *The CVM*

The CVM is the body responsible for regulating the Brazilian securities and derivative markets in accordance with the general regulatory framework determined by the CMN. The CVM also regulates companies whose securities are traded on the Brazilian securities markets, as well as investment funds.

### Principal Limitations and Restrictions on Financial Institutions

Under the Banking Reform Law, financial institutions may not:

- operate in Brazil without the prior approval of the Central Bank and carry out transactions that fail to comply with principles of selectivity of transactions, adequate guarantees, liquidity and risk diversification;
- invest in the equity of another company unless the investment receives the prior approval of the Central Bank, based upon certain standards established by the CMN. Those investments may, however, be made through the investment banking unit of a multiple-service bank or through an investment bank;
- own real estate unless the institution occupies that property. When real estate is transferred to a financial institution in satisfaction of a debt, the property must be sold within one year, except if otherwise authorised by the Central Bank; and
- lend more than 25.0% of their capital calculated in accordance with CMN Resolution No. 3,444 as the basis for our regulatory capital to any single person or group.

### Principal Financial Institutions

#### *Public Sector*

The federal and state governments of Brazil control several commercial banks and financial institutions devoted to fostering economic development, primarily with respect to the agricultural and industrial sectors. State development banks act as independent regional development agencies in addition to performing commercial



banking activities. In the last decade, several public sector multiple-service banks have been privatised and acquired by Brazilian and foreign financial groups. Government-controlled banks include:

- Banco do Brasil, which is a federal government-controlled bank. Banco do Brasil provides a full range of banking products to the public and private sectors. It is the primary financial agent of the federal government and, as of December 31, 2009, it was the largest multiple — service bank in Brazil based on assets;
- BNDES, which is the federal government-controlled development bank primarily engaged in the provision of medium- and long-term finance to the Brazilian private sector, including to industrial companies, either directly or indirectly through other public and private sector financial institutions;
- CEF, which is a federal government-controlled multiple-service bank and the principal agent of the national housing finance system. CEF is involved principally in deposit-taking, savings accounts and the provision of financing for housing and urban infrastructure; and
- other federal public sector development and multiple-service banks, including those controlled by the various state governments.

### ***Private Sector***

The private financial sector includes commercial banks, investment, finance and credit companies, investment banks, multiple-service banks, securities dealers, stock brokerage firms, credit co-operatives, leasing companies, insurance companies and others. In Brazil, the largest participants in the financial markets are financial conglomerates involved in commercial banking, investment banking, financing, leasing, securities dealing, brokerage and insurance. As of February 1, 2010, there were 553 financial institutions operating in the private sector, including:

- *commercial banks* — approximately 18 private sector commercial banks engaged in wholesale and retail banking and were particularly active in demand deposits and lending for working capital purposes;
- *investment banks* — approximately 16 private investment banks engaged primarily in time deposits, specialised lending, and securities underwriting and trading; and
- *multiple-service banks (bancos múltiplos)* — 136 private sector multiple-service banks provided, through different departments, a full range of commercial banking, investment banking (including securities underwriting and trading), consumer financing and other services including fund management and real estate financing.

In addition to the above, the Central Bank also supervises the operations of consumer credit companies (*financeiras*), securities dealerships (*distribuidoras de títulos e valores mobiliários*), stock brokerage companies (*corretoras de valores*), leasing companies (*sociedades de arrendamento mercantil*), savings and credit associations (*associações de poupança e empréstimo*) and real estate credit companies (*sociedades de crédito imobiliário*).

### ***Foreign Banks***

Financial institutions operating in Brazil which are controlled by foreign entities, as well as Brazilian branches of foreign financial institutions, are subject to the same rules, regulations and requirements applicable to any other Brazilian financial institutions. However, after the enactment of the current Brazilian Federal Constitution on October 5, 1988, and until the enactment of a new complementary law regulating foreign participation in the Brazilian financial system, the establishment in Brazil of financial institutions controlled by foreign entities or branches of foreign financial institutions, as well as the increase of foreign capital participation in Brazilian financial institutions: (i) require the prior approval of the president of Brazil by means of a presidential decree recognising such installation or increase as being in the national interest of the country; or (ii) must be supported by international or reciprocity agreements. Notwithstanding such restrictions, non-Brazilian persons are entitled to purchase non-voting shares of Brazilian financial institutions that are negotiated in the stock exchange or deposit certificates for shares without voting rights offered abroad, pursuant to a presidential decree dated December 9, 1996.

## Regulation by the Central Bank

### *Overview*

The Central Bank implements the currency and credit policies established by the CMN, and controls and supervises all public- and private-sector financial institutions. Any amendment to a financial institution's bylaws, any increase in its capital or any establishment or transfer of its principal place of business or any branch (whether in Brazil or abroad) must be approved by the Central Bank. Central Bank approval is necessary to enable a financial institution to merge with or acquire another financial institution or in any transaction resulting in a change of control of a financial institution. See also “— Antitrust Regulation.” The Central Bank also determines minimum capital requirements, permanent asset limits, lending limits and mandatory reserve requirements. No financial institution may operate in Brazil without the prior approval of the Central Bank.

The Central Bank monitors compliance with accounting and statistical requirements. Financial institutions must submit annual and semi-annual audited financial statements, quarterly financial statements, subject to a limited review, as well as monthly unaudited financial statements, prepared in accordance with the Central Bank rules, all of which must be filed with the Central Bank. Publicly held financial institutions must also submit quarterly financial statements to the CVM, which are subject to a limited review. In addition, financial institutions are required to disclose to the Central Bank all credit transactions, foreign exchange transactions, export and import transactions and any other related economic activity. This disclosure is usually made on a daily basis by computer and through periodic reports and statements. A financial institution and the corporate entities or individuals which control such financial institution have a duty to make available for inspection by the Central Bank its corporate records and any other document which the Central Bank may require in order to carry out its activities.

### *Capital Adequacy and Leverage/Regulatory Capital Requirements*

Since January 1995, Brazilian financial institutions have been required to comply with Basel I on risk-based capital adequacy, modified as described below.

In general, Basel I and Basel II require banks to maintain a ratio of capital to assets and certain off-balance sheet items, determined on a risk-weighted basis, of at least 8.0%. At least half of the required capital must consist of Tier 1 Capital, and the balance must consist of Tier 2 Capital. Tier 1 Capital, or core capital, includes equity capital (i.e., common shares and non-cumulative permanent preferred shares), share premium, retained earnings and certain disclosed reserves less goodwill. Tier 2 Capital, or supplementary capital, includes “hidden” reserves, asset revaluation reserves, general loan loss reserves, subordinated debt and other quasi-equity capital instruments (such as cumulative preferred shares, long-term preferred shares and mandatory convertible debt instruments). There are also limitations on the maximum amount of certain Tier 2 Capital items. To assess the capital adequacy of banks under the risk-based capital adequacy guidelines, a bank's capital is evaluated on the basis of the aggregate amount of its assets and off-balance sheet exposures, such as financial guarantees, letters of credit and foreign currency and interest rate contracts, which are weighted according to their categories of risk.

Brazilian legislation closely tracks the provisions of Basel II standardised or basic approaches for credit, market and operational risks. Among the key differences between Brazilian legislation and Basel II are:

- the minimum ratio of capital to assets determined on a risk-weighted basis is 11.0%;
- the risk-weighting assigned to certain assets and off-balance sheet exposures differs slightly from those set forth in Basel II, including a risk weighting of 300.0% on deferred tax assets other than temporary differences;
- the ratio of capital to assets of 11.0% mentioned above must be calculated based on a fully consolidated basis since July 2000, i.e., including all financial and non-financial subsidiaries. In making these consolidations, Brazilian financial institutions are required to take into account all investments made in Brazil or abroad in which the financial institution holds, directly and indirectly, individually or together with another partner, including through voting agreements: (i) partner rights that ensure a majority in adopting corporate resolutions of the invested entity; (ii) power to elect or dismiss the majority of the management of the invested entity; (iii) operational control of the invested company characterised by common management;

and (iv) effective corporate control of the invested entity characterised by the total equity interest held by its management, controlling individuals or entities, related entities and the equity interest held, directly or indirectly, through investment funds. Upon preparation of the consolidated financial statements, the financial institutions that are related by actual operational control or by operation in the market under the same trade name or trademark must also be considered for consolidation purposes; and

- the requirement for banks to set aside a portion of their equity to cover operational risks as from July 1, 2008, which varies from 12.0% to 18.0% of average gross income from financial intermediation.

For limited purposes, the Central Bank establishes the criteria for the determination of regulatory capital for Brazilian financial institutions. In accordance with those criteria established by CMN Resolution No. 3,444, the capital of the banks is divided into Tier 1 Capital and Tier 2 Capital.

- Tier 1 Capital is represented by stockholders' equity plus balance of credit income account and blocked deposits account in order to mitigate the capital deficiency, excluding the balance of debt income account, revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, non-realised earnings related to available-for-sale securities market value adjustments and certain tax credits in accordance with Resolution No. 3,059, as amended, established by CMN.
- Tier 2 Capital is represented by revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, subordinated debt and hybrid instruments and non realised earnings related to available-for-sale securities market value adjustments. As mentioned above, Tier 2 Capital must not exceed Tier 1 Capital.

The regulatory capital is represented by the sum of Tier 1 and Tier 2 Capital and, together with the deductions described in Note 31 to our consolidated financial statements as of and for the year ended December 31, 2009, will be taken into consideration for the purposes of defining the operational limits of financial institutions. In addition, preferred redeemable stock with original maturity of less than 10 years plus the amount of subordinated debt is limited to 50.0% of the amount of Tier 1 Capital.

### ***Reserve Requirements***

The Central Bank currently imposes several reserve requirements on Brazilian financial institutions and such reserve amounts must be deposited with the Central Bank, as a mechanism to control the liquidity of the Brazilian financial system. These reserve requirements are applied to a wide range of banking activities and transactions, such as demand deposits, savings deposits and time deposits. The deduction of certain costs related to foreign currency acquisitions from compulsory deposit requirements related to interbank deposits from leasing companies mentioned below (which compulsory deposits are a part of the reserve requirements related to time deposits) is in effect until June 10, 2010. For compulsory deposits related to time deposits, the deduction of amounts related to debt purchase or investments on interbank deposits issued by financial institutions with a consolidated Tier 1 regulatory capital no greater than R\$7 billion is allowed without limitation and will be limited to 45.0% of required reserves beginning March 29, 2010.

In light of the global financial crisis, the CMN and the Central Bank enacted measures to modify Brazilian banking laws in order to provide the financial market with greater liquidity, including:

- reducing the rate applicable on additional time deposit and demand deposit reserve requirements to 4.0%, and to 5.0%, respectively, effective until March 22, 2010. As of March 22, 2010 the rate applicable to both additional time and demand deposits reserve requirements is 8.0%, corresponding to the rate in place before the crisis.
- providing that financial institutions may deduct costs related to foreign currency acquisitions from the compulsory deposit requirements related to interbank deposits from commercial leasing companies;
- reducing the rate of compulsory demand deposits from 45.0% to 42.0%; and
- reducing the rate of required compulsory reserves as time deposits to 13.5%, effective until March 29, 2010. As of March 29, 2010, the rate of required compulsory reserves as time deposits is 15.0%, corresponding to the rate in place before the crisis; and

- permitting financial institutions to deduct the amount of voluntary instalments of the ordinary contribution to the FGC from compulsory demand deposits.

### ***Foreign Currency Exposure***

The total exposure undertaken by financial institutions and their direct and indirect subsidiaries on a consolidated basis in gold, foreign currency and other assets and liabilities indexed or linked to foreign exchange rate variation may not exceed 30.0% of their regulatory capital, in accordance with CMN Resolution No. 3,488.

### ***Liquidity and Fixed Assets Investment Regime***

The Central Bank prohibits Brazilian multiple-service banks, including us, from holding, on a consolidated basis, permanent assets in excess of 50.0% of their adjusted regulatory capital. Permanent assets include investments in unconsolidated subsidiaries as well as real estate, equipment and intangible assets.

### ***Lending Limits***

In accordance with the CMN Resolution No. 2,844, a financial institution, on a consolidated basis, may not extend loans or advances, grant guarantees, enter into credit derivative transactions, underwrite or hold in its investment portfolio securities of any customer or group of affiliated customers that, in the aggregate, exceed 25.0% of the financial institution's regulatory capital.

### ***Treatment of Overdue Debts***

In accordance with CMN Resolution No 2,682, Brazilian financial institutions are required to classify their credit transactions (including leasing transactions and other transactions characterised as credit advances) at different levels and make provisions according to the level attributed to each such transaction. The classification is based on the financial condition of the customer, the terms and conditions of the transaction and the period of time during which the transaction has been in arrears, if any. Transactions are classified as level AA, A, B, C, D, E, F, G or H, with AA being the highest classification. Credit classifications must be reviewed on a monthly basis and, apart from additional provisions required by the Central Bank which are deemed necessary by management of those financial institutions, provisions required to be made vary from 0.5% of the value of the transaction, in the case of level A transactions, to 100.0% in the case of level H transactions.

### ***Foreign Currency Loans***

Financial institutions in Brazil are permitted to borrow foreign-currency denominated funds in the international markets (either through direct loans or through the issuance of debt securities) for any purpose, including on-lending those funds in Brazil to Brazilian corporations and financial institutions without the prior written consent of the Central Bank, in accordance with Resolution No. 3,844. The Central Bank may establish limits on the term, interest rate and general conditions of such international loan transactions (including the issuance of bonds and notes by financial institutions). Currently, there are no limits imposed on such transactions, but international funds that remain in Brazil for a period shorter than 90 days are subject to the IOF at a rate of 5.38% levied on the notional amount in local currency of the foreign currency exchange contract entered into. However, if the funds remain in Brazil for a period over 90 days, the IOF is reduced to zero. The Central Bank frequently changes these regulations in accordance with economic scenarios and the monetary policy of the Brazilian government. Cross-border loans between individual or legal entities (including banks) resident or domiciled in Brazil and individual or legal entities resident or domiciled abroad are no longer subject to the prior approval of the Central Bank, but are subject to the prior registration with the Central Bank.

### ***Foreign Currency Position***

Transactions involving the sale and purchase of foreign currency in Brazil may only be conducted by institutions authorised to do so by the Central Bank. The Central Bank imposes limits on the foreign exchange sale and purchase positions of institutions authorised to operate in the foreign exchange markets. These limits vary according to the type

of financial institution conducting foreign exchange transactions, the foreign exchange sale positions held by those institutions, as well as the stockholders' equity of the relevant institution. There is no current limit to long or short positions in the foreign exchange of banks (commercial, multiple-service, investment, development banks and savings banks) authorised to carry out transactions on the foreign exchange market. In accordance with the Central Bank Circular No. 3,401, other institutions within the national financial system are not allowed to have long positions in foreign currency, although there are no limits in respect to foreign exchange short positions.

### ***Transactions with Affiliates***

Law No. 7,492 of June 16, 1986, which sets forth crimes against the Brazilian financial system, establishes the extension of credit by a financial institution to any of its controlling shareholders, directors or officers and certain family members of such individuals and any entity controlled directly or indirectly by such financial institution or which is subject to common control with such financial institution as a crime. Violations of Law No. 7,492 are punishable by two to six years' imprisonment and a fine. On June 30, 1993, the CMN issued Resolution No. 1,996, which requires any such transaction to be reported to the public ministry's office.

The Banking Reform Law also imposed prohibitions on the extension of credit or guarantee to any company which holds more than 10.0% of the financial institution's capital and to any company in which they hold more than 10.0% of the capital. This limitation also is also applicable in respect to directors and officers of the financial institution and certain of their relatives, as well to those companies in which such persons hold more than 10.0% of the capital.

### ***Establishment of Offices and Investments Abroad***

For a Brazilian financial institution to establish foreign offices or directly or indirectly maintain equity interests in financial institutions outside Brazil, it must obtain the prior approval of the Central Bank, which will be contingent on the applicant Brazilian bank being able to meet certain criteria, including:

- the Brazilian financial institution must have been in operation for at least six years;
- the Brazilian financial institution's paid-in capital and stockholders' equity must meet the minimum levels established by Central Bank regulations for the relevant financial institution plus an amount equal to 300% of the minimum paid-in capital and stockholders' equity required by Central Bank regulations for commercial banks;
- the Central Bank must be assured of access to information, data and documents regarding the transactions and accounting records of the branch for its global and consolidated supervision;
- the Brazilian financial institution must present to the Central Bank a study on the economic and financial viability of the subsidiary, branch or investment and the expected return on investment; and
- within 180 days of Central Bank approval, the Brazilian financial institution must submit a request to open the branch with the competent foreign authorities and begin operations within one year. Failure to observe these conditions may result in cancellation of the authorisation.

## **Bank Failure**

### ***Insolvency Regime***

Financial institution insolvency is largely a matter handled by the Central Bank. The Central Bank will commence and oversee all administrative proceedings, whether for, or in avoidance of, liquidation.

Law No. 11,101, as amended (the "**Brazilian Insolvency Law**"), was sanctioned by the president on February 9, 2005, became effective in June 2005 and was amended in November 2005; it has significantly reshaped and modernised bankruptcy law in Brazil, until then governed by rules originating in 1945. Among the more important innovations introduced by the new law are the following: (i) the availability of reorganisation arrangements that, subject to flexible statutory terms and conditions, may be structured under varying forms so as to

enable a debtor deemed by its creditors to have business potential to effectively attempt to financially restructure; and (ii) in the event of bankruptcy, the ranking of secured debts ahead of tax liabilities.

While the insolvency of financial institutions remains governed by specific regimes (intervention, extrajudicial liquidation and temporary special administration, each of which is discussed in further detail below), they are subject to the Brazilian Insolvency Law, to the extent applicable, on an ancillary basis, until such time as a specific set of rules is enacted.

### ***Intervention, Administrative Liquidation and Bankruptcy***

The Central Bank may intervene in the operations of a bank if there is a material risk for creditors. The Central Bank may intervene if liquidation can be avoided or it may perform administrative liquidation or, in some circumstances, require the bankruptcy of any financial institution except those controlled by the Brazilian government.

### ***Extrajudicial Liquidation***

An extrajudicial liquidation of any financial institution (with the exception of public financial institutions controlled by the Brazilian government) may be carried out by the Central Bank if it can be established that:

- debts of the financial institution are not being paid when due; or
- the financial institution is deemed insolvent; or
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors; or
- management of the relevant financial institution has materially violated Brazilian banking laws or regulations; or
- upon cancellation of its operating authorisation, a financial institution's ordinary liquidation proceedings are not carried out within 90 days or are carried out with delay representing a risk to its creditors, at the Central Bank's discretion. Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institution's officers or by the intervener appointed by the Central Bank in the intervention proceeding.

### ***Extrajudicial liquidation proceedings may cease:***

- at the discretion of the Central Bank if the parties concerned take over the administration of the financial institution after having provided the necessary guarantees; or
- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent public registry; or
- when converted to an ordinary liquidation; or
- when the financial institution is declared bankrupt.

### ***Temporary Special Administration Regime***

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime (*Regime de Administração Especial Temporária* or "**RAET**"), which is a less severe form of Central Bank intervention in private and non-federal public financial institutions and which allows institutions to continue to operate normally. The RAET may be imposed by the Central Bank in the following circumstances:

- the financial institution continually participates in transactions contrary to economic and financial policies established by federal law,
- the financial institution fails to comply with the compulsory reserves rules,



- the financial institution has operations or circumstances which call for an intervention,
- illegal or management misconduct exists, and
- the institution faces a shortage of assets.

The main purpose of the RAET is to assist with the recovery of the financial conditions of the institution under special administration. Therefore, the RAET does not affect the day-to-day business operations, liabilities or rights of the financial institution, which continues to operate in its ordinary course.

### ***Repayment of Creditors in Liquidation***

In the event of the extra-judicial liquidation of a financial institution or a liquidation of a financial institution under the terms of a bankruptcy proceeding, employees' wages up to a certain amount, secured credits and indemnities and tax claims enjoy the highest priority of any claims against the bankruptcy estate. The FGC, a deposit insurance system, guarantees a maximum amount of R\$60,000 of deposits and credit instruments held by an individual with a financial institution (or financial institutions of the same financial group). The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that handle customer deposits, currently at 0.0125% per year, in accordance with CMN Resolution No. 3,400, as amended. The payment of unsecured credit, including regular retail customer deposits not payable under the credit insurance fund, is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges. Additionally, deposits and credit instruments raised outside of Brazil are not payable under the credit insurance fund, in accordance with Resolution No. 3,400.

## **Foreign Investment**

### ***Foreign Banks***

The establishment in Brazil of new branches by foreign financial institutions (financial institutions which operate and have a head office offshore) is prohibited, except when duly authorised by the Brazilian government, in accordance with international treaties, the policy of reciprocity and the interest of the Brazilian government. Once authorised to operate in Brazil, a foreign financial institution is subject to the same rules, regulations and requirements that are applicable to any other Brazilian financial institution.

### ***Foreign Investments in Brazilian Financial Institutions***

Foreign investment in Brazilian financial institutions by individuals or companies is permitted only if specific authorisation is granted by the Brazilian government, in accordance with international treaties, the policy of reciprocity and the interest of the Brazilian government. Once authorisation is granted, Brazilian law sets forth the following rules concerning foreign investment in Brazil and the remittance of capital outside of Brazil:

- foreign and Brazilian investors must be treated equally, unless legislation states otherwise,
- any foreign entity that directly owns shares of Brazilian companies must be registered with the corporate taxpayer registry (*Cadastro Nacional de Pessoa Jurídica* or "CNPJ");
- foreign direct investments, repatriations and profit remittances must be registered electronically with the Central Bank through the Module RDE-IED of SISBACEN;
- the Central Bank may require that Brazilian companies provide information regarding the foreign equity interests in those Brazilian companies, and any other information in connection with the relevant foreign investment in Brazil; and
- Brazilian companies must provide in their financial statements relevant foreign investments, obligations and credits.

In December 1996, President Fernando Henrique Cardoso issued a decree authorising the acquisition by non-Brazilians of non-voting shares issued by Brazilian financial institutions as well as the offering abroad of depositary receipts representing those shares. Also in December 1996, the CMN approved a resolution specifically authorising

the global offering of depositary receipts representing non-voting shares of Brazilian financial institutions. Therefore, in these specific cases, authorisation from the Brazilian government is not necessary.

### **Privatisation of State-Controlled Banks**

In order to reduce the participation of Brazilian states in banking activities, the Brazilian government has established certain procedures for the privatisation, liquidation or change in corporate form of financial institutions currently controlled by Brazilian states.

The Brazilian government, subject to certain conditions relating to the guarantees to be provided by the Brazilian states, may, at its discretion:

- acquire control of a financial institution for the purpose of its privatisation or liquidation;
- finance the liquidation or change in corporate form of a financial institution into a non-financial institution when such action is instituted by its controlling stockholder;
- finance any prior adjustments necessary for the privatisation of a financial institution;
- purchase contractual credits held by a financial institution against its controlling stockholder and entities controlled by that stockholder and refinance those credits; and
- under exceptional circumstances, upon the prior approval of the CMN and subject to the fulfilment of certain conditions by the relevant Brazilian state, finance a capitalisation program aimed at improving the management of the financial institution. In this case, under specific conditions, the financing is limited to 50.0% of the amount of necessary funds.

### **Brazilian Payment and Settlement System**

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the Bank of International Settlements. The Brazilian payment and settlement system began operating in April 2002. The Central Bank and the CVM have the power to regulate and supervise this system. Pursuant to these rules, all clearing houses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks previously borne by the Central Bank. The most important principles of the Brazilian payment and settlement system are:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, are liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

### **Internal Compliance Procedures**

All financial institutions must have in place internal policies and procedures to control their activities, their financial, operational and management information systems, and their compliance with all regulations applicable to them.

### **Audit Committee**

For information regarding our audit committee and our audit committee financial experts, see “Management — Corporate Governance — Audit Committee.”

#### ***Exemptions from the Listing Standards for Audit Committees***

Under the listed company audit committee rules of the NYSE and the SEC, we must comply with Rule 10A-3 of the Exchange Act (Listing Standards Relating to Audit Committees). Rule 10A-3 requires that we either

establish an audit committee composed of members of the board of directors that meets specified requirements, or designate and empower a board of auditors or similar body to perform the role of the audit committee in reliance on the general exemption for audit committees of foreign private issuers set forth in Rule 10A-3(c)(3) of the Exchange Act.

In accordance with Central Bank regulations, we have established a body similar to the audit committee of the board of directors of a U.S. company, which we are required to call an “audit committee.” See “Management — Corporate Governance — Audit Committee.”

Our audit committee, to the extent permitted under Brazilian law, performs all the functions required of an audit committee under Rule 10A-3. As required by Brazilian law, our board of directors and audit committee are separate corporate bodies. Only two of the five members of our audit committee are also members of our board of directors. In addition, under Brazilian law, the function of hiring independent auditors is a power reserved exclusively for a company’s board of directors. Therefore, our board of directors acts as our audit committee, as permitted under Rule 10A-3(c)(3)(v) of the Exchange Act for the purpose of the appointment of our independent auditors.

Except in these respects, our audit committee is comparable to, and performs the functions of, an audit committee of the board of directors of a U.S. company. We believe that our audit committee is able to act independently in performing the responsibilities of an audit committee under Sarbanes-Oxley, satisfies the other requirements of the exemption of Rule 10A-3(c)(3), and therefore is in compliance with Rule 10A-3 of the Exchange Act.

### **Regulation of Independent Auditors**

Resolution No. 3,198, dated as of May 27, 2004, as amended, establishes consolidated regulations with respect to external audit services for financial institutions. In accordance with Resolution No. 3,198, all financial institutions must be audited by independent accountants. Independent accountants can only be hired if they are registered with the CVM, certified in specialised banking analysis by the IBRACON, and by the Institute of Brazilian Independent Auditors (*Instituto dos Auditores Independentes do Brasil*) and if they meet several requirements that assure their independence. Moreover, financial institutions must replace the responsible partner and senior team members within their independent accounting firm at least every five consecutive years.

Former teams of accountants can be rehired only after three complete years have passed since their prior service. Financial institutions must designate a technically qualified senior manager to be responsible for compliance with all regulations regarding financial statements and auditing.

In addition to preparing an audit report, the independent accountants must prepare:

- a report on the financial institution’s internal controls showing all deficiencies found, and
- a description of the financial institution’s non-compliance with applicable regulation material to the financial institution’s financial statements or activities.

Resolution No. 3,198, as amended by several other resolutions, implemented the following changes to the regulation of independent auditors:

- mandatory limited review of quarterly financial information provided to the Central Bank;
- the financial institution is required to appoint one executive officer, who is qualified to supervise the applicability of the rules and who will be responsible for delivering any information and reporting any eventual fraud or negligence, notwithstanding any other applicable regulation, to the Central Bank;
- definition of certain services that the independent auditor will not be able to provide so as not to risk losing its independence, in addition to CVM requirements;
- Resolution No. 3,503 suspended until December 31, 2008, which determined the mandatory rotation of the independent auditor firm every five years and Resolution No. 3,606, dated September 11, 2008, replaced the rotation of the auditing firm by the rotation of the partner responsible and management team;

- financial institutions that present regulatory capital equal to or above R\$1 billion will have to establish an audit committee comprised of at least three members who should rotate every five years and at least one of the members must have accounting and financial knowledge. The members of the audit committee will only be allowed to be part of the committee again after three years following the maximum five-year office term. The audit committee will be responsible for the evaluation of internal controls, the effectiveness of the independent auditor, and recommend the improvement or change of policies and procedures, among other responsibilities. Each audit committee must publish a summary of the audit committee report, together with the six-month financial statements;
- the hiring of the independent auditor is subject to the certification of team members with management responsibility issued by CFC, together with the IBRACON; and
- the independent auditor is responsible for the issuance of the audit report on the financial statements, a report on the evaluation of internal controls and systems and a report presenting transgressions to the rules and regulations which may have a significant impact on the financial statements or operations of the entity. These reports must be available for inspection by the Central Bank.

Furthermore, under Brazilian law our financial statements must be prepared in accordance with Brazilian GAAP and other applicable regulations. Financial institutions are required to have financial statements audited every six months. Quarterly financial information filed with the CVM is subject to review by its independent accountants. In January 2003, the CVM approved regulations requiring audited entities to disclose information relating to an independent accounting firm's non-auditing services whenever such services represent more than 5.0% of the fees the entity paid to the external accounting firm.

In addition, under CMN Resolution No. 3786, dated September 24, 2009, as of December 31, 2010 our annual statutory consolidated financial statements must be prepared in accordance with IFRS, and accompanied by an independent audit report confirming that the financial statements have been so prepared. See "Presentation of Financial and Certain Other Information."

### **Regulation of Presentation of Financial Statements**

CMN Resolution No. 2,723 of May 31, 2000, as amended, establishes certain rules on consolidation of financial statements by financial institutions. According to this Resolution, financial institutions, except for credit unions, are required to prepare their financial statements on a consolidated basis, including investments in companies in which they hold, directly or indirectly, solely or jointly, (i) the right to nominate or designate a majority of the company's board of directors; (ii) the right to appoint or dismiss the majority of the officers and directors of the company; or (iii) operational or corporate control.

Such resolution is applied by the Central Bank to us on a group-wide basis. Itaú BBA is not required to publish, and does not publish, consolidated financial statements.

### **Rules Governing the Collection of Bank Fees**

The collection of bank fees and commissions is extensively regulated by the CMN and by the Central Bank. Recent rules seeking standardisation of the collection of bank fees and the cost of credit transactions for individuals were approved by the CMN in December 2007. According to these rules, bank services to individuals are divided into the following four groups: (i) essential services; (ii) priority services; (iii) specific or differentiated services; and (iv) special services.

Banks are not able to collect fees in exchange for supplying essential services to individuals with regard to checking accounts, such as (i) supplying a debit card; (ii) supplying ten checks per month to accountholders who meet the requirements to use checks, as per the applicable rules; (iii) supplying of a second debit card (except in cases of loss, theft, damage and other reasons not caused by the bank); (iv) up to four withdrawals per month, which can be made at the branch of the bank, using checks or additional checks or in ATM terminals; (v) supplying up to two statements describing the transactions during the month, to be obtained through ATM terminals; (vi) inquiries over the internet; (vii) up to two transfers of funds between accounts held by the same bank, per month, at the branch, through ATM terminals or over the internet; (viii) clearance of checks; and (ix) supplying a consolidated

statement describing, on a month-by-month basis, the fees charged over the preceding year with regard to checking accounts and savings accounts. Certain services rendered to individuals with regard to savings accounts also fall under the category of essential services and, therefore, are exempt from the payment of fees.

Priority services are the ones rendered to individuals with regard to checking accounts, transfers of funds, credit transactions and records and are subject to the collection of fees by the financial institutions only if the service and its nomenclature are listed in Memorandum 3,371, which defines standardised nomenclature for services and their delivery channels, acronym identification and description of triggering events for such services. In addition, Resolution No. 3,518 also states that commercial banks must offer to their individual clients a “standardised package” of priority services, whose content is defined by Memorandum 3,371. Banking clients must have the option to acquire individual services, instead of adhering to the package.

The regulation authorises financial institutions to collect fees for the performance of specific services, provided that the account holder or user shall be informed of the conditions for use and payment or the fee and charging method are defined in the contract. Some of the specific services are (i) approval of signatures; (ii) management of investment funds; (iii) rental of safe deposit boxes; (iv) courier services; and (v) custody and brokerage services, among others.

The collection of fees in exchange for the supply of special services (including, among others, services relating to rural credit, currency exchange market and on-lending of funds from the real estate financial system, for example) are still governed by the specific provisions found in the laws and regulations relating to such services.

In addition, CMN regulations establishes that all debits related to the collection of fees must be charged to a bank account only if there are sufficient funds to cover such debits in such account thus forbidding overdrafts caused by the collection of banking fees. Furthermore, a minimum of 30 days notice must precede any increase or creation of fees, while fees related to priority services and the “standardised package” can be increased only after 180 days from the date of the last increase (whereas reductions can take place at any time).

### **Anti-Money Laundering Regulations**

The Brazilian Anti-Money Laundering law (Law No. 9,613, as amended, or “AML”) considers it a crime to hide or disguise the nature, origin, location, disposal, movement or ownership of goods, rights or finances coming, directly or indirectly, from the following crimes: (i) illegal trafficking of narcotic substances; (ii) terrorism and terrorism financing; (iii) smuggling or trafficking weapons or munitions; (iv) extortion through kidnapping; (v) acts against Brazilian public administration; (vi) acts against the national financial system; (vii) acts conducted by a criminal organisation; or (viii) acts against a foreign public administration.

AML also created the Brazilian Financial Intelligence Unit and the Council of Control of Financial Activities (“COAF”), which operates under the Ministry of Finance. COAF has a central role in the Brazilian system of fighting against money laundering and terrorism financing, and the legal responsibility to coordinate mechanisms for international cooperation and information exchange.

According to AML and complementary regulations enacted by the Central Bank, financial institutions must have internal controls procedures in order to:

- identify and know their customer, which includes determining whether the customer is a Politically-Exposed Person (“PEP”), as well as identifying the beneficial owners in the related transaction, if any. These records must be kept up to date;
- maintain records of all financial services or transactions held on behalf of, or for, a customer. The record system must allow the identification of any transaction or series of transactions involving amounts that exceed R\$10,000 and belong to the same customer or conglomerate in one calendar month or reveal a pattern of activity that suggests a scheme to avoid identification;
- pay special attention to (i) unusual transactions, or proposed transactions, related to the parties involved, amounts, forms of execution and the instruments used, or that have no apparent economic or legal basis; (ii) transactions or proposed transactions involving PEPs; (iii) evidence of fraud in customer or transaction identification; (iv) customers or transactions involving unidentifiable beneficial owners; (v) transactions

dealing with countries that do not fully comply the Financial Action Task Force Recommendations; and (vi) situations where it is not possible to keep a customer's identification records up to date. Financial institutions must have enhanced monitoring programs, check if a certain customer or transaction must be reported to COAF and evaluate if they want to begin or maintain a relationship with a customer;

- report suspicious transactions to COAF, including all cash transactions equal to or above R\$100,000, which must be reported automatically in the same day of transaction;
- keep the records referred to above for at least five years or ten years, depending on the nature of information, even after ending a customer relationship or closing a transaction; and
- maintain an employee Anti-Money Laundering training.

Non-compliance with any of the obligations indicated above subjects the financial institution and its managers to penalties varying from fines (from 1.0% to 200.0% of the amount of the transaction, 200.0% of the profit generated thereby, or a fine of up to R\$200,000) to rendering its managers ineligible for the exercise of any office in financial institutions and the annulment of the financial institution's license to operate.

### **Politically-Exposed Persons**

PEPs are public agents who occupy or have occupied a relevant public function (for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials), over the past five years, in Brazil or other countries, territories and foreign jurisdictions. It also includes their family members and close associates. Financial institutions must develop and implement internal procedures to identify PEPs and obtain special approval of their directors prior to establishing any relationship with those individuals. They must also adopt reinforced and continuous surveillance actions with regard to transactions with PEPs and report all the suspicious transactions to COAF.

### **Banking Secrecy**

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. The only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) the disclosure of information with the express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the provision to credit reference agencies of information based on data from the records of subscribers of cheques drawn on accounts without sufficient funds and defaulting debtors; (iv) the provision by financial institutions and credit card companies to competent authorities of information relating to the occurrence of, or suspicions as to, a criminal or other unlawful act; (v) as otherwise expressly allowed by Supplementary Law No. 105 of January 10, 2001; and (vi) the disclosure of information in compliance with a judicial order. Supplementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities pursuant to an existing treaty.

### **Regulation of Internet and Electronic Commerce**

Although Brazil does not have a comprehensive legislation regulating electronic commerce, the president adopted Provisional Measure No. 2,200 on June 28, 2001 to govern the legal validity of electronic documents in Brazil and to establish a government controlled digital certification system, which will guarantee the authenticity, integrity and legal validity of electronic documents and ensure the security of electronic transactions.

Nevertheless, the widespread use of digital certification and the improvement of electronic commerce in Brazil still depends on extensive regulation. Thus, there are currently several bills dealing with internet and electronic commerce regulation in the Brazilian Congress. The proposed legislation, if enacted, will reinforce the legal effect, validity and enforceability of information in the form of electronic messages, allowing parties to enter into an agreement, make an offer and accept one through electronic messages.

Considering the increasing use of electronic channels in the Brazilian banking sector, the CMN enacted Resolution No. 2,817 on February 22, 2001, as amended by Resolution No. 2,953 of April 25, 2002, allowing the



opening of deposit accounts with banks and other financial institutions by electronic means, which includes the Internet, ATM machines, telephone and other distance communication channels. This regulation sets forth some specific rules on opening and moving accounts via electronic means: (i) all requirements contained in Resolution No. 2,025 for verification of the identity of the customer must be fulfilled; (ii) transfers of amounts are allowed only between similar accounts that have the same exact accountholders or in the event of liquidation of investment products and funds held by the same accountholders.

On March 26, 2009, the CVM approved Resolution No. 3,694 requiring that all financial institutions which offer products and services to their clients through electronic means must guarantee security, secrecy and reliability in all electronic transactions and disclose, in clear and precise terms, the risks and responsibilities involving the product or service acquired through such channel.

### **The Consumer Defence Code and Banking Client Protection Regulation**

In 1990, the Brazilian Consumer Defence Code (*Código de Defesa do Consumidor* or the “CDC”) was enacted to establish rules to govern the relationship between product and service providers and consumers, and to protect consumers. After a long controversy over the extent to which CDC applies to financial services, the Brazilian Supreme Court ruled that the CDC also applies to transactions between financial institutions and their clients. Based on this decision, CMN and the Central Bank focused their regulation and supervisory role to issues that are specific to financial services, which includes: (i) ombudsman services organised as a free communication channel between customers and financial institutions under the supervision of an ombudsmen officer (Resolution No. 3,477); (ii) early liquidation of loans (Resolution No. 3,516); (iii) standards for disclosure and transparency requirements for consumer credit products and financial services, such as the total cost of credit transactions, fees charged and rights and responsibilities and risks involved in any financial transaction (Resolution No. 3,517 and Resolution No. 3,694).

Besides the banking client protection regulation enforced by CMN and the Central Bank, the basic consumer rights guaranteed by the CDC regarding the relationship between financial institutions and their clients include: (i) the imposition of a reverse burden of proof in court; (ii) financial institutions must ensure that customers are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect against abusive practices; (iii) financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services; (iv) financial institutions are liable for any damages caused to their customers by misrepresentations in their publicity or information provided; and (v) interest charges in connection with personal credit and consumer directed credit transactions must be proportionally reduced in case of early payment of debts.

### **Antitrust Regulation**

Generally, transactions resulting in economic concentration, either through: (i) the merger or incorporation of companies; (ii) the organisation of companies to control other companies; or (iii) any kind of corporate grouping resulting in control of 20% or more of a relevant market, or in which any of the participants has registered an annual gross revenue in its last balance sheet equivalent to R\$400 million or more, must be submitted to the *Sistema Brasileiro de Defesa da Concorrência* (“SBDC”) for approval. CADE, the decision-making body of the SBDC, may approve a transaction without restrictions, approve it with restrictions or not approve it.

Currently, financial conglomerates submit merger and acquisitions transactions in various industries, including the insurance and pension plan industries, to SBDC for approval. Merger and acquisition transactions in the banking industry, however, must be submitted to the Central Bank, since financial institutions depend on the approval of the Central Bank in order to merge with or acquire another financial institution.

A decision is pending as to whether a specific economic concentration in the banking industry should also be subject to the approval of the SBDC in a case currently before the Superior Court of Justice.

Although the outcome of this case would not automatically become a binding precedent for banks in general, a decision ruling that the SBDC has the power to decide on the specific transaction under judgment could

nevertheless make it advisable for financial institutions to submit any merger or acquisition transactions in the banking industry to the SBDC, in addition to the submission of such transactions to the Central Bank.

### **Asset Management Regulation**

Asset management is regulated by the CMN and the CVM. CMN and CVM regulations stipulate that institutions must segregate their asset management activities from their other activities.

The asset management industry is also self-regulated by the National Association of Investment Banks (*Associação Nacional dos Bancos de Investimento*), which enacts additional rules and policies, especially with respect to the offering, marketing and advertising of financial products and services.

Investment funds are subject to the regulation and supervision of the CVM and are managed by companies authorised by the CVM to manage investment fund portfolios. Investment funds may invest in instruments available in the financial and capital markets, including fixed income instruments, stocks, debentures and derivative products, provided that, in addition to the denomination of the fund, a reference to the relevant type of fund is included.

According to Instruction CVM No. 409, of August 18, 2004, as amended, investment funds may be classified as (i) short term funds; (ii) referenced funds; (iii) fixed income funds; (iv) stocks funds; (v) exchange funds; (vi) external debt funds; and (vii) multi-market funds.

Investment funds may not:

- Have more than 5.0% of the equity when the issuer is a natural person or private company that is not a publicly-held company or financial institution authorised by the Central Bank,
- Have more than 10.0% of the equity of the fund when the issuer is a publicly-held company,
- Have more than 10.0% of the equity of the fund when the issuer is an investment fund, and
- Have more than 20.0% of the equity of the fund when the issuer is a financial institution authorised by the Central Bank.

In addition, the CVM regulations establish criteria for the registration and accounting evaluation of titles, securities, financial instruments and derivatives. Pursuant to such regulations, fund managers shall mark their securities to market; hence, the fund's portfolio assets must be accounted for at their fair market value, instead of their expected yield to maturity.

### **Leasing Regulations**

The basic legal framework governing leasing transactions is established by Law No. 6,099 of September 12, 1974, as amended, and the regulations issued thereunder by the CMN from time to time, in particular CMN Resolution No. 2,309 of August 28, 1996.

Law No. 6,099, as amended, sets forth the general guidelines for the legal treatment of leasing transactions and delegates to the CMN, the regulator and supervisor of the financial system, the competency to scrutinise leasing companies and their transactions in greater detail. Through Resolution No. 2,309, the CMN and the Central Bank of Brazil supervise and control the transactions entered into by leasing companies. Furthermore, the laws and regulations applicable to financial institutions, such as those related to reporting requirements, capital adequacy and leverage, assets composition limits and treatment of doubtful loans, are generally also applicable to leasing companies.

### **Taxation**

#### ***Tax on Financial Transactions***

The IOF tax is a tax imposed on financial transactions (such as credit, foreign exchange and insurance transactions or those transactions related to securities). The rate of the IOF tax varies according to the policies

adopted by the Brazilian government to restrict or stimulate the inflow of foreign capital and to limit credit to individuals.

The IOF tax is imposed on several foreign exchange transactions. Its applicable rates, which may be increased up to 25.0%, are set by the executive branch of the Brazilian government. The IOF tax rates imposed on foreign exchange transactions recently have been modified and are currently imposed at a rate of 0.38%, with the following main exceptions:

(i) the IOF tax rate imposed on the inflow of capital to Brazil deriving from, or for, loans whose average minimum payment terms are no longer than 90 days, is 5.38% if the average minimum terms of the loan are longer than 90 days the IOF rate is 0.0%;

(ii) the IOF tax rate imposed on foreign exchange transactions made in compliance with the obligations of credit card management companies or commercial or multiple banks, as credit card issuers, and deriving from the purchase of goods and services made abroad by their credit card users, is 2.38%;

(iii) there is no IOF tax rate imposed on foreign exchange transactions made in compliance with the obligations of credit card management companies or commercial or multiple banks, as credit card issuers, and deriving from the purchase of goods and services made abroad by credit card users of the federal, state, municipal and the federal district governments, public foundations and agencies;

(iv) there is no IOF tax rate imposed on foreign exchange transactions related to inflow of revenues from the export of goods and services from Brazil; and

(v) the IOF tax rate imposed on foreign exchange transactions carried out by a foreign investor for the purpose of investing in the Brazilian financial and capital markets, is 2.0%. In relation to these investments, the rate of IOF tax imposed on the outflow of funds, from the country, will be zero, as well as on the remittance of interest on stockholders' equity and dividends.

Depending upon the type of inflow of foreign funds to the country, the IOF may be levied on the outflow and inflow of funds. It may also be levied when the type of investment is changed. In many cases, the outflow and inflow of funds will require simultaneous foreign exchange transactions.

The IOF tax is also imposed on credit transactions, including financing, discounts and factoring. The maximum rate of IOF tax that can be imposed on credit transactions is 1.5% per day. Currently, however, both individuals and companies pay IOF tax at a rate of 0.0041% per day. An additional IOF tax rate of 0.38% is also imposed on any credit transaction.

The IOF tax is also imposed on insurance transactions upon the receipt of a premium. In insurance transactions, the IOF tax will be imposed at a highest rate of 25.0%. Currently, the rates imposed vary from zero to 7.38% according to the type of insurance purchased.

Finally, the IOF tax is also imposed on the acquisition, assignment, redemption, renegotiation or payment for settlement of securities, even though these transactions are carried out on stock, commodities and futures exchanges. The IOF tax will be imposed at a highest rate of 1.5% per day on the value of securities transactions. The IOF rate can be higher than zero in some cases, such as when the investor sells or redeems its investment fund unit during the grace period in order to use the earned income. The IOF tax is usually charged on fixed income operations at the rate of 1.5% per day on the value of securities transaction, up to the yield of the operation. The IOF tax rate decreases according to the term of the operation. From the thirtieth day, the fixed income operation will be exempted from the IOF tax. In some cases, the fixed income operations are exempt from the IOF, regardless of the time of application.

#### ***Temporary Contribution on Financial Transactions***

The CPMF was imposed at a rate of 0.38% on financial transactions. The CPMF tax ceased to be charged as of January 1, 2008. As a general rule, the CPMF tax was levied on debits from bank accounts.

Currently, the CPMF tax is no longer charged, but discussions have occurred about whether it will be charged again or not; it is impossible to say if this tax will be implemented again.

### ***Income Tax — Financial Transactions***

In general, the income tax (*Imposto de Renda*) is imposed as follows:

(i) on income from financial transactions (fixed income), including hedging transactions, at rates varying from 15.0% to 22.5%. The income tax is withheld at source. The rates vary according to the transaction type and terms;

(ii) on income from financial transactions (variable income), including hedging transactions, at a rate of 15.0%;

(iii) on income from equity funds (*Fundos de Investimento em Participações*), investment funds in equity fund quotas (*Fundos de Investimento em Cotas de Fundos de Investimento em Participações*) and investment funds in emerging companies (*Fundos de Investimento em Empresas Emergentes*), at a rate of 15% upon redemption, provided that such funds meet certain conditions set forth by Brazilian legislation. In case of gain on disposal of fund units, the rate will also be 15.0%, but the income tax is not withheld at source, but is directly paid by the investor; and

(iv) on income from other long and short-term investment funds, other than those mentioned in items (ii) and (iii), at rates varying from 15.0% to 22.5%, according to the investment period.

Foreign investors whose funds are from a jurisdiction that is considered a “tax haven” (i.e., a jurisdiction where no tax on income is imposed, where the highest rate imposed is 20.0% or where the laws provide for secrecy or impose restrictions on the disclosure of the equity interests or ownership of companies) pay income tax withheld at source as described above.

For foreign investors whose inflow of funds followed CMN Resolution No. 2,689 and are not from a jurisdiction considered a “tax haven,” the income tax is imposed as follows:

(i) capital gains from the sale of stock on Brazilian stock exchanges are income tax exempt, except if related to combined transactions with a net fixed income result;

(ii) on income from equity funds, swap and other transactions on futures market not carried out through a Brazilian stock exchange, income tax will be imposed at a rate of 10.0%; and

(iii) on income from all other fixed income investments made through a Brazilian stock exchange or over-the-counter market, and on gains earned, except as provided for in item (i) above, the income tax withheld at source will be imposed at a rate of 15.0%.

Law No. 11,312 eliminated the income tax withheld at source imposed on income from government bonds paid, credited or otherwise remitted to beneficiaries who do not reside in Brazil, provided that: (i) they do not reside in “tax haven” jurisdictions; (ii) the inflow of funds was made in accordance to CMN Resolution No. 2,689; and (iii) such securities were not purchased with a commitment to resell them. This exemption is applicable to income earned from February 16, 2006.

### ***Income Tax and Social Contribution Tax***

Currently, companies are subject to corporate income tax (*Imposto de Renda de Pessoa Jurídica* or “**IRPJ**”) and CSLL.

According to the tax regime adopted by each company, the IRPJ and CSLL may be imposed on an adjusted tax basis (taxable income regime), an assumed tax basis, which estimates the percentage of revenue on which the tax will be imposed (assumed profit regime or “*Simples Nacional*” regime (a special tax regime for small companies)), or on an arbitrary tax basis. Financial institutions and public companies are required to calculate IRPJ and CSLL according to the taxable income regime.

The IRPJ is imposed at a rate of 15.0% and a surtax of 10.0% is applicable when the total amount of profit exceeds R\$20,000 per month (imposing a total rate of 25.0% on the amount of profit exceeding R\$20,000 per month).

The CSLL is generally imposed at a rate of 9.0%. Law No. 11,727, dated June 23, 2008, established that as of May 1, 2008, the CSLL rate imposed on private insurance and capitalisation companies, banks of any type, securities underwriters, foreign exchange and securities brokerages, credit, financing and investment companies, real estate loan companies, credit card management companies, leasing companies, credit cooperatives and savings and loan associations will increase to 15.0%. This increase in the CSLL rate is applicable to us and many of our subsidiaries and affiliates.

We can offset tax losses against results in future years at any time, provided that the offsetting does not exceed 30.0% of our annual taxable income.

### ***PIS and COFINS***

In addition to IRPJ and CSLL, companies are subject to the following taxes on revenues: Contribution for the PIS and COFINS. PIS and COFINS are charged to companies' gross revenue. We are currently claiming that the revenue subject to such taxes, of certain subsidiaries and affiliates, is that arising from the sale of goods and services, therefore excluding financial income and other types of revenues. Our provision is made based on the instruction of tax authorities to tax the financial margin. Brazilian law sets forth the types of revenues that cannot be used as a calculation basis for PIS and COFINS, as well as some expenses that can be deducted from the calculation basis for these contributions (for example, funding expenses in the case of financial institutions).

PIS and COFINS contributions can be calculated according to the differentiated regime provided for by the Supplementary Law No. 123 of 2006, Simples Nacional, which established that contribution rates vary based on the activity and the annual gross revenue of the company.

These contributions can also be calculated according to the cumulative regime, in which the PIS rate is set at 0.65% and the COFINS rate at 3.0%, and the calculation basis is the gross revenue earned by the company. The companies that calculate IRPJ and CSLL based on presumed profit are required to calculate PIS and COFINS contributions according to the cumulative regime.

The companies that calculate IRPJ and CSLL based on taxable income are required to calculate PIS and COFINS contributions according to the non-cumulative regime. In such a regime, PIS is imposed at a rate of 1.65% whereas COFINS is imposed at a rate of 7.6%. The calculation basis of these contributions is the gross revenue earned by the company. Brazilian legislation allows the utilisation of PIS and COFINS credits originated on the purchase of inputs used in the production process of the company. At present, the financial income from companies that calculate these contributions under the non-cumulative regime (even those of which only a portion of revenue is submitted to the non-cumulative regime) pay PIS and COFINS at a rate of zero, except for income from interest on stockholders' equity.

Financial institutions are excluded from the non-cumulative regime and shall pay contribution to PIS at a rate of 0.65% and COFINS at a rate of 4.0% and are entitled to specific deductions in determining the calculation basis.

### **Insurance Regulation**

The Brazilian insurance system is governed by three regulatory agencies: the Brazilian Private Insurance Council (*Conselho Nacional de Seguros Privados* or "CNSP"), SUSEP and the Supplementary Health Insurance Agency (*Agência Nacional de Saúde Suplementar* or "ANS"). With governmental approval, an insurance company may offer all types of insurance with the exception of workers' compensation insurance, which is provided exclusively by the National Institute of Medical Assistance and INSS. Insurance companies are required to sell policies through qualified brokers. In accordance with Brazilian insurance legislation, health insurance must be sold separately from other types of insurance by a specialised insurance company that is subject to the rules of the ANS, the agency responsible for private health insurance.

Insurance companies must set aside reserves to be invested in specific types of securities. As a result, insurance companies are among the main investors in the Brazilian financial market and are subject to the rules of the CMN regarding the investment of technical reserves.



Insurance companies are exempt from ordinary bankruptcy procedures and instead are subject to a special procedure administered by SUSEP or by ANS, the insurance sector regulators, except when the assets of the insurance company are not sufficient to guarantee at least half of the unsecured credits or procedures relating to acts that may be considered bankruptcy-related crimes. Dissolutions may be either voluntary or compulsory. The Minister of Finance is responsible for the institution of compulsory dissolutions of insurance companies under SUSEP's regulation and ANS is responsible for the dissolution of health insurance companies.

There is currently no restriction on foreign investments in insurance companies.

According to Brazilian law, insurance companies must buy reinsurance to the extent their liabilities exceed their technical limits under SUSEP rules. For several years, reinsurance activities in Brazil were carried out on a monopoly basis by IRB — Brasil Resseguros S.A. (“**IRB**”). On January 16, 2007, Complementary Law No. 126 came into force, providing for the opening of the Brazilian reinsurance market to other reinsurance companies. This complementary law specifically established new policies related to reinsurance, retrocession and its intermediation, coinsurance operations, contracting insurance products abroad and insurance sector foreign currency operations.

The main changes introduced by Complementary Law No. 126 are summarized below. Three types of reinsurers are established by such law:

- *Local reinsurer:* a reinsurer with its head office in Brazil, incorporated as a corporation (*sociedade por ações*) and having as its exclusive purpose the performance of reinsurance and retrocession transactions;
- *Admitted reinsurer:* a non-resident reinsurer, registered with SUSEP to carry out reinsurance and retrocession transactions, with a representative office in Brazil, which complies with the requirements of Complementary Law No. 126 and the applicable rules regarding reinsurance and reassignment of reinsurance activities; and
- *Eventual reinsurer:* a non-resident reinsurer, registered with SUSEP to carry out reinsurance and retrocession transactions, without a representative office in Brazil, which complies with the requirements of Complementary Law No. 126 and the applicable rules regarding reinsurance and retrocession activities.

An eventual reinsurer may not be resident in a country considered as a tax-haven jurisdiction, as defined in Complementary Law No. 126.

Admitted or eventual reinsurers must comply with the following minimum requirements:

- to be duly incorporated, according to the laws of their countries of origin, in order to underwrite local and international reinsurance in the fields that they intend to operate in Brazil and present evidence that they have carried out their operations in their respective countries of origin for at least five years;
- to have economic and financial capacity equal to or higher than to the minimum to be established by CNSP;
- to have a rating issued by rating agencies recognised by SUSEP equal to or higher than the minimum to be established by CNSP;
- to have a duly appointed resident attorney-in-fact in Brazil with full administrative and judicial powers;
- to comply with additional requirements established by CNSP and SUSEP.

In addition to the requirements mentioned above, an admitted reinsurer must keep a foreign currency account with SUSEP and periodically submit their financial statements to SUSEP, pursuant to the rules enacted by CNSP.

Entering into reinsurance and retrocession contracts in Brazil or abroad must occur either through direct negotiation between the involved parties or an authorised broker. Foreign reinsurance brokers may be authorised to operate in Brazil, according to the law and additional requirements established by SUSEP and CNSP.

Reinsurance operations relating to survival life insurance and private pension plans may only be offered by local reinsurers. With due observance of the rules to be enacted by CNSP, insurance companies when transferring



their risks in reinsurance will have to offer to local reinsurers the following percentage of said risks (right of first refusal):

- 60.0% until January 16, 2010;
- 40.0% in the subsequent years.

The technical reserves of local reinsurers and funds deposited in Brazil for purposes of guaranteeing admitted reinsurers' local activities will be managed according to the rules of the CMN. IRB continues to be authorised to carry out reinsurance and retrocession activities in Brazil as a local reinsurer.

## **THE CAYMAN ISLANDS REGULATORY SYSTEM**

Banks and trust companies wishing to carry on business from within the Cayman Islands must be licensed by the Cayman Islands Monetary Authority (“CIMA”) under the Banks and Trust Companies Law, whether or not such business is actually to be carried on in the Cayman Islands.

Under the Banks and Trust Companies Law, there are two main categories of banking licences: a category “A” licence, which permits unrestricted domestic and offshore business, and a category “B” licence, which permits only offshore business. According to the official website of CIMA ([www.cimoney.com.ky](http://www.cimoney.com.ky)), as of December 2009, there were approximately 17 banks holding category “A” licences and approximately 249 banks holding category “B” licences. The holder of a category “B” licence may have an office in the Cayman Islands and conduct business with other licencees and offshore companies, but, except in limited circumstances, may not conduct business locally with residents in the Cayman Islands.

There are no specific ratio or liquidity requirements under the Banks and Trust Companies Law for holders of a bank licence which are not incorporated in the Cayman Islands, but CIMA expects observance of prudent banking practices and the Banks and Trust Companies Law imposes a minimum net worth requirement on the holder of a bank licence (other than a restricted category “B” licence) of an amount of not less than CI\$400,000 or, in the case of licencees holding a restricted category “B” or a restricted trust licence, CI\$20,000.

## TERMS AND CONDITIONS OF THE SENIOR NOTES

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

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

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

(a) *Form:* Each Series of Senior Notes of which the Note to which these Terms and Conditions are attached forms part (in these Terms and Conditions, the “**Notes**”) is issued either in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) and as Senior Notes (the “**Senior Note**”), and Senior Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination. These Terms and Conditions must be read accordingly. The Specified Denomination of each Note is specified in the relevant Final Terms.

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

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

Bearer Notes which bear interest are issued with Coupons and, where appropriate, Talons attached.

(b) *Denomination:* “**Specified Denomination**” means the denomination or denominations specified in the relevant Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination (if any). Specified Denominations for Registered Notes will be the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

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

In these Terms and Conditions, “**Noteholder**” and, in relation to a Note, Coupon or Talon, “**Holder**”, means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), “**Series**” means Senior Notes which have identical terms and conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters, and “**Tranche**” means, in relation to a Series, those Senior Notes of such Series which have the same Issue Date.

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

(e) *Final Terms and Additional Terms:* References in these Terms and Conditions to terms specified on a Senior Note shall be deemed to include references to terms specified in the relevant Final Terms issued in respect of a Tranche which includes such Senior Note (each the “**Final Terms**”).

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

## 2. Definitions

“**Accounting Principles**” means, at the election of the Issuer, (a) accounting principles generally accepted by the accounting profession in Brazil at such time or (b) International Financial Reporting Standards and applicable accounting requirements published by the International Accounting Standards Board, as in effect from time to time.

“**Affected Guarantee**” means any obligation of a person which by its terms guarantees for the benefit of all current and future Holders of any series or tranche of Public External Indebtedness of any other person the payment of such Public External Indebtedness, including, without limitation, an obligation to pay or purchase such Public External Indebtedness, an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Public External Indebtedness; *provided* that any such obligation by its terms is traded with such Public External Indebtedness upon any trade of such Public External Indebtedness.

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

“**Amortisation Yield**” has the meaning given to it in the relevant Final Terms.

“**Amortised Face Amount**” has the meaning given to it in Condition 7(d)(i)(B).

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

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

“**Benchmark**” has the meaning given to it in Condition 6(II)(b).

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

“**Brazilian Currency**” means lawful currency of Brazil.

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

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

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

“**business day**” has the meaning given to it in Condition 8(a)(iii).

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

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

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

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

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

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

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

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

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

“**Calculation Agent**” has the meaning given to it in the relevant Final Terms, *provided* that for the purposes of Condition 6(II)(b)(iv), it has the meaning given to it in the ISDA Definitions.

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

“**Covenant Defeasance**” has the meaning given to it in Condition 11(b).

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

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

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

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

(d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

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

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

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

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

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

“**Designated Maturity**” has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 6(II)(b)(iv), the meaning given to it in the ISDA Definitions.



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

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

“**Documents**” has the meaning given to it in Condition 13(c)(ii).

“**DTC**” has the meaning given to it in Condition 8(b)(iii).

“**DTC business day**” has the meaning given to it in Condition 8(b)(i).

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

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

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

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

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

“**Event of Default**” has the meaning given to it in Condition 10.

“**Exchange**” has the meaning given to it in Condition 6(II)(f).

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

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

“**External Indebtedness**” means Indebtedness which by its terms is payable (or at the option of the Holder thereof may be paid) (i) in a currency other than the lawful currency of the Federative Republic of Brazil (“**Brazil**”) and (ii) outside of Brazil.

“**Extraordinary Resolution**” has the meaning given to it in Condition 13(a).

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

“**Final Redemption Amount**” has the meaning given to it in Condition 7(a).

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

“**Financial Centres**” has the meaning given to it in the relevant Final Terms.

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

“**Fixed Rate Note**” has the meaning given to it in Condition 6(I).

“**Floating Rate**” has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 6(II)(b)(iv), the meaning given to it in the ISDA Definitions.

“**Floating Rate Note**” has the meaning given to it in Condition 6(II).

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

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

“**Government Obligation**” means (x) any security that is (i) a direct obligation of the United States of America or any country in the Euro-zone for the payment of which the full faith and credit of the United States of America or any country in the Euro-zone, as the case may be, is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or any country in the Euro-zone the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or any country in the Euro-zone, as the case may be, which, in either case under the preceding

clause (i) or (ii) is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any Government Obligation that is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any Government Obligation that is so specified and held, *provided* that (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

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

“**Indebtedness**” of a person means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised by such person (including money raised by acceptances and leasing); *provided, however*, that Indebtedness shall not include (a) any Indebtedness owed by the Issuer or any Subsidiary to any other Subsidiary or the Issuer or (b) any sale of assets by the Issuer or any Subsidiary where such sale is subject to an obligation by, or an option of, the Issuer or any Subsidiary to repurchase such assets at a future date.

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

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

“**Interest Amount**” has the meaning given to it in Condition 6(II)(d).

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

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

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

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

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

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

“**ISDA Rate**” has the meaning given to it in Condition 6(II)(b)(iv).

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

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

“**Long Maturity Note**” has the meaning given to it in Condition 8(g)(i).

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

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

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

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

“**New Residence**” has the meaning given to it in Condition 13(c)(iii).

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

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

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

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

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

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

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

“**Permitted Security**” means:

(a) any Security in existence on the date of the Trust Deed and any extension, renewal or replacement thereof; *provided* that the aggregate amount of Indebtedness permitted to be secured under this clause (a) shall not exceed the amount so secured on the date of the Trust Deed;

(b) any Security granted in connection with the securitisation of, or other financing related to, (x) any payment rights or other receivables, including but not limited to receivables related to real estate and leasing activities, or (y) amounts paid or payable pursuant to payment instructions (including inter-bank payment instructions or advice of payment) received or to be received;

(c) any Security granted in connection with the incurrence of, or granted by means of any payment made to a trustee of amounts due in respect of, any Indebtedness which has the benefit of an insurance policy (or other arrangement having similar effect, including, without limitation, any Security granted in connection with a letter of credit) to provide for payments to Holders of such Indebtedness during any period in respect of which such trustee must wait before making a claim and receiving payment in respect thereof under any such insurance policy (or other arrangement having similar effect) in circumstances where the obligor on such Indebtedness is subject to restrictions on its ability to convert Brazilian Currency into the currency specified for scheduled payments on such Indebtedness or to use, transfer, control or access funds designated for such scheduled payments due to actions or measures taken or approved (or the failure to take or approve actions or measures) by the government of Brazil;

(d) any Security granted in connection with any equity-linked notes or deposits or credit-linked notes or deposits received by the Issuer or any subsidiary of the Issuer, but only to the extent that such Security is limited to the equity security or credit obligation to which such equity-linked notes or deposits or credit-linked notes or deposits are linked, as the case may be (and to the proceeds thereof);

(e) any Security (i) existing on any property or assets at the time of their acquisition by the Issuer or any Subsidiary, (ii) existing on any property or assets of a person at the time such person is acquired by the Issuer or any Subsidiary or is merged into or consolidated with the Issuer or any Subsidiary or (iii) granted upon or with respect to any property or assets hereafter acquired to secure the purchase price of such property or assets or to secure Indebtedness incurred solely for the purpose of financing all or any part of cost of the acquisition of such property or assets, and, in the case of each of the foregoing clauses (i), (ii) and (iii), any extension, renewal or replacement of such Security which is limited to the original property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) covered thereby and which secures any extension, renewal or replacement of the original secured financing; *provided, however*, that, in the case of (iii) above, the maximum sum secured by such Security shall not exceed the purchase price of such property or assets or the Indebtedness incurred solely for the purpose of financing the acquisition of such property or assets;

(f) any Security arising by operation of law; any Security for taxes, assessments or other governmental charges; or merchants', carriers', mechanics' or other similar Security arising in the ordinary course of business;

(g) any Security in respect of Indebtedness incurred in connection with any sale and leaseback of any property or assets in an aggregate principal amount at any time outstanding not exceeding U.S.\$150.0 million; *provided* that such sale and leaseback is effected at fair value, as determined by the Issuer;

(h) any Security created solely in favour of or granted to the Central Bank or the central bank of any country, or any person acting on behalf of or for the account of the Central Bank or such other central bank;

(i) any Security created in connection with the banking business of the Issuer or any Subsidiary for the export or import of goods and services, whether in the primary or secondary markets, and in connection with the financing thereof (including to secure foreign trade lines extended to the Issuer or any Subsidiary);

(j) any Security in the form of assignments to third parties, with recourse, of amounts due in respect of pre-export finance, bankers acceptances, discounts and other similar facilities provided in the ordinary course of business;

(k) any Security created in favour of or granted to any multinational monetary agency, clearinghouse, stock exchange, brokerage firm or correspondent bank in connection with the trading activities of the Issuer or any of its subsidiaries, and not intended as securing Indebtedness independent of trading activities;

(l) any Security created to secure or pre-fund any amount payable, other than principal, on subordinated Public External Indebtedness that is intended to qualify as regulatory capital;

(m) any Security created to secure a variation in the amount payable under any Public External Indebtedness from the time of issuance of such Public External Indebtedness which amount is linked to a price, rate or index, other than an interest rate, inflation index or foreign exchange rate;

(n) any Security created in connection with or necessary to implement, with respect to any Indebtedness, defeasance pursuant to the terms of such Indebtedness, or to implement any equivalent mechanism under applicable law;

(o) any Security created in connection with any non-deposit, recourse debt instrument, or covered bond, that is secured directly or indirectly by perfected security interests under applicable law on assets held or owned by the issuer thereof consisting of, among other things, eligible mortgage loans, vehicle loans, public-sector debt, leasing receivables, credit card receivables, payroll loans and rural loans (*crédito rural*), and which debt instrument may permit substitution of cash or United States Treasury or agency securities or other investment-grade collateral for the initial collateral as necessary to manage the cover pool; or

(p) any other Security securing Public External Indebtedness in an aggregate principal amount at any time outstanding not exceeding an amount in Brazilian Currency equal to 1.0% of the total consolidated assets of the Issuer reflected in the consolidated financial statements of the Issuer prepared in accordance with Accounting Principles as at the end of the most recently ended fiscal quarter of the Issuer for which such a balance sheet is available.

For purposes of determining compliance with the limitation set forth in clause (g) above with respect to Indebtedness denominated in a currency other than U.S. dollars, the U.S. dollar-equivalent principal amount measured of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred, *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than the U.S. dollar (or in a different currency from such Indebtedness so being refinanced), and such refinancing would cause the U.S. dollar-denominated limitation in clause (g) above to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated limitation shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

For purposes of determining compliance with the limitation described in clause (p) above with respect to Indebtedness denominated in a currency other than Brazilian Currency, the Brazilian Currency-equivalent principal amount of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred, *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than Brazilian Currency (or in a different currency from such Indebtedness so being refinanced), and such refinancing would cause the Brazilian Currency limitation described in clause (p) above to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if created in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

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

“**Potential Event of Default**” means an event or circumstance which would, with the giving of notice, lapse of time, issue of a certificate or fulfillment of any other requirement provided for in Condition 10, become an Event of Default.

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

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

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

“**Public External Indebtedness**” means any External Indebtedness consisting of bonds, debentures, notes or other similar debt securities that are or are intended to be quoted or listed, or are ordinarily quoted or listed, on any stock exchange, automated trading system, over-the-counter or other organized securities market; *provided, however,* that Public External Indebtedness shall not include (i) any privately negotiated derivatives transactions, such as an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option, credit default swap or any other similar agreement (including any option to enter into any of the foregoing), including, but not limited to, all transactions privately negotiated and entered into under the terms and conditions of the ISDA® Master Agreement (and any Schedule, Confirmation, Credit Support Annex and other documents related thereto) as published by the International Swap Dealer Association, Inc. or any substitute entity thereof; (ii) sale of securities subject to repurchase agreement or option to repurchase such securities, including, but not limited to, other transactions privately negotiated and entered into under the terms and conditions of the TBMA/ ISMA® Global Master Repurchase Agreement (and any annex, confirmation, credit support document and other documents related thereto) as published by the International Securities Market Association and the Bond Market Association or any substitute entity thereof; and (iii) any transactions involving derivatives that at the time of entering into such transaction are quoted, listed or ordinarily traded on any stock exchange, automated trading system, over-the-counter or other organized securities market.

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

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

“**Record Date**” has the meaning given to it in Condition 8(b)(i).

“**Redemption Notice**” has the meaning given to it in Condition 7(f).

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

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

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

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

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

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

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

**“Relevant Business Day”** means:

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

i. in the case of Euro, a TARGET Business Day; and

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

**“Relevant Date”** has the meaning given to it in Condition 9.

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

**“Relevant Notes”** has the meaning given to it in Condition 13(c).

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

**“Reset Date”** has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 6(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

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

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

**“Security”** means any mortgage, pledge, lien, hypothecation, security interest, sale-leaseback arrangement or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil.

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

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

**“Significant Subsidiary”** means any subsidiary of the Issuer the total assets of which exceeded 10% of the total consolidated assets of the Issuer as reflected in the consolidated financial statements of the Issuer prepared in accordance with Accounting Principles at the end of the most recent fiscal year of the Issuer for which a balance sheet is available.

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

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

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



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

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

**“Subsidiary”** means in relation to a company or corporation, a company or corporation which is controlled, directly or indirectly, by the first mentioned company or corporation. For this purpose, a company or corporation shall be treated as being controlled by another if; (i) more than half of the voting shares of such company or corporation is owned, directly or indirectly, by the first mentioned company or corporation; and (ii) the composition of the majority of the board of the directors (in the absence of a board of directors, the majority of the executive officers) of such company or corporation is determined by the first mentioned company or corporation.

**“Substituted Debtor”** has the meaning given to it in Condition 13(c).

**“Successor Corporation”** has the meaning given to it in Condition 19(a).

**“Swap Transaction”** for the purposes of Condition 6(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

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

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

**“Taxes”** has the meaning given to it in Condition 9.

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

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

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

**“Zero Coupon Note”** has the meaning given to it in Condition 6(III).

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

### **3. Transfers of Registered Notes, Issue of Definitive Registered Notes and Exchange of Bearer Notes**

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

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

(c) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Terms and Conditions, unless the context otherwise requires, the amount payable on redemption of a Note) of that Note, (ii) during the period of 60 days prior to any date on which Notes of the relevant Series may be redeemed by the

Issuer at its option pursuant to Condition 7(e) or (iii) after notice has been delivered for redemption in whole or in part of any Registered Note in accordance with Condition 7.

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

(e) *Exchange of Bearer Notes for Registered Notes:* If so specified in the relevant Final Terms, the Holder of any Bearer Notes may exchange some or all of such Bearer Notes for an aggregate principal amount of Registered Notes equal to the aggregate principal amount of Bearer Notes being so exchanged upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of any Transfer Agent together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Coupons and any Talon appertaining thereto, other than the Coupon in respect of the next payment of interest falling due after the date the relevant Bearer Note has been surrendered for exchange (the “**Exchange Date**”) where the Exchange Date is after the Record Date for such payment of interest and is on or before the date on which such payment of interest falls due. A Definitive Registered Note will be issued upon the exchange of a Bearer Note for a Registered Note and will, within three Relevant Business Days of receipt of such written request for exchange, be mailed at the risk of the Holder entitled to the Definitive Registered Note to such address as may be specified in such written request for exchange.

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

#### 4. Status

The Senior Notes (being those Notes that specify their status in the relevant Final Terms as Senior) and Coupons of all Series comprising Senior Notes constitute direct, unsecured (subject to Condition 5) and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

#### 5. Negative Pledge

So long as any Senior Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist any Security (other than any Permitted Security) upon the whole or any part of the Issuer’s assets, present or future, to secure (i) any of the Issuer’s Public External Indebtedness or (ii) any of the Issuer’s Affected Guarantees without, at the same time or prior thereto and for so long as such other obligation is so secured, securing the Senior Notes equally and ratably therewith or providing such other security for the Senior Notes as shall be not materially less beneficial to Holders of the Senior Notes at the Issuer’s determination or as shall be approved by an Extraordinary Resolution of Holders of Senior Notes. Nothing contained herein shall prevent or inhibit the granting of unsecured sureties or guarantees of any description, including performance bonds at the request of and for account of customers in favour of third parties in the ordinary course of business.

#### 6. Interest

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

## **(I) Fixed Rate Notes**

This Condition 6(I) applies to a Note in respect of which the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable (a “**Fixed Rate Note**”).

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

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

Interest will cease to accrue on each Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event, interest will continue to accrue, both before and after judgment, in the manner provided in this Condition 6(I) and at the rate equal to the sum of the rate provided in this Condition 6(I) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 6(I) plus the Arrears Rate.

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

## **(II) Floating Rate Notes**

This Condition 6(II) applies to a Note in respect of which the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable (a “**Floating Rate Note**”).

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

(b) *Rate of Interest:* Each Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Terms (each a “**Benchmark**”). The dates on which interest shall be payable on a Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Note on each such date and on any other date on which interest becomes payable in respect of such Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Note shall be as set out below, unless otherwise specified in the relevant Final Terms. Subject to Condition 6(II)(c), the Rate of Interest payable from time to time will, unless

otherwise specified in the relevant Final Terms, be determined by the Calculation Agent on the basis of the following provisions:

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

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

(B) in the case of a Note that specifies that the Primary Source for the Floating Rate shall be the Reference Banks specified in the relevant Final Terms and in the case of a Note falling within Condition 6(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest is to be determined by reference to the arithmetic mean of quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 6(II)(b)(i)(A)(y) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre of each of the Reference Banks specified in the relevant Final Terms (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 6(II)(b)(i)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in an amount that is representative in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 6(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.

ii. If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 6(II)(b)(i)(B) in respect of a Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined in accordance with Condition 6(II)(b)(i)(B) on the basis of the Reference Rates quoted by those Reference Banks.

iii. If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 6(II)(b)(i)(B), only one or none of such Reference Banks provide such Reference Rates, the Rate of Interest for the relevant Interest Period shall be the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre or, if the Specified Currency is Euro, in Europe, *provided* that, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the Rate of Interest in effect for the last preceding Interest Period to which Condition 6(II)(b)(i)(A) or (B) or Condition 6(II)(b)(ii) applied.

iv. In the case of a Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall, subject as provided below, be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this subparagraph (iv), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be

determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the relevant Final Terms.

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

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

(d) *Determination of Rate of Interest and Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 6(II) and calculate the amount of interest payable (the “**Interest Amount**”) in respect of each Specified Denomination of the relevant Senior Notes (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin or Rate Multiplier to each Specified Denomination (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes), and multiplying such product by the applicable Day Count Fraction and rounding, if necessary, the resultant figure to the nearest sub-unit of the relevant currency. The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties and the Calculation Agent shall have no liability whatsoever in connection with the exercise of its powers and duties hereunder or otherwise in connection with the Senior Notes, absent gross negligence or willful misconduct. For this purpose a “sub-unit” means, in the case of any currency other than dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of dollar, means one cent.

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

(f) *Notification of Rate of Interest and Interest Amount:* The Calculation Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Specified Interest Payment Date and any other amount required to be determined by it to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 20(a)) and if the relevant Senior Notes are for the time being listed on any stock exchange (each an “**Exchange**”), the Exchange, as soon as possible after their determination but in no event later than three Relevant Business Days after their determination. The Interest Amount and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Interest Accrual:* Interest will cease to accrue on each Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event interest will continue to accrue, both before and after judgment, in the manner provided in this Condition 6(II) and at the rate equal to the sum of the rate provided in this Condition 6(II) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent



permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 6(II) plus the Arrears Rate.

(h) *Calculation Agent and Reference Banks:* The Issuer will procure that, so long as any Note to which this Condition 6(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Note and, so long as the Primary Source for Floating Rate for such Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Note the determination of interest for which falls within Condition 6(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount or any other amount to be calculated by the Calculation Agent pursuant to the relevant Final Terms, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### (III) Zero Coupon

This Condition 6(III) applies to a Note in respect of which the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable (a “**Zero Coupon Note**”).

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Terms and Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, (x) the amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as determined in accordance with Condition 7(d)(i)(B) and (y) interest will accrue on such Amortized Face Amount at the rate per annum equal to the sum of the Amortization Yield as specified in the relevant Final Terms (or, if no such amount is specified, the amount equal to the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Senior Note from the Issue Date to the date on which the Senior Note becomes due and payable calculated at a rate per annum (expressed as a percentage)) plus the Arrears Rate. Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the sum of (a) the Amortisation Yield specified in the relevant Final Terms (or, if no such amount is specified, the amount equal to the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Senior Note from the Issue Date to the date on which the Senior Note becomes due and payable calculated at a rate per annum (expressed as a percentage)) plus the Arrears Rate. In each case, such interest shall continue to accrue (on the same basis as referred to in Condition 6(I)) (both before and after judgment) to the Relevant Date.

## 7. Redemption and Purchase

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

(b) *Purchases:* The Issuer and any of its Subsidiaries may at any time purchase some or all Senior Notes of a Series at any price (*provided* that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise. The Senior Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder thereof to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 13 and 14, except that Senior Notes so held which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the



satisfaction of the Trustee the pledgee's right to so act with respect to such Senior Notes and that the pledgee is not the Issuer or any Subsidiary, or any other obligor upon the Senior Notes or any Subsidiary of such other obligor. Senior Notes so purchased or acquired by the Issuer or any Subsidiary in the ordinary course of its business as a dealer in securities may be reissued or resold, together with such unmatured Coupons and unexchanged Talons, and Senior Notes so reissued or resold shall, for all purposes, be deemed to form part of the original Series of Notes in which they were issued.

(c) *Redemption of Senior Notes for Taxation Reasons:* Any Series of Senior Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Senior Notes the interest basis for which is specified in the relevant Final Terms as Fixed Rate or Zero Coupon Notes) or on any Specified Interest Payment Date (in the case of Senior Notes the interest basis for which is specified in the relevant Final Terms as Floating Rate), on giving not less than 30 days nor more than 45 days notice to the Noteholders in accordance with Condition 20(a) (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified, at the nominal amount specified in the relevant Final Terms (in each case together with interest accrued to, but excluding, the date fixed for redemption) or (in the case of Senior Notes the interest basis for which is specified in the relevant Final Terms as Zero Coupon) at their Amortised Face Amount (as determined in accordance with Condition 7(d)(i)(C)), if (a) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with Condition 9) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified in the relevant Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series and (b) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, *provided* that no such notice of redemption shall be given earlier than 90 days (or such other period specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Senior Notes then due (or in the case of Senior Notes which bear interest at a Floating Rate, a number of days which is equal to the aggregate of the number of days falling within the current Interest Period applicable to the Senior Notes plus 75 days). Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (b) above, in which event it shall be conclusive and binding on the Noteholders.

(d) *Early Redemption of Senior Notes:*

i. *Zero Coupon Notes:* This Condition 7(d)(i) applies to a Zero Coupon Note that is a Senior Note.

(A) The amount payable in respect of any Senior Note upon redemption of such Senior Note pursuant to Condition 7(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Senior Note unless otherwise specified in the relevant Final Terms.

(B) Subject to Condition 7(d)(i)(C), the "**Amortised Face Amount**" of any Senior Note shall be the sum of (A) the Reference Price specified in the relevant Final Terms and (B) the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Senior Note from the Issue Date to the date on which the Senior Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified in the relevant Final Terms applied to the Reference Price in the manner specified in the relevant Final Terms. Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purpose of this Condition 7(d) or, if none is so specified, a Day Count Fraction of 30/360.

(C) If the amount payable in respect of any Senior Note upon redemption of such Senior Note pursuant to Condition 7(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in

Condition 10, is not paid when due, the amount due and payable in respect of such Senior Note shall be the Amortised Face Amount of such Senior Note, except that Condition 8 shall have effect as though the reference therein to the date on which the Senior Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this Condition 7(d)(i)(C) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the nominal amount of such Senior Note together with any interest which may accrue on such Senior Note in accordance with Condition 6(III).

ii. *Other Senior Notes:* The Early Redemption Amount payable in respect of any Senior Note (other than Senior Notes described in Condition 7(d)(i) above), upon redemption of such Senior Note pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount together with accrued interest to, but excluding, the date fixed for redemption, unless otherwise specified in the relevant Final Terms.

(e) *Redemption of Senior Notes at the Option of the Issuer (Call Option):* If so specified in the relevant Final Terms, the Issuer may, on giving to the Holder of such Senior Note irrevocable notice in accordance with Condition 20(a) of not less than 30 days nor more than 45 days (or such other notice period as specified in the relevant Final Terms), redeem or (at the option of the Issuer) procure the purchase of all or, if so specified in the relevant Final Terms, some of the Senior Note of the relevant Series, on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Senior Notes that at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount (Call) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to, but excluding, the date fixed for redemption or purchase. All Senior Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 7(e). If the Senior Notes are to be redeemed in part only: (i) in the case of Bearer Notes, the Senior Notes to be redeemed or purchased shall be selected by the drawing of lots in such European city as the Trustee approves and in such manner as the Trustee considers appropriate and (ii) in the case of Registered Notes, the Senior Notes shall be redeemed or purchased *pro rata* to their principal amounts, *provided* that the amount redeemed or purchased in respect of each Registered Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Senior Notes to be so redeemed or purchased. In case of the redemption or purchase of part only of a Registered Note, a new Registered Note in respect of the remaining balance shall be issued in accordance with Condition 3.

(f) *Redemption of Senior Notes at the Option of Noteholders (Put Option):* If so specified in the relevant Final Terms, the Issuer shall, at the option of the Holder of such Senior Note of the relevant Series, redeem or (at the option of the Issuer) procure the purchase of such Senior Note on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Senior Notes at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount (Put) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to, but excluding, the date fixed for redemption or purchase. To exercise such option the Holder must deposit such Senior Note (in the case of an interest-bearing Senior Note in bearer form, together with all unmatured Coupons other than any Coupon maturing on or before the date of redemption) with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices during normal business hours, together with a duly completed irrevocable notice of redemption ("**Redemption Notice**") specifying, in case of a Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the Specified Denomination), in the form obtainable from any Agent not more than 60 nor less than 46 days (or such other deposit period as may be specified in the relevant Final Terms) prior to the relevant date for redemption. No Senior Note (or Redemption Notice) so deposited may be withdrawn

(except as provided in the Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified in the relevant Final Terms of the commencement of any period for the deposit of Senior Notes for redemption pursuant to this Condition 7(f) shall be given by the Issuer to Noteholders in accordance with Condition 20(a).

(g) *Cancellation:* All Senior Notes redeemed in accordance with this Condition 7, and any unmatured Coupons or Talons attached to them, will be cancelled promptly. Any Senior Notes purchased in accordance with this Condition 7, and any unmatured Coupons or Talons purchased with them, may at the option of the Issuer be cancelled or may be resold. Senior Notes which are cancelled following any redemption or purchase made in accordance with this Condition 7 may at the option of the Issuer be re-issued together with any unmatured Coupons or Talons.

(h) *Purchase or Redemption by Issuer:* For purposes of paragraphs (b), (c), (e) and (f) with respect to a purchase or redemption, as the case may be, that may be made by the Issuer, references to the Issuer shall include the Bank, or any successor thereto, acting through its head office or any branch office.

## **8. Payments**

### *(a) Bearer Notes:*

#### *i. Payments of Principal and Interest*

Payments of principal and interest in respect of Bearer Notes will, subject to Condition 8(a)(ii), be made against presentation and surrender (*provided* the payment is payment of the Final Instalment Amount) of the relevant Bearer Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States:

(A) in respect of payments denominated in a Specified Currency (or, if different, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be) other than U.S. dollars, at the option of the Holder either by a cheque drawn in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with a bank in the Relevant Financial Centre of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or in the case of Euro, in a city in which banks have access to the TARGET System; or

(B) in respect of payments denominated in U.S. dollars, subject to Condition 8(a)(ii), at the option of the Holder either by a U.S. dollar cheque drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States; or

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

Subject to Condition 8(a)(ii), no payment of principal or interest in respect of Bearer Notes shall be made by cheque mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States.

#### *ii. Payments in the United States*

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made at the specified office of any Paying Agent in New York City in the same manner as Condition 8(a)(i)(B) if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided under Condition 8(a)(i)(B) when due, (b) payment in full of such amounts at all offices of such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law. For the purposes of these Terms and Conditions, the “United States”

means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

iii. *Payments on Business Days*

Subject as provided on a Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8(a), “**business day**” means a day on which commercial banks are open for business and for dealings in foreign currencies in the relevant place of presentation, in such jurisdictions as shall be specified in the relevant Final Terms as Financial Centres and:

(A) in the case of a payment in a currency other than Euro where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, on which dealings in foreign currencies may be carried on in the Relevant Financial Centre of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be; or

(B) in the case of payment in Euro, a day which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest accrued on a Bearer Note the interest basis for which is specified in the relevant Final Terms as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) *Registered Notes:*

i. *Payments of Principal and Interest*

Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the Principal Paying Agent on the due date for payment to the person shown on the Register (or, in case of joint Holders, the first-named) at the close of business (local time in the place of the specified office of the Principal Paying Agent) on the fifteenth DTC business day before the due date for payment thereof (the “**Record Date**”):

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

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

subject in each case to Condition 8(b)(iii). For the purposes of this Condition 8(b), “**DTC business day**” means any day on which DTC is open for business.

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

nominal amount of the relevant Definitive Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Registered Note with a nominal amount equal to the remaining unpaid nominal amount.

ii. *Payment Initiation*

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

iii. *Payments Through The Depository Trust Company*

Registered Notes, if so specified on them, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company (“DTC”). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 8(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency or in respect of which payments are to be made in a Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, in accordance with the following provisions. The amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payable by the Principal Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, by wire transfer of same day funds to the designated bank account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, of the DTC participants entitled to receive the relevant payment.

(c) *Delay in Payment.* Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Senior Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Registered Note (if required to do so) or if a cheque mailed in accordance with Condition 8(b)(ii) arrives after the due date for payment.

(d) *Payment Not Made in Full:* If the amount of principal or interest which is due on any Bearer or Registered Note, as the case may be, is not paid in full, the Registrar will annotate the Register with a record of, or the Paying Agent will endorse on the Bearer Note or Coupon a statement indicating, the amount of principal or interest, if any, in fact paid on such Bearer or Registered Note, as the case may be.

(e) *Payments Subject to Law, etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) *Appointment of Agents:* The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Replacement Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The Issuer reserves the right at any time, with the prior approval of the Trustee which shall not be unreasonably withheld, to vary or terminate the appointment of any Agent, to appoint another Registrar, Replacement Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer will at all times maintain (i) a Principal Paying Agent in respect of each Series of Senior Notes, (ii) a London Paying Agent, (iii) a Registrar and a Transfer Agent in New



York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Senior Notes are listed is the Luxembourg Stock Exchange shall be Luxembourg, (v) a Paying Agent having a specified office in a member state of the European Union, which member state will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (vi) a Calculation Agent and (vii) a Replacement Agent. In addition, the Issuer shall promptly appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 8(a)(ii). Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 20(a).

(g) *Unmatured Coupons and Unexchanged Talons:*

i. Bearer Notes the interest basis for which is specified in the relevant Final Terms as being Fixed Rate, other than Notes which are specified to be long maturity notes (being Notes whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 6(I)(a), each such Senior Note being a “**Long Maturity Note**”), should be surrendered for payment of principal together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment on such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 12). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.

ii. If so specified on a Bearer Note, upon the due date for redemption of any Bearer Note either the interest basis for which is specified in the relevant Final Terms as being Floating Rate at any time or which is a Long Maturity Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

iii. Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

iv. Where any Bearer Note either the interest basis for which is specified in the relevant Final Terms as being Floating Rate at any time or which is a Long Maturity Note, is presented for redemption without all unexpired Coupons relating to it, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption of such Bearer Note shall be made only against the provisions of such indemnity by the Noteholder as the Issuer may require.

(h) *Talons:* Except where such Talon has become void pursuant to Condition 8(g)(iii), on or after the Interest Payment Date or, as the case may be, the Specified Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the London Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 12 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

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



## 9. Taxation

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

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

(b) where such withholding or deduction could have been lawfully avoided if the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Note or Coupon had complied with a request addressed to such Holder or beneficial owner (or third party) to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder or beneficial owner (or third party); *provided* that the Issuer shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 20(a); or

(c) where such withholding or deduction is imposed on a payment to or for the account of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any amendment thereof or any other European Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or amendment; or

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

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

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

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

As used in these Terms and Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 20(a) that such moneys have been so received and are available for payment. References in these Terms and Conditions to “principal” shall be deemed to include “Amortised Face Amount”, “Final Redemption Amount”, “Optional Redemption Amount” and “Early Redemption Amount” and any premium payable in respect of the Senior Notes and any reference to “principal” or “interest” shall be deemed to include any additional amounts which may be payable under this Condition 9 or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 10. Events of Default

If any of the following events (each an “**Event of Default**”), as modified by, or such other events as may be specified in, the Final Terms occurs and is continuing, the Trustee if instructed in writing by Holders of at least one third in nominal amount of the Senior Notes of such Series then outstanding or if so directed by an Extraordinary

Resolution of Noteholders of such Series shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Senior Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified in the relevant Final Terms or, if none is so specified, at the nominal amount specified in the relevant Final Terms together with accrued interest to the date of redemption or, in relation to Zero Coupon Notes, the Amortised Face Amount of such Senior Notes:

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

(b) *Breach of other obligations:* The Issuer fails to perform or comply with any one or more of its other material obligations under the Senior Notes of such Series or the Trust Deed and such failure continues for a period of 30 days after written notice of such default shall has been given to the Issuer by the Trustee; or

(c) *Cross default:* (i) acceleration of any Indebtedness of the Issuer or any Significant Subsidiary if such acceleration has been effective for at least two Relevant Business Days, or (ii) any Indebtedness of the Issuer is not paid when due or, as the case may be, within any applicable grace period and such non-payment has continued for at least two Relevant Business Days since the later of the date on which such payment was due and the expiry of any applicable grace period, *provided* that the aggregate amount of such Indebtedness in respect of which one or more of the events mentioned above in this Condition 10 have occurred equals or exceeds an amount equal to 0.8% of the regulatory capital of the Issuer as at the end of the most recently ended fiscal quarter of the Issuer as set forth in the relevant report to the Central Bank for such period by the Issuer. For purposes of determining compliance with the limitation described in this paragraph (c), the Brazilian Currency-equivalent principal amount of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the end of the most recently ended fiscal quarter of the Issuer for which a balance sheet is available; or

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

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

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

## 11. Covenant Defeasance

(a) The Issuer may at its option, at any time, elect to have terminated the obligations of the Issuer with respect to outstanding Senior Notes of a Series as set forth in this Condition 11 and elect to have Condition 11(b) be applied to all of the outstanding Senior Notes of such Series (the “**Defeased Notes**”), upon compliance with the conditions set forth below in Condition 11(c), Condition 11(b) may be applied to the Defeased Notes to the Maturity Date or relevant Optional Redemption Date.

(b) Upon the Issuer's exercise of the option under Condition 11(a), (i) the Issuer shall be released from its obligations under any covenant or provision contained in Condition 5 and the provisions of Condition 19 shall not apply, and (ii) the occurrence of any event specified in Condition 10(b) or (c) shall be deemed not to be or result in

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

(c) The following shall be the conditions to application of Condition 11(b) to the outstanding Senior Notes:

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

ii. No Event of Default specified in Condition 10(a) shall have occurred and be continuing on the date of such deposit;

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

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

v. The Issuer shall have delivered to the Trustee a certificate signed by two authorised officers and an Opinion of Counsel, each to the effect that all conditions precedent provided for in this Condition 11(c) relating to the Covenant Defeasance have been complied with. In rendering such Opinion of Counsel, counsel may rely on a certificate signed by two authorised officers as to compliance with the foregoing paragraphs (i), (ii) and (iii) of this Condition 11(c) or as to any matters of fact.

(d) Subject to the provisions of Condition 11(e), all money and Government Obligations (including the proceeds thereof) deposited with the Trustee (or such other person that would qualify to act as successor trustee under the Agency Agreement, collectively and solely for purposes of this Condition 11(d), the “**Trustee**”) pursuant to Condition 11(c)(i) in respect of the Defeased Notes shall be held in trust and applied by the Trustee in accordance with the provisions of such Senior Notes and these Terms and Conditions and the Trust Deed to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Noteholders of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except as requested by the Issuer or to the extent required by law.

The Issuer shall pay and indemnify the Trustee and its agents and hold them harmless against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Condition 11(c)(i), or the principal, premium, if any, and interest, if any, received in respect thereof, other than any such tax, fee or other charge that by law is for the account of the Holders of the Defeased Notes.

Anything in this Condition 11 to the contrary notwithstanding, the Trustee shall deliver to the Issuer, any money or Government Obligations held by it as provided in Condition 11(c)(i) in respect of which:

i. it receives an Issuer Request; and

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

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

(e) If the Trustee or Paying Agent is unable to apply any money or Government Obligations in accordance with Condition 11(b), as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Issuer under these Terms and Conditions and the Trust Deed shall be revived and reinstated as though no deposit had occurred pursuant to Condition 11(b), until such time as the Trustee or Paying Agent is permitted to apply all such money and Government Obligations in accordance with Condition 11(b); *provided, however*, that if the Issuer makes any payment of principal, premium, if any, or interest, if any, on any Senior Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money and Government Obligations held by the Trustee or Paying Agent.

(f) The Trustee shall pay to the Issuer upon Issuer Request any money held by it for the payment of principal, premium, if any, or interest, if any, that remains unclaimed for two years after the Maturity Date or the relevant Optional Redemption Date, as the case may be. After payment to the Issuer, Noteholders entitled to money must look to the Issuer for payment as unsecured general creditors unless an applicable abandoned property law designates another person. No liability whatsoever shall be owed by the Trustee or Paying Agent to the Issuer or the Noteholders with respect to such money, absent gross negligence or willful misconduct.

## **12. Prescription**

Claims against the Issuer for payment in respect of the Senior Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

## **13. Meetings of Noteholders, Modification, Waiver and Substitution**

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

accordance with the provisions of the Trust Deed by a majority of at least 75% of the votes cast. A written resolution of Holders of not less than 75% in nominal amount of the Senior Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all Holders of Senior Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any).

(b) *Modification, Waiver and Determination:* The Trustee and the Issuer may, without the consent of the Noteholders or Couponholders, agree to any modification of any of the provisions of the Trust Deed, the Final Terms of any Series of Senior Notes and the Senior Notes of any Series (i) which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) to cure any ambiguity or inconsistency, (iii) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer, (iv) to add guarantees with respect to the Senior Notes, (v) to secure the Senior Notes, (vi) to provide for any assumption by an Successor Corporation under Condition 19 and (vii) to make any other modification that does not materially affect the rights of Noteholders under the Senior Notes or the Trust Deed. For the purposes of the foregoing, the Trustee shall be entitled to request and to rely on such Opinions of Counsel and advice as it deems necessary and shall not be responsible to anyone for any loss occasioned by so acting. The Trustee shall (x) agree to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, the Final Terms and the Senior Notes, in each case, in respect of any Series of Senior Notes or (y) determine that any Event of Default or Potential Event of Default in respect of any Series of Senior Notes will not be treated as such if, in each case, instructed in writing by Noteholders of at least 25% of the nominal amount of the Senior Notes then outstanding of such Series. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 20(a) as soon as practicable.

(c) *Substitution:* The Issuer may, with respect to any Series of Senior Notes issued by it (the “**Relevant Notes**”), without the consent of any Holder, substitute for itself any other entity organized in any country in the world as the debtor in respect of the Senior Notes and the Trust Deed (the “**Substituted Debtor**”) upon notice by the Issuer and the Substituted Debtor to be given in accordance with Condition 20(a), *provided that*:

- i. the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;
- ii. the Issuer and the Substituted Debtor have entered into such documents (the “**Documents**”) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Holder of the Relevant Notes to be bound by these Terms and Conditions, and the provisions of the Trust Deed and the Agency Agreement as the debtor in respect of such Relevant Notes in place of the Issuer (or any previous substitute under this Condition 13(c));
- iii. if the Substituted Debtor is resident for tax purposes in a country (the “**New Residence**”) other than Brazil, the Documents contain an undertaking or such other provisions as may be necessary to ensure that each Holder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 9 with, where applicable, the substitution of references to Brazil with references to the New Residence;
- iv. unless the Substituted Debtor is the Issuer’s successor (A) the Issuer guarantees the obligations of the Substituted Debtor in relation to outstanding Relevant Notes or (B) the Issuer remains a co-obligor on the Relevant Notes;
- v. the Substituted Debtor and the Issuer have obtained all material governmental approvals and consents required by applicable law for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance of the Issuer of its obligations under the guarantee or co-obligation referred to above (if any) as they relate to the obligations of the Substituted Debtor under the Documents;
- vi. each applicable listing authority or Exchange shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be admitted to listing or trading by the applicable listing authority and Exchange; and



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

Upon such substitution, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Relevant Notes and the Trust Deed with the same effect as if the Substituted Debtor had been named as the Issuer therein, and the Issuer shall be released from its obligations under the Relevant Notes and under the Trust Deed, unless the Issuer remains a co-obligor on the Relevant Notes pursuant to paragraph (c)(iv)(B) of this Condition 13.

After a substitution pursuant to this Condition 13(c), the Substituted Debtor may, without the consent of any Holder, effect a further substitution. All the provisions specified above shall apply to effect the further substitution. After a substitution pursuant to the above, any Substituted Debtor may, without the consent of any Holder, reverse the substitution.

(d) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, or the Noteholders or Couponholders in respect of Senior Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment, whatsoever, and including in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

#### **14. Enforcement**

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

#### **15. Indemnification of the Trustee**

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

#### **16. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes**

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



endorsed thereon. Mutilated or defaced Notes, Coupons, Talons or Definitive Registered Notes must be surrendered before replacements will be issued.

## **17. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Senior Notes of any Series in all respects (or in all respects except for the issue date, first payment of interest on them or the Specified Denomination thereof) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Senior Notes of any Series). References in these Terms and Conditions to the Senior Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Senior Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Senior Notes of any Series) constituted under the Trust Deed or any deed supplemental to it shall be constituted under a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the Holders of securities of other series (including the Senior Notes of any other Series) where the Trustee so decides.

## **18. Agents**

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

## **19. Consolidation, Merger or Sales of Assets**

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

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

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

(c) after any public announcement of, but in any event prior to the completion of any such consolidation, merger, conveyance or transfer, the Issuer has delivered to the Trustee (i) a certificate signed by two authorised officers of the Issuer stating that such consolidation, merger, conveyance or transfer complies with this Condition 19 and that all conditions precedent herein provided for relating to such transaction (other than the condition precedent set out in (b) above) have been complied with and (ii) an opinion of independent counsel of recognised standing to the effect that the Successor Corporation has validly assumed the obligations to be assumed by it pursuant to clause (a) above and that the Trust Deed, the Agency Agreement and the Senior Notes constitute legal, valid and binding obligations of the Successor Corporation, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganisation or other laws of general applicability relating to or affecting the enforcement of creditor’s rights and to general principles of equity; *provided* that in giving such Opinion of Counsel may rely on a certificate signed by an authorised officer of the Issuer.

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

Upon the consolidation, merger, conveyance or transfer (including in connection with a *cisão*) in accordance with this Condition 19, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Notes with the same effect as if the Successor Corporation had been named as the issuer of the Senior Notes herein and the Issuer will automatically be released and discharged from all obligations and covenants under the Trust Deed, the Agency Agreement and the Senior Notes.

## 20. Notices and Provision of Information

(a) *Notices:* Notices to Holders of Registered Notes will be mailed to them at their respective addresses in the Register (or in the case of joint Holders, to the address of the first-named in the Register) and shall be published (so long as the Senior Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange designated for such purposes pursuant to the rules of the Luxembourg Stock Exchange or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the Holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe, and (so long as the Senior Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange designated for such purposes or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication in both such newspapers as provided above and will, if published more than once on different dates or in a different manner, be deemed to have been given on the date of the last publication in both such newspapers as provided above.

So long as Bearer Notes are represented by a global note and such global note is held on behalf of a clearing system, notices required to be given to holders of such Bearer Notes may be given by delivery of the relevant notice to that clearing system rather than by publication as required above, except that, so long as the relevant Bearer Notes are listed on the Luxembourg Stock Exchange, notices shall be published on the website of the Luxembourg Stock Exchange designated for such purposes.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the Holders of Bearer Notes in accordance with this Condition 20(a).

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

## 21. Redenomination, Renominalisation and Reconventioning

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

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

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

- i. the Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Senior Note equal to the principal amount of that Senior Note in the Specified Currency, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however*, that, if the Issuer determines, with the agreement of the Principal Paying Agent or, in the case of Registered Notes, the Registrar, that then market

practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Senior Notes are then listed and the Paying Agents of such deemed amendments;

ii. if Notes have been issued in definitive form:

(x) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the “**Euro Exchange Date**”) on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Noteholders that replacement Notes and Coupons denominated in Euro are available for exchange (*provided* that such Notes and Coupons are available) and no payments will be made in respect thereof;

(y) the payment obligations contained in all Senior Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 21) shall remain in full force and effect; and

(z) new Notes and Coupons denominated in Euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent or, in the case of Registered Notes, the Registrar, may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

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

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

(e) If the Floating Rate Notes provisions for Floating Rate Notes specified in Condition 6(II) are specified in the relevant Final Terms as being applicable and the Primary Source for the Floating Rate is as specified in Condition 6(II)(b)(i)(A) as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second Relevant Business Day before the first day of the relevant Interest Period.

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

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

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

(a) *Governing Law:* The Trust Deed, the Senior Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

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

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

## TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

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

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

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

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

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

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

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

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

In these Terms and Conditions, each of “**Noteholder**” and “**Holder**” means the person in whose name a Subordinated Note is registered, “**Series**” means Subordinated Notes which have identical terms and

conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters, and “**Tranche**” means, in relation to a Series, those Subordinated Notes of such Series which have the same Issue Date.

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

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

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

## 2. Definitions

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

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

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

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

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

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

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

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

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

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

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



in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, *provided* that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Interest Determination Date**” means, in respect of any Interest Period, the date which falls that number of days specified in the relevant Final Terms on which banks and foreign exchange markets are open for business in the

Relevant Banking Centre prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**“Relevant Business Day”** means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

#### 4. Status

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

#### 5. Interest

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

##### (I) Fixed Rate Notes

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

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

The first payment of interest on a Subordinated Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Subordinated Note will be the amount specified in the relevant Final Terms as being the initial Broken Amount. If

the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified in the relevant Final Terms as being the final Broken Amount.

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

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

## **(II) Floating Rate Notes**

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

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

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

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

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

(B) in the case of a Subordinated Note that specifies that the Primary Source for the Floating Rate shall be the Reference Banks specified in the relevant Final Terms and in the case of a Subordinated Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest is to be determined by

reference to the arithmetic mean of quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A)(y) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre of each of the Reference Banks specified in the relevant Final Terms (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(b)(i) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in an amount that is representative in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.

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

(iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B), only one or none of such Reference Banks provide such Reference Rates, the Rate of Interest for the relevant Interest Period shall be the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre or, if the Specified Currency is Euro, in Europe, *provided* that, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied.

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

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the relevant Final Terms.

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

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

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

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

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

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

(h) *Calculation Agent and Reference Banks:* The Issuer will procure that, so long as any Subordinated Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Subordinated Note and, so long as the Primary Source for Floating Rate for such Subordinated Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Subordinated Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Subordinated Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount or any other amount to be calculated by the Calculation Agent pursuant to the relevant Final Terms, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank

markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

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

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

## 6. Redemption and Purchase

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

(b) *Repurchases:* The Issuer and any of its Affiliates may repurchase Subordinated Notes in the open market or otherwise only in accordance with the provisions set forth in Condition 17. Subordinated Notes so repurchased by the Issuer or any Affiliate shall not be deemed to be outstanding for the purposes of Conditions 9, 11 or 12. For purposes of paragraphs (d) (i), (ii), (iii) and (iv) of Condition 17 with respect to a repurchase or redemption, as the case may be, that may be made by the Issuer, references to the Issuer shall include the Bank, or any successor thereto, acting through its head office or any branch office.

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

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

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

## 7. Payments

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

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

(ii) as may otherwise be specified in the relevant Final Terms as an Alternative Payment Mechanism, subject in each case to Condition 7(c). For the purposes of this Condition 7, “**DTC business day**” means any day on which DTC is open for business.

Payments of principal in respect of Subordinated Notes will only be made against (except for, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant



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

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

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

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

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

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

(g) *Appointment of Agents:* The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Replacement Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The Issuer reserves the right at any time, with the prior approval of the Trustee, which shall not be unreasonably withheld, to vary or terminate the appointment of any Agent, to appoint another Registrar, Replacement Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer will at all times maintain (i) a Principal Paying Agent in



respect of each Series of Subordinated Notes, (ii) a London Paying Agent, (iii) a Registrar and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Subordinated Notes are listed is the Luxembourg Stock Exchange, shall be Luxembourg, (v) a Paying Agent having a specified office in a member state of the European Union, which member state will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (vi) a Calculation Agent and (vii) a Replacement Agent. Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 19(a).

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

## 8. Taxation

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

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

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

(c) where such withholding or deduction is imposed on a payment to or for the account of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any amendment thereof or any other European Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or amendment; or

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

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

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

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

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

## 9. Events of Default

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

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

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

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

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

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

proceeding is commenced in an involuntary case in bankruptcy if such proceeding is not dismissed on or before the 60th day after the entry thereof or if any such dismissal or stay ceases to be in effect; or

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

## 10. Prescription

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

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

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

(b) *Modification, Waiver and Determination:* The Trustee and the Issuer may, without the consent of the Noteholders, agree to any modification of any of the provisions of the Trust Deed, the Final Terms of any Series of Subordinated Notes and the Subordinated Notes of any Series (i) which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) to cure any ambiguity or inconsistency, (iii) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer, (iv) to provide for any assumption by an Successor Corporation under Condition 18 and (v) to make any other modification that does not materially affect the rights of Noteholders under the Subordinated Notes or the Trust Deed. For the purposes of the foregoing, the Trustee shall be entitled to request and to rely on such Opinions of Counsel and advice as it deems necessary and shall not be responsible to anyone for any loss occasioned by so acting. The Trustee shall (x) agree to any waiver or authorisation of any breach or proposed breach of any of the provisions of

the Trust Deed, the Final Terms and the Subordinated Notes, in each case, in respect of any Series of Subordinated Notes or (y) determine that any Event of Default or Potential Event of Default in respect of any Series of Subordinated Notes will not be treated as such if, in each case, instructed in writing by Noteholders of at least 25% of the nominal amount of the Subordinated Notes then outstanding of such Series. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 19(a) as soon as practicable.

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

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

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

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

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

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

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

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

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

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

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

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

## **12. Enforcement**

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

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

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

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

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

The Issuer shall notify the Trustee promptly in writing if the *Conselho Monetário Nacional* (National Monetary Council of Brazil) or the Central Bank (i) effects and publishes in the *Diário Oficial* (Official Gazette) any amendment to Resolution 3,444; or (ii) publishes any notice on the website of the Central Bank setting out a proposed change to Resolution 3,444. Upon receipt of a written notice from the Issuer of a proposed change or an actual change to Resolution 3,444 in accordance with the foregoing, neither the Trustee nor any Paying Agent shall be required to take any action or to refrain from taking any action that may cause it to incur, in its sole discretion, any loss, liability, damage or expense, provided that under no circumstances shall this provision affect a Paying Agent's obligation to make payments to Noteholders of interest or principal that are due and payable if such payments have been made by the Issuer to a Paying Agent. To the extent that the consent or authorization of the Central Bank or any other Brazilian Governmental Authority is required for the Issuer's, the Trustee's or an Agent's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement, neither the Trustee nor any Agent shall have any duty or obligation to determine whether such approval, consent or authorization is required or have any duty or obligation to obtain such consent. The



Issuer shall notify the Trustee and the Agents, as applicable, in writing, if the approval, consent or authorization of the Central Bank or such other Brazilian Governmental Authority, as applicable, is required for the Issuer's or the Trustee's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement and whether or not such consent has been obtained by the Issuer.

#### **14. Replacement of Definitive Notes**

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

#### **15. Further Issues**

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

#### **16. Agents**

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

#### **17. Terms of Subordination**

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

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

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

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

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

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

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



Subject to applicable law, (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon the Issuer's winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings (each a "**Bankruptcy Event**"), and (B)(i) Subordinated Notes shall rank *pari passu* with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the Subordinated Notes shall rank *pari passu* with the rights and claims of holders of the Parity Liabilities and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer's Second Priority Liabilities; *provided* that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a *cisão*) of its properties, assets and liabilities substantially as an entirety to another corporation in accordance with Condition 18 shall not be deemed a Bankruptcy Event for the purposes of this Condition 17 if the Central Bank has approved such consolidation, merger, transfer or conveyance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such Successor Corporation pursuant to the terms of Resolution 3,444.

(c) Deferral of Interest and Principal

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

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

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

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

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

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

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

(d) Redemption, Repurchase and Guaranty or Insurance

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

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

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

to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

(iv) *Redemption of Subordinated Notes at the Option of the Issuer (Call Option)*: If so provided in the relevant Final Terms, the Issuer may, after the fifth anniversary of such Subordinated Notes and subject to the prior approval of the Central Bank, on giving to the Holder of such Subordinated Note irrevocable notice in accordance with Condition 19(a) of not less than 30 nor more than 45 days (or such other notice period as specified in the relevant Final Terms) redeem or procure the purchase of all or, if so specified in the relevant Final Terms, some of the Series of Notes of which such Subordinated Note forms part, on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Subordinated Notes which at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount less, in the case of any Instalment Note, the aggregate amount of instalments that shall become due and payable under any Condition (which amount, if to the extent not then paid, remains due and payable) together with interest accrued to, but excluding, the date fixed for redemption or purchase. All Subordinated Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 17(d)(iv). If only some of the Subordinated Notes of a Series are to be redeemed or purchased at any time, the Subordinated Notes to be redeemed or purchased shall be redeemed or purchased *pro rata* to their principal amounts, *provided* always that the amount redeemed or purchased in respect of each Subordinated Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Subordinated Notes to be so redeemed or purchased. In case of the redemption or purchase of part only of a Subordinated Note, a new Subordinated Note in respect of the remaining balance shall be issued in accordance with Condition 3.

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

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

(vii) *Conflict of Provisions and Amendments*

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

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

## 18. Consolidation, Merger or Sales of Assets

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

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

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

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

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

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

## 19. Notices and Provision of Information

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

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

## 20. Covenant Defeasance

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

(b) Upon the Issuer's exercise of the option under Condition 20(a), the provisions of Condition 18 shall not apply with respect to the Defeased Notes on and after the date the conditions set forth below are satisfied (hereinafter, “**Covenant Defeasance**”), and the Subordinated Notes shall thereafter be deemed not to be outstanding for the purposes of any direction, waiver, consent or declaration or act of Noteholders (and the

consequences of any thereof) in connection with such covenants or provisions, but shall continue to be deemed outstanding for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the Defeased Notes, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant or provision, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or provision or by reason of any reference in any such covenant or provision to any other provision herein or in any other document and such omission to comply shall not constitute a Potential Event of Default or an Event of Default, but, except as specified above, the remainder of these Terms and Conditions and the Trust Deed shall be unaffected thereby.

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

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

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

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

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

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

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

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

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

- i. it receives an Issuer Request; and



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

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

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

(f) The Trustee shall pay to the Issuer upon Issuer Request any money held by it for the payment of principal, premium, if any, or interest, if any, that remains unclaimed for two years after the Maturity Date or the relevant Optional Redemption Date, as the case may be. After payment to the Issuer, Noteholders entitled to money must look to the Issuer for payment as unsecured general creditors unless an applicable abandoned property law designates another person. No liability whatsoever shall be owed by the Trustee or Paying Agent to the Issuer or the Noteholders with respect to such money, absent gross negligence or willful misconduct.

## 21. Redenomination, Renominalisation and Reconventioning

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

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

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

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

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

(x) the payment obligations contained in all Subordinated Notes denominated in the Specified Currency will become void on the date (the “**Euro Exchange Date**”) on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Holders of Subordinated Notes that replacement Subordinated Notes denominated in Euro are available for exchange (*provided* that such Notes are available) and no payments



will be made in respect thereof, but all other obligations of the Issuer thereunder (including the obligation to exchange such Subordinated Notes in accordance with this Condition 21) shall remain in full force and effect; and

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

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

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

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

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

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

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

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

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

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

## FORM OF THE NOTES; BOOK ENTRY AND TRANSFER

### **Bearer Notes**

Bearer Notes of each Tranche of a Series of the Senior Notes will initially be represented by a Temporary Global Note or by a Permanent Global Note (together, the “**Global Notes**”), each without coupons, which will be deposited with a common depository on behalf of Clearstream and Euroclear on the relevant issue date. Interests in the Temporary Global Note will be exchanged in whole or in part for interests in a Permanent Global Note representing Bearer Notes of the relevant Tranche, not earlier than the expiration of the Distribution Compliance Period, and upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Permanent Global Note and any definitive Senior Note, talon and coupon will bear the following legend:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE.”

The sections of the Code referred to in the legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of Bearer Notes or any related coupons.

### ***Summary of Provisions Relating to Bearer Notes while in Global Form***

Each Permanent Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Senior Notes set out in this document. The following is a summary of certain such provisions:

(a) *Noteholders:* So long as the common depository is the bearer of a Global Note, the common depository for Euroclear and Clearstream will be considered the sole holder of the Senior Notes represented by such Global Note for all purposes under the Trust Deed, the Agency Agreement among Itaú Unibanco Holding, the Trustee and Paying Agents (the “**Agency Agreement**”), and such Senior Notes. Owners of beneficial interests in a Global Note will not be considered the holders of such Global Note (or any Senior Notes represented thereby).

(b) *Exchange:* A Temporary Global Note is exchangeable in whole or in part (free of charge to the holder) for interests in the Permanent Global Note representing Bearer Notes not earlier than the expiration of the Distribution Compliance Period, and upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. A Permanent Global Note is exchangeable (in the case of clause (iii), at the option of the issuer) in whole, but not in part (free of charge to the holder), for definitive Bearer Notes if (i) the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by such holder giving notice to the London Paying Agent, (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the holders of the Notes represented by such Permanent Global Note and the Trustee has been advised by counsel that in connection with such proceeding, it is necessary or appropriate for the Trustee to obtain possession of such Notes, or (iii) the Issuer is obligated to pay additional amounts as provided or referred to in the Terms and Conditions of the Senior Notes as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the applicable issue date. If so specified in the relevant Final Terms, a Temporary Global Note or a Permanent Global Note is exchangeable in whole or in part for Registered Notes in accordance with its terms.

On or after any Exchange Date (as defined below), the holder of the Permanent Global Note may surrender the Permanent Global Note to, or to the order of, the London Paying Agent. In exchange for the Permanent Global Note, the relevant Issuer will deliver, or procure the delivery of, an equal aggregate nominal

amount of duly executed and authenticated definitive Bearer Notes (having attached to them all coupons and talons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in Schedule 1 to the Trust Deed or (if so specified in the relevant Final Terms) Registered Notes. On exchange in full of the Permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder.

**“Exchange Date”** means a day falling not less than 40 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in which the relevant clearing system is located.

(c) *Payments:* No payments will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal, premium (if any) and interest in respect of Bearer Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bearer Notes, surrender of the Permanent Global Note to or to the order of the London Paying Agent, Principal Paying Agent or such other Paying Agent as shall have been notified to the holders of the Senior Notes for such purpose. A record of each payment so made will be endorsed in the appropriate exhibit to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bearer Notes. Payments will be made to the common depository for Euroclear and Clearstream and, upon receipt of any such payment of a Global Note held by a common depository, it is expected that Euroclear and Clearstream will credit participants’ accounts with payment in amounts proportionate to their beneficial interests in the principal amount of such Global Notes as shown on the records of Euroclear or Clearstream, as the case may be.

(d) *Prescription:* Claims against the Issuer in respect of principal and interest in respect of a Global Note will be prescribed and become void unless such Global Note is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in “Terms and Conditions of the Senior Notes”).

(e) *Meetings:* The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of the Senior Notes and, at any such meeting, as having one vote in respect of each minimum Specified Denomination of Bearer Notes for which such Global Note may be exchanged.

(f) *Purchase and cancellation:* Cancellation of any Bearer Note permitted under “Terms and Conditions of the Senior Notes” to be cancelled following its purchase will be effected by reduction in the nominal amount of the relevant Global Note and evidenced by the appropriate notation in the relevant exhibit to such Global Note.

(g) *Call option:* The Issuer’s call option in Condition 7(e) in “Terms and Conditions for the Senior Notes” may be exercised by the Issuer giving notice to the holders of the Senior Notes in accordance with Condition 7(e) and such notice shall be required to contain the certificate numbers of Senior Notes drawn for redemption in the case of a partial redemption of Senior Notes.

(h) *Put option:* The put option of the holders of the Senior Notes in Condition 7(f) in “Terms and Conditions for the Senior Notes” may be exercised by the holder of a Global Note giving notice to the London Paying Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in Condition 7(f).

## **Registered Notes**

Registered Notes of each Tranche of a Series that are sold in an “offshore transaction” within the meaning of Regulation S will initially be represented by interests in either a European unrestricted global Note or a DTC unrestricted global Note, each without coupons, and (i) in the case of a European unrestricted global Note, deposited with a common depository for, and registered in the name of a common nominee of, Clearstream and Euroclear on its issue date (each a **“European Unrestricted Global Note”**); or (ii) in the case of a DTC unrestricted

global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date (each a “**DTC Unrestricted Global Note**”). We refer to the DTC Unrestricted Global Notes together with the European Global Notes as Unrestricted Global Notes.

Registered Notes of each Tranche of a Series that are sold to QIBs pursuant to Rule 144A (“**Restricted Notes**”) will initially be represented by a Restricted Global Note without interest coupons and (i) in the case of a European Restricted Global Note, deposited with a common depositary for, and registered in the name of a common nominee of, Clearstream and Euroclear on its issue date (each a “**European Restricted Global Note**” and, together with any European Unrestricted Global Note, the “**European Global Notes**”); or (ii) in the case of a DTC Restricted Global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date (each a “**DTC Restricted Global Note**” and, together with any DTC Unrestricted Global Note, the “**DTC Global Notes**”). We refer to the DTC Restricted Global Notes together with the European Global Notes as Restricted Global Notes. Beneficial interests in a European Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream. Beneficial interests in a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Individual definitive Registered Notes will only be available in certain limited circumstances as described herein. Any Restricted Global Note will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under “Transfer Restrictions.”

## **Book-Entry Ownership**

### ***Bearer Notes***

The Issuer will make applications to Clearstream and Euroclear for acceptance in their respective book-entry systems in respect of any Bearer Series. In respect of Bearer Notes, a Temporary Global Note or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream and Euroclear. Each Temporary Global Note or Permanent Global Note will have an ISIN number and a Common Code. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream and Euroclear.

### ***Registered Notes***

The Issuer will make applications to Clearstream and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a European Unrestricted Global Note or a European Restricted Global Note. Each European Global Note will have an ISIN number and a Common Code.

The Issuer and the Dealer(s) with respect to a Tranche of Notes will make application to DTC for acceptance in its book entry settlement system of the Notes represented by each DTC Restricted Global Note or DTC Unrestricted Global Note. Each DTC Global Note will have a CUSIP number and an ISIN number.

Each DTC Restricted Global Note and each European Restricted Global Note will be subject to restrictions on transfer contained in a legend appearing on the front of each such Note, as set out under “Transfer Restrictions.” In certain circumstances, as described below in “— Transfers of Registered Notes,” transfers of interests in a DTC Restricted Global Note or a European Restricted Global Note may be made such that the legend is no longer applicable.

The custodian with whom the DTC Restricted Global Note or DTC Unrestricted Global Note is deposited (the “**Custodian**”) and DTC will electronically record the nominal amount of the Notes held within the DTC system. In the case of Notes represented by a DTC Unrestricted Global Note, until the expiration of the Distribution Compliance Period, investors in Notes of such Series may hold their interests in a DTC Unrestricted Global Note only through Clearstream or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in such system, or indirectly through organisations which are participants in DTC. Clearstream and Euroclear will hold interests in a DTC Unrestricted Global Note on behalf of their accountholders through customers’ securities accounts in Clearstream’s or Euroclear’s respective names on the books of their respective depositaries, which in turn will hold such interests in a DTC Unrestricted Global Note in customers’ securities accounts in the depositaries’ names on the books of DTC. The Bank of New York Mellon will initially act

as depositary for each of Euroclear and Clearstream. Investors may hold their interests in a DTC Restricted Global Note directly through DTC, if they are participants in the DTC system, or indirectly through organisations which are participants in such system. Investors in Notes represented by a European Restricted Global Note or a European Unrestricted Global Note may hold their interests in such Note only through Clearstream or Euroclear.

Payments of the principal of, and interest on, each DTC Restricted Global Note or DTC Unrestricted Global Note registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such DTC Restricted Global Note or DTC Unrestricted Global Note. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such DTC Global Notes held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any DTC Restricted Global Note or DTC Unrestricted Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of: (i) a DTC Restricted Global Note and either a DTC Unrestricted Global Note or a European Unrestricted Global Note; or (ii) a European Restricted Global Note and a European Unrestricted Global Note. Individual definitive Registered Notes will only be available (a) in the case of Registered Notes sold under Regulation S ("**Unrestricted Notes**"), in amounts specified in the applicable Final Terms (provided that, in the case of any Notes to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC, Unrestricted Notes will only be available in amounts of €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Senior Notes) and integral multiples of €1,000 thereafter, and (b) in the case of Restricted Notes, in amounts of US\$100,000 (or its equivalent in other currencies) rounded upwards as agreed between the Issuer and the relevant Dealer(s), and integral multiples of US\$1,000 thereafter, in certain limited circumstances described below.

### **Individual Definitive Registered Notes**

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream and Euroclear or for DTC will not be permitted unless: (i) in the case of DTC Restricted Global Notes and DTC Unrestricted Global Notes, DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depositary with respect to the DTC Restricted Global Note and DTC Unrestricted Global Notes, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of European Unrestricted Global Notes and European Restricted Global Notes, Clearstream or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the holders of the Notes under the Notes and the Trustee has been advised by counsel that in connection with such proceeding, it is necessary or appropriate for the Trustee to obtain possession of the Notes; or (iv) the Issuer is obligated to pay additional amounts as provided or referred to in the Terms and Conditions of the Senior Notes or the Terms and Conditions of the Subordinated Notes as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the applicable issue date. In such circumstances (and in the case of clause (iv), at the option of the Issuer), the Issuer will cause sufficient individual definitive Registered Notes to be executed and



delivered to the Registrar for completion, authentication and despatch to the relevant holder(s) of the Notes. A person having an interest in a DTC Global Note or a European Global Note must provide the Registrar with:

- a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and
- in the case of a DTC Restricted Global Note or a European Restricted Global Note only, a fully completed and signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Registered Notes issued pursuant to this paragraph shall bear the legends applicable to transfers pursuant to Rule 144A.

### **Transfers of Registered Notes**

Transfers of interests in DTC Global Notes or European Global Notes within DTC, Clearstream or Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Restricted Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Restricted Global Note or DTC Unrestricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Until the expiration of the Distribution Compliance Period, beneficial interests in a DTC Unrestricted Global Note for such Series may be held only through Clearstream or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note to a transferee who wishes to take delivery of such interest through a DTC Restricted Global Note or a European Restricted Global Note (as the case may be); *provided* that any such transfer made on or prior to the expiration of the Distribution Compliance Period relating to the Notes represented by such DTC Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Thereafter, the Registrar will make appropriate entries in the Register. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note or a European Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant DTC Global Notes.

Beneficial interests in a European Unrestricted Global Note may be held only through Clearstream or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note or a European Unrestricted Global Note to a transferee who wishes to take delivery of such interest through the DTC Restricted Global Note or the European Restricted Global Note (as the case may be) for the same Series of Notes; *provided* that any such transfer made on or prior to the expiration of the Distribution Compliance Period relating to the Notes represented by such European Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such DTC Unrestricted Global Note or European Unrestricted Global Note (as the case may be) will only be made upon request through (i) Clearstream or Euroclear by the holder of an interest in the European Unrestricted Global Note or (ii) through DTC by the holder of an interest in the DTC Unrestricted Global Note, to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the DTC Restricted Global Note or details of the account at Euroclear or Clearstream to be credited with the relevant interest in the European Restricted Global Note, as the case may be. Transfers at any time by a holder of any interest in the DTC Restricted



Global Note or a European Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note or a European Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S or Rule 144A and giving details of the account at DTC, Euroclear or Clearstream, as the case may be, to be credited and debited, respectively, with an interest in the relevant global Registered Notes.

In addition, subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions,” cross market transfers between DTC and directly or indirectly through Clearstream or Euroclear accountholders will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant global Registered Notes will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of: (i) three business days after the trade date for the disposal of the interest in the relevant global Registered Note resulting in such transfer; and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions.”

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Restricted Global Notes and DTC Unrestricted Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Restricted Global Notes or DTC Unrestricted Global Notes are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note, as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Restricted Global Note or DTC Unrestricted Global Note for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the global Registered Notes among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any

responsibility for the performance by DTC, Clearstream or Euroclear, or their respective direct or indirect participants or accountholders, of their respective obligations under the rules and procedures governing their operations.

While a DTC Restricted Global Note or DTC Unrestricted Global Note is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream or Euroclear.

### **Pre-Issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the relevant issue date, which could be more than three business days following the date of pricing. Under Rule 15c61 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant issue date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant issue date should consult their own adviser.

### **U.S. Dollar Equivalent**

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another currency shall be determined, at the discretion of the Issuer, either as of the date of agreement to issue such Notes (the “**Agreement Date**”) or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case, on the basis of the Exchange Rate on the relevant date of calculation applied to the aggregate nominal amount of such Notes. As used herein, the “**Exchange Rate**” means the spot rate for the sale of U.S. dollars against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the relevant Issuer at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The U.S. dollar equivalent of any zero coupon Note and any other Note issued at a discount shall be calculated, in relation to the specified currency, in the manner specified above and with the Exchange Rate so determined to apply in respect of any other U.S. dollar equivalent determination for the same Notes and, in relation to the nominal amount, by reference to the amortisation yield formula as specified in “Terms and Conditions of the Senior Notes” and “Terms and Conditions of the Subordinated Notes” as of the same dates as specified in the preceding paragraph or, if no formula is so specified, the nominal amount of such Notes. The U.S. dollar equivalent of a Note issued at a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer from the relevant issue of Notes.

## TAXATION

**PROSPECTIVE PURCHASERS OF THE NOTES OR COUPONS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.**

### **Brazil**

*The following is a general description of certain Brazilian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Brazil of acquiring, holding and disposing of Notes and receiving payments of interest, principal or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.*

Individuals domiciled in Brazil and Brazilian companies are taxed in Brazil on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of branches of foreign companies domiciled in Brazil are generally taxed in Brazil in the same manner as Brazilian companies, and non-residents of Brazil in general are taxed in Brazil only when income is derived from Brazilian sources or gains are realised on the disposal of assets located within Brazil.

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets located in Brazil are subject to tax in Brazil, pursuant to article 26 of Law No. 10,833 enacted on December 29, 2003 ("**Law No. 10,833**").

Tax consequences in Brazil are different if the Notes are issued by us acting through our principal office in Brazil or issued by the Cayman Islands Branch.

If payment is made to a holder non-resident of Brazil by the Issuer with respect to Notes issued by the Cayman Islands Branch, based on the fact that the Issuer is considered to be domiciled outside of Brazil for tax purposes, such payment will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payments are made with resources held by us outside of Brazil. Notwithstanding, considering the general and ambiguous scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organisation domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, are subject to Brazilian withholding tax. The rate of withholding tax with respect to such debt obligations is generally 15.0% as provided for in Section 10 of the Normative Act No. 252, enacted by the tax authority as of December 3, 2002.

Brazil and Japan are signatories to a treaty (the "**Japan Treaty**") for the avoidance of double taxation. Under the Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. As long as such payments are made by the Issuer to the Principal Paying Agent pursuant to the "Terms and Conditions of the Senior Notes" and to the "Terms and Conditions of the Subordinated Notes" and provided further that such Principal Paying Agent is a tax resident of Japan and is qualified for the treaty benefits under the Notes, such payments will be subject to the 12.5% rate of Brazilian withholding tax. If the Issuer is not able to rely on the Japan Treaty with respect to such payments, and in relation to payments not being made by the Issuer to a Principal Paying Agent that is a tax resident of Japan, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

In accordance with the "Terms and Conditions of the Senior Notes" and to the "Terms and Conditions of the Subordinated Notes," the Issuer is required to pay such additional amounts as will result in the receipt by a holder of

the Notes of such amounts as would have been received by such holders of the Notes had no such withholding or deduction been required, subject to certain limitations. Brazilian tax laws expressly authorise the paying source to pay the income or earnings net of taxes and, therefore, to assume the cost of the applicable tax.

Gains on the sale or disposal of the Notes generated outside Brazil by a non-resident of Brazil, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. Article 26 of the Law No. 10,833, established that, as from February 1, 2004, capital gains realised on the disposal of assets located in Brazil by non-residents of Brazil, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding tax. Although the scope of Law No. 10,833 is yet unclear, the Issuer believes that the Notes will be treated as located outside of Brazil and will not fall within such provision. However, Brazilian tax authorities may determine that the gains generated abroad on the sale or disposal of the Notes by non-residents of Brazil should be taxable in Brazil.

Gains recognised by a non-resident of Brazil from a sale or other disposition of the Notes to a Brazilian resident will be subject to income tax in Brazil at a rate of 15.0%, or 25.0% if such Non-Brazilian holder is domiciled in a Tax Haven Jurisdiction, unless a lower rate is provided for in an applicable tax treaty between Brazil and the country where the non-resident of Brazil is domiciled.

Additionally, Law No. 11,727 changed the scope of transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes income at a maximum rate lower than 20.0%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out substantial economic activity in the country or said territory or (b) conditioned upon the non-exercise of substantial economic activity in the country or said territory; (iii) does not tax proceeds generated abroad or taxes such proceeds at a maximum rate lower than 20.0%; or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Although the concept of “privileged tax regime” may apply only for the purposes of Brazilian transfer pricing rules, there is no judicial guidance as to the application of Law No. 11,727. Accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the “privileged tax regime” concept is applicable to deem a non-resident of Brazil domiciled in a privileged tax regime as domiciled in a Tax Haven Jurisdiction when investing in the Notes. In the event that the “privileged tax regime” concept is so interpreted, this would result in the imposition of taxation on a non-resident of Brazil located in a privileged tax regime in the same way applicable to a tax haven resident.

Pursuant to Decree No. 6,306 of December 14, 2007, as amended, foreign exchange transactions are subject to the IOF. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF rate. Such IOF rate can be increased at any time up to a rate of 25.0%. The above-mentioned Decree sets forth that the current general IOF rate is 0.38%, although there are some exceptions, such as the inflow of proceeds into Brazil derived from or destined to loans with minimum average terms of less than 90 days, in which case the IOF rate of 5.38% is applicable. Moreover, for foreign exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, related to proceeds raised as from October 23, 2008, the IOF rate of 0.0% is applicable.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil; nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the Notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

## **Cayman Islands**

*The following summary is a general description of certain Cayman Islands tax aspects of the Notes and does not purport to be a comprehensive description of the tax aspects of the Notes. This summary is based upon the tax laws of the Cayman Islands as in effect on the date of this Offering Memorandum and is subject to any change in Cayman law that may come into effect after such date. Prospective purchasers should consult their tax advisers as to the tax laws and specific tax consequences of acquiring, holding and disposing of the Notes.*

Under existing Cayman Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands as is an original Bearer Note if brought into the Cayman Islands (to the extent that any Notes are issued in bearer form).

## **EU Savings Directive**

The EU has adopted a directive (Council Directive 2003/48/EC, the “**EU Savings Directive**”) regarding the taxation of savings income. The Directive requires countries that are member states of the EU to provide the tax authorities of other member states of the EU with the details of payments of interest and other similar income paid by a person within its jurisdiction to an individual who is the beneficial owner of such interest or other similar income or to certain other persons resident in another Member State, with the exception of Austria, Belgium and Luxembourg, who may instead impose a withholding system for a transitional period unless during such period they elect otherwise (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other similar income may request that no tax be withheld). A number of non-EU countries and territories have adopted measures similar to the EU Savings Directive. However, with effect from 1 January 2010 Belgium has stopped the withholding system and will now only apply the automatic exchange of information procedure. In addition, it has recently been announced that with effect from 1 July 2011 Isle of Man will cease to apply withholding taxes and will also exchange information with the member states of the EU.

## **U.S. Federal Income Taxation**

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below) who purchase the Notes in an offering of Notes at their issue price (determined as set forth below) and hold the Notes as capital assets within the meaning of section 1221 of the Code. This discussion does not address all of the tax considerations that may be relevant to U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special rules under U.S. federal income tax laws, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders who hold the Notes as part of a “straddle,” “hedging,” “conversion” or other integrated transaction, U.S. Holders who mark their securities to market for U.S. federal income tax purposes or U.S. Holders whose functional currency is not the U.S. dollar. In addition, this discussion does not address the effect of any state, local or non-U.S. tax laws or any U.S. federal estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, the Treasury Regulations promulgated thereunder and administrative and judicial pronouncements, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion does not address the U.S. federal income tax considerations relating to the purchase, ownership or disposition of (i) Bearer Notes, (ii) credit linked Notes, (iii) index linked interest Notes, (iv) dual currency Notes, (v) Notes with a maturity later than 30 years from the date of issuance, (vi) Notes that do not unconditionally require payments at least equal in the aggregate to their issue price, (vii) “contingent payment debt instruments” (under applicable Treasury Regulations), or (viii) certain variable rate debt instruments (under applicable Treasury Regulations), and a general discussion of any materially different federal income tax considerations relating to any such Notes will be included in the applicable Final Terms if such Notes are offered to U.S. Holders.

For purposes of this discussion, the term “**U.S. Holder**” means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and



one or more U.S. persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to such investment generally will depend in part upon the status and activities of such entity and its partners. Such an entity should consult its own tax advisers regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of such Note.

The determination of whether a particular Series of the Subordinated Notes should be classified as indebtedness or equity for U.S. federal income tax purposes depends on the terms of the Subordinated Notes of such Series. The Issuer intends to treat the Subordinated Notes as indebtedness for U.S. federal income tax purposes. The Issuer's treatment will be binding on all U.S. Holders, except a U.S. Holder that discloses its differing treatment on its U.S. federal income tax return. However, the Issuer's treatment is not binding on the Internal Revenue Service (the "IRS"), and it is possible that the IRS could attempt to treat a particular Series of the Subordinated Notes as equity for U.S. federal income tax purposes. If a particular Series of the Subordinated Notes were so treated as equity, the U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Subordinated Notes of such Series could differ from those described below with respect to timing and character. The remainder of this discussion assumes that all of the Notes will be treated as indebtedness for U.S. federal income tax purposes.

ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES SET FORTH IN THIS OFFERING MEMORANDUM WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER FEDERAL TAX LAW. SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS.

#### ***Interest and Original Issue Discount***

Each U.S. Holder of a Note will include in income payments of "qualified stated interest" (as described below) in respect of such Note in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes as ordinary interest income. In general, if the issue price of a Note, determined by the first price at which a substantial amount of the Notes of a particular issue is sold (ignoring sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers), is less than the "stated redemption price at maturity" (as described below) of such Note by an amount that is equal to or more than a de minimis amount, a U.S. Holder will be considered to have purchased such Note with original issue discount ("OID"). In general, the de minimis amount is equal to  $\frac{1}{4}$  of one percent of the stated redemption price at maturity of a Note multiplied by the number of complete years to maturity (or, in the case of a Note providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of the Note). If a U.S. Holder acquires a Note with OID, then regardless of such U.S. Holder's method of accounting, such U.S. Holder will be required to accrue its pro rata share of OID on such Note on a constant-yield basis and include such accruals in gross income, whether or not such U.S. Holder will have received any cash payment on the Note. Any amount not treated as OID because it is de minimis generally must be included in income (generally as gain from the sale of Notes) as principal payments are received in the proportion that each such payment bears to the original principal amount of the Note. Special rules apply to Notes with a fixed maturity of one year or less. See below under "— Short-Term Notes."

"Stated redemption price at maturity" generally means the sum of all payments to be made on a Note other than payments of "qualified stated interest." "Qualified stated interest" generally means stated interest that is unconditionally payable at least annually at a single fixed rate, or in the case of a variable rate debt instrument (as defined below), at a single qualified floating rate or single objective rate (as such terms are defined below). If a Note



is a variable rate debt instrument but interest is payable at a rate other than a single qualified floating rate or a single objective rate, the special rules that apply will be described in the applicable Final Terms.

In the case of a Note that is a variable rate debt instrument, the amount of qualified stated interest and the amount of OID, if any, that accrues during an accrual period is generally determined by assuming that the variable rate is a fixed rate. In the case of a qualified floating rate or qualified inverse floating rate (each as defined below), the assumed fixed rate is the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate. In the case of an objective rate (as defined below, and other than a qualified inverse floating rate), the assumed fixed rate is a fixed rate that reflects the yield that is reasonably expected for the debt instrument. In either case, the qualified stated interest (or, if there is no qualified stated interest, OID) allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to clause (i) or (ii), as applicable. Special rules that apply to a variable rate debt instrument that provides for stated interest at a fixed rate under certain circumstances will be described in the applicable Final Terms.

A “variable rate debt instrument” is a debt instrument that (i) has an issue price that does not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (a) 0.015 multiplied by the product of such total noncontingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Note) or (b) 15 percent of the total noncontingent principal payments, (ii) provides for stated interest (compounded or paid at least annually) at the current value of (A) one or more qualified floating rates, (B) a single fixed rate and one or more qualified floating rates, (C) a single objective rate or (D) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (iii) does not provide for any principal payments that are contingent. The current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A “qualified floating rate” is generally a floating rate under which variations in the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which a debt instrument is denominated. A multiple of a qualified floating rate is not a qualified floating rate unless the relevant multiplier is (i) fixed at a number that is greater than 0.65 but not more than 1.35 or (ii) fixed at a number that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor, governor or similar restriction that is fixed throughout the term of the Note).

An “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information. However, an objective rate does not include a rate based on information that is within the control of the Issuer (or certain related parties of the Issuer) or that is unique to the circumstances of the Issuer (or certain related parties of the Issuer), such as dividends, profits or the value of the Issuer’s stock. A “qualified inverse floating rate” is an objective rate (i) that is equal to a fixed rate minus a qualified floating rate and (ii) the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Notwithstanding the first sentence of this paragraph, a rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note’s term. The IRS may designate rates other than those specified above that will be treated as objective rates. As of the date of this Offering Memorandum, no other rates have been designated.

If (i) interest on a Note is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and (ii) the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. A fixed rate and a variable rate will be conclusively presumed to meet

the requirements of the preceding sentence if the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 percentage points (25 basis points).

If a floating rate Note does not qualify as a variable rate debt instrument or otherwise provides for contingent payments, or if a fixed rate Note provides for contingent payments, such Note may constitute a “contingent payment debt instrument.” Interest payable on a contingent payment debt instrument is not treated as qualified stated interest. Special rules applicable to contingent payment debt instruments offered to U.S. Holders will be described in the applicable Final Terms.

In general, the following rules apply if (i) a Note provides for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and (ii) either a single payment schedule is significantly more likely than not to occur or the Note provides the Issuer or a U.S. Holder with an unconditional option or options exercisable on one or more dates during the term of the Note. If based on all the facts and circumstances as of the issue date a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule. If the Issuer or a U.S. Holder has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then (i) in the case of an option or options exercisable by the Issuer, the Issuer will be deemed to exercise or not exercise an option or combination of options in a manner that minimises the yield on the Note and (ii) in the case of an option or options of the U.S. Holder, the U.S. Holder will be deemed to exercise or not exercise an option or combination of options in a manner that maximises the yield on the Note. Notes subject to the above rules will not be treated as contingent payment debt instruments as a result of the contingencies described above. If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a “**Change in Circumstances**”), then, except to the extent that a portion of the Note is repaid as a result of a Change in Circumstances and solely for purposes of the accrual of OID, the Note is treated as retired and then reissued on the date of the Change in Circumstances for an amount equal to the Note’s adjusted issue price on that date.

A U.S. Holder may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method. For purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. The election must be made for the taxable year in which a U.S. Holder acquires a Note, and may not be revoked without the consent of the IRS.

### ***Premium***

If the amount paid by a U.S. Holder for a Note exceeds the stated redemption price at maturity of such Note, such U.S. Holder generally will be considered to have purchased such Note at a premium equal in amount to such excess. In this event, such U.S. Holder generally may elect to amortise such premium, based generally on a constant-yield basis, as an offset to interest income over the remaining term of such Note. In the case of a Note that may be redeemed prior to maturity, the premium amortisation and redemption date are calculated assuming that the Issuer and the U.S. Holder will exercise or not exercise redemption rights in a manner that maximises the U.S. Holder’s yield. It is unclear how premium amortisation is calculated when the redemption date or the amount of any redemption premium is uncertain. The election to amortise bond premium, once made, will apply to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

### ***Short-Term Notes***

Notes that have a fixed maturity of one year or less (“**Short-Term Notes**”) will be treated as issued with OID. In general, an individual or other U.S. Holder that uses the cash method of accounting is not required to accrue such OID unless such U.S. Holder elects to do so. If such an election is not made, any gain recognised by such U.S. Holder on the sale, exchange, retirement or other disposition of a Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis, or upon such U.S. Holder’s election under the constant yield

method (based on daily compounding), through the date of sale, exchange, retirement or other disposition, and a portion of the deduction otherwise allowable to such U.S. Holder for interest on borrowings allocable to the Short-Term Note will be deferred until a corresponding amount of income on such Short-Term Note is realised. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method of accounting and certain other holders are required to accrue OID related to a Short-Term Note as ordinary income on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity.

### ***Sale, Exchange, Retirement or Other Disposition of Notes***

In general, a U.S. Holder of a Note will have a tax basis in such Note equal to the cost of such Note to such U.S. Holder, increased by any amount includible in income by such U.S. Holder as OID and reduced by any amortised premium and any payments received with respect to the Note other than payments of qualified stated interest. Upon a sale, exchange, retirement or other disposition of a Note, a U.S. Holder will generally recognise gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other disposition (less any amount that is attributable to accrued but unpaid qualified stated interest, which will constitute ordinary interest income if not previously included in income) and such U.S. Holder's tax basis in such Note. Subject to the rules described below under "— Foreign Currency Notes," such gain or loss generally will be long-term capital gain or loss if such U.S. Holder will have held such Note for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

### ***Foreign Currency Notes***

The following discussion generally describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency other than the U.S. dollar ("**Foreign Currency Notes**"). The amount of qualified stated interest paid with respect to a Foreign Currency Note that is includible in income by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes is the U.S. dollar value of the amount paid, as determined on the date of actual or constructive receipt by such U.S. Holder, using the spot rate of exchange on such date. In the case of qualified stated interest on a Foreign Currency Note held by a U.S. Holder that uses the accrual method of accounting, and in the case of OID (other than OID on a Short-Term Note that is not required to be accrued) for every U.S. Holder, such U.S. Holder is required to include the U.S. dollar value of the amount of such interest income or OID (which is determined in the foreign currency) that accrued during the accrual period. The U.S. dollar value of such accrued interest income or OID generally is determined by translating such income at the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, such U.S. Holder may elect to translate such income at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate in effect on the last day of the taxable year). If the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. The U.S. Holder will recognise, as ordinary income or loss, foreign currency exchange gain or loss with respect to such accrued interest income or OID on the date the interest or OID is actually or constructively received, reflecting fluctuations in currency exchange rates between the exchange rate used to determine the accrued interest income or OID for the relevant accrual period and the exchange rate on the date such interest or OID is actually or constructively received.

A U.S. Holder will calculate the amortisation of any bond premium for a Foreign Currency Note in the applicable foreign currency. Amortisation deductions attributable to a period will reduce interest payments in respect of that period, and therefore are translated into U.S. dollars at the rate used for those interest payments. Foreign currency exchange gain or loss will be realised with respect to amortised premium on a Foreign Currency Note based on the difference between the exchange rate at which the amortisation deductions were translated into U.S. dollars and the exchange rate on the date such U.S. Holder acquired the Foreign Currency Note.

The amount realised with respect to a sale, exchange, retirement or other disposition of a Foreign Currency Note generally will be the U.S. dollar value of the payment received, determined on the date of disposition of such Foreign Currency Note (using the spot rate on such date). However, with respect to Foreign Currency Notes that are treated as traded on an established securities market, such amount realised will be determined using the spot rate on the settlement date in the case of (i) a U.S. Holder that is a cash method taxpayer or (ii) a U.S. Holder that is an accrual method taxpayer that elects such treatment. This election may not be changed without the consent of the IRS. Gain or loss that is recognised will be ordinary income or loss to the extent it is attributable to fluctuations in currency rates between the date of purchase and the date of sale, exchange, retirement or other disposition. Such foreign currency exchange gain or loss will be recognised only to the extent of the total gain or loss realised by such U.S. Holder on the sale, exchange, retirement or other disposition of the Foreign Currency Note. Any gain or loss realised by a U.S. Holder in excess of such foreign currency exchange gain or loss generally will be capital gain or loss (subject to the discussion above regarding Short-Term Notes).

A U.S. Holder will recognise an amount of foreign currency exchange gain or loss on a sale or other disposition of any non-U.S. currency equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of any other property, received in such sale or other disposition and (ii) the tax basis of such non-U.S. currency.

A Note that provides for payments in more than one currency generally will be treated as a “contingent payment debt instrument,” and the special rules applicable to such instruments will be described in the applicable Final Terms if the Notes are offered to U.S. Holders.

### ***Foreign Tax Credit Considerations***

As discussed in “Taxation — Brazil,” under current law, payments of interest and original issue discount in respect of the Notes are subject to Brazilian withholding taxes (other than Notes issued by the Cayman Islands Branch, which may not be subject to such Brazilian withholding taxes). A U.S. Holder will be required for U.S. federal income tax purposes to include in gross income as interest any such Brazilian withholding taxes. Thus, a U.S. Holder may be required to report income for such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Interest on, and any OID accrued with respect to, a Note generally will constitute income from sources outside the United States, and generally will be categorised for U.S. foreign tax credit purposes as “passive category income” or, in the case of some U.S. Holders, as “general category income.” Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. As discussed in “Taxation — Brazil,” under current law, gain resulting from a sale or other disposal of a Note may be subject to Brazilian income or withholding taxes. A U.S. Holder’s use of a foreign tax credit with respect to any such Brazilian income or withholding taxes may be limited, as such gain generally will constitute income from sources within the United States.

A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. Foreign currency exchange gain or loss generally will constitute income from sources within the United States.

The rules relating to foreign tax credits are very complex, and each U.S. Holder should consult its own tax advisers regarding the application of such rules.

### ***Aggregation Rules***

The Treasury Regulations relating to OID contain special aggregation rules stating in general that, subject to certain exceptions, debt instruments issued in the same transaction or related transactions to a single purchaser may be treated as a single debt instrument with a single issue price, maturity date, yield to maturity and stated redemption price at maturity for purposes of the OID rules. Under certain circumstances, these provisions could apply to a U.S. Holder that purchases Notes from more than one Series of Notes.

### ***Substitution of the Issuer***

If with respect to any Series of Notes the Issuer substitutes for itself any Substituted Debtor, such substitution could be treated for U.S. federal income tax purposes as a taxable exchange of (i) such Notes as in place prior to such substitution for (ii) such Notes as in place after such substitution. See “— Sale, Exchange, Retirement or Other Disposition of Notes.” U.S. Holders should consult their own tax advisers as to U.S. federal income tax considerations relating to such an event.

### ***Backup Withholding and Information Reporting***

Backup withholding and information reporting requirements generally apply to interest (including OID) and principal payments made to, and the proceeds of sales by, certain U.S. Holders. A U.S. Holder not otherwise exempt from backup withholding generally can avoid backup withholding by providing a properly executed IRS Form W-9. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### ***Disclosure Requirements for Specified Foreign Financial Assets***

Under recent legislation, individual U.S. Holders (and certain U.S. entities specified in IRS guidance) who, during any taxable year, hold any interest in any “specified foreign financial asset” generally will be required to file with their U.S. federal income tax returns a statement setting forth certain information if the aggregate value of all such assets exceeds US\$50,000. “Specified foreign financial asset” generally includes any financial account maintained with a non-U.S. financial institution and may also include the Notes if they are not held in an account maintained with a U.S. financial institution. Substantial penalties may be imposed for a failure to comply. U.S. Holders should consult their own tax advisers as to the possible application to them of this new filing requirement.

### ***Disclosure Requirements for Certain U.S. Holders Recognising Significant Losses***

A U.S. Holder that claims significant losses in respect of a Note for U.S. federal income tax purposes (generally (i) US\$10 million or more in a taxable year or US\$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) US\$2 million or more in a taxable year or US\$4 million or more in any combination of taxable years for all other taxpayers, or (iii) US\$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) may be subject to certain disclosure requirements for “reportable transactions.” U.S. Holders should consult their own tax advisers concerning any possible disclosure obligation with respect to the Notes.



## CERTAIN ERISA AND OTHER CONSIDERATIONS

ERISA, imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA, but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, “**Plans**”)) and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise, for example, if any Notes are acquired by a Plan with respect to which the Issuer or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. The types of transactions between Plans and parties in interest that are prohibited include: (i) sales, exchanges or leases of property, (ii) loans or other extensions of credit and (iii) the furnishing of goods and services. Certain parties in interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are (but are not limited to) Prohibited Transaction Class Exemption (“**PTCE**”) 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes or that, if an exemption is available, it will cover all aspects of any particular transaction.

Governmental plans and certain church and various other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, or other federal or non-U.S. laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

By its purchase of any Notes, the purchaser or transferee thereof will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code; or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or non-U.S. law).

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code (or in the case of governmental or other employee benefit plans not subject to ERISA or section 4975 of the Code, any other applicable similar law) to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or section 4975 of the Code (or any similar law, as applicable).

The sale of Notes to a Plan is in no respect a representation by the Issuer or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.



## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Issuer to or through the Dealers are set out in the Dealer Agreement and made between the Issuer and the Dealers. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers, the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes.

Banco Itaú Europa, S.A.- London Branch is not a broker-dealer registered with the SEC and therefore may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Itaú Europa, S.A.- London Branch intends to effect sales of the Notes in the United States, it will do so only through Itaú USA Securities Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. Banco Itaú Europa, S.A.- London Branch and Itaú USA Securities Inc. are our affiliates.

The Dealers and their affiliates may enter into derivative and structured transactions with clients, at their request, in connection with the Notes. The Dealers and their affiliates may also purchase some of the Notes to hedge their risk exposure in connection with such transactions. Also the Dealers and their affiliates may acquire the Notes for their own proprietary account. Such transactions may have an effect on demand, price and other terms of an offering of the Notes.

It is intended that the Notes will normally be bought or traded by a limited number of investors who are particularly knowledgeable in investment matters.

Prior to the initial offering of the Notes under this Programme, there has been no established trading market for the Notes. The Issuer has applied to register the Programme on the Luxembourg Stock Exchange and the Notes may be listed on the Luxembourg Stock Exchange, or on another stock exchange or may be unlisted, as specified in the Final Terms.

### General

No action has been or will be taken in any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Offering Memorandum, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Issuer). The Issuer will have no responsibility for, and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, that it will obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Offering Memorandum, including the applicable Final Terms and any other information or document supplied.

Each purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Offering Memorandum or any part of it and

must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any Dealer shall have any responsibility therefor.

Selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers. Any such modification will be set out in the Final Terms issued in respect of each Tranche to which it relates or in a supplement to this Offering Memorandum.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until expiration of the period that is 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant closing date (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Distribution Compliance Period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any Tranche, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States and for the listing of Notes on the Luxembourg Stock Exchange. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Memorandum does not constitute an offer to any person in the United States or to any U.S. person other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-affiliate. Distribution of this Offering Memorandum by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), and in respect of any Tranche which is to be admitted to listing, trading or other quotation by any listing authority, stock exchange or quotation system situated or operating in a

Relevant Member State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering by this Offering Memorandum as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State: (i) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (ii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year, (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (iii) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or (iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided* that no such offer of Notes referred to in (i) through (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this paragraph, the expression “an offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Brazil**

The Notes have not been and will not be issued, nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the securities offered by this Offering Memorandum, as well as information contained therein, may not be supplied to the public in Brazil (as the securities offered by this Offering Memorandum is not a public offering of the Notes in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. Therefore, each of the Dealers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

**Cayman Islands**

No invitation whether directly or indirectly may be made to members of the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange. Notes may, however, be offered and sold to ordinary non-resident and exempted companies of the Cayman Islands.

## TRANSFER RESTRICTIONS

### Rule 144A Notes

Each purchaser of Restricted Notes pursuant to Rule 144A, by its acquisition of the Restricted Notes (or any interest therein), will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Restricted Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A.

(2) It understands that the Restricted Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and may not be offered, sold, pledged or otherwise transferred except: (a) to the Issuer or any of its subsidiaries, (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (c) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); in each case in accordance with any other applicable securities laws.

(3) It represents by its purchase and holding that either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state, or local law, or non-U.S. law) for which an exemption is not available.

(4) It understands that such Restricted Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY: (A) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (B) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (C) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED

(“ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.”

(5) The Issuer, the Registrar, the Dealers and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(6) It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by a DTC Restricted Global Note or a European Restricted Global Note. Before any interest in the DTC Restricted Global Note or the European Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note or the European Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

#### **Regulation S Notes**

Each purchaser of Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the Distribution Compliance Period, by its acquisition of the Unrestricted Notes (or any interest therein), will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time such Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S).

(2) It understands that such Unrestricted Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and may not be offered, sold, pledged or otherwise transferred except (a) to the Issuer or any of its subsidiaries; (b) in the United States, (i) prior to the expiration of the Distribution Compliance Period, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, and (ii) thereafter, pursuant to an exemption from registration under the Securities Act; or (c) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; in each case in accordance with any other applicable securities laws.

(3) It represents by its purchase and holding that either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or non-U.S. law) for which an exemption is not available.



(4) It understands that such Unrestricted Notes, unless the Issuer otherwise determines in compliance with applicable law, will bear a legend to the following effect:—

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (B) IN THE UNITED STATES, (I) PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD (WITHIN THE MEANING OF REGULATION S), IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT IT AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER AND, (II) THEREAFTER, PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (C) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S; IN EACH CASE IN ACCORDANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.”

(5) The Issuer, the Registrar, the Dealers and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(6) It understands that the Unrestricted Notes offered in reliance on Regulation S will be represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note. Prior to the expiration of the Distribution Compliance Period, before any interest in the DTC Unrestricted Global Note or the European Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Restricted Global Note or the European Restricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(7) Delivery of the Unrestricted Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Unrestricted Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Unrestricted Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Unrestricted Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Unrestricted Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Unrestricted Notes who wish to trade Unrestricted Notes on the date of pricing or the next succeeding business day should consult their own adviser.

### **INDEPENDENT ACCOUNTANTS**

Our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 included elsewhere in this Offering Memorandum have been audited by PricewaterhouseCoopers Auditores Independentes, independent accountants, as stated in their reports appearing therein. PricewaterhouseCoopers Auditores Independentes is registered with the Regional Accounting Council of São Paulo under the number CRC 2SP000160/O-5.

## **LEGAL MATTERS**

The validity of the issuance of the Notes and certain other matters in connection with Brazilian law will be passed upon for the Issuer by its internal counsel. The validity of the Notes will be passed upon for the Issuer by Debevoise & Plimpton LLP, English legal advisers and special United States counsel to the Issuer. The validity of the Notes will also be passed upon for the Arrangers by Clifford Chance LLP, English legal advisers and special United States counsel to the Arrangers. The validity of the issuance of the Notes and certain matters in connection with Brazilian law will be passed upon for the Arrangers by Pinheiro Neto Advogados, the Arrangers' Brazilian counsel. The validity of the issuance of the Notes and certain other matters in connection with Cayman Islands law will also be passed upon for the Issuer by Maples and Calder.

## GENERAL INFORMATION

1. The Bearer Notes and Registered Notes represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note are expected to be accepted for clearance through Euroclear and Clearstream. The Common Code and ISIN number for each Tranche of Bearer Notes and the CUSIP and ISIN number for each Tranche of Registered Notes will be contained in the Final Terms relating thereto. In addition, we will make an application with respect to any Restricted Notes of a Registered Series that they be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of such Tranche of a Registered Series will be confirmed in the applicable Final Terms.

2. All consents, approvals, authorisations and other orders of all regulatory authorities under the laws of Brazil and the Cayman Islands have been given for the establishment of the Programme, the issue of Notes under the Programme and the execution of the Agency Agreement and Trust Deed and are in full force and effect, except for where we are acting through our head office or the proceeds of the Notes are transferred as a loan to such head office (i) registration of the financial terms of each transaction under the ROF with the Central Bank or through the SISBACEN at least five days prior to the issue date for the issue of each Tranche under the Programme; (ii) registration with the Central Bank of the schedule of payments under the respective ROF in respect of each Tranche issued under the Programme, as soon as practicable after the issue date; (iii) further authorisation from the Central Bank to make payments outside Brazil in a specified currency other than scheduled payments of principal, interest, commissions, fees and expenses as contemplated by the ROF or to make any payments of principal, interest, commissions, fees and expenses provided for in the ROF earlier than the due date thereof or more than 120 days after their due date; and (iv) prior authorisation to be granted by the Central Bank regarding the classification of Subordinated Notes as Tier 2 of the regulatory capital (*patrimônio de referência*).

3. Except as disclosed herein, neither we nor any of our subsidiaries is involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, any significant effect on our financial position or profitability nor, so far as we are aware, are any such governmental, legal or arbitration proceedings pending or threatened.

4. Save as disclosed herein, there has been no significant change in our financial or trading position or the financial or trading position of us and our subsidiaries and affiliates taken as a whole since our most recently published annual consolidated financial statements incorporated in, and forming part of, this Offering Memorandum, and no material adverse change in our financial position or prospects or of the financial position or prospects of us and our subsidiaries and affiliates taken as a whole since the date of our most recently published annual consolidated financial statements.

5. We are a corporation incorporated in Brazil. None of our directors or executive officers ourselves is a resident of the United States, nor are we a resident of the United States, and all or a substantial portion of our assets and of such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against any of them in United States courts judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

6. Copies in English of our by-laws (*estatuto social*) and latest consolidated annual financial statements and unaudited consolidated interim financial statements, in each case being incorporated in and forming part of this Offering Memorandum, may be obtained and copies of the Agency Agreement, Trust Deed and Final Terms will be available at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding. We prepare audited semi-annual and annual accounts at June 30 and December 31, respectively.

7. The registered office of Itaú Unibanco is Praça Alfredo Egydio de Souza Aranha, 100 - Torre Olavo Setubal, São Paulo, São Paulo, Brazil and the registered office of Itaú BBA is Avenida Brigadeiro Faria Lima 3,400, 3<sup>rd</sup>, 8<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> floors, São Paulo, São Paulo, Brazil. Itaú Unibanco Holding holds 100.0% of the capital stock of Itaú Unibanco and 99.9% of the capital stock of Itaú BBA. Itaú Unibanco's authorised and outstanding share capital consists of 2,081,169,523 common shares and 2,014,258,290 preferred shares and Itaú BBA's consists of 5,284,527 common shares and 5,284,526 preferred shares, and interest on stockholders' equity all of which are fully paid. Itaú Unibanco Holding received R\$2,566 million and R\$1,089 million in dividends from Itaú Unibanco and Itaú BBA, respectively, in 2009.

8. Application has been made to list Notes issued under the Programme on the Euro MTF Market of the Luxembourg Stock Exchange. However, Notes may be issued under the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange, listing authority or quotation system or which will be listed on such stock exchange, listing authority or quotation system as the relevant Dealer(s) and ourselves may agree.

9. The information contained in this Offering Memorandum is true and correct and we accept responsibility for such information.

## **ANNEX A — SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP**

Our financial statements as of and for the years ended December 31, 2009, 2008 and 2007 included in this Offering Memorandum have been prepared in accordance with the accounting practices adopted in Brazil (“**Brazilian GAAP**”).

Accounting practices adopted in Brazil include those established by Brazilian corporate law (Law No. 6,404/76, as amended including the amendments introduced by Law 11,638), and those accounting standards issued by the Central Bank or issued by other accounting-standard setters that are declared effective by the Central Bank. The Central Bank is the regulatory body that under Brazilian law has the power to establish accounting principles for banks subject to its regulation. Other accounting-standard setters include the recently created accounting pronouncements committee (*Comitê de Pronunciamentos Contábeis* or “**CPC**”), and the federal accounting council (*Conselho Federal de Contabilidade*, or “**CFC**”) while interpretative guidance may also be issued by the Brazilian professional body of independent accountants (*Instituto dos Auditores Independentes do Brasil*, or “**IBRACON**”).

Since its creation the CPC has issued more than 40 accounting standards. As of the date of this Offering Memorandum the Central Bank has approved only three of those standards which are effective as from the year ended December 31, 2008. Itaú Unibanco Holding has applied those standards on its financial statements as from the year ended December 31, 2008 and has opted not to retroactively apply those standards in the financial information presented as comparative information for the year ended December 31, 2007 included in this Offering Memorandum. Standards issued by the CPC but not yet approved by the Central Bank are not yet required to be applied by Itaú Unibanco Holding and its application will depend on if and when the standards are approved by the Central Bank and on the effective date established by the Central Bank at the time of approval.

References to Brazilian GAAP in this summary are to Brazilian GAAP effective for the year ended December 31, 2009 for financial institutions such as Itaú Unibanco Holding and, therefore, does not consider accounting standards already issued by the CPC but that have not been approved by the Central Bank.

Brazilian GAAP differs from generally accepted accounting principles in the United States, or U.S. GAAP. There are certain differences between Brazilian GAAP and U.S. GAAP which may be relevant to the financial information presented herein. We are responsible for preparing the summary below. We have made no attempt to identify or quantify the impact of these differences for all the periods presented. We have summarised certain aspects of those differences, but this summary should not be construed to be exhaustive. Brazilian GAAP is stated more generally than U.S. GAAP and the body of pronouncements in which Brazilian GAAP is set forth is less comprehensive than in the case of U.S. GAAP. Since no reconciliation to U.S. GAAP of the consolidated financial statements presented in this Offering Memorandum or their respective footnotes has been prepared for the purposes of this Offering Memorandum or for any other purposes, no assurance is *provided* that the following summary of differences between Brazilian GAAP and U.S. GAAP is complete.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

In making an investment decision, prospective investors must rely upon their own examination of Itaú Unibanco Holding, the terms of the offering and the financial information herein. Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and U.S. GAAP, and how those differences might affect the financial information herein. Future differences between Brazilian GAAP and U.S. GAAP resulting from changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and we have not attempted to identify them, including ongoing projects of the regulatory bodies that promulgate Brazilian GAAP and U.S. GAAP that can affect future comparisons between Brazilian GAAP and U.S. GAAP, such as this summary.

### **Monetary Correction of Financial Statements**

Due to the highly inflationary conditions which have prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimise the impact of distortions



in financial statements caused by inflation. However, from January 1, 1996, no inflation accounting adjustments are permitted for financial statements prepared under Brazilian GAAP.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. However, price level restatement is permitted for companies operating in hyper-inflationary environments, where inflation has exceeded 100.0% over the last three years, and who report in local currency. Until June 30, 1997, Brazil was considered to have a hyper-inflationary economy.

### **Foreign Currency Translation**

Under Brazilian GAAP, the financial statements of subsidiaries operating in non-highly-inflationary currency environments are translated using the current exchange rate. Financial statements of entities operating in highly-inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken into the income statement.

Under U.S. GAAP, FASB Codification (“ASC”) 830 provides for two different translation methodologies, depending on which is the functional currency of the subsidiary. For subsidiaries operating in highly-inflationary environments (a cumulative inflation rate of approximately 100.0% or more over a three-year period) the reporting currency is considered to be the functional currency.

When the functional currency of the subsidiary is the local currency, the translation of foreign currency financial statements from the local currency to the reporting currency should be made using the current exchange rate for all assets and liabilities. Revenue and expenses should be translated at the exchange rate on the dates when they were recognised. Translation gains and losses are reported as a separate component of stockholders’ equity. When the functional currency of the subsidiary is a currency other than the local currency, including the reporting currency, the methodology differs in that the translation gain and losses should be recognised in income.

### **Equity Method of Accounting**

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost which is there after periodically adjusted to recognise the investor’s share of the investee’s earnings or losses after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments when the investor has significant influence, when it owns 20.0% or more of the voting capital of the investee, or when the investee is under common control with the reporting company, in all cases irrespective of the materiality of the investment.

Under U.S. GAAP, the equity method of accounting is applicable to those investments: (i) in which the parent company’s participation through common voting stock is greater than 20.0% and less than 50.0% and where the parent company does not have control; or (ii) in which the parent company’s participation through common voting stock is less than 20.0%, but the parent company exerts significant influence. The equity method of accounting is not an appropriate substitute for consolidation and, where consolidated financial statements are required, unconsolidated financial statements are not reported.

### **Consolidation and Proportional Consolidation**

Under Brazilian GAAP, companies should consolidate the following entities: (i) entities in which the company has voting rights that provide it with the ability to have the majority on corporate decisions or to elect the majority of the members of both the Administrative Council and the Board; (ii) overseas branches; and (iii) companies under common control or controlled by stockholders’ agreements irrespective of their participation in voting stock. Joint ventures (including investees in which the company exerts significant influence through its participation in a stockholders’ agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. Additionally, companies are required to consolidate special-purpose entities (“SPE”) when the nature of its relationship with the reporting company indicates that the activities of the SPE are controlled or joint-controlled, directly or indirectly, by the reporting company. Under Brazilian GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as “minority interest”. Minority interest is presented after the liability

section and before shareholders equity in the balance sheet and the portion of net income corresponding to minority interest is deducted in arriving to net income.

Under U.S. GAAP, two models exist which should be assessed to determine whether an entity should be consolidated: the voting interest model and the variable interest model. An initial analysis should be made to conclude whether consolidation is required under the variable interest model established by ASC 810-10. If an entity is not required to be consolidated under the variable interest model it should be assessed if consolidation is required under the voting interest model.

Under the voting model, the usual condition for consolidation is ownership of a majority voting interest, and therefore, as a general rule, ownership by one company, directly or indirectly, of over 50.0% of the outstanding voting shares of another company. Joint ventures are usually accounted following the equity method of accounting. Proportional consolidation generally is not allowed under U.S. GAAP.

ASC 810-10 requires consolidation of “variable interest entities”. Variable interest entities are entities with the following characteristics: (i) the equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; and (ii) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: (a) the direct or indirect ability to make decisions about the entity’s activities through voting rights or similar rights, (b) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities and (c) the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses. Specific disclosures are required to be made in financial statements regarding variable interests.

Under U.S. GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as a “non-controlling interest”. Non-controlling interests are presented as part of shareholders equity in the balance sheet and the portion of net income corresponding to non-controlling interests is not deducted in arriving to net income.

### **Business Combinations, Purchase Accounting and Goodwill**

Under Brazilian GAAP, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is generally based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is generally calculated as the difference between the cost of acquisition and the net book value. Goodwill is amortised over a period not to exceed ten years with immediate amortisation accepted. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses or otherwise is normally only realised upon disposal of the investment.

Under U.S. GAAP, ASC 805, requires, among other things, that all business combinations, except those involving entities under common control, be accounted for by the purchase method. Under the purchase method, the acquiring company records identifiable assets and liabilities acquired based on their fair values. Goodwill and other intangible assets with indefinite lives are not amortised. The amount of goodwill is evaluated for impairment at least annually or when circumstances indicate impairment has occurred, and in the case of impairment, its recorded value will be adjusted accordingly. The purchase price does not include direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should also be valued at fair value, at the date of the consummation of the transaction. The excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, is allocated to reduce non-current assets to zero, and any remaining unallocated balance is recognised as an extraordinary gain in the statement of operations.

### **Marketable Debt and Equity Securities**

Under Brazilian GAAP, the Central Bank establishes the criteria by which securities are classified, based on the investment strategy of the financial institution as either trading securities, available for sale or held-to-maturity, and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of

changes in fair market value for trading securities is in income, while for available for sale securities it is directly in stockholders' equity. An impairment loss for security classified as "available-for-sale" or "held-to-maturity" whose cost exceeds its fair value is required to be recorded when such loss is considered permanent. No specific guidance exists under Brazilian GAAP on how to determine fair value.

Under U.S. GAAP, in accordance with ASC 320,, marketable securities are carried at: (i) amortised cost (debt securities held to maturity); (ii) market value, with gains and losses reflected in income (debt and equity securities classified as trading account securities); and (iii) market value, with gains and losses reflected in equity (debt and equity securities classified as available for sale). Under U.S. GAAP an impairment loss is recognised when the loss is considered to be other-than-temporary. U.S. GAAP includes several standards that prescribe how to determine fair value and a hierarchy on criteria for determining fair values exists.

### **Comprehensive Income**

Brazilian GAAP does not recognise the concept of comprehensive income. Under U.S. GAAP, ASC 220 requires the disclosure of comprehensive income. Comprehensive income is composed of net income and "other comprehensive income" that includes charges or credits taken directly to equity that are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments, unrealised gains and losses for available-for-sale securities, as well as the effects of cash flow hedge accounting and the funded status of pension and other post-retirements benefits.

### **Financial Derivative Instruments**

Under Brazilian GAAP, accounting practices established by the Central Bank for all financial institutions require derivative financial instruments to be classified based on management's intention to use them for hedging or non-hedging purposes.

- Transactions involving derivative financial instruments to meet customer needs or for own purpose that do not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the global exposure are accounted for at fair value with unrealised gains and losses recognised currently in earnings.
- Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

#### ***Fair value hedge***

The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognised currently in earnings; and

#### ***Cash flow hedge***

The effective hedge portion of financial assets and liabilities is accounted for at fair value and unrealised gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes. The non-effective hedge portion is recognised currently in earnings.

Under US GAAP, ASC 815 a company recognises all derivatives as either assets or liabilities in the statement of financial position, and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- a hedge of the exposure to variable cash flows of a forecasted transaction;
- a hedge of the foreign currency exposure of a net investment in a foreign operation;

- an unrecognised firm commitment;
- an available for sale security; or
- a foreign currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (ii) held in equity until the hedged item is recognised in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge is terminated, the gain or loss is deferred and amortised over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

### **Transfer of Financial Assets**

Under Brazilian GAAP, no specific pronouncement addressed the accounting for transfers of financial assets such as assignments of credits to third parties or transfer of credits to other entities, such as FIDCs (Funds of Securities Receivable). Assignments of credits to other entities are generally accounted for by removing from the balance sheet the credits assigned, recognising the cash or other assets received and recording at the time of assignment a gain or loss for the difference between the book value of the credits assigned and the value of the cash and assets received. In general, the accounting for transfers of financial assets under Brazilian GAAP is significantly different from the accounting of such transfers under U.S. GAAP.

Under U.S. GAAP, ASC 860, provides a consistent application of a financial-components approach that focuses on control to account for transfers of financial assets. Under that approach, after a transfer of financial assets, an entity recognises the financial and servicing assets it controls and the liabilities it has incurred, derecognises financial assets when control has been surrendered and derecognises liabilities when extinguished. ASC 860 provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings from an accounting perspective.

A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration is received in exchange. It is considered that the transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

- The transferred assets have been isolated from the transferor — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.
- Each transferee has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.
- The transferor does not maintain effective control over the transferred assets through either (i) an agreement that both entitles and obliges the transferor to repurchase or redeem them before their maturity or (ii) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Under US GAAP, liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets are initially measured at fair value. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer.

### **Accounting for Guarantees by a Guarantor**

Under Brazilian GAAP, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognised in income over the period of the guarantee. When the

guaranteed party has not honoured its commitments and the guarantor should assume a liability, a credit is recognised against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under U.S. GAAP, ASC 460 requires that a guarantor is required to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Specific disclosures of guarantees granted are also required.

### **Loan Receivables and Allowance for Loan Losses**

Under Brazilian GAAP, loan receivables are carried at cost and footnote disclosure is limited. The allowance for loan losses should not be less than a regulatorily required amount which is computed by applying specific percentages of allowance determined by the Central Bank to loans depending on the category on which they are classified.

Under U.S. GAAP, loan accounting and footnote disclosure are more complex. For non-homogenous small balance loans which are considered impaired (when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement) allowance for loan losses is determined based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure an allowance amount based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Allowance for small homogenous loans and the allowance for loan losses need to be determined by computing probable losses existing as of the balance sheet date which are generally measured based on history of losses, current trends and other factors.

### **Interest Recognition — Non-performing and Impaired Loans**

Under Brazilian GAAP, previously accrued but not uncollected interest on non-performing loans or loans in arrears are not reversed at the time the loans cease to accrue interest. Central Bank regulations require that interest not be accrued on loans in arrears for more than 60 days and that the loan principal be maintained in nominal currency.

Under U.S. GAAP, companies generally discontinue recognition of interest on commercial loans when management believes, based on current information and events, that it will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Such loans are considered non-performing and become subject to review for impairment. The value of impaired loans is determined based on:

- the present value of future cash flows discounted at the loan's effective interest rate;
- the observable market value of the loan; or
- for collateral-dependent loans, the fair value of the underlying collateral.

Interest income on an impaired loan may alternatively be recognised using the cost-recovery method, the cash basis or a combination of both.

### **Leasing Operations as a Lessor**

Under Brazilian GAAP, gains on the sale of leased assets are recognised as income when the purchase options relating to such assets are exercised. Central Bank regulations, applied in the preparation of the statutory accounting of a leasing company, require that an adjustment be made to the book value of any leasing portfolio corresponding to present value, utilising the internal rate of return of each contract. The amount of the adjustment is recorded as an excess/insufficiency of depreciation in the property for lease balance sheet account and credited/charged to other operating income expenses. Lease-financing receivables are recorded at initial contract amounts and adjusted for monetary variation in conformity with the criteria and indices established by each contract.

The adjustments are recognised from unearned lease income to income over the life of the respective contracts.

Under U.S. GAAP, in the case of capital leases, companies report gross lease receivables at the principal amount outstanding plus lease income receivable and guaranteed residual value. They show unearned lease income separately as a deduction from the gross lease receivables.

### **Loan Origination Fees and Costs**

Under Brazilian GAAP, loan origination fees and loan origination costs are generally recognised immediately in the statement of income when earned or incurred, respectively. However, following guidelines under international accounting standards deferral of loan origination fees and costs over the loan period is acceptable.

Under U.S. GAAP, ASC 310 specifies that loan origination fees shall be recognised over the life of the related loan as an adjustment of yield and certain direct loan origination costs shall be recognised over the life of the related loan as a reduction of the loan's yield. Loan fees and certain direct loan origination costs shall be recognised as an adjustment of yield generally by the interest method based on the contractual terms of the loan.

### **Accrued Interest, Indexation Adjustments and Gains and Losses**

Under Brazilian GAAP, accrued interest and indexation adjustments are presented with the principal amounts in the balance sheet. Income from financial intermediation and expenses from financial intermediation in the statement of income comprise interest, indexation adjustments, foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, as well as realised and unrealised gains and losses on securities and derivative instruments.

Under U.S. GAAP, accrued interest and indexation adjustments would be separately recorded in the balance sheet. Foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, realised and unrealised gains and losses on securities and realised and unrealised gains and losses on derivative instruments would be presented as separate lines in the statement of income and separated from interest income.

### **Recoveries of Loans Previously Charged-off**

Under Brazilian GAAP, recoveries of loans previously charged-off are reflected in income on a cash basis. Under U.S. GAAP, recoveries of loans previously charged-off are reflected as an increase of the allowance for loan losses.

### **Software for Internal Use**

Under Brazilian GAAP, external computer development costs are capitalised at cost and amortised at an annual rate of generally 20.0%.

Under U.S. GAAP, ASC 350, certain identified costs related to the development and installation of software for internal use should be capitalised as fixed assets, including design of the chosen path, software configuration, software interfaces, coding, installation of hardware and testing. Costs incurred for conceptualisation and formulation of alternatives, training and application maintenance should be expensed as incurred.

### **Income Taxes**

Under Brazilian GAAP, the recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgement. In general, tax credits are recognised when there is evidence of future realisation in a continuous operation. The Central Bank requires (i) specific supporting analysis to recognise deferred tax assets; (ii) as a condition to recognise deferred tax assets a history of profitability presenting taxable income in three out of ten fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realised more than ten years from the reporting date.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in ASC 740. Under the liability method, deferred tax assets or liabilities are recognised with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred



taxes are computed based on the enacted tax rate of income taxes. Net operating loss carry-forwards arising from tax losses are recognised as assets.

A valuation allowance is recognised against a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised. Benefits related to uncertain tax positions are recognised only when it is “more likely than not” that the benefit will be realised and requires additional disclosures with respect to uncertain tax positions.

### **Notional Interest Charge on Own Capital**

Subject to certain limitations, Brazilian GAAP permits companies to distribute or capitalise an amount of interest on stockholders’ equity based on the government long-term interest rate (the “TJLP”). Such amounts are deductible for tax purposes and are presented as a direct reduction of stockholders’ equity.

No similar concept exists under U.S. GAAP and such payments are recorded in the same manner as dividends.

### **Earnings Per Share**

Under Brazilian GAAP, disclosure of earnings per share is generally computed based on the number of shares outstanding at the end of the year while computing it based on average number of shares outstanding is also acceptable.

Under U.S. GAAP, in accordance with ASC 260, the presentation of earnings per share includes earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note to the financial statements. A dual presentation is required: basic and diluted. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively.

Typically, a participating security is entitled to share in a company’s earnings, often via a formula tied to dividends on the company’s common shares. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument’s effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. If undistributed earnings must be allocated to participating securities under the two-class method, losses should also be allocated. However U.S. GAAP limits this allocation only to situations when the security has: (i) the right to participate in the earnings of the company; and (ii) an objectively determinable contractual obligation to share in net losses of the company.

### **Segment Information**

Under Brazilian GAAP, there is no requirement for financial reporting of operating segments.

Under U.S. GAAP, publicly-held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision-maker. Segment information is given about any operating segment that broadly accounts for 10.0% or more of all segment revenue, results of operating activities or total assets. Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed includes segment profit or loss, certain specific revenue and expense items and segment assets, as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

### **Employee Benefits**

Under Brazilian GAAP, plan sponsors have to account for employee benefits including pension costs and other post-employment benefits. Under such standard, an actuarial method is used for determining defined benefit pension costs and other post-employment benefits and provides for the deferral of actuarial gains and losses (in

excess of a specific band). Defined contribution pension plans and other post-employment benefits require recognition as an expense of contributions when they fall due. Specific disclosures are required in financial statements, including the funded/unfunded status of the plan.

Under U.S. GAAP, employee pension costs are recognised in accordance with ASC 715, which requires the use of an actuarial method for determining defined benefit pension costs and provides for the deferral of actuarial gains and losses (in excess of a specific corridor) that result from changes in assumptions or actual experience differing from that assumed. Prospective amortisation of costs related to changes in the benefit plan is required, as well as the obligation resulting from transition, and requires disclosure of the components of periodic pension costs and the funded status of pension plans.

Similar criteria also apply to all post-retirement benefits related to life insurance provided outside a pension plan or to other post-retirement health care and welfare benefits expected to be provided by an employer to current and former employees. The cost of a post-retirement benefit plan should be recognised over the employees' service periods and that actuarial assumptions are used to project the cost of health care benefits and the present value thereof. A company is required to describe the plan, employee groups covered, type of benefits provided, funding policy, types of assets held, and any matter affecting comparability, among other disclosures.

An employer is also required to recognise the overfunded or underfunded status of a defined benefit post-retirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognise changes in that funded status in the year in which the changes occur through comprehensive income. Measurement of the funded status of a plan should be performed as at the date of its year-end statement of financial position.

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## Report of Independent Auditors

To the Board of Directors and Stockholders  
Itaú Unibanco Holding S.A.  
(former Itaú Unibanco Banco Múltiplo S.A.)

- 1 We have audited the accompanying balance sheets of Itaú Unibanco Holding S.A. (the “Bank”) and Itaú Unibanco Holding S.A. and subsidiaries (consolidated) as of December 31, 2009 and 2008, and the related statements of income, of cash flows and of value added for the years then ended, as well as the related statements of income, of changes in stockholders’ equity, of cash flows and of value added of the Bank for the years then ended and for the six-month period ended December 31, 2009. 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 and subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management of the Bank and subsidiaries, 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 Itaú Unibanco Holding S.A. (the “Bank”) and Itaú Unibanco Holding S.A. and subsidiaries (consolidated) at December 31, 2009 and 2008 and the consolidated results of operations, the consolidated cash flows and the consolidated value added for the years then ended, as well as the results of operations, changes in stockholders’ equity, cash flows and value added to the Bank’s operations for the years then ended and the six-month period ended December 31, 2009, in accordance with accounting practices adopted in Brazil.

São Paulo, February 8, 2010

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Paulo Sergio Miron  
Contador CRC 1SP173647/O-5



ITAÚ UNIBANCO HOLDING S.A.  
Consolidated Balance Sheet (Note 2a)  
(In thousands of Reais)

ASSETS	12/31/2009	12/31/2008
<b>CURRENT ASSETS</b>	<b>452,725,515</b>	<b>487,289,567</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>10,594,442</b>	<b>15,847,047</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>133,011,522</b>	<b>120,269,009</b>
Money market	115,652,060	95,476,978
Money market – Assets Guaranteeing Technical Provisions – SUSEP (Note 11b)	435,658	73,868
Interbank deposits	16,923,804	24,718,163
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>95,275,181</b>	<b>109,272,725</b>
Own portfolio	24,748,546	36,896,405
Subject to repurchase commitments	8,544,983	3,187,485
Pledged in guarantee	7,945,106	15,123,730
Deposited with the Central Bank	6,398,545	6,163,072
Derivative financial instruments	3,846,677	14,019,378
Assets guaranteeing technical provisions – PGBL/VGBL fund quotas (Note 11b)	38,626,466	30,023,746
Assets guaranteeing technical provisions – other securities (Note 11b)	5,164,858	3,858,909
<b>INTERBANK ACCOUNTS</b>	<b>13,991,111</b>	<b>13,570,569</b>
Pending settlement	17,296	80,328
Central Bank deposits	13,868,759	13,407,747
National Housing System (SFH)	11,177	14,371
Correspondents	88,781	61,247
Interbank onlending	5,098	6,876
<b>INTERBRANCH ACCOUNTS</b>	<b>57,200</b>	<b>41,254</b>
<b>LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 8)</b>	<b>140,671,375</b>	<b>147,156,032</b>
Operations with credit granting characteristics (Note 4e)	155,107,495	157,139,095
(Allowance for loan losses) (Note 4f)	(14,436,120)	(9,983,063)
<b>OTHER RECEIVABLES</b>	<b>56,312,074</b>	<b>78,068,817</b>
Foreign exchange portfolio (Note 9)	25,313,317	49,473,902
Income receivable	739,968	1,134,038
Transactions with credit card issuers (Note 4e)	9,520,515	5,100,495
Receivables from insurance and reinsurance operations (Note 4ml and 11b)	3,420,379	3,646,249
Negotiation and intermediation of securities	864,741	2,146,053
Sundry (Note 13a)	16,453,154	16,568,080
<b>OTHER ASSETS (Note 4g)</b>	<b>2,812,610</b>	<b>3,064,114</b>
Assets held for sale	359,910	562,191
(Valuation allowance)	(92,451)	(208,255)
Unearned premiums of reinsurance (Note 4ml)	558,690	500,789
Prepaid expenses (Note 13b)	1,986,461	2,209,389
<b>LONG-TERM RECEIVABLES</b>	<b>145,252,796</b>	<b>139,487,088</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>6,183,973</b>	<b>4,277,079</b>
Money market	3,048,037	896,124
Money market – Assets Guaranteeing Technical Provisions – SUSEP (Note 11b)	2,598,695	2,091,711
Interbank deposits	537,241	1,289,244
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>24,913,383</b>	<b>29,071,150</b>
Own portfolio	11,642,294	12,083,753
Subject to repurchase commitments	935,112	3,246,332
Pledged in guarantee	2,644,535	2,282,005
Deposited with the Central Bank	4,395,002	3,786,890
Derivative financial instruments	2,092,806	3,585,157
Assets guaranteeing technical provisions – other securities (Note 11b)	3,203,634	4,087,013
<b>INTERBANK ACCOUNTS - National Housing System (SFH)</b>	<b>521,514</b>	<b>655,867</b>
<b>LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 8)</b>	<b>81,227,716</b>	<b>73,914,951</b>
Operations with credit granting characteristics (Note 4e)	90,843,469	83,904,043
(Allowance for loan losses) (Note 4f)	(9,615,753)	(9,989,092)
<b>OTHER RECEIVABLES</b>	<b>30,861,607</b>	<b>29,546,084</b>
Foreign exchange portfolio (Note 9)	1,925,929	2,354,776
Sundry (Note 13a)	28,935,678	27,191,308
<b>OTHER ASSETS – Prepaid expenses (Notes 4g and 13b)</b>	<b>1,544,603</b>	<b>2,021,957</b>
<b>PERMANENT ASSETS</b>	<b>10,294,919</b>	<b>10,425,570</b>
<b>INVESTMENTS (Notes 4h and 15a II)</b>	<b>2,187,100</b>	<b>2,258,091</b>
Investments in affiliates	1,191,662	1,354,055
Other investments	1,173,700	1,081,310
(Allowance for loan losses)	(178,262)	(177,274)
<b>FIXED ASSETS (Notes 4i and 15b)</b>	<b>4,353,175</b>	<b>4,025,178</b>
Real estate in use	4,286,573	4,351,024
Other fixed assets	6,183,663	5,998,570
(Accumulated depreciation)	(6,117,061)	(6,324,416)
<b>OPERATING LEASE ASSETS (Note 4j)</b>	<b>6,424</b>	<b>9,335</b>
Leased assets	18,553	18,553
(Accumulated depreciation)	(12,129)	(9,218)
<b>INTANGIBLE (Notes 4k and 15b)</b>	<b>3,748,220</b>	<b>4,132,966</b>
Acquisition of rights to credit payroll	2,597,749	2,395,438
Other intangible assets	2,600,892	2,352,408
(Accumulated amortization)	(1,450,421)	(614,880)
<b>TOTAL ASSETS</b>	<b>608,273,230</b>	<b>637,202,225</b>



ITAÚ UNIBANCO HOLDING S.A.  
Consolidated Balance Sheet (Note 2a)  
(In thousands of Reals)

LIABILITIES	12/31/2009	12/31/2008
<b>CURRENT LIABILITIES</b>	<b>325,881,447</b>	<b>356,276,207</b>
<b>DEPOSITS (Notes 4b and 10b)</b>	<b>121,937,743</b>	<b>125,327,596</b>
Demand deposits	24,836,767	26,932,947
Savings deposits	48,221,550	39,296,239
Interbank deposits	1,897,039	2,517,959
Time deposits	45,985,522	55,442,244
Other deposits	996,865	1,138,207
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 10c)</b>	<b>88,415,532</b>	<b>86,321,785</b>
Own portfolio	35,947,821	22,881,682
Third-party portfolio	51,798,921	62,349,894
Free portfolio	668,790	1,090,209
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 4b and 10d)</b>	<b>10,452,033</b>	<b>10,844,659</b>
Real estate, mortgage, credit and similar notes	8,266,027	7,658,693
Debentures	237,591	127,489
Foreign borrowings through securities	1,948,415	3,058,477
<b>INTERBANK ACCOUNTS</b>	<b>290,588</b>	<b>399,167</b>
Pending settlements	64,544	159,395
Correspondents	226,044	239,772
<b>INTERBRANCH ACCOUNTS</b>	<b>2,786,792</b>	<b>2,608,978</b>
Third-party funds in transit	2,705,525	2,584,415
Internal transfers of funds	81,267	24,563
<b>BORROWINGS AND ONLENDING (Notes 4b and 10e)</b>	<b>14,478,271</b>	<b>23,467,846</b>
Borrowings	8,508,785	17,964,771
Onlending	5,969,486	5,503,075
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)</b>	<b>3,335,332</b>	<b>11,224,033</b>
<b>TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4m II and 11a)</b>	<b>9,214,061</b>	<b>7,050,805</b>
<b>OTHER LIABILITIES</b>	<b>74,971,095</b>	<b>89,031,338</b>
Collection and payment of taxes and contributions	472,971	665,785
Foreign exchange portfolio (Note 9)	25,742,752	47,720,106
Social and statutory (Note 16b II)	4,290,048	3,670,437
Tax and social security contributions (Notes 4n, 4o and 14c)	7,414,591	6,830,641
Negotiation and intermediation of securities	1,135,079	2,729,484
Credit card operations (Note 4e)	25,977,057	19,111,745
Securitization of foreign payment orders (Note 10a)	-	215,500
Subordinated debt (Note 10f)	38,720	1,261,411
Sundry (Note 13c)	9,899,877	6,826,229
<b>LONG-TERM LIABILITIES</b>	<b>227,974,625</b>	<b>234,512,149</b>
<b>DEPOSITS (Notes 4b and 10b)</b>	<b>68,834,426</b>	<b>80,861,802</b>
Interbank deposits	149,368	403,176
Time deposits	68,685,058	80,458,626
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 10c)</b>	<b>43,519,001</b>	<b>38,036,677</b>
Own portfolio	39,271,563	37,862,401
Third-party portfolio	62,289	174,276
Free portfolio	4,185,149	-
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 4b and 10d)</b>	<b>6,867,587</b>	<b>8,750,986</b>
Real estate, mortgage, credit and similar notes	586,092	1,353,874
Debentures	2,526,687	3,462,376
Foreign borrowings through securities	3,754,808	3,934,736
<b>BORROWINGS AND ONLENDING (Notes 4b and 10e)</b>	<b>20,213,900</b>	<b>19,168,570</b>
Borrowings	3,827,503	6,215,726
Onlending	16,386,397	12,952,844
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)</b>	<b>2,140,714</b>	<b>3,583,423</b>
<b>TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4m II and 11a)</b>	<b>43,189,687</b>	<b>36,131,280</b>
<b>OTHER LIABILITIES</b>	<b>43,209,310</b>	<b>47,979,411</b>
Foreign exchange portfolio (Note 9)	1,939,565	3,041,056
Tax and social security contributions (Notes 4n, 4o and 14c)	13,268,553	11,167,723
Credit card operations (Note 4e)	198,240	-
Securitization of foreign payment orders (Note 10a)	-	3,613,233
Subordinated debt (Note 10f)	21,999,496	21,164,412
Sundry (Note 13c)	5,803,456	8,992,987
<b>DEFERRED INCOME (Note 4p)</b>	<b>193,734</b>	<b>231,105</b>
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 22k)</b>	<b>3,540,001</b>	<b>2,518,728</b>
<b>STOCKHOLDERS' EQUITY (Note 16)</b>	<b>50,683,423</b>	<b>43,664,036</b>
Capital	45,000,000	29,000,000
Capital reserves	640,759	597,706
Revenue reserves	5,953,960	16,015,742
Asset valuation adjustment (Notes 4c, 4d and 7d)	120,031	(423,717)
(Treasury shares)	(1,031,327)	(1,525,695)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>608,273,230</b>	<b>637,202,225</b>





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

(In thousands of Reais)

	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>76,727,739</b>	<b>56,431,023</b>
Loan, lease and other credit operations	47,476,820	37,891,596
Securities and derivative financial instruments	24,024,883	13,899,186
Financial income from insurance, pension plan and capitalization operations (Note 11c)	4,575,783	2,321,376
Foreign exchange operations	9,482	986,858
Compulsory deposits	640,771	1,332,007
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(30,581,022)</b>	<b>(33,063,657)</b>
Money market	(26,296,868)	(26,830,246)
Financial expenses on technical provisions for pension plan and capitalization (Note 11c)	(3,992,544)	(1,841,417)
Borrowings and onlending	(291,610)	(4,391,994)
<b>INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES</b>	<b>46,146,717</b>	<b>23,367,366</b>
<b>RESULT OF LOAN LOSSES (Note 8d I)</b>	<b>(14,165,307)</b>	<b>(12,945,605)</b>
Expense for allowance for loan losses	(16,398,955)	(14,279,713)
Income from recovery of credits written off as loss	2,233,648	1,334,108
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>31,981,410</b>	<b>10,421,761</b>
<b>OTHER OPERATING REVENUES (EXPENSES)</b>	<b>(12,364,637)</b>	<b>(11,123,239)</b>
Banking service fees (Note 13d)	12,455,231	8,649,399
Asset management	2,249,495	1,967,561
Current account services	466,454	300,951
Credit cards	5,816,504	3,018,976
Sureties and credits granted	1,323,293	1,243,528
Receipt services	1,204,517	900,588
Other	1,394,968	1,217,795
Income from bank charges (Note 13e)	2,771,722	2,554,778
Result from insurance, pension plan and capitalization operations (Note 11c)	2,431,694	1,307,241
Personnel expenses (Note 13f)	(9,832,230)	(7,632,140)
Other administrative expenses (Note 13g)	(11,592,702)	(7,920,721)
Tax expenses (Notes 4o and 14a II)	(4,237,763)	(2,335,735)
Equity in earnings of affiliates (Note 15a III)	177,956	193,532
Other operating revenues (Note 13h)	941,050	1,508,795
Other operating expenses (Note 13i)	(5,479,595)	(7,448,388)
<b>OPERATING INCOME</b>	<b>19,616,773</b>	<b>(701,478)</b>
<b>NON-OPERATING INCOME (Notes 13j and 22l)</b>	<b>430,436</b>	<b>205,782</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>20,047,209</b>	<b>(495,696)</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Notes 4o and 14a I)</b>	<b>(7,421,217)</b>	<b>9,420,450</b>
Due on operations for the period	(6,199,436)	(2,794,837)
Related to temporary differences	(1,221,781)	12,215,287
<b>PROFIT SHARING</b>	<b>(1,695,371)</b>	<b>(854,882)</b>
Employees – Law No. 10,101 of 12/19/2000	(1,490,730)	(747,750)
Officers – Statutory – Law No. 6,404 of 12/15/1976	(204,641)	(107,132)
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 22k)</b>	<b>(864,013)</b>	<b>(266,389)</b>
<b>NET INCOME</b>	<b>10,066,608</b>	<b>7,803,483</b>
<b>WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES</b>	<b>4,517,815,519</b>	<b>3,472,966,007</b>
<b>NET INCOME PER SHARE – R\$</b>	<b>2.23</b>	<b>2.25</b>
<b>BOOK VALUE PER SHARE – R\$ (OUTSTANDING AT 12/31)</b>	<b>11.19</b>	<b>10.68</b>
<b>EXCLUSION OF NONRECURRING EFFECTS (Notes 2a and 22l)</b>	<b>424,003</b>	<b>567,393</b>
<b>NET INCOME WITHOUT NONRECURRING EFFECTS</b>	<b>10,490,611</b>	<b>8,370,876</b>
<b>NET INCOME PER SHARE – R\$</b>	<b>2.32</b>	<b>2.41</b>



**ITAÚ UNIBANCO HOLDING S.A.**  
**Consolidated Statement of Cash Flows**  
(In thousands of Reais)

	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>ADJUSTED NET INCOME</b>	<b>35,000,671</b>	<b>17,126,299</b>
Net income	10,066,608	7,803,483
Adjustments to net income:	24,934,063	9,322,816
Granted options recognized	115,535	86,952
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(3,003,340)	1,886,237
Allowance for loan losses	16,398,955	14,279,713
Results from operations with subordinated debt	1,265,073	2,514,849
Results from securitization of foreign payment orders	(309,741)	871,413
Financial expenses on technical provisions for pension plan and capitalization	3,992,544	1,841,417
Depreciation and amortization (Note 15b)	2,168,314	1,455,748
Adjustment to legal liabilities – tax and social security	(317,012)	91,611
Adjustment to provision for contingent liabilities	(1,595,034)	1,588,504
Deferred taxes	1,221,781	(12,215,287)
Equity in earnings of affiliates (Note 15a)	(177,956)	(193,532)
Income from available-for-sale securities	3,098,071	(4,050,266)
Income from held-to-maturity securities	525,210	(498,383)
Amortization of goodwill (Note 2a)	596,961	1,543,073
(Income) loss from sale of investments	(398,888)	(291,587)
Minority interest	864,013	266,389
Other	489,577	145,965
<b>CHANGE IN ASSETS AND LIABILITIES</b>	<b>(2,334,235)</b>	<b>(8,824,215)</b>
(Increase) decrease in interbank investments	19,338,353	(42,299,426)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	5,804,019	(26,907,353)
(Increase) decrease in compulsory deposits with the Central Bank of Brazil	(461,012)	10,442,535
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)	228,112	519,989
(Increase) decrease in loan, lease and other credit operations	(17,216,559)	(64,230,362)
(Increase) decrease in other receivables and other assets	2,128,199	(3,890,833)
(Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities)	1,197,494	1,546,040
(Decrease) increase in deposits	(15,483,229)	70,184,151
(Decrease) increase in deposits received under securities repurchase agreements	7,576,071	28,298,062
(Decrease) increase in funds for issuance of securities	(2,294,026)	2,613,403
(Decrease) increase in borrowings and onlending	(8,057,986)	7,247,918
(Decrease) increase in credit card operations (Assets/Liabilities)	2,490,541	5,878,566
(Decrease) increase in securitization of foreign payment orders	(3,518,992)	(154,891)
(Decrease) increase in technical provisions for insurance, pension plan and capitalization	5,100,089	3,944,745
(Decrease) Increase in collection and payment of taxes and contributions	(192,814)	310,115
(Decrease) Increase in other liabilities	5,255,002	222,687
(Decrease) increase in deferred income	(44,371)	110,511
Payment of income tax and social contribution	(4,183,126)	(2,660,072)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>32,666,436</b>	<b>8,302,084</b>
Interest on capital / dividends received from affiliated companies	78,843	114,720
Funds received from sale of available-for-sale securities	13,676,386	22,684,660
Funds received from redemption and transfer to Porto Seguro of held-to-maturity securities (Note 7g)	459,802	374,734
Disposal of assets not for own use	318,895	153,903
Disposal of investments	406,114	346,360
Payment of income tax and social contribution from sale of investments	(127,162)	(99,140)
Sale of fixed assets	63,310	36,590
Purchase of available-for-sale securities	(10,597,966)	(27,829,738)
Cash and cash equivalents of assets and liabilities arising from the purchase of Redecard S.A. (Note 2a)	(477,994)	-
Cash and cash equivalents of assets and liabilities arising from ITAÚ UNIBANCO merger	-	14,962,865
Purchase of investments AIG Seguros S.A.	-	(1,937,203)
Purchase of investments	(39,499)	(400,478)
Purchase of fixed assets	(1,256,645)	(1,174,076)
Purchase of intangible assets	(761,712)	(1,002,797)
<b>NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES</b>	<b>1,742,372</b>	<b>6,230,400</b>
Increase (decrease) in subordinated debt	(1,652,680)	948,097
Change in minority interest	(509,395)	(1,172,978)
Granting of stock options	277,808	107,376
Purchase of treasury shares	(6,979)	(1,618,147)
Interest on capital paid	(3,782,407)	(2,910,040)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(5,673,653)</b>	<b>(4,645,692)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>28,735,155</b>	<b>9,886,792</b>
Cash and cash equivalents at the beginning of the period	37,182,300	27,295,508
Cash and cash equivalents at the end of the period (Notes 4a and 5)	65,917,455	37,182,300



**ITAÚ UNIBANCO HOLDING S.A.**  
**Consolidate Statement of Added Value**

(In thousands of Reais)

	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>INCOME</b>	<b>81,592,565</b>	<b>62,986,540</b>
Financial operations	76,727,739	56,431,023
Banking services	15,226,953	11,204,177
Result from insurance, pension plan and capitalization operations	2,431,694	1,307,241
Result of allowance for loan losses (Note 8d)	(14,165,307)	(12,945,605)
Other	1,371,486	6,989,704
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(36,060,617)</b>	<b>(35,862,427)</b>
Financial operations	(30,581,022)	(33,063,657)
Other	(5,479,595)	(2,798,770)
<b>INPUTS PURCHASED FROM THIRD PARTIES</b>	<b>(9,425,613)</b>	<b>(6,634,366)</b>
Materials, energy and other	(425,115)	(325,492)
Third-party services	(2,826,561)	(1,770,099)
Other	(6,173,937)	(4,538,775)
Data processing and telecommunications (Note 13g)	(2,606,077)	(1,901,479)
Advertising, promotions and publications (Note 13g)	(975,419)	(708,132)
Conservation and maintenance	(623,872)	(383,752)
Transportation (Note 13g)	(409,724)	(302,625)
Security (Note 13g)	(376,834)	(264,807)
Travel expenses (Note 13g)	(121,943)	(107,660)
Legal (Note 13g)	(26,995)	(43,347)
Other	(1,033,073)	(826,973)
<b>GROSS ADDED VALUE</b>	<b>36,106,335</b>	<b>20,489,747</b>
<b>DEPRECIATION AND AMORTIZATION (Note 13g)</b>	<b>(1,305,163)</b>	<b>(779,943)</b>
<b>NET ADDED VALUE PRODUCED BY THE COMPANY</b>	<b>34,801,172</b>	<b>19,709,804</b>
<b>ADDED VALUE RECEIVED FROM TRANSFER (Note 15a III)</b>	<b>177,956</b>	<b>193,532</b>
<b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>	<b>34,979,128</b>	<b>19,903,336</b>
<b>DISTRIBUTION OF ADDED VALUE</b>	<b>34,979,128</b>	<b>19,903,336</b>
Personnel	10,978,524	7,738,942
Compensation	8,983,817	6,405,535
Benefits	1,487,851	1,115,298
FGTS – government severance pay fund	506,856	218,109
Taxes, fees and contributions	12,208,058	3,588,110
Federal	11,583,542	3,179,284
State	77,113	15,748
Municipal	547,403	393,078
Return on managed assets - Rent	861,925	506,412
Return on own assets	10,930,621	8,069,872
Dividends and interest on capital paid/provided for	3,977,438	3,205,181
Retained earnings (loss) for the period	6,089,170	4,598,302
Minority interest in retained earnings	864,013	266,389


**ITAÚ UNIBANCO HOLDING S.A.**
**Balance Sheet**
*(In thousands of Reais)*

<b>ASSETS</b>	<b>12/31/2009</b>	<b>12/31/2008</b>
<b>CURRENT ASSETS</b>	<b>10,795,381</b>	<b>1,939,987</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>515</b>	<b>155</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>6,948,040</b>	<b>171,572</b>
Money market	120,091	171,572
Interbank deposits	6,827,949	-
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>5,307</b>	<b>-</b>
Own portfolio	578	-
Pledged in guarantee	4,729	-
<b>OTHER RECEIVABLES</b>	<b>3,839,692</b>	<b>1,766,239</b>
Income receivable (Note 15a I)	3,289,903	1,379,703
Sundry (Note 13a)	549,789	386,536
<b>OTHER ASSETS – Prepaid expenses (Note 4g)</b>	<b>1,827</b>	<b>2,021</b>
<b>LONG-TERM RECEIVABLES</b>	<b>282,325</b>	<b>408,643</b>
<b>INTERBANK INVESTMENTS – Interbank deposits (Notes 4b and 6)</b>	<b>-</b>	<b>309,323</b>
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>25,118</b>	<b>24,583</b>
<b>OTHER RECEIVABLES - Sundry (Note 13a)</b>	<b>257,207</b>	<b>74,737</b>
<b>PERMANENT ASSETS</b>	<b>56,380,952</b>	<b>59,682,767</b>
<b>INVESTMENTS</b>	<b>56,380,595</b>	<b>59,682,215</b>
Investments in subsidiaries (Notes 4h and 15a I)	56,380,188	59,681,808
Other	407	407
<b>FIXED ASSETS (Notes 4i)</b>	<b>357</b>	<b>552</b>
<b>TOTAL ASSETS</b>	<b>67,458,658</b>	<b>62,031,397</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>	<b>2,681,374</b>	<b>2,572,135</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)</b>	<b>62</b>	<b>90</b>
<b>OTHER LIABILITIES</b>	<b>2,681,312</b>	<b>2,572,045</b>
Social and statutory (Note 16b II)	2,542,121	2,406,957
Tax and social security contributions (Note 14c)	132,297	155,962
Sundry	6,894	9,126
<b>LONG-TERM LIABILITIES</b>	<b>1,276,670</b>	<b>618,333</b>
<b>DEPOSITS – Interbank deposits (Notes 4b and 10b)</b>	<b>899,224</b>	<b>345,997</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)</b>	<b>1,234</b>	<b>1,434</b>
<b>OTHER LIABILITIES</b>	<b>376,212</b>	<b>270,902</b>
Tax and social security contributions (Note 14c)	366,683	269,544
Sundry	9,529	1,358
<b>STOCKHOLDERS' EQUITY (Note 16)</b>	<b>63,500,614</b>	<b>58,840,929</b>
Capital	45,000,000	29,000,000
Capital reserves	640,759	597,706
Revenue reserves	18,771,151	31,192,635
Asset valuation adjustment - (Notes 4c, 4d and 7d)	120,031	(423,717)
(Treasury shares)	(1,031,327)	(1,525,695)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>67,458,658</b>	<b>62,031,397</b>


**ITAÚ UNIBANCO HOLDING S.A.**
**Statement of Income**
*(In thousands of Reals)*

	2nd Half 2009	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>280,253</b>	<b>440,493</b>	<b>114,037</b>
Securities and derivative financial instruments	280,253	440,493	114,037
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(37,287)</b>	<b>(69,656)</b>	<b>(77,466)</b>
Money market	(37,287)	(69,656)	(77,466)
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>242,966</b>	<b>370,837</b>	<b>36,571</b>
<b>OTHER OPERATING REVENUES (EXPENSES)</b>	<b>3,996,005</b>	<b>7,262,318</b>	<b>2,203,515</b>
Personnel expenses	(74,682)	(198,378)	(117,333)
Other administrative expenses	(18,971)	(42,537)	(37,874)
Tax expenses (Notes 14a II)	(166,611)	(174,659)	(101,065)
Equity in earnings of subsidiaries (Note 15a I)	4,280,130	7,731,003	2,510,568
Other operating revenues (expenses)	(23,861)	(53,111)	(50,781)
<b>OPERATING INCOME</b>	<b>4,238,971</b>	<b>7,633,155</b>	<b>2,240,086</b>
<b>NON-OPERATING INCOME (Note 13j)</b>	<b>2,678</b>	<b>10,049</b>	<b>18,039,190</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>4,241,649</b>	<b>7,643,204</b>	<b>20,279,276</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Note 4o)</b>	<b>(475,011)</b>	<b>69,133</b>	<b>(51,473)</b>
Due on operations for the period	25,954	31,668	(75,743)
Related to temporary differences	(500,965)	37,465	24,270
<b>PROFIT SHARING</b>	<b>104</b>	<b>(5,430)</b>	<b>(10,706)</b>
Employees – Law No. 10,101 of 12/19/2000	(1,036)	(4,350)	(4,350)
Officers – Statutory – Law No. 6,404 of 12/15/1976	1,140	(1,080)	(6,356)
<b>NET INCOME</b>	<b>3,766,742</b>	<b>7,706,907</b>	<b>20,217,097</b>
<b>WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES</b>		<b>4,517,815,519</b>	<b>3,472,966,007</b>
<b>NET INCOME PER SHARE – R\$</b>		<b>1.71</b>	<b>5.82</b>
<b>BOOK VALUE PER SHARE – R\$ (OUTSTANDING AT 12/31)</b>		<b>14.03</b>	<b>13.06</b>
<b>EXCLUSION OF NONRECURRING EFFECTS (Notes 2a and 22I)</b>		<b>34,465</b>	<b>(12,614,010)</b>
<b>NET INCOME WITHOUT NONRECURRING EFFECTS</b>		<b>7,741,372</b>	<b>7,603,087</b>
<b>NET INCOME PER SHARE – R\$</b>		<b>1.71</b>	<b>2.19</b>

**ITAÚ UNIBANCO HOLDING S.A.**  
**Statement of Changes in Stockholders' Equity (Note 16)**  
*(In thousands of reais)*

	Capital	Capital reserves	Revenue reserves	Asset valuation adjustment (Note 7d)	Retained earnings	(Treasury shares)	Total
<b>BALANCES AT JULY 1, 2009</b>	<b>45,000,000</b>	<b>687,492</b>	<b>17,233,453</b>	<b>111,123</b>	-	<b>(1,241,245)</b>	<b>61,800,823</b>
Treasury shares	-	(116,059)	39,116	-	-	209,918	132,975
Purchase of treasury shares	-	-	-	-	-	(6,958)	(6,958)
Granting of stock options – exercised options	-	(116,059)	39,116	-	-	216,876	139,933
Granting of options recognized	-	59,326	-	-	-	-	59,326
Change in adjustment to market value	-	-	-	8,908	-	-	8,908
Net income	-	-	-	-	3,766,742	-	3,766,742
Appropriations:	-	-	-	-	-	-	-
Legal reserve	-	-	188,337	-	(188,337)	-	-
Unrealized profit reserve	-	-	(1,642,069)	-	1,642,069	-	-
Statutory reserves	-	-	2,952,314	-	(2,952,314)	-	-
Dividends and interest on capital	-	-	-	-	(2,268,160)	-	(2,268,160)
<b>BALANCES AT DECEMBER 31, 2009</b>	<b>45,000,000</b>	<b>640,759</b>	<b>18,771,151</b>	<b>120,031</b>	-	<b>(1,031,327)</b>	<b>63,500,614</b>
<b>CHANGES IN THE PERIOD</b>	<b>-</b>	<b>(56,733)</b>	<b>1,537,698</b>	<b>8,908</b>	<b>-</b>	<b>209,918</b>	<b>1,699,791</b>
<b>BALANCES AT JANUARY 1, 2008</b>	<b>14,254,213</b>	<b>1,290,059</b>	<b>17,295,023</b>	<b>66,467</b>	-	<b>(1,172,394)</b>	<b>31,732,368</b>
Capitalization with reserves – ASM/ESM of 04/23/2008	2,745,787	-	(2,745,787)	-	-	-	-
Merger of shares – ESM of 11/28/2008	12,000,000	5,540	-	-	-	-	12,005,540
Restatement of equity securities and Other	-	271	-	-	-	-	271
Treasury shares	-	(1,011,253)	(146,217)	-	-	(353,301)	(1,510,771)
Purchase of treasury shares	-	-	-	-	-	(1,618,147)	(1,618,147)
Granting of stock options – exercised options	-	-	(146,217)	-	-	253,593	107,376
Cancellation of shares – ASM/ESM of 04/23/2008	-	(1,011,253)	-	-	-	1,011,253	-
Granting of options recognized/ Prior year's adjustments - Law No. 11.638	-	313,089	(211,001)	-	(15,136)	-	86,952
Change in adjustment to market value	-	-	-	(489,184)	-	-	(489,184)
Reversal of interest on capital and dividends paid on 03/03/2008 – Year 2007	-	-	3,837	-	-	-	3,837
Net income	-	-	-	-	20,217,097	-	20,217,097
Appropriations:	-	-	-	-	-	-	-
Legal reserve	-	-	1,010,855	-	(1,010,855)	-	-
Unrealized profit reserve	-	-	2,000,000	-	(2,000,000)	-	-
Statutory reserves	-	-	13,985,925	-	(13,985,925)	-	-
Dividends and interest on capital	-	-	-	-	(3,205,181)	-	(3,205,181)
<b>BALANCES AT DECEMBER 31, 2008</b>	<b>29,000,000</b>	<b>597,706</b>	<b>31,192,635</b>	<b>(423,717)</b>	-	<b>(1,525,695)</b>	<b>58,840,929</b>
<b>CHANGES IN THE PERIOD</b>	<b>14,745,787</b>	<b>(692,353)</b>	<b>13,997,612</b>	<b>(489,184)</b>	-	<b>(353,301)</b>	<b>27,108,561</b>
<b>BALANCES AT JANUARY 1, 2009</b>	<b>29,000,000</b>	<b>597,706</b>	<b>31,192,635</b>	<b>(423,717)</b>	-	<b>(1,525,695)</b>	<b>58,840,929</b>
Capitalization with reserves – ASM/ESM of 04/24/2009	16,000,000	-	(16,000,000)	-	-	-	-
Treasury shares	-	(154,408)	(69,131)	-	-	494,368	270,829
Purchase of treasury shares	-	-	-	-	-	(6,979)	(6,979)
Granting of stock options – exercised options	-	(154,408)	(69,131)	-	-	501,347	277,808
Granting of options recognized	-	197,461	(81,926)	-	-	-	115,535
Change in adjustment to market value	-	-	-	543,748	-	-	543,748
Reversal of interest on capital and dividends paid on 03/17 and 04/08/2009 – Year 2008	-	-	104	-	-	-	104
Net income	-	-	-	-	7,706,907	-	7,706,907
Appropriations:	-	-	-	-	-	-	-
Legal reserve	-	-	385,345	-	(385,345)	-	-
Unrealized profit reserve	-	-	(1,642,069)	-	1,642,069	-	-
Statutory reserves	-	-	4,986,193	-	(4,986,193)	-	-
Dividends and interest on capital	-	-	-	-	(3,977,438)	-	(3,977,438)
<b>BALANCES AT DECEMBER 31, 2009</b>	<b>45,000,000</b>	<b>640,759</b>	<b>18,771,151</b>	<b>120,031</b>	-	<b>(1,031,327)</b>	<b>63,500,614</b>
<b>CHANGES IN THE PERIOD</b>	<b>16,000,000</b>	<b>43,053</b>	<b>(12,421,484)</b>	<b>543,748</b>	-	<b>494,368</b>	<b>4,659,685</b>





## ITAÚ UNIBANCO HOLDING S.A.

## Statement of Cash Flows

(In thousands of Reais)

	2nd Half of 2009	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>ADJUSTED NET INCOME (LOSS)</b>	<b>75,830</b>	<b>111,880</b>	<b>(167,954)</b>
Net income	3,766,742	7,706,907	20,217,097
Adjustments to net income:	(3,690,912)	(7,595,027)	(20,385,051)
Granting of options recognized	59,325	115,535	-
Deferred taxes	500,965	(37,465)	24,270
Equity in earnings of subsidiaries (Note 15a I)	(4,280,130)	(7,731,003)	(20,541,918)
Amortization of goodwill	28,872	57,745	52,463
Other	56	161	80,134
<b>CHANGE IN ASSETS AND LIABILITIES</b>	<b>(314,687)</b>	<b>(295,625)</b>	<b>178,804</b>
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(1,899)	(7,799)	47,474
(Increase) decrease in other receivables and other assets	(417,720)	(307,475)	(105,125)
Increase (decrease) in other liabilities	116,398	31,115	554,112
Payment of income tax and social contribution	(11,466)	(11,466)	(317,657)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(238,857)</b>	<b>(183,745)</b>	<b>10,850</b>
Interest on capital/dividends received	839,661	9,609,568	4,008,559
(Increase) decrease in interbank investments	92,477	(6,615,638)	375,252
(Purchase) Disposal of investments	336	338	(301,009)
(Purchase) Disposal of fixed assets/deferred charges	(78)	(305)	(86)
<b>NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES</b>	<b>932,396</b>	<b>2,993,963</b>	<b>4,082,716</b>
Increase (decrease) in deposits	37,287	553,227	345,997
Granting of stock options	139,936	277,808	107,376
Purchase of treasury shares	(6,958)	(6,979)	(1,618,147)
Dividends and interest on capital paid	(1,168,237)	(3,782,407)	(2,910,040)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(997,972)</b>	<b>(2,958,351)</b>	<b>(4,074,814)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(304,433)</b>	<b>(148,133)</b>	<b>18,752</b>
Cash and cash equivalents at the beginning of the period	328,027	171,727	152,975
Cash and cash equivalents at the end of the period (Notes 4a and 5)	23,594	23,594	171,727


**ITAÚ UNIBANCO HOLDING S.A.**
**Statement of Added Value**
*(In thousands of Reais)*

	2nd Half of 2009	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>INCOME</b>	<b>288,650</b>	<b>456,380</b>	<b>130,065</b>
Financial operations	280,253	440,493	114,037
Other	8,397	15,887	16,028
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(67,037)</b>	<b>(128,778)</b>	<b>(130,389)</b>
Financial operations	(37,288)	(69,656)	(77,466)
Other	(29,749)	(59,122)	(52,923)
<b>INPUTS PURCHASED FROM THIRD PARTIES</b>	<b>(18,091)</b>	<b>(41,103)</b>	<b>(36,910)</b>
Third-party services	(5,606)	(13,984)	(15,974)
Advertising, promotions and publications	(1,582)	(3,388)	(2,305)
Financial system services	(3,199)	(6,324)	(2,666)
Insurance	(2,077)	(3,819)	(2,537)
Other	(5,627)	(13,588)	(13,428)
<b>GROSS ADDED VALUE</b>	<b>203,522</b>	<b>286,499</b>	<b>(37,234)</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>(78)</b>	<b>(180)</b>	<b>(220)</b>
<b>NET ADDED VALUE PRODUCED BY THE COMPANY</b>	<b>203,444</b>	<b>286,319</b>	<b>(37,454)</b>
<b>ADDED VALUE RECEIVED FROM TRANSFER</b>	<b>4,280,130</b>	<b>7,731,003</b>	<b>20,541,918</b>
Equity in earnings	4,280,130	7,731,003	20,541,918
<b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>	<b>4,483,574</b>	<b>8,017,322</b>	<b>20,504,464</b>
<b>DISTRIBUTION OF ADDED VALUE</b>	<b>4,483,574</b>	<b>8,017,322</b>	<b>20,504,464</b>
Personnel	68,061	187,925	131,249
Compensation	65,633	179,353	125,261
Benefits	1,407	6,360	3,739
FGTS – government severance pay fund	1,021	2,212	2,249
Taxes, fees and contributions	648,142	121,410	155,376
Federal	648,142	121,291	155,316
State	-	13	11
Municipal	-	106	49
Return on managed assets - Rent	629	1,080	742
Return on own assets	3,766,742	7,706,907	20,217,097
Dividends and interest on capital paid/provided for	2,268,162	3,977,438	3,205,181
Retained earnings/ (loss) for the period	1,498,580	3,729,469	17,011,916



**ITAÚ UNIBANCO HOLDING S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM JANUARY 1 TO DECEMBER 31, 2009 AND 2008**  
(In thousands of reais)

**NOTE 1 - OPERATIONS**

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

## NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS

### a) Presentation of the Financial Statements

The financial statements of ITAÚ UNIBANCO HOLDING and of its subsidiaries (ITAÚ UNIBANCO HOLDING CONSOLIDATED) have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, including the amendments introduced by Laws No. 11,638, of December 28, 2007, and No. 11,941, of May 27, 2009 (Note 22o), in conformity, when applicable, with instructions issued by the Central Bank of Brazil (BACEN), the National Monetary Council (CMN), the Brazilian Securities and Exchange Commission (CVM) and the Superintendency of Private Insurance (SUSEP), and National Council of Private Insurance (CNSP), which include the use of estimates necessary to calculate accounting provisions.

On February 18, 2009, BACEN approved the merger of the financial operations of ITAÚ UNIBANCO S.A. (ITAÚ UNIBANCO) and Unibanco – União de Bancos Brasileiros S.A. (UNIBANCO). These operations were integrated according to the respective business segment, through splits and mergers occurred on February 28, 2009; therefore, the Consolidated Financial Statements for the period from January 1 to December 31, 2009, and the corresponding notes to these financial statements are not presented with data “Without UNIBANCO”, as disclosed at December 31, 2008. The consolidated financial statements for 2008, presented for comparative purposes, already considers Unibanco’s operations in Balance Sheet and the transaction for the period from October 10, 2008 to December 31, 2008 in the other statements.

On March 30, 2009, ITAÚ purchased 24,082,760 nominative common shares of Redecard S.A. for R\$ 590,028, giving rise to a goodwill amounting to R\$ 556,575 which, net of taxes, totaled R\$ 506,483, fully amortized in the Consolidated Financial Statements. In view of this transaction, ITAÚ UNIBANCO started to have the stockholding control over Redecard S.A., fully consolidated in the Financial Statements of ITAÚ UNIBANCO HOLDING from the first quarter of 2009.

On August 23, 2009 ITAÚ UNIBANCO HOLDING and Porto Seguro S.A. (PORTO SEGURO) entered into an alliance aimed at the unification of their residence and automobile insurance operations, in addition to an Operational Agreement for the exclusive offer and distribution of residential and automobile insurance products to the customers of the ITAÚ UNIBANCO branch network in Brazil and Uruguay.

For accounting purposes, this operation was concluded in the 4<sup>th</sup> quarter of 2009 after the approval by the PORTO SEGURO’s stockholders’ meeting and SUSEP, which, on October 16, 2009, granted prior authorization for the corporate acts. The operation was submitted for approval by the Brazilian Antitrust System (SBDC).

The implementation of the Alliance took place through a corporate restructuring, in which ITAÚ UNIBANCO HOLDING transferred to PORTO SEGURO all the assets and liabilities related to its current portfolio of residential and automobile insurance and Stockholders’ Equity of R\$ 950 million. In its turn, PORTO SEGURO issued shares representing 30% (thirty percent) of its new capital stock, which were delivered to ITAÚ UNIBANCO HOLDING, which started to proportionally consolidate its interest (Note 22p). Goodwill arising from this operation was R\$ 40,386, which, net of taxes, totaled R\$ 36,751, fully amortized in the consolidated financial statements.

In order to enable the proper analysis of the net income, the heading “Net income without nonrecurring effects” is presented below the Consolidated Statement of Income, and this effect is highlighted in a heading called “Exclusion of nonrecurring effects” (Note 22I).

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

Lease Operations are presented, at present value, in the Balance Sheet, and the related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credit operations in the Statement of Income. Advances on exchange contracts are reclassified from Other Liabilities – Foreign Exchange Portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

**b) Consolidation**

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

Intercompany transactions and balances and results have been eliminated on consolidation. The investments held by consolidated companies in Exclusive Investment Funds are consolidated. The investments in these fund portfolios are classified by type of transaction and were distributed by type of security, in the same categories in which these securities had been originally allocated. The effects of the Foreign Exchange Variation on investments abroad are classified in the heading Securities and Derivative Financial Instruments in Statement of Income, including for comparability effects.

The difference of Net Income and Stockholders' Equity between ITAÚ UNIBANCO HOLDING and ITAÚ UNIBANCO HOLDING CONSOLIDATED (Note 16d) results from the elimination of unrealized profits arising from transactions between the parent company and consolidated companies, and from the adoption of different criteria for the amortization of goodwill originated on purchase of investments and the recognition of deferred tax assets.

In ITAÚ UNIBANCO HOLDING, the goodwill recorded in subsidiaries, mainly originated from the ITAÚ UNIBANCO merger, is being amortized based on the expected future profitability and appraisal reports or upon realization of the investment, according to the rules and guidance of CMN and BACEN.

In ITAÚ UNIBANCO HOLDING CONSOLIDATED, this goodwill was fully amortized in the years when these investments occurred, in order to: a) permit better comparability with previous periods' consolidated financial statements; and b) permit measuring Net Income and Stockholders' Equity based on conservative criteria.



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

	Incorporation country	Interest %	
		12/31/2009	12/31/2008
Afinco Americas Madeira, SGPS, Sociedade Unipessoal, Ltda.	Portugal	100.00	100.00
Banco Dibens S.A.	Brazil	100.00	100.00
Banco Fiat S.A.	Brazil	99.99	99.99
Banco Itaú Argentina S.A.	Argentina	99.99	99.99
Banco Itaú BBA S.A.	Brazil	99.99	99.97
Banco Itaú Chile S.A.	Chile	99.99	99.99
Banco Itaú Europa Luxembourg S.A.	Luxembourg	99.98	99.98
Banco Itaú Europa, S.A.	Portugal	99.99	99.99
Banco Itaú Uruguay S.A.	Uruguay	100.00	100.00
Banco ItauBank S.A.	Brazil	100.00	100.00
Banco Itaucard S.A.	Brazil	99.99	99.99
Banco Itaucred Financiamentos S.A.	Brazil	99.99	100.00
Banco Itauleasing S.A.	Brazil	99.99	99.99
BIU Participações S.A.	(1) Brazil	66.16	66.16
Cia. Itaú de Capitalização	Brazil	99.99	99.99
Dibens Leasing S.A. - Arrendamento Mercantil	Brazil	100.00	100.00
FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	(2) Brazil	50.00	50.00
Fiat Administradora de Consórcios Ltda.	Brazil	99.99	99.99
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	(3) Brazil	50.00	50.00
Hipercard Banco Múltiplo S.A.	Brazil	99.99	99.99
Itaú Administradora de Consórcios Ltda.	Brazil	99.99	99.99
Itau Bank, Ltd.	(4) Cayman Islands	100.00	100.00
Itaú Corretora de Valores S.A.	Brazil	99.99	99.99
Itaú Seguros S.A.	Brazil	100.00	100.00
Itaú Unibanco S.A.	Brazil	100.00	100.00
Itaú Vida e Previdência S.A.	Brazil	100.00	99.99
Itaú XL Seguros Corporativos S.A.	(3) Brazil	50.00	50.00
Itaúsa Export S.A.	Brazil	100.00	100.00
OCA Casa Financiera S.A.	Uruguay	100.00	100.00
Orbitall Serviços e Processamento de Informações Comerciais S.A.	Brazil	99.99	99.99
Porto Seguro S.A. (Note 2a)	(5) Brazil	30.00	-
Redecard S.A. (Note 2a)	Brazil	50.00	46.42
Unibanco - União de Bancos Brasileiros S.A.	Brazil	100.00	100.00
Unibanco Holdings S.A.	Brazil	100.00	100.00
Unibanco Cayman Bank Ltd.	Cayman Islands	100.00	100.00
Unibanco Participações Societárias S.A.	Brazil	51.00	51.00
Unicard Banco Múltiplo S.A.	Brazil	99.99	99.99

(1) Company fully consolidated from this year;

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

(3) Company with shared control, fully included in consolidation, as authorized by CVM, in view of the business management by ITAÚ UNIBANCO HOLDING;

(4) It does not include Redeemable Preferred Shares (Note 10f);

(5) Company controlled by Porto Seguro Itaú Unibanco Participações S.A. included proportionally in consolidation from December 31, 2009.



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

#### a) Basel and Fixed Asset Ratios

The main indicators at December 31, 2009, according to present regulation, are as follows:

	Financial system consolidated (1)	Economic-financial consolidated (2)
Referential equity (3)	68,432,521	70,514,408
Basel ratio	17.0%	16.7%
Tier I	13.8%	13.7%
Tier II	3.2%	3.0%
Fixed asset ratio (4)	32.9%	15.4%
Excess capital in relation to fixed assets	11,711,004	24,396,680

(1) Consolidated financial statements including financial companies only;

(2) Consolidated financial statements comprising all subsidiary companies, including insurance, pension plan and capitalization companies and those in which control is based on the sum of interests held by the bank, its managers, parent company and related companies, notwithstanding their percentage, as well as those directly or indirectly acquired, through investment funds;

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

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

Management considers the current Basel ratio (16.7%, based on economic-financial consolidated) to be adequate, taking into account the following:

- It exceeds by 5.7 percent the minimum required by the authorities (11.0%); and
- In view of the realizable values of assets (Note 18), the additional provision (exceeding the minimum required) and unrecorded deferred tax assets, the ratio would increase to 18.0%.

CMN Resolution No. 3,490, of August 29, 2007, provides for the criteria for computation of the Required Referential Equity (PRE). For calculation of the risk portions, the procedures of Circular No. 3,360, of September 12, 2007 for credit risk, of Circulars Nos. 3,361, 3,362, 3,363, 3,364, 3,366 and 3,368, of September 12, 2007, 3,388, of June 4, 2008, and 3,389, of June 25, 2008, and Circular Letters Nos. 3,309 and 3,310, of April 15, 2008 for market risk, and Circular No. 3,383 and Circular Letters Nos. 3,315 and 3,316, of April 30, 2008, for operational risk. For the operational risk portion, ITAÚ UNIBANCO HOLDING opted for the use of the Alternative Standardized Approach.

The operational risk portion will be increasingly incorporated, as set forth by Circular No. 3,383. From July 1, 2009, it stands at 80% of the determined amount, and it will be increased every six-month period until reaching the full capital amount on January 1, 2010. Should the total effect be immediately considered, the Basel ratio would be 16.8% for the Financial System Consolidated and 16.5% for the Economic-Financial Consolidated.

CMN Resolution No. 3,825, of December 16, 2009, revokes Resolution No. 3,674, of December 30, 2008, to take effect from April 1, 2010, which enables fully adding to Tier I the amount of the additional provision to the minimum percentages required by Resolution No. 2,682 of December 21, 1999. Should the revocation took immediate effect, the Basel ratio, by considering the effects described in the paragraph above, would be 15.5% for the Financial System Consolidated and 15.3% for the Economic-Financial Consolidated.

Circular No. 3,476, of December 28, 2009, sets forth that, for the Economic-Financial Consolidated, from June 30, 2010, an additional should be included in the Operational Risk Portion (POPR), through the use of a ratio based on the equity in earnings subsidiary and affiliated companies. Should this additional be considered immediately, together with the other effects described in the last two paragraphs above, the Basel ratio of the Economic-Financial Consolidated would be 15.2%.

The Referential Equity used for calculation of ratios and composition of risk exposures at December 31, 2009, are as follows:

	Financial system		Economic-financial Consolidated	
<b>Stockholders' Equity Itaú Unibanco Holding S.A.(Consolidated)</b>	<b>50,683,423</b>		<b>50,683,423</b>	
Minority interest in subsidiaries	904,163		3,023,426	
Unrealized income (loss)	2,274		-	
<b>Consolidated stockholders' equity (BACEN)</b>	<b>51,589,860</b>		<b>53,706,849</b>	
Preferred shares with clause of redemption excluded from Tier I	(687,711)		(687,711)	
Additional provision for loan, lease and other operations	6,107,459		6,104,000	
Revaluation reserves excluded from Tier I	(7)		(7)	
Deferred permanent assets excluded from Tier I	(569,651)		(575,862)	
Deferred tax assets excluded from Tier I	(696,116)		(721,548)	
Adjustments to market value – securities and derivative financial instruments excluded from Tier I	(120,031)		(120,071)	
<b>Tier I</b>	<b>55,623,803</b>		<b>57,705,650</b>	
Preferred shares with clause of redemption	687,711		687,711	
Subordinated debt	12,029,254		12,029,254	
Revaluation reserves	7		7	
Adjustment to market value – securities and derivative financial instruments	120,031		120,071	
<b>Tier II</b>	<b>12,837,003</b>		<b>12,837,043</b>	
<b>Tier I + Tier II</b>	<b>68,460,806</b>		<b>70,542,693</b>	
Exclusions:				
Funding instruments issued by financial institutions	(28,285)		(28,285)	
<b>Referential equity</b>	<b>68,432,521</b>		<b>70,514,408</b>	
<b>Risk exposure</b>				
Credit	41,734,370	94.2%	43,949,837	94.5%
Securities	2,353,117	5.3%	2,520,482	5.4%
Loan operations - Retail	8,881,879	20.1%	8,790,230	18.9%
Loan operations – Non-retail	12,750,352	28.8%	12,777,295	27.5%
Joint obligations - Retail	6,860	0.0%	6,860	0.0%
Joint obligations – Non-retail	3,500,777	7.9%	3,494,294	7.5%
Loan commitments - Retail	2,051,066	4.6%	2,016,647	4.3%
Loan commitments – Non-retail	1,377,157	3.1%	1,376,833	3.0%
Other exposures	10,813,162	24.4%	12,967,196	27.9%
Operational	1,881,993	4.2%	1,881,993	4.0%
Retail	296,370	0.7%	296,370	0.6%
Commercial	572,260	1.3%	572,260	1.2%
Corporate finance	51,760	0.1%	51,760	0.1%
Negotiation and sales	490,141	1.1%	490,141	1.1%
Payments and settlements	208,216	0.5%	208,216	0.4%
Financial agent services	76,612	0.2%	76,612	0.2%
Asset management	170,743	0.4%	170,743	0.4%
Retail brokerage	14,533	0.0%	14,533	0.0%
Business plans	1,358	0.0%	1,358	0.0%
Market	682,110	1.5%	680,607	1.5%
Operations subject to interest rate variation	387,876	0.9%	384,712	0.8%
Fixed rate denominated in Real	100,383	0.2%	99,857	0.2%
Foreign currency coupon	137,440	0.3%	134,802	0.3%
Price index coupon	112,446	0.3%	112,446	0.2%
Interest rate coupon	37,607	0.1%	37,607	0.1%
Operations subject to commodity price variation	67,814	0.2%	67,814	0.1%
Operations subject to stock price variation	226,420	0.5%	228,081	0.5%
<b>Required Referential Equity</b>	<b>44,298,473</b>	<b>100.0%</b>	<b>46,512,437</b>	<b>100.0%</b>
<b>Excess capital in relation to Required Referential Equity</b>	<b>24,134,048</b>	<b>54.5%</b>	<b>24,001,971</b>	<b>51.6%</b>
<b>Exposure weighted by Risk</b>	<b>402,713,393</b>		<b>422,840,336</b>	

During this period, the effects of the changes in legislation and balances were as follows:

Changes in the Basel Ratio	Financial system consolidated			Economic-financial consolidated		
	Referential equity	Weighted exposure	Effect	Referential equity	Weighted exposure	Effect
<b>Ratio at 12/31/2008</b>	<b>66,766,103</b>	<b>413,812,916</b>	<b>16.1%</b>	<b>67,994,861</b>	<b>416,539,726</b>	<b>16.3%</b>
Result of the period	10,067,148		2.4%	10,914,448		2.6%
Interest on capital and dividends	(3,977,333)		-1.0%	(3,977,333)		-1.0%
Allowance for loan losses additional to the minimum percentage required by CMN Resolution No. 2,682/99	(1,681,346)	(1,681,346)	-0.3%	(1,687,000)	(1,687,000)	-0.3%
Granting of options recognized	115,535		0.0%	115,535		0.0%
Granting of stock options – exercised options in the period	277,810		0.1%	277,810		0.1%
Asset valuation adjustment	543,097		0.1%	540,919		0.1%
Treasury shares	(6,979)		0.0%	(6,979)		0.0%
Subordinated debt and redeemable preferred shares	(3,615,522)		-0.9%	(3,615,522)		-0.9%
Deferred assets excluded from Tier I of referential equity	116,031	116,031	0.0%	118,642	118,642	0.0%
Other changes in referential equity	(172,023)		0.1%	(160,973)		0.1%
Changes in risk exposure		(9,534,208)	0.4%		7,868,968	-0.3%
<b>Ratio at 12/31/2009</b>	<b>68,432,521</b>	<b>402,713,393</b>	<b>17.0%</b>	<b>70,514,408</b>	<b>422,840,336</b>	<b>16.7%</b>

**b) Capital for Insurance Activity**

SUSEP, following the worldwide trend towards the strengthening of the insurance market, disclosed on December 26, 2006 the Resolutions Nos. 155 and 158, amended by Resolutions No. 178 of December 28, 2007, and No. 200 of December 16, 2008, and Circular No. 355 of December 14, 2007. The regulations provide for the rules on regulatory capital required for authorization and operation of insurance companies and rules for the allocation of capital from subscription risk for several insurance segments.

Noteworthy is the fact that the adjusted stockholders' equity of ITAU UNIBANCO HOLDING companies exclusively engaged in insurance activities is higher than the required regulatory capital. As of December 31, 2009, the regulatory capital required was R\$ 979,910 for an existing adjusted stockholders' equity of R\$ 2,742,745.

**NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES**

- a) **Cash and cash equivalents** – for purposes of Consolidated Statement of Cash Flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits 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 – Central Bank of Brazil, remunerated deposits, deposits received under securities repurchase agreements, funds from acceptance and issuance of securities, borrowings and onlendings and other receivables and payables** – transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, net of the transaction costs incurred, calculated “pro rata die” based on the effective rate of transactions, according to CVM Resolution No. 556 of November 12, 2008.
- c) **Securities** - recorded at cost of acquisition restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular No. 3,068, of November 8, 2001. Securities are classified into the following categories:

- Trading securities – acquired to be actively and frequently traded, and adjusted to market value, with a contra-entry to the results of the period;
- Available-for-sale securities – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a contra-entry to an account disclosed in stockholders' equity;
- Held-to-maturity securities – securities, except for non-redeemable shares, 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 adjusted up to their maturity date, not being adjusted to market value.

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

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

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

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

- Market Risk Hedge – financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income.

- Cash 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 value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of *hedge* is recorded directly in the statement of income.

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

**f) Allowance for Loan Losses** - the balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution No. 2,682 of December 21, 1999, among which are:

- 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;
- Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

**g) Other assets** - these assets are mainly comprised by assets held for sale relating to real estate available for sale, own real estate not in use and real estate received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations, reinsurance unearned premiums (Note 4m I); and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods.

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

**i) Fixed assets** - These assets are stated at cost of acquisition or construction, less accumulated depreciation, adjusted to market value until December 31, 2007, when applicable. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. Correspond to rights related to tangible assets intended for maintenance of the company's operations or exercised for such purposes, including assets arising from transactions that transfer to the company their benefits, risks and controls. The items acquired through Lease contracts are recorded according to CVM Resolution No. 554, of November 12, 2008, as contra-entry to Lease obligations. Depreciation is calculated using the straight-line method, based on monetarily restated cost, at the following annual rates:

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

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



- k) Intangible assets** – correspond to rights acquired whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution No. 3,642, of November 26, 2008. They are composed of rights acquired to credit payrolls and partnership agreements, amortized over the agreement terms, and software and customer portfolios, amortized over a term varying from five to ten years.
- l) Reduction to the recoverable value of assets** – a loss is recognized when there are clear evidences that assets are stated at a non-recoverable value. From 2008, this procedure started to be adopted annually at the end of each year.
- m) Insurance, pension plan and capitalization operations** – Insurance premiums, acceptance coinsurance and selling expenses are accounted for in accordance with the insurance effectiveness term, through the recognition and reversal of the provision for unearned premiums and deferred selling expenses. Interest arising from fractioning of insurance premiums is accounted for as incurred revenues from social security contributions, gross revenue from capitalization certificates and respective technical provisions are recognized upon receipt.

#### **I - Credits from operations and other assets related to insurance and reinsurance operations:**

- Insurance premiums receivable – Refer to installments of insurance premiums receivable, current and past due, in accordance with insurance policies issued;
- Reinsurance recoverable amounts – Refer to claims paid to the insured party pending recovery from Reinsurer, installments of unsettled claims and incurred but not reported claims - Reinsurance (IBNR), classified in assets in accordance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008;
- Reinsurance unearned premiums – Recognized to determine the portion of reinsurance unearned premiums, calculated “pro rata die”, and for risks of policies not issued computed based on estimates, based on the actuarial technical study and in compliance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008.

#### **II - Technical provisions of insurance, pension plan and capitalization** – provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution No. 162 of December 26, 2006 and the amendments introduced by CNSP Resolution No. 181, of December 19, 2007, and CNSP Resolution No. 195, of December 16, 2008.

##### **II.I - Insurance**

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

##### **II.II - Pension plan and individual life with living benefits** – correspond to liabilities assumed such as retirement plans, disability, pension and annuity:

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

### **II.III-Capitalization:**

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

**n) Contingent assets and liabilities and legal liabilities – tax and social security** - assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 3,535 of January 31, 2008.

### **I - Contingent assets and liabilities**

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

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

Escrow deposits are restated in accordance with the current legislation.

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

## II - Legal liabilities – tax and social security

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

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

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

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

(1) As from May 1, 2008, for financial subsidiaries and equivalent companies, the rate was changed from 9% to 15%, as provided for in articles 17 and 41 of Law No. 11,727, of June 24, 2008. For non-financial and social security subsidiaries, the rate remained at 9%;

(2) For non-financial subsidiaries that fall into the non-cumulative calculation system, the PIS rate is 1.65% and COFINS rate is 7.6%.

The changes introduced by Laws No. 11,638 and No. 11,941 (articles 37 and 38), which modified the criterion for recognizing revenues, costs and expenses, computed to determine the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transition Tax Regime (RTT), so for tax purposes the rules effective on December 31, 2007 were followed. The tax effect arising from the adoption of such rules is recorded, for accounting purposes, in the corresponding deferred assets and liabilities.

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



# NOTE 5 – CASH AND CASH EQUIVALENTS

For purposes of Statement of Cash Flows, cash and cash equivalents of ITAÚ UNIBANCO HOLDING CONSOLIDATED are composed of the following:

	12/31/2009	12/31/2008
Cash and cash equivalents	10,594,442	15,847,047
Interbank deposits	7,020,984	11,198,436
Securities purchased under agreements to resell – Funded position	48,302,029	10,136,817
<b>TOTAL</b>	<b>65,917,455</b>	<b>37,182,300</b>

In ITAÚ UNIBANCO HOLDING it is composed of the following:

	12/31/2009	12/31/2008
Cash and cash equivalents	515	155
Securities purchased under agreements to resell – Funded position	23,079	171,572
<b>TOTAL</b>	<b>23,594</b>	<b>171,727</b>

# NOTE 6 - INTERBANK INVESTMENTS

	12/31/2009				12/31/2008	
	0 - 30	31 - 180	181 - 365	Over 365	Total	%
<b>Money market</b>	<b>97,188,465</b>	<b>18,178,375</b>	<b>285,220</b>	<b>3,048,037</b>	<b>118,700,097</b>	<b>85.3</b>
Funded position (*)	48,489,959	10,042,226	285,220	3,048,037	61,865,442	44.4
Financed position	48,597,854	3,403,549	-	-	52,001,403	37.4
With free movement	509,591	3,403,397	-	-	3,912,988	2.8
Without free movement	48,088,263	152	-	-	48,088,415	34.5
Short position	100,652	4,732,600	-	-	4,833,252	3.5
<b>Money market - Assets Guaranteeing Technical Provisions -</b>	<b>158,949</b>	<b>-</b>	<b>276,709</b>	<b>2,598,695</b>	<b>3,034,353</b>	<b>2.2</b>
<b>SUSEP</b>	<b>8,577,880</b>	<b>3,939,971</b>	<b>4,405,953</b>	<b>537,241</b>	<b>17,461,045</b>	<b>12.5</b>
<b>Interbank deposits</b>	<b>105,925,294</b>	<b>22,118,346</b>	<b>4,967,882</b>	<b>6,183,973</b>	<b>139,195,495</b>	<b>124,546,088</b>
% per maturity term	76.1	15.9	3.6	4.4		
<b>TOTAL - 12/31/2008</b>	<b>99,723,742</b>	<b>10,726,170</b>	<b>9,819,097</b>	<b>4,277,079</b>	<b>124,546,088</b>	
% per maturity term	80.1	8.6	7.9	3.4		

(\*) Includes R\$ 9,288,318 (R\$ 9,989,713 at 12/31/2008) related to money market with free movement, in which securities are basically restricted to guarantee transactions at the BM&FBovespa S.A. Bolsa de Valores, Mercadorias e Futuros (Securities, Commodities and Futures Exchange) and the Central Bank of Brazil (BACEN).

In ITAÚ HOLDING at 12/31/2009, portfolio is composed of Money market – funded position falling due in up to 30 days amounting to R\$ 120,091 (R\$ 171,572 at 12/31/2008) and Interbank deposits from 31 to 180 days amounting to R\$ 6,827,949 (R\$ 309,323 at 12/31/2008).

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

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

## a) Summary per maturity

	12/31/2009										12/31/2008		
	Provision for adjustment to market value with impact on:										Over 720 days		
	Cost	Results	Stockholders' equity	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>43,564,563</b>	<b>40,873</b>	<b>283,622</b>	<b>43,889,058</b>	<b>36.8</b>	<b>7,092,047</b>	<b>1,078,153</b>	<b>1,552,216</b>	<b>4,631,572</b>	<b>9,715,682</b>	<b>19,819,388</b>	<b>52,906,706</b>	
Financial Treasury Bills	17,411,524	472	(254)	17,411,742	14.8	275,367	887,410	994,482	420,951	4,804,203	10,029,329	14,297,383	
National Treasury Bills	9,255,704	3,096	5,966	9,264,766	7.7	6,356,736	-	282,132	397,100	2,228,798	-	19,210,650	
National Treasury Notes	13,882,054	32,237	114,172	14,028,463	11.7	444,802	162,614	56,210	3,393,275	2,242,609	7,728,953	14,236,795	
National Treasury/Securitization	768,865	4,884	(32,665)	741,084	0.6	9,700	15,171	113,928	263,703	25,057	313,525	225,536	
Brazilian External Debt Bonds	2,241,947	184	196,545	2,438,676	2.0	2,886	12,958	105,464	156,342	414,021	1,747,005	4,870,457	
Investment in Non-exclusive Funds	2,556	-	-	2,556	0.0	2,556	-	-	-	-	-	63,693	
Other	1,913	-	(142)	1,771	0.0	-	-	-	201	994	576	2,192	
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>8,322,607</b>	<b>12,685</b>	<b>(15,928)</b>	<b>8,319,364</b>	<b>6.7</b>	<b>539,007</b>	<b>1,038,620</b>	<b>2,483,214</b>	<b>2,795,049</b>	<b>518,092</b>	<b>945,382</b>	<b>12,035,159</b>	
Portugal	26,103	-	355	26,458	0.0	-	-	26,458	-	-	-	301,099	
Austria	212,417	-	1,312	213,729	0.2	-	213,729	-	-	-	-	1,460,308	
Argentina	179,216	(103)	-	179,113	0.1	-	12,034	44,102	9,387	-	113,590	65,099	
Central Bank	33,264	(1,025)	-	32,239	0.0	-	-	28,737	-	-	-	3,502	
National Treasury	145,952	922	-	146,874	0.1	-	12,034	15,365	9,387	-	110,088	36,849	
Denmark	1,995,282	-	(24,765)	1,970,517	1.6	293,698	243,718	672,480	334,476	426,145	-	28,250	
Spain	1,089,838	-	3,189	1,093,027	0.9	-	3,549	1,004,282	85,196	-	-	2,193,506	
Korea	1,748,032	-	7,715	1,755,747	1.5	-	-	-	1,755,747	-	-	3,247,545	
Chile	1,355,613	183	(3,716)	1,352,080	1.1	142,594	404,739	570,397	175,101	21,114	38,135	2,065,713	
Paraguay	416,669	-	-	416,669	0.3	49,507	67,070	75,795	157,636	35,598	31,063	647,285	
Uruguay	522,796	(29)	(442)	522,325	0.4	47,549	75,103	87,015	275,737	17,117	19,804	397,702	
United States	752,704	12,656	417	765,777	0.6	5,222	13,061	2,595	-	17,560	727,319	1,063,036	
Norway	-	-	-	-	-	-	-	-	-	-	-	344,999	
Mexico	9,744	(35)	-	9,709	0.0	87	5,477	9	-	489	3,647	154,158	
Other	14,193	13	7	14,213	0.0	350	120	81	1,769	69	11,824	1,826	
<b>CORPORATE SECURITIES</b>	<b>22,994,591</b>	<b>271,436</b>	<b>148,166</b>	<b>23,414,193</b>	<b>19.5</b>	<b>7,005,063</b>	<b>843,498</b>	<b>1,917,702</b>	<b>3,072,855</b>	<b>3,133,306</b>	<b>7,441,769</b>	<b>25,773,729</b>	
Eurobonds and other	2,573,405	3,473	58,591	2,635,469	2.2	65,425	196,889	150,457	126,362	583,644	1,513,692	4,988,599	
Bank Deposit Certificates	2,520,830	-	665	2,521,495	2.1	602,808	82,525	15,423	480,200	764,358	576,181	2,825,720	
Shares	3,513,395	234,160	44,046	3,791,601	3.2	3,791,601	-	-	-	-	-	3,288,078	
Debentures	6,157,173	1,071	12,816	6,171,060	5.1	273,243	397,912	1,027,740	1,458,641	1,575,186	1,438,338	5,416,517	
Promissory Notes	1,717,127	-	479	1,717,606	1.4	52,683	132,655	648,709	883,559	-	-	2,150,209	
Quotas of funds	2,163,885	30,970	13,374	2,208,229	1.9	2,204,469	-	-	-	-	3,760	3,327,443	
Fixed income	789,311	-	6,540	795,851	0.7	792,091	-	-	-	-	3,760	2,125,198	
Credit rights	1,080,339	-	-	1,080,339	0.9	1,080,339	-	-	-	-	-	985,087	
Other	294,235	30,970	6,834	332,039	0.3	332,039	-	-	-	-	-	217,158	
Securitized real estate loans	4,329,303	1,762	18,202	4,349,267	3.6	14,722	34,517	75,373	114,836	210,118	3,899,701	3,350,132	
Other	19,473	-	(7)	19,466	0.0	112	-	-	9,257	-	10,097	417,031	
<b>PGBL/VGBL FUND QUOTAS (1)</b>	<b>38,626,466</b>	<b>-</b>	<b>-</b>	<b>38,626,466</b>	<b>32.1</b>	<b>38,626,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,023,746</b>	
<b>SUBTOTAL - SECURITIES</b>	<b>113,508,227</b>	<b>324,994</b>	<b>415,860</b>	<b>114,249,081</b>	<b>95.0</b>	<b>53,262,583</b>	<b>2,960,271</b>	<b>5,953,132</b>	<b>10,499,476</b>	<b>13,367,080</b>	<b>28,206,539</b>	<b>120,739,340</b>	
Trading securities	71,912,220	324,994	-	72,237,214	60.1	46,510,438	632,790	1,449,206	4,891,738	5,485,627	13,267,415	72,560,055	
Available-for-sale securities	39,166,158	-	415,860	39,582,018	32.9	6,747,442	2,316,889	4,503,927	7,594,721	7,594,721	12,837,278	43,807,117	
Held-to-maturity securities (2)	2,429,849	-	-	2,429,849	2.0	4,703	10,592	729	25,247	286,732	2,101,846	4,372,168	
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>5,705,364</b>	<b>234,119</b>	<b>-</b>	<b>5,939,483</b>	<b>4.9</b>	<b>1,387,384</b>	<b>597,196</b>	<b>1,027,297</b>	<b>834,800</b>	<b>1,121,856</b>	<b>970,950</b>	<b>17,604,535</b>	
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)</b>	<b>119,213,591</b>	<b>559,113</b>	<b>415,860</b>	<b>120,188,564</b>	<b>100.0</b>	<b>54,649,967</b>	<b>3,557,467</b>	<b>6,980,429</b>	<b>11,334,276</b>	<b>14,488,936</b>	<b>29,177,489</b>	<b>138,343,875</b>	
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)</b>	<b>(5,262,694)</b>	<b>(206,442)</b>	<b>(6,910)</b>	<b>(5,476,046)</b>	<b>100.0</b>	<b>(1,076,285)</b>	<b>(447,247)</b>	<b>(963,476)</b>	<b>(848,324)</b>	<b>(1,241,098)</b>	<b>(899,616)</b>	<b>(14,807,456)</b>	

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customer's responsibility, are recorded as Securities - Trading Securities, with a contra-entry to liabilities in Pension Plan Technical Provisions presented in Long-Term Liabilities, as determined by SUSEP.

(2) Unrecorded positive adjustment to market value in the amount of R\$ 362,421 (R\$ 521,799 at 12/31/2008), according to Note 7e.



## b) Summary by portfolio

	12/31/2009					Assets	
	Restricted to					Derivative financial instruments	guaranteeing technical provisions (Note
	Own portfolio	Repurchase agreements	Pledging of guaranties (1)	Central Bank (2)			Total
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>10,950,810</b>	<b>8,533,535</b>	<b>8,466,906</b>	<b>10,793,547</b>	<b>5,144,260</b>	<b>5,144,260</b>	<b>43,889,058</b>
Financial Treasury Bills	3,547,660	512,650	3,845,800	7,798,107	-	1,707,525	17,411,742
National Treasury Bills	1,204,956	6,159,604	864,699	818,050	-	217,457	9,264,766
National Treasury Notes	3,069,902	1,827,577	3,756,407	2,177,390	-	3,197,187	14,028,463
National Treasury/Securitization	741,084	-	-	-	-	-	741,084
Brazilian External Debt Bonds	2,382,881	33,704	-	-	-	22,091	2,438,676
Investments in Non-exclusive Funds	2,556	-	-	-	-	-	2,556
Other	1,771	-	-	-	-	-	1,771
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>6,225,822</b>	<b>294,423</b>	<b>1,795,226</b>	<b>-</b>	<b>3,893</b>	<b>3,893</b>	<b>8,319,364</b>
Portugal	26,458	-	-	-	-	-	26,458
Austria	-	-	213,729	-	-	-	213,729
Argentina	179,113	-	-	-	-	-	179,113
Central Bank	32,239	-	-	-	-	-	32,239
National Treasury	146,874	-	-	-	-	-	146,874
Denmark	1,130,261	-	840,256	-	-	-	1,970,517
Spain	734,273	-	358,754	-	-	-	1,093,027
Korea	1,394,060	-	361,687	-	-	-	1,755,747
Chile	1,341,703	6,484	-	-	-	3,893	1,352,080
Paraguay	416,669	-	-	-	-	-	416,669
Uruguay	522,325	-	-	-	-	-	522,325
United States	457,038	287,939	20,800	-	-	-	765,777
Mexico	9,709	-	-	-	-	-	9,709
Other	14,213	-	-	-	-	-	14,213
<b>CORPORATE SECURITIES</b>	<b>19,214,208</b>	<b>652,137</b>	<b>327,509</b>	<b>-</b>	<b>3,220,339</b>	<b>3,220,339</b>	<b>23,414,193</b>
Eurobonds and other	2,098,035	537,434	-	-	-	-	2,635,469
Bank Deposit Certificates	453,470	-	-	-	-	2,068,025	2,521,495
Shares	3,748,202	13,930	17,245	-	-	12,224	3,791,601
Debentures	5,081,809	100,773	(5)	-	-	988,483	6,171,060
Promissory Notes	1,638,774	-	-	-	-	78,832	1,717,606
Quotas of funds	1,846,950	-	310,269	-	-	51,010	2,208,229
Fixed income	485,582	-	310,269	-	-	-	795,851
Credit rights	1,031,544	-	-	-	-	48,795	1,080,339
Other	329,824	-	-	-	-	2,215	332,039
Securitized real estate loans	4,327,531	-	-	-	-	21,736	4,349,267
Other	19,437	-	-	-	-	29	19,466
<b>PGBL/VGBL FUND QUOTAS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,626,466</b>	<b>38,626,466</b>
<b>SUBTOTAL - SECURITIES</b>	<b>36,390,840</b>	<b>9,480,095</b>	<b>10,589,641</b>	<b>10,793,547</b>	<b>46,994,958</b>	<b>46,994,958</b>	<b>114,249,081</b>
Trading securities	10,646,452	6,336,418	5,869,378	6,197,718	-	43,187,248	72,237,214
Available-for-sale securities	25,379,032	3,019,181	4,676,441	4,595,829	-	1,911,535	39,582,018
Held-to-maturity securities	385,356	124,496	43,822	-	-	1,896,175	2,429,849
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,939,483</b>	<b>-</b>	<b>5,939,483</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)</b>	<b>36,390,840</b>	<b>9,480,095</b>	<b>10,589,641</b>	<b>10,793,547</b>	<b>5,939,483</b>	<b>46,994,958</b>	<b>120,188,564</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) - 12/31/2008</b>	<b>48,980,158</b>	<b>6,433,817</b>	<b>17,405,735</b>	<b>9,949,962</b>	<b>17,604,535</b>	<b>37,969,688</b>	<b>138,343,875</b>

(1) Represent securities deposited with Contingent Liabilities (Note 12b), Stock Exchanges and the Clearing House for the Custody and Financial Settlement of Securities.

(2) Represent securities in compulsory deposits.

### c) Trading securities

See below the composition of the portfolio of trading securities by type, stated at cost and market value and by maturity term.

	12/31/2009										12/31/2008	
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>25,785,546</b>	<b>40,873</b>	<b>25,826,419</b>	<b>35.8</b>	<b>5,079,394</b>	<b>394,617</b>	<b>1,101,716</b>	<b>4,244,071</b>	<b>4,240,479</b>	<b>10,766,142</b>	<b>32,939,739</b>	
Financial Treasury Bills	9,585,257	472	9,585,729	13.3	241,914	215,316	607,278	265,813	691,173	7,564,235	8,875,529	
National Treasury Bills	7,063,217	3,096	7,066,313	9.8	4,484,760	-	276,254	349,217	1,956,082	-	14,127,883	
National Treasury Notes	8,431,259	32,237	8,463,496	11.7	337,790	151,172	54,541	3,274,488	1,529,320	3,116,185	9,300,097	
National Treasury/Securitization	481,737	4,884	486,621	0.7	9,488	15,171	113,928	263,703	25,057	59,274	102,104	
Brazilian External Debt Bonds	221,520	184	221,704	0.3	2,886	12,958	49,715	90,850	38,847	26,448	470,433	
Investments in Non-exclusive Funds	2,556	-	2,556	0.0	2,556	-	-	-	-	-	63,693	
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>1,045,196</b>	<b>12,685</b>	<b>1,057,881</b>	<b>1.3</b>	<b>56,222</b>	<b>50,982</b>	<b>75,934</b>	<b>12,294</b>	<b>4,451</b>	<b>857,998</b>	<b>2,534,788</b>	
Argentina	178,720	(103)	178,617	0.2	-	12,034	44,102	9,387	-	113,094	64,176	
Central Bank	33,264	(1,025)	32,239	0.0	-	-	28,737	-	-	3,502	36,849	
National Treasury	145,456	922	146,378	0.2	-	12,034	15,365	9,387	-	109,592	27,327	
Spain	-	-	-	-	-	-	-	-	-	-	418,164	
Korea	-	-	-	-	-	-	-	-	-	-	290,576	
Chile	77,437	183	77,620	0.1	42,982	9,105	25,527	-	-	6	164,154	
Paraguay	-	-	-	-	-	-	-	-	-	-	397,702	
Uruguay	30,057	(29)	30,028	0.0	7,581	11,476	3,620	1,138	3,893	2,320	6,309	
United States	735,250	12,656	747,906	1.0	5,222	12,770	2,595	-	-	727,319	1,038,009	
Mexico	9,744	(35)	9,709	0.0	87	5,477	9	-	489	3,647	154,158	
Other	13,988	13	14,001	0.0	350	120	81	1,769	69	11,612	1,540	
<b>CORPORATE SECURITIES</b>	<b>6,455,012</b>	<b>271,436</b>	<b>6,726,448</b>	<b>9.4</b>	<b>2,748,356</b>	<b>187,191</b>	<b>271,556</b>	<b>635,373</b>	<b>1,240,697</b>	<b>1,643,275</b>	<b>7,061,782</b>	
Eurobonds and other	624,887	3,473	628,360	0.9	36,354	72,926	32,111	29,782	46,797	410,390	1,317,309	
Bank Deposit Certificates	2,257,977	-	2,257,977	3.3	553,929	82,278	13,484	448,000	682,107	478,179	1,432,552	
Shares	953,874	234,160	1,188,034	1.6	1,188,034	-	-	-	-	-	597,666	
Debentures	1,589,828	1,071	1,590,899	2.2	33,539	31,746	134,194	152,328	505,910	733,182	1,253,313	
Promissory Notes	91,413	-	91,413	0.1	-	-	91,413	-	-	-	107,659	
Quotas of funds	905,411	30,970	936,381	1.3	936,381	-	-	-	-	-	2,314,388	
Fixed income	491,770	-	491,770	0.7	491,770	-	-	-	-	-	1,976,420	
Credit rights	336,908	-	336,908	0.5	336,908	-	-	-	-	-	200,776	
Other	76,733	30,970	107,703	0.1	107,703	-	-	-	-	-	137,192	
Securitized real estate loans	31,622	1,762	33,384	0.0	119	241	354	5,263	5,883	21,524	38,895	
<b>PGBL/VGBL FUND QUOTAS</b>	<b>38,626,466</b>	<b>-</b>	<b>38,626,466</b>	<b>53.5</b>	<b>38,626,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,023,746</b>	
<b>Total</b>	<b>71,912,220</b>	<b>324,994</b>	<b>72,237,214</b>	<b>100.0</b>	<b>46,510,438</b>	<b>632,790</b>	<b>1,449,206</b>	<b>4,891,738</b>	<b>5,485,627</b>	<b>13,267,415</b>	<b>72,560,055</b>	
% per maturity term					64.3%	0.9%	2.0%	6.8%	7.6%	18.4%		
<b>Total 12/31/2008</b>	<b>72,108,727</b>	<b>451,328</b>	<b>72,560,055</b>	<b>100.0</b>	<b>38,342,426</b>	<b>1,004,728</b>	<b>3,364,033</b>	<b>4,592,013</b>	<b>8,543,501</b>	<b>16,713,354</b>		
% per maturity term					52.9%	1.4%	4.6%	6.3%	11.8%	23.0%		

At December 31, 2009, ITAÚ UNIBANCO HOLDING's portfolio is composed of Government Securities amounting to R\$ 5,307 with maturity over 365 days.

#### d) Available-for-sale securities

See below the composition of the portfolio of available-for-sale securities by type, stated at cost and market value and by maturity term.

	12/31/2009										12/31/2008
	Cost	Adjustment to market value (in stockholders' equity)	Market value	%						Over 720 days	Market value
					0 - 30	31 - 90	91 - 180	181 - 365	366 - 720		
GOVERNMENT SECURITIES - DOMESTIC											
Financial Treasury Bills	15,600,485	283,622	15,884,107	40.2	2,012,653	674,899	450,104	379,194	5,280,020	7,087,237	15,968,162
National Treasury Bills	7,826,267	(254)	7,826,013	19.8	33,453	672,094	387,204	155,138	4,113,030	2,485,094	5,421,854
National Treasury Notes	2,192,487	5,966	2,198,453	5.6	1,871,976	-	5,878	47,883	272,716	-	5,082,767
National Treasury Securities	3,509,884	114,172	3,624,056	9.2	107,012	2,805	1,669	110,480	572,514	2,829,576	2,519,246
National Treasury/Securitization	287,128	(32,665)	254,463	0.6	212	-	-	-	-	254,251	123,432
Brazilian External Debt Bonds	1,782,806	196,545	1,979,351	5.0	-	-	55,353	65,492	320,766	1,537,740	2,818,671
Other	1,913	(142)	1,771	0.0	-	-	-	201	994	576	2,192
GOVERNMENT SECURITIES - ABROAD											
Portugal	7,260,476	(15,928)	7,244,548	18.3	482,532	987,419	2,407,280	2,782,755	513,641	70,921	9,477,264
Austria	26,103	355	26,458	0.1	-	-	26,458	-	-	-	301,099
Argentina	212,417	1,312	213,729	0.5	-	213,729	-	-	-	-	1,460,308
Denmark	496	-	496	0.0	-	-	-	-	-	496	923
Spain	1,995,282	(24,765)	1,970,517	5.0	293,698	243,718	672,480	334,476	426,145	-	2,193,506
Korea	1,089,838	3,189	1,093,027	2.8	-	3,549	1,004,282	85,196	-	-	2,829,381
Chile	1,748,032	7,715	1,755,747	4.4	-	-	-	1,755,747	-	-	1,765,137
Paraguay	1,278,176	(3,716)	1,274,460	3.2	99,612	395,634	544,870	175,101	21,114	38,129	483,131
Uruguay	416,669	-	416,669	1.1	49,507	67,070	75,795	157,636	35,598	31,063	-
United States	475,804	(442)	475,362	1.2	39,715	63,408	83,395	274,599	13,224	1,021	73,753
Norway	17,454	417	17,871	0.0	-	311	-	-	17,560	-	25,027
Other	205	7	212	0.0	-	-	-	-	-	212	344,999
CORPORATE SECURITIES											
Eurobonds and other	16,305,197	148,166	16,453,363	41.5	4,252,257	654,571	1,645,813	2,420,542	1,801,060	5,679,120	18,361,691
Bank Deposit Certificates	1,765,118	58,591	1,823,709	4.6	24,803	121,444	118,346	96,580	446,784	1,015,752	3,406,388
Shares	262,853	665	263,518	0.7	48,879	247	1,939	32,200	82,251	98,002	1,393,168
Debentures	2,559,521	44,046	2,603,567	6.6	2,603,567	-	-	-	-	-	2,690,412
Promissory Notes	4,521,915	12,816	4,534,731	11.3	239,597	365,949	893,213	1,289,373	1,067,790	678,809	4,094,990
Quotas of funds	1,625,714	479	1,626,193	4.1	52,683	132,655	557,296	883,559	-	-	2,042,550
Fixed income	1,258,474	13,374	1,271,848	3.3	1,268,088	-	-	-	-	3,760	1,013,055
Credit rights	297,541	6,540	304,081	0.8	300,321	-	-	-	-	3,760	784,311
Other	743,431	-	743,431	1.9	743,431	-	-	-	-	-	79,966
Securitized real estate loans	217,502	6,834	224,336	0.6	224,336	-	-	-	-	-	-
Other	4,292,204	18,202	4,310,406	10.9	14,603	34,276	75,019	109,573	204,235	3,872,700	3,304,109
TOTAL	39,166,158	415,860	39,582,018	100.0	6,747,442	2,316,889	4,503,197	5,582,491	7,594,721	12,837,278	43,807,117
Adjustments of securities reclassified in prior years to the held-to-maturity category											
Accounting adjustment - Hedge - Circular No. 3.082		15,777			16.9%	5.9%	11.5%	14.1%	19.2%	32.4%	
Deferred taxes		(145,183)									
Minority interest in subsidiaries		(107,069)									
Adjustment of securities of unconsolidated affiliates		(1,146)									
ADJUSTMENT TO MARKET VALUE - SECURITIES - 12/31/2009											
TOTAL 12/31/2008	43,966,474	(159,357)	43,807,117	100.0	9,892,635	2,039,482	4,817,926	5,716,799	6,225,064	15,115,211	
Adjustments of securities reclassified in prior years to the held-to-maturity category											
Accounting adjustment - Hedge - Circular No. 3.082		20,811			22.6%	4.7%	11.0%	13.0%	14.2%	34.5%	
Deferred taxes		(334,946)									
Minority interest in subsidiaries		175,123									
Adjustment of securities of unconsolidated affiliates		6,867									
ADJUSTMENT TO MARKET VALUE - SECURITIES - 12/31/2008											

At December 31, 2009, ITAÚ UNIBANCO HOLDING's portfolio is composed of Government Securities - National Treasury Notes amounting to R\$ 25,118 (R\$ 24,583 at December 31, 2008) with maturity over 365 days.

# e) Held-to-maturity securities

See below the composition of the portfolio of held-to-maturity securities by type, stated at cost and by maturity term. In the carrying value, not considered in results, are the amounts of R\$ 15,777 (R\$ 20,811 at 12/31/2008) included at December 31, 2009, relating to market adjustment of the reclassified securities at December 31, 2003. Securities classified under this type, if stated at market value, would present a positive adjustment of R\$ 362,421 (R\$ 521,799 at 12/31/2008) at December 31, 2009.

	Carrying value	%	12/31/2009							Over 720 days	12/31/2008 Carrying value
			0 - 30	31 - 90	91 - 180	181 - 365	366 - 720				
<b>GOVERNMENT SECURITIES - DOMESTIC</b>											
National Treasury Notes (*)	2,178,532	89.7	-	8,637	396	8,307	195,183	1,966,009	3,998,805		
Brazilian External Debt Bonds	1,940,911	79.9	-	8,637	-	8,307	140,775	1,783,192	2,417,452		
	237,621	9.8	-	-	396	-	54,408	182,817	1,581,353		
<b>GOVERNMENT SECURITIES - ABROAD</b>											
Uruguay	16,935	0.7	253	219	-	-	-	16,463	23,107		
Other	-	-	-	-	-	-	-	16,463	22,821		
	-	-	-	-	-	-	-	-	286		
<b>CORPORATE SECURITIES</b>											
Eurobonds and other	234,382	9.6	4,450	1,736	333	16,940	91,549	119,374	350,256		
Debentures (*)	183,400	7.5	4,268	1,519	-	-	90,063	87,550	274,902		
	45,430	1.9	107	217	333	16,940	1,486	26,347	68,214		
Securitized real estate loans (*)	5,477	0.2	-	-	-	-	-	5,477	7,128		
Other	75	0.0	75	-	-	-	-	-	12		
Total	2,429,849	100.0	4,703	10,592	729	25,247	286,732	2,101,846	4,372,168		
% per maturity term			0.3%	0.4%	0.0%	1.0%	11.8%	86.5%			
<b>Total 12/31/2008</b>											
	4,372,168	100.0	7,119	14,800	19,318	185,213	231,984	3,913,734			
% per maturity term			0.3%	0.3%	0.4%	4.2%	5.3%	89.5%			

(1) Includes investments of Itaú Vida e Previdência S.A. in the amount of R\$ 1,265,094 (R\$ 993,134 at 12/31/2008).

# f) Realized and unrealized gains of securities portfolio

	01/01 to 12/31/2009	01/01 to 12/31/2008
Gain (loss) - Trading securities	1,145,199	511,155
Gain (loss) - Available-for-sale securities	388,388	(1,630,924)
<b>Total realized gain</b>	<b>1,533,587</b>	<b>(1,119,769)</b>
Adjustment to market value of trading securities	(126,334)	652,245
<b>Total</b>	<b>1,407,253</b>	<b>(467,524)</b>

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

Management sets forth guidelines to classify securities. The classification of the current portfolio of securities, as well as the securities purchased in the period, are periodically and systematically evaluated based on such guidelines. As set forth in Article 5 of BACEN Circular No. 3,068, of November 8, 2008, the revaluation regarding the classification of securities can only be made upon preparation of trial balances for six-month periods. In addition, the transfer from "held-to-maturity" into the other categories can only occur in view of an isolated, unusual, nonrecurring and unexpected reason, which has occurred after the classification date.

On June 30, 2009, due to the merger agreement entered into between Itaú and Unibanco, approved by BACEN on February 18, 2009, so as to reflect the purpose of the new institution arising from this merger, securities from the Unibanco portfolio were reclassified from the "held to maturity" to "available for sale" category, in the amount of R\$ 957,306 thousand, resulting in an addition in stockholders' equity of R\$ 125,303 thousand, according to the market value of these securities.

On October 1, 2009, due to the alliance entered into between ITÁU UNIBANCO HOLDING S.A. and Porto Seguro S.A. (Note 2a), Guaranteeing Assets of R\$ 411,877 thousand previously classified as "held to maturity" were transferred to Porto Seguro, in a spin-off process.

#### **h) Derivative financial instruments**

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

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

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

The derivative transactions carried out by ITAU UNIBANCO HOLDING and its subsidiaries with customers are neutralized in order to eliminate market risks.

Most derivative contracts traded by the institution with clients in Brazil are swap, 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 and swaps with registration mainly in the Chicago, New York and London Exchanges. It should be emphasized that there are over-the-counter operations, but their risks are low as compared to the institutions' total. Noteworthy is also the fact that there are no structured operations based on subprime assets and all operations are based on risk factors traded at stock exchanges.

The main risk factors of the derivatives, assumed at December 31, 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 low representativeness of price due to illiquidity of a specific contract is identified. Derivatives typically precified like this are futures contracts. Likewise, there are other instruments whose quotations (fair prices) are directly disclosed by independent institutions and which are precified based on this direct information. A great part of the Brazilian government securities, highly-liquid international (public and private) securities and shares fit into this situation.

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

The total value of margins pledged in guarantee was R\$ 12,251,867 and was basically composed of government securities.

	Memorandum account Notional amount		Balance sheet account receivable / (received) (payable) / paid	Adjustment to market value (in results)	Market value	
	12/31/2009	12/31/2008	12/31/2009	12/31/2009	12/31/2009	12/31/2008
<b>Futures contracts</b>	<b>216,785,646</b>	<b>226,846,815</b>	<b>(2,963)</b>	<b>(21,618)</b>	<b>(24,581)</b>	<b>376,887</b>
<b>Purchase commitments</b>	<b>94,209,552</b>	<b>126,234,217</b>	<b>(1,345)</b>	<b>31,365</b>	<b>30,020</b>	<b>(468,494)</b>
Foreign currency	3,159,877	21,509,612	(88)	22,458	22,370	(185,211)
Interbank market	78,537,478	81,775,735	862	18,244	19,106	(194,175)
Indices	10,314,025	22,595,130	(2,115)	2,168	53	(56,962)
Securities	2,131,590	293,835	-	-	-	464
Other	66,582	59,905	(4)	(11,505)	(11,509)	(32,610)
<b>Commitments to sell</b>	<b>122,576,094</b>	<b>100,612,598</b>	<b>(1,618)</b>	<b>(52,983)</b>	<b>(54,601)</b>	<b>845,381</b>
Foreign currency	18,938,634	23,172,875	(1,471)	(24,511)	(25,982)	387,182
Interbank market	82,302,360	53,465,605	3,823	(20,883)	(17,060)	(63,233)
Indices	11,843,060	23,401,608	(3,345)	(3,544)	(6,889)	492,678
Securities	3,144,224	472,682	-	-	-	(2,280)
Other	6,347,816	99,828	(625)	(4,045)	(4,670)	31,034
<b>Swap contracts</b>			<b>401,577</b>	<b>64,108</b>	<b>465,685</b>	<b>230,349</b>
<b>Asset position</b>	<b>69,088,310</b>	<b>81,096,577</b>	<b>2,127,989</b>	<b>451,395</b>	<b>2,579,384</b>	<b>3,533,049</b>
Foreign currency	6,862,386	15,393,864	46,428	55,852	102,280	1,716,222
Interbank market	31,371,085	42,051,807	1,398,323	20,151	1,418,474	890,345
Fixed rate	11,014,003	8,681,596	259,388	106,111	365,499	287,878
Floating rate	6,775,302	2,891,531	(1,587)	6,466	4,879	87,416
Indices	12,964,373	11,905,694	416,210	263,617	679,827	536,521
Securities	11,424	59,827	4,689	(1,266)	3,423	14,667
Other	89,737	112,258	4,538	464	5,002	-
<b>Liability position</b>	<b>68,686,733</b>	<b>80,695,984</b>	<b>(1,726,412)</b>	<b>(387,287)</b>	<b>(2,113,699)</b>	<b>(3,302,700)</b>
Foreign currency	11,321,897	22,734,322	(285,400)	(8,571)	(293,971)	(1,788,735)
Interbank market	19,600,932	22,988,773	(794,639)	73,344	(721,295)	(136,938)
Fixed rate	15,694,540	16,427,618	(210,968)	(184,040)	(395,008)	(554,281)
Floating rate	6,473,284	3,167,525	(8,842)	230	(8,612)	(310,763)
Indices	15,433,009	15,281,947	(413,808)	(267,210)	(681,018)	(511,981)
Securities	-	2,325	-	-	-	-
Other	163,071	93,474	(12,755)	(1,040)	(13,795)	(2)
<b>Option contracts</b>	<b>1,728,321,064</b>	<b>510,914,326</b>	<b>295,833</b>	<b>(73,651)</b>	<b>222,182</b>	<b>(1,607,480)</b>
<b>Purchase commitments – long position</b>	<b>489,887,901</b>	<b>161,715,960</b>	<b>1,412,775</b>	<b>(461,484)</b>	<b>951,291</b>	<b>5,635,467</b>
Foreign currency	67,850,131	44,631,604	596,012	(417,682)	178,330	4,896,104
Interbank market	330,853,884	2,345,461	483,728	(93,972)	389,756	29,406
Floating rate	32,630	-	114	(5)	109	-
Indices	90,111,099	114,363,925	264,082	49,953	314,035	663,549
Securities	801,368	257,604	52,297	(6,191)	46,106	43,419
Other	238,789	117,366	16,542	6,413	22,955	2,989
<b>Commitments to sell – long position</b>	<b>442,925,583</b>	<b>81,214,583</b>	<b>1,009,356</b>	<b>250,268</b>	<b>1,259,624</b>	<b>1,092,334</b>
Foreign currency	12,720,715	18,630,831	319,384	29,857	349,241	117,934
Interbank market	388,003,567	333,093	184,914	(10,554)	174,360	200,286
Indices	41,058,922	61,099,820	98,194	228,826	327,020	396,674
Securities	1,010,199	934,486	394,452	(845)	393,607	343,921
Other	132,180	216,353	12,412	2,984	15,396	33,519
<b>Purchase commitments – short position</b>	<b>379,223,997</b>	<b>149,665,229</b>	<b>(1,429,093)</b>	<b>415,753</b>	<b>(1,013,340)</b>	<b>(5,450,965)</b>
Foreign currency	48,514,497	42,635,346	(618,947)	414,458	(204,489)	(4,805,902)
Interbank market	246,600,279	2,547,823	(448,233)	71,383	(376,850)	(37,528)
Indices	83,354,644	104,287,844	(331,515)	(80,162)	(411,677)	(591,198)
Securities	616,204	126,733	(17,269)	4,303	(12,966)	(15,353)
Other	138,373	67,483	(13,129)	5,771	(7,358)	(984)
<b>Commitments to sell – short position</b>	<b>416,283,583</b>	<b>118,318,554</b>	<b>(697,205)</b>	<b>(278,188)</b>	<b>(975,393)</b>	<b>(2,884,316)</b>
Foreign currency	16,264,304	39,372,629	(316,197)	(143,503)	(459,700)	(2,195,382)
Interbank market	317,680,840	274,610	(181,799)	16,411	(165,388)	(261,608)
Fixed rate	-	-	(20,585)	10,293	(10,292)	(9,037)
Indices	82,088,915	78,506,990	(158,663)	(174,681)	(333,344)	(353,654)
Securities	146,845	134,079	(5,369)	2,567	(2,802)	(47,964)
Other	102,679	30,246	(14,592)	10,725	(3,867)	(16,671)
<b>Forward contracts</b>	<b>68,398</b>	<b>1,301,491</b>	<b>1,020</b>	<b>(97)</b>	<b>923</b>	<b>824,267</b>
<b>Purchases receivable</b>	<b>49,221</b>	<b>496,476</b>	<b>48,682</b>	<b>(115)</b>	<b>48,567</b>	<b>311,971</b>
Foreign currency	-	260,156	571	(148)	423	78,146
Floating rate	48,131	-	48,115	(17)	48,098	-
Other	1,090	236,320	(4)	50	46	233,825
<b>Purchases payable</b>	<b>-</b>	<b>4,315</b>	<b>(48,115)</b>	<b>17</b>	<b>(48,098)</b>	<b>(234,216)</b>
Foreign currency	-	2,525	-	-	-	(28)
Floating rate	-	-	(48,115)	17	(48,098)	-
Other	-	1,790	-	-	-	(234,188)
<b>Sales receivable</b>	<b>19,177</b>	<b>788,182</b>	<b>19,188</b>	<b>(16)</b>	<b>19,172</b>	<b>763,534</b>
Foreign currency	-	3,287	-	-	-	41
Fixed rate	-	9,995	-	-	-	205
Floating rate	18,718	-	18,735	(17)	18,718	-
Other	459	774,900	453	1	454	763,288
<b>Sales deliverable</b>	<b>-</b>	<b>12,518</b>	<b>(18,735)</b>	<b>17</b>	<b>(18,718)</b>	<b>(17,022)</b>
Fixed rate	-	12,518	-	-	-	(2,120)
Floating rate	-	-	(18,735)	17	(18,718)	-
Other	-	-	-	-	-	(14,902)
<b>Credit derivatives</b>	<b>4,532,206</b>	<b>9,529,432</b>	<b>(78,375)</b>	<b>(12,913)</b>	<b>(91,288)</b>	<b>(210,224)</b>
<b>Asset position</b>	<b>1,786,428</b>	<b>7,276,052</b>	<b>19,386</b>	<b>(4,301)</b>	<b>15,085</b>	<b>63,891</b>
Foreign currency	137,164	102,638	1,177	170	1,347	3,083
Fixed rate	1,615,263	7,173,414	18,160	(5,976)	12,184	60,808
Indices	1,742	-	-	-	-	-
Securities	10,156	-	16	556	572	-
Other	22,103	-	33	949	982	-
<b>Liability position</b>	<b>2,745,778</b>	<b>2,253,380</b>	<b>(97,761)</b>	<b>(8,612)</b>	<b>(106,373)</b>	<b>(274,115)</b>
Foreign currency	-	299,256	(1,205)	(334)	(1,539)	(22,225)
Interbank market	50,000	-	(40)	(32)	(72)	-
Fixed rate	2,695,778	1,954,124	(96,380)	(6,895)	(103,275)	(251,890)
Securities	-	-	(11)	(532)	(543)	-
Other	-	-	(125)	(819)	(944)	-



	Memorandum account Notional amount	Balance sheet account receivable / (received) (payable) / paid	Adjustment to market value (in results)	Market value		
	12/31/2009	12/31/2008	12/31/2009	12/31/2009	12/31/2009	12/31/2008
Forwards operations	13,722,347	41,311,558	(94,220)	(289)	(94,509)	2,161,517
Asset position	6,607,852	25,392,410	313,045	(58)	312,987	3,573,164
Foreign currency	5,583,987	23,708,557	279,056	-	279,056	3,530,330
Fixed rate	212,974	820,758	19,638	(58)	19,580	26,875
Floating rate	531,937	830,804	3,936	-	3,936	8,938
Indices	26,118	-	472	-	472	-
Other	252,836	32,291	9,943	-	9,943	7,021
Liability position	7,114,495	15,919,148	(407,265)	(231)	(407,496)	(1,411,647)
Foreign currency	6,658,999	14,713,992	(392,911)	(231)	(393,142)	(1,266,009)
Interbank market	1,598	2,138	(142)	-	(142)	(184)
Fixed rate	94,340	529,103	(10,406)	-	(10,406)	(129,101)
Floating rate	348,240	467,400	(2,766)	-	(2,766)	(3,773)
Indices	11,318	115,295	(1,040)	-	(1,040)	(2,417)
Other	-	91,220	-	-	-	(10,163)
Swap with target flow	1,935,809	5,897,022	16,415	(57,493)	(41,078)	(227,603)
Asset position	976,112	2,838,111	79,619	(31,105)	48,514	60,861
Foreign currency	505,870	1,603,317	31,041	(30,095)	946	60,241
Interbank market	398,547	916,785	48,578	(1,010)	47,568	620
Fixed rate	71,695	282,517	-	-	-	-
Floating rate	-	19,205	-	-	-	-
Indices	-	3,158	-	-	-	-
Other	-	13,129	-	-	-	-
Liability position	959,697	3,058,911	(63,204)	(26,388)	(89,592)	(288,464)
Foreign currency	641,399	2,178,505	(41,236)	(16,548)	(57,784)	(260,495)
Interbank market	291,862	728,461	(21,338)	(10,123)	(31,461)	(24,769)
Fixed rate	26,436	102,800	(630)	283	(347)	(3,007)
Floating rate	-	19,235	-	-	-	(193)
Indices	-	28,749	-	-	-	-
Other	-	1,161	-	-	-	-
Target flow of swap – foreign currency	3,159,676	12,115,104	(102,499)	148,297	45,798	1,567,980
Asset position	2,450,975	10,088,150	121,645	64,059	185,704	2,025,268
Foreign currency	2,447,446	9,578,859	121,645	64,059	185,704	1,890,350
Interbank market	-	217,747	-	-	-	13,373
Fixed rate	-	44,605	-	-	-	21,561
Indices	3,529	40,800	-	-	-	2,121
Other	-	206,139	-	-	-	97,863
Liability position	708,701	2,026,954	(224,144)	84,238	(139,906)	(457,288)
Foreign currency	708,701	1,874,943	(224,144)	84,238	(139,906)	(359,915)
Other	-	152,011	-	-	-	(97,373)
Other financial instruments	11,936,233	3,155,282	5,882	(25,577)	(19,695)	(318,614)
Asset position	7,549,134	2,064,290	553,679	(34,524)	519,155	168,109
Foreign currency	3,234,101	925,486	423,871	317	424,188	135,154
Interbank market	2,269,818	630,069	-	418	418	1,514
Fixed rate	-	-	-	-	-	-
Other	2,045,215	508,735	129,808	(35,259)	94,549	31,441
Liability position	4,387,099	1,090,992	(547,797)	8,947	(538,850)	(486,723)
Foreign currency	4,286,612	818,444	(507,917)	8,970	(498,947)	(216,912)
Interbank market	-	-	-	-	-	(698)
Fixed rate	29,651	-	(31,372)	-	(31,372)	-
Other	70,836	272,548	(8,508)	(23)	(8,531)	(269,113)
		ASSETS	5,705,364	234,119	5,939,483	17,604,535
		LIABILITIES	(5,262,694)	(213,352)	(5,476,046)	(14,807,456)
		TOTAL	442,670	20,767	463,437	2,797,079
Derivative contracts mature as follows (in days):						
Clearing	0 - 30	31 - 180	181 - 365	Over 365	12/31/2009	12/31/2008
Futures	62,714,358	52,906,048	30,268,675	70,896,565	216,785,646	226,846,815
Swaps	19,096,084	14,922,727	11,132,225	21,809,285	66,960,321	77,988,356
Options	539,139,012	266,126,475	573,715,002	349,340,575	1,728,321,064	510,914,326
Forwards	67,117	1,281	-	-	68,398	1,301,491
Credit derivatives	468,652	1,259,316	663,491	2,140,747	4,532,206	9,529,432
Forwards	5,335,583	5,630,675	1,654,202	1,101,887	13,722,347	41,311,558
Swaps with target flow	446,374	18,632	-	431,487	896,493	2,706,666
Target flow of swap	369,208	150,661	67,995	2,571,812	3,159,676	12,115,104
Other	3,790,922	4,066,698	1,689,252	2,389,361	11,936,233	3,155,282

At December 31, 2009, ITAÚ UNIBANCO HOLDING had derivative operations in the swap with target flow with 11 clients; these products not being totally exposed to an exchange rate of R\$ 1.7412 per dollar, for settlement at maturity. Of these clients, 9 have AA, A or B risk rating.

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated at cost, market value, and maturity term.

12/31/2009											12/31/2008	
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	
ASSETS												
Futures												
BM&F Bovespa	-	-	-	-	-	-	-	-	-	-	376,887	
Financial institutions	-	-	-	-	-	-	-	-	-	-	346,428	
Companies	-	-	-	-	-	-	-	-	-	-	(859)	
											31,318	
Option premiums												
BM&F Bovespa	2,422,131	(211,216)	2,210,915	37.2	750,757	200,530	547,176	324,610	384,795	3,047	6,727,801	
Financial institutions	1,759,672	(186,129)	1,573,543	26.5	723,783	100,584	92,926	281,423	374,091	736	5,589,627	
Companies	206,968	1,440	208,408	3.5	7,429	92,529	59,263	40,081	6,795	2,311	399,770	
Individuals	455,491	(26,527)	428,964	7.2	19,545	7,417	394,987	3,106	3,909	-	737,773	
											631	
Forwards												
BM&F Bovespa	67,870	(131)	67,739	1.1	67,083	187	469	-	-	-	1,075,505	
Financial institutions	453	1	454	-	267	187	-	-	-	-	726,036	
Companies	38,041	(182)	37,859	0.6	37,436	-	423	-	-	-	49	
Individuals	29,380	-	29,380	0.5	29,380	-	-	-	-	-	345,256	
	(4)	50	46	0.0	-	-	46	-	-	-	4,164	
Swaps – Adjustment receivable												
BM&F Bovespa	2,127,989	451,395	2,579,384	43.4	409,426	206,391	271,034	454,899	469,308	768,326	3,533,049	
Financial institutions	217,641	39,762	257,403	4.3	3,253	8,443	36,719	100,069	31,474	169,790	917,398	
Companies	610,461	127,167	737,628	12.4	223,082	33,700	111,318	154,215	67,518	147,795	2,436,545	
Individuals	1,282,447	271,479	1,553,926	26.2	179,114	158,147	111,247	197,785	367,874	539,759	3,327	
	17,440	12,987	30,427	0.5	3,977	6,101	11,750	2,830	2,442	9,316	665	
Credit derivatives	19,386	(4,301)	15,085	0.3	810	7,158	1,840	992	992	3,620	63,891	
Financial institutions	19,386	(4,301)	15,085	0.3	810	7,158	1,840	992	992	3,620	63,891	
Companies	313,045	(58)	312,987	5.3	88,364	81,160	104,817	26,883	6,480	5,283	3,573,164	
Individuals	226,327	-	226,327	3.8	61,304	55,153	86,594	16,663	1,683	4,930	988,439	
	86,666	(58)	86,608	1.5	27,015	26,000	18,223	10,220	4,797	353	2,576,189	
	52	-	52	0.0	45	7	-	-	-	-	8,536	
Swaps with target flow												
Swaps	201,264	32,954	234,218	3.9	45,380	755	772	2,503	135,321	49,487	2,086,129	
Companies	79,617	(31,105)	48,512	0.8	45,361	724	636	580	1,162	49	60,861	
Financial institutions	79,617	(31,105)	48,512	0.8	45,361	724	636	580	1,162	49	60,861	
Individuals	121,647	64,059	185,706	3.1	19	31	136	1,923	134,159	49,438	2,025,268	
											6,269	
Other												
BM&F Bovespa	121,647	64,059	185,706	3.1	19	31	136	1,923	134,159	49,438	2,018,999	
Financial institutions	553,679	(34,524)	519,155	8.8	25,564	101,015	101,189	25,240	124,960	141,187	168,109	
Companies	-	419	419	0.0	391	-	-	28	-	-	1,515	
Individuals	348,610	(34,046)	314,564	5.3	774	73	52,014	1,163	120,487	140,053	163,848	
	205,069	(899)	204,170	3.5	24,399	100,942	49,175	24,047	4,473	1,134	2,746	
	-	2	2	0.0	-	-	-	2	-	-	-	
Total	5,705,364	234,119	5,939,483	100.0	1,387,384	597,196	1,027,297	834,800	1,121,856	970,950	17,604,535	
% per maturity term					23.4%	10.1%	17.3%	14.1%	18.9%	16.3%		
Total 12/31/2008	15,298,674	2,305,861	17,604,535	100.0	4,320,165	3,691,277	3,473,757	2,534,179	2,104,409	1,480,748		
% per maturity term					24.5%	21.0%	19.7%	14.4%	12.0%	8.4%		

12/31/2009										12/31/2008	
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
LIABILITIES											
Futures											
BM&F Bovespa	(2,963)	(21,618)	(24,581)	0.4	8,191	8,003	(9,466)	(1,699)	1,270	(30,880)	-
Financial institutions	(2,963)	(26,541)	(29,504)	0.5	6,650	5,039	(9,486)	(2,097)	1,270	(30,880)	-
Companies	-	375	375	-	-	(43)	20	398	-	-	-
Individuals	-	4,548	4,548	(0.1)	1,541	3,007	-	-	-	-	-
Option premiums											
BM&F Bovespa	(2,126,298)	137,565	(1,988,733)	36.3	(625,341)	(197,976)	(152,349)	(385,352)	(624,679)	(3,036)	(8,335,281)
Financial institutions	(1,909,103)	284,365	(1,624,738)	29.7	(583,425)	(104,276)	(124,202)	(342,320)	(469,689)	(826)	(5,787,342)
Companies	(170,799)	(163,616)	(334,415)	6.1	(35,317)	(86,336)	(25,335)	(40,819)	(144,398)	(2,210)	(2,257,838)
Individuals	(46,396)	16,816	(29,580)	0.5	(6,599)	(7,364)	(2,812)	(2,213)	(10,592)	-	(290,012)
Forwards											
Financial institutions	(66,850)	34	(66,816)	1.2	-	-	-	-	-	-	(89)
Companies	(37,470)	34	(37,436)	0.7	(37,436)	-	-	-	-	-	(251,238)
Individuals	(29,380)	-	(29,380)	0.5	(29,380)	-	-	-	-	-	(28)
Swaps – difference payable											
BM&F Bovespa	(1,726,412)	(387,287)	(2,113,699)	38.6	(241,985)	(71,641)	(576,727)	(285,774)	(381,830)	(555,742)	(3,302,700)
Financial institutions	(197,094)	(112,638)	(309,732)	5.7	(11,436)	(5,137)	(9,204)	(73,114)	(51,563)	(159,278)	(438,954)
Companies	(457,185)	(327,214)	(784,399)	14.3	(151,967)	(13,436)	(66,004)	(136,739)	(93,370)	(322,883)	(1,762,378)
Individuals	(1,041,147)	48,580	(992,567)	18.1	(70,697)	(49,036)	(497,911)	(72,836)	(229,382)	(72,705)	(1,087,026)
Credit derivatives											
Financial institutions	(30,986)	3,985	(27,001)	0.5	(7,885)	(4,032)	(3,608)	(3,085)	(7,515)	(876)	(14,342)
Companies	(97,761)	(8,612)	(106,373)	1.9	(9,246)	(6,178)	(5,090)	(4,814)	(3,436)	(77,609)	(274,115)
Individuals	(97,695)	(8,655)	(106,350)	1.9	(9,246)	(6,155)	(5,090)	(4,814)	(3,436)	(77,609)	(254,940)
Forwards											
Financial institutions	(407,265)	(231)	(407,496)	7.4	(91,044)	(117,706)	(90,562)	(94,815)	(9,714)	(3,655)	(1,411,647)
Companies	(176,158)	-	(176,158)	3.2	(38,385)	(55,779)	(42,726)	(36,918)	(1,390)	(960)	(819,624)
Individuals	(230,936)	(231)	(231,167)	4.2	(52,628)	(61,847)	(47,813)	(57,897)	(8,287)	(2,695)	(590,104)
Swaps with target flow											
Financial institutions	(287,348)	57,850	(229,498)	4.1	(3,700)	(4,892)	(8,552)	(1,577)	(63,654)	(147,123)	(745,752)
Companies	(63,203)	(26,389)	(89,592)	1.6	(1,457)	(14)	-	-	(13,322)	(74,799)	(288,463)
Individuals	(15,337)	15,337	-	-	-	-	-	-	-	-	(121)
Target flow of swap – foreign currency											
Financial institutions	(224,145)	84,239	(139,906)	2.5	(2,243)	(4,878)	(8,552)	(1,577)	(50,332)	(72,324)	(457,289)
Companies	(7,107)	(10,143)	(17,250)	0.3	(2,243)	(4,878)	(8,552)	(1,577)	-	-	(379,502)
Individuals	(217,038)	94,382	(122,656)	2.2	-	-	-	-	(50,332)	(72,324)	(77,787)
Other											
BM&F Bovespa	(547,797)	8,947	(538,850)	10.1	(46,344)	(56,857)	(120,730)	(74,293)	(159,055)	(81,571)	(486,723)
Financial institutions	-	-	-	-	-	-	-	-	-	-	(698)
Companies	(216,429)	(24,695)	(241,124)	4.7	(780)	(672)	(47,885)	(14,782)	(96,770)	(80,235)	(323,189)
Individuals	(309,401)	33,559	(275,842)	5.0	(35,198)	(49,398)	(68,876)	(58,749)	(62,285)	(1,336)	61,655
Total	(5,262,694)	(213,352)	(5,476,046)	100.0	(1,076,285)	(447,247)	(963,476)	(848,324)	(1,241,098)	(899,616)	(14,807,456)
% per maturity term					19.7%	8.2%	17.6%	15.5%	22.7%	16.4%	
Total 12/31/2008	(9,392,688)	(5,414,768)	(14,807,456)	100.0	(3,787,691)	(2,662,067)	(2,536,615)	(2,237,660)	(1,575,527)	(2,007,896)	
% per maturity term					25.6%	18.0%	17.1%	15.1%	10.6%	13.6%	
ITAU UNIBANCO HOLDING recorded at market value swap contracts involving foreign currency, interbank market and indices totaling R\$ (1,296) in liability position (R\$ 1,524 at 12/31/2008), distributed as follows: R\$ (27) from 31 to 180 days (R\$ 46 at 12/31/2008), R\$ (35) from 181 to 365 days (R\$ 44 at 12/31/2008) and R\$ (1,234) over 365 days (R\$ 1,434 at 12/31/2008).											

ITAÚ UNIBANCO HOLDING recorded at market value swap contracts involving foreign currency, interbank market and indices totaling R\$ (1,296) in liability position (R\$ 1,524 at 12/31/2008), distributed as follows: R\$ (27) from 31 to 180 days (R\$ 46 at 12/31/2008), R\$ (35) from 181 to 365 days (R\$ 44 at 12/31/2008) and R\$ (1,234) over 365 days (R\$ 1,434 at 12/31/2008).

III See below the composition of the Derivative Financial Instruments portfolio by type of instrument, stated at their notional amounts, per trading location (organized or over-the-counter market) and counterparties.

12/31/2009									
	Futures	Swaps	Options	Forwards	Credit derivatives	Forwards	Swap with target flow	Target flow of swap	Other
<b>BM&amp;F Bovespa</b>	<b>207,017,305</b>	<b>11,838,204</b>	<b>1,706,203,785</b>	<b>459</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,269,818</b>
<b>Over-the-counter market</b>	<b>9,768,341</b>	<b>55,122,117</b>	<b>22,117,279</b>	<b>67,939</b>	<b>4,532,206</b>	<b>13,722,347</b>	<b>896,493</b>	<b>3,159,676</b>	<b>9,666,415</b>
Financial Institutions	9,329,093	33,494,239	18,613,864	37,436	4,528,724	8,634,227	209,333	215,768	2,235,713
Companies	439,248	20,920,644	3,503,415	29,413	3,482	5,074,606	687,160	2,943,908	7,400,973
Individuals	-	707,234	-	1,090	-	13,514	-	-	29,729
<b>Total</b>	<b>216,785,646</b>	<b>66,960,321</b>	<b>1,728,321,064</b>	<b>68,398</b>	<b>4,532,206</b>	<b>13,722,347</b>	<b>896,493</b>	<b>3,159,676</b>	<b>11,936,233</b>
<b>Total 12/31/2008</b>	<b>226,846,815</b>	<b>77,988,356</b>	<b>510,914,326</b>	<b>1,301,491</b>	<b>9,529,432</b>	<b>41,311,558</b>	<b>2,706,666</b>	<b>12,115,104</b>	<b>3,155,282</b>

#### IV - Credit derivatives

See below the composition of Credit Derivatives (assets and liabilities) portfolio stated at notional amount, and effect on calculation of Required Referential Equity.

	Credit risk amount	
	12/31/2009	12/31/2008
<b>Transferred</b>		
Credit swaps whose underlying assets are:		
Securities	(1,617,006)	(3,920,040)
Total return rate swaps whose underlying assets are:		
Securities	(1,742)	-
<b>Received</b>		
Credit swaps whose underlying assets are:		
Securities	2,915,200	3,561,209
<b>Total</b>	<b>1,298,194</b>	<b>(358,831)</b>

During the period, there was no occurrence of credit event related to those set forth in agreements.

According to CMN Resolution No. 3,490, which became effective on July 1, 2008 (Note 3), the effect of the calculation of the Required Referential Equity amounts to R\$ 152,490.

**V - Accounting hedge**

- a) The purpose of ITAÚ UNIBANCO hedge relationship is to protect the cash flow of payment of debt interest (CDB / Redeemable preferred shares) related to its variable interest rate risk (CDI / LIBOR), making the cash flow constant (fixed rate) and regardless of the variations of DI Cetip Over and LIBOR.

To protect the future cash flows of debt against exposure to variable interest rate (CDI), at December 31, 2009 ITAÚ UNIBANCO HOLDING negotiated DI Futures agreements at BM&FBOVESPA with maturity between 2010 and 2017 in the amount of R\$ 19,316,416 (R\$ 27.141.738 at 12/31/2008). To protect the future cash flows of debt against exposure to variable interest rate (LIBOR), at December 31, 2009 ITAÚ UNIBANCO HOLDING negotiated Swap contracts with maturity in 2015 in the amount of R\$ 684,417. These derivative financial instruments gave rise to adjustment to market value net of tax effects recorded in stockholders of (R\$ 77,644) (R\$ (201,199) at 12/31/2008), of which (R\$ 80,971) (R\$ (201,199) at 12/31/2008) refers to CDB and (R\$ 3,327) refers to Redeemable preferred shares. The hedged items total R\$ 18,894,583 (R\$ 26.353.206 at 12/31/2008) of CDB with maturities between 2010 and 2017 and R\$ 684,417 of swaps of redeemable preferred shares with maturity in 2015.

The gains or losses related to the accounting hedge of cash flows, which we expect to recognized in Income in the next 12 months, amount to R\$ (181,997).

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

- b) The swap operations contracted in a negotiation associated with the funding and/or investment in the amount of R\$ 402,047 (R\$ 1.152.584 at 12/31/2008) are recorded at amounts restated in accordance with variations occurred in respective ratios ("curve") and are not valued at their market value, as permitted by BACEN Circular No. 3,150/02.



**VI - Realized and unrealized gains of the derivative financial instruments portfolio**

	<b>01/01 to 12/31/2009</b>	<b>01/01 to 12/31/2008</b>
Swap	1,948,767	950,118
Forwards	(135,003)	443,700
Futures	6,793,912	(4,212,456)
Options	518,374	(2,575,454)
Credit derivatives	115,783	(5,747)
Other	(479,725)	1,722,152
<b>Total</b>	<b>8,762,108</b>	<b>(3,677,687)</b>

## i) Changes in adjustment to market value for the period

	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>Opening balance</b>	<b>(2,816,936)</b>	<b>276,623</b>
Balance arising from the Itaú Unibanco merger at 09/30/2008	-	(988,651)
Adjustments with impact on:		
Results	3,003,340	(1,886,237)
Trading securities	(126,334)	652,245
Derivative financial instruments (assets and liabilities)	3,129,674	(2,538,482)
Stockholders' equity	575,217	(218,671)
<b>Closing balance</b>	<b>761,621</b>	<b>(2,816,936)</b>
Adjustment to market value	761,621	(2,816,936)
Trading securities	324,994	451,328
Available-for-sale securities	415,860	(159,357)
Derivative financial instruments (assets and liabilities)	20,767	(3,108,907)

For better understanding, the following table shows the unrealized gains of available-for-sale securities and held-to-maturity securities:

	12/31/2009	12/31/2008
Adjustment of available-for-sale securities – stockholders' equity	415,860	(159,357)
Adjustment to held-to-maturity securities (*)	378,198	542,610
<b>Total unrealized gain</b>	<b>794,058</b>	<b>383,253</b>

(\*) Includes the amount of R\$ 15,777 (R\$ 20,811 at 12/31/2008) regarding the adjustment to market value of securities reclassified up to December 31, 2003, not recognized in the net income.

#### j) Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

According to the criteria for classification of operations provided for by BACEN Resolution No. 3,464/07 and Circular No. 3,354/07, and the New Capital Accord – Basel II, the financial instruments of ITAÚ UNIBANCO HOLDING S.A., included all transactions with derivatives, are separated in Trading and Banking portfolios.

The sensitivity analysis shown below do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses. In addition, we point out that the presented results do not necessarily translate into accounting results, because the study's sole purpose is to disclose the exposure to risks and the respective protective actions, taking into account the fair value of financial instruments, irrespective of the accounting practices adopted by the institutions.

The trading portfolio consists of all transactions, including those with derivatives, held with the intention of being traded or to provide hedge to the other financial instruments of this strategy. These are transactions for resale, obtaining benefits from price movements, actual or expected or conduction of arbitrage. This portfolio has strict limits set by the risk areas and is daily controlled.

Trading portfolio		12/31/2009 (*)		
Risk factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed rate in Reais	(551)	(446,528)	(877,465)
Foreign exchange coupons	Rates of foreign exchange coupons	64	(507)	(1,003)
Foreign currency	Exchange variation	(1,141)	(28,537)	(57,075)
Price indices	Rates of price indices coupon	(8)	(6,059)	(11,041)
Long-term interest rate	Rate of TJLP coupon	14	(194)	(386)
Reference rate	Rate of TR coupon	1,964	(72,898)	(98,636)
Variable rate	Share price	7,430	(108,382)	(216,765)
Total without correlation			(663,107)	(1,262,370)
Total with correlation			(431,737)	(821,907)

(\*) Amounts net of tax effects.

The banking portfolio comprises transactions that do not fit into the trading portfolio concept and are typically banking transactions of the institution's business lines and their respective hedges, which may or not be carried out with derivative financial instruments. Accordingly, the derivatives of this portfolio are not used for speculation purposes, not generating significant economic risks to the institution.

The considerable impact on the fixed-income factor is related to the market risks of fixed-rate financing of the banking portfolio, which are not recognized as marked to market and, therefore, are not necessarily fully subject to hedge.

Trading and Banking portfolio		12/31/2009 (*)		
Risk Factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed rate in Reais	(3,969)	(1,619,699)	(3,112,367)
Foreign exchange coupons	Rates of foreign exchange coupons	1,566	(11,886)	(46,792)
Foreign currency	Exchange variation	(158)	(3,953)	(7,906)
Price indices	Rates of price indices coupon	(10)	(2,210)	(1,245)
Long-term interest rate	Rate of TJLP coupon	(2)	(27,843)	(55,688)
Reference rate	Rate of TR coupon	4,367	(107,335)	(117,106)
Variable rate	Share price	15,233	(222,205)	(444,410)
Total without correlation			(1,995,131)	(3,785,513)
Total with correlation			(1,298,995)	(2,464,682)

(\*) Amounts net of tax effects.

Scenario I: Addition of 1 base point to the fixed-rate curve, currency coupon, inflation and interest rate indices, and 1 percentage point in currency and share prices, which is based on market information (BM&F BOVESPA, Andima, etc).

Scenario II: Shocks at approximately 25% in the portfolio of December 31, 2009, considering the largest resulting losses per risk factor.

Scenario III: Shocks at approximately 50% in the portfolio of December 31, 2009, considering the largest resulting losses per risk factor.

All derivative financial instruments engaged by ITAÚ UNIBANCO HOLDING S.A. are shown in Note 7.

# NOTE 8 - LOAN, LEASE AND OTHER CREDIT OPERATIONS

## a) Composition of the portfolio with credit granting characteristics

### I - By type of operations and risk level

Risk Levels	12/31/2009										12/31/2008	
	AA	A	B	C	D	E	F	G	H	Total	Total	Total
<b>Loan operations</b>	<b>33,728,589</b>	<b>70,750,103</b>	<b>30,875,342</b>	<b>10,243,706</b>	<b>5,660,200</b>	<b>2,987,317</b>	<b>1,730,906</b>	<b>1,010,381</b>	<b>7,697,408</b>	<b>164,683,952</b>	<b>158,826,178</b>	
Loans and discounted trade receivables	17,988,912	36,741,204	20,676,050	8,467,203	4,880,693	2,514,595	1,577,816	900,435	6,858,046	100,604,954	102,133,362	
Financing	11,934,820	24,348,971	8,660,394	1,331,505	538,708	234,348	118,016	81,951	702,596	47,951,309	42,390,894	
Farming and agribusiness financing	1,827,798	1,975,936	938,083	90,673	87,024	144,289	9,724	862	68,950	5,143,339	5,654,401	
Real estate financing	1,977,059	7,683,992	600,815	354,325	153,775	94,085	25,350	27,133	67,816	10,984,350	8,647,521	
<b>Lease operations</b>	<b>1,459,469</b>	<b>34,044,923</b>	<b>5,725,508</b>	<b>2,512,479</b>	<b>1,021,903</b>	<b>498,352</b>	<b>415,503</b>	<b>341,397</b>	<b>1,192,039</b>	<b>47,211,573</b>	<b>50,097,755</b>	
<b>Credit card operations</b>	<b>172,379</b>	<b>11,922,553</b>	<b>9,424,633</b>	<b>2,567,861</b>	<b>1,848,904</b>	<b>617,315</b>	<b>443,321</b>	<b>318,054</b>	<b>2,786,068</b>	<b>30,101,088</b>	<b>24,558,102</b>	
Advance on exchange contracts (1)	541,628	1,407,927	906,336	457,879	48,243	53,661	86,267	5,993	31,709	3,539,643	6,924,500	
Other sundry receivables (2)	30,594	187,120	46,522	27,835	4,953	37,338	5,813	402	74,131	414,708	636,603	
<b>Total operations with credit granting characteristics</b>	<b>35,932,659</b>	<b>118,312,626</b>	<b>46,978,341</b>	<b>15,809,760</b>	<b>8,584,203</b>	<b>4,193,983</b>	<b>2,681,810</b>	<b>1,676,227</b>	<b>11,781,355</b>	<b>245,950,964</b>	<b>241,043,138</b>	
<b>Endorsements and sureties (3)</b>												
<b>Total with endorsements and sureties</b>	<b>35,932,659</b>	<b>118,312,626</b>	<b>46,978,341</b>	<b>15,809,760</b>	<b>8,584,203</b>	<b>4,193,983</b>	<b>2,681,810</b>	<b>1,676,227</b>	<b>11,781,355</b>	<b>245,950,964</b>	<b>241,043,138</b>	
<b>Total - 12/31/2008</b>	<b>53,264,306</b>	<b>108,970,952</b>	<b>43,855,466</b>	<b>13,489,479</b>	<b>7,704,953</b>	<b>3,268,860</b>	<b>2,147,120</b>	<b>1,243,178</b>	<b>7,097,824</b>	<b>241,043,138</b>	<b>271,938,140</b>	

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

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

(3) Recorded in Memorandum Accounts.

## II – By maturity and risk level

AA	12/31/2009										12/31/2008	
	A	B	C	D	E	F	G	H	Total	Total		
<b>OVERDUE OPERATIONS (1) (2)</b>												
<b>Falling due installments</b>	-	<b>2,850,374</b>	<b>2,147,394</b>	<b>1,289,478</b>	<b>1,091,184</b>	<b>788,631</b>	<b>543,455</b>	<b>2,825,382</b>	<b>11,535,898</b>	<b>9,164,444</b>		
01 to 30	-	132,965	119,318	73,384	53,594	42,046	34,251	183,026	638,584	556,343		
31 to 60	-	137,742	104,170	72,748	56,422	96,235	33,793	182,524	683,634	529,153		
61 to 90	-	119,506	93,456	62,261	51,584	38,520	28,034	154,537	547,898	472,155		
91 to 180	-	349,724	265,191	179,196	136,637	104,940	75,594	420,621	1,531,903	1,233,542		
181 to 365	-	607,841	470,172	301,458	247,427	176,982	150,251	663,822	2,617,953	2,041,107		
Over 365	-	1,502,596	1,095,087	600,431	545,520	329,908	221,532	1,220,852	5,515,926	4,332,144		
<b>Overdue installments</b>	-	<b>430,991</b>	<b>735,836</b>	<b>1,019,804</b>	<b>975,091</b>	<b>943,104</b>	<b>845,374</b>	<b>7,321,952</b>	<b>12,272,152</b>	<b>8,950,672</b>		
01 to 14	-	22,875	52,422	32,992	27,907	19,069	13,301	82,231	250,797	202,476		
15 to 30	-	363,009	200,961	257,931	72,644	50,269	28,289	171,696	1,144,799	1,429,567		
31 to 60	-	45,107	441,098	259,243	130,474	89,675	56,562	296,922	1,319,081	1,267,894		
61 to 90	-	-	29,382	426,938	167,773	106,579	72,172	319,075	1,121,919	956,067		
91 to 180	-	-	11,973	42,700	537,387	617,059	592,048	1,726,218	3,527,385	2,450,297		
181 to 365	-	-	-	-	38,906	60,453	83,002	4,497,527	4,679,888	2,506,974		
Over 365	-	-	-	-	-	-	-	228,283	228,283	137,397		
<b>SUBTOTAL</b>	-	<b>3,281,365</b>	<b>2,883,230</b>	<b>2,309,282</b>	<b>2,066,275</b>	<b>1,731,735</b>	<b>1,388,829</b>	<b>10,147,334</b>	<b>23,808,050</b>	<b>18,115,116</b>		
<b>SPECIFIC ALLOWANCE</b>	-	<b>(32,813)</b>	<b>(86,497)</b>	<b>(230,928)</b>	<b>(619,883)</b>	<b>(865,867)</b>	<b>(972,180)</b>	<b>(10,147,334)</b>	<b>(12,955,502)</b>	<b>(7,853,150)</b>		
<b>SUBTOTAL - 12/31/2008</b>	-	<b>3,412,737</b>	<b>2,931,271</b>	<b>2,141,828</b>	<b>1,633,254</b>	<b>1,306,233</b>	<b>1,053,280</b>	<b>5,636,513</b>	<b>18,115,116</b>			
<b>NON-OVERDUE OPERATIONS</b>												
<b>Falling due installments</b>	<b>35,877,575</b>	<b>117,751,281</b>	<b>12,739,499</b>	<b>6,106,933</b>	<b>2,075,939</b>	<b>927,975</b>	<b>279,330</b>	<b>1,580,123</b>	<b>220,717,036</b>	<b>221,215,373</b>		
01 to 30	4,369,025	15,332,970	4,198,862	1,978,837	421,575	156,984	54,151	179,454	37,546,592	41,287,453		
31 to 60	3,084,106	11,030,424	4,964,108	623,251	153,120	69,963	17,884	224,587	21,842,259	21,480,003		
61 to 90	1,650,354	7,070,314	3,553,612	419,006	110,729	136,131	11,687	115,234	13,930,865	15,118,853		
91 to 180	4,077,586	13,998,158	6,044,821	705,400	192,848	102,490	22,597	224,581	26,942,782	30,049,138		
181 to 365	5,880,339	19,866,472	1,531,005	799,512	306,347	171,912	27,709	265,411	35,126,995	33,708,027		
Over 365	16,816,165	50,452,943	2,896,717	1,580,927	891,320	290,495	145,302	570,856	85,327,543	79,571,899		
<b>Overdue up to 14 days</b>	<b>55,084</b>	<b>318,595</b>	<b>187,031</b>	<b>167,988</b>	<b>51,769</b>	<b>22,100</b>	<b>8,068</b>	<b>53,898</b>	<b>1,425,878</b>	<b>1,712,649</b>		
<b>SUBTOTAL</b>	<b>35,932,659</b>	<b>118,312,826</b>	<b>12,926,530</b>	<b>6,274,921</b>	<b>2,127,708</b>	<b>950,075</b>	<b>287,398</b>	<b>1,634,021</b>	<b>222,142,914</b>	<b>222,928,022</b>		
<b>GENERIC ALLOWANCE</b>	-	<b>(591,563)</b>	<b>(436,970)</b>	<b>(387,796)</b>	<b>(638,312)</b>	<b>(475,038)</b>	<b>(201,179)</b>	<b>(1,634,021)</b>	<b>(4,992,371)</b>	<b>(4,328,005)</b>		
<b>SUBTOTAL - 12/31/2008</b>	<b>53,264,306</b>	<b>108,970,952</b>	<b>10,558,208</b>	<b>5,663,125</b>	<b>1,636,606</b>	<b>840,887</b>	<b>189,898</b>	<b>1,461,311</b>	<b>222,928,022</b>			
<b>GRAND TOTAL</b>	<b>35,932,659</b>	<b>118,312,826</b>	<b>15,809,760</b>	<b>8,584,203</b>	<b>4,193,983</b>	<b>2,681,810</b>	<b>1,676,227</b>	<b>11,781,355</b>	<b>245,950,964</b>	<b>241,043,138</b>		
<b>EXISTING ALLOWANCE</b>	-	<b>(1,062,438)</b>	<b>(1,579,395)</b>	<b>(2,574,402)</b>	<b>(2,096,572)</b>	<b>(1,877,000)</b>	<b>(1,676,059)</b>	<b>(11,781,355)</b>	<b>(24,061,873)</b>	<b>(19,972,155)</b>		
Minimum allowance required (3)	-	(591,563)	(469,783)	(474,293)	(858,420)	(1,340,905)	(1,173,359)	(11,781,355)	(17,947,873)	(12,181,155)		
Additional allowance (4)	-	(470,875)	(934,869)	(1,105,102)	(1,715,982)	(536,095)	(502,700)	-	(6,104,000)	(7,791,000)		
<b>GRAND TOTAL 12/31/2008</b>	<b>53,264,306</b>	<b>108,970,952</b>	<b>13,489,479</b>	<b>7,704,953</b>	<b>3,269,860</b>	<b>2,147,120</b>	<b>1,243,178</b>	<b>7,097,824</b>	<b>241,043,138</b>			
<b>EXISTING ALLOWANCE</b>	<b>(2,445,500)</b>	<b>(1,078,813)</b>	<b>(1,347,599)</b>	<b>(2,310,715)</b>	<b>(1,634,603)</b>	<b>(1,502,768)</b>	<b>(1,243,054)</b>	<b>(7,097,824)</b>	<b>(19,972,155)</b>			
Minimum allowance required (3)	-	(544,855)	(438,555)	(404,684)	(770,495)	(980,958)	(870,225)	(7,097,824)	(12,181,155)			
Additional allowance (4)	(2,445,500)	(533,958)	(912,724)	(942,915)	(1,540,220)	(653,645)	(372,829)	-	(7,791,000)			

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

(2) The balance of non-accrual operations amounts to R\$ 16,297,353 (R\$ 10,832,610 at 12/31/2008);

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

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

### III – By business sector

	12/31/2009	%	12/31/2008	%
<b>PUBLIC SECTOR</b>	<b>1,652,429</b>	<b>0.7</b>	<b>1,801,908</b>	<b>0.7</b>
Generation, transmission and distribution of electric energy	720,310	0.3	890,146	0.4
Chemical and petrochemical	288,281	0.1	217,496	0.1
Other	643,838	0.3	694,266	0.3
<b>PRIVATE SECTOR</b>	<b>244,298,535</b>	<b>99.3</b>	<b>239,241,230</b>	<b>99.3</b>
<b>COMPANIES</b>	<b>131,449,169</b>	<b>53.4</b>	<b>136,651,366</b>	<b>56.7</b>
<b>INDUSTRY AND COMMERCE</b>	<b>68,090,121</b>	<b>27.7</b>	<b>74,210,395</b>	<b>30.8</b>
Food and beverages	10,698,001	4.3	11,953,049	5.0
Autoparts and accessories	2,683,492	1.1	2,500,378	1.0
Agribusiness capital assets	689,241	0.3	554,990	0.2
Industrial capital assets	4,064,152	1.7	3,557,210	1.5
Pulp and paper	1,646,887	0.7	1,565,964	0.6
Distribution of fuels	1,604,725	0.7	1,683,382	0.7
Electrical and electronic	5,804,888	2.4	5,542,857	2.3
Pharmaceuticals	1,633,685	0.7	1,660,130	0.7
Fertilizers, insecticides and crop protection	1,407,353	0.6	2,873,896	1.2
Tobacco	522,551	0.2	825,931	0.3
Import and export	1,578,885	0.6	2,302,803	1.0
Hospital care materials and equipment	722,216	0.3	560,504	0.2
Construction material	3,520,579	1.4	3,216,443	1.3
Steel and metallurgy	5,644,676	2.3	9,066,428	3.8
Wood and furniture	2,259,428	0.9	2,390,941	1.0
Chemical and petrochemical	5,258,773	2.1	6,011,979	2.5
Supermarkets	993,454	0.4	786,604	0.3
Light and heavy vehicles	5,397,168	2.2	4,999,172	2.1
Clothing	5,539,980	2.3	4,888,594	2.0
Other - Commerce	3,717,111	1.5	3,783,541	1.6
Other - Industry	2,702,876	1.1	3,485,599	1.4
<b>SERVICES</b>	<b>48,704,803</b>	<b>19.8</b>	<b>43,918,591</b>	<b>18.2</b>
Heavy construction (Constructors)	2,879,125	1.2	2,528,501	1.0
Financial	4,821,743	2.0	6,063,858	2.5
Generation, transmission and distribution of electric energy	5,833,396	2.4	5,021,146	2.1
Holding company	2,917,274	1.2	3,023,875	1.3
Real estate agents	7,101,408	2.9	5,177,664	2.1
Media	2,232,462	0.9	2,085,661	0.9
Service companies	3,185,730	1.3	2,667,734	1.1
Health care	1,336,940	0.5	1,118,782	0.5
Telecommunications	1,194,503	0.5	1,954,207	0.8
Transportation	9,819,115	4.0	8,434,358	3.5
Other services	7,383,107	3.0	5,842,805	2.4
<b>PRIMARY SECTOR</b>	<b>13,375,428</b>	<b>5.4</b>	<b>14,822,680</b>	<b>6.1</b>
Agribusiness	11,410,723	4.6	12,876,778	5.3
Mining	1,964,705	0.8	1,945,902	0.8
<b>OTHER COMPANIES</b>	<b>1,278,817</b>	<b>0.5</b>	<b>3,699,700</b>	<b>1.5</b>
<b>INDIVIDUALS</b>	<b>112,849,366</b>	<b>45.8</b>	<b>102,589,864</b>	<b>42.6</b>
Credit cards	29,987,468	12.2	24,306,846	10.1
Consumer loans/overdraft	23,146,595	9.4	23,730,991	9.8
Real estate financing	7,438,995	3.0	6,698,271	2.8
Vehicles	52,276,308	21.3	47,853,756	19.9
<b>GRAND TOTAL</b>	<b>245,950,964</b>	<b>100.0</b>	<b>241,043,138</b>	<b>100.0</b>

**b) Credit concentration**

Loan, lease and other credit operations (*)	12/31/2009		12/31/2008	
	Risk	% of Total	Risk	% of Total
Largest debtor	1,787,108	0.6	4,020,492	1.5
20 largest debtors	23,256,006	8.4	26,102,089	9.6
50 largest debtors	39,570,001	14.2	43,525,881	16.0
100 largest debtors	54,138,465	19.5	59,436,066	21.8

Loan, lease and other credit operations and securities of companies and financial institutions (*)	12/31/2009		12/31/2008	
	Risk	% of Total	Risk	% of Total
Largest debtor	3,351,437	1.1	7,950,623	2.5
20 largest debtors	34,875,013	11.3	44,192,721	14.0
50 largest debtors	55,367,738	18.0	69,383,770	22.0
100 largest debtors	73,494,272	23.9	90,844,640	28.8

(\*) The amounts include endorsements and sureties.

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

	01/01 a 12/31/2009	01/01 a 12/31/2008
<b>Opening Balance</b>	<b>(19,972,155)</b>	<b>(7,925,660)</b>
Balance arising from ITAÚ UNIBANCO Merger on 09/30/2008 and other	(170,804)	(4,394,655)
Net increase for the period	(16,398,955)	(14,279,713)
Minimum required by Resolution No. 2,682/99	(18,085,955)	(9,615,713)
Additional	1,687,000	(4,664,000)
Write-Off	12,490,041	6,627,873
<b>Closing balance</b>	<b>(24,051,873)</b>	<b>(19,972,155)</b>
Specific allowance (1) (3)	(12,955,502)	(7,853,150)
Generic allowance (2) (3)	(4,992,371)	(4,328,005)
Additional allowance (4)	(6,104,000)	(7,791,000)

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

(2) For operations not covered in the previous item due to the classification of the client or operation.

(3) The specific and generic allowances reflect the effects of the supplementary allowance totaling R\$ 403,304 (R\$ 443,634 at 12/31/2008) as it does not consider the option established by article 5 of the CMN Resolution No. 2,682 of 12/21/1999, amended by article 2 of CMN Resolution No. 2,697 of 02/24/2000, that the loan transactions with clients whose total liability is below R\$ 50 could be determined based on the overdue amounts.

(4) Refers to the provision in excess of the minimum required by CMN Resolution No.2,682, of December 12, 1999, recognized within the prudential criteria adopted by Management in accordance with good banking practice, in order to enable the absorption of possible increases in default arising from a strong reversal of the economic cycle, quantified in view of the historic performance of loan portfolios in economic crises situations.

As from December 31, 2008, considering the economic scenario and the uncertainties related to it, the criteria for recognition of the additional allowance for loan losses were revised, including the portion related to risks associated to a more pessimistic scenario. Over 2009, the effects of the crisis were partially consummated, giving rise to an increase in the required regulatory capital of the additional allowance for loan losses regarding the portfolio.

At December 31,2009, the balance of the allowance in relation to the loan portfolio is equivalent to 9.8% (8.3% at 12/31/2008).



#### d) Recovery and renegotiation of credits

##### I - Composition of the result of allowance for loan losses

	01/01 to 12/31/2009	01/01 to 12/31/2008
Expense for allowance for loan losses	(16,398,955)	(14,279,713)
Income from recovery of credits written off as loss	2,233,648	1,334,108
<b>Result of allowance for loan losses</b>	<b>(14,165,307)</b>	<b>(12,945,605)</b>

##### II - Renegotiated credits

	12/31/2009	12/31/2008
Renegotiated credits	7,669,438	5,141,604
Allowance for loan losses	(4,017,131)	(2,498,465)
(%)	52.4	48.6

#### e) Restricted operations on assets

We present below information related to the restricted operations on assets, in accordance with CMN Resolution No. 2,921, of January 17, 2002.

	12/31/2009				01/01 to 12/31/2009
	0 - 30	31 - 180	Over 365	Total	Income (Expenses)
Restricted operations on assets					
Loan operations	439	811	161,101	162,351	(75,429)
Liabilities - restricted operations on assets					
Foreign borrowings through securities	439	811	161,101	162,351	75,600
<b>Net revenue from restricted operations</b>					<b>171</b>

At December 31, 2009, there were no balances in default.

#### f) Sales Operations or Transfers of Financial Assets

In compliance with Resolution No. 3,809, of October 28, 2009, the amount of sales operations or transfers of financial assets where the entity significantly retained the risks and benefits is R\$ 48,914, composed exclusively of loan operations and receivables assigned with joint obligation.

**NOTE 9 - FOREIGN EXCHANGE PORTFOLIO**

	12/31/2009	12/31/2008
<b>ASSETS – OTHER RECEIVABLES</b>	<b>27,239,246</b>	<b>51,828,678</b>
Exchange purchase pending settlement – foreign currency	15,711,081	32,807,238
Bills of exchange and term documents – foreign currency	115	110
Exchange sale rights – local currency	11,761,324	19,427,799
(Advances received) – local currency	(233,274)	(406,469)
<b>LIABILITIES – OTHER LIABILITIES (Note 2a)</b>	<b>27,682,317</b>	<b>50,761,162</b>
Exchange sales pending settlement – foreign currency	12,259,138	30,493,898
Liabilities from purchase of foreign currency – local currency	15,419,428	20,261,880
Other	3,751	5,384
<b>MEMORANDUM ACCOUNTS</b>	<b>480,862</b>	<b>512,633</b>
Outstanding import credits – foreign currency	404,390	474,699
Confirmed export credits – foreign currency	76,472	37,934

## NOTE 10 – FUNDING AND BORROWINGS AND ONLENDING

### a) Summary

	12/31/2009					12/31/2008	
	0-30	31-180	181-365	Over 365	Total	%	Total
Deposits	91,009,567	16,190,548	14,737,628	68,834,426	190,772,169	48.0	206,189,398
Deposits received under securities repurchase agreements	64,838,143	16,128,285	7,449,104	43,519,001	131,934,533	33.2	124,358,462
Funds from acceptance and issuance of securities	2,303,463	6,480,343	1,668,227	6,867,587	17,319,620	4.4	19,595,645
Borrowings and onlending	2,057,329	6,721,670	5,699,272	20,213,900	34,692,171	8.7	42,636,416
Securitization of foreign payment orders (1)	-	-	-	-	-	0.0	3,828,733
Subordinated debt (2)	13,044	26,221	2,749	22,683,913	22,725,927	5.7	23,356,398
<b>TOTAL</b>	<b>160,221,546</b>	<b>45,547,067</b>	<b>29,556,980</b>	<b>162,118,827</b>	<b>397,444,420</b>		<b>419,965,052</b>
% per maturity term	40.3	11.5	7.4	40.8			
<b>TOTAL – 12/31/2008</b>	<b>164,790,078</b>	<b>51,520,022</b>	<b>31,128,697</b>	<b>172,526,255</b>	<b>419,965,052</b>		
% per maturity term	39.2	12.3	7.4	41.1			

(1) Funds obtained abroad through the sales to Brazilian Diversified Payment Rights Finance Company of rights related to the payment orders receivable abroad.

(2) Includes R\$ 687,711 (R\$ 930,575 at 12/31/2008) of Redeemable Preferred Shares classified under Minority Interest in the Balance Sheet.

### b) Deposits

	12/31/2009					12/31/2008	
	0-30	31-180	181-365	Over 365	Total	%	Total
Demand deposits	24,836,767	-	-	-	24,836,767	13.1	26,932,947
Savings accounts	48,221,550	-	-	-	48,221,550	25.3	39,296,239
Interbank	580,817	753,871	562,351	149,368	2,046,407	1.1	2,921,135
Time deposits	16,373,568	15,436,677	14,175,277	68,685,058	114,670,580	60.1	135,900,870
Other deposits	996,865	-	-	-	996,865	0.5	1,138,207
<b>TOTAL</b>	<b>91,009,567</b>	<b>16,190,548</b>	<b>14,737,628</b>	<b>68,834,426</b>	<b>190,772,169</b>		<b>206,189,398</b>
% per maturity term	47.7	8.5	7.7	36.1			
<b>TOTAL – 12/31/2008</b>	<b>92,038,647</b>	<b>20,667,431</b>	<b>12,621,518</b>	<b>80,861,802</b>	<b>206,189,398</b>		
% per maturity term	44.7	10.0	6.1	39.2			

Itaú Unibanco Holding's portfolio is composed of interbank deposits in the amount of R\$ 899,224 (R\$ 345,997 at December 31, 2008) with maturity over 365 days.

## c) Deposits received under securities repurchase agreements

	12/31/2009				12/31/2008	
	0 - 30	31 - 180	181 - 365	Over 365	Total	%
<b>Own portfolio</b>	<b>13,041,423</b>	<b>15,806,713</b>	<b>7,099,685</b>	<b>39,271,563</b>	<b>75,219,384</b>	<b>57.0</b>
Government securities	8,119,095	145,957	176,751	11,615	8,453,418	6.4
Private securities	-	-	-	117,895	117,895	0.1
Own issue	4,169,871	15,568,672	6,922,814	38,795,697	65,457,054	49.6
Foreign	752,457	92,084	120	346,356	1,191,017	0.9
<b>Third-party portfolio</b>	<b>51,796,720</b>	<b>2,201</b>	<b>-</b>	<b>62,289</b>	<b>51,861,210</b>	<b>39.3</b>
<b>Free portfolio</b>	<b>-</b>	<b>319,371</b>	<b>349,419</b>	<b>4,185,149</b>	<b>4,853,939</b>	<b>3.7</b>
<b>TOTAL</b>	<b>64,838,143</b>	<b>16,128,285</b>	<b>7,449,104</b>	<b>43,519,001</b>	<b>131,934,533</b>	
% per maturity term	49.2	12.2	5.6	33.0		
<b>TOTAL - 12/31/2008</b>	<b>67,820,018</b>	<b>12,531,864</b>	<b>5,969,903</b>	<b>38,036,677</b>	<b>124,358,462</b>	
% per maturity term	54.5	10.1	4.8	30.6		

## d) Funds from acceptance and issuance of securities

	12/31/2009					12/31/2008	
	0-30	31-180	181-365	Over 365	Total	Total	%
REAL ESTATE, MORTGAGE, CREDIT AND SIMILAR NOTES	2,123,887	5,457,265	685,075	586,092	8,852,119	9,012,567	46.0
DEBENTURES	47,480	25,243	164,868	2,526,687	2,764,278	3,589,865	18.3
FOREIGN BORROWINGS AND SECURITIES	132,296	997,835	818,284	3,754,808	5,703,223	6,993,213	35.7
Trade Related – Issued abroad - Structure Note Issued	1,993	122,087	107,542	431,267	662,889	385,848	2.0
Non-Trade Related	130,303	875,748	710,742	3,323,541	5,040,334	6,607,365	33.7
Issued abroad	130,303	875,748	710,742	3,323,541	5,040,334	6,607,365	33.7
Brazil Risk Note Programme	38,096	441,914	336,721	1,797,269	2,614,000	1,915,117	9.7
Euro Certificates of Deposits	82,248	305,718	8,772	34,714	431,452	512,743	2.6
Euro Medium Term Note Programme	1,018	32,153	38,221	526,648	598,040	84,957	0.4
Eurobonds	748	1	-	14,452	15,201	1,677,064	8.6
Fixed Rate Notes	-	95,152	327,028	630,238	1,052,418	1,920,980	9.8
Other	8,193	810	-	320,220	329,223	486,588	2.5
<b>TOTAL</b>	<b>2,303,463</b>	<b>6,480,343</b>	<b>1,668,227</b>	<b>6,867,587</b>	<b>17,319,620</b>	<b>19,595,645</b>	
% per maturity term	13.3	37.4	9.6	39.6			
<b>TOTAL – 12/31/2008</b>	<b>2,017,047</b>	<b>6,132,323</b>	<b>2,695,289</b>	<b>8,750,986</b>	<b>19,595,645</b>		
% per maturity term	10.3	31.3	13.8	44.6			

# e) Borrowings and onlending

	12/31/2009					12/31/2008	
	0-30	31-180	181-365	Over 365	Total	%	Total
<b>BORROWINGS</b>	<b>1,369,244</b>	<b>4,315,594</b>	<b>2,823,947</b>	<b>3,827,503</b>	<b>12,336,288</b>	<b>35.6</b>	<b>24,180,497</b>
Domestic	382,794	109,191	46,914	49,842	588,741	1.7	264,058
Foreign (*)	986,450	4,206,403	2,777,033	3,777,661	11,747,547	33.9	23,916,439
<b>ONLENDING</b>	<b>688,085</b>	<b>2,406,076</b>	<b>2,875,325</b>	<b>16,386,397</b>	<b>22,355,883</b>	<b>64.4</b>	<b>18,455,919</b>
Domestic – official institutions	686,826	2,388,327	2,687,229	16,297,138	22,059,520	63.6	18,078,852
BNDDES	296,037	877,392	1,127,356	7,803,394	10,104,179	29.2	8,544,664
FINAME	303,435	1,399,942	1,518,659	8,179,961	11,401,997	32.8	8,908,586
Other	87,354	110,993	41,214	313,783	553,344	1.6	625,602
Foreign	1,259	17,749	188,096	89,259	296,363	0.8	377,067
<b>TOTAL</b>	<b>2,057,329</b>	<b>6,721,670</b>	<b>5,699,272</b>	<b>20,213,900</b>	<b>34,692,171</b>		<b>42,636,416</b>
% per maturity term	5.9	19.4	16.4	58.3			
<b>TOTAL – 12/31/2008</b>	<b>2,914,366</b>	<b>12,059,548</b>	<b>8,493,932</b>	<b>19,168,570</b>	<b>42,636,416</b>		
% per maturity term	6.8	28.3	19.9	45.0			

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



# f) Subordinated debt

Funding obtained through issuance of subordinated debt, in accordance with the conditions determined by CMN Resolution No. 3,444, of February 28, 2007, and amendments established by CMN Resolution No. 3,523 of January 31, 2008, is as follows:

	12/31/2009						12/31/2008	
	0-30	31-180	181-365	Over 365	Total	%	Total	%
CDB	-	-	-	20,160,280	20,160,280	88.7	19,480,756	83.4
Euronotes	-	20,114	-	856,778	876,892	3.9	1,193,787	5.1
Bonds	-	2,813	2,749	130,390	135,952	0.6	148,491	0.6
Eurobonds	13,044	-	-	870,600	883,644	3.9	1,641,582	7.0
(-) Transaction costs incurred (Note 4b)	-	-	-	(18,552)	(18,552)	(0.1)	(38,793)	(0.1)
<b>TOTAL OTHER LIABILITIES</b>	<b>13,044</b>	<b>22,927</b>	<b>2,749</b>	<b>21,999,496</b>	<b>22,038,216</b>		<b>22,425,823</b>	
Redeemable preferred shares	-	3,294	-	684,417	687,711	3.0	930,575	4.0
<b>GRAND TOTAL</b>	<b>13,044</b>	<b>26,221</b>	<b>2,749</b>	<b>22,683,913</b>	<b>22,725,927</b>		<b>23,356,398</b>	
% per maturity term	0.1	0.1	0.0	99.8				
<b>TOTAL – 12/31/2008</b>	<b>-</b>	<b>60,522</b>	<b>1,200,889</b>	<b>22,094,987</b>	<b>23,356,398</b>			
% per maturity term	-	0.3	5.1	94.6				

## Description

Name of security	Issue	Maturity	Return p.a.	Principal R\$
Subordinated euronotes	2nd half of 2001	August 2011	10.00%	457,465
Subordinated euronotes	August 2001	August 2011	4.25%	625,008
Subordinated CDB	March 2007	April 2012	103,5% of CDI	5,000,000
Subordinated CDB (1)	May 2007	May 2012	103,9% of CDI	1,406,000
Subordinated CDB (1)	July 2007	July 2012	CDI + 0,38%	422,000
Subordinated CDB (1)	August 2007	August 2012	CDI + 0,38%	200,000
Subordinated CDB (1)	October 2007	October 2012	IGPM + 7,33%	290,850
Subordinated CDB (1)	October 2007	October 2012	103,8% of CDI	93,000
Subordinated CDB (1)	October 2007	October 2012	CDI + 0,45%	450,000
Subordinated CDB	November 2007	November 2012	CDI + 0,35%	300,000
Subordinated CDB	December 2002	December 2012	102,25% of CDI	220,000
Subordinated CDB	January 2008	February 2013	CDI + 0,50%	880,000
Subordinated CDB	February 2008	February 2013	CDI + 0,50%	1,256,000
Subordinated CDB (1)	1st quarter of 2008	1st quarter of 2013	CDI + 0,60%	817,310
Subordinated CDB (1)	1st quarter of 2008	2nd quarter of 2013	106,5% of CDI	38,000
Subordinated CDB (1)	2nd quarter of 2008	2nd quarter of 2013	107% of CDI	10,400
Subordinated CDB	November 2003	November 2013	102% of CDI	40,000
Subordinated CDB	May 2007	May 2014	CDI + 0,35%	1,804,500
Subordinated CDB (1)	August 2007	August 2014	CDI + 0,46%	50,000
Subordinated CDB	November 2008	October 2014	112% of CDI	1,000,000
Subordinated CDB (1)	October 2007	October 2014	IGPM + 7,35%	33,200
Subordinated CDB (1)	December 2007	December 2014	CDI + 0,60%	10,000
Preferred shares	December 2002	March 2015	3.04%	1,388,841
Subordinated CDB (1)	3rd quarter of 2008	3rd quarter of 2015	119,8% of CDI	400,000
Subordinated CDB (2)	December 2006	December 2016	CDI + 0,47%	500,000
Subordinated bonds	April 2008	April 2033	3.50%	64,555
Subordinated bonds	October 2008	October 2033	4.50%	45,400
Eurobonds -Perpetual Non-cumulative Junior Subordinated Securities (3)	July 2005	Not determined	8.70%	1,195,250

(1) Subordinated CDBs may not be redeemed in advance;

(2) Subordinated CDBs may be redeemed from November 2011;

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

# NOTE 11 – INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS

## a) Composition of the technical provisions

	INSURANCE		LIFE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Mathematical provision of benefits to be granted and benefits g)	34,607	34,866	42,459,409	33,678,031	-	-	42,494,016	33,712,897
Unearned premiums	2,804,929	2,713,701	367,180	324,376	-	-	3,172,109	3,038,077
Mathematical provision for redemptions	-	-	-	-	2,197,332	2,031,907	2,197,332	2,031,907
Raffle contingency	-	-	-	-	34,057	41,294	34,057	41,294
Unsettled claims	2,120,159	2,256,495	127,388	90,922	-	-	2,247,547	2,347,417
Financial surplus	2,122	2,042	468,529	374,296	-	-	470,651	376,338
IBNR	609,538	618,481	67,885	50,038	-	-	677,423	668,519
Financial variation	561	528	109,616	112,876	-	-	110,177	113,404
Premium deficiency	170,688	125,040	74,665	70,851	-	-	245,353	195,891
Insufficient contribution	117	-	504,691	370,488	-	-	504,808	370,488
Other	67,900	65,588	153,028	194,894	29,347	25,371	250,275	285,853
<b>TOTAL</b>	<b>5,810,621</b>	<b>5,816,741</b>	<b>44,332,391</b>	<b>35,266,772</b>	<b>2,260,736</b>	<b>2,098,572</b>	<b>52,403,748</b>	<b>43,182,085</b>

## b) Assets Guaranteeing Technical Provisions - SUSEP

	INSURANCE		LIFE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Interbank investments – Money market	1,197,759	565,181	1,099,147	839,396	737,447	761,002	3,034,353	2,165,579
Securities and derivative financial instruments	2,494,534	2,697,767	42,937,707	33,894,248	1,562,717	1,377,653	46,994,958	37,969,668
PGBL/VGBL fund quotas (1)	-	-	38,626,466	30,023,746	-	-	38,626,466	30,023,746
Other	2,494,534	2,697,767	4,311,241	3,870,502	1,562,717	1,377,653	8,368,492	7,945,922
Government	1,739,608	1,711,911	3,340,164	2,827,666	68,381	743,440	5,148,153	5,283,017
Private	754,926	985,856	971,077	1,042,836	1,494,336	634,213	3,220,339	2,662,905
Receivables from insurance and reinsurance operations (2)	2,091,237	2,221,394	302,884	277,991	-	-	2,394,121	2,499,385
Credit rights	665,717	612,853	302,884	277,991	-	-	968,601	890,844
Reinsurance	1,425,520	1,608,541	-	-	-	-	1,425,520	1,608,541
Escrow deposits for loss	110,172	34,610	8,809	92,568	-	-	118,981	127,178
<b>TOTAL</b>	<b>5,893,702</b>	<b>5,518,952</b>	<b>44,348,547</b>	<b>35,104,203</b>	<b>2,300,164</b>	<b>2,138,655</b>	<b>52,542,413</b>	<b>42,761,810</b>

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

(2) Recorded under Other receivables and Other assets.

## c) Results of Operations

	INSURANCE		LIFE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	01/01 to 12/31/2009	01/01 to 12/31/2008	01/01 to 12/31/2009	01/01 to 12/31/2008	01/01 to 12/31/2009	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2008
<b>Income from financial operations</b>	<b>270,961</b>	<b>201,530</b>	<b>249,598</b>	<b>219,462</b>	<b>62,680</b>	<b>58,967</b>	<b>583,239</b>	<b>479,959</b>
Financial income from insurance, pension plan and capitalization operations	346,983	239,549	4,034,249	1,924,709	194,551	157,118	4,575,783	2,321,376
Financial expenses from insurance, pension plan and capitalization operations	(76,022)	(38,019)	(3,784,651)	(1,705,247)	(131,871)	(98,151)	(3,992,544)	(1,841,417)
<b>Results from insurance, pension plan and capitalization operations</b>	<b>1,451,364</b>	<b>621,658</b>	<b>468,740</b>	<b>304,828</b>	<b>511,590</b>	<b>380,755</b>	<b>2,431,694</b>	<b>1,307,241</b>
Adjustments to ITAÚ UNIBANCO merger (Note 2a)	-	(136,621)	-	(155,316)	-	-	-	(291,937)
Recurring results from operation	1,451,364	758,279	468,740	460,144	511,590	380,755	2,431,694	1,599,178
Premiums and contributions	5,849,289	3,378,251	9,216,342	6,934,549	1,808,249	1,352,494	16,873,880	11,665,294
Changes in technical provisions	108,631	(181,322)	(8,404,640)	(6,239,142)	(1,217,129)	(715,222)	(9,513,138)	(7,135,686)
Expenses for claims	(2,966,624)	(1,781,787)	(238,311)	(190,128)	-	-	(3,204,935)	(1,971,915)
Selling expenses	(1,266,840)	(640,097)	(45,458)	(33,781)	(42,281)	(6,660)	(1,354,579)	(680,538)
Expenses for benefits and raffles	-	-	(45,644)	(10,135)	(37,980)	(255,612)	(83,624)	(265,747)
Other revenues and expenses	(273,092)	(16,766)	(13,549)	(1,219)	731	5,755	(285,910)	(12,230)
<b>TOTAL</b>	<b>1,722,325</b>	<b>823,188</b>	<b>718,338</b>	<b>524,290</b>	<b>574,270</b>	<b>439,722</b>	<b>3,014,933</b>	<b>1,787,200</b>

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

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

- a) **Contingent Assets:** there are no contingent assets recorded.
- b) **Contingent Liabilities:** these are calculated and classified as follows:
  - **Calculation criteria:**

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

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

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

Labor claims: these are calculated upon judicial notification and adjusted monthly by the moving average of payment of lawsuits closed in the last 12 months plus the average cost of fees paid for lawsuits related to claims considered similar and usual and adjusted to the amounts deposited in guarantee to the execution amount (indisputable amount) when it is in the stage of being a final and unappealable decision, or based on the individual analysis of the potential amount of probable loss for lawsuits with significant amounts.

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

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

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

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

Change in provision for contingent liabilities	01/01 to 12/31/2009					01/01 to 12/31/2008
	Civil	Labor	Tax and social security	Other	Total	Total
<b>Opening Balance</b>	<b>2,124,019</b>	<b>2,857,105</b>	<b>2,511,438</b>	<b>251,235</b>	<b>7,743,797</b>	<b>3,706,034</b>
Balance Arising from ITAÚ UNIBANCO Merger on 09/30/2008 and other	3,645	4,343	13,673	-	21,661	2,119,216
(-) Contingencies guaranteed by indemnity clause (Note 4n I)	(125,528)	(551,139)	(15,784)	-	(692,451)	(656,291)
<b>Subtotal</b>	<b>2,002,136</b>	<b>2,310,309</b>	<b>2,509,327</b>	<b>251,235</b>	<b>7,073,007</b>	<b>5,168,959</b>
Restatement/Charges	61,257	173,698	151,080	-	386,035	428,356
Changes in the period reflected in results (Notes 13f and 13i)	<u>1,164,952</u>	<u>609,807</u>	<u>498,636</u>	<u>6,437</u>	<u>2,279,832</u>	<u>2,472,767</u>
Increase (1) (2)	1,440,374	726,491	508,169	6,437	2,681,471	2,761,402
Reversal	(275,422)	(116,684)	(9,533)	-	(401,639)	(288,635)
Payment	(917,275)	(503,474)	(1,736,864)	-	(3,157,613)	(1,018,736)
<b>Subtotal</b>	<b>2,311,070</b>	<b>2,590,340</b>	<b>1,422,179</b>	<b>257,672</b>	<b>6,581,261</b>	<b>7,051,346</b>
(+) Contingencies guaranteed by indemnity clause (Note 4n I)	98,628	573,261	35,331	-	707,220	692,451
<b>Closing balance (Note 13c)</b>	<b>2,409,698</b>	<b>3,163,601</b>	<b>1,457,510</b>	<b>257,672</b>	<b>7,288,481</b>	<b>7,743,797</b>
<b>Escrow deposits at 12/31/2009 (Note 13a)</b>	<b>1,062,425</b>	<b>1,447,641</b>	<b>821,857</b>	<b>-</b>	<b>3,331,923</b>	
<b>Escrow deposits at 12/31/2008 (Note 13a)</b>	<b>829,074</b>	<b>1,273,188</b>	<b>931,028</b>	<b>-</b>	<b>3,033,290</b>	

(1) Civil provisions include the provision for economic plans amounting to R\$ 289,600 (R\$ 263,722 from January 01 to December 31, 2008) (Note22).

(2) Tax and Social Security provisions comprise basically the effects arising from the adhesion to the program of Payment or Installment Payment of Federal Taxes (Note 12d).

- **Contingencies classified as possible:** not recognized in the accounting books and comprise Civil lawsuits amounting to R\$ 384,529 and Tax and Social Security Lawsuits amounting to R\$ 3,546,891. The principal characteristics of these lawsuits are described below:
  - Claim for corporate income tax (IRPJ) social contribution (CSLL) , PIS and COFINS, as tax authorities understand there has been unreported income due, recorded as a contra-entry to the investment account in permanent assets – R\$ 341,237;
  - Levy of ISS (Service Tax) on Leasing operations – R\$ 142,292: Tax assessment notices and/or tax foreclosures of municipalities that allege the levy of ISS on leasing operations in their territories;
  - ISS – Banking Institutions – R\$ 418,413: refers to tax assessments notices issued by municipalities for collection of ISS on amounts recorded in several accounts, on the grounds of being service revenue. An administrative final decision or tax foreclosure is pending;
  - Deductibility of losses in receipt of loans and discounts granted in renegotiation of loans – R\$ 428,479;
  - Dismissal of offset request – R\$ 300,130: Offset requests which were not validated due to formal issues or alleged lack of evidence of credit liquidity. Issue discussed at the administrative level, in which the company stated its defense and exhibited documentation evidencing credit liquidity;
  - Criteria for taxation of revenues made available abroad – R\$ 264,443: assessment notices in relation to which the inspection authorities discuss criteria for determining the calculation basis and taxable event;
  - Deductibility of goodwill on purchase of investments – R\$ 198,586: assessment notices that discuss the deduction of goodwill of merged companies;
  - Acquisition of Customers Portfolio – R\$ 171,409: aims at recognizing the deduction, from the IRPJ and CSLL calculation basis, of expenses assumed by Banco Itaú with the amortization of assets related to the acquisition of the customers portfolio of the Group banks;
  - IRPJ/PDD (Income tax/Allowance for loan losses) – R\$ 164,441: reject the Regulatory Instruction (IN) No. 80/93, which reduced the percentage from 1.5% to 0.5% for realization of the Allowance for Loan Losses in base year 1993, calculated by adopting the IN 76/87 and the CMN Resolution 1,748, of August 31, 1990. The bank makes allegations about the impossibility of applying the rule to events occurred in the fiscal year when it was enacted (principle of anteriority). A suspension was awarded for the bank's appeal, however, the judgment by the Federal Regional Court of the 3<sup>rd</sup> Region is pending;
  - Levy of social security contributions on non-compensatory amounts – R\$ 134,709: administrative and court discussion on the portions that, according to the company's understanding, are not part of contribution salary for social security tax purposes;
  - Differences in the completion of Declaration of Federal Contributions and Taxes (DCTF) – R\$ 83,698: required levy of withholding tax (IRRF) arising from the challenge, by the Federal Revenue Services authorities, concerning the completion of DCTF and missing payments (DARF's);
  - Required the corporate income tax (IRPJ) arising from the offset of losses for 2005, which, according to tax authorities, had been carried out above the balance stated for the Federal Revenue Service, in view of the ex officio changes made to the Corporate Income Tax Declaration (DIPJ) submitted by the taxpayer – R\$ 78,964;



- Offset of tax loss of companies merged without the 30% limitation – R\$ 66,685: assessment notice Assessment notices which discusses the application of a 30% limit when offsetting tax loss carryforwards, in case of merger of company;
- ITR (Rural tax land) - R\$ 63,998: refers to collection of ITR amounts related to farms, received as payment in kind, with arbitrage of calculation basis, due to failure to evidence that a portion of the land is a legal reserve.

In ITAÚ UNIBANCO HOLDING CONSOLIDATED, the following are in guarantee of voluntary resources restricted, deposited or recorded in the amount below:

	12/31/2009	12/31/2008
Securities	1,061,189	1,763,977
Deposits in guarantee	3,267,583	2,069,110
Permanent assets (*)	769,392	793,816

(\*) As per article 32 of Law No. 10,522, of July 19, 2002. On April 10, 2007, in the unconstitutionality lawsuit No. 1.976, the Federal Supreme Court ruled unconstitutional the requirement of guarantees for considering voluntary appeals. The company is requesting the cancellation of the pledging of guarantees to the Federal Revenue Service.

The Receivables balance arising from reimbursements of contingencies totals R\$ 1,114,192 (R\$ 1,095,673 at 12/31/2008) (Note 13a), basically represented by the guarantee in the Banco Banerj privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition from losses on Civil, Labor and Tax Contingencies.





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

Change in legal liabilities	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>Opening balance</b>	<b>9,082,558</b>	<b>5,337,557</b>
Balance arising from ITAÚ UNIBANCO Merger on 09/30/2008 and other	189,266	2,644,071
Charges on Taxes	837,118	507,765
Changes in the period reflected in results	<u>1,523,057</u>	<u>676,133</u>
Increase	2,455,170	1,396,134
Reversal (*)	(932,113)	(720,001)
Payment	(4,810,972)	(82,968)
<b>Closing Balance (Note 14c)</b>	<b>6,821,027</b>	<b>9,082,558</b>

(\*) Refers basically to the effects arising from the adhesion to the Cash or Installment Payment of Federal Taxes (Note 12d) and reversal of provision of PIS EC 17/97 x Principles of Anteriority, anteriority over 90 days, and non-retroactivity. From 01/01 to 12/31/2008 refers basically to the reversal of the provision for CPMF on Lease Operations.



Change in escrow deposits	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>Opening balance</b>	<b>4,313,374</b>	<b>2,903,430</b>
Balance arising from the ITAÚ UNIBANCO merger at 09/30/2008 and other	248,380	676,981
Appropriation of income	420,273	261,358
Change in the period	<u>(729,877)</u>	<u>471,605</u>
Deposited	459,168	505,840
Withdrawals	(95,743)	(34,235)
Conversion into income	(1,093,302)	-
<b>Closing balance (Note 13a)</b>	<b>4,252,150</b>	<b>4,313,374</b>

The main natures of processes are described as follows:

- PIS and COFINS – R\$ 4,427,995, assert the right of paying contributions to PIS and COFINS on revenue, not adopting the provisions of Article 3, paragraph 1, of Law 9,718/98, of November 27, 1998, which established the inappropriate extension of the calculation bases of these contributions. The corresponding escrow deposit totals R\$ 872,196;
- IRPJ and CSLL – R\$ 436,331, aimed at rejecting the requirement set forth by Regulatory Instruction 213 of October 7, 2002, in view of its illegality, determining the inclusion of equity in earnings in the calculation of taxable income and the CSLL calculation basis, including that from disposal of investment abroad. The corresponding escrow deposit totals R\$ 389,486;
- CSLL – R\$ 444,197, assert the right of paying CSLL at 9%, applicable to companies in general, rejecting the provisions of Article 41 of Law No. 11,727 of June 24, 2008, which sets forth a differentiated rate (15%) for financial institutions, in view of the infraction to the principle of equality. The corresponding escrow deposit totals R\$ 186,970;
- PIS X Constitutional Amendments Nos. 10/96 and 17/97 – R\$ 330,928, aimed at rejecting the levy of PIS based on principles of anteriority, anteriority over 90 days and non-retroactivity of Constitutional Amendments Nos. 10/96 and 17/97, and nonexistence of legislation for this period. Successively, aimed at paying PIS over the mentioned period based on Supplementary Law No. 7/70. The corresponding escrow deposit totals R\$ 68,035;
- INSS – R\$ 255,323, aimed at rejecting the levy of social security contribution at 15%, as well as an additional rate of 2.5%, on compensation paid to service providers that are individuals and managers, set forth by Supplementary Law No. 84/96, in view of its unconstitutionality, as this contribution has the same taxable year and income tax calculation basis, going against the provisions of Articles 153, item III, 154, item I, 156, item III and 195, paragraph 4, of Federal Constitution. The corresponding escrow deposit totals R\$ 279,581;

**d) Program for Cash or Installment Payment of Federal Taxes - Law No. 11,941/09**

ITAÚ UNIBANCO HOLDING and its subsidiaries adhered to the Program for Cash or Installment Payment of Federal Taxes, established by Law No. 11,941, of May 27, 2009. The program included the debits administered by the Federal Reserve Service of Brazil and the General Attorney's Office of the National Treasury past due before November 30, 2008. The main propositions included in this program were as follows:

- increase to the PIS and COFINS calculation basis as per paragraph 1 of article 3 of Law No. 9,718 of November 27, 1998, classified as Legal Liability; and
- levy of IRPJ and CSLL on transactions related to transfer of quotas of companies located abroad for increasing the capital stock of other companies, classified in Contingent Liabilities with possible likelihood of loss;

The net effect in Income was R\$ 291,591, recorded in Other Operating Income (Note 22I).

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

# NOTE 13 – BREAKDOWN OF ACCOUNTS

## a) Other sundry receivables

	12/31/2009	12/31/2008
Deferred tax assets (Note 14b I)	25,984,115	25,115,601
Social contribution for offset (Note 14b I)	933,723	1,295,804
Taxes and contributions for offset	4,539,287	3,899,847
Escrow deposits in guarantee for provision for contingent liabilities (Note 12b)	6,599,506	5,102,400
Escrow deposits for legal liabilities – tax and social security (Note 12c)	4,252,150	4,313,374
Escrow deposits for foreign fund raising program	306,656	850,791
Receivables from reimbursement of contingent liabilities (Note 12b)	1,114,192	1,095,673
Receivables from sale of Credicard brand	-	303,706
Sundry domestic debtors	603,639	638,832
Sundry domestic debtors	186,609	181,124
Recoverable payments	42,006	61,813
Salary advances	65,789	66,430
Amounts receivable from related companies	65,607	9,804
Operations with credit granting characteristics	510,853	578,524
Securities and credits receivable	832,937	686,812
(Allowance for other loan losses)	(322,084)	(108,288)
Other	184,700	245,665
<b>Total</b>	<b>45,388,832</b>	<b>43,759,388</b>

At ITAÚ UNIBANCO HOLDING, Other Sundry Receivables are basically composed of Taxes and Contributions for Offset of R\$ 641,769 (R\$ 382,234 at 12/31/2008) and Deferred Tax Assets of R\$ 148,292 (R\$ 64,005 at 12/31/2008) (Note 14b I).


**b) Prepaid expenses**

	<b>12/31/2009</b>	<b>12/31/2008</b>
Commissions	2,118,280	2,720,569
Related to vehicle financing	1,432,859	2,401,123
Related to insurance and pension plan	491,362	293,094
Other	194,059	26,352
Credit Guarantee Fund (*)	713,906	901,090
Advertising	520,319	371,742
Other	178,559	237,945
<b>Total</b>	<b>3,531,064</b>	<b>4,231,346</b>

(\*) Refers to spontaneous payment, equivalent to the prepayment of installments of the contribution to Fundo Garantidor de Crédito (Brazilian deposit guarantee fund), according to BACEN Circular No. 3,416, of 10/24/2008.

### c) Other sundry liabilities

	12/31/2009	12/31/2008
Provisions for contingent liabilities (Note 12b)	7,288,481	7,743,797
Provisions for sundry payments	2,226,440	1,573,438
Personnel provision	911,372	872,783
Sundry creditors - local	773,504	786,977
Sundry creditors - foreign	250,490	294,998
Liabilities for official agreements and rendering of payment services	414,871	630,224
Related to insurance operations	1,227,138	1,176,717
Liabilities for purchase of assets and rights	102,804	18,738
Creditors of funds to be released	362,849	310,358
Funds from consortia participants	153,314	80,210
Provision to cover actuarial deficit (Note 19c)	111,880	118,251
Provision for integration expenditures with ITAÚ UNIBANCO merger (1)	843,546	1,330,800
Provision for health insurance (2)	595,991	530,634
Expenses for lease interests (Note 4i)	109,429	137,043
Other	331,224	214,248
<b>Total</b>	<b>15,703,333</b>	<b>15,819,216</b>

(1) Provision set up at 12/31/2008 to cover expenditures on communication with customers, adequacy of systems and personnel.

(2) Provision set up to cover possible future deficits up to the total discontinuance of the portfolio, arising from the difference of adjustments to monthly installments, authorized annually by the regulatory body, and the actual variation of hospital costs that affect the compensation of claims (Nota 13i).

d) Banking service fees

	01/01 to 12/31/2009	01/01 to 12/31/2008
Asset management	2,249,495	1,967,561
Funds management fees	2,200,973	1,939,974
Consortia management fee	48,522	27,587
Current account services	466,454	300,951
Credit cards	5,816,504	3,018,976
Annual fees	887,224	723,571
Other services	4,929,280	2,295,406
Relationship with stores	4,524,748	1,887,641
Credit card processing	404,532	407,765
Sureties and credits granted	1,323,293	1,243,528
Loan operations	799,031	988,662
Guarantees provided	524,262	254,866
Receipt services	1,204,517	900,588
Collection fees	1,001,541	698,066
Collection services	202,976	202,522
Other	1,394,968	1,217,795
Brokerage	381,322	377,546
Custody services and management of portfolio	156,105	150,896
Economic and financial advisory	226,731	172,180
Foreign exchange services	68,253	72,509
Other services	562,557	444,664
<b>Total</b>	<b>12,455,231</b>	<b>8,649,399</b>





e) Income from bank charges

	01/01 to 12/31/2009	01/01 to 12/31/2008
Loan operations/registration	1,039,809	1,319,250
Deposit account	161,436	92,344
Transfer of funds	118,025	83,413
Service package fees and other	1,452,452	1,059,771
<b>Total</b>	<b>2,771,722</b>	<b>2,554,778</b>

**f) Personnel expenses**

	<b>01/01 to 12/31/2009</b>	<b>01/01 to 12/31/2008</b>
Compensation	(5,776,244)	(4,378,811)
Charges	(1,854,781)	(1,276,576)
Welfare benefits	(1,450,895)	(1,043,794)
Training	(117,287)	(119,843)
<b>Subtotal</b>	<b>(9,199,207)</b>	<b>(6,819,024)</b>
Severance pay	(23,216)	(146,520)
Labor claims (Note 12b)	(609,807)	(666,596)
<b>Total</b>	<b>(9,832,230)</b>	<b>(7,632,140)</b>

**g) Other administrative expenses**

	<b>01/01 to 12/31/2009</b>	<b>01/01 to 12/31/2008</b>
Data processing and telecommunications	(2,606,077)	(1,901,479)
Depreciation and amortization	(1,305,163)	(779,943)
Facilities	(1,859,001)	(1,162,445)
Third-party services	(2,826,561)	(1,770,099)
Financial system services	(331,807)	(262,104)
Advertising, promotions and publications	(975,419)	(708,132)
Transportation	(409,724)	(302,625)
Materials	(306,819)	(247,918)
Security	(376,834)	(264,807)
Travel expenses	(121,943)	(107,660)
Legal	(26,995)	(43,347)
Other	(446,359)	(370,162)
<b>Total</b>	<b>(11,592,702)</b>	<b>(7,920,721)</b>

#### h) Other operating revenues

	01/01 to 12/31/2009	01/01 to 12/31/2008
Reversal of operating provisions	429,125	911,272
Contingent assets and liabilities and legal liabilities - Tax and social security (Notes 12b, c and d)	429,125	720,001
Other (*)	-	191,271
Recovery of charges and expenses	241,062	219,471
Other	270,863	378,052
<b>Total</b>	<b>941,050</b>	<b>1,508,795</b>

(\*) From 01/01 to 12/31/2008 comprises R\$ 127,111 related to reversal of provision for depreciation exceeding IT equipment and assets and R\$ 64,160 arising from a lawsuit for the restoration of undue payments of PIS Gross Operating Income (ROB) exceeding PIS Repique (PIS calculated on income tax payable), for the base periods July/1988 to May/1989. In November/2002, a final and unappealable decision was awarded recognizing the right to credit and in September /2008 the expert computation for settlement of the decision was completed.

#### i) Other operating revenues

	01/01 to 12/31/2009	01/01 to 12/31/2008
Provision for contingencies (Note 12b)	(1,246,952)	(2,234,851)
Civil:	(1,164,952)	(897,556)
Tax and social security	(75,563)	(1,245,111)
Other	(6,437)	(92,184)
Selling - credit cards	(1,415,450)	(651,708)
Claims	(553,356)	(323,698)
Joint venture (*)	(550,000)	-
Amortization of goodwill on investments (Notes 2a and 22l)	(597,039)	(1,543,073)
Integration expenditures with ITAÚ UNIBANCO merger (Notes 13c e 22l)	-	(1,330,800)
Provision for health insurance (Note 13c)	(65,357)	(530,634)
Refund of interbank costs (Note 22m)	(219,693)	(143,095)
Other	(831,748)	(690,529)
<b>Total</b>	<b>(5,479,595)</b>	<b>(7,448,388)</b>

(\*) Amount paid on August 28, 2009 to Companhia Brasileira de Distribuição S.A., in order to exclude the obligation of exclusivity of ITAÚ UNIBANCO in the joint venture agreement related to Financeira Itaú CDB S.A. Crédito, Financiamento e Investimento (Note 22l).

#### j) Non-operating income

	01/01 to 12/31/2009	01/01 to 12/31/2008
(-) Sale of investments (Note 22l)	345,372	291,587
MasterCard Inc.	-	82,964
Visa Inc. e Visa Net	345,372	144,287
BM&FBovespa	-	64,336
Allianz Seguros S.A. (*)	24,881	-
Other	60,183	(85,805)
<b>Total</b>	<b>430,436</b>	<b>205,782</b>

(\*) Result achieved with the sale of interest of 14.025% held by Cia. Itaú de Capitalização to Allianz Seguros S.A.

At ITAÚ UNIBANCO, non-operating income is basically composed of Non-operating Equity in Earnings amounting to R\$ 18,031,351 arising from the variation of interest in the subsidiary ITAÚ related to the process of merger of ITAÚ and UNIBANCO.

## NOTE 14 - TAXES

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

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

Due on operations for the period	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>Income before income tax and social contribution</b>	<b>20,047,209</b>	<b>(495,696)</b>
Charges (income tax and social contribution) at the rates in effect (Note 4o)	(8,018,884)	197,752
<b>Increase/decrease to income tax and social contribution charges arising from:</b>		
<b>Permanent additions (exclusions)</b>	<b>(276,911)</b>	<b>2,131,995</b>
Investments in affiliates	71,183	120,279
Foreign exchange variation on investments abroad	(2,034,185)	1,280,799
Interest on capital	1,478,376	700,248
Dividends, interest on external debt bonds and tax incentives	465,187	450,712
Other	(257,472)	(420,043)
<b>Temporary (additions) exclusions</b>	<b>2,684,686</b>	<b>(1,533,649)</b>
Allowance for loan losses	(2,648,821)	(2,767,250)
Excess (insufficiency) of depreciation of leased assets	2,841,444	2,934,135
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	142,012	(189,895)
Legal liabilities – tax and social security, contingent liabilities and restatement of escrow deposits	927,709	(562,195)
Realization of goodwill on purchase of investments	1,304,783	(194,679)
Integration expenditures with ITAÚ UNIBANCO merger	196,012	(452,472)
Other	(78,453)	(301,293)
<b>(Increase) offset of tax losses/ social contribution loss carryforwards</b>	<b>(588,327)</b>	<b>(3,590,935)</b>
<b>Expenses for income tax and social contribution</b>	<b>(6,199,436)</b>	<b>(2,794,837)</b>
<b>Related to temporary differences</b>		
Increase (reversal) for the period	(1,871,451)	5,029,182
Increase arising from ITAÚ UNIBANCO merger	-	6,130,935
Prior periods increase (reversal)	649,670	1,055,170
<b>Income (expenses) from deferred taxes</b>	<b>(1,221,781)</b>	<b>12,215,287</b>
<b>Total income tax and social contribution</b>	<b>(7,421,217)</b>	<b>9,420,450</b>

II - Composition of tax expenses:

	01/01 to 12/31/2009	01/01 to 12/31/2008
PIS and COFINS	(3,347,853)	(1,693,758)
ISS	(497,191)	(361,505)
Other	(392,719)	(280,472)
<b>Total (Note 4o)</b>	<b>(4,237,763)</b>	<b>(2,335,735)</b>

At ITAÚ UNIBANCO HOLDING tax expenses are basically composed of PIS and COFINS in the amount of R\$ 174,455 (R\$ 99,837 from 01/01 to 12/31/2008).



### III- Tax effects on foreign exchange management of investments abroad

In order to minimize the effects on income in connection with the foreign exchange variation on investments abroad, net of respective tax effects, ITAÚ UNIBANCO HOLDING carries out derivative transactions in foreign currency (hedge), as mentioned in Note 22b.

Results of these transactions are considered in the calculation basis of income tax, according to their nature, while the foreign exchange variation on investments abroad is not included therein, pursuant to tax legislation in force.

## b) Deferred taxes

I - The deferred tax asset balance and its changes, segregated based on its origin and disbursements incurred, are represented as follows:

	PROVISIONS		DEFERRED TAX ASSETS			
	12/31/2008	12/31/2009	12/31/2008	Realization / Reversal	Increase (2)	12/31/2009
<b>Reflected in income and expense accounts</b>						
Related to income tax and social contribution loss carryforwards			<u>24,921,860</u>	<u>(8,618,637)</u>	<u>9,608,215</u>	<u>25,911,438</u>
Related to disbursed provisions			<u>3,146,964</u>	<u>(961,591)</u>	<u>804,203</u>	<u>2,989,576</u>
Allowance for loan losses			<u>6,615,676</u>	<u>(3,496,007)</u>	<u>5,866,182</u>	<u>8,985,851</u>
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)			5,032,128	(2,792,136)	5,587,356	7,827,348
Allowance for real estate			429,878	(429,878)	104,543	104,543
Goodwill on purchase of investments			89,719	(35,812)	27,105	81,012
Other			819,597	(168,982)	121,259	771,874
			244,354	(69,199)	25,919	201,074
Related to non-disbursed provisions (1)			<u>15,159,220</u>	<u>(4,161,039)</u>	<u>2,937,830</u>	<u>13,936,011</u>
Related to the operation	<u>46,607,317</u>	<u>40,517,743</u>	<u>12,510,280</u>	<u>(3,587,459)</u>	<u>2,937,830</u>	<u>11,860,651</u>
Legal liabilities – tax and social security	<u>38,816,317</u>	<u>34,413,743</u>	<u>1,624,954</u>	<u>(662,218)</u>	<u>1,026,881</u>	<u>1,989,617</u>
Provision for contingent liabilities	<u>6,058,339</u>	<u>5,334,778</u>	<u>2,429,883</u>	<u>(1,066,261)</u>	<u>980,936</u>	<u>2,344,558</u>
Civil	<u>6,252,035</u>	<u>6,265,786</u>	766,379	(403,248)	536,853	899,984
Labor	<u>2,401,609</u>	<u>2,303,852</u>	754,920	(67,486)	156,130	843,564
Tax and social security	<u>2,238,153</u>	<u>2,238,841</u>	834,325	(594,487)	255,715	495,553
Other	<u>1,354,601</u>	<u>1,457,508</u>	74,259	(1,040)	32,238	105,457
Adjustments of operations carried out in futures settlement market	<u>257,672</u>	<u>265,585</u>	32,411	(17,935)	14,152	28,628
Goodwill on purchase of investments	<u>55,800</u>	<u>96,475</u>	6,646,097	(924,562)	-	5,721,535
Provision for integration expenditures with ITAÚ UNIBANCO merger	<u>19,547,344</u>	<u>16,828,044</u>	452,472	(165,666)	-	286,806
Provision related to health insurance operations	<u>978,978</u>	<u>843,547</u>	212,254	-	26,142	238,396
Other non-deductible provisions	<u>540,808</u>	<u>595,991</u>	1,112,209	(750,817)	889,719	1,251,111
Related to provisions in excess of the minimum required not disbursed – allowance for loan losses	<u>5,383,013</u>	<u>4,449,122</u>				
	<u>7,791,000</u>	<u>6,104,000</u>	2,648,940	(573,580)	-	2,075,360
<b>Reflected in stockholders' equity accounts – adjustment to market value of available-for-sale securities (Note 2b)</b>						
			<u>193,741</u>	<u>(121,064)</u>	-	<u>72,677</u>
<b>Total</b>	<b>46,607,317</b>	<b>40,517,743</b>	<b>25,115,601</b>	<b>(8,739,701)</b>	<b>9,608,215</b>	<b>25,984,115</b>
<b>Social contribution for offset arising from Option foreseen in article 8 of Provisional Measure No. 2.158-35 of 08/24/2001</b>						
			<u>1,295,804</u>	<u>(362,081)</u>	-	<u>933,723</u>

(1) From a financial point of view, rather than recording the provision of R\$ 40,517,743 (R\$ 46,607,317 at 12/31/2008) and deferred tax assets of R\$ 13,936,011 (R\$ 15,159,220 at 12/31/2008), only the net provisions of the corresponding tax effects should be considered, which would reduce the total deferred tax assets from R\$ 25,984,115 (R\$ 25,115,601 at 12/31/2008) to R\$ 12,048,104 (R\$ 9,956,381 at 12/31/2008).

(2) Includes the amount of R\$ 122,977 from the alliance with Porto Seguro (Note 22p).

At ITAÚ UNIBANCO HOLDING, the deferred tax assets totaled R\$ 148,292 (R\$ 64,005 at 12/31/2008) and are basically represented by legal liabilities – tax and social security of R\$ 136,444 (R\$ 61,215 at 12/31/2008).

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

	12/31/2008	Realization / Reversal	Increase (*)	12/31/2009
<b>Reflected in income and expense accounts</b>	<b>6,389,759</b>	<b>(118,694)</b>	<b>2,281,773</b>	<b>8,552,838</b>
Depreciation in excess - leasing	5,604,351	-	1,963,527	7,567,878
Taxation of results abroad - Capital gains	20,142	-	15,769	35,911
Adjustments of operations carried out in futures settlement markets	56,552	(21,389)	7,300	42,463
Adjustments to market value of trading securities and derivative financial instruments	101,261	(2,046)	45,325	144,540
Restatement of escrow deposits and contingent liabilities	449,341	-	216,577	665,918
Income on sale of permanent asset items and rights	67,965	(67,965)	-	-
Other	90,147	(27,294)	33,275	96,128
<b>Reflected in stockholders' equity accounts - adjustment to market value of available-for-sale securities (Note 2b)</b>	<b>18,618</b>	<b>(8,324)</b>	<b>131,227</b>	<b>141,521</b>
<b>Total</b>	<b>6,408,377</b>	<b>(127,018)</b>	<b>2,413,000</b>	<b>8,694,359</b>

(\*) Includes the amount of R\$ 12.659 from the alliance with Porto Seguro (Note 22p).



- III- The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001 and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2009, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

	Deferred tax assets			Social contribution for offset	Provision for deferred income tax and social contribution	Net deferred taxes
	Temporary differences	Tax loss/ social contribution loss carryforwards	Total			
2010	6,959,438	466,465	7,425,903	301,902	(510,015)	7,217,790
2011	3,649,493	887,607	4,537,100	292,093	(1,451,742)	3,377,451
2012	3,465,213	618,175	4,083,388	195,582	(1,958,559)	2,320,411
2013	3,171,319	153,384	3,324,703	29,611	(2,347,621)	1,006,693
2014	2,034,954	4,755	2,039,709	7,277	(1,587,372)	459,614
After 2014	3,714,122	859,190	4,573,312	107,258	(839,050)	3,841,520
<b>Total</b>	<b>22,994,539</b>	<b>2,989,576</b>	<b>25,984,115</b>	<b>933,723</b>	<b>(8,694,359)</b>	<b>18,223,479</b>
Present value (*)	20,035,178	2,588,674	22,623,852	829,715	(7,427,499)	16,026,068

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

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

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

- IV - In view of the unconstitutionality lawsuit related to the increase in the social contribution rate, established by Articles 17 and 41 of Law No. 11,727 of June 24, 2008, filed on June 26, 2008 by the National Confederation of the Financial System (CONSIF), deferred tax assets were recorded up to the amount added to the Tax Liabilities, while the amount of R\$ 2,301,098 is unrecorded (R\$ 2,675,844 at 12/31/2008).



**c) Tax and social security contributions**

	<b>12/31/2009</b>	<b>12/31/2008</b>
Taxes and contributions on income payable	1,445,837	1,165,132
Taxes and contributions payable	3,721,921	1,342,297
Provision for deferred income tax and social contribution (Note 14b II)	8,694,359	6,408,377
Legal liabilities – tax and social security (Note 12c)	6,821,027	9,082,558
<b>Total</b>	<b>20,683,144</b>	<b>17,998,364</b>

At ITAÚ UNIBANCO HOLDING the balance of Tax and Social Security Contributions totals R\$ 498,980 (R\$ 425,506 at 12/31/2008) and is basically comprised of Taxes and Contributions on Income Payable of R\$ 18,638 (109,298 at 12/31/2008), Taxes and Contributions Payable of R\$ 111,208 (R\$ 46,282 at 12/31/2008) and Legal Liabilities of R\$ 366,683 (R\$ 267,776 at 12/31/2008).

**d) Taxes paid or provided for and withheld from third parties**

The amount of taxes paid or provided for is basically levied on income, revenue and payroll. In relation to the amounts withheld and collected from third parties, the Company started to take into consideration the interest on capital paid and on the service provision, in addition to that levied on financial operation.

	<b>12/31/2009</b>	<b>12/31/2008</b>
Taxes paid or provided for	14,059,830	7,817,718
Taxes withheld and collected from third parties	8,128,793	6,576,821
<b>Total</b>	<b>22,188,623</b>	<b>14,394,539</b>

# NOTE 15 – PERMANENT ASSETS

## a) Investments

### I - Changes of investments

Companies	Balances at 12/31/2008	Amortization of goodwill	Corporate restructuring and Other	Dividends and interest on capital received (1)	Equity in earnings of subsidiaries	Adjustments in marketable securities of subsidiaries and Other	Balances at 12/31/2009	Equity in earnings of subsidiaries from 01/01 to 12/31/2008
<b>Domestic</b>	<b>57,366,472</b>	<b>(6,336)</b>	<b>788</b>	<b>(11,502,265)</b>	<b>8,050,541</b>	<b>530,265</b>	<b>54,439,465</b>	<b>19,933,921</b>
Itaú Unibanco S.A.	39,496,914	(6,336)	(500,000)	(2,565,596)	5,275,646	461,275	42,161,903	16,339,783
Banco Itaú BBA S.A.	4,265,628	-	251,392	(1,088,707)	1,465,044	47,242	4,940,599	292,696
Itaúseg Participações S.A.	3,483,873	-	-	(77,713)	331,279	8,447	3,745,886	436,559
Banco Itaucard S.A.	8,449,001	-	249,396	(7,466,185)	578,347	(173)	1,810,386	2,624,453
Itaú BBA Participações S.A.	1,253,036	-	-	(253,006)	384,934	13,473	1,398,437	82,027
Itaú Corretora de Valores S.A.	418,020	-	-	(51,058)	15,291	1	382,254	158,403
<b>Foreign</b>	<b>2,315,336</b>	<b>(51,409)</b>	<b>-</b>	<b>(17,503)</b>	<b>(319,538)</b>	<b>13,837</b>	<b>1,940,723</b>	<b>607,997</b>
Itaú Chile Holdings, Inc.	1,953,176	(45,242)	-	-	(296,831)	6,969	1,618,072	505,688
Banco Itaú Uruguay S.A.	232,579	(4,712)	-	(17,436)	(18,049)	6,868	216,686	51,269
Oca S.A.	91,480	(1,252)	-	(748)	(3,756)	-	72,044	37,802
Oca Casa Financiera S.A.	35,477	(182)	-	(67)	(154)	-	31,539	12,782
Aco Ltda.	2,624	(21)	-	-	-	-	2,382	511
Itaú Uruguay Directo S.A.	-	-	-	-	-	-	-	(55)
<b>GRAND TOTAL</b>	<b>59,681,808</b>	<b>(57,745)</b>	<b>788</b>	<b>(11,519,768)</b>	<b>7,731,003</b>	<b>544,102</b>	<b>56,380,188</b>	<b>20,541,918</b>

(1) Income receivable includes interest on capital receivable;

(2) Includes non-operating income arising from change in interest (Note 13);

(3) The investment and the equity in earnings reflect the different interest in preferred shares, profit sharing and dividends;

(4) Company dissolved on 11/28/2008.

Companies	Capital	Stockholders' equity	Net income (loss) for the period	Number of shares owned by ITAÚ UNIBANCO HOLDING		Equity share in voting capital (%)	Equity share in capital (%)
				Common	Preferred		
<b>Domestic</b>							
Itaú Unibanco S.A.	39,676,320	42,087,958	5,096,067	2,081,169,523	2,014,258,290	100.00	100.00
Banco Itaú BBA S.A.	4,224,086	6,386,664	1,846,925	3,041,104	5,284,526	57.55	78.77
Itaúseg Participações S.A.	5,582,908	7,682,310	347,022	1,582,676,636	-	48.76	48.76
Banco Itaucard S.A.	15,644,884	17,852,162	627,361	3,592,433,657	1,277,933,118	1.50	2.02
Itaú BBA Participações S.A.	645,901	1,398,437	392,311	170,647	341,294	100.00	100.00
Itaú Corretora de Valores S.A.	516,841	975,656	76,199	-	811,503	-	3.58
<b>Foreign</b>							
Itaú Chile Holdings, Inc.	312,473	1,301,382	111,209	100	-	100.00	100.00
Banco Itaú Uruguay S.A.	146,765	183,703	(19,142)	1,639,430,739	-	100.00	100.00
Oca S.A.	13,448	63,278	6,725	1,502,176,740	-	100.00	100.00
Oca Casa Financiera S.A.	17,355	30,266	(1,338)	646	-	100.00	100.00
Aco Ltda.	12	2,250	17	-	-	99.24	99.24

## II - Composition of investments

	12/31/2009	12/31/2008
<b>Investment in affiliates</b>	<b>1,191,662</b>	<b>1,354,055</b>
<b>Domestic</b>	<b>277,820</b>	<b>340,346</b>
Allianz Seguros S.A. (Note 13j)	-	141,486
Serasa S.A.	248,745	154,279
Other	29,075	44,581
<b>Foreign</b>	<b>913,842</b>	<b>1,013,709</b>
BPI	913,842	1,010,926
Other	-	2,783
<b>Other investments</b>	<b>1,173,700</b>	<b>1,081,310</b>
Investments through tax incentives	161,446	162,412
Equity securities	8,428	13,340
Shares and quotas	215,274	128,354
Interest in Instituto de Resseguros do Brasil - IRB	229,699	226,149
Other	558,853	551,055
<b>(Allowance for losses)</b>	<b>(178,262)</b>	<b>(177,274)</b>
<b>Total</b>	<b>2,187,100</b>	<b>2,258,091</b>

## III - Equity in earnings of affiliates

	01/01 to 12/31/2009	01/01 to 12/31/2008
Investment in affiliates - Domestic	84,332	42,620
Investment in affiliates - Foreign	84,246	128,596
Equity in earnings of subsidiaries, not arising from net income	9,378	22,316
<b>Total</b>	<b>177,956</b>	<b>193,532</b>

## b) Fixed and intangible assets

	NET BALANCE AT 12/31/2008	CHANGES				12/31/2009	
		ACQUISITIONS	DISPOSALS	DEPRECIATION/ AMORTIZATION EXPENSES (4)	OTHER (2)	COST	ACCUMULATED DEPRECIATION/ AMORTIZATION
<b>FIXED ASSETS</b>	<b>4,025,178</b>	<b>1,256,645</b>	<b>(63,310)</b>	<b>(1,126,754)</b>	<b>261,416</b>	<b>10,470,236</b>	<b>(6,117,061)</b>
<b>REAL ESTATE IN USE (1)</b>	<b>2,443,025</b>	<b>227,665</b>	<b>(7,233)</b>	<b>(376,736)</b>	<b>85,260</b>	<b>4,286,573</b>	<b>(1,914,592)</b>
Land	827,642	68,775	(4,827)	-	43,902	935,492	-
Buildings	689,322	68,690	(16)	(76,513)	163,082	2,273,849	(1,429,284)
Improvements	926,061	90,200	(2,390)	(300,223)	(121,724)	1,077,232	(485,308)
<b>OTHER FIXED ASSETS</b>	<b>1,582,153</b>	<b>1,028,980</b>	<b>(56,077)</b>	<b>(750,018)</b>	<b>176,156</b>	<b>6,183,663</b>	<b>(4,202,469)</b>
Installations	167,233	222,695	(944)	(27,277)	17,869	750,705	(371,129)
Furniture and equipment	358,418	166,083	(25,632)	(112,350)	14,030	779,216	(378,667)
EDP systems	843,780	579,945	(20,103)	(556,745)	121,552	4,066,836	(3,098,407)
Other (communication, security and transportation)	212,722	60,257	(9,398)	(53,646)	22,705	586,906	(354,266)
<b>INTANGIBLE ASSETS</b>	<b>4,132,966</b>	<b>761,712</b>	<b>(57,419)</b>	<b>(1,041,560)</b>	<b>(47,479)</b>	<b>5,198,641</b>	<b>(1,450,421)</b>
<b>RIGHTS FOR ACQUISITION OF PAYROLLS (3)</b>	<b>2,314,427</b>	<b>147,783</b>	<b>(32,679)</b>	<b>(745,341)</b>	<b>-</b>	<b>2,597,749</b>	<b>(913,559)</b>
<b>OTHER INTANGIBLE ASSETS</b>	<b>1,818,539</b>	<b>613,929</b>	<b>(24,740)</b>	<b>(296,219)</b>	<b>(47,479)</b>	<b>2,600,892</b>	<b>(536,862)</b>
Association for the promotion and offer of financial products and services	1,140,329	390,271	(24,740)	(117,810)	-	1,403,583	(15,533)
Expenditures on acquisition of software	380,556	219,989	-	(151,620)	28,766	935,954	(458,263)
Right to management of investment funds	295,269	498	-	(25,720)	(79,542)	244,920	(54,415)
Other intangible assets	2,385	3,171	-	(1,069)	3,297	16,435	(8,651)
<b>GRAND TOTAL</b>	<b>8,158,144</b>	<b>2,018,357</b>	<b>(120,729)</b>	<b>(2,168,314)</b>	<b>213,937</b>	<b>15,668,877</b>	<b>(7,567,482)</b>

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

(2) In Other, R\$ 142,079 is included from the full consolidation of Redecard S.A. (Note 2a) and R\$ 198,268 from the partnership with Porto Seguro S.A. (Note 22p);

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

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

## NOTE 16 – STOCKHOLDERS' EQUITY

### a) Shares

The A/ESM held on April 24, 2009 resolved on the bônus of 10% in shares. The bonus shares started to be traded from August 28, 2009, date of approval of the related process by the Central Bank of Brazil. As a result, capital was increased by 415,539,656 shares.

Capital started to comprise 4,570,936,219 book-entry shares with no par value, of which 2,289,286,475 are common and 2,281,649,744 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares. Capital stock amounts to R\$ 45,000,000 (R\$ 29,000,000 at 12/31/2008), of which R\$ 30,883,250 (R\$ 24,697,674 at 12/31/2008) refers to stockholders domiciled in the country and R\$ 14,116,750 (R\$ 4,302,326 at 12/31/2008) refers to stockholders domiciled abroad.

The table below shows the change in shares of capital stock and treasury shares during the period:

	NUMBER			Amount
	Common	Preferred	Total	
<b>Shares of capital stock at 12/31/2008</b>	<b>2,081,169,523</b>	<b>2,074,227,040</b>	<b>4,155,396,563</b>	
Share bonus – ASM/ESM of 04/24/2009 – Carried out on 08/28/2009	208,116,952	207,422,704	415,539,656	
<b>Shares of capital stock at 12/31/2009</b>	<b>2,289,286,475</b>	<b>2,281,649,744</b>	<b>4,570,936,219</b>	
<b>Treasury shares at 12/31/2008 (1)</b>	<b>-</b>	<b>58,763,000</b>	<b>58,763,000</b>	<b>(1,525,695)</b>
Purchase of shares	2,002	185,460	187,462	(6,979)
Disposals – stock option plan	-	(19,866,148)	(19,866,148)	501,347
Share bonus – ASM/ESM of 04/24/2009 – Carried out on 08/28/2009	200	4,505,995	4,506,195	-
<b>Treasury shares at 12/31/2009 (1)</b>	<b>2,202</b>	<b>43,588,307</b>	<b>43,590,509</b>	<b>(1,031,327)</b>
<b>Outstanding shares at 12/31/2009</b>	<b>2,289,284,273</b>	<b>2,238,061,437</b>	<b>4,527,345,710</b>	
<b>Outstanding shares at 12/31/2008 (2)</b>	<b>2,289,286,475</b>	<b>2,217,010,444</b>	<b>4,506,296,919</b>	

(1) Own shares purchased, based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market;

(2) For better comparability, outstanding shares in the period of 12/31/2008, were adjusted by the bonus carried out on 08/28/2009.

We detail below the costs of shares repurchased in the period, as well as the average cost of treasury shares and their market price at 12/31/2009:

Cost/Market value	Common	Preferred
Minimum	9.65	37.52
Weighted average	9.65	37.52
Maximum	9.65	37.52
<b>Treasury shares</b>		
Average cost	9.65	23.66
Market value	30.00	38.69



## b) Dividends

Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law. Both types of shares participated equally, after common shares have received dividends equal to the minimum priority dividend of R\$ 0.022 per share to be paid to preferred shares.

The calculation of the monthly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, taking into consideration that the payment is made on the first business day of the subsequent month, in the amount of R\$ 0.012 per share. The value per share will be maintained according to resolution adopted at the A/ESM held on April 24, 2009, so that total amounts monthly paid by the Company to stockholders will be increased by 10%, from October 1, 2009, date the bonus shares are included in the share position.

### I - Calculation

Net income	7,706,907	
Adjustments:		
(-) Legal reserve	(385,345)	
Dividend calculation basis	7,321,562	
Mandatory minimum dividends	1,830,390	
Unrealized profit reserve	1,642,069	
Dividends paid/provided for	3,472,459	47.4%

### II – Payments/Provision of interest on capital and dividends

	Gross	WTS	Net
<b>Paid / Prepaid</b>	<b>1,378,673</b>	<b>(123,309)</b>	<b>1,255,364</b>
Dividends - 11 monthly installments of R\$ 0.012 per share paid from February to December 2009	556,611	-	556,611
Interest on capital - R\$ 0.20 per share, paid on August 31, 2009	822,062	(123,309)	698,753
<b>Provided for (*)</b>	<b>2,598,765</b>	<b>(381,669)</b>	<b>2,217,096</b>
Dividends - 1 monthly installment of R\$ 0.012 per share paid on 01/02/2010	54,310	-	54,310
Interest on capital - R\$ 0.1776 per share, credited on 12/30/2009 to be paid until 04/30/2010	804,055	(120,608)	683,447
Interest on capital - R\$ 0.384 per share to be paid until 04/30/2010	1,740,400	(261,061)	1,479,339
<b>Total from 01/01 to 12/31/2009 - R\$ 0.7917 net per share</b>	<b>3,977,438</b>	<b>(504,979)</b>	<b>3,472,459</b>
<b>Total from 01/01 to 12/31/2008 - R\$ 0.7954 net per share</b>	<b>3,205,181</b>	<b>(353,182)</b>	<b>2,851,999</b>

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

### c) Capital and revenue reserves

	12/31/2009	12/31/2008
<b>CAPITAL RESERVES</b>	<b>640,759</b>	<b>597,706</b>
Premium on subscription of shares	283,512	283,512
Granted options recognized – Law No. 11,638	356,142	313,089
Reserves from tax incentives and restatement of equity securities and other	1,105	1,105
<b>REVENUE RESERVES</b>	<b>18,771,151</b>	<b>31,192,635</b>
Legal	2,739,915	2,354,570
Statutory:	<u>15,673,305</u>	<u>26,838,065</u>
Dividends equalization (1)	5,964,381	11,487,248
Working capital increase (2)	3,863,903	6,316,062
Increase in capital of investees (3)	5,845,021	9,034,755
Unrealized profits (4)	357,931	2,000,000

(1) Reserve for Dividends Equalization – its purpose is to guarantee funds for the payment of advances of dividends, including interest on capital, to maintain the flow of the stockholders' compensation;

(2) Reserve for Working Capital Increase – its purpose is to guarantee funds for the company's operations;

(3) Reserve for Increase in Capital of Investees – its purpose is to guarantee the preferred subscription right in the capital increases of

(4) Refers to the excess portion of mandatory minimum dividend in relation to realized portion of net income for 2008, composed of in accordance with article 197 of Brazilian Corporate Law.

### d) Reconciliation of Net Income and Stockholders' Equity (Note 2b)

	Net income		Stockholders' equity	
	01/01 to 12/31/2009	01/01 to 12/31/2008	12/31/2009	12/31/2008
<b>ITAÚ UNIBANCO HOLDING</b>	<b>7,706,907</b>	<b>20,217,097</b>	<b>63,500,614</b>	<b>58,840,929</b>
Amortization of goodwill for the period	(597,528)	(19,629,773)	(597,528)	(19,629,773)
Amortization of goodwill for prior periods	2,957,122	7,216,052	(12,217,325)	4,455,325
Unrealized income (loss)	107	107	(2,338)	(2,445)
<b>ITAÚ UNIBANCO HOLDING CONSOLIDATED</b>	<b>10,066,608</b>	<b>7,803,483</b>	<b>50,683,423</b>	<b>43,664,036</b>



#### **e) Stock option plan**

Before the merger, Itaú and Unibanco had stock-option plans.

On April 24, 2009, Itaú's plan was restructured, and a new program was launched for Itaú Unibanco, also called "Stock Option Plan". From then on, no stock option will be granted in the prior programs.

#### **I - Stock Option Plan – New ITAÚ UNIBANCO HOLDING Plan**

This program aims at involving the officers in the medium and long-term corporate development process. The options are personal and not transferable, and entitle to the subscription of one authorized capital share or, at the discretion of the management, one treasury share which is acquired for replacement purposes. Such options may only be granted in years in which there are sufficient profits to distribute mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the base date of the year-end balance sheet. The ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the total number of shares to be granted, the eligible officers, the number granted to each officer, the validity of the option series, and the "vesting" and "blackout" periods for exercising the options. Options may be granted to executive officers and Board of Directors members ("Officers") of ITAÚ UNIBANCO HOLDING and, in exceptional circumstances, to the management of controlled companies or outstanding employees of ITAÚ UNIBANCO HOLDING or the aforementioned companies, and upon the hiring of highly qualified individuals.

The exercise price of each series is fixed taking into consideration the average stock price at the São Paulo Stock Exchange over the period from one to three months prior to the issuance of options - subject to a positive or negative adjustment of up to 20% - at the option granting date and restated at the IGP-M until the month prior to the option exercise date. Alternatively, at the Committee's discretion and by using the performance and leadership evaluation tools, for those executive officers who have potential for outstanding performance, the Committee may offer options which exercise price is to be paid through the performance of positive covenants, supported by the beneficiary's obligation to invest, in ITAÚ UNIBANCO HOLDING's shares, the amount of 20% of the net interest in profits and results received in relation to prior year, and keep the ownership of these shares unchanged and without any type of liens from the date shares were granted until its exercise.

This plan has not had any option granted so far.

#### **II - Stock Option Plan – Itaú Plan**

Itaú's original plan, also called "Stock Option Plan", has characteristics similar to the current plan.

The exercise of stock options, pursuant to the Plan's regulation, resulted in the sale of preferred shares held in treasury thus far. The accounting entries related to the plan are recorded upon the exercise of options, when the amount received from the option exercise price is recorded in Stockholders' Equity.

The dilution percentage of the current stockholders' interest, in the event all granted options not yet exercised were exercised by the end of the vesting period, is 0.21% for 2009; 0.23% for 2010; 0.23% for 2011; 0.25% for 2012 and 0.38% for 2013.

The options had the change below, up to December 31, 2009, taking into account the share bonus effects occurred in each period:

## II.I - Total Granted Options

Granting		Vesting period until	Exercise period until	Exercise price restated (R\$1)	Options			
No.	Date				Granted	Exercised	Cancelled	Not exercised
Closed series					116,743,136	113,645,206	3,097,930	-
9th	03/10/2003	12/31/2007	12/31/2010	7.62	14,682,250	13,473,750	638,000	570,500
9th	05/02/2005	12/31/2007	12/31/2010	7.62	6,187	-	-	6,187
10th	02/16/2004	12/31/2008	12/31/2011	11.52	13,879,111	11,207,744	784,575	1,886,792
11th	02/21/2005	12/31/2009	12/31/2012	16.21	11,044,550	3,571,575	390,775	7,082,200
11th	08/01/2005	12/31/2009	12/31/2012	16.21	27,500	-	-	27,500
11th	08/06/2007	12/31/2009	12/31/2012	16.21	11,357	-	-	11,357
12th	02/21/2006	12/31/2010	12/31/2013	24.12	11,889,625	2,062,741	247,500	9,579,384
12th	05/06/2007	12/31/2010	12/31/2013	24.12	15,867	-	-	15,867
13th	02/14/2007	12/31/2011	12/31/2014	30.72	10,774,775	495,000	58,850	10,220,925
13th	08/06/2007	12/31/2011	12/31/2014	30.72	30,649	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	30.72	45,954	-	-	45,954
14th	02/11/2008	12/31/2012	12/31/2015	35.41	11,637,285	133,100	18,700	11,485,485
14th	05/05/2008	12/31/2012	12/31/2015	35.41	20,625	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	35.41	45,954	-	-	45,954
15th	03/03/2009	12/31/2013	12/31/2016	23.16	17,008,970	149,820	29,370	16,829,780
15th	10/28/2009	12/31/2013	12/31/2016	23.16	45,954	-	-	45,954
16th	08/10/2009	12/31/2010	12/31/2014	27.43	874,167	-	-	874,167
17th	09/23/2009	09/23/2012	12/31/2014	31.69	29,551	-	-	29,551
Total					208,813,467	144,738,936	5,265,700	58,808,831

## II.II - Change in stock options

	Number	Price (*)
<b>Balance at 12/31/2008</b>	<b>58,888,291</b>	<b>25.34</b>
Options		
. Granted	18,050,550	
. Cancelled	(29,370)	
. Exercised	(18,100,640)	
<b>Balance at 12/31/2009</b>	<b>58,808,831</b>	<b>25.11</b>

(\*) Weighted average exercise price.

## II.III - Exercised options in the period (R\$ 1)

Granting	Number of shares	Exercise price (*)	Market value (*)
8th	2,113,402	11.33	27.25
9th	3,667,938	7.64	28.42
10th	7,757,814	11.56	29.25
11th	1,884,175	16.23	32.20
12th	1,911,491	24.11	34.18
13th	482,900	30.61	37.21
14th	282,920	28.93	27.88
<b>Total</b>	<b>18,100,640</b>	<b>13.33</b>	<b>29.87</b>

(\*) Weighted average value.

## III - Stock Option Plan – Unibanco Plan

This plan, derived from Unibanco, aimed at aligning the commitment of officers with long-term results and reward high performance, in addition to being an instrument to attract, retain and motivate talents, upon the granting of stock options ("Simple Options"). At the Extraordinary Stockholders' Meeting held in March 2007, stockholders approved the change to the Stock Option Plan Rules – Performance, in order to establish the Program for Partners, according to which the executives selected to participate in such program could invest a percentage of their bonus in the acquisition of Units ("Own Shares"), which should be held by them for a term from 3 to 5 years and would be subject to market fluctuation. Depending on the percentage of the bonus invested for acquisition of Own Shares, a certain number of Unit options was received ("Bonus Options"). The exercise periods of these Bonus Options were from 3 to 5 years. The annual granting of Simple and Bonus Options were limited to 1% of authorized capital, and the total of options granted and not exercised was limited to 10% of this capital.

The fair value of these programs is calculated through the Binomial method for Simple Options and the Black Scholes method for the Plan for Partners.

In the calculation of the program costs the following is considered: number of active executives, number of granted options, number of active options, number of exercised options, expected future option exercise, period between the granting date and vesting period, and projected turnover.

The Extraordinary Stockholders' meeting of ITAÚ UNIBANCO HOLDING held in April 2009 approved the assumption by ITAÚ UNIBANCO HOLDING of the rights and obligations set forth in the agreements in force signed with the beneficiaries of the Stock Option Plans – Performance, including the responsibility for the grants carried out under this plan.

After this assumption, the beneficiaries of this plan started to be entitled to acquire shares issued by ITAÚ UNIBANCO HOLDING, by using the same exchange ratio used for the merger (purchase option of 1.7391 UBBR11 = purchase option of 1 ITUB4).

The options had the change below, up to December 31, 2009, taking into account the share bonus effects occurred in each period:



5.76

### III.I - Total Granted Options – Simple Options

Granting		Vesting period until	Exercise period until	Exercise period per ITUB4 (R\$) adjusted (IPCA) (*)	Options (ITUB4) (*)			
No.	Date				Granted	Exercised	Cancelled	Not exercised
Closed series					12,685,662	8,177,778	4,507,884	-
16th	09/02/2003	09/02/2008	02/25/2010	7.77	3,937,960	2,587,903	1,311,794	38,263
24th	07/19/2004	07/19/2009	07/18/2010	12.16	594,559	565,043	-	29,516
25th	08/04/2004	01/13/2009	05/05/2010	7.07	379,506	50,000	-	329,506
27th	02/01/2005	02/01/2010	01/31/2011	15.31	5,338,354	2,962,562	1,087,899	1,287,893
29th	09/19/2005	09/19/2010	09/18/2011	19.42	75,900	37,950	-	37,950
30th	07/04/2006	07/04/2011	07/03/2012	25.62	158,127	-	-	158,127
33rd	08/30/2006	08/30/2011	08/29/2012	28.37	63,251	-	-	63,251
34th	03/21/2007	03/21/2012	03/20/2013	32.32	227,703	-	-	227,703
35th	03/22/2007	03/22/2012	03/21/2013	32.29	88,550	-	-	88,550
36th	05/14/2008	05/14/2013	05/13/2014	40.17	75,901	-	-	75,901
TOTAL					23,625,473	14,381,236	6,907,577	2,336,660

(\*) Reflects the impact of the exchange of UNIT for ITUB4 and share bonus.

### III.II – Change in stock options – Simple Options

	Number	Price (*)
<b>Balance at 12/31/2008</b>	<b>9,154,693</b>	<b>9.41</b>
Options:		
Impact of exchange of UNIT for ITUB4	(3,890,702)	
Exercised	(2,855,650)	
Cancelled	(71,680)	
<b>Balance at 12/31/2009</b>	<b>2,336,660</b>	<b>18.40</b>

(\*) Weighted average exercise price.

### III.III – Exercised options in the period (R\$ 1) – Simple Options

Granting	Number of shares	Exercise price (*)	Market value (*)
11th	130,717	7.00	30.19
13th	158,590	6.65	27.75
16th	221,382	7.77	30.71
18th	25,300	9.09	26.69
19th	50,600	7.77	27.75
21st	2,580	11.10	29.55
22nd	168,668	10.99	29.85
23rd	42,166	11.09	29.85
24th	366,853	12.06	29.13
25th	50,000	7.07	36.54
27th	1,600,844	15.19	30.66
29th	37,950	19.51	37.90
<b>TOTAL</b>	<b>2,855,650</b>	<b>12.78</b>	<b>30.34</b>

(\*) Weighted average value.

### III.IV – Bonus Options

Granting Date	Exercise period until	Options (ITUB4)			
		Granted	Exercised	Cancelled	Not exercised
Closed series		8,160		8,160	-
09/03/2007	09/03/2012	767,755	43,640	39,134	684,981
02/29/2008	09/03/2012	66,948	-	-	66,948
03/03/2008	03/03/2013	932,078	45,434	40,242	846,402
09/03/2008	09/03/2013	1,105,429	57,495	43,581	1,004,353
03/06/2009	03/06/2014	1,697,536	133,581	24,318	1,539,637
06/19/2009	03/06/2014	158,891	-	-	158,891
<b>TOTAL</b>		<b>4,736,797</b>	<b>280,150</b>	<b>155,435</b>	<b>4,301,212</b>

### III.V – Change in stock options – Bonus Options

	Number
<b>Balance at 12/31/2008</b>	<b>4,902,284</b>
Options:	
Impact of exchange of UNIT for ITUB4	(2,083,547)
Exercised	(280,150)
Granted	1,856,427
Cancelled	(93,801)
<b>Balance at 12/31/2009</b>	<b>4,301,212</b>

### III.VI – Exercised options in the period (R\$ 1) – Bonus Options

Granting	Number of shares	Market value (*)
1st	43,640	28.22
4th	45,434	28.22
5th	57,495	28.22
6th	133,581	28.22
<b>TOTAL</b>	<b>280,150</b>	<b>28.22</b>

(\*) Weighted average value.

### IV - Effect of the option exercise – Itaú and Unibanco

Amount received for the sale of shares – exercised options	277,808
(-) Cost of treasury shares sold	(501,347)
(+) Write-off of cost recognized of exercised options	154,408
Effect on sale (*)	(69,131)

(\*) Recorded in revenue reserves.



## NOTE 17 – RELATED PARTIES

- a) Transactions between related parties are disclosed in compliance with CVM Resolution No. 560, of December 11, 2008, and CMN Resolution No. 3,750 of June 30, 2009. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions

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

The unconsolidated related parties are the following:

- ITAÚSA, the main parent company of ITAÚ UNIBANCO HOLDING, its controlling companies and non-financial subsidiaries, especially Itaútec S.A., Duratex S.A., Elekeiroz S.A. and Itaúsa Empreendimentos S.A.;
- Fundação Itaúbanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev, Itaúbank Sociedade de Previdência Privada, UBB – Prev Previdência Complementar, and Fundação Manoel Baptista da Silva de Seguridade Social, closed-end private pension entities, that administer supplementary retirement plans sponsored by ITAÚ UNIBANCO HOLDING and/or its subsidiaries; and
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema and Associação Clube “A”, entities sponsored by ITAÚ UNIBANCO and subsidiaries to act in their respective areas of interest, as described in Notes 22e and 22j.

The transactions with these related parties are basically characterized by:

	ITAÚ UNIBANCO HOLDING				ITAÚ UNIBANCO HOLDING CONSOLIDATED			
	ASSETS/(LIABILITIES)		REVENUE /(EXPENSES)		ASSETS/(LIABILITIES)		REVENUE /(EXPENSES)	
	12/31/2009	12/31/2008	01/01 to 12/31/2009	01/01 to 12/31/2008	12/31/2009	12/31/2008	01/01 to 12/31/2009	01/01 to 12/31/2008
<b>Interbank investments</b>	<b>6,851,028</b>	<b>350,485</b>	<b>474,047</b>	<b>78,269</b>	-	-	-	-
Itaú Unibanco S.A.	6,851,028	350,485	474,047	78,269	-	-	-	-
<b>Securities and derivative financial instruments</b>	<b>(1,296)</b>	<b>(1,524)</b>	<b>161</b>	<b>10,146</b>	-	-	-	-
Itaú Unibanco S.A.	(1,296)	(1,524)	161	10,146	-	-	-	-
<b>Deposits</b>	<b>(899,224)</b>	<b>(345,997)</b>	<b>(69,656)</b>	<b>(76,977)</b>	<b>(58,309)</b>	<b>(65,787)</b>	-	-
Duratex S.A.	-	-	-	-	(17,746)	(11,328)	-	-
Itaú Unibanco S.A.	(899,224)	(345,997)	(69,656)	(76,977)	-	-	-	-
ITH Zux Cayman Company Ltd.	-	-	-	-	(40,563)	(54,459)	-	-
<b>Repurchase agreements</b>	-	-	-	-	<b>(48,329)</b>	<b>(126,643)</b>	<b>4,071</b>	<b>(3,888)</b>
Itaúsa Empreendimentos S.A.	-	-	-	-	(47,815)	(44,155)	4,071	(475)
Duratex S.A.	-	-	-	-	-	(15,353)	-	(1,184)
Itaú Gestão de Ativos S.A.	-	-	-	-	(514)	-	-	-
Elekeiroz S.A.	-	-	-	-	-	(58,529)	-	(2,216)
Itaútec S.A.	-	-	-	-	-	(8,606)	-	(13)
<b>Amounts receivable from/payable to related parties</b>	<b>1,073</b>	<b>(3,769)</b>	<b>(4,836)</b>	<b>(2,184)</b>	<b>(72,556)</b>	<b>(89,929)</b>	<b>(102,963)</b>	<b>(14,249)</b>
Itaú Corretora de Valores S. A.	(526)	(212)	(4,836)	(2,184)	-	-	-	-
Itaúsa Investimentos S.A.	-	-	-	-	(72,556)	-	(102,963)	-
UBB Prev Previdência Complementar	-	-	-	-	-	(13,242)	-	(2,900)
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	-	-	-	-	-	(76,687)	-	(11,349)
Itaú Unibanco S.A.	1,599	(3,557)	-	-	-	-	-	-
<b>Banking service fees</b>	-	-	-	-	-	-	<b>13,500</b>	<b>13,364</b>
Fundação Itaúbanco	-	-	-	-	-	-	9,334	6,438
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	2,409	2,068
UBB Prev Previdência Complementar	-	-	-	-	-	-	-	3,664
Itaúsa Investimentos S.A.	-	-	-	-	-	-	1,757	1,194
<b>Rent expenses</b>	-	-	-	-	-	-	<b>(32,032)</b>	<b>(25,700)</b>
Duratex S.A.	-	-	-	-	-	-	-	2,498
Itaútec S.A.	-	-	-	-	-	-	-	2,051
Itaúsa - Investimentos Itaú S.A.	-	-	-	-	-	-	(1,411)	(1,386)
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	(6,529)	(6,005)
Fundação Itaúbanco	-	-	-	-	-	-	(24,092)	(22,858)
<b>Donation expenses</b>	-	-	-	-	-	-	<b>(49,939)</b>	<b>(36,565)</b>
Instituto Itaú Cultural	-	-	-	-	-	-	(39,250)	(36,250)
Fundação Itaú Social	-	-	-	-	-	-	(440)	(315)
Instituto Unibanco de Cinema	-	-	-	-	-	-	(9,674)	-
Associação Clube “A”	-	-	-	-	-	-	(575)	-
<b>Data processing expenses</b>	-	-	-	-	-	-	<b>(273,785)</b>	<b>(226,888)</b>
Itaútec S.A.	-	-	-	-	-	-	(273,785)	(226,888)

In addition to the aforementioned operations, ITAÚ UNIBANCO HOLDING and non-consolidated parties, as an integral part of the Agreement for Apportionment of Common Costs of the Itaú Unibanco group, paid, from January 1 to December 31, 2009, the amount of R\$ 8,953 (R\$ 6,771 from January 1 to December 31, 2008) in view of the use of the common structure.



## b) Compensation of the Management Key Personnel

The fees attributed in the period to ITAÚ UNIBANCO HOLDING officers are as follows:

	12/31/2009	12/31/2008
<b>Compensation</b>	<b>218,157</b>	<b>333,892</b>
Board of directors	11,789	23,595
Officers	206,368	310,297
<b>Profit sharing</b>	<b>224,983</b>	<b>120,602</b>
Board of directors	381	23,321
Officers	224,602	97,281
<b>Contributions to pension plans</b>	<b>24,002</b>	<b>24,584</b>
Board of directors	798	1,027
Officers	23,204	23,557
<b>Stock based compensation - Officers</b>	<b>116,361</b>	<b>102,088</b>
<b>Total</b>	<b>583,503</b>	<b>581,166</b>

Information related to the granting of stock option plan, benefits to employees and post-employment are detailed in Notes 16e, 19a and 19b, respectively.

## NOTE 18 – MARKET VALUE

The financial statements are prepared in accordance with accounting principles which assume the normal continuity of the operations of ITAÚ UNIBANCO HOLDING and its subsidiaries.

The book value of each financial instrument, whether included or not in the balance sheet, when compared to the value that might be obtained in an active market, or in the absence of such market, using the net present value of future cash flows adjusted based on the current market interest, is approximately equal to the market value, or does not have a market quotation available, except for the instruments in the table below:

	BOOK VALUE			MARKET			Unrealized income (loss) (3)			Stockholders' equity	
							Results				
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2008
Interbank deposits	17,481,045	26,007,407	17,504,610	26,063,858	43,565	56,451	43,565	56,451	43,565	56,451	56,451
Securities and derivative financial instruments	120,188,564	138,343,875	120,550,985	138,865,674	794,058	383,253	794,058	383,253	362,421	521,799	521,799
Adjustment of available-for-sale securities					415,860	(159,357)			-	-	-
Adjustment to held-to-maturity securities					378,198	542,610			362,421	521,799	521,799
Loan, lease and other credit operations	221,899,091	221,070,983	222,266,177	222,797,893	367,086	1,726,910	367,086	1,726,910	367,086	1,726,910	1,726,910
Investments											
BM&FBovespa	74,572	74,529	735,256	360,616	660,684	286,087	660,684	286,087	660,684	286,087	286,087
BPI	913,842	1,010,926	902,872	962,529	(10,970)	(48,397)	(10,970)	(48,397)	(10,970)	(48,397)	(48,397)
Parent company					(10,970)	(48,397)			(10,970)	(48,397)	(48,397)
Cetip S.A.	32,163	-	317,327	-	285,164	-	285,164	-	285,164	-	-
Redecard S.A.	1,560,840	550,778	9,758,075	8,028,738	8,197,235	7,477,960	8,197,235	7,477,960	8,197,235	7,477,960	7,477,960
Serasa S.A.	248,745	154,279	647,705	629,963	398,960	475,684	398,960	475,684	398,960	475,684	475,684
Parent company	164,558	154,279	563,518	629,963	398,960	475,684	398,960	475,684	398,960	475,684	475,684
Minority stockholders (1)	84,187	-	84,187	-	-	-	-	-	-	-	-
Visa Inc.	-	16	-	153,925	-	153,909	-	153,909	-	153,909	153,909
Fundings and borrowings (2)	146,372,895	182,598,147	146,458,365	182,222,747	(85,470)	375,400	(85,470)	375,400	(85,470)	375,400	375,400
Securitization of foreign payment orders	-	3,828,733	-	3,858,636	-	(29,903)	-	(29,903)	-	(29,903)	(29,903)
Subordinated debt (Note 10f)	22,725,927	23,356,398	22,845,413	23,102,781	(119,486)	253,617	(119,486)	253,617	(119,486)	253,617	253,617
Treasury shares	1,031,327	1,525,695	1,686,498	1,533,714	-	-	-	-	655,171	8,019	8,019
<b>Total unrealized</b>					<b>10,530,826</b>	<b>11,110,971</b>	<b>10,530,826</b>	<b>11,110,971</b>	<b>10,754,360</b>	<b>11,257,536</b>	<b>11,257,536</b>

(1) The investment held by minority stockholders does not affect the result of ITAÚ UNIBANCO HOLDING;

(2) Funding is represented by interbank and time deposits and funds from acceptance and issuance of securities;

(3) It does not consider the corresponding tax effects.

To obtain the market values for these financial instruments, the following criteria were adopted:

- Interbank investments were determined based on their nominal amounts, monetarily restated to maturity dates and discounted to present value using future market interest rates and swap market rates for fixed-rate securities and using market interest rates for fixed-rate securities, achieved at the closing of BM&F at the balance sheet date, for floating-rate securities.
- Securities and derivative financial instruments, according to the rules established by Circulars Nos. 3,068 and 3,082 of November 8, 2001 and January 30, 2002, respectively, issued by the Central Bank of Brazil (BACEN), are recorded at their market value, except for those classified as Held to Maturity. Government securities allocated in this category have their market value calculated based on the rates obtained in the market, and validated through the comparison with information provided by the National Association of Financial Market Institutions (ANDIMA). Private securities included in this category have their market value calculated using a criterion similar to the one adopted for Investments in Interbank Deposits, as described above.
- Loans with maturity over 90 days, when available, were calculated based on their net present value of future cash flows discounted at market interest rates effective on the balance sheet date, taking into account the effects of *hedges* as well (swap contracts).
- Investments - in BPI, Redecard S.A., BM&F Bovespa S.A., and Visa Inc. are determined based on stock market quotations, and in Serasa S.A. are determined based on the last transaction prices.
- Time and interbank deposits and funds from acceptance and issuance of securities and foreign borrowings through securities, when available, were calculated based on their present value determined by future cash flows, discounted at market rates at the closing of BM&F at the balance sheet date;
- Securitization of foreign payment orders, based on the net present value of the future cash flows estimated as from the interest curves of the indexation market places, net of the interest rates practiced in the market on the balance sheet date, considering the credit risk of the issuer, calculated based on the market price of other securities issued by the same.
- Subordinated debt, based on the net present value of future fixed or floating cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The floating cash flows are estimated as from the interest curves of the indexation market places.
- Treasury shares are valued according to the average quotation available on the last trading day of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each Stock Exchange.

## NOTE 19 - BENEFITS TO EMPLOYEES

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

### a) Supplementary retirement benefits

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

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

(1) Defined benefit plan;

(2) Variable contribution plan;

(3) Defined contribution plan.

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

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

During the period, the contributions made totaled R\$ 51,337 (R\$ 44,916 from January 1 to December 31, 2008). The contribution rate increases based on the beneficiary's salary.

### b) Post-employment benefits

ITAÚ UNIBANCO HOLDING subsidiaries do not offer other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by ITAÚ, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries. During the period, the contributions made totaled R\$ 5,383 (R\$ 6,658 from January 1 to December 31, 2008). The contribution rate increases based on the beneficiary's age.

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

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

	12/31/2009	12/31/2008
Net assets of the plans	14,536,891	12,775,978
Actuarial liabilities	(12,090,146)	(11,223,791)
<b>Surplus (*)</b>	<b>2,446,745</b>	<b>1,552,187</b>

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

In addition to the reserves recorded by the plans, the sponsors record provisions in the amount of R\$ 111,880 (R\$ 118,251 at December 31, 2008) (Note 13c) to cover possible actuarial liabilities.

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

	01/01 to 12/31/2009			01/01 to 12/31/2008		
	Assets	Actuarial liabilities	Surplus	Assets	Actuarial liabilities	Surplus
<b>Present value – beginning of the period</b>	<b>12,775,978</b>	<b>(11,223,791)</b>	<b>1,552,187</b>	<b>12,583,353</b>	<b>(9,440,841)</b>	<b>3,142,512</b>
Adjustments in the period (1)	-	(127,661)	(127,661)	-	-	-
Expected return on assets/Cost of current service + interest	1,582,884	(1,044,705)	538,179	1,536,547	(1,164,577)	371,970
Benefits paid	(572,246)	572,246	-	(472,846)	472,846	-
Contributions of sponsors/participants	104,475	-	104,475	66,523	-	66,523
Gains/(losses) in the period (2)	586,123	(212,996)	373,127	(1,051,459)	(909,399)	(1,960,858)
Balance arising from REDECARD at 12/31/2009 (3)	59,677	(53,239)	6,438			
Balance arising from ITAÚ UNIBANCO merger at 09/30/2008	-	-	-	113,860	(181,820)	(67,960)
<b>Present value – end of the period</b>	<b>14,536,891</b>	<b>(12,090,146)</b>	<b>2,446,745</b>	<b>12,775,978</b>	<b>(11,223,791)</b>	<b>1,552,187</b>

(1) Effect corresponding to the reclassification of the option of former employees;

(2) Gains/(losses) in assets correspond to the actual earnings obtained below the expected return rate of assets;

(3) It considers minority stockholders (Note 2b).

#### e) Main assumptions used in actuarial valuation

	Itaú Unibanco Holding	Redecard
Discount rate	10,24% p.a.	12,00% p.a.
Expected return rate on assets	12,32 % p.a.	12,50 % p.a.
Mortality table (1)	AT-2000	AT-83
Turnover (2)	Itaú Exp. 2003/2004	Mercer Service
Future salary growth	7,12 % p.a.	6,50 % p.a.
Growth of the pension fund and social security benefits	4,00 % p.a.	4,50 % p.a.
Inflation	4,00 % p.a.	4,50 % p.a.
Actuarial method	Projected Unit Credit.(3)	Projected Unit Credit.(3)

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

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

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

## NOTE 20 - INFORMATION ON FOREIGN SUBSIDIARIES

	Foreign branches (1)		Banco Itaú Argentina S.A.		Itaú Europa Consolidated (2)		Consolidated Cayman (3)		Consolidated Chile (4)		Consolidated Uruguay (5)		Paraguay (6)		Other foreign companies (7)		Foreign consolidated (8)	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
<b>Assets</b>																		
<b>Current and long-term receivables</b>																		
Cash and cash equivalents	975,741	5,634,627	98,484	159,958	1,865,208	1,848,639	2,389,774	2,405,494	317,197	825,955	465,356	1,110,001	107,724	172,137	591,888	199,618	4,885,458	10,146,328
Loans	13,349,855	16,540,062	184,914	2,529,815	2,529,815	3,974,003	4,225,270	4,925,571	192,680	159,044	371,969	334,069	63,925	112,107	283,219	15,155,634	19,555,194	
Securities	14,827,855	23,080,816	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Loan, lease and other credit operations	9,560,693	14,827,855	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Foreign exchange portfolio	11,019,286	1,608,066	38,953	41,495	15,933,855	9,105,329	700,814	1,697,740	421,111	117,601	44,465	52,329	34,774	-	72,388	58,208	24,711,887	12,519,229
Other assets	293,555	1,464,073	403,917	451,309	231,593	200,798	456,741	791,516	416,834	308,627	460,860	81,223	341,372	281,144	-	-	2,642,355	3,723,446
<b>Permanent assets</b>																		
Investments	-	-	4,523	8,048	468,379	520,624	38,473	50,572	1,043	805	352	363	529	665	487,739	532,538	918,078	1,020,798
Other investments	-	-	4,523	8,048	468,379	520,624	38,473	50,572	1,043	805	352	363	529	665	487,739	532,538	918,078	1,020,798
Fixed and intangible assets	27,355	38,316	56,592	69,340	203,826	309,289	34	488	166,462	154,010	21,365	25,887	18,171	22,025	5,244	7,740	490,098	626,693
<b>Total</b>	<b>51,794,212</b>	<b>68,373,845</b>	<b>2,118,812</b>	<b>2,825,213</b>	<b>27,949,716</b>	<b>25,740,231</b>	<b>12,233,824</b>	<b>15,549,953</b>	<b>10,737,853</b>	<b>11,911,327</b>	<b>3,067,069</b>	<b>3,253,683</b>	<b>1,924,068</b>	<b>2,063,138</b>	<b>1,435,419</b>	<b>1,686,666</b>	<b>97,653,259</b>	<b>118,445,751</b>
<b>Liabilities</b>																		
<b>Current and long-term liabilities</b>																		
Deposits	17,931,847	22,719,709	-	-	7,312,365	9,699,613	2,249,976	3,830,268	7,028,916	7,709,495	2,341,388	2,424,958	1,571,940	1,697,017	4	76,743	31,922,883	40,760,614
Demand deposits	3,861,179	5,163,869	-	-	2,817,545	2,405,316	1,136,547	2,061,307	1,355,436	1,139,294	1,179,276	1,277,131	535,009	598,637	-	-	8,641,843	9,988,526
Savings deposits	4,740,000	5,185,889	-	-	4,484,820	4,714,300	1,013,429	1,368,961	1,673,480	1,571,195	748,132	748,132	748,132	748,132	-	-	1,326,639	1,326,639
Time deposits	1,241,868	136,566	-	-	1,273,070	798,462	295,951	1,136,009	23	47	88,007	71,720	83,658	153,276	-	-	1,326,639	1,326,639
Deposits received under securities repurchase agreements	12,328,770	17,397,254	715,512	908,120	3,221,750	6,456,335	817,478	632,932	5,673,457	6,570,154	355,007	348,795	243,734	249,241	4	76,743	20,088,689	28,086,347
Funds from acceptance and issuance of securities	712,504	2,474,111	-	-	205,471	2,433,102	2,389,432	944,942	387,903	427,016	-	-	-	-	-	-	1,575,531	3,641,478
Borrowing	1,295,950	2,965,795	-	-	1,889,019	2,433,102	2,389,432	944,942	387,903	427,016	6,872	12,017	13,152	22,077	-	55,592	5,915,411	6,781,666
Derivative financial instruments	9,110,794	16,552,380	-	-	834,813	1,712,433	28,023	-	850,639	960,837	-	-	-	-	-	9,307	10,725,335	19,151,068
Dervative financial instruments	979,963	3,924,690	1,067	13,016	227,265	167,535	772,322	1,233,097	164,084	330,280	22	-	33,348	-	-	-	1,095,479	4,026,425
Foreign exchange portfolio	10,995,761	16,981,499	38,941	41,180	15,962,406	9,128,472	705,612	1,702,763	420,545	110,201	23,205	50,644	33,348	-	68,349	24,700,477	12,595,297	
Other liabilities	1,946,228	7,551,963	191,676	172,497	160,374	808,869	828,598	2,929,250	386,730	285,598	416,097	433,914	58,696	67,988	-	62,397	3,973,342	11,746,344
<b>Deferred income</b>	<b>1,764</b>	<b>33,868</b>	<b>-</b>	<b>-</b>	<b>15,260</b>	<b>20,205</b>	<b>346</b>	<b>636</b>	<b>264</b>	<b>306</b>	<b>-</b>	<b>19</b>	<b>88</b>	<b>45</b>	<b>5,312</b>	<b>23,034</b>	<b>55,860</b>	<b>55,860</b>
<b>Minority interest in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>189</b>	<b>-</b>	<b>-</b>	<b>118</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>7</b>	<b>237</b>	<b>327</b>
<b>Stockholders' equity</b>																		
Capital and reserves	7,932,296	9,977,876	169,928	225,905	1,499,073	1,400,218	4,141,288	3,714,032	1,190,172	1,447,645	293,235	249,705	155,960	247,408	1,259,258	1,504,066	16,556,845	18,825,754
Net income	887,105	508,284	2,457	2,062,213	49,009	164,124	(11,470)	36,308	111,209	143,598	(13,738)	82,426	90,884	28,593	48,895	34,146	1,164,685	861,680
<b>Total</b>	<b>51,794,212</b>	<b>68,373,845</b>	<b>2,118,812</b>	<b>2,825,213</b>	<b>27,949,716</b>	<b>25,740,231</b>	<b>12,233,824</b>	<b>15,549,953</b>	<b>10,737,853</b>	<b>11,911,327</b>	<b>3,067,069</b>	<b>3,253,683</b>	<b>1,924,068</b>	<b>2,063,138</b>	<b>1,435,419</b>	<b>1,686,666</b>	<b>97,653,259</b>	<b>118,445,751</b>
<b>Statement of income</b>																		
Income from financial operations	2,294,456	1,854,370	-	-	709,631	643,453	223,158	283,817	649,574	1,050,108	86,111	198,511	165,147	55,366	(8)	35,228	4,105,135	4,284,988
Expenses from financial operations	(1,119,627)	(825,239)	-	-	(594,162)	(457,716)	(225,438)	(184,561)	(205,160)	(382,616)	(12,658)	(18,957)	(34,670)	(10,556)	(1,652)	(2,360)	(2,177,685)	(2,282,713)
Result of allowance for loan losses	(285,946)	(73,710)	-	-	(22,288)	(3,310)	(6,228)	(6,228)	(6,228)	(6,228)	(6,228)	(6,228)	(6,228)	(6,228)	(6,228)	(6,228)	(453,884)	(453,884)
<b>Gross income from financial operations</b>	<b>918,883</b>	<b>955,421</b>	<b>-</b>	<b>-</b>	<b>123,181</b>	<b>182,427</b>	<b>90,492</b>	<b>99,026</b>	<b>238,186</b>	<b>661,302</b>	<b>68,225</b>	<b>173,306</b>	<b>124,241</b>	<b>38,679</b>	<b>1,860</b>	<b>32,574</b>	<b>2,927,820</b>	<b>2,602,275</b>
Other operating revenues/expenses	916,681	679,713	11,806	11,806	43,145	125,317	2,359	84,184	140,031	166,541	106,677	88,761	88,761	31,817	84,316	65,469	1,328,621	1,150,772
<b>Operating income</b>	<b>919,861</b>	<b>679,713</b>	<b>11,806</b>	<b>11,806</b>	<b>166,326</b>	<b>125,817</b>	<b>2,359</b>	<b>84,184</b>	<b>140,031</b>	<b>166,541</b>	<b>106,677</b>	<b>88,761</b>	<b>88,761</b>	<b>31,817</b>	<b>84,316</b>	<b>65,469</b>	<b>1,328,621</b>	<b>1,150,772</b>
Non-operating income	3,343	(4,189)	-	-	(445)	326	133	(2,296)	(2,296)	5,957	8,174	3,718	10,277	26	(210)	45	19,622	10,013
<b>Income before taxes on income and profit sharing</b>	<b>923,204</b>	<b>675,525</b>	<b>11,806</b>	<b>11,806</b>	<b>165,881</b>	<b>126,143</b>	<b>2,492</b>	<b>84,184</b>	<b>137,735</b>	<b>162,498</b>	<b>1,656</b>	<b>110,395</b>	<b>99,038</b>	<b>31,643</b>	<b>84,106</b>	<b>65,514</b>	<b>1,348,243</b>	<b>1,160,789</b>
Income tax	(32,899)	(167,241)	-	-	(25,278)	(40,888)	(1,514)	(30,481)	(26,512)	(18,875)	(15,266)	(27,968)	(8,154)	(3,050)	(17,804)	(16,535)	(138,044)	(236,432)
Minority participation in income	-	-	-	-	(11,633)	(11,633)	(12,446)	(17,395)	(14)	(25)	-	-	-	-	(14,452)	(14,452)	(43,456)	(43,456)
<b>Net income (loss)</b>	<b>887,105</b>	<b>508,284</b>	<b>2,457</b>	<b>2,062,213</b>	<b>49,009</b>	<b>164,124</b>	<b>(11,470)</b>	<b>36,308</b>	<b>111,209</b>	<b>143,598</b>	<b>(13,738)</b>	<b>82,426</b>	<b>90,884</b>	<b>28,593</b>	<b>48,895</b>	<b>34,146</b>	<b>1,164,685</b>	<b>861,680</b>
<b>Notes:</b>																		
(1) Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo and Nassau Branch; Banco Itaú BBA S.A. - Uruguay Branch; Itaú Unibanco Holding S.A. - Grand Cayman Branch and Unibanco Grand Cayman Branch;																		
(2) BIEL Holdings AG, IP - Itaú Portugal Investimentos, SGPS Ltd. (51%), Itaú Europa - Investimentos, SGPS, Ltd., Itaú Europa, SGPS, Ltd., Itaú Portugal - SGPS S.A., Banco Itaú Europa, S.A., BIE - Bank & Trust Ltd., Banco Itaú Europa Luxembourg S.A., Banco Itaú Europa Fund Management Company, S.A. (dissolved on 07/31/2009), BIEL Fund Management Company S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank & Trust Bahamas Ltd., Itaú Europa Securities Inc., Unibanco - União de Bancos Brasileiros (Luxembourg) S.A. (merged on 07/31/2009), Itaú Madeira Investimentos, SGPS, Ltd., BIE Directors, Ltd., BIE Nominees, Ltd. and only on 12/31/2009, Bracorp 1 Limited, Fin Trade, Kennedy Director International Services S.A., Federal Director International Services, S.A., Bay State Corporation Limited, Capa and Ann Corporation Limited;																		
(3) BPE Overseas F.V., BPE Overseas Cayman, Ltd., Itaú Bank Ltd., JTB Holding Ltd., Jasper International Investment LLC, Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc., USB Investments Inter Corp., Unipart Pacific Internac. Ltd. and Roseland Finance Ltd.;																		
(4) ACOLITE, Banco Itaú Uruguay S.A., OCA S.A. Itaú Uruguay, Directo S.A. (dissolved on 1/28/2008) and Unión Capital AFAP S.A.;																		
(5) Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo and Nassau Branch; Banco Itaú BBA S.A. - Uruguay Branch; Itaú Unibanco Holding S.A. - Grand Cayman Branch and Unibanco Grand Cayman Branch;																		
(6) BIEL Holdings AG, IP - Itaú Portugal Investimentos, SGPS Ltd. (51%), Itaú Europa - Investimentos, SGPS, Ltd., Itaú Europa, SGPS, Ltd., Itaú Portugal - SGPS S.A., Banco Itaú Europa, S.A., BIE - Bank & Trust Ltd., Banco Itaú Europa Luxembourg S.A., Banco Itaú Europa Fund Management Company, S.A. (dissolved on 07/31/2009), BIEL Fund Management Company S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank & Trust Bahamas Ltd., Itaú Europa Securities Inc., Unibanco - União de Bancos Brasileiros (Luxembourg) S.A. (merged on 07/31/2009), Itaú Madeira Investimentos, SGPS, Ltd., BIE Directors, Ltd., BIE Nominees, Ltd. and only on 12/31/2009, Bracorp 1 Limited, Fin Trade, Kennedy Director International Services S.A., Federal Director International Services, S.A., Bay State Corporation Limited, Capa and Ann Corporation Limited;																		
(7) BPE Overseas F.V., BPE Overseas Cayman, Ltd., Itaú Bank Ltd., JTB Holding Ltd., Jasper International Investment LLC, Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc., USB Investments Inter Corp., Unipart Pacific Internac. Ltd. and Roseland Finance Ltd.;																		
(8) ACOLITE, Banco Itaú Uruguay S.A., OCA S.A. Itaú Uruguay, Directo S.A. (dissolved on 1/28/2008) and Unión Capital AFAP S.A.;																		
(9) Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo and Nassau Branch; Banco Itaú BBA S.A. - Uruguay Branch; Itaú Unibanco Holding S.A. - Grand Cayman Branch and Unibanco Grand Cayman Branch;																		
(10) BIEL Holdings AG, IP - Itaú Portugal Investimentos, SGPS Ltd. (51%), Itaú Europa - Investimentos, SGPS, Ltd., Itaú Europa, SGPS, Ltd., Itaú Portugal - SGPS S.A., Banco Itaú Europa, S.A., BIE - Bank & Trust Ltd., Banco Itaú Europa Luxembourg S.A., Banco Itaú Europa Fund Management Company, S.A. (dissolved on 07/31/2009), BIEL Fund Management Company S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank & Trust Bahamas Ltd., Itaú Europa Securities Inc., Unibanco - União de Bancos Brasileiros (Luxembourg) S.A. (merged on 07/31/2009), Itaú Madeira Investimentos, SGPS, Ltd., BIE Directors, Ltd., BIE Nominees, Ltd. and only on 12/31/2009, Bracorp 1 Limited, Fin Trade, Kennedy Director International Services S.A., Federal Director International Services, S.A., Bay State Corporation Limited, Capa and Ann Corporation Limited;																		
(11) BPE Overseas F.V., BPE Overseas Cayman, Ltd., Itaú Bank Ltd., JTB Holding Ltd., Jasper International Investment LLC, Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc., USB Investments Inter Corp., Unipart Pacific Internac. Ltd. and Roseland Finance Ltd.																		



## **NOTE 21 – RISK MANAGEMENT**

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

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

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

### **I – Market Risk**

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

The risk control process starts with the setting of limits, approved by the Management Committee responsible for the market risk management, based on the risk appetite and financial capacity of each main unit. The market risk is controlled by the centralized risk control area, which carries out daily measurement, assessment and report activities by way of control units set in the Legal Entities.

Additionally, it carries out the consolidated monitoring, assessment and report of market risk information, aiming at providing input for the Management Committee's follow-up and compliance with the Brazilian regulatory body.

The market risk control and management process is submitted to periodic reviews aimed at keeping it aligned with the best market practices and adhering to the continuous improvement processes at ITAÚ UNIBANCO HOLDING.

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

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

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

The limits and exposure to market risks are relatively low as compared to the company's stockholders' equity, according to the diversified management of risks. In December 2009 the Total VaR Global of ITAÚ UNIBANCO HOLDING was R\$ 87 million (R\$ 158 million in September 2009).

#### **Susceptibility of portfolio in relation to market risk factors**

In compliance with CVM Instruction No. 475 of December 17, 2008, Itaú Unibanco Holding carried out a sensitivity analysis by market risk factors considered relevant to which the group was exposed (Note 7j). Each market risk factor was subject to a sensitivity level, with shock applications in approximately 25% (scenario II) and approximately 50% (scenario III), and the biggest losses arising, by risk factor, in each scenario, were stated with impact on result, net of tax effects, by providing a vision of the ITAÚ UNIBANCO HOLDING exposure in derivatives under exceptional scenarios.

In accordance with the operations classification criteria set forth in BACEN Resolution No. 3,464/07 and Circular No. 3,354/07 and in the New Capital Accord – Basel II, the analysis was fully applied to the trading and banking portfolios, which exposures will have significant impacts on the company's current result.

The outcome of the sensitivity analysis, with correlation effects among the risk factors in the trading portfolio and net of tax effects, points out to a mark-to-market sensitivity of R\$ 432 million and R\$ 822 million for those scenarios with variations of 25% and 50%, respectively. In the consolidated portfolio (trading + banking), sensitivity is R\$ 1,299 million and R\$ 2,465 million for those scenarios with variations of 25% and 50%, respectively.

The sensitivity analyses shown in this report do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses.

The method, parameters and assumptions are in the Management Discussion and Analysis Report ([www.itaú-unibanco.com.br/ri](http://www.itaú-unibanco.com.br/ri)).

ITAÚ UNIBANCO HOLDING's Market Risk Management Policy, based on BACEN's guidelines and the Basel Committee's concepts, is a set of principles that drive its strategy towards control and management of market risk of all Business Units and Legal Entities of the Group. It is in the website ([www.itaú-unibanco.com.br/ri](http://www.itaú-unibanco.com.br/ri)) in the route: Corporate Governance/Regulations and Policies/Market Risk Management Policy.

## II – Credit Risk

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

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

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

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

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

Additionally, ITAÚ UNIBANCO HOLDING recognizes a provision to cover possible additional losses that may arise due to any reversal of the economic cycle. This provision is usually quantified based on the historic behavior of credit portfolios in economic crisis situations (Note 8c)

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

## III – Operational Risk

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

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

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

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

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

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

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

The description of the structure for the operational risk management is available on the website ([www.itaunibanco.com.br/ri](http://www.itaunibanco.com.br/ri)), in the route: Corporate Governance/Regulations and Policies/Operational Risk Management Policy.

#### **IV – Liquidity Risk**

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

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

#### **V – Subscription Risk**

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

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

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

## NOTE 22 - ADDITIONAL INFORMATION

a) **Insurance policy** - ITAÚ UNIBANCO HOLDING and its subsidiaries, despite the low risk exposure due to a physical non-concentration of their assets, have the policy to guarantee its valuables and assets at amounts considered sufficient to cover possible claims.

b) **Foreign currency** – the balances in Reais linked to foreign currency were:

	12/31/2009	12/31/2008
Permanent foreign investments	17,721,530	19,687,434
Net amount of other assets and liabilities indexed to foreign currency, including derivatives	(31,723,239)	(36,576,146)
<b>Net foreign exchange position</b>	<b>(14,001,709)</b>	<b>(16,888,712)</b>

The net foreign exchange position, considering the tax effects on the net balance of other assets and liabilities indexed to foreign currency, reflects the low exposure to exchange variations.

c) **Investment funds and managed portfolios** - ITAÚ UNIBANCO HOLDING, through its subsidiaries, manages the following types of funds: privatization, fixed income, shares, open portfolio shares, investment clubs, customer portfolios and group portfolios, domestic and foreign, classified in memorandum accounts, distributed as follows:

	Amount		Amount (*)		Number of funds	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
<b>Investment funds</b>	<b>258,329,208</b>	<b>200,487,712</b>	<b>258,329,208</b>	<b>200,487,712</b>	<b>1,695</b>	<b>1,860</b>
Fixed income	228,358,327	184,954,842	228,358,327	184,954,842	1,384	1,603
Shares	29,970,881	15,532,870	29,970,881	15,532,870	311	257
<b>Managed portfolios</b>	<b>140,328,669</b>	<b>90,278,983</b>	<b>75,539,923</b>	<b>57,764,090</b>	<b>16,664</b>	<b>10,366</b>
Customers	76,356,906	68,216,005	62,963,139	49,390,053	16,584	10,318
Itaú Group	63,971,763	22,062,978	12,576,784	8,374,037	80	48
<b>TOTAL</b>	<b>398,657,877</b>	<b>290,766,695</b>	<b>333,869,131</b>	<b>258,251,802</b>	<b>18,359</b>	<b>12,226</b>

(\*) It refers to the distribution after elimination of double-counting of managed portfolios in investment funds.

## d) Funds of consortia

	12/31/2009	12/31/2008
Monthly estimate of installments receivable from participants	40,133	32,948
Group liabilities by installments	2,435,212	2,052,870
Participants – assets to be delivered	2,273,924	1,900,185
Funds available for participants	277,100	250,459
<b>(In units)</b>		
Number of managed groups	657	679
Number of current participants	127,531	108,383
Number of assets to be delivered to participants	75,160	57,075

- e) **Fundação Itaú Social** - ITAÚ UNIBANCO HOLDING and its subsidiaries are the main sponsors of Fundação Itaú Social, the objectives of which are: 1) managing the "Itaú Social Program", which aims at coordinating the organization's role in projects of interest to the community by supporting or developing social, scientific and cultural projects, mainly in the elementary education and health areas; 2) supporting projects or initiatives in progress, supported or sponsored by entities qualified to work in the "Itaú Social Program"; and 3) providing food and other similar benefits to the employees of ITAÚ UNIBANCO HOLDING and other companies of the group.

Donations made by the consolidated companies totaled R\$ 440 (R\$ 315 at 12/31/2008) in the period, and the Foundation's social net assets totaled R\$ 499,963 (R\$ 463,248 at 12/31/2008). The income arising from its investments will be used to achieve the Foundation's social purposes.

- f) **Instituto Itaú Cultural – IIC** - ITAÚ UNIBANCO HOLDING and its subsidiaries are supporters of Instituto Itaú Cultural - IIC, an entity formed to grant incentives, promote and preserve Brazil's cultural heritage. During the period, the consolidated companies donated the amount of R\$ 39,250 (R\$ 36,250 from January 1 to December 31, 2008).
- g) **Instituto Unibanco** - ITAÚ UNIBANCO HOLDING and subsidiaries sponsor Instituto Unibanco, an institution whose objective is to support projects on social assistance, particularly education, culture, promotion of integration to labor market, and environmental protection, directly and/or supplementarily, through the civil society's institutions.
- h) **Instituto Unibanco de Cinema** - ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Unibanco de Cinema, an entity whose objective is (i) the fostering of culture in general; and (ii) providing access of low-income population to cinematography, videography and similar productions, for which it shall maintain movie theaters owned or managed by itself, and theaters to screen art films, videos, video-laser discs and other related activities, as well as to screen and divulge films of great importance, especially those produced in Brazil. During the period from January 1 to December 31, 2009, the consolidated companies donated the amount of R\$ 9,674.
- i) **Associação Classe "A"** - ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Associação Classe "A", an entity whose objective is the provision of social services for the welfare of beneficiaries, in the way and conditions established by its Internal Rules, and according to the funds available. These services may include, among others, the promotion of cultural, educational, sports, entertainment and health care activities. During the period from January 1 to December 31, 2009, the consolidated companies donated the amount of R\$ 575.
- j) **Instituto Assistencial Pedro di Perna** - ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Assistencial Pedro di Perna, an entity whose objective is the provision of social services, stimulate sport activities, and promote recreation, aimed at the welfare of its members, in the way and conditions established by its Internal Rules, and according to the funds available.

# k) Minority interest in subsidiaries

	Stockholders' equity		Results	
	12/31/2009	12/31/2008	01/01 to 12/31/2009	01/01 to 12/31/2008
Unibanco Participações Societárias S.A.	1,118,000	1,078,137	(58,943)	(68,999)
Itau Bank, Ltd. (*)	687,711	930,575	-	-
Banco Itaú Europa S.A.	-	-	-	(104,594)
Redecard S.A. (Note 2a)	713,444	-	(704,837)	-
Itaú BBA Participações S.A.	-	-	-	(60,185)
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	171,797	85,994	(20,433)	4,199
Itaú XL Seguros Corporativos S.A.	123,265	106,572	(21,891)	(6,673)
Biu Participações S.A.	80,766	-	(22,681)	-
Itaú Gestão de Ativos S.A.	60,040	59,820	(289)	1,114
Biogeração de Energia S.A.	29,212	25,504	(6,305)	(3,533)
Investimentos Bemge S.A.	16,446	15,945	(1,231)	(1,049)
Três "B" Empreendimentos e Participações Ltda.	-	70,201	(10,852)	(7,834)
Other	539,320	145,980	(16,551)	(18,835)
<b>Total</b>	<b>3,540,001</b>	<b>2,518,728</b>	<b>(864,013)</b>	<b>(266,389)</b>

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

I) Exclusion of nonrecurring effects net of tax effects

	ITAÚ UNIBANCO			ITAÚ UNIBANCO CONSOLIDATED	
	2ndHalf of 2009	01/01 to 12/31/2009	01/01 to 12/31/2008	01/01 to 12/31/2009	01/01 to 12/31/2008
Sale of investments	16,421	228,073	232,673	228,073	232,673
Visa Inc. and Visa Net	-	211,652	-	211,652	-
Allianz	16,421	16,421	-	16,421	-
BM&F Bovespa	-	-	42,462	-	42,462
Visa, Inc.	-	-	95,229	-	95,229
Mastercard, Inc.	-	-	54,756	-	54,756
Banco de Fomento de Angola (Investment which was held by BPI)	-	-	40,226	-	40,226
Program for Settlement or Installment Payment of Federal Taxes - Law No. 11,941/09 (Note 12d)	291,591	291,591	-	291,591	-
Itaú Unibanco x CBD joint venture (Note 13i)	(363,000)	(363,000)	-	(363,000)	-
Provision for contingencies – economic plans	(81,318)	(191,129)	(174,057)	(191,129)	(174,057)
Sale and adjustments to market value of shares of Banco Comercial Português S.A. held BPI	-	-	(29,279)	-	(29,279)
Amortization of goodwill (*)	-	-	-	(389,538)	(222,761)
Effects of adoption of Law No. 11,638	-	-	(135,708)	-	(135,708)
Stock based compensation	-	-	(102,088)	-	(102,088)
Lease	-	-	(33,620)	-	(33,620)
Effect arising from ITAÚ UNIBANCO	-	-	18,031,351	-	5,183,211
Non-operating equity in earnings	-	-	18,031,351	-	18,031,351
Amortization of goodwill	-	-	-	-	(12,848,140)
Provision for integration expenditures - ITAÚ UNIBANCO (Nota 13i)	-	-	(888,358)	-	(888,358)
Equalization of criteria ITAÚ UNIBANCO	-	-	(1,413,696)	-	(1,413,696)
Non-technical provision for health insurance	-	-	(350,218)	-	(350,218)
Technical provision for insurance and pension plan	-	-	(193,058)	-	(193,058)
Allowance for loan losses – adjustment to the minimum required by Resolution No. 2,682	-	-	(215,820)	-	(215,820)
Provisions for contingent liabilities and legal liabilities	-	-	(261,794)	-	(261,794)
Other	-	-	(392,806)	-	(392,806)
Additional allowance for loan losses	-	-	(3,089,436)	-	(3,089,436)
Other nonrecurring events	-	-	80,520	-	(29,982)
<b>Total</b>	<b>(136,306)</b>	<b>(34,465)</b>	<b>12,614,010</b>	<b>(424,003)</b>	<b>(567,393)</b>

(\*) Basically refers to the REDECARD operation (Note 2a).



**m) Reclassifications for comparison purposes** – The Company reclassified the balances as of December 31, 2008, for financial statements comparisons purposes, in view of the regrouping of the following headings: in the Balance Sheet, the reclassification of operation costs incurred from Prepaid Expenses to Subordinated Debt, the reclassification of operations with credit card issuing banks, from Other Receivables – Income Receivable to Transactions with Credit Card Issuers and Other Liabilities – Credit Card Operations; and the reclassification of Reinsurance operations from Technical Provisions of Insurance, Pension Plan and Capitalization to Other Receivables and Other Assets, in order to comply with SUSEP requirements. In Statement of Income, the reclassification of amounts related to recovery of interbank costs in Banking Service Fees and Other Administrative Expenses to Other Operating Expenses, based on recent changes to the by-laws and regulation of the Interbank Payment Chamber (CIP); and in view of the change in the criteria to distribute the effects of foreign exchange variation on foreign investments (Note 2b).

	Prior disclosure	Reclassification	Reclassified balances
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b>	<b>622,570,413</b>	<b>4,206,242</b>	<b>626,776,655</b>
<b>OTHER RECEIVABLES</b>	<b>103,844,559</b>	<b>3,770,342</b>	<b>107,614,901</b>
Income receivable	2,191,456	(1,057,417)	1,134,039
Transactions with credit card issuers	-	5,100,494	5,100,494
Insurance premiums receivable	2,046,289	(2,046,289)	-
Receivables from insurance and reinsurance operations	-	3,646,249	3,646,249
Other	45,632,083	(1,872,695)	43,759,388
<b>OTHER ASSETS</b>	<b>4,650,171</b>	<b>435,900</b>	<b>5,086,071</b>
Unearned premiums of reinsurance	-	500,789	500,789
Prepaid expenses	4,296,235	(64,889)	4,231,346
<b>PERMANENT ASSETS</b>	<b>10,157,990</b>	<b>267,580</b>	<b>10,425,570</b>
<b>FIXED ASSETS</b>	<b>4,047,338</b>	<b>(22,160)</b>	<b>4,025,178</b>
Real estate in use	4,361,404	(10,380)	4,351,024
Other fixed assets	6,010,350	(11,780)	5,998,570
<b>INTANGIBLE ASSETS</b>	<b>3,843,226</b>	<b>289,740</b>	<b>4,132,966</b>
Other intangible assets	2,062,668	289,740	2,352,408
<b>TOTAL ASSETS</b>	<b>632,728,403</b>	<b>4,473,822</b>	<b>637,202,225</b>
<b>CURRENT AND LONG-TERM LIABILITIES</b>	<b>586,314,534</b>	<b>4,473,822</b>	<b>590,788,356</b>
<b>TECHNICAL PROVISION FOR INSURANCE, PENSION PLAN AND CAPITAL</b>	<b>41,573,543</b>	<b>1,608,541</b>	<b>43,182,084</b>
<b>OTHER LIABILITIES</b>	<b>134,145,469</b>	<b>2,865,281</b>	<b>137,010,750</b>
Tax and social security	19,502,652	(1,504,288)	17,998,364
Credit card operations	14,584,368	4,527,377	19,111,745
Subordinated debt	22,464,616	(38,793)	22,425,823
Sundry	15,938,232	(119,015)	15,819,217
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>632,728,403</b>	<b>4,473,822</b>	<b>637,202,225</b>
<b>STATEMENT OF INCOME</b>			
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>64,740,522</b>	<b>(8,309,499)</b>	<b>56,431,023</b>
Loan, lease and other credit operations	43,407,789	(5,516,193)	37,891,596
Securities and derivative financial instruments	16,607,471	(2,708,285)	13,899,186
Compulsory deposits	1,417,028	(85,021)	1,332,007
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(41,307,286)</b>	<b>8,243,629</b>	<b>(33,063,657)</b>
Money market	(33,269,740)	6,439,494	(26,830,246)
Borrowings and onlending	(6,196,129)	1,804,135	(4,391,994)
<b>INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES</b>	<b>23,433,236</b>	<b>(65,870)</b>	<b>23,367,366</b>
<b>RESULT OF LOAN LOSSES</b>	<b>(12,991,215)</b>	<b>45,610</b>	<b>(12,945,605)</b>
Expense for allowance for loan losses	(14,330,381)	50,668	(14,279,713)
Income from recovery of credits written off as loss	1,339,166	(5,058)	1,334,108
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>10,442,021</b>	<b>(20,260)</b>	<b>10,421,761</b>
<b>OTHER OPERATING REVENUES (EXPENSES)</b>	<b>(11,134,143)</b>	<b>10,904</b>	<b>(11,123,239)</b>
Banking service fees	8,884,501	(235,102)	8,649,399
Personnel expenses	(7,639,250)	7,110	(7,632,140)
Other administrative expenses	(8,353,594)	432,873	(7,920,721)
Tax expenses	(2,345,649)	9,914	(2,335,735)
Equity in earnings of affiliates	353,762	(160,230)	193,532
Other operating revenues	1,531,979	(23,184)	1,508,795
Other operating expenses	(7,427,911)	(20,477)	(7,448,388)
<b>NON-OPERATING INCOME</b>	<b>205,206</b>	<b>576</b>	<b>205,782</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>(486,916)</b>	<b>(8,780)</b>	<b>(495,696)</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	<b>9,411,670</b>	<b>8,780</b>	<b>9,420,450</b>
Due on operations for the period	(2,654,568)	(140,269)	(2,794,837)
Related to temporary differences	12,066,238	149,049	12,215,287
<b>NET INCOME</b>	<b>7,803,483</b>	<b>-</b>	<b>7,803,483</b>

- n) **Profit sharing - Employees - Law No. 10,101 of December 19, 2000** – According to the conditions approved in the collective bargaining agreement, profit sharing involved the following amounts:

	12/31/2009	12/31/2008
Profit sharing	2,260,084	1,177,190
Net effects	(769,354)	(429,440)
<b>Profit sharing net of tax effects</b>	<b>1,490,730</b>	<b>747,750</b>

**o) Laws Nos. 11,638 and 11,941**

Laws Nos. 6,404/76, of December 15, 1976, and 6,385, of December 7, 1976, were amended by Laws Nos. 11,638, of December 28, 2007, and 11,941, of May 27, 2009, on aspects related to accounting practices, preparation and disclosure of financial statements, effective as from January 1, 2008. The Law sets forth that the rules issued by 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's, such as: disclosure on related parties, transaction costs, and premium on issuance of securities, statement of added value and share-based payment.

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.

p) Alliance with Porto Seguro

The amounts related to the transfer of assets and liabilities of ITAÚ UNIBANCO HOLDING and proportional consolidation of PORTO SEGURO (30%), and the respective effects on the Consolidated Statement of Income are as follows:

<b>BALANCE SHEET – 12/31/2009</b>	<b>TRANSFERRED</b>	<b>CONSOLIDATED</b>
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b>	<b>2,498,116</b>	<b>3,436,860</b>
Cash and cash equivalents	7,183	11,412
Securities	1,751,992	1,938,473
Loan, lease and other credit operations	-	280,653
Other credits and other assets	738,941	1,206,322
Receivables from insurance operations	498,827	543,727
Sundry	240,114	662,595
<b>PERMANENT ASSETS</b>	<b>-</b>	<b>206,880</b>
<b>TOTAL ASSETS</b>	<b>2,498,116</b>	<b>3,643,740</b>
<b>CURRENT AND LONG-TERM LIABILITIES</b>	<b>1,521,803</b>	<b>2,698,228</b>
Deposits, funds from acceptance and issuance of securities and borrowings and onlending	-	93,049
Technical provision for insurance, pension plan and capitalization	1,323,763	1,647,196
Other liabilities	198,040	957,983
<b>DEFERRED INCOME AND MINORITY INTEREST IN SUBSIDIARIES</b>	<b>-</b>	<b>7,372</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>976,313</b>	<b>938,140</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>2,498,116</b>	<b>3,643,740</b>

<b>STATEMENT OF INCOME – FROM 10/01/2009 TO 12/31/2009</b>	<b>TRANSFERRED</b>	<b>CONSOLIDATED</b>
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>47,275</b>	<b>50,518</b>
<b>EXPENSE FOR ALLOWANCE FOR LOAN LOSSES</b>	<b>-</b>	<b>(7,657)</b>
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>47,275</b>	<b>42,861</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	<b>15,952</b>	<b>6,535</b>
Banking service fees	-	17,527
Result from insurance, pension plan and capitalization operations	76,201	112,400
Personnel and other administrative expenses	(43,920)	(99,727)
Tax expenses	(16,333)	(22,466)
Other operating revenues (expenses)	4	(1,199)
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>63,227</b>	<b>49,396</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	<b>(21,287)</b>	<b>(4,445)</b>
<b>PROFIT SHARING</b>	<b>(2,037)</b>	<b>(10,195)</b>
<b>NET INCOME</b>	<b>39,903</b>	<b>34,756</b>



## Report of Independent Auditors

To the Board of Directors and Stockholders  
Itaú Unibanco Banco Múltiplo S.A.  
(formerly Banco Itaú Holding Financeira S.A.)

- 1 We have audited the accompanying balance sheet of Itaú Unibanco Banco Múltiplo S.A. (Bank) and of Itaú Unibanco Banco Múltiplo S.A. and its subsidiaries (Consolidated) as of December 31, 2008 and 2007, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended and for the six-month period ended on December 31, 2008 and the statement of added value for the year and six-month period ended on December 31, 2008 of the Bank, as well as the consolidated statements of income, of cash flow and of the added value corresponding to the years ended on December 31, 2008 and 2007, prepared under 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 and its subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Itaú Unibanco Banco Múltiplo S.A. (Bank) and of Itaú Unibanco Banco Múltiplo S.A. and its subsidiaries (Consolidated) at December 31, 2008, and the results of operations, the changes in stockholders' equity and the cash flows corresponding to the years then ended and for the six-month period ended on December 31, 2008 and statement of added value of the operations for the year and six-month period ended on December 31, 2008 of the Bank, as well as the consolidated results of operations and consolidated statements of cash flows and added value of the operations for the years ended on December 31, 2008 and 2007, in accordance with accounting practices adopted in Brazil.
- 4 Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As described in Note 2a(I), the consolidated financial statements are being presented with the supplementary information related to the consolidated balance sheet "without Unibanco" at December 31, 2008 and the consolidated statements of income, of cash flows and of added value "without Unibanco" corresponding to the year then ended, with the objective of providing additional comparative information, which is not required as an integral part of these financial statements. The supplementary information "without Unibanco" was submitted to the audit procedures described in paragraph 2 and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements.

São Paulo, February 19, 2009

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

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



ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.  
Consolidated Balance Sheet (Note 2a)  
(In thousands of Reals)

ASSETS	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
<b>CURRENT ASSETS</b>	<b>481,075,635</b>	<b>345,488,220</b>	<b>227,062,636</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>15,847,047</b>	<b>11,809,096</b>	<b>4,287,879</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>120,269,009</b>	<b>81,991,789</b>	<b>55,115,646</b>
Money market	95,476,978	64,047,981	40,740,131
Money market – Assets Guaranteeing Technical Provisions – SUSEP (Note 11b)	73,868	73,868	746,227
Interbank deposits	24,718,163	17,869,940	13,629,288
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>109,272,725</b>	<b>79,701,479</b>	<b>52,960,574</b>
Own portfolio	36,896,405	27,184,478	21,840,234
Subject to repurchase commitments	3,187,485	2,985,399	1,377,258
Pledged in guarantee	15,123,730	13,684,534	4,822,917
Deposited with the Central Bank	6,163,072	2,677,435	402,854
Securities subject to unrestricted repurchase agreements	-	-	4,113
Derivative financial instruments	14,019,378	7,764,597	2,946,196
Assets guaranteeing technical provisions – PGBL/VGBL fund quotas (Note 11b)	30,023,746	22,832,327	18,664,004
Assets guaranteeing technical provisions – other securities (Note 11b)	3,858,909	2,572,709	2,902,998
<b>INTERBANK ACCOUNTS</b>	<b>13,570,569</b>	<b>11,364,240</b>	<b>17,297,963</b>
Pending settlement	80,328	15,286	13,059
Central Bank deposits	13,407,747	11,313,003	17,213,774
National Housing System (SFH)	14,371	12,633	30,089
Correspondents	61,247	16,442	12,249
Interbank onlending	6,876	6,876	28,792
<b>INTERBRANCH ACCOUNTS</b>	<b>41,254</b>	<b>71</b>	<b>42,552</b>
<b>LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 8)</b>	<b>147,156,032</b>	<b>102,047,133</b>	<b>69,932,933</b>
Operations with credit granting characteristics (Note 4e)	157,139,095	108,853,229	74,465,856
(Allowance for loan losses) (Note 4f)	(9,983,063)	(6,806,096)	(4,532,923)
<b>OTHER RECEIVABLES</b>	<b>72,355,674</b>	<b>56,931,358</b>	<b>26,085,737</b>
Foreign exchange portfolio (Note 9)	49,473,902	41,620,219	16,099,986
Income receivable	2,121,350	1,153,419	850,649
Insurance premiums receivable (Note 11b)	2,046,289	921,607	789,636
Negotiation and intermediation of securities	2,146,053	1,408,596	1,035,426
Sundry (Note 13a)	16,568,080	11,827,517	7,310,040
<b>OTHER ASSETS (Note 4g)</b>	<b>2,563,325</b>	<b>1,643,054</b>	<b>1,339,352</b>
Other Assets	562,191	318,049	357,489
(Valuation allowance)	(208,255)	(82,027)	(59,820)
Prepaid expenses (Note 13b)	2,209,389	1,407,032	1,041,683
<b>LONG-TERM RECEIVABLES</b>	<b>141,494,778</b>	<b>98,685,649</b>	<b>61,503,858</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>4,277,079</b>	<b>3,593,892</b>	<b>1,669,601</b>
Money market	896,124	877,935	613,393
Money market – Assets Guaranteeing Technical Provisions – SUSEP (Note 11b)	2,091,711	2,091,711	400,355
Interbank deposits	1,289,244	624,246	655,853
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>29,071,150</b>	<b>17,838,795</b>	<b>8,376,940</b>
Own portfolio	12,083,753	8,615,001	4,678,813
Subject to repurchase commitments	3,246,332	1,217,182	761,310
Pledged in guarantee	2,282,005	1,621,585	1,104,162
Deposited with the Central Bank	3,786,890	3,071,202	-
Derivative financial instruments	3,585,157	2,537,830	1,174,016
Assets guaranteeing technical provisions – other securities (Note 11b)	4,087,013	775,995	658,639
<b>INTERBANK ACCOUNTS - National Housing System (SFH)</b>	<b>655,867</b>	<b>596,437</b>	<b>386,798</b>
<b>LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 8)</b>	<b>73,914,951</b>	<b>51,186,988</b>	<b>37,689,381</b>
Operations with credit granting characteristics (Note 4e)	83,904,043	58,292,669	41,082,118
(Allowance for loan losses) (Note 4f)	(9,989,092)	(7,105,681)	(3,392,737)
<b>OTHER RECEIVABLES</b>	<b>31,488,885</b>	<b>23,856,378</b>	<b>12,523,088</b>
Foreign exchange portfolio (Note 9)	2,354,776	1,804,919	2,669,828
Income receivable	70,106	2,621	-
Sundry (Note 13a)	29,064,003	22,048,838	9,853,260
<b>OTHER ASSETS – Prepaid expenses (Notes 4g and 13b)</b>	<b>2,086,846</b>	<b>1,613,159</b>	<b>858,050</b>
<b>PERMANENT ASSETS</b>	<b>10,157,990</b>	<b>16,836,375</b>	<b>6,309,757</b>
<b>INVESTMENTS (Notes 4h and 15a II)</b>	<b>2,258,091</b>	<b>11,202,570</b>	<b>1,259,767</b>
Investments in affiliates	1,354,055	10,965,997	1,008,546
Other investments	1,081,310	350,791	330,197
(Allowance for loan losses)	(177,274)	(114,218)	(78,976)
<b>FIXED ASSETS (Notes 4i and 15b)</b>	<b>4,047,338</b>	<b>2,573,120</b>	<b>2,217,720</b>
Real estate in use	4,361,404	2,972,812	2,770,823
Other fixed assets	6,010,350	3,940,250	3,662,225
(Accumulated depreciation)	(6,324,416)	(4,339,942)	(4,215,328)
<b>OPERATING LEASE ASSETS (Note 4j)</b>	<b>9,335</b>	<b>9,335</b>	<b>12,246</b>
Leased assets	18,553	18,553	18,553
(Accumulated depreciation)	(9,218)	(9,218)	(6,307)
<b>INVESTMENTS (Notes 4k and 15b)</b>	<b>3,843,226</b>	<b>3,051,350</b>	<b>2,820,024</b>
Acquisition of rights to credit payroll	2,395,438	2,060,830	2,124,510
Other intangible assets	2,062,668	1,331,979	895,636
(Accumulated amortization)	(614,880)	(341,459)	(200,122)
<b>TOTAL ASSETS</b>	<b>632,728,403</b>	<b>461,010,244</b>	<b>294,876,251</b>



ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.  
Consolidated Balance Sheet (Note 2a)  
(In thousands of Reals)

LIABILITIES	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
<b>CURRENT LIABILITIES</b>	<b>351,726,216</b>	<b>259,191,064</b>	<b>173,095,127</b>
<b>DEPOSITS (Notes 4b and 10b)</b>	<b>125,327,596</b>	<b>96,732,410</b>	<b>74,928,259</b>
Demand deposits	26,932,947	22,912,097	26,729,041
Savings deposits	39,296,239	31,896,263	27,989,905
Interbank deposits	2,517,959	1,765,532	1,509,891
Time deposits	55,442,244	39,093,385	17,294,464
Other deposits	1,138,207	1,065,133	1,404,958
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 10c)</b>	<b>86,321,785</b>	<b>63,409,997</b>	<b>38,873,272</b>
Own portfolio	22,881,682	16,621,038	17,877,911
Third-party portfolio	62,349,894	45,698,750	20,995,361
Free portfolio	1,090,209	1,090,209	-
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 4b and 10d)</b>	<b>10,844,659</b>	<b>4,888,820</b>	<b>3,034,797</b>
Real estate, mortgage, credit and similar notes	7,658,693	3,191,294	282,250
Debentures	127,489	67,800	1,599,990
Foreign borrowings through securities	3,058,477	1,629,726	1,152,557
<b>INTERBANK ACCOUNTS</b>	<b>399,167</b>	<b>260,474</b>	<b>403,549</b>
Pending settlements	159,395	98,596	49,181
Correspondents	239,772	161,878	354,368
<b>INTERBRANCH ACCOUNTS</b>	<b>2,608,978</b>	<b>1,911,644</b>	<b>1,452,411</b>
Third-party funds in transit	2,584,415	1,887,667	1,427,908
Internal transfers of funds	24,563	23,977	24,503
<b>BORROWINGS AND ONLENDING (Notes 4b and 10e)</b>	<b>23,467,846</b>	<b>15,039,230</b>	<b>10,211,650</b>
Borrowings	17,964,771	12,872,219	8,068,941
Onlending	5,503,075	2,167,011	2,142,709
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)</b>	<b>11,224,033</b>	<b>6,187,992</b>	<b>2,499,951</b>
<b>TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4m and 11a)</b>	<b>7,050,805</b>	<b>3,804,038</b>	<b>3,189,823</b>
<b>OTHER LIABILITIES</b>	<b>84,481,347</b>	<b>66,956,459</b>	<b>38,501,415</b>
Collection and payment of taxes and contributions	665,785	557,075	355,670
Foreign exchange portfolio (Note 9)	47,720,106	40,843,121	16,243,458
Social and statutory (Note 16b II)	3,659,789	3,155,230	2,859,323
Tax and social security contributions (Notes 4n, 4o, 12c and 14c)	6,830,641	3,235,602	2,152,751
Negotiation and intermediation of securities	2,729,484	2,127,031	1,986,006
Credit card operations (Note 4e)	14,584,368	9,845,337	8,705,802
Securitization of foreign payment orders (Note 10f)	215,500	178,692	166,327
Subordinated debt (Note 10g)	1,249,445	879,570	2,065,107
Sundry (Note 13c)	6,826,229	6,134,801	3,966,971
<b>LONG-TERM LIABILITIES</b>	<b>234,588,318</b>	<b>156,718,668</b>	<b>90,618,028</b>
<b>DEPOSITS (Notes 4b and 10b)</b>	<b>80,861,802</b>	<b>53,940,956</b>	<b>6,663,918</b>
Interbank deposits	403,176	276,677	106,013
Time deposits	80,458,626	53,664,279	6,557,905
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 10c)</b>	<b>38,036,677</b>	<b>27,595,990</b>	<b>25,859,846</b>
Own portfolio	37,862,401	27,421,714	25,503,331
Third-party portfolio	174,276	174,276	-
Free portfolio	-	-	356,515
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 4b and 10d)</b>	<b>8,750,986</b>	<b>6,214,266</b>	<b>5,336,311</b>
Real estate, mortgage, credit and similar notes	1,353,874	512,757	906,993
Debentures	3,462,376	2,025,000	2,129,902
Foreign borrowings through securities	3,934,736	3,676,509	2,299,416
<b>BORROWINGS AND ONLENDING (Notes 4b and 10e)</b>	<b>19,168,570</b>	<b>9,022,348</b>	<b>6,588,517</b>
Borrowings	6,215,726	3,424,503	2,613,800
Onlending	12,952,844	5,597,845	3,974,717
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)</b>	<b>3,583,423</b>	<b>1,819,656</b>	<b>1,357,353</b>
<b>TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4m and 11a)</b>	<b>34,522,738</b>	<b>25,146,221</b>	<b>20,642,276</b>
<b>OTHER LIABILITIES</b>	<b>49,664,122</b>	<b>32,979,231</b>	<b>24,169,807</b>
Foreign exchange portfolio (Note 9)	3,041,056	1,787,732	2,674,110
Social and statutory (Note 16b II)	10,648	10,648	-
Tax and social security contributions (Notes 4n, 4o, 12c and 14c)	12,672,011	11,697,562	8,564,955
Securitization of foreign payment orders (Note 10f)	3,613,233	1,245,168	943,248
Subordinated debt (Note 10g)	21,215,171	13,393,601	9,310,176
Sundry (Note 13c)	9,112,003	4,844,520	2,677,318
<b>DEFERRED INCOME (Note 4p)</b>	<b>231,105</b>	<b>119,292</b>	<b>73,509</b>
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 22k)</b>	<b>2,518,728</b>	<b>1,317,184</b>	<b>2,120,501</b>
<b>STOCKHOLDERS' EQUITY (Note 16)</b>	<b>43,664,036</b>	<b>43,664,036</b>	<b>28,969,086</b>
Capital	29,000,000	29,000,000	14,254,213
Capital reserves	597,706	597,706	1,290,059
Revenue reserves	16,015,742	16,015,742	14,531,741
Asset valuation adjustment (Notes 4c, 4d and 7d)	(423,717)	(423,717)	65,467
(Treasury shares)	(1,525,695)	(1,525,695)	(1,172,394)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>632,728,403</b>	<b>461,010,244</b>	<b>294,876,251</b>



**UNIBANCO BANCO M** 'LTIPL0 S.A.  
Consolidated Statement of Income (Note 2a)  
(In thousands of Reals)

	With UNIBANCO		Without UNIBANCO	
	01/01 to 31/12/2008	01/01 to 31/12/2008 Nonrecurring effects (Note 22)	01/01 to 31/12/2008 Without Nonrecurring Effects	01/01 to 31/12/2008 Without Nonrecurring effects (Note 22)
	01/01 to 31/12/2008	01/01 to 31/12/2008 Without Nonrecurring Effects	01/01 to 31/12/2008 Without Nonrecurring Effects	01/01 to 31/12/2007 Without Nonrecurring Effects
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>64,740,522</b>	<b>(79,472)</b>	<b>64,819,994</b>	<b>32,253,889</b>
Loan, lease and other credit operations	43,407,789	-	43,407,789	21,054,632
Securities and derivative financial instruments	16,607,471	(79,472)	16,686,943	7,830,790
Financial income from insurance, pension plan and capitalization operations (Note 11c)	2,321,376	-	2,321,376	2,210,270
Foreign exchange operations	986,888	-	986,888	147,596
Compulsory deposits	1,417,028	-	1,417,028	886,452
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(41,307,286)</b>	<b>-</b>	<b>(35,639,963)</b>	<b>(11,158,359)</b>
Money market	(33,269,740)	-	(33,269,740)	(9,444,942)
Financial expenses on technical provisions for pension plan and capitalization (Note 11c)	(1,841,417)	-	(1,841,417)	(1,840,601)
Borrowings and onlending	(6,196,129)	-	(6,196,129)	127,184
<b>INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES</b>	<b>23,433,236</b>	<b>(79,472)</b>	<b>23,512,708</b>	<b>21,095,530</b>
<b>RESULT OF LOAN LOSSES (Note 8d I)</b>	<b>(12,391,215)</b>	<b>(5,007,963)</b>	<b>(7,983,252)</b>	<b>(5,494,895)</b>
Expense for allowance for loan losses	(14,330,381)	(5,007,963)	(9,322,418)	(6,563,386)
Income from recovery of credits written off as loss	1,339,166	-	1,339,166	1,068,491
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>10,442,021</b>	<b>(5,087,435)</b>	<b>15,529,456</b>	<b>16,000,635</b>
<b>OTHER OPERATING REVENUE (EXPENSES)</b>	<b>(11,134,143)</b>	<b>(4,973,471)</b>	<b>(6,160,672)</b>	<b>(4,033,187)</b>
Banking service fees (Note 13d)	8,884,501	-	8,884,501	7,775,299
Asset management	1,967,561	-	1,967,561	2,005,693
Current account services	275,604	-	275,604	362,631
Credit cards	3,018,976	-	3,018,976	2,348,711
Surleites and credits granted	1,243,528	-	1,243,528	1,044,095
Receipt	1,149,193	-	1,149,193	901,682
Other	1,229,639	-	1,229,639	1,112,487
Income from bank charges (Note 13e)	2,554,778	-	2,554,778	2,399,146
Result from insurance, pension plan and capitalization operations (Note 11c)	1,307,241	(264,512)	1,073,100	1,218,943
Personnel expenses (Note 13f)	(7,639,250)	(215,254)	(7,423,996)	(5,522,765)
Other administrative expenses (Note 13g)	(8,353,594)	(66,137)	(8,287,457)	(6,403,231)
Tax expenses (Notes 4n and 14a II)	(2,345,649)	-	(2,345,649)	(2,532,627)
Equity in earnings of affiliates (Note 15a III)	353,762	-	353,762	219,563
Other operating revenues (Note 13h)	1,531,979	650,740	1,313,458	520,806
Other operating expenses (Note 13i)	(7,427,911)	(5,078,308)	(2,349,603)	(398,418)
<b>OPERATING INCOME</b>	<b>(692,122)</b>	<b>(10,060,906)</b>	<b>9,368,784</b>	<b>11,967,448</b>
<b>NON-OPERATING INCOME (Notes 13j and 15ai)</b>	<b>205,206</b>	<b>278,610</b>	<b>(73,404)</b>	<b>2,876,559</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>(486,916)</b>	<b>(9,782,296)</b>	<b>9,295,380</b>	<b>11,964,210</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Notes 4o and 14a I)</b>	<b>9,411,670</b>	<b>9,214,903</b>	<b>196,767</b>	<b>(4,095,503)</b>
Due on operations for the period	(2,654,568)	-	(2,654,568)	(2,372,150)
Related to temporary differences	12,066,238	9,214,903	2,851,335	(1,724,353)
<b>PROFIT SHARING</b>	<b>(854,882)</b>	<b>-</b>	<b>(854,882)</b>	<b>(743,657)</b>
Employees – Law No. 10,101 of 12/19/2000	(747,750)	-	(747,750)	(616,001)
Officers – Statutory – Law No. 6,404 of 12/15/1976	(107,132)	-	(107,132)	(127,656)
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 22k)</b>	<b>(266,389)</b>	<b>-</b>	<b>(266,389)</b>	<b>-</b>
<b>NET INCOME</b>	<b>7,803,483</b>	<b>(567,393)</b>	<b>8,370,876</b>	<b>7,175,961</b>
<b>WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES</b>	<b>3,157,241,825</b>	<b>3,157,241,825</b>	<b>3,157,241,825</b>	<b>2,998,370,033</b>
<b>NET INCOME PER SHARE – R\$</b>	<b>2.47</b>	<b>2.65</b>	<b>2.65</b>	<b>2.39</b>
<b>BOOK VALUE PER SHARE – R\$ (OUTSTANDING AT 12/31)</b>	<b>10.66</b>	<b>10.66</b>	<b>10.66</b>	<b>12.09</b>





**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**  
**Consolidated Statement of Cash Flows**  
*(In thousands of Reals)*

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Adjusted net income</b>	<b>22,804,097</b>	<b>20,525,338</b>	<b>21,407,204</b>
Net Income	7,803,483	7,803,483	8,473,604
Adjustments to net income:	15,000,614	12,721,855	12,933,600
Granting of options recognized	102,088	102,088	-
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	1,886,237	690,590	(81,225)
Allowance for loan losses	14,330,381	12,140,175	6,563,386
Results from operations with subordinated debt	2,514,849	1,907,141	794,359
Results from securitization of foreign payment orders	871,413	425,755	(192,077)
Change in technical provisions for insurance, pension plan and capitalization	7,318,340	6,675,675	5,635,927
Depreciation and amortization	1,455,748	1,261,102	1,088,633
Adjustment to legal liabilities – tax and social security	91,611	10,086	958,607
Adjustment to provision for contingent liabilities	1,957,272	1,868,716	304,709
Deferred taxes	(12,066,238)	(10,405,523)	1,724,353
Equity in earnings of affiliates	(353,762)	1,331,186	(219,563)
Income from available-for-sale securities	(4,050,266)	(3,149,452)	(1,002,745)
Income from held-to-maturity securities	(498,383)	(147,805)	147,019
Amortization of goodwill in the purchase of investment and minority interests (Note 13i)	1,543,073	191,550	182,747
(Income) loss from sale of fixed asset (Note 12j)	-	-	(114,321)
(Income) loss from sale of investments (Note 12j)	(291,587)	(291,587)	(2,762,238)
Minority interest	266,389	178,115	(54,911)
Other	(76,551)	(65,957)	(39,060)
<b>Change in assets and liabilities</b>	<b>(5,393,717)</b>	<b>(87,151)</b>	<b>(13,379,814)</b>
(Increase) decrease in interbank investments	(31,702,729)	(28,761,915)	(15,391,508)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(26,907,353)	(22,004,918)	(9,329,200)
(Increase) decrease in compulsory deposits with the Central Bank of Brazil	3,806,027	5,900,771	(2,096,160)
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)	7,156,497	181,952	(372,652)
(Increase) decrease in loan, lease and other credit operations	(64,278,166)	(57,802,755)	(30,387,887)
(Increase) Decrease in other receivables and other assets	(4,043,904)	(7,272,167)	(4,077,599)
(Increase) Decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities)	168,150	(2,064,840)	171,846
(Decrease) Increase in deposits	70,184,151	69,081,189	12,748,401
(Decrease) Increase in deposits received under securities repurchase agreements	28,298,062	26,272,869	25,388,410
(Decrease) Increase in funds for issuance of securities	2,613,403	2,731,978	829,718
(Decrease) Increase in borrowing and onlending	7,247,918	7,261,411	5,493,049
(Decrease) Increase in credit card operations	5,878,566	1,139,535	1,828,092
(Decrease) Increase in securitization of foreign payment orders	(154,891)	(111,470)	(230,065)
(Decrease) increase in technical provisions for insurance, pension plan and capitalization	(1,532,178)	(1,557,515)	(840,279)
(Decrease) increase in other liabilities	532,802	9,420,133	5,288,666
Payment of income tax and social contribution	(2,660,072)	(2,501,409)	(2,402,646)
<b>Net cash provided by / (used in) operating activities</b>	<b>17,410,380</b>	<b>20,438,187</b>	<b>8,027,390</b>
Interest on capital / dividends received from affiliated companies	114,720	114,720	60,506
Income from purchase of available-for-sale securities	22,684,660	17,368,089	11,839,834
Income from redemption of held-to-maturity securities	374,734	254,060	26,342
Disposal of assets not for own use	153,903	69,803	81,688
Disposal of investments	346,360	309,855	2,800,823
Payment of income tax and social contribution from sale of investments	(99,140)	(99,140)	(939,161)
Sale of fixed assets	36,590	30,499	434,248
Purchase of available-for-sale securities	(27,829,738)	(25,238,295)	(14,257,339)
Cash and cash equivalents current for balance arising from ITAÚ UNIBANCO	14,962,865	-	-
Purchase of AIG Seguros S.A.'s interest (Note 2aII)	(1,937,203)	-	-
Purchase of investments	(400,478)	(273,533)	(259,466)
Purchase of fixed assets	(1,174,076)	(876,207)	(758,434)
Purchase of intangible assets	(1,002,797)	(881,346)	(2,244,123)
<b>Net cash provided by / (used in) Investment activities</b>	<b>6,230,400</b>	<b>(9,221,495)</b>	<b>(3,215,082)</b>
Increase (decrease) in subordinated debt	948,097	990,747	6,722,376
(Decrease) increase in deferred income	110,511	55,430	(7,070)
Change in minority interest	(1,172,978)	(1,172,978)	184,255
Granting of stock options	107,376	107,376	124,508
Purchase of treasury shares	(1,618,147)	(1,618,147)	(260,627)
Interest on capital paid	(2,910,040)	(2,910,040)	(2,279,831)
<b>Net cash provided by / (used in) financing activities</b>	<b>(4,535,181)</b>	<b>(4,547,612)</b>	<b>4,483,611</b>
<b>Net increase/(Decrease) in Cash and Cash Equivalents</b>	<b>19,105,599</b>	<b>6,669,080</b>	<b>9,295,919</b>
Cash and cash equivalents at the beginning of the period	27,295,508	27,295,508	17,668,705
Effects of changes in foreign exchange rates in cash and adjustment to cash equivalents	1,377,890	890,656	330,884
Cash and cash equivalents at the end of the period	47,778,997	34,855,244	27,295,508



**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**  
**Consolidated Statement of Added Value**  
*(In thousands of Reals)*

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>INCOME</b>	<b>73,991,387</b>	<b>67,228,874</b>	<b>39,317,877</b>
From Financial Operations	64,740,522	57,240,588	32,129,740
Banking services	11,439,279	10,306,643	10,174,445
Result from insurance, pension plan and capitalization operations	1,307,241	1,073,100	1,218,943
Allowance for loan losses – Reversal/ (Increase)	(12,991,215)	(10,878,215)	(5,494,895)
Other	9,495,560	9,486,758	1,289,644
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(41,307,286)</b>	<b>(35,639,963)</b>	<b>(11,158,359)</b>
<b>INPUTS PURCHASED FROM THIRD PARTIES</b>	<b>(7,066,113)</b>	<b>(6,307,465)</b>	<b>(5,385,274)</b>
Materials, energy and other	(440,818)	(408,408)	(368,187)
Third-party services	(2,415,369)	(2,275,895)	(1,755,560)
Other	(4,209,926)	(3,623,162)	(3,261,527)
Data processing and telecommunications	(1,901,478)	(1,799,786)	(1,559,710)
Advertising, promotions and publications	(708,132)	(611,176)	(492,571)
Conservation and Maintenance	(383,752)	(337,657)	(288,138)
Transportation	(302,625)	(283,403)	(254,075)
Security	(264,807)	(238,497)	(205,588)
Travel expenses	(107,660)	(97,431)	(73,318)
Legal	(43,347)	(36,385)	(43,026)
Other	(498,125)	(218,827)	(345,101)
<b>GROSS ADDED VALUE</b>	<b>25,617,988</b>	<b>25,281,446</b>	<b>22,774,244</b>
<b>DEPRECIATION, AMORTIZATION AND DEPLETION</b>	<b>(779,942)</b>	<b>(620,587)</b>	<b>(656,812)</b>
<b>NET ADDED VALUE PRODUCED BY COMPANY</b>	<b>24,838,046</b>	<b>24,660,859</b>	<b>22,117,432</b>
<b>ADDED VALUE RECEIVED AS A TRANSFER</b>	<b>353,762</b>	<b>(1,331,186)</b>	<b>219,563</b>
Equity in earnings of affiliates	353,762	(1,331,186)	219,563
<b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>	<b>25,191,808</b>	<b>23,329,673</b>	<b>22,336,995</b>
<b>DISTRIBUTION OF ADDED VALUE</b>	<b>25,191,808</b>	<b>23,329,673</b>	<b>22,336,995</b>
Personnel	7,941,480	6,957,076	5,800,799
Compensation	6,412,969	5,614,950	4,724,173
Benefits	1,189,230	1,043,394	819,124
FGTS – severance pay fund	339,281	298,732	257,502
Taxes, fees and contributions	8,672,917	7,986,481	7,754,692
Federal	8,252,111	7,624,136	7,391,137
State	15,185	14,557	31,946
Municipal	405,621	347,788	331,609
Return on managed assets	507,539	404,518	362,811
Rent	507,539	404,518	362,811
Return on own assets	8,069,872	7,981,598	8,418,693
Dividends and interest on capital paid	3,205,181	3,205,181	2,829,615
Retained earnings/Loss for the year	4,598,302	4,598,302	5,643,989
Minoritary interest in retained earnings	266,389	178,115	(54,911)


**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**
**Balance Sheet**
*(In thousands of Reais)*

<b>ASSETS</b>	<b>12/31/2008</b>	<b>12/31/2007</b>
<b>CURRENT ASSETS</b>	<b>1,939,987</b>	<b>1,898,174</b>
CASH AND CASH EQUIVALENTS	155	134
INTERBANK INVESTMENTS – Money market (Notes 4b and 6)	171,572	152,841
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)	-	30,231
OTHER RECEIVABLES	1,766,239	1,713,398
Income receivable (Note 15a I)	1,379,703	1,452,494
Sundry (Note 13a)	386,536	260,904
OTHER ASSETS – Prepaid expenses (Note 4g)	2,021	1,570
<b>LONG-TERM RECEIVABLES</b>	<b>408,643</b>	<b>772,521</b>
INTERBANK INVESTMENTS – Interbank deposits (Notes 4b and 6)	309,323	703,306
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)	24,583	22,312
OTHER RECEIVABLES - Sundry (Note 13a)	74,737	46,903
<b>PERMANENT ASSETS</b>	<b>59,682,767</b>	<b>31,377,462</b>
INVESTMENTS	59,682,215	31,376,991
Investments in subsidiaries (Notes 4h and 15a I)	59,681,808	31,376,991
Other	407	-
FIXED ASSETS (Note 4i)	552	471
<b>TOTAL ASSETS</b>	<b>62,031,397</b>	<b>34,048,157</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>	<b>2,572,135</b>	<b>2,161,795</b>
DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)	90	36
OTHER LIABILITIES	2,572,045	2,161,759
Social and statutory (Note 16b II)	2,406,957	2,131,288
Tax and social security contributions (Note 14c)	155,962	688
Sundry	9,126	29,783
<b>LONG-TERM LIABILITIES</b>	<b>618,333</b>	<b>153,994</b>
DEPOSITS – Interbank deposits (Notes 4b and 10b)	345,997	-
DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7h)	1,434	565
OTHER LIABILITIES	270,902	153,429
Tax and social security contributions (Note 14c)	269,544	152,114
Sundry	1,358	1,315
<b>STOCKHOLDERS' EQUITY (Note 16)</b>	<b>58,840,929</b>	<b>31,732,368</b>
Capital	29,000,000	14,254,213
Capital reserves	597,706	1,290,059
Revenue reserves	31,192,635	17,295,023
Asset valuation adjustment (Notes 4c, 4d and 7d)	(423,717)	65,467
(Treasury shares)	(1,525,695)	(1,172,394)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>62,031,397</b>	<b>34,048,157</b>



**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**  
**Statement of Income**

(In thousands of Reals)

	2nd half of 2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>93,869</b>	<b>114,037</b>	<b>137,016</b>
Securities and derivative financial instruments	93,869	114,037	137,016
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(58,266)</b>	<b>(77,466)</b>	<b>-</b>
Money market	(58,266)	(77,466)	-
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>35,603</b>	<b>36,571</b>	<b>137,016</b>
<b>OTHER OPERATING REVENUE (EXPENSES)</b>	<b>(1,376,162)</b>	<b>2,203,515</b>	<b>8,169,257</b>
Personnel expenses	(102,151)	(117,333)	(23,809)
Other administrative expenses	(21,402)	(37,874)	(50,524)
Tax expenses (Note 14a II)	(90,170)	(101,065)	(96,116)
Equity in earnings of subsidiaries (Note 15a I)	(1,136,373)	2,510,568	8,386,242
Other operating revenue (expenses)	(26,066)	(50,781)	(46,536)
<b>OPERATING INCOME</b>	<b>(1,340,559)</b>	<b>2,240,086</b>	<b>8,306,273</b>
<b>NON-OPERATING INCOME (Notes 13j and 15a I)</b>	<b>18,034,056</b>	<b>18,039,190</b>	<b>7,740</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>16,693,497</b>	<b>20,279,276</b>	<b>8,314,013</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Note 4o)</b>	<b>(266,202)</b>	<b>(51,473)</b>	<b>(439,213)</b>
Due on operations for the period	(64,562)	(75,743)	18,511
Related to temporary differences	(201,640)	24,270	(457,724)
<b>PROFIT SHARING</b>	<b>(6,438)</b>	<b>(10,706)</b>	<b>(9,024)</b>
Employees – Law No. 10,101 of 12/19/2000	(3,033)	(4,350)	(3,330)
Officers – Statutory – Law No. 6,404 of 12/15/1976	(3,405)	(6,356)	(5,694)
<b>NET INCOME</b>	<b>16,420,857</b>	<b>20,217,097</b>	<b>7,865,776</b>
<b>WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES</b>		<b>3,157,241,825</b>	<b>2,998,370,033</b>
<b>NET INCOME PER SHARE – R\$</b>		<b>6.40</b>	<b>2.62</b>
<b>BOOK VALUE PER SHARE – R\$</b>		<b>14.36</b>	<b>10.59</b>
<b>EXCLUSION OF NONRECURRING EFFECTS (Notes 2a and 22I)</b>	<b>(12,576,357)</b>	<b>(12,614,010)</b>	<b>(1,377,801)</b>
<b>NET INCOME WITHOUT NONRECURRING EFFECTS</b>	<b>3,844,500</b>	<b>7,603,087</b>	<b>6,487,975</b>
<b>NET INCOME PER SHARE – R\$</b>		<b>2.41</b>	<b>2.16</b>

**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**  
**Statement of Changes in Stockholders' Equity (Note 16)**  
*(In thousands of Reals)*

	Capital	Capital reserves	Revenue reserves	Asset Valuation Adjustments (Note 7d)	Retained earnings	(Treasury shares)	Total
<b>BALANCES AT 07/01/2008</b>	<b>17,000,000</b>	<b>538,712</b>	<b>16,905,266</b>	<b>(105,787)</b>	-	<b>(1,521,582)</b>	<b>32,816,609</b>
Capital increase (Note 2a) – Merger of shares – ESM held on 11/28/2008	12,000,000	5,540	-	-	-	-	12,005,540
Treasury shares	-	(259,635)	(33,610)	-	-	(4,113)	(297,358)
Purchase of treasury shares	-	-	-	-	-	(328,152)	(328,152)
Granting of stock options – exercised options	-	-	(33,610)	-	-	64,404	30,794
Cancellation of treasury shares – ESM of 11/28/2008	-	(259,635)	-	-	-	259,635	-
Granting of options recognized / Prior years' adjustments – Law No. 11.638	-	313,089	(211,001)	-	(15,136)	-	86,952
Asset Valuation Adjustments	-	-	-	(317,930)	-	-	(317,930)
Net Income	-	-	-	-	16,420,857	-	16,420,857
Appropriations:	-	-	-	-	-	-	-
Legal reserve	-	-	821,043	-	(821,043)	-	-
Unrealized revenue reserve	-	-	2,000,000	-	(2,000,000)	-	-
Statutory reserves	-	-	11,710,937	-	(11,710,937)	-	-
Dividends and interest on capital	-	-	-	-	(1,873,741)	-	(1,873,741)
<b>BALANCES AT 12/31/2008</b>	<b>29,000,000</b>	<b>597,706</b>	<b>31,192,635</b>	<b>(423,717)</b>	-	<b>(1,525,695)</b>	<b>58,840,929</b>
<b>CHANGES IN THE PERIOD</b>	-	-	-	-	-	-	-
<b>BALANCES AT 01/01/2007</b>	<b>14,254,213</b>	<b>1,290,059</b>	<b>12,350,694</b>	<b>163,600</b>	-	<b>(1,122,933)</b>	<b>26,935,579</b>
Restatement of equity securities	-	54	-	-	-	-	54
Treasury shares	-	-	(86,658)	-	-	(49,461)	(136,119)
Purchase of treasury shares	-	-	-	-	-	(260,627)	(260,627)
Granting of stock options – exercised options	-	-	(86,658)	-	-	211,166	124,508
Asset Valuation Adjustments	-	-	-	(98,133)	-	-	(98,133)
Complementary interest on capital paid on 03/08/2007 – Fiscal year 2006	-	-	(5,174)	-	-	-	(5,174)
Net Income	-	-	-	-	7,865,776	-	7,865,776
Appropriations:	-	-	-	-	-	-	-
Legal reserve	-	-	393,289	-	(393,289)	-	-
Statutory reserves	-	-	4,642,872	-	(4,642,872)	-	-
Dividends and interest on capital	-	-	-	-	(2,829,615)	-	(2,829,615)
<b>BALANCES AT 12/31/2007</b>	<b>14,254,213</b>	<b>1,290,059</b>	<b>17,295,023</b>	<b>65,467</b>	-	<b>(1,172,394)</b>	<b>31,732,368</b>
<b>CHANGES IN THE PERIOD</b>	-	<b>54</b>	<b>4,944,329</b>	<b>(98,133)</b>	-	<b>(49,461)</b>	<b>4,796,789</b>
<b>BALANCES AT 01/01/2008</b>	<b>14,254,213</b>	<b>1,290,059</b>	<b>17,295,023</b>	<b>65,467</b>	-	<b>(1,172,394)</b>	<b>31,732,368</b>
Increase in capital	14,745,787	5,540	(2,745,787)	-	-	-	12,005,540
Capitalization with reserves – ASWESM of 04/23/2008	-	-	(2,745,787)	-	-	-	-
Merger of shares – ESM of 11/28/2008 (Note 2a)	12,000,000	5,540	(2,745,787)	-	-	-	12,005,540
Restatement of equity securities and others	-	271	-	-	-	-	271
Treasury shares	-	(1,011,253)	(146,217)	-	-	(353,301)	(1,510,771)
Purchase of treasury shares	-	-	-	-	-	(1,618,147)	(1,618,147)
Granting of stock options – exercised options	-	-	(146,217)	-	-	253,593	107,376
Cancellation of shares – ASWESM of 04/23/2008	-	(1,011,253)	-	-	-	1,011,253	-
Granting of options recognized / Prior years' adjustments – Law No. 11.638	-	313,089	(211,001)	-	(15,136)	-	86,952
Asset Valuation Adjustments	-	-	-	(489,184)	-	-	(489,184)
Reversal of interest on capital and dividends paid on 03/03/2008 – Fiscal year 2007	-	-	3,837	-	-	-	3,837
Net Income	-	-	-	-	20,217,097	-	20,217,097
Appropriations:	-	-	-	-	-	-	-
Legal reserve	-	-	1,010,855	-	(1,010,855)	-	-
Unrealized revenue reserve	-	-	2,000,000	-	(2,000,000)	-	-
Statutory reserves	-	-	13,985,925	-	(13,985,925)	-	-
Dividends and interest on capital	-	-	-	-	(3,205,181)	-	(3,205,181)
<b>BALANCES AT 12/31/2008</b>	<b>29,000,000</b>	<b>597,706</b>	<b>31,192,635</b>	<b>(423,717)</b>	-	<b>(1,525,695)</b>	<b>58,840,929</b>
<b>CHANGES IN THE PERIOD</b>	<b>14,745,787</b>	<b>(692,353)</b>	<b>13,897,612</b>	<b>(489,184)</b>	-	<b>(353,301)</b>	<b>27,108,561</b>


**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**
**Statement of Cash Flows**
*(In thousands of Reais)*

	2nd half of 2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Adjusted net income (loss)</b>	<b>(116,971)</b>	<b>(167,954)</b>	<b>(11,148)</b>
Net Income	16,420,858	20,217,097	7,865,776
Adjustments to net income:	(16,537,829)	(20,385,051)	(7,876,924)
Deferred taxes	250,180	24,270	457,724
Equity in earnings of subsidiaries (Note 13j and 15a)	(16,894,977)	(20,541,918)	(8,386,242)
Amortization of goodwill	26,757	52,463	51,412
Other	80,211	80,134	182
<b>Change in assets and liabilities</b>	<b>(1,082,017)</b>	<b>(568,238)</b>	<b>(627,452)</b>
(Increase) decrease in interbank investments	395	375,252	48,449
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(932)	47,474	(83,440)
(Increase) Decrease in other receivables and other assets	(1,639,981)	(1,573,416)	(547,968)
(Increase) decrease in deposits	345,997	345,997	-
Increase (decrease) in other liabilities	501,427	554,112	160,466
Payment of income tax	(288,923)	(317,657)	(204,959)
<b>Net cash provided by / (Used in) operating activities</b>	<b>(1,198,988)</b>	<b>(736,192)</b>	<b>(638,600)</b>
Interest on capital/dividends received	2,377,638	5,476,850	3,207,688
(Purchase)/Disposal of investments	(78,509)	(301,009)	16
(Purchase)/Disposal of fixed assets/deferred charges	60	(86)	(289)
<b>Net cash provided by / (Used in) investment activities</b>	<b>2,299,189</b>	<b>5,175,755</b>	<b>3,207,415</b>
Granting of stock options	30,794	107,376	124,508
Purchase of treasury shares	(328,152)	(1,618,147)	(260,627)
Interest on capital paid	(658,203)	(2,910,040)	(2,279,831)
<b>Net cash provided by / (used in) financing activities</b>	<b>(955,561)</b>	<b>(4,420,811)</b>	<b>(2,415,950)</b>
<b>Net increase/(Decrease) in Cash and Cash Equivalents</b>	<b>144,640</b>	<b>18,752</b>	<b>152,865</b>
Cash and cash equivalents at the beginning of the period	27,087	152,975	110
Cash and cash equivalents at the end of the period	171,727	171,727	152,975


**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**
**Statement of Added Value**
*(In thousands of Reais)*

	2nd half of 2008	01/01 to 12/31/2008
<b>INCOME</b>	<b>113,382</b>	<b>143,466</b>
From Financial Operations	93,869	114,037
Other	19,513	29,429
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(58,266)</b>	<b>(77,466)</b>
<b>INPUTS PURCHASED FROM THIRD PARTIES</b>	<b>(20,829)</b>	<b>(36,912)</b>
Materials, energy and other	(183)	(276)
Third-party services	(11,537)	(20,951)
Other	(9,109)	(15,685)
<b>GROSS ADDED VALUE</b>	<b>34,287</b>	<b>29,088</b>
<b>DEPRECIATION, AMORTIZATION AND DEPLETION</b>	<b>(111)</b>	<b>(220)</b>
<b>NET ADDED VALUE PRODUCED BY COMPANY</b>	<b>34,176</b>	<b>28,868</b>
<b>ADDED VALUE RECEIVED AS A TRANSFER</b>	<b>16,894,977</b>	<b>20,541,918</b>
Equity in earnings	16,894,977	20,541,918
<b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>	<b>16,929,153</b>	<b>20,570,786</b>
<b>DISTRIBUTION OF ADDED VALUE</b>	<b>16,929,153</b>	<b>20,570,786</b>
Personnel	153,393	171,276
Compensation	149,518	164,964
Benefits	2,612	4,063
FGTS	1,263	2,249
Taxes, fees and contributions	354,441	181,671
Federal	354,423	181,591
State	7	11
Municipal	11	69
Return on managed assets	462	742
Rent	462	742
Return on own assets	16,420,857	20,217,097
Interest on capital	1,873,742	3,205,181
Retained earnings/Loss for the year	14,547,115	17,011,916



**ITAÚ UNIBANCO BANCO MÚLTIPLO S.A.**  
**(Formerly Banco Itaú Holding Financeira S.A.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM JANUARY 1 TO DECEMBER 31, 2008 AND 2007**  
(In Thousands of reais)

**NOTE 1 - OPERATIONS**

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





## NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS

### a) Presentation of the Financial Statements

The financial statements of ITAÚ UNIBANCO and of its subsidiaries (ITAÚ UNIBANCO CONSOLIDATED) have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, including the amendments introduced by Law No. 11,638, of December 28, 2007 and by Provisional Measure No. 449, of December 3, 2008, taken into consideration for the first time in 2008 (Note 22o), in conformity, when applicable, with instructions issued by the Central Bank of Brazil (BACEN), the National Monetary Council (CMN), the Brazilian Securities and Exchange Commission (CVM) and the Superintendency of Private Insurance (SUSEP), and National Council of Private Insurance (CNSP), which include the use of estimates necessary to calculate accounting provisions.

#### I - Merger between Itaú and Unibanco

On November 3, 2008, Itaúsa - Investimentos Itaú S.A. (ITAÚSA) and Unibanco Holdings S.A. (UNIBANCO HOLDINGS) entered into an agreement for merger, aiming at unifying the financial operations of Banco Itaú S.A. (ITAÚ) and Unibanco – União de Bancos Brasileiros S.A. (UNIBANCO), so as to create the largest financial group in Southern hemisphere. This transaction was BACEN's approval in February 18, 2009.

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

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

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

The common shares of UNIBANCO and UNIBANCO HOLDINGS held by non-controlling stockholders will be replaced by common shares of ITAÚ UNIBANCO, following the same exchange ratio that was negotiated by the parties for replacement of common shares of UNIBANCO HOLDINGS' controlling stockholders. For preferred shares, the exchange ratio was established based on the market average quotation, at BM&F Bovespa, on the last 45 trading sessions prior to November 3, 2008, of Units (stock certificates, representing one preferred share of UNIBANCO and one preferred share of UNIBANCO HOLDINGS) and preferred shares of ITAÚ HOLDING.

The replacement ratio of UNIBANCO's and UNIBANCO HOLDINGS's shares was as follows:

Type of Share	Exchange Ratio
Common	1,1797=1
Preferred	3,4782=1
Unit	1,7391=1
GDR	0,17391=1

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

The goodwill computed by ITAÚ UNIBANCO in the above-mentioned corporate transactions amounted to R\$ 18,255,816, fully amortized in the consolidated financial statements which, net of tax effects, amount to R\$ 12,124,881, and are presented net of Non-operating Equity in Earnings amounted to R\$ 18,031,351 (Note 13j).

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

Aiming at providing a better understanding of the equity changes, and considering the effects of the aforementioned merger, the Consolidated Financial Statements for the period from January 1 to December 31, 2008 and the accompanying Notes are presented "With UNIBANCO" and "Without UNIBANCO". When the "With and Without Unibanco" titles are included in the Notes, it means that UNIBANCO did not present balances in those headings.

## II - Acquisition and Disposal of Ownership Interests

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

- UNIBANCO acquired, for R\$ 1.937.203 (equivalent to US\$ 820 million), the interest held by AIG in Unibanco AIG Seguros S.A., which shall start being named Unibanco Seguros S.A.
- AIG acquired, for R\$ 35.081 (equivalent to US\$ 15 million), the interest held by UNIBANCO in AIG Brasil Companhia de Seguros.

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

## III- Other Procedures

CMN Resolution No. 3,518 of December 6, 2007 governs the collection of service fees by financial institutions and other institutions authorized to operate by BACEN, producing effects as from April 30, 2008. The income arising from the collection of these fees will be disclosed in the Consolidated Statement of Income, under the "Income from bank charges" heading, created by BACEN Circular Letter No. 3,324 of June 12, 2008 (Note 13e).

In order to enable the proper analysis of the net income, the heading "Net income without nonrecurring effects" is presented at the bottom of the Consolidated Statement of Income, and this effect is highlighted in a heading called "Exclusion of nonrecurring effects" (Note 22I).

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

Lease Operations are presented, at present value, in the Balance Sheet, and the related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credits operations in the Statement of Income. Advances on exchange contracts are reclassified from Other Liabilities – Foreign Exchange Portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

**b) Consolidation**

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

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

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

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

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



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

	Incorporation country	Interest %	
		12/31/2008	12/31/2007
Afinco Americas Madeira, SGPS, Sociedade Unipessoal, Ltda.	Portugal	100.00	100.00
Banco Dibens S.A.	Brazil	100.00	-
Banco Fiat S.A.	Brazil	99.99	99.99
Banco Fininvest S.A.	Brazil	99.99	-
Banco Itaú Argentina S.A.	(1) Argentina	99.99	99.99
Banco Itaú BBA S.A.	Brazil	99.97	95.75
Banco Itaú Chile S.A.	Chile	99.99	99.99
Banco Itaú Europa Luxembourg S.A.	(2) Luxembourg	99.98	19.52
Banco Itaú Europa, S.A.	(2) Portugal	99.99	19.53
Banco Itaú Uruguay S.A.	Uruguay	100.00	100.00
Banco Itaú S.A.	Brazil	100.00	100.00
Banco ItauBank S.A.	Brazil	100.00	100.00
Banco Itaucard S.A.	Brazil	99.99	99.99
Banco Itaucard Financiamentos S.A.	Brazil	100.00	99.99
Banco Itauleasing S.A.	Brazil	99.99	99.99
Banco Único S.A.	Brazil	100.00	-
BIU Participações S.A.	(3)(6) Brazil	66.16	41.66
Cia. Itaú de Capitalização	Brazil	99.99	99.99
Dibens Leasing S.A. - Arrendamento Mercantil	Brazil	100.00	-
E.Johnston Representação e Participações S.A.	Brazil	100.00	-
FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	(3) Brazil	50.00	50.00
Fiat Administradora de Consórcios Ltda.	Brazil	99.99	99.99
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	(4) Brazil	50.00	50.00
Hipercard Banco Múltiplo S.A.	Brazil	99.99	-
Itaú Administradora de Consórcios Ltda.	Brazil	99.99	99.99
Itau Bank, Ltd.	(5) Cayman Islands	100.00	100.00
Itaú Corretora de Valores S.A.	Brazil	99.99	99.99
Itaú Seguros S.A.	Brazil	100.00	100.00
Itaú Vida e Previdência S.A.	Brazil	99.99	100.00
Itaú XL Seguros Corporativos S.A.	(4) Brazil	50.00	50.00
ItauBank Leasing S.A. Arrendamento Mercantil	Brazil	99.99	99.99
Itaúsa Export S.A.	(2) Brazil	100.00	22.23
Oca Casa Financiera S.A.	Uruguay	100.00	100.00
Orbitall Serviços e Processamento de Informações Comerciais S.A.	Brazil	99.99	99.99
Redecard S.A.	(3)(6) Brazil	46.42	23.21
Unibanco - União de Bancos Brasileiros S.A.	Brazil	100.00	-
Unibanco Holdings S.A.	Brazil	100.00	-
Unibanco Cayman Bank Ltd.	Cayman Islands	100.00	-
Unibanco Companhia de Capitalização S.A.	Brazil	99.99	-
Unibanco Participações Societárias S.A.	Brazil	51.00	-
Unibanco Seguros S.A.	Brazil	100.00	-
Unibanco Vida e Previdência S.A.	Brazil	99.99	-
Unicard Banco Múltiplo S.A.	Brazil	99.99	-

(1) New company's name of Banco Itaú Buen Ayre S.A., approved by Banco Central de La República Argentina BACEN on 07/24/2008.

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

(3) Companies with shared control included proportionally in consolidation.

(4) Company with shared company, fully included in consolidation, as authorized by CVM, in view of the business management by ITAÚ UNIBANCO.

(5) It does not include Redeemable Preferred Shares (Note 10g)

(6) Increase in interest arising from Itaú Unibanco merger.

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

#### a) Basel and Fixed Asset Ratios

The main indicators at December 31, 2008, according to present regulation, are as follows:

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

(1) Consolidated financial statements including financial companies only;

(2) Consolidated financial statements comprising all subsidiary companies, including insurance, pension plan and capitalization companies and those in which control is based on the sum of interests held by the bank, its managers, parent company and related companies, notwithstanding their percentage, as well as those directly or indirectly acquired, through investment funds;

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

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

Management considers the current Basel ratio (16.1%, based on financial system consolidated) to be adequate, taking into account the following:

- It is much higher than the minimum required by the authorities (11.0%);
- In view of the realizable values of assets (Note 18), the additional provision exceeding the minimum required and unrecorded deferred tax assets, the ratio would increase to 18.7%.

CMN Resolution No. 3,490, of August 29, 2007, which provides for the criteria for computation of the Required Referential Equity (PRE), has been in effect since July 1, 2008. For calculation of the risk portions, the procedures of Circular No. 3,360, of September 12, 2007 for credit risk, of Circulars No. 3,361, 3,362, 3,363, 3,364, 3,366 and 3,368, of September 12, 2007, 3,388, of June 4, 2008, and 3,389, of June 25, 2008 and Circular Letters n.ºs. 3,309 and 3,310, of April 15, 2008 for market risk, and Circular No. 3,383 and Circular Letters Nos. 3,315 and 3,316, of April 30, 2008 for operational risk, were followed. For the operational risk portion, ITAÚ UNIBANCO opted for the use of the Alternative Standardized Approach.

The changes arising from the new regulation, after considering all impacts, have not shown significant effects in the credit risk and market risk portions. The operational risk portion will be increasingly incorporated, as set forth by Circular No. 3,383. Initially, it stands at 20% of the determined amount, and it will be increased every six-month period until reaching the full capital amount on January 1, 2010. Should the total effect be immediately considered, the Basel ratio would be 15.5% for the Financial System Consolidated and 15.6% for the Economic-Financial Consolidated.

The Referential Equity used for calculation of ratios and composition of risk exposures at December 31, 2008, are as follows:

	Financial system consolidated		Economic-financial consolidated	
<b>Stockholders' Equity Itaú Unibanco Banco Múltiplo S.A. (Consolidated)</b>	<b>43,664,036</b>		<b>43,664,036</b>	
Minority interests in subsidiaries	1,129,321		2,377,761	
Unrealized income (loss)	2,343		-	
<b>Consolidated stockholders' equity (BACEN)</b>	<b>44,795,700</b>		<b>46,041,797</b>	
Subordinated debt	15,401,912		15,401,912	
Additional provision for loan, lease and other operations	7,788,804		7,791,000	
Deferred tax assets excluded from Tier I	(458,709)		(458,709)	
Deferred assets excluded from Tier I	(685,683)		(694,505)	
<b>Tier I + Tier II</b>	<b>66,842,024</b>		<b>68,081,495</b>	
Exclusions (*):				
Funding instruments issued by financial institutions	(75,921)		(86,634)	
<b>Referential equity</b>	<b>66,766,103</b>		<b>67,994,861</b>	
<b>Risk exposure</b>				
Loan	<u>44,380,028</u>	<u>97.5%</u>	<u>44,679,977</u>	<u>97.5%</u>
Securities	2,051,916	4.5%	2,118,080	4.6%
Loan operations - Retail	7,995,859	17.6%	8,016,602	17.5%
Loan operations - Non-retail	13,747,102	30.2%	13,751,826	30.0%
Joint obligations - Retail	10,379	0.0%	10,379	0.0%
Joint obligations - Non-retail	3,341,414	7.4%	3,324,439	7.3%
Loan commitments - Retail	1,781,590	3.9%	1,781,590	3.9%
Loan commitments - Non-retail	1,065,103	2.3%	1,065,104	2.3%
Other exposures	14,386,665	31.6%	14,611,958	31.9%
Operating	<u>494,521</u>	<u>1.1%</u>	<u>494,521</u>	<u>1.1%</u>
Retail	55,162	0.1%	55,162	0.1%
Commercial	129,544	0.3%	129,544	0.3%
Corporate Finance	15,049	0.1%	15,049	0.1%
Negotiation and sales	182,069	0.4%	182,069	0.4%
Payments and settlements	48,897	0.1%	48,897	0.1%
Financial agent services	13,576	0.0%	13,576	0.0%
Asset management	47,395	0.1%	47,395	0.1%
Retail brokerage	2,744	0.0%	2,744	0.0%
Business plans	85	0.0%	85	0.0%
Market	<u>644,872</u>	<u>1.4%</u>	<u>644,872</u>	<u>1.4%</u>
Gold, foreign currencies and operations subject to exchange variation	-	0.0%	-	0.0%
Operations subject to interest rate variation	<u>478,122</u>	<u>1.1%</u>	<u>478,122</u>	<u>1.1%</u>
Prefix denominated in real	89,995	0.2%	89,995	0.2%
Foreign currency coupons	240,406	0.5%	240,406	0.5%
Interest rate coupon	115,922	0.3%	115,922	0.3%
Foreign currency coupons	31,799	0.1%	31,799	0.1%
Operations subject to commodity price variation	28,698	0.0%	28,698	0.0%
Operations subject to stock price variation	138,052	0.3%	138,052	0.3%
<b>Required Referential Equity</b>	<b>45,519,421</b>	<b>100.0%</b>	<b>45,819,370</b>	<b>100.0%</b>
<b>Excess capital in relation to Required Referential Equity</b>	<b>21,246,682</b>	<b>46.7%</b>	<b>22,175,491</b>	<b>48.4%</b>
<b>Exposure weighted by Risk</b>	<b>413,812,916</b>		<b>416,539,726</b>	

(\*) Starting June 30, 2008, the indirect interest in Banco Itaú Europa, S.A. has no longer been considered in exclusions.

During this period, the effects of the changes in legislation and balances were as follows:

Changes in the Basel Ratio	Financial system consolidated			Economic-financial consolidated		
	Referential equity	Weighted exposure	Effect	Referential equity	Weighted exposure	Effect
<b>Ratio at 12/31/2007</b>	<b>36,937,627</b>	<b>197,140,303</b>	<b>18.7%</b>	<b>37,094,609</b>	<b>207,726,168</b>	<b>17.9%</b>
Result for the first half	4,128,569	-	2.1%	4,114,458	-	2.0%
Interest on capital and dividends	(1,327,602)	-	-0.6%	(1,327,602)	-	-0.6%
Adjustments in equity appraisal	(171,254)	-	-0.1%	(171,254)	-	-0.1%
Treasury shares	(1,213,413)	-	-0.6%	(1,213,413)	-	-0.6%
Subordinated debt	1,134,923	-	0.6%	1,134,923	-	0.5%
Deferred assets excluded from Tier I of referential equity	(121,370)	(121,370)	-0.1%	(122,440)	(122,440)	-0.1%
Other changes in referential equity	122,139	-	0.2%	93,944	-	0.1%
Changes in Risk Exposure	-	34,277,311	-3.0%	-	34,254,353	-2.7%
Effects of Resolution 3.490/07	-	5,488,761	-0.5%	-	(419,349)	0.0%
<b>Ratio at 06/30/2008</b>	<b>39,489,619</b>	<b>236,785,005</b>	<b>16.7%</b>	<b>39,603,225</b>	<b>241,438,732</b>	<b>16.4%</b>
Results for the second half	4,487,708	-	1.9%	4,748,169	-	2.0%
Interest on capital and dividends	(1,873,744)	-	-0.8%	(1,873,744)	-	-0.8%
Allowance for loan losses additional to the minimum percentage required by the CMN Resolution of Law 2,682/99	5,365,804	-	2.3%	5,368,000	-	2.2%
Effect of adoption of Law No. 11.638	33,704	-	0.0%	33,704	-	0.0%
Adjustments in equity appraisal	(138,107)	-	-0.1%	(138,107)	-	-0.1%
Treasury shares	(297,358)	-	-0.1%	(297,358)	-	-0.1%
Subordinated debt and Redeemable preferred shares	1,631,237	-	0.7%	1,631,237	-	0.7%
Deferred assets excluded from Tier I of referential equity	(320,160)	(320,160)	-0.1%	(319,745)	(319,745)	-0.1%
Other changes in referential equity	(186,776)	-	-0.1%	(321,135)	-	-0.1%
Changes in Risk Exposure	-	41,391,367	-3.1%	-	32,059,078	-2.4%
<b>Ratio at 12/31/2008 before merger with Unibanco</b>	<b>48,191,927</b>	<b>277,856,212</b>	<b>17.3%</b>	<b>48,434,246</b>	<b>273,178,065</b>	<b>17.7%</b>
<b>Effect of merger with Unibanco</b>	<b>18,574,176</b>	<b>135,956,704</b>	<b>-1.2%</b>	<b>19,560,615</b>	<b>143,361,661</b>	<b>-1.4%</b>
<b>Ratio at 12/31/2008 under the current criterion</b>	<b>66,766,103</b>	<b>413,812,916</b>	<b>16.1%</b>	<b>67,994,861</b>	<b>416,539,726</b>	<b>16.3%</b>

**b) Capital for Insurance Activity**

SUSEP, following the worldwide trend towards the strengthening of the insurance market, disclosed on December 26, 2006 the Resolutions Nos. 155 and 158, amended by Resolution No. 178 of December 28, 2007 and Circular No. 355 of December 14, 2007. The regulations, in force as from January 2008, provide for the rules on minimum capital required for authorization and operation of insurance companies and rules for the allocation of capital from subscription risk for several insurance segments.

Noteworthy is the fact that the adjusted stockholders' equity of ITAU UNIBANCO companies exclusively engaged in insurance activities is higher than the required regulatory capital. As of December 31, 2008, the capital required by the new SUSEP regulation was R\$ 1,152,559, for an existing adjusted stockholders' equity of R\$ 3,157,114.



**NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES**

- a) **Cash and cash equivalents** – For purposes of Consolidated Statement of Cash Flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits that have original maturities of up to 90 days or less and securities purchased under agreements to resell - Funded position.
- b) **Interbank investments, remunerated restricted credits – Brazilian Central Bank, remunerated deposits, deposits received under securities repurchase agreements, funds from acceptance and issuance of securities, borrowings and onlendings and other receivables and payables** – Transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, calculated "pro rata die" based on the variation of the contracted index and interest rate.
- c) **Securities** - Recorded at cost of acquisition restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular No. 3,068, of November 8, 2001. Securities are classified into the following categories:

- Trading securities – acquired to be actively and frequently traded, and adjusted to market value, with a contra-entry to the results for the period.
- Available-for-sale securities – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a contra-entry to an account disclosed in stockholders' equity;
- Held-to-maturity securities – securities, except for non-redeemable shares, 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 adjusted up to their maturity date, not being adjusted to market value.

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

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

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

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

- Market Risk Hedge – Financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income;

- Cash 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 value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of hedge is recorded directly in the statement of income.

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

**f) Allowance for Loan Losses** - The balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution No. 2,682 of December 21, 1999, among which are:

- 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;
- Based exclusively on delinquency, write-offs of credit operations against loss must be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

**g) Other assets** - These assets are mainly comprised by assets held for sale relating to real estate available for sale, own real estate not in use and real estate received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations; and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods.

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

**i) Fixed assets** – Correspond to rights whose subjects are tangible assets intended for maintenance of the company's operations or which are exercised for such purpose, including assets arising from transactions that transfer to the company their benefits, risks and control. These assets are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995, and adjusted to market value until December 31, 2007, when applicable. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. Depreciation is calculated using the straight-line method, based on monetarily restated cost, at the following annual rates:

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

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

- k) Intangible assets** – correspond to rights purchased whose subjects are tangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution No. 3,642, of November 26, 2008. It is composed of rights acquired to credit payrolls and partnership agreements, amortized over the agreement terms, and software and customer portfolios, amortized over a term varying from five to ten years.
- l) Reduction to the Recoverable Amount of Assets** – a loss is recognized when there are clear evidences that assets are stated at a non-recoverable amount. From 2008, this procedure started to be adopted annually in the fourth quarter.
- m) Technical Provisions of Insurance, Pension Plan and Capitalization** – provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution No. 162 of December 26, 2006 and the amendments introduced by CNSP Resolution No. 181, of December 19, 2007.

#### **I- Insurance:**

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

#### **II - Pension plan and individual life with living benefits** – correspond to liabilities assumed such as retirement plans, disability, pension and annuity:

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

#### **III- Capitalization**

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

**n) Contingent Assets and Liabilities and Legal Liabilities – Tax and Social Security:** assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 3,535 of January 31, 2008.

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

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

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

Escrow deposits are restated in accordance with the current legislation.

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

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

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

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

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

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

(1) As from May 1, 2008, for financial subsidiaries and equivalent companies, the rate was changed from 9% to 15%, as provided for in articles 17 and 41 of Law No. 11,727 of June 24, 2008. For non-financial and social security subsidiaries, the rate remained at 9%;

(2) For non-financial subsidiaries that fall into the non-cumulative calculation system, the PIS rate is 1.65% and COFINS rate is 7.6%.

The changes introduced by Law No. 11,638 and Provisional Measure No. 449 (articles 36 and 37), which modified the criterion for recognizing revenues, costs and expenses, computed to determine the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transitory Tax Regime (RTT), so for tax purposes the rules effective on December 31, 2007 were followed. The tax effects arising from the adoption of such rules are recorded, for accounting purposes, in the corresponding deferred assets and liabilities.



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



# NOTE 5 – CASH AND CASH EQUIVALENTS

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

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Cash and cash equivalents	15,847,047	11,809,096	4,287,879
Interbank deposits	7,263,688	2,903,442	3,020,561
Securities purchased under agreements to resell - Funded position	24,668,262	20,142,706	19,987,068
<b>TOTAL</b>	<b>47,778,997</b>	<b>34,855,244</b>	<b>27,295,508</b>

In ITAÚ UNIBANCO, it is composed of the following:

	12/31/2008	12/31/2007
Cash and cash equivalents	155	134
Securities purchased under agreements to resell - Funded position	171,572	152,841
<b>TOTAL</b>	<b>171,727</b>	<b>152,975</b>

# NOTE 6 - INTERBANK INVESTMENTS

	With UNIBANCO					Without UNIBANCO				
	12/31/2008					12/31/2008				
	0 - 30	31 - 180	181 - 365	Over 365	Total	%	Total	%	Total	%
<b>Money market</b>	<b>87,196,377</b>	<b>3,532,299</b>	<b>4,748,302</b>	<b>896,124</b>	<b>96,373,102</b>	<b>77.5</b>	<b>64,925,916</b>	<b>75.9</b>	<b>41,353,524</b>	<b>72.8</b>
Funded position (*)	15,803,635	3,409,125	4,559,399	896,103	24,668,262	19.8	20,142,706	23.6	19,987,068	35.2
Financed position	70,386,752	84,895	188,903	21	70,660,571	56.8	43,738,941	51.1	21,005,308	37.0
With free movement	14,134,262	84,603	188,903	-	14,407,768	11.6	150,885	0.2	-	-
Without free movement	56,252,490	292	-	21	56,252,803	45.2	43,588,056	50.9	21,005,308	37.0
Short position	1,005,990	38,279	-	-	1,044,269	0.8	1,044,269	1.2	361,148	0.6
<b>Money market - Assets Guaranteeing Technical Provisions - SUSEP</b>	<b>-</b>	<b>-</b>	<b>73,868</b>	<b>2,091,711</b>	<b>2,165,579</b>	<b>1.7</b>	<b>2,165,579</b>	<b>2.5</b>	<b>1,146,582</b>	<b>2.0</b>
<b>Interbank deposits</b>	<b>12,527,365</b>	<b>7,193,871</b>	<b>4,996,927</b>	<b>1,289,244</b>	<b>26,007,407</b>	<b>20.9</b>	<b>18,494,186</b>	<b>21.6</b>	<b>14,285,141</b>	<b>25.2</b>
<b>TOTAL With UNIBANCO</b>	<b>99,723,742</b>	<b>10,726,170</b>	<b>9,819,097</b>	<b>4,277,079</b>	<b>124,546,088</b>		<b>85,585,681</b>		<b>56,785,247</b>	
% per maturity term	80.1	8.6	7.9	3.4						
<b>TOTAL Without UNIBANCO</b>	<b>67,662,018</b>	<b>8,122,756</b>	<b>6,207,015</b>	<b>3,593,892</b>	<b>85,585,681</b>					
% per maturity term	79.0	9.5	7.3	4.2						
<b>TOTAL - 12/31/2007</b>	<b>44,338,291</b>	<b>4,801,208</b>	<b>5,976,147</b>	<b>1,669,601</b>	<b>56,785,247</b>					
% per maturity term	78.1	8.5	10.5	2.9						

(\*) Includes R\$ 9,989,713 (R\$ 6,850,110 at 12/31/2007) related to money market with free movement, in which securities are basically restricted to guarantee transactions at the BM&F Bovespa S.A. - Brazilian Stock, Mercantile and Futures Exchange (BM&F Bovespa) and the Central Bank of Brazil (BACEN).

In ITAÚ UNIBANCO at 12/31/2008, portfolio is composed of Money market - funded position falling due in up to 30 days amounting to R\$ 171,572 (R\$ 152,841 at 12/31/2007) and Interbank deposits over 365 days amounting to R\$ 309,323 (R\$ 703,306 at 12/31/2007).

# NOTE 7 - SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

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

## a) Summary per maturity

	Cost	With UNIBANCO				Without UNIBANCO			
		12/31/2008				12/31/2007			
		Provision for adjustment to	Market value	%		Over 720 days	Market value	Market value	
		market value with impact							
		Stockholders' Equity							
		Results							
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>52,368,309</b>	<b>349,673</b>	<b>188,724</b>	<b>38.2</b>	<b>8,918,806</b>	<b>26,655,413</b>	<b>35,386,063</b>	<b>14,569,073</b>	
Financial Treasury Bills	14,308,591	(8,835)	14,299,756	10.3	27,256	10,469,900	13,463,471	2,863,587	
National Treasury Bills	19,074,714	114,992	19,189,706	13.9	8,772,784	611,126	13,072,660	8,118,757	
National Treasury Notes	13,947,581	228,015	14,175,596	10.3	10,774	11,137,207	6,861,306	2,254,453	
National Treasury Notes - M	7,697	-	7,697	-	-	-	7,697	24,538	
National Treasury Securitization	248,940	(4,950)	(4,701)	0.2	23	170,109	181,189	193,380	
Brazilian External Debt Bonds	4,714,919	20,451	4,735,370	3.5	44,296	4,285,520	1,714,047	824,471	
Investment in Non-exclusive Funds	63,693	-	63,693	-	63,693	-	63,693	259,487	
Other	1,974	-	1,974	-	-	-	-	30,400	
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>11,909,906</b>	<b>80,573</b>	<b>12,035,159</b>	<b>8.7</b>	<b>357,181</b>	<b>844,791</b>	<b>10,744,685</b>	<b>11,083,063</b>	
Portugal	297,316	-	297,316	0.2	-	-	301,099	239,995	
Austria	1,470,028	-	1,470,028	1.1	-	598,900	1,460,308	2,106,975	
Argentina	65,110	(11)	65,099	-	-	-	65,099	90,009	
Central Bank	36,859	(10)	36,849	-	-	-	36,849	88,325	
National Treasury	28,251	(1)	28,250	-	-	-	28,250	1,684	
Russia	2,107,648	-	2,107,648	1.6	9,042	405,677	2,193,506	389,770	
Denmark	3,247,545	(3,690)	3,243,855	2.3	-	-	3,247,545	3,133,495	
Spain	2,041,076	(3,784)	2,037,292	1.5	99,937	982,470	1,312,133	3,742,330	
Korea	656,207	430	656,637	0.5	167,297	3,386	647,285	426,195	
Chile	397,703	(1)	397,702	0.3	57,803	10,246	10,246	-	
Paraguay	111,162	(1,448)	109,714	0.1	1,082	48,714	102,883	84,266	
Uruguay	981,316	80,696	1,062,012	0.8	14,745	351,770	1,063,036	286,053	
United States	347,256	-	347,256	0.2	7,256	-	344,999	188,199	
Norway	145,736	8,422	154,158	0.1	-	-	5,963	66,572	
Mexico	-	-	-	-	-	-	-	70,223	
Italy	-	-	-	-	-	-	-	2,422	
<b>CORPORATE SECURITIES</b>	<b>26,145,508</b>	<b>21,082</b>	<b>25,773,729</b>	<b>18.6</b>	<b>8,942,447</b>	<b>8,242,095</b>	<b>18,274,772</b>	<b>12,901,162</b>	
Eurobonds and others	5,131,106	6,535	5,137,641	3.6	620,848	293,938	4,862,600	3,780,291	
Bank Deposit Certificate	2,825,722	(1)	2,825,721	2.0	1,313,457	161,977	784,601	1,792,223	
Shares	3,382,685	25,150	3,407,835	2.4	3,288,090	-	2,379,788	947,472	
Debentures	5,427,901	(2,025)	5,425,876	3.9	104,072	592,801	3,338,448	2,727,779	
Promissory Notes	2,146,636	-	2,146,636	1.6	119,546	1,380,527	2,150,209	357,548	
Mortgage Notes	42	-	42	-	-	-	-	-	
Quotas of funds	3,327,380	(9,558)	3,317,822	2.4	3,323,927	-	2,565,762	2,368,838	
Fixed Income	2,122,310	-	2,122,310	1.5	2,121,662	-	1,363,517	1,077,323	
Credit Rights	985,087	-	985,087	0.7	985,087	-	985,087	1,184,043	
Other	219,983	(9,558)	210,425	0.2	217,158	-	217,158	107,472	
Securitized real estate loans	3,487,779	981	3,488,760	2.4	71,385	3,004,341	2,193,315	926,968	
Other	416,157	-	416,157	0.3	101,122	108,905	7	43	
<b>PGBL/VGBL FUND QUOTAS (1)</b>	<b>30,023,746</b>	<b>-</b>	<b>30,023,746</b>	<b>21.7</b>	<b>30,023,746</b>	<b>-</b>	<b>22,832,327</b>	<b>18,664,004</b>	
<b>SUBTOTAL - SECURITIES</b>	<b>120,447,569</b>	<b>451,328</b>	<b>120,739,340</b>	<b>87.2</b>	<b>48,242,180</b>	<b>15,000,549</b>	<b>87,237,847</b>	<b>57,217,302</b>	
Trading securities	72,108,727	451,328	72,560,055	52.4	38,342,426	8,543,501	56,075,493	38,778,205	
Available-for-sale securities	43,966,474	-	43,966,474	31.6	9,892,635	6,225,064	27,836,550	17,007,037	
Held-to-maturity securities (2)	4,372,168	-	4,372,168	3.2	7,119	231,984	1,325,804	1,432,060	
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>15,296,574</b>	<b>2,305,861</b>	<b>17,602,435</b>	<b>12.8</b>	<b>4,320,165</b>	<b>2,534,179</b>	<b>10,302,427</b>	<b>4,120,212</b>	
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)</b>	<b>135,746,043</b>	<b>2,757,189</b>	<b>138,543,875</b>	<b>100.0</b>	<b>52,562,345</b>	<b>17,104,958</b>	<b>97,540,274</b>	<b>61,337,514</b>	
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)</b>	<b>(9,392,688)</b>	<b>(5,414,716)</b>	<b>(14,807,404)</b>	<b>100.0</b>	<b>(3,787,691)</b>	<b>(2,536,615)</b>	<b>(6,007,848)</b>	<b>(3,857,304)</b>	
<b>NET</b>	<b>126,353,355</b>	<b>(2,657,527)</b>	<b>123,696,351</b>	<b>100.0</b>	<b>47,774,654</b>	<b>14,568,303</b>	<b>91,532,426</b>	<b>57,480,210</b>	

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

(2) Unrecorded positive adjustment to market value in the amount of R\$ 521,799 (R\$ 205,085 at 12/31/2007), according to Note 7e.



## b) Summary by portfolio

	12/31/2008						
	Restricted to			Assets			
	Own portfolio	Repurchase agreements	Pledging of guarantees (1)	Free movement	Derivative financial instruments	guaranteeing technical provisions (Note 11b)	Total
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>20,382,547</b>	<b>4,658,940</b>	<b>12,583,738</b>	-	<b>9,949,962</b>	<b>5,331,519</b>	<b>52,906,706</b>
Financial Treasury Bills	1,754,361	316,072	6,097,769	-	5,420,016	709,165	14,297,383
National Treasury Bills	12,272,319	1,581,890	3,646,886	-	1,440,629	288,926	19,210,650
National Treasury Notes	3,803,690	263,525	2,746,906	-	3,089,317	4,325,660	14,229,098
National Treasury Notes - M	7,697	-	-	-	-	7,697	-
National TreasurySecuritization	225,536	-	-	-	-	-	225,536
Brazilian External Debt Bonds	2,253,059	2,497,453	92,177	-	-	27,768	4,870,457
Investment in Non-exclusive Funds	63,693	-	-	-	-	-	63,693
Financial Treasury Bills	63,693	-	-	-	-	-	63,693
Other	2,192	-	-	-	-	-	2,192
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>6,885,580</b>	<b>1,025,065</b>	<b>4,124,514</b>	-	-	-	<b>12,035,159</b>
Portugal	301,099	-	-	-	-	-	301,099
Austria	363,334	-	1,096,974	-	-	-	1,460,308
Argentina	65,099	-	-	-	-	-	65,099
Central Bank	36,849	-	-	-	-	-	36,849
National Treasury	28,250	-	-	-	-	-	28,250
Denmark	1,565,701	-	627,805	-	-	-	2,193,506
Spain	1,901,156	-	1,346,389	-	-	-	3,247,545
Korea	1,215,027	-	840,686	-	-	-	2,055,713
Chile	628,920	-	-	-	-	-	647,285
Paraguay	397,702	18,365	-	-	-	-	397,702
Uruguay	102,883	-	-	-	-	-	102,883
United States	16,091	1,006,700	40,245	-	-	-	1,063,036
Norway	172,584	-	172,415	-	-	-	344,999
Mexico	154,158	-	-	-	-	-	154,158
Other	1,826	-	-	-	-	-	1,826
<b>CORPORATE SECURITIES</b>	<b>21,712,031</b>	<b>749,812</b>	<b>697,483</b>	-	-	<b>2,614,403</b>	<b>25,773,729</b>
Eurobonds and others	4,248,799	749,800	-	-	-	-	4,998,599
Bank Deposit Certificate	1,495,097	-	18,549	-	-	1,312,074	2,825,720
Shares	3,156,349	-	28,916	-	-	102,825	3,288,090
Debentures	4,119,874	12	480,247	-	-	816,384	5,416,517
Promissory Notes	2,086,641	-	-	-	-	63,568	2,150,209
Mortgage Notes	42	-	-	-	-	-	42
Quotas of funds	2,967,772	-	169,771	-	-	189,900	3,327,443
Fixed income	1,939,176	-	169,771	-	-	16,251	2,125,198
Credit Rights	854,180	-	-	-	-	130,907	985,087
Other	174,416	-	-	-	-	42,742	217,158
Securitized real estate loans	3,321,601	-	-	-	-	28,531	3,350,132
Other	315,856	-	-	-	-	101,121	416,977
<b>PGBL/VGBL FUND QUOTAS</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	-	<b>30,023,746</b>	<b>30,023,746</b>
<b>SUBTOTAL - SECURITIES</b>	<b>48,980,158</b>	<b>6,433,817</b>	<b>17,405,735</b>	-	<b>9,949,962</b>	<b>37,969,668</b>	<b>120,739,340</b>
Trading securities	19,031,470	2,830,734	11,726,566	-	5,485,388	33,485,897	72,560,055
Available-for-sale securities	29,477,299	2,142,434	5,501,731	-	4,464,574	2,221,079	43,807,117
Held-to-maturity securities	471,389	1,460,649	177,438	-	-	2,262,692	4,372,168
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	<b>17,604,535</b>	<b>-</b>	<b>17,604,535</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>48,980,158</b>	<b>6,433,817</b>	<b>17,405,735</b>	-	<b>9,949,962</b>	<b>37,969,668</b>	<b>138,343,875</b>
<b>(ASSETS) - With UNIBANCO</b>	<b>48,980,158</b>	<b>6,433,817</b>	<b>17,405,735</b>	-	<b>9,949,962</b>	<b>37,969,668</b>	<b>138,343,875</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>35,799,479</b>	<b>4,202,581</b>	<b>15,306,119</b>	-	<b>5,748,637</b>	<b>26,181,031</b>	<b>97,540,274</b>
<b>(ASSETS) - Without UNIBANCO</b>	<b>26,519,047</b>	<b>2,138,568</b>	<b>5,927,079</b>	<b>4,113</b>	<b>402,854</b>	<b>22,225,641</b>	<b>61,337,514</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>62,318,526</b>	<b>6,342,449</b>	<b>21,232,858</b>	<b>4,113</b>	<b>6,151,501</b>	<b>52,209,387</b>	<b>159,881,449</b>
<b>(ASSETS) - Without UNIBANCO - 12/31/2007</b>	<b>26,519,047</b>	<b>2,138,568</b>	<b>5,927,079</b>	<b>4,113</b>	<b>402,854</b>	<b>22,225,641</b>	<b>61,337,514</b>

(1) Represent securities deposited with Collateral Liabilities (Note 11b), Stock Exchanges and the Clearing House for the Custody and Financial Settlement of Securities.

(2) Represent securities in compulsory deposits.

(1) Represent securities deposited with Collateral Liabilities (Note 11b), Stock Exchanges and the Clearing House for the Custody and Financial Settlement of Securities.

(2) Represent securities in compulsory deposits.

### c) Trading securities

See below the composition of the portfolio of trading securities by type, stated at cost and market value and by maturity term.

	With UNIBANCO										Without UNIBANCO	
	12/31/2008										12/31/2008	12/31/2007
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	Market value
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>32,590,066</b>	<b>349,673</b>	<b>32,939,739</b>	<b>45.3</b>	<b>5,013,183</b>	<b>183,327</b>	<b>2,209,710</b>	<b>3,671,403</b>	<b>7,509,509</b>	<b>14,352,607</b>	<b>27,837,617</b>	<b>10,887,858</b>
Financial Treasury Bills	8,884,364	(8,835)	8,875,529	12.2	3,518	147,901	1,015,625	415,510	694,156	6,601,819	8,769,578	1,531,416
National Treasury Bills	14,012,891	114,992	14,127,883	19.5	4,934,714	-	892,220	3,148,637	4,551,364	6,000,948	12,703,348	7,386,560
National Treasury Notes	9,072,082	228,015	9,300,097	12.8	9,967	20,608	231,997	63,080	2,189,740	6,784,705	5,815,579	1,185,885
National Treasury Securitization	107,054	(4,950)	102,104	0.1	-	14,811	5,213	9,370	26,010	46,700	102,104	84,488
Brazilian External Debt Bonds	449,982	20,451	470,433	0.6	1,291	7	64,655	37,806	48,239	318,435	383,315	240,022
Investments in Non-exclusive Funds	63,693	-	63,693	0.1	63,693	-	-	-	-	-	63,693	259,487
Financial Treasury Bills	63,693	-	63,693	0.1	63,693	-	-	-	-	-	63,693	259,487
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>2,454,215</b>	<b>80,573</b>	<b>2,534,788</b>	<b>3.4</b>	<b>104,563</b>	<b>128,057</b>	<b>865,521</b>	<b>333,348</b>	<b>442,155</b>	<b>661,144</b>	<b>1,988,180</b>	<b>2,894,756</b>
Argentina	64,187	(11)	64,176	0.1	-	5,722	-	-	29,980	28,474	64,176	36,566
Central Bank	36,859	(10)	36,849	0.1	-	5,722	-	-	29,980	1,147	36,849	34,882
National Treasury	27,328	(1)	27,327	-	-	-	-	-	-	27,327	27,327	1,684
Spain	421,854	(3,690)	418,164	0.6	-	-	418,164	-	-	-	418,164	847,228
Korea	294,360	(3,784)	290,576	0.4	-	-	290,576	1,133	10,924	5,726	290,576	1,582,881
Chile	163,724	430	164,154	0.2	-	27,216	87,877	147,077	48,714	4,969	164,154	70,917
Paraguay	397,703	(1)	397,702	0.5	57,803	72,366	66,773	-	8	4,238	-	-
Uruguay	7,757	(1,448)	6,309	-	718	578	-	-	-	-	-	-
United States	957,313	80,696	1,038,009	1.4	14,745	15,547	1,647	185,113	351,770	469,187	1,038,009	286,053
Mexico	145,736	8,422	154,158	0.2	19	6,628	-	-	-	147,511	5,983	68,572
Other	1,581	(41)	1,540	-	-	-	484	17	-	1,039	809	2,422
<b>CORPORATE SECURITIES</b>	<b>7,040,700</b>	<b>21,082</b>	<b>7,061,782</b>	<b>9.9</b>	<b>3,200,934</b>	<b>693,344</b>	<b>288,802</b>	<b>587,262</b>	<b>591,837</b>	<b>1,689,803</b>	<b>5,417,369</b>	<b>5,734,926</b>
Europe and others	1,310,774	6,535	1,317,309	1.8	137,594	450,522	77,587	90,420	158,705	404,481	1,306,370	820,635
Bank Deposit Certificates:	1,432,553	(1)	1,432,552	2.2	43,508	216,403	129,838	430,480	177,958	434,365	1,751,673	1,775,251
Shares	572,516	25,150	597,666	0.8	597,666	-	-	-	-	-	456,105	393,331
Debentures	1,255,338	(2,025)	1,253,313	1.7	-	26,184	81,030	60,941	251,313	833,845	1,189,960	1,247,951
Promissory notes	107,659	-	107,659	-	107,659	-	-	-	-	-	107,659	-
Quotas of funds	2,323,946	(9,558)	2,314,388	3.2	2,314,388	-	-	-	-	-	1,574,579	1,395,476
Fixed income	1,976,420	-	1,976,420	2.7	1,976,420	-	-	-	-	-	1,236,611	1,028,600
Credit rights	200,776	-	200,776	0.3	200,776	-	-	-	-	-	200,776	355,813
Other	146,750	(9,558)	137,192	0.2	137,192	-	-	-	-	-	137,192	11,063
Securitized real estate loans	37,914	981	38,895	0.1	119	235	347	5,421	5,861	26,912	31,023	102,282
<b>PGBL/UGBL FUND QUOTAS</b>	<b>30,023,746</b>	<b>-</b>	<b>30,023,746</b>	<b>41.4</b>	<b>30,023,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,832,327</b>	<b>18,664,004</b>
<b>TOTAL 12/31/2008 - With UNIBANCO</b>	<b>72,108,727</b>	<b>451,328</b>	<b>72,560,055</b>	<b>100.0</b>	<b>38,342,426</b>	<b>1,004,728</b>	<b>3,364,033</b>	<b>4,592,013</b>	<b>8,543,501</b>	<b>16,713,354</b>	<b>58,075,493</b>	<b>38,776,205</b>
% per maturity term					52.9%	1.4%	4.6%	6.3%	11.8%	23.0%		
<b>TOTAL 12/31/2008 - Without UNIBANCO</b>	<b>57,733,985</b>	<b>341,508</b>	<b>58,075,493</b>	<b>100.0</b>	<b>29,628,772</b>	<b>912,978</b>	<b>2,773,439</b>	<b>4,339,920</b>	<b>6,965,318</b>	<b>13,455,066</b>		
% per maturity term					50.9%	1.6%	4.8%	7.5%	12.0%	23.2%		
<b>TOTAL 12/31/2007 - Without UNIBANCO</b>	<b>38,821,447</b>	<b>(43,242)</b>	<b>38,778,205</b>	<b>100.0</b>	<b>21,671,860</b>	<b>701,281</b>	<b>2,222,363</b>	<b>2,723,139</b>	<b>7,202,238</b>	<b>4,257,324</b>		
% per maturity term					55.9%	1.8%	5.7%	7.0%	18.6%	11.0%		

#### d) Available-for-sale securities

See below the composition of the portfolio of available-for-sale securities by type, stated at cost and market value and by maturity term.

	With UNIBANCO										Without UNIBANCO	
	12/31/2008										12/31/2008	12/31/2007
	Cost	Adjustment to market value (in stockholders' equity)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	Market value
GOVERNMENT SECURITIES - DOMESTIC												
Financial Treasury Bills	15,779,438	188,724	15,968,162	36.5	3,900,139	216,417	691,857	866,329	1,576,138	8,717,282	6,591,285	2,424,509
National Treasury Bills	5,424,227	(2,373)	5,421,854	12.4	23,738	199,901	154,761	281,780	893,593	3,868,081	4,715,893	1,032,171
National Treasury Notes	5,061,823	20,944	5,082,767	11.6	3,838,050	-	533,714	461,347	239,478	10,178	369,312	732,197
National Treasury/Securitization	2,466,044	53,202	2,519,246	5.8	806	2,317	3,382	94,223	430,711	1,987,807	416,962	268,768
Brazilian External Debt Bonds	141,786	(18,354)	123,432	0.3	23	-	-	-	-	123,409	79,085	108,892
Other	2,683,584	135,087	2,818,671	6.4	37,522	13,971	-	28,748	12,174	2,726,256	1,010,033	277,838
	1,974	218	2,192	-	-	228	-	231	182	1,551	-	4,643
GOVERNMENT SECURITIES - ABROAD												
Portugal	9,432,484	44,780	9,477,264	21.7	252,278	547,473	2,836,553	2,378,691	3,301,065	161,204	8,733,684	7,697,842
Austria	297,316	3,783	301,099	0.7	-	-	-	286,123	34,976	-	301,099	239,995
Argentina	1,470,028	(9,720)	1,460,308	3.3	-	299,987	598,900	282,253	279,168	-	1,460,308	2,106,975
Central Bank	923	-	923	-	-	-	-	-	-	923	-	53,443
National Treasury	923	-	923	-	-	-	-	-	-	-	923	-
Denmark	2,107,648	85,858	2,193,506	5.0	9,042	12,557	350,059	405,677	1,416,171	-	2,193,506	173,425
Spain	2,865,527	(36,146)	2,829,381	6.5	-	3,774	1,420,362	422,775	982,470	-	2,829,381	2,286,267
Korea	1,746,716	18,421	1,765,137	4.0	99,937	-	4,846	961,904	580,242	118,208	1,021,557	2,159,449
Chile	492,483	(9,352)	483,131	1.1	136,019	216,991	123,348	2,253	-	4,520	483,131	355,278
Uruguay	80,584	(6,831)	73,753	0.2	24	13,747	1,295	37,706	8,038	12,943	73,753	64,588
United States	24,003	1,024	25,027	0.1	-	417	-	-	-	24,610	25,027	-
Norway	347,256	(2,257)	344,999	0.8	7,256	-	337,743	-	-	-	344,999	188,199
Italy	-	-	-	-	-	-	-	-	-	-	-	70,223
CORPORATE SECURITIES												
Eurobonds and others	18,754,552	(392,861)	18,361,691	41.8	5,740,218	1,275,592	1,289,516	2,471,779	1,347,861	6,236,725	12,511,581	6,884,686
Bank Deposit Certificates:	3,543,430	(139,042)	3,406,388	7.8	482,086	928,829	278,263	203,518	45,699	1,467,993	3,281,328	2,748,976
Shares	1,393,169	(1)	1,393,168	3.2	1,269,949	-	32,139	80	261	90,739	32,928	16,972
Debentures	2,810,157	(119,745)	2,690,412	6.1	2,690,412	-	-	-	-	-	1,923,683	554,141
Promissory notes	4,104,249	(9,259)	4,094,990	9.3	103,957	181,115	511,422	485,226	1,115,684	1,697,586	2,084,696	1,416,600
Mortgage Notes	2,039,177	3,373	2,042,550	4.7	11,887	102,168	309,208	1,619,287	-	-	2,042,550	357,548
Quotas of funds	42	-	42	-	-	-	-	-	-	42	-	-
Fixed income	1,003,434	9,621	1,013,055	2	1,009,539	-	-	3,516	-	-	991,183	973,362
Credit rights	145,890	2,888	148,778	0.3	145,262	-	-	3,516	-	-	126,906	48,723
Other	784,311	-	784,311	1.8	784,311	-	-	-	-	-	784,311	828,230
Securitized real estate loans	73,233	6,733	79,966	0.2	79,966	-	-	-	-	-	79,966	96,409
Other	3,442,737	(138,628)	3,304,109	7.4	71,266	10,912	21,262	51,347	179,021	2,970,301	2,155,164	817,044
	416,157	820	416,977	1.0	101,122	52,568	137,222	108,805	7,196	10,064	7	43
TOTAL 12/31/2007	43,968,474	(159,357)	43,807,117	100.0	9,892,635	2,039,482	4,817,926	5,716,799	6,225,064	15,115,211	27,836,550	17,007,037
Adjustments of securities reclassified in prior years to the held-to-maturity category	-	20,811	-	-	22.6%	4.7%	11.0%	13.0%	14.2%	34.5%	-	-
Deferred taxes	-	175,123	-	-	-	-	-	-	-	-	-	-
Minority interests in subsidiaries	-	6,867	-	-	-	-	-	-	-	-	-	-
Accounting adjustment - Hedge - Circular 3082	-	(334,946)	-	-	-	-	-	-	-	-	-	-
Adjustment of securities of unconsolidated affiliates	-	(132,215)	-	-	-	-	-	-	-	-	-	-
ADJUSTMENTS TO EQUITY VALUATION - 12/31/2008 - With and Without UNIBANCO												
TOTAL 12/31/2007 Without UNIBANCO	27,959,906	(123,356)	27,836,550	100.0	3,736,084	1,804,036	3,911,075	4,340,684	4,675,675	9,368,996	3,715,332	3,715,332
	16,947,727	59,310	17,007,037	100.0	1,850,154	1,667,669	3,705,755	3,671,484	2,396,643	3,715,332	21.8%	21.8%
Adjustments of securities reclassified in prior years to the held-to-maturity category	-	21,915	-	-	10.9%	9.8%	21.8%	21.6%	14.1%	21.8%	-	-
Deferred taxes	-	(31,566)	-	-	-	-	-	-	-	-	-	-
Minority interests in subsidiaries	-	2,268	-	-	-	-	-	-	-	-	-	-
Adjustment of securities of unconsolidated affiliates	-	13,540	-	-	-	-	-	-	-	-	-	-
ADJUSTMENTS TO EQUITY VALUATION - 12/31/2007 - Without UNIBANCO												
	65,467	-	65,467	-	-	-	-	-	-	-	-	-

#### e) Held-to-maturity securities

See below the composition of the portfolio of held-to-maturity securities by type, stated at cost by maturity term. In the carrying value, not considered in results, is the amounts of R\$ 20,811 (R\$ 21,915 at 12/31/2007) included at December 31, 2008, relating to market adjustment of the reclassified securities at December 31, 2003. Securities classified under this type, if stated at market value, would present a positive adjustment of R\$ 521,799 (R\$ 205,085 at 12/31/2007).

	With UNIBANCO										Without UNIBANCO	
	12/31/2008										12/31/2008	12/31/2007
	Carrying value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Carrying value	Carrying value		
GOVERNMENT SECURITIES - DOMESTIC												
National Treasury Notes (1)	3,998,805	91.4	5,484	12,033	13,431	163,891	218,442	3,585,524	957,162	1,130,949		
National Treasury Notes – M (2)	2,409,755	55.0	1	9,211	3,426	9,376	23,046	2,364,695	628,766	799,800		
Brazilian External Debt Bonds	7,697	0.2	-	-	7,697	-	-	-	7,697	24,538		
	1,581,353	36.2	5,483	2,822	2,308	154,515	195,396	1,220,829	320,699	306,611		
GOVERNMENT SECURITIES - ABROAD												
Uruguay	23,107	0.5	340	306	-	6	12	22,443	22,821	19,561		
Other	22,821	0.5	340	296	-	-	-	22,185	22,821	19,561		
	286	-	-	10	-	6	12	258	-	-		
CORPORATE SECURITIES												
Eurobonds and others	350,256	8.1	1,295	2,461	5,887	21,316	13,530	305,767	345,820	281,550		
Shares	274,902	6.2	1,168	2,230	5,538	-	-	265,966	274,902	210,680		
Debentures (1)	12	-	12	-	-	-	-	-	-	-		
Securitized real estate loans (1)	68,214	1.6	115	231	349	21,316	13,530	32,673	63,790	63,228		
	7,128	0.3	-	-	-	-	-	7,128	7,128	7,642		
Total 12/31/2008 - With UNIBANCO	4,372,168	100.0	7,119	14,800	19,318	185,213	231,984	3,913,734	1,325,804	1,432,060		
% per maturity term			0.3%	0.3%	0.4%	4.2%	5.3%	89.5%				
Total 12/31/2008 - Without UNIBANCO												
	1,325,804	100.0	6,934	14,790	17,190	30,692	32,614	1,223,584				
% per maturity term			0.5%	1.1%	1.3%	2.3%	2.5%	92.3%				
Total 12/31/2007 - Without UNIBANCO												
	1,432,060	100.0	4,721	9,832	244,286	82,272	38,743	1,052,206				
% per maturity term			0.3%	0.7%	17.1%	5.7%	2.7%	73.5%				

(1) Includes investment of Itaú Vida e Previdência S.A. in the amount of R\$ 593,134 (R\$ 716,907 at 12/31/2007).

(2) Refers to securities issued in nominative and non-disposable way.

#### f) Realized and unrealized gain of securities portfolio

	With UNIBANCO				Without UNIBANCO			
	01/01 to				01/01 to			
	12/31/2008	12/31/2008	12/31/2008	12/31/2007	12/31/2008	12/31/2008	12/31/2007	12/31/2007
Gain (loss) - Trading securities	511,155	-	116,329	337,036	-	-	-	-
Gain (loss) - Available-for-sale securities	(1,630,924)	-	(1,201,888)	166,257	-	-	-	-
<b>Total realized gain</b>	<b>(1,119,769)</b>	<b>(1,085,559)</b>	<b>503,293</b>	<b>503,293</b>				
Adjustment to market value of trading securities	652,245	-	384,755	(158,880)				
<b>Total</b>	<b>(467,524)</b>	<b>(700,804)</b>	<b>346,413</b>	<b>346,413</b>				

#### g) Reclassification of securities (article 5 of BACEN Circular No. 3.068, of 11/09/2001)

The management's Financial Risk Management Committee sets forth guidelines to classify securities. The classification of the current portfolio of securities, as well as the securities purchased in the period, are periodically and systematically evaluated based on such guidelines. No reclassifications or changes to the current guidelines were carried out in the period.

#### **h) 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 UNIBANCO and its subsidiaries operate in the derivative markets for meeting the growing needs of their clients, as well as carrying out their risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

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

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

The derivative transactions carried out by ITAÚ UNIBANCO and its subsidiaries with customers are neutralized in order to eliminate market risks.

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

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

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

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

The total value of margins pledged in guarantee was R\$ 11.821.247 and was basically composed by government securities.

I- See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, reference ratio stated at notional amount, cost and market value:

	Memorandum Account Notional Amount			Balance sheet account receivable / (received) (payable) / paid		Adjustment to market value		Market value	
	With UNIBANCO 12/31/2008	Without UNIBANCO 12/31/2008	12/31/2007	With UNIBANCO 12/31/2008	12/31/2008	With UNIBANCO 12/31/2008	Without UNIBANCO 12/31/2008	12/31/2007	
<b>Futures contracts</b>	<b>226,846,815</b>	<b>139,460,978</b>	<b>103,018,832</b>	<b>443,653</b>	<b>(66,766)</b>	<b>376,887</b>	<b>386,243</b>	<b>(82,028)</b>	
<b>Purchase commitments</b>	<b>126,234,217</b>	<b>38,848,380</b>	<b>42,175,866</b>	<b>(443,709)</b>	<b>(24,785)</b>	<b>(468,494)</b>	<b>(459,138)</b>	<b>(405,941)</b>	
Foreign currency	21,509,612	15,356,380	2,857,285	(187,551)	2,340	(185,211)	(291,431)	3,112	
Interbank market	81,775,735	8,430,470	21,280,653	(197,021)	2,846	(194,175)	14,235	(189,690)	
Indices	22,595,130	14,766,970	16,637,304	(59,403)	2,441	(56,962)	(149,530)	(219,531)	
Securities	293,835	293,835	560,011	-	464	464	464	(37)	
Commodities	59,905	725	-	266	(32,876)	(32,610)	(32,876)	-	
Other	-	-	860,613	-	-	-	-	205	
<b>Commitments to sell</b>	<b>100,612,598</b>	<b>100,612,598</b>	<b>60,842,966</b>	<b>887,362</b>	<b>(41,981)</b>	<b>845,381</b>	<b>845,381</b>	<b>323,913</b>	
Foreign currency	23,172,875	23,172,875	10,651,452	429,121	(41,939)	387,182	387,182	(16,266)	
Interbank market	53,465,605	53,465,605	30,119,055	(38,716)	(24,517)	(63,233)	(63,233)	177,132	
Indices	23,401,608	23,401,608	17,582,979	497,296	(4,618)	492,678	492,678	163,175	
Securities	472,682	472,682	2,379,491	-	(2,280)	(2,280)	(2,280)	-	
Commodities	99,828	99,828	-	(339)	31,373	31,034	31,034	-	
Other	-	-	109,989	-	-	-	-	(128)	
<b>Swap contracts</b>	<b>81,096,577</b>	<b>60,433,490</b>	<b>47,229,495</b>	<b>400,593</b>	<b>(170,244)</b>	<b>230,349</b>	<b>(44,456)</b>	<b>(5,658)</b>	
<b>Asset position</b>	<b>81,096,577</b>	<b>60,433,490</b>	<b>47,229,495</b>	<b>3,108,221</b>	<b>424,828</b>	<b>3,533,049</b>	<b>2,427,691</b>	<b>1,785,139</b>	
Foreign currency	15,393,864	12,143,562	10,520,562	1,739,094	(22,872)	1,716,222	1,234,975	120,273	
Interbank market	42,051,807	29,828,279	20,722,456	698,587	191,758	890,345	516,244	1,089,797	
Fixed rate	8,681,596	6,874,226	6,612,890	48,110	239,768	287,878	253,325	155,703	
Floating rate	2,891,531	2,650,585	-	109,749	(22,333)	87,416	60,507	-	
Indices	11,905,694	8,863,775	9,359,582	498,621	37,900	536,521	357,048	416,088	
Securities	59,827	33,473	-	14,060	607	14,667	5,592	-	
Commodities	111,318	38,650	-	-	-	-	-	-	
Other	940	940	14,005	-	-	-	-	3,278	
<b>Liability position</b>	<b>80,695,984</b>	<b>60,374,662</b>	<b>47,415,358</b>	<b>(2,707,628)</b>	<b>(595,072)</b>	<b>(3,302,700)</b>	<b>(2,472,147)</b>	<b>(1,790,797)</b>	
Foreign currency	22,734,322	16,439,332	9,086,575	(1,673,119)	(115,616)	(1,788,735)	(1,243,198)	(242,465)	
Interbank market	22,988,773	16,366,585	20,232,926	(5,564)	(131,374)	(136,938)	(122,018)	(913,435)	
Fixed rate	16,427,618	14,591,577	8,823,456	(113,998)	(440,283)	(554,281)	(420,148)	(249,879)	
Floating rate	3,167,525	2,819,972	-	(365,551)	54,788	(310,763)	(290,574)	-	
Indices	15,281,947	10,136,764	9,207,764	(549,385)	37,404	(511,981)	(396,207)	(383,568)	
Securities	2,325	-	-	-	-	-	-	-	
Commodities	92,479	19,437	-	(11)	9	(2)	(2)	-	
Other	995	995	64,637	-	-	-	-	(1,450)	
<b>Option contracts</b>	<b>510,914,326</b>	<b>91,908,836</b>	<b>132,271,560</b>	<b>933,543</b>	<b>(2,541,023)</b>	<b>(1,607,480)</b>	<b>(943,072)</b>	<b>39,854</b>	
<b>Purchase commitments – long position</b>	<b>161,715,960</b>	<b>21,468,319</b>	<b>36,296,164</b>	<b>4,238,368</b>	<b>1,397,099</b>	<b>5,635,467</b>	<b>1,843,445</b>	<b>81,409</b>	
Foreign currency	44,631,604	8,065,958	3,600,686	3,546,455	1,349,649	4,896,104	1,667,543	16,614	
Interbank market	2,345,461	2,177,700	-	65,199	(35,793)	29,406	27,795	-	
Indices	114,363,925	10,978,300	32,468,092	484,730	178,819	663,549	135,067	51,186	
Securities	257,604	167,580	190,632	135,349	(91,930)	43,419	11,508	12,352	
Commodities	117,366	78,781	-	6,635	(3,646)	2,989	1,532	-	
Other	-	-	36,754	-	-	-	-	1,257	
<b>Commitments to sell – long position</b>	<b>81,214,583</b>	<b>20,645,794</b>	<b>25,947,077</b>	<b>817,956</b>	<b>274,378</b>	<b>1,092,334</b>	<b>618,084</b>	<b>436,375</b>	
Foreign currency	18,630,831	4,938,896	1,576,604	368,088	(250,154)	117,934	31,969	24,711	
Interbank market	333,093	128,688	-	41,594	158,692	200,286	23,912	-	
Indices	61,099,820	14,579,970	22,149,727	74,989	321,685	396,674	188,992	160,868	
Securities	934,486	934,486	2,220,746	323,554	20,367	343,921	343,921	250,796	
Commodities	216,353	63,754	-	9,731	23,788	33,519	29,290	-	
<b>Purchase commitments – short position</b>	<b>149,665,229</b>	<b>33,041,907</b>	<b>45,217,870</b>	<b>(3,139,563)</b>	<b>(2,311,402)</b>	<b>(5,450,965)</b>	<b>(2,956,490)</b>	<b>(256,683)</b>	
Foreign currency	42,635,346	18,146,780	9,248,093	(2,477,062)	(2,328,840)	(4,805,902)	(2,713,442)	(93,984)	
Interbank market	2,547,823	2,467,700	-	(62,085)	24,557	(37,528)	(33,107)	-	
Indices	104,287,844	12,245,569	35,799,226	(575,409)	(15,789)	(591,198)	(196,010)	(128,382)	
Securities	126,733	125,307	163,123	(18,187)	2,834	(15,353)	(13,927)	(33,422)	
Commodities	67,483	56,551	-	(6,820)	5,836	(984)	(4)	-	
Other	-	-	7,428	-	-	-	-	(895)	
<b>Commitments to sell – short position</b>	<b>118,318,554</b>	<b>16,752,816</b>	<b>24,810,449</b>	<b>(983,218)</b>	<b>(1,901,098)</b>	<b>(2,884,316)</b>	<b>(448,111)</b>	<b>(221,247)</b>	
Foreign currency	39,372,629	7,992,318	5,068,700	(747,530)	(1,447,852)	(2,195,382)	(274,034)	(60,189)	
Interbank market	274,610	295	-	(83,568)	(178,040)	(261,608)	(39,968)	-	
Fixed rate	-	-	-	-	(9,037)	(9,037)	-	-	
Indices	78,506,990	8,604,935	18,174,103	(138,943)	(214,711)	(353,654)	(73,652)	(154,597)	
Securities	134,079	129,930	1,530,892	(9,631)	(38,333)	(47,964)	(43,815)	(4,740)	
Commodities	30,246	25,338	-	(3,546)	(13,125)	(16,671)	(16,642)	-	
Other	-	-	36,754	-	-	-	-	(1,721)	
<b>Forward contracts</b>	<b>1,301,491</b>	<b>936,801</b>	<b>149,369</b>	<b>828,972</b>	<b>(4,705)</b>	<b>824,267</b>	<b>726,045</b>	<b>955,256</b>	
<b>Purchase receivable</b>	<b>496,476</b>	<b>199,448</b>	<b>-</b>	<b>317,000</b>	<b>(5,029)</b>	<b>311,971</b>	<b>199,129</b>	<b>33,191</b>	
Foreign currency	260,156	-	-	83,111	(4,965)	78,146	8	-	
Securities	234,037	199,448	-	233,710	(116)	233,594	199,121	33,191	
Commodities	2,283	-	-	179	52	231	-	-	
<b>Purchase payable</b>	<b>4,315</b>	<b>-</b>	<b>33,188</b>	<b>(234,093)</b>	<b>(123)</b>	<b>(234,216)</b>	<b>(199,121)</b>	<b>(33,174)</b>	
Foreign currency	2,525	-	-	(65)	37	(28)	-	-	
Securities	-	-	33,188	(233,710)	(16)	(233,726)	(199,121)	(33,174)	
Commodities	1,790	-	-	(318)	(144)	(462)	-	-	
<b>Sales receivable</b>	<b>788,182</b>	<b>737,353</b>	<b>116,181</b>	<b>762,409</b>	<b>1,125</b>	<b>763,534</b>	<b>726,037</b>	<b>1,071,399</b>	
Foreign currency	3,287	-	-	76	(35)	41	-	-	
Fixed rate	9,995	-	-	194	11	205	-	-	
Indices	-	-	116,181	-	-	-	-	173	
Securities	774,810	737,263	-	762,050	1,148	763,198	725,947	1,071,226	
Commodities	90	90	-	89	1	90	90	-	
<b>Sales deliverable</b>	<b>12,518</b>	<b>-</b>	<b>-</b>	<b>(16,344)</b>	<b>(678)</b>	<b>(17,022)</b>	<b>-</b>	<b>(116,160)</b>	
Fixed rate	12,518	-	-	(2,169)	49	(2,120)	-	-	
Securities	-	-	-	(14,175)	(727)	(14,902)	-	(116,160)	
<b>Credit derivatives</b>	<b>9,529,432</b>	<b>7,436,922</b>	<b>9,084,922</b>	<b>(151,434)</b>	<b>(58,790)</b>	<b>(210,224)</b>	<b>(176,184)</b>	<b>(6,409)</b>	
<b>Asset position</b>	<b>7,276,052</b>	<b>6,279,087</b>	<b>6,365,372</b>	<b>235</b>	<b>63,656</b>	<b>63,691</b>	<b>26,605</b>	<b>39,453</b>	
Foreign currency	102,638	102,638	115,199	423	2,660	3,083	3,083	3,865	
Interbank market	-	-	265,695	-	-	-	-	674	
Fixed rate	7,173,414	6,176,449	4,552,411	(188)	60,996	60,808	23,522	28,447	
Other	-	-	1,432,067	-	-	-	-	6,468	
<b>Liability position</b>	<b>2,253,380</b>	<b>1,157,835</b>	<b>2,719,550</b>	<b>(151,669)</b>	<b>(122,446)</b>	<b>(274,115)</b>	<b>(202,789)</b>	<b>(45,862)</b>	
Foreign currency	299,256	65,555	26,580	(19,591)	(2,634)	(22,225)	(3,049)	(96)	
Interbank market	-	-	47,117	-	-	-	-	(597)	
Fixed rate	1,954,124	1,092,279	2,404,424	(132,078)	(119,812)	(251,890)	(199,740)	(41,250)	
Other	-	-	241,430	-	-	-	-	(3,919)	

	Memorandum account			Balance sheet account		Adjustment		Market value	
	Notional amount			Receivable / (Received)		to market value			
				(Payable) / Paid					
	With UNIBANCO	Without UNIBANCO		With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO
	12/31/2008	12/31/2008	12/31/2007	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2007
<b>Forward operations</b>	<b>41,311,558</b>	<b>29,996,897</b>	<b>24,941,781</b>	<b>2,210,616</b>	<b>(49,099)</b>	<b>2,161,517</b>	<b>1,182,921</b>	<b>(643,679)</b>	
<b>Asset position</b>	<b>25,392,410</b>	<b>18,333,355</b>	<b>10,616,537</b>	<b>3,596,364</b>	<b>(23,200)</b>	<b>3,573,164</b>	<b>2,319,118</b>	<b>654,738</b>	
Foreign currency	23,708,557	17,486,585	9,630,204	3,553,782	(23,452)	3,530,330	2,305,755	618,350	
Interbank market	-	-	35,709	-	-	-	-	661	
Fixed rate	820,758	8,020	171,821	26,623	252	26,875	398	6,578	
Floating rate	830,804	830,804	-	8,938	-	8,938	8,938	-	
Indices	-	-	737,473	-	-	-	-	2,101	
Securities	-	-	25,489	-	-	-	-	26,112	
Commodities	32,291	7,946	-	7,021	-	7,021	4,027	-	
Other	-	-	15,842	-	-	-	-	935	
<b>Liability position</b>	<b>15,919,148</b>	<b>11,663,542</b>	<b>14,325,244</b>	<b>(1,385,748)</b>	<b>(25,899)</b>	<b>(1,411,647)</b>	<b>(977,716)</b>	<b>(1,298,417)</b>	
Foreign currency	14,713,992	11,100,043	13,295,477	(1,237,358)	(28,651)	(1,266,009)	(963,552)	(1,248,102)	
Interbank market	2,138	2,138	47,075	(184)	-	(184)	(184)	(697)	
Fixed rate	529,103	2,741	354,222	(132,816)	3,715	(129,101)	(44)	(43,663)	
Floating rate	467,400	467,400	-	(3,773)	-	(3,773)	(3,773)	-	
Indices	115,295	-	621,461	(698)	(1,719)	(2,417)	-	(1,825)	
Commodities	91,220	91,220	-	(10,919)	756	(10,163)	(10,163)	-	
Other	-	-	7,008	-	-	-	-	(4,130)	
<b>Forwards with target flow</b>	<b>430,656</b>	<b>-</b>	<b>-</b>	<b>(22,991)</b>	<b>(49,816)</b>	<b>(72,807)</b>	<b>-</b>	<b>-</b>	
Asset position - Foreign currency	22,799	-	-	10,362	(50,710)	(40,348)	-	-	
Liability position - Foreign currency	407,857	-	-	(33,353)	894	(32,459)	-	-	
<b>Forward target flow</b>	<b>430,656</b>	<b>-</b>	<b>-</b>	<b>(26,759)</b>	<b>3,846</b>	<b>(22,913)</b>	<b>-</b>	<b>-</b>	
Asset position - Foreign currency	22,799	-	-	10,362	403	10,765	-	-	
Liability position - Foreign currency	407,857	-	-	(37,121)	3,443	(33,678)	-	-	
<b>Swap with target flow</b>	<b>5,897,022</b>	<b>3,430,423</b>	<b>-</b>	<b>(220,799)</b>	<b>(6,804)</b>	<b>(227,603)</b>	<b>(117,774)</b>	<b>-</b>	
<b>Asset position</b>	<b>2,838,111</b>	<b>1,623,871</b>	<b>-</b>	<b>131,446</b>	<b>(70,585)</b>	<b>60,861</b>	<b>27,464</b>	<b>-</b>	
Foreign currency	1,603,317	663,969	-	129,441	(69,200)	60,241	26,844	-	
Interbank market	916,785	686,774	-	8	612	620	620	-	
Fixed rate	282,517	237,636	-	-	-	-	-	-	
Floating rate	19,205	19,205	-	-	-	-	-	-	
Indices	3,158	3,158	-	1,997	(1,997)	-	-	-	
Commodities	13,129	13,129	-	-	-	-	-	-	
<b>Liability position</b>	<b>3,058,911</b>	<b>1,806,552</b>	<b>-</b>	<b>(352,245)</b>	<b>63,781</b>	<b>(288,464)</b>	<b>(145,238)</b>	<b>-</b>	
Foreign currency	2,178,505	1,165,151	-	(327,576)	67,081	(260,495)	(119,225)	-	
Interbank market	728,461	538,981	-	(5,435)	(19,334)	(24,769)	(24,111)	-	
Fixed rate	102,800	53,275	-	(905)	(2,102)	(3,007)	(1,709)	-	
Floating rate	19,235	19,235	-	(30)	(163)	(193)	(193)	-	
Indices	28,749	28,749	-	(18,299)	18,299	-	-	-	
Commodities	1,161	1,161	-	-	-	-	-	-	
<b>Target flow swap – foreign currency</b>	<b>12,115,104</b>	<b>11,174,935</b>	<b>-</b>	<b>1,449,246</b>	<b>118,734</b>	<b>1,567,980</b>	<b>1,076,496</b>	<b>-</b>	
<b>Asset position</b>	<b>10,088,150</b>	<b>9,147,981</b>	<b>-</b>	<b>1,674,867</b>	<b>350,401</b>	<b>2,025,268</b>	<b>1,533,784</b>	<b>-</b>	
Foreign currency	9,578,859	8,901,042	-	1,624,092	266,258	1,890,350	1,433,800	-	
Interbank market	217,747	-	-	23,496	(10,123)	13,373	-	-	
Fixed rate	44,605	-	-	27,279	(5,718)	21,561	-	-	
Indices	40,800	40,800	-	-	2,121	2,121	2,121	-	
Commodities	206,139	206,139	-	-	97,863	97,863	97,863	-	
<b>Liability position</b>	<b>2,026,954</b>	<b>2,026,954</b>	<b>-</b>	<b>(225,621)</b>	<b>(231,667)</b>	<b>(457,288)</b>	<b>(457,288)</b>	<b>-</b>	
Foreign currency	1,874,943	1,874,943	-	(206,353)	(153,562)	(359,915)	(359,915)	-	
Commodities	152,011	152,011	-	(19,268)	(78,105)	(97,373)	(97,373)	-	
<b>Other derivative financial instruments</b>	<b>2,293,970</b>	<b>1,255,092</b>	<b>6,744,976</b>	<b>61,346</b>	<b>(284,243)</b>	<b>(222,894)</b>	<b>66,080</b>	<b>5,572</b>	
<b>Asset position</b>	<b>2,018,692</b>	<b>1,255,092</b>	<b>5,140,002</b>	<b>187,431</b>	<b>10,258</b>	<b>197,692</b>	<b>194,827</b>	<b>18,508</b>	
Foreign currency	879,888	116,850	4,810,813	164,399	335	164,737	161,991	13,929	
Interbank market	630,069	630,069	-	-	1,514	1,514	1,514	-	
Fixed rate	-	-	141,704	-	-	-	-	2,684	
Securities	562	-	-	-	119	119	-	-	
Other	508,173	508,173	187,485	23,032	8,290	31,322	31,322	1,896	
<b>Liability position</b>	<b>275,278</b>	<b>-</b>	<b>1,604,973</b>	<b>(126,085)</b>	<b>(294,501)</b>	<b>(420,586)</b>	<b>(148,748)</b>	<b>(12,936)</b>	
Foreign currency	2,730	-	1,241,164	(121,600)	(29,175)	(150,775)	(148,052)	(3,407)	
Interbank market	-	-	-	-	(698)	(698)	(698)	-	
Fixed rate	-	-	301,121	-	-	-	-	(5,363)	
Indices	271,680	-	-	(3,815)	(264,658)	(268,473)	-	-	
Securities	868	-	-	(670)	30	(640)	-	-	
Other	-	-	62,689	-	-	-	-	(4,165)	
<b>ASSETS</b>	<b>15,298,674</b>	<b>2,305,861</b>	<b>17,604,535</b>	<b>10,302,427</b>	<b>4,120,212</b>				
<b>LIABILITIES</b>	<b>(9,392,688)</b>	<b>(5,414,768)</b>	<b>(14,807,456)</b>	<b>(8,007,648)</b>	<b>(3,857,304)</b>				
<b>TOTAL</b>	<b>5,905,986</b>	<b>(3,108,907)</b>	<b>2,797,079</b>	<b>2,294,779</b>	<b>262,908</b>				
<b>Derivative contracts mature as follows (in days):</b>									
	With UNIBANCO			Without UNIBANCO					
Clearing	0 - 30	31 - 180	181 - 365	Over 365	12/31/2008	12/31/2008	12/31/2007		
Futures	71,149,043	51,613,826	39,711,213	64,372,733	226,846,815	139,460,978	103,018,832		
Swaps	12,670,263	26,691,957	9,667,190	28,958,946	77,988,356	58,221,000	45,668,230		
Options	344,111,054	67,472,519	43,499,526	55,831,227	510,914,326	91,908,836	132,271,560		
Forwards	634,048	471,275	131,308	64,860	1,301,491	936,801	149,369		
Credit derivatives	448,104	4,402,810	1,658,928	3,019,590	9,529,432	7,436,922	9,084,922		
Forwards	9,759,215	21,546,688	6,407,904	3,597,751	41,311,558	29,996,897	24,941,781		
Forwards with target flow	305,552	88,924	36,180	-	430,656	-	-		
Forward target flow	305,552	88,924	36,180	-	430,656	-	-		
Swaps with target flow	1,005,296	662,713	501,694	536,963	2,706,666	1,540,470	-		
Target flow swap	1,305,456	4,289,261	2,656,150	3,864,237	12,115,104	11,174,935	-		
Other	98,976	582,760	439,402	1,172,832	2,293,970	1,255,092	6,744,976		

At December 31, 2008, ITAÚ UNIBANCO had derivative operations in the swap with target flow and forward target flow with 68 clients. Total exposure for these products at an exchange rate of R\$ 2.30 per dollar, for settlement at maturity, was R\$ 1.7 billion (R\$ 3.4 billion at October), representing an average debt of R\$ 25 million per client. Of these clients, 57 have AA, A or B risk rating.

II - See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, trading location, counterparty and maturity, stated at cost and market value:

	With UNIBANCO										Without UNIBANCO	
	12/31/2008										12/31/2008	12/31/2007
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	Market value
<b>ASSETS</b>												
<b>Futures</b>												
BM&F Bovespa	443,653	(66,766)	376,887	2.2%	163,406	15,739	(18,240)	(220,239)	435,497	724	386,243	-
Financial institutions	443,653	(97,225)	346,428	2.0%	163,406	15,550	(16,647)	(242,867)	425,661	1,355	355,784	-
Companies	-	(859)	(859)	0.0%	-	(136)	(1,593)	1,966	(465)	(631)	(859)	-
<b>Option premiums</b>												
BM&F Bovespa	5,056,324	1,671,477	6,727,801	33.7%	2,490,556	1,371,918	1,217,433	856,106	745,650	45,138	2,461,529	517,784
Financial institutions	4,283,663	1,305,964	5,589,627	31.8%	2,345,178	1,185,538	818,622	702,663	532,862	4,744	1,726,680	225,450
Companies	194,044	205,726	399,770	-2.3%	104,059	94,860	48,931	7,569	138,730	5,621	105,320	30,838
Financial institutions	578,505	159,268	737,773	4.2%	41,236	91,345	349,685	145,676	75,058	34,773	629,514	261,496
Individuals	112	519	631	0.0%	83	175	195	178	-	15	-	-
<b>Forwards</b>												
BM&F Bovespa	1,079,409	(3,904)	1,075,505	6.1%	609,026	311,987	83,781	50,942	19,769	-	925,166	1,104,590
Financial institutions	724,589	1,447	726,036	4.1%	352,240	291,392	69,292	13,112	-	-	726,037	1,104,590
Companies	84	(35)	49	0.0%	41	-	8	-	-	-	8	-
Financial institutions	350,541	(5,285)	345,256	2.0%	255,715	17,770	14,172	37,830	19,769	-	199,121	-
Individuals	4,195	(31)	4,164	0.0%	1,030	2,825	309	-	-	-	-	-
<b>Swaps - Adjustment receivable</b>												
BM&F Bovespa	3,108,221	424,828	3,533,049	20.1%	388,173	546,013	908,011	512,260	454,403	724,189	2,427,691	1,785,139
Financial institutions	183,280	(13,490)	169,790	1.0%	3,184	16,840	13,945	21,843	42,835	71,143	169,790	287,063
Companies	655,427	261,971	917,398	5.2%	64,162	145,806	201,517	88,200	176,350	241,363	605,734	385,002
Financial institutions	2,284,917	171,628	2,456,545	13.8%	319,277	383,236	692,457	401,963	232,910	406,682	1,643,338	1,116,432
Individuals	4,597	4,719	9,316	0.1%	1,550	131	92	234	2,308	5,001	8,829	16,642
<b>Credit derivatives</b>												
Financial institutions	235	63,656	63,891	0.4%	88	4,861	11,400	20,987	1,600	24,955	26,605	39,453
<b>Forwards</b>												
BM&F Bovespa	3,596,364	(23,200)	3,573,164	20.3%	466,149	1,038,885	880,178	855,727	285,969	46,256	2,319,118	654,737
Financial institutions	948,273	40,166	988,439	5.6%	141,636	378,464	354,057	44,060	60,921	9,281	744,130	506,617
Companies	2,639,392	(63,203)	2,576,189	14.6%	323,510	656,592	526,099	807,965	225,048	36,975	1,570,240	147,982
Financial institutions	8,699	(163)	8,536	0.0%	1,003	3,829	22	3,692	-	-	4,748	138
<b>Forwards with target flow</b>												
Forwards - Companies	20,724	(50,307)	(29,583)	4.4%	2,164	-	-	(31,747)	-	-	-	-
Target flow of forward - Companies	10,362	(50,710)	(40,348)	0.2%	58	-	-	(40,406)	-	-	-	-
<b>Swaps with target flow</b>												
Swaps - Companies	1,806,313	279,816	2,086,129	11.8%	196,313	401,405	390,914	487,599	155,467	454,431	1,561,248	-
Target flow of swap - foreign currency	131,447	(70,586)	60,861	0.3%	8,196	35,152	2,490	9,767	4,279	977	27,464	-
Financial institutions	1,674,866	350,402	2,025,268	11.5%	188,117	366,253	388,424	477,832	151,188	453,454	1,533,784	-
Companies	1,667,846	351,153	2,018,999	11.5%	184,855	363,246	388,424	477,832	151,188	453,454	1,527,515	-
<b>Other</b>												
BM&F Bovespa	187,431	10,261	197,692	1.1%	4,290	469	280	2,544	5,054	185,055	194,827	18,509
Financial institutions	184,685	1,515	1,515	0.0%	311	198	12	27	184	793	1,512	13,888
Companies	2,746	8,746	193,431	1.1%	1,233	271	268	2,517	4,870	184,272	193,315	4,278
<b>Total 12/31/2008 - With UNIBANCO</b>	15,298,674	2,305,861	17,604,535	100.0%	4,320,165	3,691,277	3,473,757	2,534,179	2,104,409	1,480,748	10,302,427	4,120,212
<b>% per maturity term</b>					24.5%	21.0%	19.7%	14.4%	12.0%	8.4%		
<b>Total 12/31/2008 - Without UNIBANCO</b>	9,230,045	1,072,382	10,302,427	100.0%	2,478,293	2,106,420	1,961,568	1,218,316	1,479,581	1,058,149		
<b>% per maturity term</b>					24.4%	20.8%	19.3%	11.1%	13.9%	10.4%		
<b>Total 12/31/2007 - Without UNIBANCO</b>	3,792,742	327,470	4,120,212	100.0%	963,298	822,101	634,991	525,806	465,452	708,564		
<b>% per maturity term</b>					13.8%	23.0%	11.6%	10.0%	14.3%	27.3%		



	With UNIBANCO					Without UNIBANCO							
	12/31/2008					12/31/2007							
	Cost	Adjustment to market value (in Results)	Market value	%		0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value	Market value
<b>LIABILITIES</b>													
<b>Option premium</b>	(4,122,781)	(4,212,500)	(8,335,281)	56.3%		(2,244,672)	(1,739,731)	(1,616,626)	(1,264,572)	(783,577)	(686,103)	(3,404,601)	(477,930)
BM&F Bovespa	(3,278,548)	(2,508,794)	(5,787,342)	39.1%		(1,917,857)	(1,096,299)	(1,215,326)	(882,518)	(623,145)	(52,197)	(2,708,442)	(384,007)
Financial institutions	(564,885)	(1,692,953)	(2,257,838)	15.2%		(250,253)	(526,674)	(360,490)	(346,098)	(149,566)	(624,757)	(433,045)	(86,256)
Companies	(278,639)	(11,373)	(290,012)	2.0%		(76,562)	(116,720)	(40,766)	(35,949)	(10,866)	(9,149)	(263,038)	(7,667)
Individuals	(709)	620	(89)	0.0%		-	(38)	(44)	(7)	-	-	(76)	-
<b>Forwards</b>	(250,437)	(801)	(251,238)	1.7%		(248,797)	(141)	(704)	(176)	(1,420)	-	(199,121)	(149,334)
Financial institutions	(65)	37	(28)	0.0%		(28)	-	-	-	-	-	-	-
Companies	(250,147)	(710)	(250,857)	1.7%		(248,726)	(141)	(394)	(176)	(1,420)	-	(199,121)	-
Individuals	(225)	(128)	(353)	0.0%		(43)	-	(310)	-	-	-	-	-
<b>Swaps - difference payable</b>	(2,707,628)	(595,072)	(3,302,700)	22.3%		(604,134)	(418,029)	(349,380)	(433,512)	(536,471)	(961,174)	(2,472,147)	(1,790,797)
BM&F Bovespa	(433,865)	(5,089)	(438,954)	3.0%		(31,784)	(56,768)	(23,961)	(14,515)	(192,198)	(119,728)	(438,955)	(318,781)
Financial institutions	(1,144,431)	(617,947)	(1,762,378)	11.9%		(323,834)	(209,953)	(254,878)	(259,639)	(207,457)	(506,617)	(1,179,800)	(694,653)
Companies	(1,104,964)	17,938	(1,087,026)	7.3%		(248,022)	(149,408)	(69,223)	(153,935)	(132,499)	(333,939)	(840,184)	(754,513)
Individuals	(24,368)	10,026	(14,342)	0.1%		(494)	(1,900)	(1,318)	(5,423)	(4,317)	(890)	(13,208)	(22,850)
<b>Credit derivatives</b>	(151,669)	(122,446)	(274,115)	1.9%		(19,687)	(8,163)	(128,513)	(49,182)	(6,005)	(62,565)	(202,789)	(45,862)
Financial institutions	(132,494)	(122,446)	(254,940)	1.7%		(19,687)	(8,163)	(128,513)	(30,007)	(6,005)	(62,565)	(202,789)	(45,862)
Companies	(19,175)	-	(19,175)	0.1%		-	-	-	(19,175)	-	-	-	-
<b>Forwards</b>	(1,385,748)	(25,899)	(1,411,647)	9.5%		(275,094)	(340,442)	(334,099)	(286,857)	(168,046)	(7,109)	(977,716)	(1,298,417)
Financial institutions	(784,510)	(35,114)	(819,624)	5.5%		(108,882)	(167,974)	(190,373)	(194,404)	(154,879)	(3,112)	(495,615)	(772,402)
Companies	(599,319)	9,215	(590,104)	4.0%		(165,060)	(172,154)	(143,726)	(92,000)	(13,167)	(3,997)	(480,182)	(526,003)
Individuals	(1,919)	-	(1,919)	0.0%		(1,152)	(314)	-	(453)	-	-	(1,919)	(12)
<b>Forwards with target flow</b>	(70,474)	4,337	(66,137)	0.4%		(163,592)	32,318	48,418	16,719	-	-	-	-
Financial institutions	(33,352)	893	(32,459)	0.2%		(80,237)	15,846	23,740	8,192	-	-	-	-
Companies	(87,031)	1,133	(85,898)	0.6%		(85,898)	-	-	-	-	-	-	-
Individuals	53,679	(240)	53,439	0.4%		5,661	15,846	23,740	8,192	-	-	-	-
<b>Target flow of Forward</b>	(37,122)	3,444	(33,678)	0.2%		(83,355)	16,472	24,678	8,527	-	-	-	-
Financial institutions	(90,801)	1,558	(89,243)	0.6%		(89,243)	-	-	-	-	-	-	-
Companies	53,679	1,886	55,565	0.4%		5,888	16,472	24,678	8,527	-	-	-	-
<b>Swaps with target flow</b>	(577,866)	(167,886)	(745,752)	5.0%		(149,806)	(76,435)	(90,023)	(197,873)	(76,321)	(155,294)	(602,526)	-
Financial institutions	(352,245)	63,782	(288,463)	1.9%		(123,501)	(9,440)	(3,283)	(70,432)	(675)	(81,132)	(145,238)	-
Companies	(152,402)	152,281	(121)	0.0%		(78)	(43)	-	-	-	-	(123)	-
<b>Target flow of swap - foreign currency</b>	(225,621)	(231,668)	(457,289)	3.1%		(26,305)	(66,995)	(86,740)	(127,441)	(75,646)	(74,162)	(457,288)	-
Financial institutions	(106,253)	(273,249)	(379,502)	2.6%		(26,305)	(64,432)	(86,740)	(126,379)	(75,646)	-	(379,501)	-
Companies	(119,368)	41,581	(77,787)	0.5%		-	(2,563)	-	(1,062)	-	(74,162)	(77,787)	-
<b>Other</b>	(126,085)	(294,501)	(420,586)	2.8%		(81,909)	(111,444)	(65,688)	(22,207)	(3,687)	(135,651)	(148,748)	(12,936)
BM&F Bovespa	-	(698)	(698)	0.0%		-	-	(47)	(293)	(358)	-	(696)	(3,406)
Financial institutions	(121,597)	(26,451)	(148,048)	1.0%		(76)	(11,845)	(477)	-	-	-	(148,052)	(5,364)
Companies	(3,472)	(43,877)	(47,349)	0.3%		(16,455)	(20,364)	(7,121)	-	-	(135,651)	(148,052)	(4,166)
Individuals	(1,016)	(223,475)	(224,491)	1.5%		(65,378)	(79,235)	(58,043)	(18,535)	(3,299)	-	-	-
<b>Total 12/31/2008 - With UNIBANCO</b>	(9,392,668)	(5,414,768)	(14,807,436)	100.0%		(3,787,691)	(2,662,067)	(2,536,615)	(2,237,660)	(1,575,527)	(2,007,896)	(8,007,648)	(3,857,304)
<b>% per maturity term</b>						25.6%	18.0%	17.1%	15.1%	10.6%	13.6%		
<b>Total 12/31/2008 - Without UNIBANCO</b>	(6,120,486)	(1,887,162)	(8,007,648)	100.0%		(2,175,345)	(1,393,374)	(1,374,782)	(1,244,491)	(850,938)	(968,718)		
<b>% per maturity term</b>						27.2%	17.4%	17.2%	15.5%	10.6%	12.1%		
<b>Total 12/31/2007 - Without UNIBANCO</b>	(3,790,389)	(66,915)	(3,857,304)	100.0%		(547,137)	(618,470)	(503,378)	(830,966)	(317,459)	(1,039,594)		
<b>% per maturity term</b>						14.2%	16.1%	13.0%	21.5%	8.2%	27.0%		
ATAU UNIBANCO recorded at market value swap contracts involving foreign currency, Interbank market, fixed income and indices totalling R\$ 30,231 in assets from 181 to 365 days. The liability position amounted to R\$ 1,524 (R\$ 601 at December 31, 2007, ITAU UNIBANCO recorded at market value swap contracts involving foreign currency, Interbank market, fixed income and indices totalling R\$ 30,231 in assets from 181 to 365 days. The liability position amounted to R\$ 1,524 (R\$ 601 at 12/31/2007), distributed as follows: R\$ 46 from 31 to 180 days (R\$ 18 at 12/31/2007), R\$ 44 from 181 to 365 days (R\$ 18 at 12/31/2007) and R\$ 1,434 over 365 days (R\$ 556 at 12/31/2008).													

At December 31, 2007, ITAU UNIBANCO recorded at market value swap contracts involving foreign currency, interbank market, fixed income and indices totaling R\$ 30,231 in assets from 181 to 365 days. The liability position amounted to R\$ 1,524 (R\$ 601 at 12/31/2007), distributed as follows: R\$ 46 from 31 to 180 days (R\$ 18 at 12/31/2007), R\$ 44 from 181 to 365 days (R\$18 at 12/31/2007) and R\$ 1,434 over 365 days (R\$ 556 at 12/31/2008).

III - See below the composition of Derivative Financial Instruments portfolio by type of instrument, stated at their notional amounts, per trading location (organized or over-the-counter market) and counterparties.

12/31/2008										
	Futures	Swaps	Options	Forwards	Credit derivatives	Forwards with target flow	Target flow of forward	Swaps with target flow	Target flow of swap	Other
<b>BM&amp;F/Bovespa</b>	218,037,038	10,191,866	484,191,650	737,353	-	-	-	-	-	1,381,458
<b>Over-the-counter market</b>	8,809,777	67,796,490	26,722,676	564,138	9,529,432	41,311,558	430,656	2,706,666	12,115,104	912,512
Financial institutions	6,481,615	35,751,901	21,158,284	5,812	9,295,732	20,618,405	287,451	217,961	749,053	625,583
Companies	2,328,162	31,390,266	5,509,817	550,337	233,700	20,608,277	143,205	2,488,705	11,366,051	59,571
Individuals	-	654,323	54,575	7,989	-	84,876	-	-	-	227,358
<b>Total with UNIBANCO 12/31/2008</b>	<b>226,846,815</b>	<b>77,988,356</b>	<b>510,914,326</b>	<b>1,301,491</b>	<b>9,529,432</b>	<b>41,311,558</b>	<b>430,656</b>	<b>2,706,666</b>	<b>12,115,104</b>	<b>2,293,970</b>
<b>Total without UNIBANCO 12/31/2008</b>	<b>139,460,978</b>	<b>58,221,000</b>	<b>91,908,836</b>	<b>936,801</b>	<b>7,436,922</b>	<b>29,996,897</b>	<b>-</b>	<b>1,540,470</b>	<b>11,174,935</b>	<b>1,255,092</b>
<b>Total without UNIBANCO 12/31/2007</b>	<b>103,018,832</b>	<b>45,668,230</b>	<b>132,271,560</b>	<b>149,369</b>	<b>9,084,922</b>	<b>24,941,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,744,976</b>

#### IV - Credit derivatives

See below the composition of the Credit Derivatives (assets and liabilities) stated at notional amount, cost and effect in calculation of Required Referential Equity.

	Credit risk amount			
	With UNIBANCO		Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2008	12/31/2007
<b>Transferred</b>				
Credit swaps whose underlying assets are:				
Securities				
Derivatives with companies	(3,920,040)	(3,411,196)	(4,217,331)	(70,000)
<b>Received</b>				
Credit swaps whose underlying assets are:				
Securities	3,561,209	2,231,965	2,228,982	
Derivatives with companies	3,561,209	2,231,965	2,072,982	156,000
<b>Total</b>	<b>(358,831)</b>	<b>(1,179,231)</b>	<b>(2,058,349)</b>	

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

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

**V Accounting Hedge**

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

To protect the future cash flow of debt against exposure to variable interest rate (CDI) on December 31, 2008, ITAÚ UNIBANCO negotiated DI Future agreements at BM&F BOVESPA with maturity between 2009 and 2017 in the amount of R\$ 27,141,738 in ITAÚ UNIBANCO CONSOLIDATED with UNIBANCO and R\$ 102.469 without UNIBANCO which gave rise to adjustment to market value net of tax effects recorded in stockholders' equity of (R\$ 201,199) in ITAÚ UNIBANCO CONSOLIDATED With and Without UNIBANCO. The hedged item totals R\$ 26,353,206 in ITAÚ UNIBANCO CONSOLIDATED With UNIBANCO and R\$ 99.837 Without UNIBANCO and matures between 2009 and 2017.

The effectiveness computed for the hedge portfolio was in conformity with the provisions of BACEN Circular No. 3.082 of January 30, 2002

- b) The swap operations contracted in a negotiation associated with the funding and/or investment in the amount of R\$ 1,152,584 in ITAÚ UNIBANCO CONSOLIDATED with UNIBANCO are recorded at amounts restated in accordance with variations occurred in respective ratios ("curve") and are not valued at their market value, as permitted by BACEN Circular nº 3.150/02.

# VI - Realized and unrealized gain of the derivative financial instruments portfolio

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Swap	950,118	1,659,052	(178,059)
Forwards	443,700	213,934	79,664
Futures	(4,212,456)	(2,804,948)	1,526,731
Options	(2,575,454)	(1,748,640)	130,039
Credit Derivatives	(5,747)	(22,679)	(55,186)
Other	1,722,152	506,827	116,256
<b>Total</b>	<b>(3,677,687)</b>	<b>(2,196,454)</b>	<b>1,619,445</b>

## i) Changes in adjustment to market value for the period

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Opening Balance</b>	<b>276,623</b>	<b>276,623</b>	<b>311,248</b>
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	(988,651)	-	-
Adjustments with impact on:			
Result	(1,886,237)	(690,590)	81,225
Trading securities	652,245	384,755	(156,880)
Derivative financial instruments (assets and liabilities)	(2,538,482)	(1,075,345)	238,105
Stockholders' equity	(218,671)	(182,663)	(115,850)
<b>Closing balance</b>	<b>(2,816,936)</b>	<b>(596,630)</b>	<b>276,623</b>
Adjustment to market value	(2,816,936)	(596,630)	276,623
Trading securities	451,328	341,508	(43,242)
Available-for-sale securities	(159,357)	(123,356)	59,310
Derivative financial instruments (assets and liabilities)	(3,108,907)	(814,782)	260,555

For better understanding, the following table shows the unrealized gain of available-for-sale securities and held-to-maturity securities:

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Adjustment of available-for-sale securities – stockholders' equity	(159,357)	(123,356)	59,310
Adjustment to held-to-maturity securities (*)	542,610	211,391	227,000
<b>Total unrealized gain</b>	<b>383,253</b>	<b>88,035</b>	<b>286,310</b>

(\*) At December 31, 2008, includes the amount of R\$ 20,811 (R\$ 21,915 at 12/31/2007) regarding the adjustment to market value of securities reclassified up to December 31, 2003, not recognized in net income.

## j) Sensitivity analysis

According to the criteria for classification of operations provided for BACEN Resolution No. 3,464/07 and Circular No. 3,354/07, and the New Capital Accord – Basel II, the financial instruments of ITAÚ UNIBANCO, included all transactions with derivatives, are separated in Trading and Banking portfolios.

The sensitivity analysis shown below do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses. In addition, we point out that the presented results do not necessarily translate into accounting results, because the study's sole purpose is to disclose the exposure to risks and the respective protective actions, taking into account the fair value of financial instruments, irrespective of the accounting practices adopted by the institution.

The trading portfolio consists of all transactions, including those with derivatives, held with the intention of being traded or to provide hedge to the other financial instruments of this strategy. These are transactions for resale, obtaining benefits from price movements, actual or expected or conduction of arbitrage. This portfolio has strict limits set by the risk areas and is daily controlled.

Trading portfolio	Exposures	12/31/2008 (*)		
Risk Factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed-rate in Reais	(471)	(275,307)	(528,426)
Foreign exchange coupons	Rates of foreign exchange coupons	370	(29,542)	(59,237)
Foreign currency	Exchange variation	(2,375)	(81,183)	(162,366)
Price indices	Rates of price indices coupons	(257)	(34,941)	(61,791)
Long-term interest rate	Rate of the TJLP coupon	121	(11,934)	(25,164)
Reference rate	Rate of TR coupon	(67)	(10,609)	(19,680)
Variable rate	Share price	(4,505)	(112,643)	(225,287)
	Total without correlation		(556,161)	(1,081,951)
	Total with correlation		(370,211)	(716,571)

(\*) Amounts net of tax effects.

The banking portfolio comprises transactions that do not fit into the trading portfolio concept and are typically banking transactions of the institution's business lines and their respective hedges, which may or not be carried out with derivative financial instruments. Accordingly, the derivatives of this portfolio are not used for speculation purposes, not generating significant economic risks to the institution.

The considerable impact on the fixed-income factor is related to the market risks of fixed-rate financing of the banking portfolio, which are not recognized as marked to market and, therefore, are not necessarily fully subject to hedge.

Trading and banking portfolio		Exposures		12/31/2008 (*)			
Risk Factors	Risk of variation in:	Scenarios			I	II	III
Fixed rate	Fixed-rate in Reais	(5,490)	(1,309,233)	(2,511,212)			
Foreign exchange coupons	Rates of foreign exchange coupons	41	(37,684)	(87,591)			
Foreign currency	Exchange variation	(7,305)	(136,507)	(273,013)			
Price indices	Rates of price indices coupons	(4,023)	(327,443)	(563,526)			
Long-term interest rate	Rate of the TJLP coupon	121	(11,942)	(25,180)			
Reference rate	Rate of TR coupon	396	(91,045)	(104,836)			
Variable income	Share price	(4,505)	(112,643)	(225,287)			
Total without correlation			(2,026,496)	(3,790,645)			
Total with correlation			(1,407,396)	(2,654,574)			

(\*) Amounts net of tax effects.

Scenario I: Addition of 1 base point to the fixed-rate curve, currency coupon, inflation and interest rate indices, and 1 percentage point in currency and share prices, which is based on market information (BM&F BOVESPA, Andima, etc).

Scenario II: Shocks at approximately 25% in the portfolio of December 31, 2008, considering higher resulting losses per risk factor;

Scenario III: Shocks at approximately 50% in the portfolio of December 31, 2008, considering higher resulting losses per risk factor;

All derivative financial instruments engaged by ITAÚ UNIBANCO are shown in Note 7 h.

# NOTE 8 - LOAN, LEASE AND OTHER CREDIT OPERATIONS

## a) Composition of the portfolio with credit granting characteristics

### I- By type of operations and risk level

Risk Levels	With UNIBANCO										Without UNIBANCO	
	12/31/2008										12/31/2008	12/31/2007
	AA	A	B	C	D	E	F	G	H	Total	Total	Total
<b>Loan operations</b>	48,022,581	59,047,249	28,634,899	8,960,265	5,300,991	2,316,285	1,474,967	718,003	4,350,938	158,826,178	106,861,009	73,507,512
Loans and discounted trade receivables	29,157,264	33,686,130	19,971,537	7,261,443	4,387,492	2,011,191	1,332,997	619,383	3,705,925	102,133,362	72,163,336	44,886,264
Financing	15,052,651	17,380,328	7,144,564	1,267,767	703,802	126,448	91,765	74,997	548,572	42,390,894	23,910,586	20,510,583
Farming and agribusiness financing	2,120,916	2,075,764	1,118,950	84,631	117,863	98,730	9,968	381	27,198	5,654,401	4,364,096	3,653,718
Real estate financing	1,691,750	5,905,027	399,848	346,424	91,834	79,916	40,237	23,242	69,243	8,647,521	6,422,991	4,656,947
<b>Lease operations</b>	1,759,398	38,228,893	5,981,010	1,937,547	696,433	340,911	254,399	206,898	692,266	50,097,755	40,464,804	28,502,174
<b>Credit card operations</b>	-	9,626,173	7,902,203	2,116,783	1,589,443	577,008	412,120	317,302	2,017,070	24,558,102	14,345,265	11,533,075
Advance on exchange contracts (1)	3,065,088	2,017,601	1,306,444	432,605	80,308	6,957	4,199	-	11,298	6,924,500	5,375,723	1,796,564
Other sundry receivables (2)	417,239	51,036	30,910	42,279	37,778	28,699	1,435	975	26,252	636,603	99,097	208,649
<b>Total operations with credit granting characteristics</b>	53,264,306	108,970,952	43,855,466	13,489,479	7,704,953	3,269,860	2,147,120	1,243,178	7,097,824	241,043,138	167,145,898	115,547,974
<b>Endorsements and sureties (3)</b>												
Total endorsements and sureties	53,264,306	108,970,952	43,855,466	13,489,479	7,704,953	3,269,860	2,147,120	1,243,178	7,097,824	271,938,140	180,659,082	127,589,418
<b>Total endorsements and sureties without UNIBANCO</b>	31,189,882	77,020,686	32,767,940	10,603,700	5,937,843	2,440,423	1,461,704	892,002	4,831,718	167,145,898		
<b>Total - 12/31/2007</b>	18,954,998	57,736,043	22,972,087	5,282,426	3,411,882	2,135,648	1,493,140	638,057	2,923,693	115,547,974		

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

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

(3) Recorded in Memorandum Accounts.

## II - By maturity and risk level

With UNIBANCO											Without UNIBANCO		
12/31/2008											12/31/2008	12/31/2007	
AA	A	B	C	D	E	F	G	H	Total		Total	Total	
OVERDUE OPERATIONS (1) (2)													
Falling due installments	-	2,923,487	1,973,359	1,033,891	807,828	557,028	378,724	1,490,127	9,164,444	7,269,888	5,063,786		
01 to 30	-	135,160	106,219	73,370	49,478	35,747	25,094	131,275	556,343	401,736	324,976		
31 to 60	-	141,344	106,897	64,092	48,183	36,107	25,008	107,022	529,153	382,137	238,142		
61 to 90	-	119,607	95,369	60,928	46,736	32,131	23,916	93,468	472,155	346,625	225,806		
91 to 180	-	342,716	248,302	156,779	115,664	83,514	60,354	226,213	1,233,542	932,911	614,766		
181 to 365	-	613,684	437,880	236,524	183,630	131,372	93,524	344,493	2,041,107	1,650,315	1,063,516		
Over 365	-	1,570,976	978,692	442,198	364,137	238,157	150,328	587,666	4,332,144	3,556,164	2,606,590		
Overdue installments	-	489,250	967,912	1,107,937	825,426	749,205	674,556	4,146,386	8,950,672	6,090,794	3,600,569		
01 to 14	-	28,242	51,340	29,505	19,969	14,672	10,725	48,023	202,476	155,086	106,612		
15 to 30	-	461,008	415,818	287,548	86,526	43,210	24,050	111,407	1,429,567	983,603	502,787		
31 to 60	-	-	490,754	337,057	132,108	76,552	47,780	183,643	1,267,894	932,463	501,012		
61 to 90	-	-	-	453,827	149,698	103,601	50,852	198,089	956,067	654,832	395,482		
91 to 180	-	-	-	-	437,125	511,170	541,149	960,853	2,450,297	1,694,293	1,182,671		
181 to 365	-	-	-	-	-	-	-	2,506,974	2,506,974	1,549,409	846,300		
Over 365	-	-	-	-	-	-	-	137,397	137,397	121,108	65,705		
SUBTOTAL	-	3,412,737	2,931,271	2,141,828	1,633,254	1,306,233	1,053,280	5,636,513	18,115,116	13,360,682	8,664,355		
SPECIFIC ALLOWANCE	-	(34,127)	(87,938)	(214,133)	(489,976)	(653,116)	(737,296)	(5,636,513)	(7,853,150)	(5,463,411)	(3,400,177)		
SUBTOTAL Without UNIBANCO	-	2,682,549	2,301,970	1,648,913	1,175,714	961,382	759,981	3,830,173	13,360,682				
SUBTOTAL - 12/31/2007	-	1,977,638	1,242,985	979,522	884,105	857,671	571,141	2,151,293	8,664,355				
NON-OVERDUE OPERATIONS													
Falling due installments	53,146,185	108,372,498	40,017,115	5,339,772	1,588,891	805,356	180,119	1,409,562	221,215,373	152,682,177	105,061,780		
01 to 30	7,757,433	15,177,501	4,020,527	2,031,243	392,010	166,429	61,752	419,144	41,287,453	31,561,630	22,511,975		
31 to 60	4,665,688	9,357,322	1,372,762	531,436	115,540	66,231	15,055	142,462	21,480,003	13,897,479	8,823,754		
61 to 90	4,145,047	6,277,780	788,736	331,690	85,186	52,218	10,223	127,192	15,118,853	9,921,078	6,769,036		
91 to 180	9,202,805	13,360,118	4,982,302	1,408,651	627,465	171,671	19,661	166,948	30,049,138	19,497,093	12,848,330		
181 to 365	7,712,217	18,181,906	5,332,861	1,185,585	688,253	241,087	24,801	196,997	33,708,027	23,078,392	15,633,157		
Over 365	19,662,995	46,017,871	15,799,614	1,109,685	583,397	267,641	48,627	356,819	79,571,899	54,736,505	38,475,528		
Overdue up to 14 days	118,121	598,454	425,614	223,353	47,715	35,531	9,779	51,749	1,712,649	1,103,039	1,821,839		
SUBTOTAL	53,264,306	108,970,952	40,442,729	5,563,125	1,636,606	840,887	189,898	1,461,311	222,928,022	153,785,216	106,883,619		
GENERIC ALLOWANCE	-	(544,855)	(404,427)	(316,746)	(556,313)	(420,443)	(132,929)	(1,461,311)	(4,328,005)	(3,080,366)	(2,375,483)		
SUBTOTAL Without UNIBANCO	31,189,882	77,020,686	30,085,391	8,301,730	4,288,930	500,322	132,021	1,001,545	153,785,216				
SUBTOTAL - 12/31/2007	18,954,998	57,736,043	20,994,449	4,039,441	1,251,543	635,469	66,916	772,400	106,883,619				
TOTAL	53,264,306	108,970,952	43,855,466	13,489,479	7,704,953	3,269,860	2,147,120	1,243,178	7,097,824	167,145,898	115,547,974		
EXISTING ALLOWANCE	(2,445,500)	(1,078,812)	(1,311,278)	(1,347,599)	(1,634,603)	(1,502,768)	(1,243,054)	(7,097,824)	(19,972,155)	(13,911,777)	(7,925,660)		
Minimum allowance required (3)	-	(544,855)	(438,555)	(404,684)	(593,784)	(420,443)	(870,225)	(7,097,824)	(12,181,155)	(8,543,777)	(5,775,660)		
Additional allowance (4)	(2,445,500)	(533,958)	(872,724)	(942,915)	(633,645)	(429,209)	(372,829)	-	(7,791,000)	(5,368,000)	(2,150,000)		
TOTAL Without UNIBANCO	31,189,882	77,020,686	32,767,940	10,603,700	5,937,843	1,461,704	892,002	4,831,718	167,145,898				
EXISTING ALLOWANCE	(1,362,797)	(762,505)	(979,761)	(1,059,310)	(1,219,967)	(1,023,047)	(891,913)	(4,831,718)	(13,911,777)				
Minimum allowance required (3)	-	(385,103)	(327,679)	(318,111)	(593,784)	(732,127)	(624,401)	(4,831,718)	(8,543,777)				
Additional allowance (4)	(1,362,797)	(377,401)	(652,082)	(741,199)	(1,186,975)	(292,195)	(267,511)	-	(5,368,000)				
TOTAL 12/31/2007	18,954,998	57,736,043	22,972,087	5,282,426	3,411,882	1,493,140	638,057	2,923,693	115,547,974				
EXISTING ALLOWANCE	-	(288,680)	(411,696)	(527,715)	(1,023,223)	(1,045,049)	(637,993)	(2,923,693)	(7,925,660)				
Minimum allowance required (3)	-	(288,680)	(229,721)	(158,473)	(341,188)	(746,570)	(446,640)	(2,923,693)	(5,775,660)				
Additional allowance (4)	-	-	(181,975)	(369,242)	(682,035)	(298,479)	(191,353)	-	(2,150,000)				

- (1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;  
(2) The balance of non-accrual operations amounts to R\$ 10,832,610 With UNIBANCO and R\$ 7,700,676 Without UNIBANCO (R\$ 5,054,755 at 12/31/2007);  
(3) The policy of not using "AA" ratings for individuals was maintained. As a consequence, all loan operations with clients classified in this segment are charged by recording a provision upon the granting of loan;  
(4) According to BACEN's request, it is classified into risk level to show the additional amounts found through the use of statistical models for evaluating the portfolios in the event of stress in the economic scenario.



### III - By business sector

	With UNIBANCO		Without UNIBANCO			
	12/31/2008	%	12/31/2008	%	12/31/2007	%
<b>PUBLIC SECTOR</b>	<b>1,801,908</b>	<b>0.7</b>	<b>773,401</b>	<b>0.5</b>	<b>865,535</b>	<b>0.7</b>
Generation, transmission and distribution of electric energy	890,146	0.4	344,133	0.2	505,936	0.4
Chemical and petrochemical	217,496	0.1	130,880	0.1	169,912	0.1
Other	694,266	0.3	298,388	0.2	189,687	0.2
<b>PRIVATE SECTOR</b>	<b>239,241,230</b>	<b>99.3</b>	<b>166,372,497</b>	<b>99.5</b>	<b>114,682,439</b>	<b>99.3</b>
<b>COMPANY</b>	<b>136,651,366</b>	<b>56.7</b>	<b>89,458,506</b>	<b>53.5</b>	<b>54,298,586</b>	<b>47.0</b>
<b>INDUSTRY AND COMMERCE</b>	<b>74,210,395</b>	<b>30.8</b>	<b>51,499,719</b>	<b>30.8</b>	<b>29,694,155</b>	<b>25.7</b>
Food and beverages	11,953,049	5.0	8,244,285	4.9	4,687,288	4.1
Autoparts and accessories	2,500,378	1.0	1,939,650	1.2	1,073,793	0.9
Agribusiness capital assets	554,990	0.2	482,471	0.3	317,776	0.3
Industrial capital assets	3,557,210	1.5	2,289,395	1.4	1,226,020	1.1
Pulp and paper	1,565,964	0.6	1,166,921	0.7	780,827	0.7
Distribution of fuels	1,683,382	0.7	954,427	0.6	560,020	0.5
Electrical and electronic	5,542,857	2.3	3,986,600	2.4	2,437,514	2.1
Pharmaceuticals	1,660,130	0.7	1,291,484	0.8	950,639	0.8
Fertilizers, insecticides and crop protection	2,873,896	1.2	2,020,637	1.2	1,284,778	1.1
Tobacco	825,931	0.3	311,230	0.2	335,819	0.3
Import and export	2,302,803	1.0	1,831,964	1.1	939,207	0.8
Hospital care materials and equipment	560,504	0.2	464,469	0.3	239,319	0.2
Construction material	3,216,443	1.3	1,543,135	0.9	810,207	0.7
Steel and metallurgy	9,066,428	3.8	5,772,508	3.5	2,836,326	2.5
Wood and furniture	2,390,941	1.0	1,937,108	1.2	1,058,955	0.9
Chemical and petrochemical	6,011,979	2.5	4,677,529	2.8	2,696,654	2.3
Supermarkets	786,604	0.3	421,489	0.3	193,714	0.2
Light and heavy vehicles	4,999,172	2.1	3,659,410	2.2	2,009,915	1.7
Clothing	4,888,594	2.0	3,431,533	2.1	2,075,240	1.8
Other - Commerce	3,783,541	1.6	2,198,676	1.3	1,603,628	1.4
Other - industry	3,485,599	1.4	2,874,798	1.7	1,576,516	1.4
<b>SERVICES</b>	<b>43,918,591</b>	<b>18.2</b>	<b>27,731,862</b>	<b>16.6</b>	<b>17,681,307</b>	<b>15.3</b>
Heavy construction (Constructors)	2,528,501	1.0	1,817,460	1.1	953,177	0.8
Financial	6,063,858	2.5	3,615,199	2.2	2,050,258	1.8
Generation, transmission and distribution of electric energy	5,021,146	2.1	2,698,620	1.6	2,073,433	1.8
Holding company	3,023,875	1.3	2,091,460	1.3	1,218,812	1.1
Real estate agents	5,177,664	2.1	3,796,448	2.3	2,611,241	2.3
Media	2,085,661	0.9	1,582,640	0.9	1,270,333	1.1
Service companies	2,667,734	1.1	1,729,279	1.0	1,146,609	1.0
Health care	1,118,782	0.5	557,511	0.3	379,174	0.3
Telecommunications	1,954,207	0.8	969,514	0.6	625,320	0.5
Transportation	8,434,358	3.5	4,142,484	2.5	2,460,324	2.1
Other services	5,842,805	2.4	4,731,247	2.8	2,892,626	2.5
<b>PRIMARY SECTOR</b>	<b>14,822,680</b>	<b>6.1</b>	<b>8,441,694</b>	<b>5.1</b>	<b>5,532,813</b>	<b>4.8</b>
Agribusiness	12,876,778	5.3	6,832,542	4.1	4,546,131	3.9
Mining	1,945,902	0.8	1,609,152	1.0	986,682	0.9
<b>OTHER COMPANIES</b>	<b>3,699,700</b>	<b>1.5</b>	<b>1,785,231</b>	<b>1.1</b>	<b>1,390,311</b>	<b>1.2</b>
<b>INDIVIDUALS</b>	<b>102,589,864</b>	<b>42.6</b>	<b>76,913,991</b>	<b>46.0</b>	<b>60,383,853</b>	<b>52.3</b>
Credit cards	24,306,846	10.1	14,118,495	8.4	11,351,898	9.8
Consumer loans/overdraft	23,730,991	9.8	17,237,591	10.3	15,236,772	13.2
Real estate financing	6,698,271	2.8	5,442,425	3.3	4,184,602	3.6
Vehicles	47,853,756	19.9	40,115,480	24.0	29,610,581	25.6
<b>GRAND TOTAL</b>	<b>241,043,138</b>	<b>100.0</b>	<b>167,145,898</b>	<b>100.0</b>	<b>115,547,974</b>	<b>100.0</b>

**b) Credit concentration**

Loan, lease and other credit operations (*)	With UNIBANCO		Without UNIBANCO			
	12/31/2008		12/31/2008		12/31/2007	
	Risk	% of Total	Risk	% of Total	Risk	% of Total
Largest debtor	4,020,492	1.5	1,518,111	0.8	1,399,774	1.1
20 largest debtors	26,102,089	9.6	13,557,983	7.5	9,228,895	7.2
50 largest debtors	43,525,881	16.0	22,494,297	12.4	15,770,455	12.4
100 largest debtors	59,436,066	21.8	31,632,520	17.5	21,957,718	17.2

Loan, lease and other credit operations and securities of companies and financial institutions (*)	With UNIBANCO		Without UNIBANCO			
	12/31/2008		12/31/2008		12/31/2007	
	Risk	% of Total	Risk	% of Total	Risk	% of Total
Largest debtor	7,950,623	2.5	3,950,689	1.9	1,404,737	1.0
20 largest debtors	44,192,721	14.0	25,735,925	12.3	14,879,896	10.3
50 largest debtors	69,383,770	22.0	38,139,699	18.2	24,403,844	16.9
100 largest debtors	90,844,640	28.8	50,638,220	24.2	33,102,327	22.9

(\*) The amounts include endorsements and sureties.

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

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Opening balance</b>	<b>(7,925,660)</b>	<b>(7,925,660)</b>	<b>(7,430,684)</b>
Balance arising from the acquisition of BKB in Chile/Uruguay	-	-	(131,077)
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	(4,394,655)	-	-
Net increase for the period	(14,330,381)	(12,140,175)	(6,563,386)
Minimum required by Resolution No.2,682/99	(9,666,381)	(8,922,175)	(6,113,386)
Additional	(4,664,000)	(3,218,000)	(450,000)
Write-Off	6,678,541	6,154,058	6,199,487
<b>Closing balance</b>	<b>(19,972,155)</b>	<b>(13,911,777)</b>	<b>(7,925,660)</b>
Specific allowance (1)	(7,853,150)	(5,463,411)	(3,400,177)
Generic allowance (1)	(4,328,005)	(3,080,366)	(2,375,483)
Additional allowance (3)	(7,791,000)	(5,368,000)	(2,150,000)

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

(2) For operations not covered in the previous item due to the classification of the client or operation;

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

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

Note: The specific and generic allowances reflect the effects of the supplementary allowance totaling R\$ 443,634 in ITAÚ UNIBANCO CONSOLIDATED With UNIBANCO and R\$ 392,912 Without UNIBANCO (R\$ 292,235 at 12/31/2007) as it does not consider the option established by article 5 of the CMN Resolution No. 2,682 of 12/21/1999, amended by article 2 of CMN Resolution No. 2,697 of 02/24/2000, that the loan transactions with clients whose total liability is below R\$ 50 could be determined based on the overdue amounts.

At 12/31/2008, the balance of the provision in relation to the loan portfólio is equivalent to 8.3% at ITAÚ UNIBANCO CONSOLIDATED With UNIBANCO and Without UNIBANCO (6.9% at 12/31/2007).

d) Recovery and renegotiation of credits

I- Composition of the result of allowance for loan losses

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Net increase	(14,330,381)	(12,140,175)	(6,563,386)
Recoveries	1,339,166	1,261,960	1,068,491
<b>Result of allowance for loan losses</b>	<b>(12,991,215)</b>	<b>(10,878,215)</b>	<b>(5,494,895)</b>

II - Renegotiated credits

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Renegotiated credits	5,141,604	3,639,098	2,927,769
Allowance for loan losses	(2,498,465)	(1,862,815)	(1,524,855)
(%)	48.6	51.2	52.1



### e) Credit assignments

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

### f) Restricted operations on assets

We present below information related to the restricted operations on assets, in accordance with CMN Resolution No. 2.921, of January 1, 2002.

	With and without UNIBANCO					01/01 to 12/31/2008
	12/31/2008					
	0 - 30	31 - 180	181 - 365	Over 365	Total	Income (Expenses)
Restricted operations on assets						
Loan operations	5,293	260,724	65,046	19,397	350,460	104,366
Restricted operations on assets						
Liabilities from restricted operations on assets	5,297	260,697	65,046	19,397	350,438	(102,426)
<b>Net revenue from restricted operations</b>						<b>1,940</b>

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

**NOTE 9 - FOREIGN EXCHANGE PORTFOLIO**

	<b>With UNIBANCO</b>	<b>Without UNIBANCO</b>	
	<b>12/31/2008</b>	<b>12/31/2008</b>	<b>12/31/2007</b>
<b>ASSETS – OTHER RECEIVABLES</b>	<b>51,828,678</b>	<b>43,425,138</b>	<b>18,769,814</b>
Exchange purchase pending settlement – foreign currency	32,807,238	28,216,638	9,941,536
Bills of exchange and term documents – foreign currency	110	110	437
Exchange sale rights – local currency	19,427,799	15,483,300	8,948,511
(-) Advances received – local currency	(406,469)	(274,910)	(120,670)
<b>LIABILITIES – OTHER LIABILITIES (Note 2a)</b>	<b>50,761,162</b>	<b>42,630,853</b>	<b>18,917,568</b>
Exchange sales pending settlement – foreign currency	30,493,898	26,126,123	8,595,205
Liabilities from purchase of foreign currency – local currency	20,261,880	16,499,653	10,319,481
Other	5,384	5,077	2,882
<b>MEMORANDUM ACCOUNTS</b>	<b>512,633</b>	<b>230,446</b>	<b>278,910</b>
Outstanding import credits – foreign currency	474,699	200,455	242,097
Confirmed export credits – foreign currency	37,934	29,991	36,813

# NOTE 10 – FUNDING AND BORROWINGS AND ONLENDINGS

## a) Summary

	With UNIBANCO					Without UNIBANCO				
	12/31/2008					12/31/2008				
	0-30	31-180	181-365	Over 365	Total	%	Total	%	Total	%
Deposits	92,038,647	20,667,431	12,621,518	80,861,802	206,189,398	49.0	150,673,366	51.3	81,592,177	44.3
Deposits received under securities repurchase agreements	67,820,018	12,531,864	5,969,903	38,036,677	124,358,462	29.6	91,005,987	31.0	64,733,118	35.0
Funds from acceptance and issuance of securities	2,017,047	6,132,323	2,695,289	8,750,986	19,595,645	4.7	11,103,086	3.8	8,371,108	4.5
Borrowings and onlending	2,914,366	12,059,548	8,493,932	19,168,570	42,636,416	10.2	24,061,578	8.2	16,800,167	9.1
Securization of foreign payment orders	-	68,334	147,166	3,613,233	3,828,733	0.9	1,423,860	0.5	1,109,575	0.6
Subordinated debt	-	60,522	1,200,889	22,133,780	23,395,191	(*)	15,203,746	5.2	12,083,125	6.5
<b>TOTAL With UNIBANCO</b>	<b>164,790,078</b>	<b>51,520,022</b>	<b>31,128,697</b>	<b>172,565,048</b>	<b>420,003,845</b>		<b>293,471,623</b>		<b>184,689,270</b>	
% per maturity term	39.2	12.3	7.4	41.1						
<b>TOTAL Without UNIBANCO</b>	<b>123,382,970</b>	<b>37,061,010</b>	<b>20,696,705</b>	<b>112,330,938</b>	<b>293,471,623</b>					
% per maturity term	42.0	12.6	7.1	38.3						
<b>TOTAL - 12/31/2007</b>	<b>88,777,120</b>	<b>23,266,260</b>	<b>17,247,625</b>	<b>55,398,265</b>	<b>184,689,270</b>					
% per maturity term	48.1	12.6	9.3	30.0						

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

## b) Deposits

	With UNIBANCO					Without UNIBANCO				
	12/31/2008					12/31/2008				
	0-30	31-180	181-365	Over 365	Total	%	Total	%	Total	%
Demand deposits	26,932,947	-	-	-	26,932,947	13.0	22,912,097	15.1	26,729,041	32.8
Savings accounts	39,296,239	-	-	-	39,296,239	19.1	31,896,263	21.2	27,989,905	34.3
Interbank	631,119	1,276,725	610,115	403,176	2,921,135	1.4	2,042,209	1.4	1,615,904	2.0
Time deposits	24,040,135	19,390,706	12,011,403	80,458,626	135,900,870	65.9	92,757,664	61.6	23,852,369	29.2
Other deposits	1,138,207	-	-	-	1,138,207	0.6	1,065,133	0.7	1,404,958	1.7
<b>TOTAL With UNIBANCO</b>	<b>92,038,647</b>	<b>20,667,431</b>	<b>12,621,518</b>	<b>80,861,802</b>	<b>206,189,398</b>		<b>150,673,366</b>		<b>81,592,177</b>	
% per maturity term	44.7	10.0	6.1	39.2						
<b>TOTAL Without UNIBANCO</b>	<b>72,145,145</b>	<b>15,525,190</b>	<b>9,062,075</b>	<b>53,940,956</b>	<b>150,673,366</b>					
% per maturity term	47.9	10.3	6.0	35.8						
<b>TOTAL - 12/31/2007</b>	<b>64,072,761</b>	<b>6,780,875</b>	<b>4,074,623</b>	<b>6,663,918</b>	<b>81,592,177</b>					
% per maturity term	78.5	8.3	5.0	8.2						

At December 31, 2008, ITAÚ UNIBANCO's portfolio is composed of Interbank Deposits in the amount of R\$ 345,997 maturing over 365 days.

## c) Deposits received under securities repurchase agreements

	With UNIBANCO					Without UNIBANCO				
	12/31/2008					12/31/2008				
	0 - 30	31 - 180	181 - 365	Over 365	Total	%	Total	%	Total	%
<b>Own portfolio</b>	<b>5,528,064</b>	<b>11,384,001</b>	<b>5,969,617</b>	<b>37,862,401</b>	<b>60,744,083</b>	<b>48.8</b>	<b>44,042,752</b>	<b>48.4</b>	<b>43,381,242</b>	<b>67.0</b>
Government securities	770,809	898,602	265,922	204,867	2,140,200	1.7	1,893,805	2.1	405,867	0.6
Private securities	876,047	1,154,957	1,496,698	10,396,490	13,924,192	11.2	-	0.0	443,433	0.7
Own issue	1,882,216	8,946,065	4,181,565	26,829,136	41,838,982	33.6	40,968,900	45.0	41,140,452	63.6
Foreign	1,998,992	384,377	25,432	431,908	2,840,709	2.3	1,180,047	1.3	1,391,490	2.1
<b>Third-party portfolio</b>	<b>62,291,954</b>	<b>57,654</b>	<b>286</b>	<b>174,276</b>	<b>62,524,170</b>	<b>50.3</b>	<b>45,873,026</b>	<b>50.4</b>	<b>20,995,361</b>	<b>32.4</b>
<b>Free portfolio</b>	<b>-</b>	<b>1,090,209</b>	<b>-</b>	<b>-</b>	<b>1,090,209</b>	<b>0.9</b>	<b>1,090,209</b>	<b>1.2</b>	<b>356,515</b>	<b>0.6</b>
<b>TOTAL With UNIBANCO</b>	<b>67,820,018</b>	<b>12,531,864</b>	<b>5,969,903</b>	<b>38,036,677</b>	<b>124,358,462</b>		<b>91,005,987</b>		<b>64,733,118</b>	
% per maturity term	54.5	10.1	4.8	30.6						
<b>TOTAL Without UNIBANCO</b>	<b>48,914,225</b>	<b>10,217,664</b>	<b>4,278,108</b>	<b>27,595,990</b>	<b>91,005,987</b>					
% per maturity term	53.8	11.2	4.7	30.3						
<b>TOTAL - 12/31/2007</b>	<b>22,852,266</b>	<b>7,500,406</b>	<b>8,520,600</b>	<b>25,859,846</b>	<b>64,733,118</b>					
% per maturity term	35.3	11.6	13.2	39.9						

## d) Funds from acceptance and issuance of securities

	With UNIBANCO				Without UNIBANCO			
	12/31/2008				12/31/2008			
	0-30	31-180	181-365	Over 365	Total	%	Total	%
<b>REAL ESTATE, MORTGAGE, CREDIT AND SIMILAR NOTES</b>								
<b>DEBENTURES</b>	1,503,933	4,377,815	1,776,945	1,353,874	9,012,567	46.0	3,704,051	33.4
	3,302	120,887	3,600	3,462,376	3,589,865	18.3	2,092,800	18.8
<b>FOREIGN BORROWINGS AND SECURITIES</b>	509,812	1,633,921	914,744	3,934,736	6,983,213	35.7	5,306,235	47.8
<b>Trade Related – Issued abroad - Structure Note Issued</b>	86,175	57,616	36,711	205,346	385,848	2.0	385,848	3.5
<b>Issued abroad – Structure Note Issued</b>	86,175	57,616	36,711	205,346	385,848	2.0	385,848	3.5
<b>Non-trade Related</b>	423,637	1,576,304	878,033	3,729,390	6,607,365	33.7	4,920,387	44.3
<b>Issued in Brazil - Fixed Rate Notes</b>	-	-	-	-	-	-	-	-
<b>Issued abroad</b>	423,637	1,576,304	878,033	3,729,390	6,607,365	33.7	4,920,387	44.3
<b>Brazil Risk Note Programme</b>	13,707	350,086	155,868	1,395,456	1,915,117	9.7	1,915,118	17.2
<b>Euro Certificates of Deposits</b>	186,122	15,384	303,819	7,417	512,743	2.6	512,743	4.6
<b>Euro Medium Term Note Programme</b>	9,410	5,884	67,421	2,242	84,957	0.4	84,957	0.8
<b>Euro Bonds</b>	206,561	998,375	215,770	256,358	1,677,064	8.6	-	-
<b>Euronotes</b>	-	-	-	-	-	-	-	-
<b>Fixed Rate Notes</b>	4,305	111,083	66,036	1,739,556	1,920,981	9.8	1,920,981	17.3
<b>Paper</b>	-	7,580	467	1,869	9,916	0.1	-	-
<b>Other</b>	3,531	87,913	68,652	326,492	486,588	2.5	486,588	4.4
<b>TOTAL With UNIBANCO</b>	<b>2,017,047</b>	<b>6,132,323</b>	<b>2,695,289</b>	<b>8,750,986</b>	<b>19,595,645</b>		<b>11,103,086</b>	
<b>% per maturity term</b>	10.3	31.3	13.8	44.6				
<b>TOTAL Without UNIBANCO</b>	<b>802,370</b>	<b>2,888,707</b>	<b>1,197,743</b>	<b>6,214,266</b>	<b>11,103,086</b>			
<b>% per maturity term</b>	7.2	26.0	10.8	56.0				
<b>TOTAL - 12/31/2007</b>	<b>434,792</b>	<b>2,295,219</b>	<b>304,786</b>	<b>5,336,311</b>	<b>8,371,108</b>			
<b>% per maturity term</b>	5.3	27.4	3.6	63.7				



# e) Borrowings and onlending

	With UNIBANCO					Without UNIBANCO				
	12/31/2008					12/31/2008				
	0-30	31-180	181-365	Over 365	Total	%	Total	%	Total	%
<b>BORROWING</b>	<b>2,409,031</b>	<b>9,651,609</b>	<b>5,904,131</b>	<b>6,215,726</b>	<b>24,180,497</b>	<b>56.7</b>	<b>16,296,722</b>	<b>67.7</b>	<b>10,682,741</b>	<b>63.6</b>
Domestic	176,933	63,059	12,076	11,990	264,058	0.6	118,441	0.5	252,669	1.5
Foreign (*)	2,232,098	9,588,550	5,892,055	6,203,736	23,916,439	56.1	16,178,281	67.2	10,399,150	61.9
Assumption of obligations	-	-	-	-	-	-	-	0.0	30,922	0.2
<b>ONLENDING</b>	<b>505,335</b>	<b>2,407,939</b>	<b>2,589,801</b>	<b>12,952,844</b>	<b>18,455,919</b>	<b>43.3</b>	<b>7,764,856</b>	<b>32.3</b>	<b>6,117,426</b>	<b>36.4</b>
Domestic – official institutions	490,317	2,395,876	2,571,312	12,621,347	18,078,852	42.4	7,393,041	30.8	5,473,157	32.6
BNDES	210,428	887,712	1,034,526	6,411,998	8,544,664	20.0	3,848,570	16.0	2,849,012	17.0
FINAME	263,270	1,305,687	1,489,987	5,849,642	8,908,586	20.9	3,241,282	13.5	2,490,791	14.8
Other	16,619	202,477	46,799	359,707	625,602	1.5	303,189	1.3	133,354	0.8
Foreign	15,018	12,063	18,489	331,497	377,067	0.9	371,815	1.5	644,269	3.8
<b>TOTAL With UNIBANCO</b>	<b>2,914,366</b>	<b>12,059,548</b>	<b>8,493,932</b>	<b>19,168,570</b>	<b>42,636,416</b>		<b>24,061,578</b>		<b>16,800,167</b>	
% per maturity term	6.8	28.3	19.9	45.0						
<b>TOTAL Without UNIBANCO</b>	<b>1,521,230</b>	<b>8,319,579</b>	<b>5,198,421</b>	<b>9,022,348</b>	<b>24,061,578</b>					
% per maturity term	6.3	34.6	21.6	37.5						
<b>TOTAL - 12/31/2007</b>	<b>1,417,301</b>	<b>5,140,832</b>	<b>3,653,517</b>	<b>6,588,517</b>	<b>16,800,167</b>					
% per maturity term	8.5	30.6	21.7	39.2						

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



# f) Securitization of foreign payment orders

Funds obtained abroad through the sales to Brazilian Diversified Payment Rights Finance Company of rights related to payment orders receivable abroad.

	With UNIBANCO					Without UNIBANCO			
	12/31/2008					12/31/2008		12/31/2007	
	31-180	181-365	Over 365	Total	%	Total	%	Total	%
<b>TOTAL With UNIBANCO</b>	<b>68,334</b>	<b>147,166</b>	<b>3,613,233</b>	<b>3,828,733</b>	<b>100.0</b>	<b>1,423,860</b>	<b>100.0</b>	<b>1,109,575</b>	<b>100.0</b>
% per maturity term	1.8	3.8	94.4						
<b>TOTAL Without UNIBANCO</b>	<b>68,334</b>	<b>110,358</b>	<b>1,245,168</b>	<b>1,423,860</b>					
% per maturity term	4.8	7.8	87.4						
<b>TOTAL - 12/31/2007</b>	<b>72,228</b>	<b>94,099</b>	<b>943,248</b>	<b>1,109,575</b>					
% per maturity term	6.5	8.5	85.0						

# g) Subordinated debt

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

	With UNIBANCO					Without UNIBANCO			
	31/12/2008					12/31/2008		12/31/2007	
	31-180	181-365	Over 365	Total	%	Total	%	Total	%
CDB	2,308	1,200,889	18,277,559	19,480,756	83.3	12,930,893	85.1	9,963,119	82.5
Debentures	-	-	-	-	-	-	-	620,600	5.1
Euronotes	27,262	-	1,166,525	1,193,787	5.1	1,193,787	7.9	791,564	6.6
Bonds	-	-	148,491	148,491	0.6	148,491	1.0	-	-
Eurobonds	18,987	-	1,622,595	1,641,582	7.0	-	-	-	-
<b>TOTAL OTHER LIABILITIES</b>	<b>48,556</b>	<b>1,200,889</b>	<b>21,215,171</b>	<b>22,464,616</b>		<b>14,273,171</b>		<b>11,375,283</b>	
Redeemable preferred shares	11,966	-	918,609	930,575	4.0	930,575	6.0	707,842	5.8
<b>GRAND TOTAL With UNIBANCO</b>	<b>60,522</b>	<b>1,200,889</b>	<b>22,133,780</b>	<b>23,395,191</b>		<b>15,203,746</b>		<b>12,083,125</b>	
% per maturity term	0.3	5.1	94.6						
<b>GRAND TOTAL Without UNIBANCO</b>	<b>41,536</b>	<b>850,000</b>	<b>14,312,210</b>	<b>15,203,746</b>					
% per maturity term	0.3	5.6	94.1						
<b>TOTAL - 12/31/2007</b>	<b>1,476,700</b>	<b>600,000</b>	<b>10,006,425</b>	<b>12,083,125</b>					
% per maturity term	12.2	5.0	82.8						

## Description

Name of Security	Issue	Maturity	Return p.a.	Principal (R\$)
Subordinated CDB	December 2002	December 2009	CDI + 0.87%	850,000
Subordinated CDB	March 2007	April 2012	103.5% + CDI	5,000,000
Subordinated CDB	May 2007	May 2014	CDI + 0.35%	1,804,500
Subordinated CDB	November 2007	November 2012	CDI + 0.35%	300,000
Subordinated CDB	January 2008	February 2013	CDI + 0.50%	880,000
Subordinated CDB	February 2008	February 2013	CDI + 0.50%	1,256,000
Subordinated CDB	November 2008	October 2014	112% + CDI	1,000,000
Subordinated CDB (1)	December 2002	December 2012	102.25% of CDI	220,000
Subordinated CDB (2)	November 2003	November 2013	102% of CDI	40,000
Subordinated CDB (3)	December 2006	December 2016	CDI + 0.47%	500,000
Subordinated CDB (4)	May 2007	May 2012	103.9% of CDI	1,406,000
Subordinated CDB (4)	July 2007	July 2012	CDI + 0.38%	422,000
Subordinated CDB (4)	August 2007	August 2012	CDI + 0.38%	200,000
Subordinated CDB (4)	August 2007	August 2014	CDI + 0.46%	50,000
Subordinated CDB (4)	October 2007	October 2012	IGPM + 7.33%	290,850
Subordinated CDB (4)	October 2007	October 2012	103.8% of CDI	93,000
Subordinated CDB (4)	October 2007	October 2014	IGPM + 7.35%	33,200
Subordinated CDB (4)	October 2007	October 2012	CDI + 0.45%	450,000
Subordinated CDB (4)	December 2007	December 2014	CDI + 0.60%	10,000
Subordinated CDB (4)	1st quarter of 2008	1st quarter of 2013	CDI + 0.60%	817,310
Subordinated CDB (4)	1st quarter of 2008	2nd quarter of 2013	106.5% of CDI	38,000
Subordinated CDB (4)	2nd quarter of 2008	2nd quarter of 2013	107% of CDI	10,400
Subordinated CDB (4)	3rd quarter of 2008	3rd quarter of 2015	119.8% of CDI	400,000
Subordinated credit facility (5)	December 2004	December 2009	2.00%	350,550
Subordinated Euronotes	2nd quarter of 2001	August 2011	10.0%	457,465
Subordinated Euronotes	August 2001	August 2011	4.25%	625,008
Subordinated Bonds	April 2008	October 2031	3.50%	64,555
Subordinated Bonds	October 2008	October 2033	4.50%	45,400
Eurobonds -Step-up subordinated callable notes (6)	December 2003	December 2013	7.375%	467,400
Eurobonds -Perpetual Non-cumulative Junior				
Subordinated Securities (7)	July 2005	Not determined	8.70%	1,186,008
Preferred shares	December 2002	March 2015	1.25%	1,388,841

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

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

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

(4) Subordinated CDBs may not be redeemed in advance

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

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

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

# NOTE 11 – INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS

## a) Composition of the Technical Provisions

	INSURANCE			LIFE INSURANCE AND PENSION PLAN			CAPITALIZATION			TOTAL	
	With UNIBANCO 12/31/2008	Without UNIBANCO		With UNIBANCO 12/31/2008	Without UNIBANCO		With UNIBANCO 12/31/2008	Without UNIBANCO		With UNIBANCO 12/31/2008	Without UNIBANCO 12/31/2007
		12/31/2008	12/31/2007		12/31/2008	12/31/2007		12/31/2008	12/31/2007		
Mathematical provision of benefits to be granted and benefits	34,866	7,237	6,745	33,678,031	24,467,187	20,116,639	-	-	-	33,712,897	24,474,424
Unearned premiums	1,818,138	980,615	850,653	324,376	324,375	270,307	-	-	-	2,142,514	1,304,990
Mathematical provision for redemptions	-	-	-	-	-	-	2,031,907	1,159,445	1,075,630	2,031,907	1,159,445
Raffle contingency	-	-	-	-	-	-	41,294	29,548	43,761	41,294	29,548
Unsettled claims (1)	1,300,804	724,529	543,315	90,922	77,759	77,606	-	-	-	1,391,726	802,288
Financial surplus	2,042	2,042	1,802	374,296	332,625	322,931	-	-	-	376,338	334,667
IBNR (1)	440,326	216,368	146,288	50,038	40,064	27,864	-	-	-	490,364	256,432
Financial variation	528	-	-	112,876	106,963	94,475	-	-	-	113,404	106,963
Premium deficiency	125,040	104,570	75,186	70,851	68,850	12,373	-	-	-	195,891	173,420
Health care (2)	59,032	59,032	44,090	-	-	-	-	-	-	59,032	59,032
Other (1)	66,008	45,538	31,096	70,851	68,850	12,373	-	-	-	136,859	114,388
Insufficient contribution (1)	-	-	-	370,488	153,351	60,532	-	-	-	370,488	153,351
Other (1)	486,455	20,966	18,483	194,894	127,145	79,923	25,371	6,620	7,586	706,720	154,731
<b>TOTAL</b>	<b>4,208,199</b>	<b>2,056,327</b>	<b>1,642,472</b>	<b>35,266,772</b>	<b>25,698,319</b>	<b>21,062,650</b>	<b>2,098,572</b>	<b>1,195,613</b>	<b>1,126,977</b>	<b>41,573,543</b>	<b>23,832,099</b>

(1) Adjustments to technical provisions for insurance and pension plan arising from the Merger of Itaú and Unibanco totaled R\$ 291,937 in Itaú Unibanco Consolidated and R\$ 263,648 without Unibanco, as follows: IBNR amounting to R\$ 22,531, Provision for unsettled claims amounting to R\$ 86,752, Provision for premium deficiency amounting to R\$ 55,204, Provision for contribution deficiency amounting to R\$ 99,000, and Provision for administrative expenses amounting to R\$ 28,450.

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

**b) Assets Guaranteeing Technical Provisions - SUSEP**

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO
12/31/2008	565,181	565,181	839,396	839,396	761,002	761,002	2,165,579	2,165,579
12/31/2007	2,697,767	1,117,202	969,897	24,606,803	1,377,653	457,026	37,969,668	26,181,031
Interbank investments – Money market	-	-	-	22,832,327	-	-	30,023,746	22,832,327
Securities and derivative financial instruments	2,697,767	1,117,202	969,897	1,774,476	1,377,653	457,026	7,945,922	3,348,704
PGBL/VGBL fund quotas (1)	1,711,911	674,767	337,160	934,157	743,440	205,056	5,283,017	1,813,980
Other	985,856	442,435	632,737	840,319	634,213	251,970	2,662,905	1,534,724
Government	1,746,230	355,007	263,500	277,991	229,844	-	2,024,221	632,998
Private	34,610	34,031	92,568	-	-	-	127,178	34,031
Credit rights (2)	5,043,788	2,071,421	1,635,298	25,724,190	2,138,655	1,218,028	42,286,646	29,013,639
Escrow deposit for claims	-	-	-	-	-	-	-	-
TOTAL	823,188	619,967	524,290	469,240	439,722	360,736	1,449,943	1,588,612

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

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

**c) Results of Operations**

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO	With UNIBANCO	Without UNIBANCO
01/01 to 12/31/2008	201,530	146,064	150,194	186,540	58,967	44,239	479,959	376,843
01/01 to 12/31/2007	239,549	185,529	150,611	1,764,269	157,118	126,978	2,321,376	2,056,776
Income from financial operations	(38,019)	(19,465)	(417)	(1,577,729)	(98,151)	(82,739)	(1,841,417)	(1,679,933)
Financial income from insurance, pension plan and capitalization	621,658	473,903	552,977	282,700	390,755	316,497	1,307,241	1,073,100
Financial expenses from insurance, pension plan and capitalization	(136,621)	(108,332)	-	(155,316)	-	-	(291,937)	(263,648)
Results of operations from insurance, pension plan and capitalization	758,279	582,235	552,977	438,016	390,755	316,497	1,599,178	1,336,748
Adjustments arising from ITAU UNIBANCO merger (Note 11a)	3,378,251	2,525,769	2,274,890	6,320,259	1,352,494	1,048,868	11,665,294	9,894,896
Recurring result of operations	(181,322)	(156,017)	(82,562)	(5,651,291)	(715,222)	(706,413)	(588,537)	(6,513,721)
Premiums and contributions	(1,781,787)	(1,422,147)	(1,259,192)	(184,749)	(161,653)	-	(1,971,915)	(1,606,896)
Changes in technical provisions	(640,097)	(364,060)	(366,612)	(29,963)	(28,888)	(2,905)	(680,538)	(396,928)
Expenses for claims	-	-	-	(9,593)	(255,612)	(22,286)	(265,747)	(31,879)
Selling expenses	(16,766)	(1,310)	(13,547)	(1,219)	5,755	(767)	(3,621)	(8,724)
Expenses for benefits and raffles	823,188	619,967	703,171	524,290	439,722	360,736	1,787,200	1,449,943
Other revenues and expenses	-	-	-	-	-	-	-	-
TOTAL	823,188	619,967	703,171	524,290	439,722	360,736	1,787,200	1,449,943

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

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

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

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

- **Calculation criteria:**

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

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

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

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

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

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

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

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

Change in provision for contingent liabilities	With Unibanco					Without Unibanco	
	01/01 to 12/31/2008					01/01 to 12/31/2008	01/01 to 12/31/2007
	Civil	Labor	Tax and social security	Other	Total	Total	Total
Opening balance	1,272,721	1,756,459	529,256	97,489	3,655,925	3,655,925	2,905,185
Balance arising from ITAÚ UNIBANCO merger at 09/30/2008	580,765	898,363	1,054,191	2,385	2,535,704	-	-
(-) Contingencies guaranteed by indemnity clauses (Note 4n I)	(44,633)	(601,484)	(10,174)	-	(656,291)	(656,291)	(578,233)
<b>Subtotal</b>	<b>1,808,853</b>	<b>2,053,338</b>	<b>1,573,273</b>	<b>99,874</b>	<b>5,535,338</b>	<b>2,999,634</b>	<b>2,326,952</b>
Changes in the period reflected in results (Notes 13f and 13i)	897,556	666,272	1,245,111	92,184	2,901,123	2,672,043	1,406,532
Restatements/Charges	53,051	66,461	308,844	-	428,356	377,476	196,197
Increase	973,228	739,562	956,428	92,184	2,761,402	2,426,806	1,464,347
Write-offs through reversal	(128,723)	(139,751)	(20,161)	-	(288,635)	(273,282)	(254,012)
Payments	(662,877)	(327,563)	(28,296)	-	(1,018,736)	(834,190)	(696,049)
<b>Subtotal</b>	<b>2,043,532</b>	<b>2,392,047</b>	<b>2,790,088</b>	<b>192,058</b>	<b>7,417,725</b>	<b>4,837,487</b>	<b>3,037,435</b>
(+) Contingencies guaranteed by indemnity clause (Note 4n I)	125,528	551,139	15,784	-	692,451	692,451	618,490
<b>Closing Balance with UNIBANCO (Note 13c)</b>	<b>2,169,060</b>	<b>2,943,186</b>	<b>2,805,872</b>	<b>192,058</b>	<b>8,110,176</b>	-	-
<b>Closing Balance without UNIBANCO (Note 13c)</b>	<b>1,525,226</b>	<b>1,992,356</b>	<b>1,681,640</b>	<b>189,673</b>	<b>5,388,895</b>	<b>5,388,895</b>	<b>3,655,925</b>
Escrow deposits with UNIBANCO at 12/31/2008 (Note 13a)	829,074	1,273,188	454,212	-	2,556,474	-	-
Escrow deposits without UNIBANCO at 12/31/2008 (Note 13a)	705,294	883,971	286,237	-	1,875,502	1,875,502	-
Escrow deposits at 12/31/2007 (Note 13a)	470,730	1,073,416	322,480	-	1,866,626	1,866,626	-

- **Contingencies classified as possible:** not recognized in the accounting books and comprise Civil Lawsuits amounting to R\$ 204,773 in ITAÚ UNIBANCO CONSOLIDATED With and Without UNIBANCO and Tax and Social Security Lawsuits amounting to R\$ 2,419,036 With UNIBANCO and R\$ 961,927 Without UNIBANCO, and the principal characteristics of these lawsuits are described below:
  - Deductibility of goodwill in purchase of investments – R\$ 192,190: assessment notices that discuss the deduction of goodwill of merged companies;
  - Deductibility of losses in receipt of loans - R\$ 171,208: assessment notice issued because inspection authorities understood that discounts granted in renegotiation are nondeductible;
  - Levy of social security contributions on non-compensatory amounts – R\$ 160,802: administrative and court discussion on the portions that, according to the company's understanding, are not part of contribution salary for social security tax purposes;
  - IRPJ/PDD (income tax/allowance for loan losses) - R\$ 159,936: reject the Regulatory Instruction (IN) No. 80/93, which reduced the percentage from 1.5% to 0.5% for realization of the Allowance for Loan Losses in base year 1993, calculated by adopting the IN No. 76/87 and CMN Resolution No. 1,748, of August 31, 1990 The bank makes allegations about the impossibility of applying the rule to events occurred in the fiscal year when it was enacted (principle of anteriority). A suspension was awarded for the bank's appeal; however, the judgment by the Federal Regional Court of the 3rd Region is pending;
  - ISS – Banking institutions – R\$ 294,917: refers to tax assessments notices issued by municipalities for collection of ISS on amounts recorded in several accounts, on the grounds of being service revenue. An administrative final decision or tax foreclosure is pending;
  - Dismissal of offset request – R\$ 135,112: Offset requests which were not validated due to formal issues or alleged lack of evidence of credit liquidity. Issue discussed in the administrative level, in which the company stated its defense and exhibited documentation evidencing credit liquidity;
  - Assessment notices about the Declaration of Federal Contributions and Taxes (DCTF) – R\$ 131,542: electronic assessment notices issued by the Federal Revenue Service challenged at the administrative level, in which the submitted documentation is being analyzed;
  - Apportionment of Net Assets by Book Value – R\$ 125,082: refers to the tax assessment notice issued due to the deduction of capital loss computed in the winding-up and liquidation of investments. Awaiting Court's decision;
  - Criteria for taxation of income abroad - R\$ 67,611: assessment notices on which inspection authorities are discussing the criteria for determining tax basis and taxable event;
  - Offset of tax loss of companies merged without the 30% limitation – R\$ 64,223: assessment notice which discusses the application of a 30% limit when offsetting tax loss carryforwards, in case of merger of company;
  - ITR (Rural Land Tax) - R\$ 60,710: refers to ITR charges related to farms, which were received as payment in kind, with arbitrage of tax basis, because there is no evidence that a scrap of the land is legal reserve;
  - Levy of ISS on leasing operations – R\$ 56,273: tax assessment notices and/or tax foreclosures of municipalities that allege the levy of ISS on leasing operations in their territories.



In ITAÚ UNIBANCO CONSOLIDATED, the following are in guarantee of voluntary resources restricted, deposited or recorded the amount below:

	With Unibanco	Without Unibanco	
	12/31/2008	12/31/2008	12/31/2007
Securities	1,763,977	1,389,455	1,125,881
Deposits in guarantee	2,436,330	2,081,906	1,118,819
Permanent assets (*)	793,816	793,816	1,006,934

(\*) As per article 32 of Law 10.522, of July 19, 2002. On April 10, 2007, in an unconstitutionality lawsuit, the Federal Supreme Court ruled unconstitutional the requirement of guarantees for considering voluntary appeals. The company is requesting the cancellation of the pledging of guarantees to the Federal Revenue Service.

The Receivables balance arising from reimbursements of contingencies totals R\$ 1,226,796 in ITAÚ UNIBANCO CONSOLIDATED and R\$ 940,600 Without UNIBANCO (R\$ 565,203 at 12/31/2007) (Note 13a), basically represented by the guarantee in the Banerj privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition from losses on Civil, Labor and Tax Contingencies.



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

Change in legal liabilities	With Unibanco	Without Unibanco	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Opening balance</b>	<b>5,433,380</b>	<b>5,433,380</b>	<b>3,827,180</b>
Balance arising from ITAÚ UNIBANCO merger at 09/30/2008	2,644,071	-	-
Changes in the period reflected in results	<u>898,532</u>	<u>780,722</u>	<u>1,620,505</u>
Charges on taxes	507,765	453,397	314,323
Net increase	1,110,768	1,047,185	1,315,463
Write-offs through reversal (*)	(720,001)	(719,860)	(9,281)
Payments	(82,968)	(59,159)	(14,305)
<b>Closing Balance (Note 14c)</b>	<b>8,893,015</b>	<b>6,154,943</b>	<b>5,433,380</b>
<b>Probability of loss</b>			
Probable	1,525,953	1,118,309	997,055
Possible	448,022	300,062	289,478
Remote	6,919,040	4,736,572	4,146,847

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

Change in escrow deposits	With Unibanco	Without Unibanco	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Opening Balance</b>	<b>3,013,026</b>	<b>3,013,026</b>	<b>2,363,669</b>
Balance arising from ITAÚ UNIBANCO merger at 09/30/2008	676,981	-	-
Appropriation of income	261,358	261,358	209,808
Changes in the period	<u>471,605</u>	<u>450,120</u>	<u>439,549</u>
Deposited	505,840	484,355	450,740
Withdrawals	(34,235)	(34,235)	(8,486)
Conversion into income	-	-	(2,705)
<b>Closing Balance (Note 13a)</b>	<b>4,422,970</b>	<b>3,724,504</b>	<b>3,013,026</b>

The main natures of processes are described as follows:

- PIS and COFINS X Law 9.718/98 – R\$ 5,345,754 – Assert the right of paying contributions to PIS and COFINS on revenue, not adopting the provisions of Article 3, paragraph 1, of Law No. 9,718/98, which established the inappropriate extension of the calculation bases of these contributions. The corresponding escrow deposit totals R\$ 834,939;
- IRPJ and CSLL X Profit Earned Abroad – R\$ 838,868. Aimed at rejecting the requirement set forth by Regulatory Instruction No. 213/02, in view of its illegality, determining the inclusion of equity in earnings in the calculation of taxable income and the CSLL calculation basis, including that from disposal of investment abroad. The corresponding escrow deposit totals R\$ 494.885;
- PIS X Constitutional Amendments Nos. 10/96 (January 1996 to June 1996) and 17/97 (July 1997 to February 1998) – R\$ 419,712– Aimed at rejecting the levy of PIS based on principles of anteriority over 90 days and non-retroactivity of Constitutional Amendments Nos. 10/96 and 17/97, and nonexistence of legislation for this period. Successively, aimed at paying PIS over the mentioned period based on Supplementary Law No. 7/70. The corresponding escrow deposit totals 72,292;
- CSLL X Equality – R\$ 375,788 – Assert the right of paying CSLL at 8%, applicable to companies in general, according to the heading of Article 19 of Law No. 9,249 of December 26, 1995, rejecting the provisions of paragraph 1 therein, which sets forth a differentiated rate (18%) for financial institutions, in view of the infraction to the principle of equality. The corresponding escrow deposit totals R\$ 219,778;
- INSS X Supplementary Law No. 84/96 and Additional rate of 2.5% – R\$ 251,174 – Aimed at rejecting the levy of social security contribution at 15%, as well as an additional rate of 2.5%, on compensation paid to service providers that are individuals and managers, set forth by Supplementary Law No. 84/96, in view of its unconstitutionality, as this contribution has the same taxable year and income tax calculation basis, going against the provisions of Articles 153, item III, 154, item I, 156, item III and 195, paragraph 4, of Federal Constitution. The corresponding escrow deposit totals R\$ 208,584.

According to the opinion of the legal advisors, ITAÚ UNIBANCO and its subsidiary companies are not involved in any other administrative proceedings or lawsuits that may significantly affect the results of their operations. The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recognized through the adoption of statistical models for claims involving small amounts and separate analysis by internal and external legal advisors of other cases, showed that the amounts provided for are sufficient, according to the CMN Resolution No. 3.535 of January 31, 2008.

# NOTE 13 – BREAKDOWN OF ACCOUNTS

## a) Other sundry receivables

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Deferred tax assets (Note 14b I)	26,809,430	19,826,256	6,351,191
Social contribution for offset (Note 14b I)	1,295,804	877,195	925,687
Taxes and contributions for offset	3,945,562	2,574,305	1,790,038
Escrow deposits in guarantee for provision for contingent liabilities (Note 12b)	<u>4,992,804</u>	<u>3,957,408</u>	<u>2,985,445</u>
Contingencies classified as probable	2,556,474	1,875,502	1,866,626
Contingencies classified as possible	2,436,330	2,081,906	1,118,819
Escrow deposits for legal liabilities – tax and social security (Note 12c)	4,422,970	3,724,504	3,013,026
Escrow deposits for foreign fund raising program	983,201	891,056	455,502
Receivables from reimbursement of contingent liabilities (Note 12b)	1,226,796	940,600	565,203
Receivables from the sale of the Credicard brand	303,706	303,706	230,166
Sundry domestic debtors	640,861	286,775	258,161
Sundry foreign debtors	181,124	136,699	182,182
Recoverable payments	61,813	32,233	24,583
Salary advances	66,430	40,143	33,880
Amounts receivable from related companies	9,804	4,044	25,115
Operations without credit granting characteristics	<u>578,524</u>	<u>227,536</u>	<u>158,017</u>
Securities and credits receivable	686,812	312,442	171,829
(-) Allowance for other loan losses	(108,288)	(84,906)	(13,812)
Other	113,254	53,895	165,105
<b>Total</b>	<b>45,632,083</b>	<b>33,876,355</b>	<b>17,163,300</b>

At ITAÚ UNIBANCO, Other Sundry Receivables are basically composed of Taxes and Contributions for Offset of R\$ 382,234 (R\$ 257,926 at 12/31/2007) and Deferred Tax Assets of R\$ 64,005 (R\$ 39,217 at 12/31/2007) (Note 14b I).

## b) Prepaid expenses

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Commissions	2,758,928	1,939,176	1,622,635
Related to insurance and pension plan	293,094	147,470	155,933
Related to vehicle financing	2,401,123	1,765,361	1,436,277
Other	64,711	26,345	30,425
Credit Guarantee Fund (*)	901,090	548,165	-
Advertising	371,742	359,703	139,675
Other	264,475	173,147	137,423
<b>Total</b>	<b>4,296,235</b>	<b>3,020,191</b>	<b>1,899,733</b>

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



## c) Other sundry liabilities

	With UNIBANCO 12/31/2008	Without UNIBANCO 12/31/2008	12/31/2007
Provision for contingent liabilities (Note 12b)	8,110,176	5,388,895	3,655,925
Provision for sundry payments	1,325,858	1,262,464	965,573
Provision for personnel	872,783	616,192	510,327
Sundry creditors - local	829,595	477,878	422,835
Sundry creditors - foreign	294,998	128,651	230,272
Liabilities for official agreements and rendering of payment services	630,224	509,487	297,987
Related to insurance operations	1,134,314	256,348	214,750
Liabilities for purchase of assets and rights	18,738	18,738	115,067
Creditors of funds to be released	310,358	170,901	135,482
Funds from consortia participants	80,210	80,210	51,515
Provision to cover actuarial deficit (Note 19c)	118,251	26,293	27,536
Provision for ITAÚ UNIBANCO integration expenditures (Note 13i)	1,330,800	1,330,800	-
Non-technical provision for health insurance (Note 13i)	530,634	530,634	-
Lease obligations (Note 22o)	137,043	-	-
Other	214,250	181,830	17,020
<b>Total</b>	<b>15,938,232</b>	<b>10,979,321</b>	<b>6,644,289</b>

#### d) Banking service fees

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Asset management	1,967,561	1,892,019	2,005,693
Funds management fees	1,939,974	1,867,102	1,962,153
Consortia management fees	27,587	24,917	43,540
Current account services (1)	275,604	256,135	362,631
Credit cards	3,018,976	2,606,311	2,348,711
Annual fees	723,571	710,909	685,898
Other services	2,295,406	1,895,403	1,662,814
Relationship with stores	1,887,641	1,487,638	1,257,240
Credit card processing	407,765	407,765	405,574
Loan operations and guarantees provided	1,243,528	1,192,177	1,044,095
Loan operations (1)	988,662	988,492	909,772
Guarantees provided	254,866	203,685	134,323
Collection services	1,149,193	1,065,852	901,682
Collection fees	698,066	615,971	484,426
Collection services	202,522	202,369	182,236
Interbank charges (securities, checks and wire)	248,605	247,512	235,020
Other	1,229,639	1,104,711	1,112,487
Consultation to Serasa (2)	7,438	5,923	106,913
Brokerage	377,546	367,200	372,621
Custody services and management of portfolio	150,896	149,751	122,062
Economic and financial advisory	172,180	136,391	177,419
Foreign exchange services	72,509	68,959	60,826
Other services	449,070	376,487	272,646
<b>Total</b>	<b>8,884,501</b>	<b>8,117,205</b>	<b>7,775,299</b>

(1) The balances from January 1 to December 31, 2007 were reclassified as Income from Bank Charges, as provided for by Article 9 of the BACEN Circular Letter No. 3,324 of June 12, 2008 (Note 13e);

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



## e) Income from bank charges

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Loan operations/registration	1,319,250	1,163,196	1,226,099
Deposit account	92,344	65,324	60,439
Transfer of funds	83,413	74,178	59,965
Service package fees and other	1,059,771	886,740	1,052,643
<b>Total (*)</b>	<b>2,554,778</b>	<b>2,189,438</b>	<b>2,399,146</b>

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

**f) Personnel expenses**

	With UNIBANCO	Without UNIBANCO	
	01/01 to	01/01 to	01/01 to
	12/31/2008	12/31/2008	12/31/2007
Compensation	(4,396,643)	(3,922,379)	(3,130,294)
Charges	(1,266,178)	(1,104,491)	(919,633)
Welfare benefits	(1,043,794)	(901,005)	(805,534)
Training	(119,843)	(113,194)	(78,570)
<b>Subtotal</b>	<b>(6,826,458)</b>	<b>(6,041,069)</b>	<b>(4,934,031)</b>
Severance pay	(146,520)	(145,703)	(109,391)
Labor claims (Note 12b)	(666,272)	(530,338)	(479,343)
<b>Total</b>	<b>(7,639,250)</b>	<b>(6,717,110)</b>	<b>(5,522,765)</b>

**g) Other administrative expenses**

	With UNIBANCO	Without UNIBANCO	
	01/01 to	01/01 to	01/01 to
	12/31/2008	12/31/2008	12/31/2007
Data processing and telecommunications	(1,901,479)	(1,797,756)	(1,559,709)
Depreciation and amortization	(779,942)	(620,587)	(656,812)
Facilities	(1,162,445)	(987,737)	(879,865)
Third-party services	(1,770,099)	(1,393,989)	(1,183,587)
Financial system services	(628,457)	(595,997)	(559,086)
Advertising, promotions and publications	(708,132)	(611,176)	(492,571)
Transportation	(302,625)	(283,403)	(254,075)
Materials	(247,918)	(233,249)	(193,291)
Security	(264,807)	(238,497)	(205,588)
Legal	(43,347)	(36,385)	(43,026)
Travel expenses	(107,660)	(97,431)	(73,318)
Other	(436,683)	(436,363)	(302,303)
<b>Total</b>	<b>(8,353,594)</b>	<b>(7,332,570)</b>	<b>(6,403,231)</b>



#### h) Other operating revenues

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Reversal of operating provisions	911,272	911,131	9,281
Legal liabilities – tax and social security (Note 12c)	720,001	719,860	9,281
Other (*)	191,271	191,271	-
Investment in subsidiaries, not arising from net income	22,316	25,618	64,460
Recovery of charges and expenses	219,471	169,762	98,753
Other	378,920	206,947	348,903
<b>Total</b>	<b>1,531,979</b>	<b>1,313,458</b>	<b>521,397</b>

(\*) From January 1 to December 31, 2008, it comprises R\$ 127,111 arising from the reversal of the provision for depreciation in excess of IT assets and equipment, and R\$ 64,160 arising from the lawsuit for repetition of PIS Gross Operating Revenue (ROB) in excess of PIS Repique relating to the period from July 1988 to May 1989. In November 2002 a decision recognizing the entitlement to the credit was considered final and unappealable and in September 2008 the expert's calculation for settling the decision was completed.

#### i) Other operating expenses

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Provision for contingencies (Note 12b)	(2,234,851)	(2,000,662)	(927,189)
Civil lawsuits (1)	(897,556)	(737,778)	(824,089)
Tax and social security (2)	(1,245,111)	(1,170,700)	(94,929)
Other	(92,184)	(92,184)	(8,171)
Selling - credit cards	(678,374)	(506,280)	(485,852)
Claims	(297,032)	(292,234)	(185,389)
Foreign exchange variation on liabilities of companies abroad	(121,418)	(121,418)	(22,517)
Amortization of goodwill on investments (3)	(1,543,073)	(191,550)	(182,747)
Provision for ITAÚ UNIBANCO integration expenditures (4)	(1,330,800)	(1,330,800)	-
Provision for health insurance (5)	(530,634)	(530,634)	-
Expenses for lease interests (Note 22o)	(14,500)	-	-
Other	(677,229)	(559,761)	(303,045)
<b>Total</b>	<b>(7,427,911)</b>	<b>(5,533,339)</b>	<b>(2,106,739)</b>

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

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

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

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

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

#### j) Non-operating income

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Disposal of investments	291,587	291,587	2,762,238
Serasa S.A.	-	-	742,523
Redecard S.A.	-	-	1,544,439
Visa Inc.	144,287	144,287	-
MasterCard Inc.	82,964	82,964	-
BM&F Bovespa	64,336	64,336	475,276
Sale of the former head office of Banco ItaúBank S.A.	-	-	114,321
Other	(86,381)	4,246	(3,238)
<b>Total</b>	<b>205,206</b>	<b>295,833</b>	<b>2,873,321</b>

At ITAÚ UNIBANCO, non-operating income is basically composed of Non-operating Equity in Earnings amounting to R\$ 18,031,351 arising from the variation of interest in the subsidiary ITAÚ related to the process of merger of ITAÚ and UNIBANCO (Note 2 aI)

# NOTE 14 - TAXES

## a) Composition of expenses for taxes and contributions

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

Due on operations for the period	With UNIBANCO	Without UNIBANCO	
	1/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Income before income tax and social contribution</b>	<b>(486,916)</b>	<b>637,447</b>	<b>13,918,793</b>
Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (Note 4o), respectively	165,551	(216,732)	(4,732,390)
<b>Increase/decrease to Income Tax and Social Contribution charges arising from:</b>			
<b>Permanent (additions) exclusions</b>	<b>2,465,144</b>	<b>1,381,697</b>	<b>(111,204)</b>
Investments in affiliates	120,279	(452,603)	74,651
Foreign exchange variation on investments abroad	1,421,045	1,008,035	(540,321)
Interest on capital	654,833	560,705	82,016
Dividends, interest on external debt bonds and tax incentives	447,226	403,315	296,664
Other	(178,239)	(137,755)	(24,214)
<b>Temporary (additions) exclusions</b>	<b>(1,387,619)</b>	<b>(432,021)</b>	<b>1,732,303</b>
Allowance for loan losses	(2,700,972)	(2,211,271)	(259,873)
Excess (insufficiency) of depreciation of leased assets	2,934,135	2,751,254	1,646,047
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	(195,456)	(71,353)	(100,831)
Interest on capital	-	-	512,720
Legal liabilities – tax and social security, contingent liabilities and restatement of escrow deposits	(537,350)	(445,213)	(374,066)
Goodwill on purchase of investments	(159,876)	231,620	243,759
Provision for integration expenditures with ITAÚ UNIBANCO merger	(452,472)	(452,472)	-
Other non-deductible provisions	(275,628)	(234,586)	64,547
<b>(Increase) Offset of tax losses/social contribution losses carryforwards</b>	<b>(3,641,563)</b>	<b>(2,801,890)</b>	<b>79,201</b>
<b>Effect of the increase in the social contribution rate (Note 4o)</b>	<b>(256,081)</b>	<b>(254,831)</b>	<b>-</b>
<b>Expenses for income tax and social contribution</b>	<b>(2,654,568)</b>	<b>(2,323,777)</b>	<b>(3,032,090)</b>
<b>Related to temporary differences</b>			
Increase (reversal) for the period	5,029,182	3,233,911	(1,793,340)
Increase current for Balance arising from ITAÚ UNIBANCO (Note 2a)	6,130,935	6,130,935	-
Prior periods increase (reversal)	906,121	1,040,677	68,987
<b>Income (expenses) from deferred taxes</b>	<b>12,066,238</b>	<b>10,405,523</b>	<b>(1,724,353)</b>
<b>Total income tax and social contribution</b>	<b>9,411,670</b>	<b>8,081,746</b>	<b>(4,756,443)</b>

## II - Composition of tax expenses:

	With UNIBANCO	Without UNIBANCO	
	1/01 to 12/31/2008	1/01 to 12/31/2008	01/01 to 12/31/2007
PIS AND COFINS	(1,693,758)	(1,598,900)	(1,794,008)
ISS	(361,505)	(321,730)	(288,891)
CPMF (*)	-	-	(273,067)
Other	(290,386)	(239,162)	(176,661)
<b>Total (Note 4o)</b>	<b>(2,345,649)</b>	<b>(2,159,792)</b>	<b>(2,532,627)</b>

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

At ITAÚ UNIBANCO tax expenses are basically composed of PIS and COFINS in the amount of R\$ 99,837 (R\$ 81,935 from 01/01 to 12/31/2007).



### III- Tax effects on foreign exchange management of investments abroad

In order to minimize the effects on income in connection with the foreign exchange variation on investments abroad, net of respective tax effects, ITAÚ UNIBANCO carries out derivative transactions in foreign currency (hedge), as mentioned in Note 22b.

Results of these transactions are considered in the calculation basis of income tax and social contribution, according to their nature, while the foreign exchange variation on investments abroad is not included therein, pursuant to tax legislation in force.

## b) Deferred taxes

I- The deferred tax asset balance and its changes, segregated based on its origin and disbursements incurred, are represented as follows:

	PROVISIONS		DEFERRED TAX ASSETS				
	Without UNIBANCO		Balance arising from ITAU UNIBANCO merger at 09/30/2008	Realization / Reversal	Increase	With UNIBANCO	
	12/31/2007	12/31/2008				12/31/2008	Without UNIBANCO 12/31/2008
<b>Reflected in income and expense accounts</b>							
Related to income tax and social contribution loss carryforwards			6,347,847	(2,662,308)	18,068,212	26,493,585	19,784,116
Related to disbursed provisions			469,810	(134,301)	3,721,958	4,840,794	3,327,162
Allowance for loan losses			2,343,033	(1,775,288)	4,302,567	6,425,898	3,989,232
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)			1,820,518	(1,218,751)	3,268,359	5,032,128	3,496,602
Allowance for real estate			-				
Goodwill on purchase of investments			29,440	(3,694)			45,928
Other			157,603	(91,950)			42,410
							329,559
							74,733
Related to non-disbursed provisions (*)							
Related to the operation	11,338,850	35,693,053	3,535,004	(752,719)	10,043,687	15,226,893	12,487,722
Legal liabilities – tax and social security	9,188,850	36,458,845	2,804,004	(752,719)	8,457,927	12,577,953	10,642,602
Provision for contingent liabilities	2,756,686	2,204,095	714,816	(356,752)	273,033	1,510,807	881,638
Civil	2,733,685	4,424,056	879,541	(225,275)	972,480	2,544,030	1,603,534
Labor	1,228,088	1,399,698	407,757	(164,068)	307,266	766,379	540,850
Tax and social security	976,341	1,172,855	291,837	(53,115)	172,763	754,920	422,034
Other	529,256	1,665,856	179,947	(8,092)	418,192	948,472	566,391
Adjustments of operations carried out in futures settlement market	-	185,647	-	-	74,259	74,259	74,259
Goodwill on purchase of investments	-	85,191	-	(373)	32,784	32,411	32,411
Provision for integration expenditures of ITAU UNIBANCO merger	2,160,729	19,621,145	734,648	-	5,911,449	6,646,097	6,646,097
Provision for Health Insurance Operations	-	1,330,800	-	-	452,472	452,472	452,472
Other non-deductible provisions	-	624,276	-	-	212,254	212,254	212,254
Related to provisions in excess of the minimum required not disbursed – allowance for loan losses	1,537,750	2,035,490	474,999	(170,319)	603,455	1,179,882	814,196
	2,150,000	5,368,000	731,000	-	1,585,760	2,648,940	1,825,120
<b>Reflected in stockholders' equity accounts – adjustment to market value of available-for-sale securities (Note 2b)</b>							
	9,836	105,350	3,344	-	125,901	315,845	42,140
<b>Total</b>	<b>11,348,686</b>	<b>35,798,403</b>	<b>6,351,191</b>	<b>(2,662,308)</b>	<b>18,194,113</b>	<b>26,809,430</b>	<b>19,826,256</b>
<b>Social contribution for offset arising from Option foreseen in article 8 of Provisional Measure No. 2,158-35 of 08/24/2001</b>							
			925,687	(45,044)	-	1,295,804	877,195

(\*) From a financial point of view, rather than recording the provision of R\$ 45,039,458 (R\$ 11,348,686 at 12/31/2007) and deferred tax assets of R\$ 15,226,893 (R\$ 3,535,004 at 12/31/2007), only the net provisions of the corresponding tax effects should be considered, which would reduce the total deferred tax assets of R\$ 26,809,430 (R\$ 6,351,191 at 12/31/2007) to R\$ 11,582,537 (R\$ 2,816,187 at 12/31/2007).

At ITAU UNIBANCO, deferred tax assets totaled R\$ 64,005 (R\$ 39,217 at 12/31/2007) and are basically represented by legal liabilities – tax and social security of R\$ 61,215 (R\$ 36,091 at 12/31/2007), which effective realization depends on the development of the lawsuit and its final and unappealable judgment.

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

	12/31/2007	Balance from ITAÚ UNIBANCO merger on 09/30/2008	Realization/ Reversal	Increase	With UNIBANCO		Without UNIBANCO	
					12/31/2008(*)		12/31/2008	
<b>Reflected in income and expense accounts</b>	<b>4,141,133</b>	<b>806,913</b>	<b>(231,452)</b>	<b>3,366,996</b>	<b>8,083,590</b>		<b>7,083,964</b>	
Depreciation in excess - leasing	3,554,767	803,745	(66,868)	3,006,537	7,298,181		6,311,555	
Taxation of results abroad- Capital gains	65,534	-	(45,425)	33	20,142		20,142	
Adjustments of operations carried out in futures settlement market	65,899	-	(9,347)	-	56,552		56,552	
Adjustment to market value of trading securities and derivative financial instruments	117,579	-	(105,551)	89,233	101,261		101,261	
Restatement of escrow deposits and contingent liabilities	209,494	-	-	239,847	449,341		449,341	
Income on sale of permanent asset items and rights	70,004	-	(350)	-	69,654		69,654	
Other	57,856	3,168	(3,911)	31,346	88,459		75,459	
<b>Reflected in stockholders' equity accounts - adjustment to market value of available-for-sale securities (Note 2b)</b>	<b>35,716</b>	<b>-</b>	<b>(21,198)</b>	<b>4,100</b>	<b>18,618</b>		<b>18,618</b>	
<b>Total</b>	<b>4,176,849</b>	<b>806,913</b>	<b>(252,650)</b>	<b>3,371,096</b>	<b>8,102,208</b>		<b>7,102,582</b>	

(\*) At December 31, 2008, the balance reflects the adjustment arising from the increase in the social contribution tax (Note 4n), in the amount of R\$ 129,492 at ITAÚ UNIBANCO CONSOLIDATED With and Without UNIBANCO.

At ITAÚ UNIBANCO, the provision for deferred income and social contribution amounts to R\$ 2,150 (R\$ 1,625 at 12/31/2007), basically comprised of Restatement of escrow deposits related to legal and contingent liabilities.

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

Realization year	With UNIBANCO					Without UNIBANCO						
	DEFERRED TAX ASSETS					DEFERRED TAX ASSETS						
	Temporary differences	Tax losses/social contribution losses carryforwards	Total	Social contribution for offset	Provision for deferred income tax and social contribution	Net deferred taxes	Temporary differences	Tax losses/social contribution losses carryforwards	Total	Social contribution for offset	Provision for deferred income tax and social contribution	Net deferred taxes
2009	6,821,699	462,930	7,284,629	214,619	(987,975)	6,511,273	5,071,947	420,835	5,492,782	177,885	(930,890)	4,739,777
2010	3,610,486	1,001,272	4,611,758	319,010	(1,348,871)	3,581,897	2,856,794	852,598	3,709,392	309,539	(1,188,658)	2,830,273
2011	3,586,009	1,911,214	5,497,223	322,864	(1,722,337)	4,097,550	2,799,862	1,648,051	4,447,913	301,558	(1,401,530)	3,347,941
2012	2,650,209	853,823	3,504,032	112,647	(2,062,980)	1,553,699	2,309,236	405,678	2,714,914	43,631	(1,610,780)	1,147,765
2013	2,783,255	177,680	2,960,935	74,413	(1,413,486)	1,621,862	2,112,108	-	2,112,108	6,888	(1,404,165)	714,831
Over 2013	2,516,978	433,875	2,950,853	252,451	(566,559)	2,636,745	1,379,147	-	1,379,147	37,694	(566,559)	850,282
Total	21,968,636	4,840,794	26,809,430	1,295,804	(8,102,208)	20,003,026	16,529,094	3,327,162	19,856,256	877,195	(7,102,582)	13,630,869
Present value (*)	19,324,741	4,237,597	23,562,338	1,125,786	(7,010,755)	17,677,369	14,575,514	2,969,596	17,545,110	787,161	(6,138,948)	12,193,323

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

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

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

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

IV - In view of the unconstitutionality lawsuit related to the increase in the social contribution rate, established by Articles 17 and 41 of Law No. 11,727 of June 24, 2008, filed on June 26, 2008 by the National Confederation of the Financial System (CONSIF), the Company recorded deferred tax assets up to the amount added to the Tax Liabilities, while the amount of R\$ 2,675,844 at ITAU UNIBANCO CONSOLIDATED With UNIBANCO and R\$ 2,068,722 Without UNIBANCO is unrecorded.

At December 31, 2007 unrecorded deferred tax assets amount to R\$ 309,233.



c) Tax and social security contributions

	With UNIBANCC	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Taxes and contributions on income payable	1,165,132	726,348	516,557
Taxes and contributions payable	1,342,297	949,291	590,920
Provision for deferred income tax and social contribution (Note 14b II)	8,102,208	7,102,582	4,176,849
Legal liabilities – tax and social security (Note 12c)	8,893,015	6,154,943	5,433,380
<b>Total</b>	<b>19,502,652</b>	<b>14,933,164</b>	<b>10,717,706</b>

At ITAÚ UNIBANCO the balance of Tax and Social Security Contributions totals R\$ 425,506 (R\$ 152,802 at 12/31/2007) and is basically comprised of Legal Liabilities of R\$ 267,776 (R\$ 150,557 at 12/31/2007).

**d) Taxes paid or provided for and withheld from third parties**

The amount of taxes paid or provided for is basically levied on income, revenue and payroll. In relation to the amounts withheld and collected from third parties, the Company started to take into consideration the interest on capital paid and on the service provision, in addition to those levied on financial operation, including for comparative purposes.

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Taxes paid or provided for	7,817,718	7,034,368	7,819,546
Taxes withheld and collected from third parties (*)	6,576,821	5,516,742	8,881,125
<b>Total</b>	<b>14,394,539</b>	<b>12,551,110</b>	<b>16,700,671</b>

(\*) The amounts withheld during this year decreased mainly because of the end of the levy of CPMF in connection to taxable events after January 1, 2008; the amount of CPMF withheld and collected in 2007 amounted to R\$ 5,428,130.



# NOTE 15 – PERMANENT ASSETS

## a) Investments

### I - Changes of investments - ITAÚ UNIBANCO

C o m p a n i e s	Balances at 12/31/2007	Goodwill amortization	Subscription/Acq uisition/Sales	Dividends and interest on capital received (1)	Equity in earnings of subsidiaries	Adjustment to marketable securities of subsidiaries	Adjustments of Law No. 11.638	Balances at 12/31/2008	Equity in earnings of subsidiaries from 01/01 to 12/31/2007
<b>Domestic</b>	<b>29,904,295</b>	<b>(1,056)</b>	<b>12,005,540</b>	<b>(4,006,559)</b>	<b>19,933,921</b>	<b>(474,415)</b>	<b>6,746</b>	<b>57,366,472</b>	<b>8,337,740</b>
Banco Itaú S.A.	13,792,595	(1,056)	12,005,540	(2,198,857)	16,339,783	(447,837)	6,746	39,496,914	2,940,828
Banco Itaucard S.A.	7,178,299	-	-	(1,353,750)	2,624,453	(1)	-	8,449,001	3,656,334
Banco Itaú BBA S.A.	4,295,370	-	-	(308,895)	292,696	(13,543)	-	4,265,628	680,235
Itaúseg Participações S.A.	3,060,620	-	-	(4,147)	436,559	(9,159)	-	3,483,873	670,906
Itaú BBA Participações S.A.	1,249,336	-	-	(74,464)	82,027	(3,863)	-	1,253,036	187,897
Itaú Corretora de Valores S.A.	328,075	-	-	(68,446)	188,403	(12)	-	418,020	221,540
<b>Abroad</b>	<b>1,472,696</b>	<b>(51,407)</b>	<b>300,602</b>	-	<b>607,997</b>	<b>(14,552)</b>	-	<b>2,315,336</b>	<b>48,502</b>
Itaú Chile Holdings, Inc.	1,199,622	(45,241)	300,615	-	505,688	(7,508)	-	1,953,176	7,572
Banco Itaú Uruguay S.A.	193,066	(4,712)	-	-	51,269	(7,044)	-	232,579	31,418
Oca S.A.	54,929	(1,251)	-	-	37,802	-	-	91,480	10,587
Oca Casa Financiera S.A.	22,877	(182)	-	-	12,782	-	-	35,477	(805)
Aco Ltda.	2,134	(21)	-	-	511	-	-	2,624	(145)
Itaú Uruguay Directo S.A.	68	-	(13)	-	(55)	-	-	-	(125)
<b>GRAND TOTAL</b>	<b>31,376,991</b>	<b>(52,463)</b>	<b>12,306,142</b>	<b>(4,006,559)</b>	<b>20,541,918</b>	<b>(488,967)</b>	<b>6,746</b>	<b>59,681,808</b>	<b>8,386,242</b>

(1) Income receivable includes interest on capital receivable amounting to R\$ 1,379,703 (R\$ 1,452,494 at 12/31/2007);

(2) Includes non-operating income arising from change in interest (Note 13);

(3) Investments that include goodwill amounting to: (a) R\$ 37,695, (d) R\$ 10,018, (e) R\$ 1,455 e (f) R\$ 170;

(4) The investment and the equity in earnings reflect the different interest in preferred shares, profit sharing and dividends;

(5) Company dissolved on 11/29/2008.

C o m p a n i e s	Capital	Stockholders' equity	Net income for the period	Number of shares owned by ITAÚ UNIBANCO		Equity share in voting capital (%)	Equity share in capital (%)
				Common	Preferred		
<b>Domestic</b>							
Banco Itaú S.A.	40,175,000	39,413,277	(1,723,163)	2,081,169,523	2,014,258,290	100.00	100.00
Banco Itaucard S.A.	15,250,000	24,866,417	2,844,604	-	1,277,933,118	-	0.54
Banco Itaú BBA S.A.	4,223,086	5,863,981	411,122	2,589,417	5,284,526	49.00	74.50
Itaúseg Participações S.A.	1,717,000	3,828,128	479,696	1,582,676,636	-	91.01	91.01
Itaú BBA Participações S.A.	775,079	1,503,641	96,891	102,387	409,554	50.00	83.33
Itaú Corretora de Valores S.A.	290,000	794,048	252,491	-	811,503	-	4.78
<b>Abroad</b>							
Itaú Chile Holdings, Inc.	419,395	1,591,243	143,598	100	-	100.00	100.00
Banco Itaú Uruguay S.A.	157,994	214,192	43,265	1,639,430,739	-	100.00	100.00
Oca S.A.	14,477	81,462	29,942	1,502,176,740	-	100.00	100.00
Oca Casa Financiera S.A.	18,682	34,022	9,176	646	-	100.00	100.00
Aco Ltda.	13	2,473	113	-	-	99.24	99.24

## II - Composition of investments

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
<b>Investment in affiliates</b>	<b>1,354,055</b>	<b>10,965,997</b>	<b>1,008,546</b>
<b>Domestic</b>	<b>340,346</b>	<b>9,952,288</b>	<b>250,130</b>
E. Johnston Representações e Participações S.A.	-	2,063,074	-
Unibanco Holdings S.A.	-	4,116,265	-
Unibanco - União de Bancos Brasileiros S.A.	-	3,499,387	-
Allianz Seguros S.A. (current corporate name of AGF Brasil Seguros S.A.)	141,486	141,486	130,012
Serasa S.A.	154,279	97,162	99,017
Other	44,581	34,914	21,101
<b>Abroad</b>	<b>1,013,709</b>	<b>1,013,709</b>	<b>758,416</b>
BPI	1,010,926	1,010,926	756,383
Other	2,783	2,783	2,033
<b>Other investments</b>	<b>1,081,310</b>	<b>350,791</b>	<b>330,197</b>
Investments through tax incentives	162,412	111,935	103,721
Equity securities	13,340	6,961	11,210
Shares and quotas	128,354	101,154	96,546
Other	777,204	130,741	118,720
<b>Provision for losses</b>	<b>(177,274)</b>	<b>(114,218)</b>	<b>(78,976)</b>
<b>Total</b>	<b>2,258,091</b>	<b>11,202,570</b>	<b>1,259,767</b>

## III - Equity in earnings of affiliates

	With UNIBANCO	Without UNIBANCO	
	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Investment in affiliates - Domestic (*)</b>	<b>42,620</b>	<b>(1,642,328)</b>	<b>108,742</b>
<b>Investment in affiliates - Abroad</b>	<b>311,142</b>	<b>311,142</b>	<b>110,821</b>
Foreign exchange variation on investments	182,546	182,546	(52,062)
Equity in earnings of affiliates	128,596	128,596	162,883
<b>Total</b>	<b>353,762</b>	<b>(1,331,186)</b>	<b>219,563</b>

(\*) In the amount from January 1 to December 31, 2008 Without UNIBANCO, the nonrecurring effects net of tax effects of UNIBANCO are reflected in the amount of R\$ (2,231,142), basically arising from Allowance for loan losses, Provision for contingencies and Amortizations of goodwill.

## b) Fixed and intangible assets

	NET BALANCE AT 12/31/2007	Balance arising from ITAÚ UNIBANCO merger at 09/30/2008	CHANGES					With UNIBANCO 12/31/2008		Without UNIBANCO 12/31/2007	
			ACQUISITIONS	DISPOSALS	DEPRECIATION/ AMORTIZATION EXPENSES (4)	OTHERS (Note 13h)	COST	ACCUMULATED DEPRECIATION	NET	NET	NET
<b>FIXED ASSETS</b>	<b>2,217,720</b>	<b>1,313,380</b>	<b>1,046,967</b>	<b>(36,590)</b>	<b>(648,748)</b>	<b>152,809</b>	<b>10,371,754</b>	<b>(6,324,416)</b>	<b>4,047,338</b>	<b>2,573,120</b>	<b>2,217,720</b>
<b>REAL ESTATE IN USE (1)</b>	<b>1,519,748</b>	<b>768,920</b>	<b>392,912</b>	<b>(9,689)</b>	<b>(224,316)</b>	<b>5,830</b>	<b>4,361,404</b>	<b>(1,907,989)</b>	<b>2,453,405</b>	<b>1,585,207</b>	<b>1,519,748</b>
Land	637,000	183,562	10,575	(3,920)	-	425	827,642	-	827,642	649,930	637,000
Buildings	550,519	200,183	71,364	(4,708)	(64,962)	1,129	2,136,356	(1,382,831)	753,525	544,264	550,519
Improvements	332,229	385,175	310,973	(1,061)	(159,354)	4,276	1,397,406	(525,168)	872,238	391,013	332,229
<b>OTHER FIXED ASSETS</b>	<b>697,972</b>	<b>544,460</b>	<b>654,055</b>	<b>(26,901)</b>	<b>(422,432)</b>	<b>146,779</b>	<b>6,010,350</b>	<b>(4,416,417)</b>	<b>1,593,933</b>	<b>987,913</b>	<b>697,972</b>
Installations	111,740	29,882	56,849	(573)	(16,643)	(14,022)	408,795	(241,562)	167,233	128,361	111,740
Furniture and equipment	75,692	135,051	120,606	(3,470)	(30,183)	60,722	822,235	(463,817)	358,418	171,134	75,692
EDP systems	417,195	202,685	404,489	(17,827)	(292,812)	78,777	4,043,373	(3,250,866)	792,507	556,157	417,195
Lease operations (Note 22o)	-	96,928	14,590	-	(48,465)	-	186,278	(123,225)	63,053	-	-
Other (communication, security and transportation)	93,345	79,914	57,521	(5,031)	(34,329)	21,302	549,669	(336,947)	212,722	132,261	93,345
<b>INTANGIBLE ASSETS</b>	<b>2,820,024</b>	<b>726,280</b>	<b>1,002,797</b>	<b>-</b>	<b>(809,000)</b>	<b>103,124</b>	<b>4,458,106</b>	<b>(614,880)</b>	<b>3,843,226</b>	<b>3,051,350</b>	<b>2,820,024</b>
<b>ACQUISITION OF RIGHTS TO CREDIT PAYROLL (2)</b>	<b>2,124,510</b>	<b>257,207</b>	<b>574,258</b>	<b>-</b>	<b>(641,548)</b>	<b>-</b>	<b>2,395,438</b>	<b>(81,011)</b>	<b>2,314,427</b>	<b>2,004,128</b>	<b>2,124,510</b>
<b>OTHER INTANGIBLE ASSETS</b>	<b>695,514</b>	<b>469,073</b>	<b>428,539</b>	<b>-</b>	<b>(167,452)</b>	<b>103,124</b>	<b>2,062,668</b>	<b>(533,869)</b>	<b>1,528,799</b>	<b>1,047,222</b>	<b>695,514</b>
Partnership for the promotion and offer of financial products and services (3)	288,792	324,222	293,994	-	(34,259)	-	876,326	(3,577)	872,749	539,060	288,792
Expenditure on acquisitions of software	168,461	144,602	116,830	-	(96,507)	25,010	841,837	(483,441)	358,396	210,675	168,461
Right to manage investment funds	235,926	-	17,467	-	(36,013)	77,889	340,258	(44,989)	295,269	295,083	235,926
Other intangible assets	2,335	249	248	-	(673)	225	4,247	(1,862)	2,385	2,404	2,335
<b>GRAND TOTAL With UNIBANCO</b>	<b>5,037,744</b>	<b>2,039,660</b>	<b>2,049,764</b>	<b>(36,590)</b>	<b>(1,455,748)</b>	<b>255,733</b>	<b>14,829,860</b>	<b>(6,939,296)</b>	<b>7,890,564</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL Without UNIBANCO</b>	<b>5,037,744</b>	<b>-</b>	<b>1,632,913</b>	<b>(30,499)</b>	<b>(1,261,102)</b>	<b>245,414</b>	<b>10,305,872</b>	<b>(4,681,402)</b>	<b>5,624,470</b>	<b>5,624,470</b>	<b>-</b>
<b>TOTAL AT 12/31/2007</b>	<b>3,528,697</b>	<b>-</b>	<b>2,961,371</b>	<b>(363,566)</b>	<b>(1,088,633)</b>	<b>(125)</b>	<b>9,453,194</b>	<b>(4,415,450)</b>	<b>5,037,744</b>	<b>-</b>	<b>5,037,744</b>

(1) Includes amounts pledged in guarantee of voluntary deposits (Note 11b).

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

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

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

## NOTE 16 - STOCKHOLDERS' EQUITY

### a) Shares

At the ASM/ESM of April 23, 2008, stockholders resolved to cancel 10,265,646 common and 15,000,000 preferred shares issued by the Company, that were held in Treasury, and issued bonus shares at 25%. These bonus started to be traded on June 2, 2008. As a consequence, the amount of shares of capital stock increased by 604,681,698.

At the ESM of November 28, 2008, stockholders resolved to cancel 10,000,000 preferred shares issued by the Company and held in treasury, and to merge all shares of ITAÚ, so that it restored its condition as a wholly-owned subsidiary of ITAÚ UNIBANCO. Consequently, the capital increased by R\$ 12,000,000, with the issuance of 1,141,988,071 book-entry shares with no par value, of which 527,750,941 are common and 614,237,130 are preferred shares.

Capital started to comprise 4,155,396,563 book-entry shares with no par value, of which 2,081,169,523 are common and 2,074,227,040 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares. Capital stock amounts to R\$ 29,000,000 (R\$ 14,254,213 at 12/31/2007), of which R\$ 24,697,674 (R\$ 10,258,220 at 12/31/2007) refers to stockholders domiciled in the country and R\$ 4,302,326 (R\$ 3,995,993 at 12/31/2007) refers to stockholders domiciled abroad.

The table below shows the change in shares of capital stock and treasury shares during the period:

	NUMBER			Total
	Common	Preferred	Total	
<b>Shares of capital stock at 12/31/2007</b>	<b>1,253,000,512</b>	<b>1,190,991,928</b>	<b>2,443,992,440</b>	
Cancellation of shares – ASM/ESM of 04/23/2008 and 11/28/2008	(10,265,646)	(25,000,000)	(35,265,646)	
Share bonus – ASM/ESM of 04/23/2008	310,683,716	293,997,982	604,681,698	
Increase in capital – ESM of 11/28/2008	527,750,941	614,237,130	1,141,988,071	
<b>Shares of capital stock at 12/31/2008</b>	<b>2,081,169,523</b>	<b>2,074,227,040</b>	<b>4,155,396,563</b>	
<b>Treasury shares at 12/31/2007 (1)</b>	<b>10,265,646</b>	<b>36,675,620</b>	<b>46,941,266</b>	<b>(1,172,394)</b>
Purchases of shares – up to 05/30/2008	-	31,379,900	31,379,900	(1,289,995)
Disposals - Stock Option Plan – up to 05/30/2008	-	(6,279,600)	(6,279,600)	180,621
(-) Cancellation of shares – ASM/ESM of 04/23/2008	(10,265,646)	(15,000,000)	(25,265,646)	751,618
Bonus shares – ASM/ESM of 04/23/2008	-	11,693,980	11,693,980	-
Purchases of shares – after 05/30/2008	-	13,097,100	13,097,100	(328,152)
Disposals - Stock Option Plan – after 05/30/2008	-	(2,804,000)	(2,804,000)	72,972
(-) Cancellation of shares – ESM of 11/28/2008	-	(10,000,000)	(10,000,000)	259,635
<b>Treasury shares at 12/31/2008 (1)</b>	<b>-</b>	<b>58,763,000</b>	<b>58,763,000</b>	<b>(1,525,695)</b>
<b>Outstanding shares at 12/31/2008</b>	<b>2,081,169,523</b>	<b>2,015,464,040</b>	<b>4,096,633,563</b>	
<b>Outstanding shares at 12/31/2007 (2)</b>	<b>1,553,418,582</b>	<b>1,442,895,385</b>	<b>2,996,313,967</b>	

(1) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market;

(2) For better comparability, the split of shares was considered based on the balance as of October 1, 2007, and bonus on the balance as of 05/30/2008.

We detail below the costs of shares repurchased in the period, as well as the average cost of treasury shares and their market price at 12/31/2008:

Cost/Market value	Preferred
Minimum	22.91
Weighted average	30.93
Maximum	35.87
<b>Treasury shares</b>	
Average cost	25.96
Market value	26.10

## b) Dividends

Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law. Both types of shares participate equally, after common shares have received dividends equal to the minimum priority dividend of R\$ 0.022 per share to be paid to preferred shares.

The calculation of the monthly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, taking into consideration that the payment is made on the first business day of the subsequent month in the amount of R\$ 0.012 per share from November 1, 2007, as resolved in the Meeting of the Board of Directors held on August 6, 2007.

### I – Calculation

Net income	20,217,097	
Adjustments:		
(-) Legal reserve	(1,010,855)	
Dividend calculation basis	19,206,242	
Dividends minimum mandatory	4,801,561	25.0%
Unrealized revenue reserve	(2,000,000)	
(=) Mandatory minimum dividends after recognizing unrealized revenue reserve	2,801,561	

The unrealized revenue reserve was set up according to Article 197 of Law No. 6,404/76, with wording provided by Law No. 10,303/2001, as follows:

<b>Net income for the period</b>	<b>20,217,097</b>
<b>(-) Unrealized profits</b>	<b>(18,425,302)</b>
Total unrealized equity in the results	20,541,919
(-) Dividends / Interest on capital paid - received/provided for the year	(2,116,617)
<b>(=) Total realized profits</b>	<b>1,791,795</b>
Mandatory minimum dividend	4,801,561
<b>Maximum limit for recognizing an unrealized revenue reserve</b>	<b>3,009,766</b>
<b>Unrealized revenue reserve recognized</b>	<b>2,000,000</b>

### II - Payments/Provision of Interest on Capital and Dividends

	Gross	WTS	Net
<b>Paid / Prepaid</b>	<b>801,344</b>	<b>-</b>	<b>801,344</b>
Dividends - 11 monthly installments of R\$ 0.012 per share, paid from February to December 2008	356,508	-	356,508
Dividends - Additional dividends of R\$ 0.15 per share, paid on 08/25/2008	444,836	-	444,836
<b>Provided for (*)</b>	<b>2,403,837</b>	<b>(353,182)</b>	<b>2,050,655</b>
Dividends - 1 monthly installment of R\$ 0.012 per share, paid on 01/02/2009	49,294	-	49,294
Interest on capital - R\$ 0.389 per share, paid on 01/30/2009	1,150,808	(172,622)	978,186
Interest on capital - R\$ 0.077 per share, credited on 12/30/2008 to be paid up to 04/30/2009	315,441	(47,316)	268,125
Interest on capital - R\$ 0.2168 per share to be paid up to 04/30/2009	888,294	(133,244)	755,050
<b>Total from 01/01 to 12/31/2008 - R\$ 0.8750 net per share</b>	<b>3,205,181</b>	<b>(353,182)</b>	<b>2,851,999</b>
<b>Total from 01/01 to 12/31/2007 - R\$ 0.8491 net per share</b>	<b>2,829,615</b>	<b>(285,483)</b>	<b>2,544,132</b>

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

### c) Capital and revenue reserves

	12/31/2008	12/31/2007
<b>CAPITAL RESERVES</b>	<b>597,706</b>	<b>1,290,059</b>
Premium on subscription of shares	283,512	1,289,226
Granted options recognized - Law No. 11,638	313,089	-
- Prior years	211,001	-
- Year of 2008	102,088	-
Reserves from tax incentives, restatement of equity securities and other	1,105	833
<b>REVENUE RESERVES</b>	<b>31,192,635</b>	<b>17,295,023</b>
Legal	2,354,570	1,343,715
Statutory:	<u>26,838,065</u>	<u>15,951,308</u>
- Dividend equalization (1)	11,487,248	5,156,168
- Working capital increase (2)	6,316,062	3,609,807
- Increase in capital of investees (3)	9,034,755	7,185,333
Unrealized revenue	2,000,000	-

(1) Reserve for Dividends Equalization – its purpose is to guarantee funds for the payment of advances of dividends, including interest on capital, to maintain the flow of the stockholders' compensation;

(2) Reserve for Working Capital Increase – its purpose is to guarantee funds for the company's operations;

(3) Reserve for Increase in Capital of Investees – its purpose is to guarantee the preferred subscription right in the capital increases of investees.

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

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

	Net income		Stockholders' equity	
	01/01 to 12/31/2008	01/01 to 12/31/2007	12/31/2008	12/31/2007
<b>ITAÚ UNIBANCO</b>	<b>20,217,097</b>	<b>7,865,776</b>	<b>58,840,929</b>	<b>31,732,368</b>
Amortization of goodwill (*)	(18,648,211)	849,613	(22,442,796)	(3,794,588)
Deferred tax assets	6,234,490	(241,892)	7,268,348	1,033,858
Unrealized income (loss)	107	107	(2,445)	(2,552)
<b>ITAÚ UNIBANCO CONSOLIDATED</b>	<b>7,803,483</b>	<b>8,473,604</b>	<b>43,664,036</b>	<b>28,969,086</b>

(\*) From 01/01 to 12/31/2008, it basically refers to the goodwill from the ITAÚ UNIBANCO (Note 2a I).

## e) Stock Option Plan

### I – ITAÚ HOLDING

This plan aims at involving the officers in the medium and long-term corporate development process. The options are personal and not transferable, and entitle the subscription of one authorized capital share or, at the discretion of the management, one treasury share which is acquired for replacement purposes. Such options may only be granted in years in which there are sufficient profits to distribute mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the base date of the year-end balance sheet. The ITAÚ UNIBANCO Compensation Committee is responsible for defining the total number of shares to be granted, the eligible officers, the number granted to each officer, the validity of the option series, and the “vesting” and “blackout” periods for exercising the options. Options may be granted to eligible employees of ITAÚ UNIBANCO or officers and employees of controlled companies for extraordinary and significant reasons and upon the hiring of highly qualified individuals.

The exercise price of each series is fixed taking into consideration the average stock price at the São Paulo Stock Exchange over the period from one to three months prior to the issuance of options - subject to a positive or negative adjustment of up to 20% - at the option granting date and restated at the IGP-M until the month prior to the option exercise date.

The exercise of stock options, pursuant to the Plan's regulation, resulted in the sale of preferred shares held in treasury thus far. The accounting entries related to the plan are recorded upon the exercise of options, when the amount received from the option exercise price is recorded in Stockholders' Equity.

The dilution percentage of the current stockholders' interest, in the event all granted options not yet exercised, were exercised by the end of the vesting period, would be 0.10% for 2008, 0.20% for 2009, 0.21% for 2010, 0.25% for 2011, 0.24% for 2012 and 0.26% for 2013.

#### I.I - Total granted options

Granting		Vesting period until	Exercise period until	Exercise price restated (R\$1)	Options			
Nº	Date				Granted	Exercised	Cancelled	Not exercised
Closed series					79,906,425	78,286,425	1,620,000	-
7th	2/19/2001	12/31/2005	12/31/2008	13.19	12,750,000	12,210,000	540,000	-
7th	5/2/2005	12/31/2005	12/31/2008	13.19	37,250	37,250	-	-
8th	3/4/2002	12/31/2006	12/31/2009	12.58	13,353,750	10,805,750	633,750	1,914,250
8th	5/2/2005	12/31/2006	12/31/2009	12.58	35,150	28,125	-	7,025
9th	3/10/2003	12/31/2007	12/31/2010	8.52	13,347,500	8,914,375	580,000	3,853,125
9th	5/2/2005	12/31/2007	12/31/2010	8.52	28,175	-	22,550	5,625
10th	2/16/2004	12/31/2008	12/31/2011	12.88	12,617,375	3,161,300	713,250	8,742,825
10th	8/1/2005	12/31/2008	12/31/2011	12.88	25,000	-	-	25,000
11th	2/21/2005	12/31/2009	12/31/2012	18.12	10,040,500	1,534,000	355,250	8,151,250
11th	8/1/2005	12/31/2009	12/31/2012	18.12	25,000	-	-	25,000
11th	8/6/2007	12/31/2009	12/31/2012	18.12	10,325	-	-	10,325
12th	2/21/2006	12/31/2010	12/31/2013	26.96	10,808,750	137,500	225,000	10,446,250
12th	8/6/2007	12/31/2010	12/31/2013	26.96	14,425	-	-	14,425
13th	2/14/2007	12/31/2011	12/31/2014	34.33	9,795,250	11,000	53,500	9,730,750
13th	8/6/2007	12/31/2011	12/31/2014	34.33	27,863	-	-	27,863
14th	2/11/2008	12/31/2012	12/31/2015	39.58	10,579,375	-	17,000	10,562,375
14th	5/5/2008	12/31/2012	12/31/2015	39.58	18,750	-	-	18,750
Total					173,420,863	115,125,725	4,760,300	53,534,838

## I.II - Change in stock options

	Number	Price (*)
<b>Balance at 12/31/2007</b>	<b>53,607,213</b>	<b>17.53</b>
Options:		
. Granted	10,598,125	
. Cancelled	(17,000)	
. Exercised	(10,653,500)	
<b>Balance at 12/31/2008</b>	<b>53,534,838</b>	<b>25.34</b>

(\*) Weighted average exercise price.

## I.III - Exercised options in the period (R\$ 1)

Granting	Number of shares	Exercise price (*)	Market value (*)
7th	646,200	12.86	30.13
8th	953,500	11.86	29.87
9th	6,355,000	7.89	34.40
10th	2,001,300	12.39	32.01
11th	609,000	17.29	34.98
12th	77,500	25.37	37.32
13th	11,000	31.97	33.40
<b>Total</b>	<b>10,653,500</b>	<b>10.08</b>	<b>33.34</b>

(\*) Weighted average value.

## I.IV - Effect of the option exercise

Amount received for the sale of shares – exercised options	107,376
(-) Cost of treasury shares sold	(253,593)
Effect on sale (*)	(146,217)

(\*) Recorded in revenue reserves.

## II- UNIBANCO

Unibanco has a Stock Option Plan that aims at aligning the commitment of officers with long-term results and reward high performance, in addition to being an instrument to attract, retain and motivate talents, upon the granting of stock options ("Simple Options"). At the Extraordinary Stockholders' Equity held in March 2007, stockholders approved the change to the Stock Option Plan Rules – Performance, in order to establish the Program for Partners, according to which the executives selected to participate in such program can invest a percentage of their bonus in the acquisition of Units ("Own Shares"), which shall be held by them for a term from 3 to 5 years and are subject to market fluctuation. Depending upon the number of Own Shares purchased, a certain number of Unit options is received ("Bonus Options"). The exercise periods of these Bonus Options are from 3 to 5 years. The annual granting of Simple and Bonus Options are limited to 1% of authorized capital, and the total of options granted and not exercised represents 0.3% of authorized capital, and are in accordance with the limit set at 10%.

The fair value of these programs is calculated through the Binomial method for Stock Options and the Black Scholes method for the Plan for Partners.

In the calculation of the program costs the following is considered: Number of active executives, number of granted options, number of active options, number of exercised options, expected future option exercise, period between the granting date and vesting period, projected turnover.



The movement of options until December 31, 2008 was as follows:

## II.1 - Simple Options

Nº	Granting		Exercise period until	Exercise price per each Unit (R\$) adjusted (IPCA)	Options			
	Date	Vesting period until			Granted	Exercised	Cancelled	Not exercised
1st	1/21/2002	1/21/2007	1/20/2008	4.655	12,376,000	7,928,941	4,447,059	-
2nd	4/15/2002	4/15/2007	4/14/2008	5.455	68,000	68,000	-	-
3rd	8/1/2002	8/1/2007	7/31/2008	4.200	200,000	200,000	-	-
4th	8/12/2002	8/12/2007	8/11/2008	3.524	360,000	360,000	-	-
5th	11/1/2002	11/1/2007	10/31/2008	3.452	200,000	200,000	-	-
6th	11/11/2002	11/11/2007	11/10/2008	3.452	200,000	-	200,000	-
7th	11/20/2002	11/20/2007	11/19/2008	3.452	300,000	100,000	200,000	-
8th	1/6/2003	1/6/2008	1/5/2009	3.331	160,000	-	160,000	-
9th	2/10/2003	2/10/2008	2/9/2009	3.892	120,000	120,000	-	-
10th	3/10/2003	3/10/2008	3/9/2009	4.085	166,000	120,000	46,000	-
11th	4/8/2003	4/8/2008	4/7/2009	4.426	1,584,000	773,334	604,000	206,666
12th	4/14/2003	4/14/2008	4/13/2009	4.472	40,000	-	40,000	-
13th	5/7/2003	5/7/2008	5/6/2009	4.205	1,120,000	869,268	-	250,732
14th	6/4/2003	6/4/2008	6/3/2009	5.103	600,000	-	600,000	-
15th	6/16/2003	6/16/2008	6/15/2009	5.150	120,000	120,000	-	-
16th	9/2/2003	9/2/2008	9/1/2009	4.917	6,226,000	3,741,497	2,073,987	410,516
17th	11/10/2003	11/10/2008	11/9/2009	4.917	360,000	-	360,000	-
18th	12/17/2003	12/17/2008	12/16/2009	5.750	120,000	80,000	-	40,000
19th	1/5/2004	1/5/2009	1/4/2010	4.917	240,000	160,000	-	80,000
20th	2/1/2004	2/1/2009	1/31/2010	6.881	360,000	240,000	120,000	-
21st	4/5/2004	4/5/2009	4/4/2010	7.016	12,240	8,160	-	4,080
22nd	4/12/2004	4/12/2009	4/11/2010	6.954	800,000	533,334	-	266,666
23rd	4/13/2004	4/13/2009	4/12/2010	7.012	200,000	133,332	2	66,666
24th	7/19/2004	7/19/2009	7/18/2010	7.452	940,000	313,336	-	626,664
25th	8/4/2004	8/4/2009	8/3/2010	4.730	600,000	-	-	600,000
26th	9/20/2004	9/20/2009	9/19/2010	7.980	20,000	-	20,000	-
27th	2/1/2005	2/1/2010	1/31/2011	9.380	8,440,000	2,152,862	1,606,662	4,680,476
28th	5/3/2005	5/3/2010	5/2/2011	10.988	50,000	-	50,000	-
29th	9/19/2005	9/19/2010	9/19/2011	11.900	120,000	-	-	120,000
30th	7/4/2006	7/4/2011	7/3/2012	15.700	250,000	-	-	250,000
31st	7/10/2006	7/10/2011	7/9/2012	15.745	80,000	-	80,000	-
32nd	7/18/2006	7/18/2011	7/17/2012	15.692	200,000	-	200,000	-
33rd	8/30/2006	8/30/2011	8/29/2012	17.387	100,000	-	-	100,000
34th	3/21/2007	3/21/2012	3/20/2013	19.809	360,000	-	-	360,000
35th	3/22/2007	3/22/2012	3/21/2013	19.785	140,000	-	-	140,000
36th	5/14/2008	5/14/2013	5/15/2014	24.615	120,000	-	-	120,000
Total					37,352,240	18,222,064	10,807,710	8,322,466

The granting of options in Units (Stock Certificate representing one preferred share issued by Unibanco and one preferred share issued by Unibanco Holdings) is performed through the simultaneous granting by Unibanco and Unibanco Holdings.

The options cancelled refer to cases of beneficiaries that left the company before the exercise period, except for those retirees who continued to be active participants in the program.

The exercise price of granting from the third quarter of 2004 started to be adjusted, *pro rata temporis*, by the accumulated variation of the Broad Consumer Price Index (IPCA) for the period from the granting date and the respective exercise date of each option in Units.

The numbers and prices were adjusted according to the bonus resolved in July 2006.



## II.II - Bonus options.

Partner offices, who opted for investing a percentage of their bonus in the acquisition of own shares, received the following number of bonus options in Units.

Granting Date	Number of Options	Exercise period until	Number		
			Granted	Cancelled	Not exercised
9/3/2007	47	3/9/2012	1,213,904	52,915	1,160,989
10/3/2007	1	3/9/2012	12,904	-	12,904
2/29/2008	1	3/9/2012	105,848	-	105,848
3/3/2008	49	3/3/2013	1,473,704	39,889	1,433,815
9/3/2008	64	3/9/2013	1,747,788	4,649	1,743,139
<b>Total</b>	<b>162</b>		<b>4,554,148</b>	<b>97,453</b>	<b>4,456,695</b>

The exercise of bonus is corroborated in its obligation of maintaining unchanged the ownership to said own shares, without any type of encumbrance, during the exercise period.

UNIBANCO stock options plan will be adjusted in view of the ITAÚ UNIBANCO merger.

- f) **Prior years' adjustments** – arising from changes introduced by Law No. 11,638 in view of the adoption of rules on stock-based compensation and lease operations which effects are shown in Note 22o.

## NOTE 17 – RELATED PARTIES

a) Transactions between related parties are disclosed in compliance with CVM Resolution No. 560, of December 11, 2008. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

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

The unconsolidated related parties are the following:

- ITAÚSA, the main parent company of ITAÚ UNIBANCO, its controlling companies and non-financial subsidiaries, especially Itaútec S.A., Duratex S.A., Elekeiroz S.A. and Itaúsa Empreendimentos S.A.;
- Fundação Itaúbanko, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev and Itaúbank Sociedade de Previdência Privada and UBB - Prev Previdência Complementar, closed-end private pension entities that administer supplementary retirement plans sponsored by ITAÚ UNIBANCO and/or its subsidiaries; and
- Fundação Itaú Social and Instituto Itaú Cultural, Instituto Unibanco and Instituto Moreira Salles, entities sponsored by ITAÚ UNIBANCO and subsidiaries to act in their respective areas of interest, as described in Notes 22g and 22h.

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

	ITAÚ UNIBANCO				ITAÚ UNIBANCO CONSOLIDATED			
	ASSETS/(LIABILITIES)		INCOME/(EXPENSES)		ASSETS/(LIABILITIES)		INCOME/(EXPENSES)	
	12/31/2008	12/31/2007	01/01 to 12/31/2008	01/01 to 12/31/2007	12/31/2008	12/31/2007	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Interbank investments</b>	<b>350,485</b>	<b>756,777</b>	<b>78,269</b>	<b>115,656</b>	-	-	-	-
Banco Itaú S.A.	350,485	756,777	78,269	115,656	-	-	-	-
<b>Securities and derivative financial instruments</b>	<b>(1,524)</b>	<b>29,630</b>	<b>10,146</b>	<b>39,316</b>	-	-	-	-
Banco Itaú S.A.	(1,524)	29,630	10,146	39,316	-	-	-	-
<b>Demand deposits</b>	-	-	-	-	<b>(65,787)</b>	<b>(46,899)</b>	-	-
ITH Zux Cayman Company Ltd.	-	-	-	-	(54,459)	(40,576)	-	-
Duratex S.A.	-	-	-	-	(11,328)	(6,323)	-	-
<b>Repurchase agreements</b>	<b>345,997</b>	-	<b>(76,977)</b>	-	<b>(126,643)</b>	<b>(37,168)</b>	<b>(3,888)</b>	<b>(12,145)</b>
Banco Itaú S.A.	345,997	-	(76,977)	-	-	-	-	-
Elekeiroz S.A.	-	-	-	-	(58,529)	(21,961)	(2,216)	(1,185)
Itaúsa Empreendimentos S.A.	-	-	-	-	(44,155)	-	(475)	-
Duratex S.A.	-	-	-	-	(15,353)	(14,902)	(1,184)	(10,947)
Itaútec S.A.	-	-	-	-	(8,606)	(305)	(13)	(13)
<b>Amounts payable to related parties</b>	<b>(3,769)</b>	<b>(26,153)</b>	<b>(2,184)</b>	<b>(1,755)</b>	<b>(89,929)</b>	-	<b>(14,249)</b>	-
Banco Itaú S.A.	(3,557)	(26,028)	-	-	-	-	-	-
Itaú Corretora de Valores S.A.	(212)	(125)	(2,184)	(1,755)	-	-	-	-
UBB Prev Previdência Complementar	-	-	-	-	(13,242)	-	(2,900)	-
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	-	-	-	-	(76,687)	-	(11,349)	-
<b>Banking service fees</b>	-	-	-	-	-	-	<b>13,364</b>	<b>3,619</b>
Fundação Itaúbanko	-	-	-	-	-	-	6,438	2,453
FUNBEP Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	2,068	114
Itaúsa - Investimentos Itaú S.A.	-	-	-	-	-	-	1,194	1,052
UBB Prev Previdência Complementar	-	-	-	-	-	-	3,664	-
<b>Rent expenses</b>	-	-	-	-	-	-	<b>(25,700)</b>	<b>(22,452)</b>
Duratex S.A.	-	-	-	-	-	-	2,498	2,561
Itaútec S.A.	-	-	-	-	-	-	2,051	2,765
Fundação Itaúbanko	-	-	-	-	-	-	(22,858)	(22,389)
FUNBEP Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	(6,005)	(5,272)
Itaúsa - Investimentos Itaú S.A.	-	-	-	-	-	-	(1,386)	(117)
<b>Donation expenses</b>	-	-	-	-	-	-	<b>(36,565)</b>	<b>(86,978)</b>
Instituto Itaú Cultural	-	-	-	-	-	-	(36,250)	(35,000)
Fundação Itaú Social	-	-	-	-	-	-	(315)	(51,978)
<b>Data processing expenses</b>	-	-	-	-	-	-	<b>(226,888)</b>	<b>(190,954)</b>
Itaútec S.A.	-	-	-	-	-	-	(226,888)	(190,954)
<b>Agreement for apportionment of common costs</b>	-	-	<b>(6,771)</b>	<b>(8,403)</b>	-	-	-	-
Banco Itaú S.A.	-	-	(6,771)	(8,403)	-	-	-	-



## b) Compensation of the Management Key Personnel

The fees attributed in the period to ITAÚ UNIBANCO officers are as follows:

	With UNIBANCO	Without UNIBANCO
<b>Compensation</b>	<b>333,892</b>	<b>297,622</b>
Board of Directors	23,595	6,855
Officers	310,297	290,767
<b>Profit sharing</b>	<b>120,602</b>	<b>93,008</b>
Board of Directors	23,321	6,586
Officers	97,281	86,422
<b>Contributions to Pension Plans</b>	<b>24,584</b>	<b>18,694</b>
Board of Directors	1,027	1,027
Officers	23,557	17,667
<b>Stock based compensation - Officers (Note 22e)</b>	<b>102,088</b>	<b>80,206</b>
<b>Total (*)</b>	<b>581,166</b>	<b>489,530</b>

(\*) Considers UNIBANCO amounts of the 4th quarter of 2008.

Information related to the granting of stock option plan, benefits to employees and post-employment are detailed in Notes 16e, 19a and 19b, respectively.

# NOTE 18 - MARKET VALUE

The financial statements are prepared in accordance with accounting principles which assume the normal continuity of the operations of ITAU UNIBANCO and its subsidiaries.

The book value of each financial instrument, whether included or not in the balance sheet, when compared to the value that might be obtained in an active market, or in the absence of such market, using the net present value of future cash flows adjusted based on the current market interest, is approximately equal to the market value, or does not have a market quotation available, except for the instruments in the table below:

	With UNIBANCO						Without UNIBANCO					
	BOOK VALUE			MARKET			BOOK VALUE			MARKET		
	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008	12/31/2008
	Unrealized Income (loss) (3)			Unrealized Income (loss) (3)			Unrealized Income (loss) (3)			Unrealized Income (loss) (3)		
	Results	Stockholders' equity		Results	Stockholders' equity		Results	Stockholders' equity		Results	Stockholders' equity	
Interbank deposits	26,007,407	26,063,868	56,451	286,087	286,087	56,451	18,494,186	14,285,141	18,514,263	14,289,964	20,077	4,823
Securities and derivative financial instruments area (1)	138,343,875	138,534,455	383,253	(159,357)	190,580	190,580	97,540,274	61,337,514	97,730,854	61,542,599	88,035	286,310
Adjustment of available-for-sale securities											(123,356)	59,310
Adjustment of held-to-maturity securities											211,391	227,000
Loan, lease and other credit operations	221,070,983	222,797,893	542,610	1,726,910	190,580	190,580	153,234,121	107,622,314	152,885,818	107,804,344	(348,303)	182,030
Investments in affiliates												
BM&F BOVESPA S.A.												
BPI	74,529	360,616	286,087	286,087	286,087	286,087	74,529	79,561	360,616	1,493,187	286,087	1,413,628
Parent company	1,010,926	962,529	(48,397)	(48,397)	(48,397)	(48,397)	1,010,926	756,383	962,529	1,944,622	(48,397)	1,188,239
Minority stockholders (1)											(48,397)	700,578
Redecard S.A.	550,778	8,028,738	7,477,960	7,477,960	7,477,960	7,477,960	275,389	172,142	4,014,373	4,498,597	3,738,984	487,661
Serasa S.A.	143,167	618,851	475,684	475,684	475,684	475,684	97,162	99,017	396,660	369,664	299,498	4,326,455
Visa Inc.	16	153,925	153,909	153,909	153,909	153,909	12	-	91,325	-	91,313	270,647
Fundings and borrowings (2)	182,598,147	182,222,747	375,400	375,400	375,400	375,400	122,199,681	44,522,122	122,283,227	44,488,737	(83,546)	23,385
Securitization of foreign payment orders	3,828,733	3,855,636	(29,903)	(29,903)	(29,903)	(29,903)	1,423,860	1,109,575	1,352,798	1,109,630	71,062	(55)
Subordinated debt (Note 10a)	23,395,191	23,141,574	253,617	253,617	253,617	253,617	15,203,746	12,083,125	15,172,165	12,145,905	31,581	(62,780)
Treasury shares	1,525,695	1,533,714	-	-	8,019	8,019	1,525,695	1,172,394	1,533,714	2,110,163	-	8,019
<b>Total unrealized</b>			<b>11,110,971</b>	<b>11,110,971</b>	<b>10,926,317</b>	<b>10,926,317</b>				<b>4,146,391</b>	<b>7,632,680</b>	<b>4,256,955</b>

(1) The investment held by minority stockholders does not affect the result of ITAU UNIBANCO;

(2) Funding is represented by interbank and time deposits and funds from acceptance and issuance of securities;

(3) It does not consider the corresponding tax effects.

To obtain the market values for these financial instruments, the following criteria were adopted:

- Interbank investments were determined based on their nominal amounts, monetarily restated to maturity dates and discounted to present value using future market interest rates and swap market rates for fixed-rate securities and using market interest rates for fixed-rate securities published in the Gazeta Mercantil newspaper on January 2, 2009 for floating-rate securities;
- Securities and derivative financial instruments, according to the rules established by Circular Nos. 3,068 and 3,082 of November 8, 2001 and January 30, 2002, respectively, issued by the Central Bank of Brazil (BACEN), are recorded at their market value, except for those classified as Held to Maturity. Government securities allocated in this category have their market value calculated based on the rates obtained in the market, and validated through the comparison with information provided by the National Association of Financial Market Institutions (ANDIMA). Private securities included in this category have their market value calculated using a criterion similar to the one adopted for Investments in Interbank Deposits, as described above;
- Loans with maturity over 90 days, when available, were calculated based on their net present value of future cash flows discounted at market interest rates effective on the balance sheet date, taking into account the effects of hedges as well (swap contracts);
- Investments in affiliated companies - in BPI, Redecard S.A., BM&F Bovespa S.A. and Visa Inc. are determined based on stock market quotations, and in Serasa S.A. are determined based on the last transaction prices;
- Time and interbank deposits and funds from acceptance and issuance of securities, when available, were calculated based on their present value determined by future cash flows discounted at futures market interest rates and swap market rates for fixed-rate securities, and for floating-rate securities, market interest rates for fixed-rate securities published in the Gazeta Mercantil newspaper on January 2, 2009. The effects of hedges (swap contracts) are also taken into account;
- Securitization of foreign payment orders, based on the net present value of the future cash flows estimated as from the interest curves of the indexation market places, net of the interest rates practiced in the market on the balance sheet date, considering the credit risk of the issuer, calculated based on the market price of other securities issued by the same;
- Subordinated debt, based on the net present value of future fixed or floating cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The floating cash flows are estimated as from the interest curves of the indexation market places;
- Treasury shares are valued according to the average quotation available on the last trading day of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each Stock Exchange.

## NOTE 19 - BENEFITS TO EMPLOYEES

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

### a) Supplementary retirement benefits

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

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

(1) Defined benefit plan.

(2) Variable contribution plan.

(3) Defined contribution plan.

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

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

During the period, the contributions paid totaled R\$ 44,916 (R\$ 38,083 from January 1 to December 31, 2007). The contribution rate increases based on the participant's salary.

### b) Post-employment benefits

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

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

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

	With UNIBANCO	without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Net assets of the plans	12,775,978	12,656,496	12,583,353
Actuarial liabilities	(11,223,791)	(11,041,773)	(9,440,841)
Surplus (*)	1,552,187	1,614,723	3,142,512

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

In addition to the reserves recorded by the plans, the sponsors record provisions in the amount of R\$ 118,251 in ITAÚ UNIBANCO With UNIBANCO and R\$ 26,293 in Without UNIBANCO (R\$ 27,536 at December 31, 2007) (Note 13c) to cover possible actuarial liabilities.

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

DESCRIPTION	With UNIBANCO			Without UNIBANCO					
	01/01 to 12/31/2008			01/01 to 12/31/2008			01/01 to 12/31/2007		
	Assets	Actuarial liabilities	Surplus	Assets	Actuarial liabilities	Surplus	Assets	Actuarial liabilities	Surplus
<b>Present value – beginning of the period</b>	<b>12,583,353</b>	<b>(9,440,841)</b>	<b>3,142,512</b>	<b>12,583,353</b>	<b>(9,440,841)</b>	<b>3,142,512</b>	<b>10,599,436</b>	<b>(8,574,690)</b>	<b>2,024,746</b>
Expected return on assets/ Cost of current service + interest	1,536,547	(1,164,577)	371,970	1,536,547	(1,164,577)	371,970	1,289,887	(1,104,131)	185,756
Benefits paid	(472,846)	472,846	-	(472,022)	472,022	-	(424,108)	424,108	-
Contributions of sponsors/participants	66,523	-	66,523	61,450	-	61,450	57,696	-	57,696
Gains/(losses) in the period (*)	(1,051,459)	(909,399)	(1,960,858)	(1,052,832)	(908,377)	(1,961,209)	1,060,442	(186,128)	874,314
Balance arising from ITAÚ UNIBANCO merger at 09/30/2008	113,860	(181,820)	(67,960)	-	-	-	-	-	-
<b>Present value – end of the period</b>	<b>12,775,978</b>	<b>(11,223,791)</b>	<b>1,552,187</b>	<b>12,656,496</b>	<b>(11,041,773)</b>	<b>1,614,723</b>	<b>12,583,353</b>	<b>(9,440,841)</b>	<b>3,142,512</b>

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

## e) Main assumptions used in actuarial evaluation

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

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

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

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





## NOTE 20 – INFORMATION ON FOREIGN SUBSIDIARIES

	Foreign branches (1)		Banco Itaú Argentina S.A. (2)		Itaú Europa Consolidated (3)		Itaú Bank, Ltd. Consolidated (4)		Consolidated Chile (5)		Consolidated Uruguay (6)		Unibanco Companies (7)		Other foreign companies (8)		With UNIBANCO		Foreign consolidated (9)		without UNIBANCO	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	
<b>Assets</b>																						
<b>Current and long-term receivables</b>																						
Cash and cash equivalents	5,739,552	242,553	159,958	68,295	1,534,768	285,242	123,210	87,780	825,955	180,859	1,110,001	291,032	2,037,067	56,743	10,146,328	56,743	19,555,194	8,109,261	1,122,007	12,845,826	1,122,007	
Interbank investments	13,693,234	8,239,897	184,914	174,453	3,974,003	5,023,220	3,511,321	1,264,583	158,044	28,805	354,099	486,443	3,946,388	263,219	19,555,194	44,603	36,528,208	18,800,091	16,730,352	18,800,091		
Securities	11,258,641	9,555,897	1,536,967	89,260	2,674,398	1,587,670	4,480,951	2,153,324	2,084,262	91,032	64,624	17,099,236	42,841	17,099,236	394,815	36,528,208	18,800,091	16,730,352	18,800,091	16,730,352		
Loans	1,258,641	9,555,897	1,536,967	89,260	2,674,398	1,587,670	4,480,951	2,153,324	2,084,262	91,032	64,624	17,099,236	42,841	17,099,236	394,815	36,528,208	18,800,091	16,730,352	18,800,091	16,730,352		
Prepaid expenses	163,919	4,717,030	153,802	163,919	163,919	20,055	6	263,372	8,258,320	26,496	1,123,232	7,746	42,963	18	16,135,294	18	16,135,294	16,135,294	16,135,294	16,135,294		
Other assets	2,337,955	715,834	461,287	332,772	9,365,405	148,972	2,467,579	301,721	404,858	464,473	122,319	88,959	1,007,512	36,750	16,135,294	36,750	16,135,294	15,127,782	2,088,831	15,127,782		
<b>Permanent assets</b>																						
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Goodwill	-	-	8,048	5,315	520,825	390,679	50,572	10,065	805	840	363	35	300,766	404,511	1,320,899	404,511	1,320,899	1,020,133	764,215	1,020,133		
Other investments	-	-	8,048	5,315	515,572	395,755	-	-	-	-	-	-	-	-	495,354	-	1,010,926	1,010,926	9,207	7,832	9,207	
Fixed and intangible assets	27,054	8,179	89,340	35,444	302,050	254,365	50,572	10,065	805	840	363	35	300,766	404,511	1,320,899	404,511	1,320,899	1,020,133	764,215	1,020,133		
<b>Total</b>	<b>42,989,237</b>	<b>23,490,125</b>	<b>2,525,213</b>	<b>1,937,288</b>	<b>25,073,626</b>	<b>11,077,124</b>	<b>10,913,318</b>	<b>4,090,890</b>	<b>11,911,327</b>	<b>8,219,347</b>	<b>3,253,682</b>	<b>1,984,861</b>	<b>31,430,744</b>	<b>1,527,528</b>	<b>118,745,852</b>	<b>920,685</b>	<b>118,745,852</b>	<b>88,431,940</b>	<b>48,211,138</b>	<b>88,431,940</b>	<b>48,211,138</b>	
<b>Liabilities</b>																						
<b>Current and long-term liabilities</b>																						
Deposits	14,569,922	4,986,805	1,954,888	1,600,570	9,253,925	6,155,690	3,454,759	1,482,041	7,709,495	5,213,137	2,424,958	1,417,778	8,057,925	76,743	40,760,814	8,057,925	40,760,814	32,702,692	18,121,402	32,702,692		
Demand deposits	1,950,053	1,007,579	546,269	292,427	2,172,732	1,103,844	1,741,699	122,333	1,139,294	946,120	1,777,131	398,163	3,488,082	1,777,131	1,950,556	3,488,082	1,950,556	1,175,751	3,653,517	1,175,751		
Savings deposits	2,020	27,050	9,408	43,073	784,587	1,003,182	1,103,565	526,399	6,570,154	4,267,017	346,795	236,688	3,714,114	76,743	28,078,347	3,714,114	28,078,347	24,372,234	12,452,680	24,372,234		
Time deposits	12,642,859	3,922,176	981,230	940,145	6,336,606	4,048,684	609,495	813,309	6,570,154	4,267,017	346,795	236,688	3,714,114	76,743	28,078,347	3,714,114	28,078,347	24,372,234	12,452,680	24,372,234		
Deposits received under securities repurchase agreements	669,680	848,762	28,154	205,471	100,990	1,058,657	405,358	427,016	194,132	906,993	12,017	6,447	1,384,814	9,307	6,781,066	1,384,814	6,781,066	5,439,491	4,134,278	5,439,491		
Funds from acceptance and issuance of securities	1,567,961	1,117,957	69,860	62,974	2,433,102	2,048,915	944,942	63,203	480,031	906,993	12,017	6,447	1,384,814	9,307	6,781,066	1,384,814	6,781,066	5,439,491	4,134,278	5,439,491		
Borrowing	10,614,214	7,803,446	13,016	62,874	1,002,395	4,569	960,837	1,673,211	1,002,395	12,017	12,017	6,447	5,999,404	9,307	18,151,106	18,151,106	18,151,106	13,151,703	9,660,246	13,151,703		
Derivative financial instruments	1,760,093	928,498	13,016	167,535	64,146	1,224,060	198,992	158,992	330,290	127,405	-	-	2,173,634	-	4,026,425	2,011,271	4,026,425	2,011,271	1,168,475	2,011,271		
Technical provisions for insurance, pension plan and capitalization	4,665,630	2,034,959	213,677	92,193	9,929,727	562,085	2,814,405	792,869	384,435	273,928	484,557	343,059	6,431,401	62,361	24,340,077	62,361	24,340,077	17,908,675	3,701,794	17,908,675		
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Deferred income</b>	<b>4,190</b>	<b>5,652</b>	-	-	<b>12,571</b>	<b>8,052</b>	<b>636</b>	<b>613</b>	<b>306</b>	<b>227</b>	-	-	<b>37,357</b>	-	<b>55,060</b>	<b>43</b>	<b>55,060</b>	<b>17,703</b>	<b>14,507</b>	<b>17,703</b>		
<b>Minority interests in subsidiaries</b>	-	-	-	-	<b>189</b>	<b>142</b>	-	-	<b>110</b>	<b>83</b>	<b>19</b>	<b>14</b>	<b>1</b>	<b>7</b>	<b>5</b>	<b>327</b>	<b>5</b>	<b>327</b>	<b>20,686</b>	<b>20,686</b>		
<b>Stockholders' equity</b>																						
Capital and reserves	8,704,421	5,542,264	225,905	175,643	1,196,406	1,088,147	1,562,371	1,183,997	695,314	695,314	249,705	169,000	4,334,161	1,346,338	764,679	1,346,338	764,679	14,791,690	9,488,274	14,791,690		
Net income	388,096	213,782	20,623	6,008	161,429	(13,638)	(246,512)	9,208	143,588	97,133	82,426	48,563	435,672	32,772	133,425	435,672	133,425	861,680	428,008	861,680		
<b>Total</b>	<b>42,989,237</b>	<b>23,490,125</b>	<b>2,525,213</b>	<b>1,937,288</b>	<b>25,073,626</b>	<b>11,077,124</b>	<b>10,913,318</b>	<b>4,090,890</b>	<b>11,911,327</b>	<b>8,219,347</b>	<b>3,253,682</b>	<b>1,984,861</b>	<b>31,430,744</b>	<b>1,527,528</b>	<b>118,745,852</b>	<b>920,685</b>	<b>118,745,852</b>	<b>88,431,940</b>	<b>48,211,138</b>	<b>88,431,940</b>	<b>48,211,138</b>	
<b>Statement of income</b>																						
Income from financial operations	1,161,423	1,288,036	372,105	147,553	635,988	446,312	(14,802)	188,912	1,050,108	653,471	196,511	693,854	1,048,133	31,631	4,284,998	31,631	4,284,998	3,236,863	3,339,265	3,236,863		
Expenses on financial operations	(661,510)	(1,060,481)	(141,427)	(65,792)	(456,013)	(396,242)	(171,841)	(148,839)	(582,616)	(396,639)	(19,057)	(575,090)	(417,411)	(2,360)	(2,262,713)	(593)	(2,262,713)	(1,835,303)	(2,402,037)	(1,835,303)		
Result of allowance for loan losses	(68,850)	2,214	(3,310)	1,723	(30,487)	(7,290)	6	5	(13,685)	(53,435)	(7,776)	(1,215)	(9,441)	6	(251,537)	722	(251,537)	(242,096)	(57,275)	(242,096)		
<b>Gross income from financial operations</b>	<b>431,063</b>	<b>229,769</b>	<b>227,368</b>	<b>92,484</b>	<b>149,486</b>	<b>132,780</b>	<b>(186,696)</b>	<b>39,078</b>	<b>335,807</b>	<b>233,397</b>	<b>172,678</b>	<b>117,549</b>	<b>621,281</b>	<b>29,277</b>	<b>1,780,748</b>	<b>19,783</b>	<b>1,780,748</b>	<b>1,189,464</b>	<b>879,953</b>	<b>1,189,464</b>		
Other operating revenues/expenses	(35,063)	(18,648)	(184,223)	(89,635)	(26,063)	(132,990)	(40,701)	(20,017)	(179,266)	(70,161)	(66,001)	(58,756)	10,773	33,446	(629,972)	12,592	(629,972)	(640,743)	(295,014)	(640,743)		
<b>Operating income</b>	<b>396,000</b>	<b>211,121</b>	<b>43,145</b>	<b>2,849</b>	<b>123,423</b>	<b>(210)</b>	<b>(227,397)</b>	<b>19,061</b>	<b>156,541</b>	<b>163,236</b>	<b>106,677</b>	<b>58,793</b>	<b>632,054</b>	<b>62,723</b>	<b>1,150,776</b>	<b>145,709</b>	<b>1,150,776</b>	<b>518,721</b>	<b>584,939</b>	<b>518,721</b>		
Non-operating income	(4,188)	2,678	4,024	3,159	-	75	-	-	5,957	(44,730)	3,718	(112)	352	44	10,013	285	10,013	9,661	(38,647)	9,661		
<b>Income before taxes on income and profit sharing</b>	<b>391,812</b>	<b>213,799</b>	<b>47,169</b>	<b>6,008</b>	<b>123,423</b>	<b>(6419)</b>	<b>(227,397)</b>	<b>19,061</b>	<b>162,498</b>	<b>118,506</b>	<b>110,395</b>	<b>58,681</b>	<b>632,406</b>	<b>62,767</b>	<b>1,160,789</b>	<b>145,994</b>	<b>1,160,789</b>	<b>528,382</b>	<b>546,292</b>	<b>528,382</b>		
Income tax	(3,716)	(21,889)	(21,889)	(21,889)	(46,813)	(6,419)	(1,720)	(887)	(18,875)	(21,355)	(27,968)	(10,118)	(196,734)	(15,162)	(236,432)	(5,490)	(236,432)	(38,897)	(44,288)	(38,897)		
Statutory participation in income	-	-	-	-	(11,603)	(7,081)	(17,395)	(8,966)	(11,603)	(18,875)	(21,355)	(10,118)	(196,734)	(15,162)	(236,432)	(5,490)	(236,432)	(48,506)	(23,125)	(48,506)		
Minority interests in subsidiaries	-	-	(4,077)	-	-	(3)	(3)	(3)	(25)	(18)	(1)	-	-	(1)	(14,169)	(1)	(14,169)	(14,169)	(14,169)	(14,169)		
<b>Net income (loss)</b>	<b>388,096</b>	<b>213,782</b>	<b>20,623</b>	<b>6,008</b>	<b>161,429</b>	<b>(13,638)</b>	<b>(246,512)</b>	<b>9,208</b>	<b>143,588</b>	<b>97,133</b>	<b>82,426</b>	<b>48,563</b>	<b>435,672</b>	<b>32,772</b>	<b>133,425</b>	<b>435,672</b>	<b>133,425</b>	<b>861,680</b>	<b>428,008</b>	<b>861,680</b>		

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

(2) New company's name of Banco Itaú Buen Ayre S.A., approved by BACEN on 07/24/2008.

(3) BIEL Holdings AG, IPI - Itaú Portugal Investimentos, SGPS Lda, (15%), Itaú Europa - Investimentos, SGPS, Lda, Itaú Europa, SGPS, Lda, Itaú Portugal - SGPS, S.A. Banco Itaú Europa, S.A., BIE - Bank &amp; Trust, Ltd., Banco Itaú Europa Luxembourg S.A., Banco Itaú Europa Fund Management Company, S.A., BIEL Fund Management Company S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank &amp; Trust Bahamas Ltd., and only on 12/31/2008 Itaú Europa Securities Inc.;

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

(5) Itaú Chile Holdings, Inc., BICSA Holdings LTD., Banco Itaú Chile S.A., OCA Casa Financeira S.A., OCA S.A. and only on 12/31/2008 Unión Capital AFAP S.A.;

(6) ACO Ltda., Banco Itaú Uruguay S.A., Itaú Uruguay Directo S.A., Itaú Chile Inversores, Servicios Y Administración S.A., Itaú Chile Corredor de Bolsa Ltda., Itaú Chile Administradora General de Fondos S.A., Itaú Chile Securitadora S.A., and Recuperadora de Créditos Ltda.;

(7) Interbank S.A., Unibanco - União Bancos Brasil, (Luxembourg) S.A., Unibanco Cayman Bank Ltd., Unicep Bank &amp; Trust Ltd., Unibanco Securities, Inc., UBB Holding Company, Inc., Uni-Investments Inter. Corp., Unipart Pacific, Internac. Ltd., Unipart B2B Investments, S.L., Tradecom Internacional N.V., Tejaigas Unisoluciones S. A. de Capital Variable, Rosefield Finance Ltd., Proserv - Promociones Y Servicios S.A. de C.V., UBB Delaware

## NOTE 21 – RISK MANAGEMENT

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

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

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

### I – Market Risk

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

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

#### Value at Risk (VaR)

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

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

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

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

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

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

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

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

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

## II- Credit Risk

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

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

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

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

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

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

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

## III- Operational Risk

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

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

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

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

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

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

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

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

#### **IV – Liquidity Risk**

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

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

#### **V – Subscription Risk**

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

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

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

## NOTE 22 – ADDITIONAL INFORMATION

a) **Insurance policy** - ITAÚ UNIBANCO and its subsidiaries, despite the low risk exposure due to a physical non-concentration of their assets, have the policy to guarantee its securities and assets at amounts considered sufficient to cover possible claims.

b) **Foreign currency** - the balances in reais linked to foreign currency were:

	With UNIBANCO	Without UNIBANCO	
	31/12/2008	31/12/2008	31/12/2007
Permanent foreign investments	19,987,535	15,217,698	10,046,270
Net amount of other assets and liabilities indexed to foreign currency, including derivatives	(36,576,146)	(28,089,772)	(14,940,913)
<b>Net foreign exchange position (*)</b>	<b>(16,588,611)</b>	<b>(12,872,074)</b>	<b>(4,894,643)</b>

(\*) If the participation of other stockholders in Banco Itaú Europa S.A. were not considered, the net foreign exchange position would amount to R\$ (5,738,909) 12/31/2007).

The net foreign exchange position, considering the tax effects on the net balance of other assets and liabilities indexed to foreign currency, reflects the low exposure to exchange variations.

c) **Investment funds and managed portfolios** – ITAÚ UNIBANCO, through its subsidiaries, manages the following types of funds: privatization, fixed income, shares, open portfolio shares, investment clubs, customer portfolios and group portfolios, domestic and foreign, classified in memorandum accounts, distributed as follows:

	With UNIBANCO			Without UNIBANCO			With UNIBANCO			Without UNIBANCO		
	Amount			Amount (*)			Number of Funds			Number of Funds		
	12/31/2008	12/31/2008	12/31/2007	12/31/2008	12/31/2008	12/31/2007	12/31/2008	12/31/2008	12/31/2007	12/31/2008	12/31/2008	12/31/2007
<b>Investment funds</b>	<b>200,487,712</b>	<b>158,089,587</b>	<b>182,551,630</b>	<b>200,487,712</b>	<b>158,089,587</b>	<b>182,551,630</b>	<b>1,860</b>	<b>1,183</b>	<b>1,182</b>	<b>1,860</b>	<b>1,183</b>	<b>1,182</b>
Fixed income	184,954,842	144,821,721	161,157,288	184,954,842	144,821,721	161,157,288	1,603	1,013	1,038	1,603	1,013	1,038
Shares	15,532,870	13,267,866	21,394,342	15,532,870	13,267,866	21,394,342	257	170	144	257	170	144
<b>Managed portfolios</b>	<b>90,278,983</b>	<b>76,400,351</b>	<b>72,165,857</b>	<b>57,764,090</b>	<b>43,894,045</b>	<b>28,912,414</b>	<b>10,366</b>	<b>10,208</b>	<b>10,587</b>	<b>10,366</b>	<b>10,208</b>	<b>10,587</b>
Customers	68,216,005	54,337,373	50,691,608	49,390,053	35,520,008	21,220,417	10,318	10,160	10,539	10,318	10,160	10,539
Itaú Group	22,062,978	22,062,978	21,474,249	8,374,037	8,374,037	7,691,997	48	48	48	48	48	48
<b>TOTAL</b>	<b>290,766,695</b>	<b>234,489,938</b>	<b>254,717,487</b>	<b>258,251,802</b>	<b>201,983,632</b>	<b>211,464,044</b>	<b>12,226</b>	<b>11,391</b>	<b>11,769</b>	<b>12,226</b>	<b>11,391</b>	<b>11,769</b>

(\*) It refers to the distribution after elimination of double-counting of managed portfolios in investment funds.

## d) Funds of consortia

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Monthly estimate of installments receivable from participants	32,948	28,699	27,736
Group liabilities by installments	2,052,870	1,875,413	1,195,562
Participants – assets to be delivered	1,900,185	1,722,728	1,040,280
Funds available for participants	250,459	211,739	219,170
<b>(In units)</b>			
Number of managed groups	679	610	723
Number of current participants	108,383	99,054	97,894
Number of assets to be delivered to participants	57,075	52,837	39,382

- e) **Fundação Itaú Social** - ITAÚ UNIBANCO and its subsidiaries are the main sponsors of Fundação Itaú Social, the objectives of which are: 1) managing the "Itaú Social Program", which aims at coordinating the organization's role in projects of interest to the community by supporting or developing social, scientific and cultural projects, mainly in the elementary education and health areas; 2) supporting projects or initiatives in progress, supported or sponsored by entities qualified to work in the "Itaú Social Program"; and 3) providing food and other similar benefits to the employees of ITAÚ UNIBANCO and other companies of the group.

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

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

# k) Minority interests in subsidiaries

	Stockholders' equity			Result		
	With UNIBANCO	Without UNIBANCO		With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007	01/01 to 12/31/2008	01/01 to 12/31/2008	01/01 to 12/31/2007
Itaú Bank, Ltd. (1)	930,575	930,575	707,842	-	-	-
Banco Itaú Europa S.A. (Note 2a)	-	-	807,288	(104,594)	(104,594)	93,934
Itaú BBA Participações S.A.	-	-	232,020	(60,185)	(60,185)	(40,340)
Itaú XL Seguros Corporativos S.A.	106,572	106,572	102,085	(6,673)	(6,673)	(14,451)
Miravalles Empreendimentos e Participações S.A. (2)	85,994	85,994	90,900	4,199	4,199	31,516
Três "B" Empreendimentos e Participações Ltda. (3)	70,201	70,201	64,549	(7,834)	(7,834)	(9,662)
Itaú Gestão de Ativos S.A. (4)	59,820	59,820	60,952	1,114	1,114	(1,565)
Investimentos Bemge S.A. (5)	15,945	15,945	15,894	(1,049)	(1,049)	(1,754)
Kinea Investimentos S.A. (6)	1,879	1,879	2,165	287	287	835
Unibanco Participações Societárias S.A.	1,078,137	-	-	(68,999)	-	-
Biogeração de Energia S.A.	25,504	-	-	(3,533)	-	-
Other	144,101	46,198	36,806	(19,122)	(3,380)	(3,602)
<b>Total</b>	<b>2,518,728</b>	<b>1,317,184</b>	<b>2,120,501</b>	<b>(266,389)</b>	<b>(178,115)</b>	<b>54,911</b>

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

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

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

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

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

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

I) Exclusion of nonrecurring effects net of tax effects

	ITAÚ UNIBANCO			ITAÚ UNIBANCO CONSOLIDATED	
	2nd half of 2008	01/01 to 12/31/2008	01/01 to 12/31/2007	01/01 to 12/31/2008	01/01 to 12/31/2007
Sale of investments	42,353	232,673	1,853,917	232,673	1,853,917
Serasa S.A.	-	-	490,565	-	490,565
Redecard S.A.	-	-	1,049,670	-	1,049,670
BM&F Bovespa	-	42,462	313,682	42,462	313,682
Visa Inc.	2,127	95,229	-	95,229	-
Mastercard, Inc.	-	54,756	-	54,756	-
Banco de Fomento de Angola (Investment held by BPI)	40,226	40,226	-	40,226	-
Provision for contingencies – economic plans	(55,870)	(174,057)	(206,220)	(174,057)	(206,220)
Sale and adjustment to market value of shares of Banco Comercial Português, S.A. held by BPI	5,201	(29,279)	-	(29,279)	-
Profit from the sale of the former head office of Banco Itaúbank S.A.	-	-	75,452	-	75,452
Guaranteed accounts and commitments linked to acquired investments	-	-	(81,939)	-	(81,939)
Amortization of goodwill	-	-	-	(222,761)	(83,158)
ITAÚ EUROPA Operations (Note 2a I)	-	-	-	(70,486)	-
Purchase of BPI shares	-	-	-	(139,036)	(35,115)
Other	-	-	-	(13,239)	(48,043)
Effect of adoption of Law No. 11.638 (Note 22o)	(135,708)	(135,708)	-	(135,708)	-
Stock based compensation	(102,088)	(102,088)	-	(102,088)	-
Lease	(33,620)	(33,620)	-	(33,620)	-
Effect from the Merger – ITAU UNIBANCO (Note 2a I e II)	18,031,351	18,031,351	-	5,183,211	-
Non-operating equity in earnings (Note 13j)	18,031,351	18,031,351	-	18,031,351	-
Amortization of goodwill	-	-	-	(12,848,140)	-
Provision for integration expenditures - ITAU UNIBANCO (Note 13i)	(888,358)	(888,358)	-	(888,358)	-
Equalization of criteria ITAU UNIBANCO	(1,413,696)	(1,413,696)	-	(1,413,696)	-
Non-technical provisions of health insurance (Note 13c)	(350,218)	(350,218)	-	(350,218)	-
Technical provisions for insurance and pension plan (Note 11a)	(193,058)	(193,058)	-	(193,058)	-
Allowance for loan losses (PDD) – Adjustment to the minimum required by Resolution No. 2,682 (Note 8c)	(215,820)	(215,820)	-	(215,820)	-
Provisions for contingent liabilities and legal liabilities (Notes 12b and c)	(261,794)	(261,794)	-	(261,794)	-
Other	(392,806)	(392,806)	-	(392,806)	-
PDD Additional allowance for loan losses (Note 8c)	(3,089,436)	(3,089,436)	(264,000)	(3,089,436)	(264,000)
Other non-recurring events	80,520	80,520	591	(29,982)	591
<b>Total</b>	<b>12,576,357</b>	<b>12,614,010</b>	<b>1,377,801</b>	<b>(567,393)</b>	<b>1,294,643</b>



- m) **Reclassifications for Comparison Purposes** – The Company reclassified the balances as of December 31, 2007, for comparison purposes, in view of the regrouping of headings, in the Balance Sheet, of Other Assets related to reclassifications of Acquisition of Right to Credit Payroll and Prepaid Expenses Related to Partnerships to Intangible Assets, of reclassification of Leasehold Improvements from Deferred Charges to Fixed Assets, and of reclassification of Customers Portfolio and Software from Deferred Charges to Intangible Assets, in order to comply with the requirements of Law No. 11,638, of December 28, 2007 (Note 22o)

	Prior disclosure	Reclassification	Reclassified balances
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b>	<b>290,979,795</b>	<b>(2,413,301)</b>	<b>288,566,494</b>
<b>OTHER ASSETS</b>	<b>4,610,703</b>	<b>(2,413,301)</b>	<b>2,197,402</b>
Prepaid expenses	4,313,034	(2,413,301)	1,899,733
(Valuation allowance)	(59,820)	-	(59,820)
Sundry	357,489	-	357,489
<b>PERMANENT ASSETS</b>	<b>3,896,456</b>	<b>2,413,301</b>	<b>6,309,757</b>
<b>FIXED ASSETS</b>	<b>1,885,492</b>	<b>332,228</b>	<b>2,217,720</b>
Real estate in use	2,272,133	498,690	2,770,823
Other fixed assets	3,662,225	-	3,662,225
(Accumulated depreciation)	(4,048,866)	(166,462)	(4,215,328)
<b>DEFERRED CHARGES</b>	<b>738,951</b>	<b>(738,951)</b>	<b>-</b>
Organization and expansion expenditures	1,105,535	(1,105,535)	-
(Accumulated amortization)	(366,584)	366,584	-
<b>INTANGIBLE ASSETS</b>	<b>-</b>	<b>2,820,024</b>	<b>2,820,024</b>
Rights for acquisition of payrolls	-	2,124,510	2,124,510
Other intangible assets	-	895,636	895,636
(Accumulated amortization)	-	(200,122)	(200,122)
<b>TOTAL ASSETS</b>	<b>294,876,251</b>	<b>-</b>	<b>294,876,251</b>

- n) **Profit Sharing – Employees - Law No. 10,101 of December 19, 2000** - In accordance with the conditions approved in the collective bargaining, the following amounts were assigned to profit sharing - employees:

	With UNIBANCO	Without UNIBANCO	
	12/31/2008	12/31/2008	12/31/2007
Profit sharing amount	1,177,190	1,016,800	936,472
Tax effects	(429,440)	(368,125)	(320,471)
<b>Net amount of tax effects</b>	<b>747,750</b>	<b>648,675</b>	<b>616,001</b>

**o) Law No. 11,638**

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

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

**I – Effects on Disclosure**

- Disclosure of the Statement of Cash Flows in lieu of the Statement of Changes in Financial Position and Statement of Added Value as integral parts of the financial statements required by the Brazilian accounting practices. ITAU UNIBANCO has already voluntarily disclosure these financial statements;
- Criteria for classification and valuation of financial instruments at market price. ITAU UNIBANCO has already applied these criteria in compliance with the rules erracted by regulatory bodies (Notes 4c and 7);
- Maintenance of the revaluation reserves balance, in subsidiaries, in the amount of R\$ 19,621 in ITAU UNIBANCO CONSOLIDATED With UNIBANCO, and R\$ 38,429 Without UNIBANCO, according to CMN Resolution No. 3,565 of May 29, 2008 and CVM Instruction No. 469 of May 2, 2008. This reserve will be realized according to the depreciation term of the revalued asset or when it is written off. This change has not given rise to any effects in the financial statements of ITAU UNIBANCO;
- Change in treatment of tax incentives that will now pass through results, with optional allocation to Revenue Reserve and excluded from the mandatory dividend calculation basis. This change has not given rise to any effects in the financial statements of ITAU UNIBANCO;
- Fixed assets will now include assets arising from operations that transfer to the company any benefits, risks and controls of these assets, and deferred charges will now include preoperating expenses and restructuring expenses; Accordingly, leasehold improvements and software purchased were reclassified from Deferred Charges to Fixed Assets and Intangible Assets, respectively, including for comparison purposes.
- Periodic analysis on recovery, measurement and disclosure of losses in relation to the recoverable amount of assets, as regulated by CMN Resolution No. 3,566, of May 29, 2008. No losses were found by the assessment carried out by Management in the 4th quarter of 2008;
- Creation of the subgroup “Intangible assets” in Permanent Assets, in order to classify any rights whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, including acquired goodwill. Accordingly, rights for acquisition of payroll and acquisition of customer portfolio and software were reclassified from Prepaid Expenses and Deferred Charges, respectively, including for comparison purposes;
- Funding-related expenses: In accordance with CVM Resolution No. 556, of November 12, 2008, funding-related expenses shall be recorded as a reduction to respective liabilities. This change has not given rise to any effects in the financial statements of ITAU UNIBANCO.

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

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

Following is a summary of the impacts from the adoption of such rules:

	With UNIBANCO	Without UNIBANCO
Granting of stock options (1)	(313,089)	(225,002)
Results (2)	(102,088)	(80,206)
Stockholders' equity (3)	(211,001)	(144,796)
Lease	(48,756)	-
Results	(33,620)	-
Stockholders' equity (4)	(15,136)	-

(1) Recorded in Capital reserves.

(2) Recorded in Profit Sharing Expenses.

(3) Recorded in Capital reserves.

(4) Recorded in Retained Earnings.

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

- Change in the evaluation criterion for affiliated companies stated on the equity method, whenever the investor has a significant impact on these affiliated companies, as regulated by CMN Resolution No. 3,619, of September 30, 2008. Significant impact shall be construed as the investor's interest of 20% of voting capital or above. This Resolution will come into effect as from January 1, 2009;
- Changing the way exchange variation on foreign corporate investments is recorded when the functional currency of the investee is different from the parent company's, having as contra-entry the subgroup Adjustments to Equity Valuation in Stockholders' Equity, awaiting regulation by BACEN;
- Long-term assets and liabilities are basically presented at fair value, based on contractual rates. This change awaits regulation by BACEN.

We highlight that ITAÚ UNIBANCO annually releases its 20-F report containing the financial statements prepared in accordance with the USGAAP, which are more similar to the International Financial Reporting Standards (IFRS) than the Brazilian accounting practices in force before the enactment of Law No. 11,638.

## ANNEX C — FORM OF FINAL TERMS OF THE SENIOR NOTES

*The Final Terms in respect of each Tranche of Senior Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Senior Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

Final Terms dated [date]

# Itaú Unibanco Holding S.A.

(company incorporated under the laws of the Federative Republic of Brazil)

**U.S.\$10,000,000,000**

**Global Medium-Term Note Programme**

**Series No: [     ]**

**[TITLE OF SENIOR NOTES] DUE [     ]**

**Issue price: [     ]**

**[DEALER NAME(S)]**

This document constitutes the Final Terms relating to the issue of Senior Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Memorandum dated [date] [and the supplemental Offering Memorandum dated [date]]. These Final Terms must be read in conjunction with such Offering Memorandum [as so supplemented]. The Offering Memorandum [as so supplemented] is available for viewing at the registered office of the Issuer.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under Offering Memorandum with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the “**Conditions**”) set forth in the Offering Memorandum dated [original date]. These Final Terms contain the final terms of the Senior Notes and must be read in conjunction with the Offering Memorandum dated [current date] [and the supplemental Offering Memorandum dated [date]], save in respect of the Conditions which are extracted from the Offering Memorandum dated [original date] and are attached hereto.]

**THE SENIOR NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND THE SENIOR NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SENIOR NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS AND THE OFFERING MEMORANDUM HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SENIOR NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)] [AND FOR LISTING OF THE SENIOR NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE]. THE SENIOR NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SENIOR NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.] AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A**

**DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SENIOR NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS” CONTAINED IN THE OFFERING MEMORANDUM.**

**BY ITS PURCHASE AND HOLDING OF SENIOR NOTES (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS SENIOR NOTES (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF SENIOR NOTES WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.**

**THE SENIOR NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

*Include whichever of the following apply or specify as Not Applicable (N/A). Note that the numbering should remain as set out below, even if Not Applicable is indicated for individual paragraphs or sub- paragraphs. Italics denote directions for completing the Final Terms.*

- |                         |   |
|-------------------------|---|
| 1. Issuer:              | Itaú Unibanco Holding S.A. [(acting through its Cayman Islands Branch)] |
| 2. [(i)] Series Number: | [ ]   |
| [(ii)] Tranche Number:  | [ ]   |

*(If fungible with an existing Series, details of that Series, including the date on which the Senior Notes become fungible).]*

3. (i) Specified Currency or Currencies [     ]  
(Condition 1(d)):
- (ii) Specified Principal Payment Currency if [     ]  
different from Specified Currency  
(Condition 1(d)):
- (iii) Specified Interest Payment Currency if [     ]  
different from Specified Currency  
(Condition 1(d)):
4. Aggregate Nominal Amount:
  - (i) Series: [     ]
  - (ii) Tranche: [     ]
5. [(i)] Issue Price: [     ] per cent. of the Aggregate Nominal  
Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if  
applicable)]
- [(ii)] Net proceeds: [     ] (*Required only for listed issues*)
6. Specified Denominations (Condition 1(b)): [     ]\*
7. (i) Issue Date: [     ]
- (ii) Interest Commencement Date: [     ]
8. Maturity Date: *[specify date or (for Floating Rate Senior Notes) Specified Interest Payment Date falling in or nearest to the redemption month]*
9. Interest Basis (Condition 6):  
[Fixed Rate (Condition 6(I))]  
[Floating Rate (Condition 6(II))]  
[Zero Coupon (Condition 6(III))]  
[Index Linked Interest]  
[Other (*specify*)]  
(further particulars specified below)
10. Redemption/Payment Basis (Condition 7(a)):  
[Redemption at par]  
[Index Linked Redemption (*specify*)]  
[Dual Currency (*specify*)]  
[Partly Paid (*specify*)]  
[Instalment (*specify*)]  
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Senior Notes into another interest or redemption/payment basis]*
12. Put/Call Option (Condition 7(e) and(f)):  
[Noteholder Put]  
[Issuer Call]  
[(further particulars specified below)]

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\* Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

13. Status of the Notes (Condition 4): Senior
14. Listing [Application has been made to list the Senior Notes on the Euro MTF market of the Luxembourg Stock Exchange. The first trading day on the Euro MTF market of the Luxembourg Stock Exchange is expected to be [date]/Other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Note Provisions (Condition 6(I)): [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [*adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Relevant Business Day"]/not adjusted*]
- (iii) Arrears Rate [ ]
- (iv) Fixed Coupon Amount(s): [ ] per Note of [ ] Specified Denomination
- (v) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts*]
- (vi) Day Count Fraction: [ ]  
(Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested)
- (vii) Determination Date(s): [ ] in each year — [*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon; only to be completed for an issue where day count fraction is Actual/Actual-ISMA*]
- (viii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/Other (*give details*)]
- (ix) Business Centre(s): [ ]
- (x) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- (xi) Final Instalment Amount [ ]
17. Floating Rate Note Provisions (Condition 6(II)): [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph.)

- (i) Interest Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Day Count Fraction: [ ]  
(Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested)
- (iii) Arrears Rate [ ]
- (iv) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/Other (give details)]
- (v) Business Centre(s): [ ]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/Other (give details)]
- (vii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (viii) Screen Rate Determination (Condition 6(II)(b)(i)):
- Interest Determination Date(s): [ ]
  - Primary Source for Floating Rate: [Specify relevant screen page or “Reference Banks”]
  - Reference Banks (if Primary Source is “Reference Banks” or if no Reference Rate appears at Relevant Time or less than two Reference Rates appear at Relevant Time): [Specify four]
  - Relevant Banking Centre: [Specify]
  - Benchmark and Reference Rate(s): [LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean]
- (ix) ISDA Determination (Condition 6(II)(b)(iv)):
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
  - ISDA Definitions (if different from those set out in the Conditions): [Not Applicable/specify]
- (x) Margin(s): [+/-] [ ] per cent. per annum
- (xi) Minimum Rate of Interest: [ ] per cent. per annum
- (xii) Maximum Rate of Interest: [ ] per cent. per annum
- (xiii) Day Count Fraction: [ ]
- (xiv) Rate Multiplier: [ ]



- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 6(II)(b)): [     ]
- (xvi) Final Instalment Amount [     ]
18. Zero Coupon Note Provisions (Conditions 6(III) and 7(d)): [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Amortisation Yield: [     ] per cent. per annum
- (ii) Reference Price: [     ]
- (iii) Basis: [Straightline/Compounded at *[specify]* interval]
- (iv) Day Count Fraction: [     ]
- (v) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/Other (*give details*)]
- (vi) Business Centre(s): [     ]
- (vii) Any other formula/basis of determining amount payable: [Not Applicable/*specify*]
- (vii) Final Instalment Amount [     ]
- (viii) Arrears Rate [     ]
19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms *MUST* be set out in these Final Terms)
- (i) Index/Formula: [*Give or annex details*]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [     ]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [     ]
- (iv) Interest Period(s)/Specified Interest Payment Dates: [     ]
- (v) Arrears Rate [     ]
- (vi) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
- (vii) Business Centre(s): [     ]
- (viii) Minimum Rate of Interest: [     ] per cent. per annum
- (ix) Maximum Rate of Interest: [     ] per cent. per annum

- (x) Day Count Fraction: [ ]
- (xi) Margin: [ ]
- (xii) Rate Multiplier: [ ]
- (xiii) Final Instalment Amount: [ ]
20. Dual Currency Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (iv) Business Day Convention: [Floating Rate Business Day Convention/  
Following Business Day Convention/Modified  
Following Business Day Convention/  
Preceding Business Day Convention/other  
(give details)]
- (v) Business Centre(s): [ ]
- (vi) Day Count Fraction: [ ]
- (vii) Final Instalment Amount: [ ]

#### **PROVISIONS RELATING TO REDEMPTION**

21. Call Option (Condition 7(e)): [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum nominal amount to be redeemed: [ ]
- (b) Maximum nominal amount to be redeemed: [ ]
- (iv) Notice period\* [ ]
22. Put Option (Condition 7(f)): [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

---

\* *[If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and the principal paying agent, or trustee.]*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) Description of any other Noteholders' option: [ ]
- (iv) Deposit period (if other than as set out in the Conditions): [ ]
- (v) Notice period\*: [ ]
- 23. Final Redemption Amount of each Note: [[ ] per Note of [ ] Specified Denomination/Other/See Appendix]
- (i) Alternative Payment Mechanism (Condition 8(a) and(b)): [ ]
- (ii) Long Maturity Note (Condition 8(f)): [Applicable/Not Applicable]
- 24. Early Redemption Amount:
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 7(c)) or on an Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]
- (ii) Original Withholding Level (Condition 7(c)): [ ]
- (iii) Unmatured Coupons to become void (Condition 8(f)): [Yes/No/Not Applicable]

#### GENERAL PROVISIONS APPLICABLE TO THE SENIOR NOTES

- 25. Form of Senior Notes: [Bearer Notes/Registered Notes] *[delete as appropriate]*
- Bearer Notes**
- (i) Temporary or Permanent Global Note: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
- (ii) Exchange Date in respect of Temporary Global Note: [Not Applicable/specify date]
- (iii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
- Registered Notes**
- (iv) DTC Global Notes, European Global Notes or individual Definitive Registered Notes: [DTC Restricted Global Note or DTC Unrestricted Global Note available on Issue Date] [European Restricted Global Note or European Unrestricted Global Note available on Issue Date]  
[Individual Definitive Registered Notes available on Issue Date]

(v) Exchange of Bearer Notes for Registered Notes (Condition 3(e))	[Applicable/Not Applicable]
26. Financial Centre(s) (Condition 8(a)(iii)) or other special provisions relating to payment dates:	[Not Applicable /Give details. Note that this item relates to the date and place of payment, and not interest period end dates]
27. Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No/Not Applicable If yes, give details]
28. Details relating to Partly Paid Senior Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Senior Notes and interest due on late payment:	[Not Applicable /give details] (If applicable, complete terms MUST be set out in these Final Terms)
29. Details relating to Instalment Notes:	[Not Applicable /give details] (If applicable, complete terms MUST be set out in these Final Terms)
30. Redenomination, renominatisation and reconventioning provisions (Condition 21):	[Applicable/Not Applicable]
31. Other terms or special conditions:	[Not Applicable /give details]
<b>DISTRIBUTION</b>	
32. (i) If syndicated, names of Managers:	[Not Applicable /give details]
(ii) Stabilising Manager (if any):	[Not Applicable /give details]
(iii) Commissions and Concessions:	[ ]
33. If non-syndicated, name of Dealer(s):	[Not Applicable /give details]
34. Additional selling restrictions:	[Not Applicable /give details]
<b>OPERATIONAL INFORMATION</b>	
35. (i) ISIN:	[ ]
(ii) CUSIP:	[ ]
(iii) Other:	[ ]
36. Common Code:	[ ]
37. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
38. Delivery:	Delivery [against/free of] payment
39. Principal Paying Agent:	[The Bank of New York Mellon, acting through its [New York Branch][London Branch]/give details]
40. Registrar:	[The Bank of New York Mellon, acting through its New York Branch/give details]
41. Calculation Agent:	[The Bank of New York Mellon, acting through its London Branch/give details]

42. Trustee: [The Bank of New York Mellon, acting through its New York Branch/*give details*]
43. Additional Agent(s) (if any): [ ]

#### **[LISTING APPLICATION]**

These Final Terms comprise the final terms required to list the issue of Senior Notes described herein pursuant to the U.S.\$10,000,000,000 Global Medium Term Note Programme of Itaú Unibanco Holding S.A. [, acting through its Cayman Islands Branch].]

#### **[STABILISING]**

In connection with the issue of the Senior Notes, [insert name of Stabilising Manager] (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot Senior Notes or effect transactions with a view to supporting the market price of the Senior Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Senior Notes and 60 days after the date of the allotment of the Senior Notes. Any stabilisation action or over allotment shall be conducted in accordance with applicable law.]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum (and the information incorporated by reference therein) referred to above, contain all information that is material in the context of the Senior Notes.

#### **[ADDITIONAL ISSUER DISCLOSURE]**

*Include disclosure of any material information to be conveyed that is not already in the Offering Memorandum.]*

#### **GOVERNING LAW AND JURISDICTION**

The Senior Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed may be brought in such courts.

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised signatory

**ISSUER**

Itaú Unibanco Holding S.A.  
Praça Alfredo Egydio de Souza Aranha, 100  
Torre Olavo Setubal  
04344-902  
São Paulo — SP  
Brazil

Itaú Unibanco Holding S.A.  
Cayman Islands Branch  
Close Brothers (Cayman) Limited,  
Harbour Place, 4th Floor, 103  
South Church Street,  
Grand Cayman, KY1-1102, Cayman Islands.

**TRUSTEE**

The Bank of New York Mellon  
101 Barclay Street, 4E  
New York, NY 10286  
United States of America

**PRINCIPAL PAYING AGENT**

The Bank of New York Mellon  
One Canada Square  
London E14 5AL  
United Kingdom

**LONDON PAYING AGENT, TRANSFER  
AGENT AND CALCULATION AGENT**

The Bank of New York Mellon  
One Canada Square  
London E14 5AL  
United Kingdom

**PAYING AGENT, REGISTRAR AND  
TRANSFER AGENT**

The Bank of New York Mellon  
101 Barclay Street, 4E  
New York, NY 10286  
United States of America

**PAYING AGENT, LISTING AGENT  
AND TRANSFER AGENT**

The Bank of New York Mellon (Luxembourg) S.A.  
Aerogolf Center, 1A, Hoehenhof  
L-1736 Senningerberg  
Luxembourg

## ANNEX D — FORM OF FINAL TERMS OF THE SUBORDINATED NOTES

*The Final Terms in respect of each Tranche of Subordinated Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Subordinated Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

**THE SUBORDINATION NUCLEUS SET OUT IN EXHIBIT A HERETO (THE “SUBORDINATION NUCLEUS”) FORMS PART OF THESE FINAL TERMS. THE SUBORDINATION NUCLEUS WILL PREVAIL OVER ANY TERMS SET OUT IN THESE FINAL TERMS OR ANY OTHER TRANSACTION DOCUMENT (INCLUDING ANY DOCUMENT REFERRED TO IN THESE FINAL TERMS). FOR THE AVOIDANCE OF DOUBT, PARAGRAPH 5 OF THE SUBORDINATION NUCLEUS IS A SUMMARY OF THE TERMS AND CONDITIONS OF THIS SERIES OF SUBORDINATED NOTES.**

Final Terms dated [date]

# Itaú Unibanco Holding S.A.

(company incorporated under the laws of the Federative Republic of Brazil)

**U.S.\$10,000,000,000**

**Global Medium-Term Note Programme**

**Series No: [     ]**

**[TITLE OF SUBORDINATED NOTES] DUE [     ]**

**Issue price: [     ]**

**[DEALER NAME(S)]**

This document constitutes the Final Terms relating to the issue of Subordinated Notes described herein and the Subordination Nucleus contained in Exhibit A is an integrate and inseparable part of these Final Terms. The subordination conditions contained in the Subordination Nucleus prevail over these Final Terms and over any other documents of the programme (including those referred to in these Final Terms), it being understood that section 5 of the Subordination Nucleus is a summary of the terms and conditions of the Subordinated Notes.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under Offering Memorandum with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Subordinated Notes (the “**Conditions**”) set forth in the Offering Memorandum dated [original date]. These Final Terms contain the final terms of the Subordinated Notes and must be read in conjunction with the Offering Memorandum dated [current date] [and the supplemental Offering Memorandum dated [date]], save in respect of the Conditions which are extracted from the Offering Memorandum dated [original date] and are attached hereto.]

**THE SUBORDINATED NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND THE SUBORDINATED NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SUBORDINATED NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SUBORDINATED NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)] [AND FOR LISTING OF THE SUBORDINATED NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE]. THE SUBORDINATED NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND**



RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SUBORDINATED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.] AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SUBORDINATED NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS” CONTAINED IN THE OFFERING MEMORANDUM.

BY ITS PURCHASE AND HOLDING OF SUBORDINATED NOTES (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS SUBORDINATED NOTES (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF SUBORDINATED NOTES WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THE SUBORDINATED NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

*[Include whichever of the following apply or specify as Not Applicable (N/A). Note that the numbering should remain as set out below, even if Not Applicable is indicated for individual paragraphs or sub- paragraphs. Italics denote directions for completing the Final Terms.]*

1. Issuer: Itaú Unibanco Holding S.A. [(acting through its Cayman Islands Branch)]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Subordinated Notes become fungible).]*
3. (i) Specified Currency or Currencies (Condition 1(d)): [ ]  
(ii) Specified Principal Payment Currency if different from Specified Currency (Condition 1(d)): [ ]  
(iii) Specified Interest Payment Currency if different from Specified Currency (Condition 1(d)): [ ]
4. Aggregate Nominal Amount:  
(i) Series: [ ]  
(ii) Tranche: [ ]
5. [(i)] Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]  
[(ii)] Net proceeds: [ ] (*Required only for listed issues*)
6. Specified Denominations (Condition 1(b)): [ ]\*
7. (i) Issue Date: [ ]  
(ii) Interest Commencement Date: [ ]
8. Maturity Date: [*specify date or (for Floating Rate Subordinated Notes) Specified Interest Payment Date falling in or nearest to the redemption month*]
9. Interest Basis (Condition 5): [Fixed Rate (Condition 5 (I))]  
[Floating Rate (Condition 5(II))]  
[Index Linked Interest]  
[Other (*specify*)]  
(further particulars specified below)
10. Redemption/Payment Basis (Condition 6(a)): [Redemption at par]  
[Index Linked Redemption (*specify*)]  
[Dual Currency (*specify*)]  
[Partly Paid (*specify*)]  
[Instalment (*specify*)]  
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Subordinated Notes into another interest or redemption/payment basis*]

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\* Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

- |  |   |
|--|---|
| 12. Call Option (Condition 17(d)(vi)): | [Issuer Call]<br>[(further particulars specified below)]  |
| 13. Status of the Notes (Condition 4): | Subordinated  |
| 14. Listing                            | Application has been made to list the Subordinated Notes on the Euro MTF market of the Luxembourg Stock Exchange. The first trading day on the Euro MTF market of the Luxembourg Stock Exchange is expected to be [date]/Other ( <i>specify</i> )/None] |
| 15. Method of distribution:            | [Syndicated/Non-syndicated]   |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |  |   |
|--|---|
| 16. Fixed Rate Note Provisions (Condition 5(I)):                                     | [Applicable/Not Applicable]<br><i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>   |
| (i) Rate(s) of Interest:   | [ ] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear]   |
| (ii) Interest Payment Date(s):   | [ ] in each year [ <i>adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Relevant Business Day"]/not adjusted</i> ]  |
| (iii) Arrears Rate   | [ ]   |
| (iv) Fixed Coupon Amount(s):   | [ ] per Note of [ ] Specified Denomination  |
| (v) Broken Amount(s):  | <i>[Insert particulars of any initial or final broken interest amounts]</i>   |
| (vi) Day Count Fraction:   | [ ]<br><i>(Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested)</i>  |
| (vii) Determination Date(s):   | [ ] in each year — [ <i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon; only to be completed for an issue where day count fraction is Actual/Actual-ISMA</i> ] |
| (viii) Business Day Convention:  | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/Other ( <i>give details</i> )]   |
| (ix) Business Centre(s):   | [ ]   |
| (x) Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/ <i>give details</i> ]  |
| (xi) Final Instalment Amount:  | [ ]   |

17. Floating Rate Note Provisions (Condition 5(II)):	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph.)
(i) Interest Period(s)/Specified Interest Payment Dates:	[ ]
(ii) Arrears Rate	[ ]
(iii) Day Count Fraction:	[ ] (Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested)
(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/Other (give details)]
(v) Business Centre(s):	[ ]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (give details)]
(vii) Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(viii) Screen Rate Determination (Condition 5(II)(b)(i)):	[Applicable/Not Applicable]
• Interest Determination Date(s):	[ ]
• Primary Source for Floating Rate:	[Specify relevant screen page or “Reference Banks”]
• Reference Banks (if Primary Source is “Reference Banks” or if no Reference Rate appears at Relevant Time or less than two Reference Rates appear at Relevant Time):	[Specify four]
• Relevant Banking Centre:	[Specify]
• Benchmark and Reference Rate(s):	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean]
(ix) ISDA Determination (Condition 5(II)(b)(iv)):	[Applicable/Not Applicable]
• Floating Rate Option:	[ ]
• Designated Maturity:	[ ]
• Reset Date:	[ ]
• ISDA Definitions (if different from those set out in the Conditions):	[ ]
(x) Margin(s):	[+/-] [ ] per cent. per annum
(xi) Minimum Rate of Interest:	[ ] per cent. per annum
(xii) Maximum Rate of Interest:	[ ] per cent. per annum
(xiii) Day Count Fraction:	[ ]
(xiv) Rate Multiplier:	[ ]

- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 5(II)(b)): [ ]
- (xvi) Final Instalment Amount: [ ]
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms)
- (i) Index/Formula: [Give or annex details]
- (ii) Arrears Rate [ ]
- (iii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (iv) Provisions for determining Interest where calculation by reference to Index and/or Formula is impossible or impracticable:
- (v) Interest Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Business Day Convention/  
Following Business Day Convention/Modified  
Following Business Day Convention/ Preceding  
Business Day Convention/other (give details)]
- (vii) Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
- (xi) Margin: [ ]
- (xii) Rate Multiplier: [ ]
- (xiii) Final Instalment Amount: [ ]
19. Dual Currency Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Arrears Rate [ ]
- (iii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (iv) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (v) Business Day Convention: [Floating Rate Business Day Convention/  
Following Business Day Convention/Modified  
Following Business Day Convention/ Preceding  
Business Day Convention/other (give details)]

- (vi) Business Centre(s): [ ]
- (vii) Day Count Fraction: [ ]

#### PROVISIONS RELATING TO REDEMPTION

20. Call Option (Condition 17(d)(vi)): [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amounts(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum nominal amount to be redeemed: [ ]
- (b) Maximum nominal amount to be redeemed: [ ]
- (iv) Notice period\* [ ]
21. Final Redemption Amount of each Note: [[ ] per Note of [ ] Specified Denomination/Other/See Appendix]
- (i) Alternative Payment Mechanism (Condition 7(a): [ ]
22. Early Redemption Amount:
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 17(d)(iv)), the occurrence of a Regulatory Event (Condition 17(d)(v)) or on an Event of Default (Condition 9) or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]
- (ii) Original Withholding Level (Condition 17(d)(iv)): [ ]

#### GENERAL PROVISIONS APPLICABLE TO THE SUBORDINATED NOTES

23. Form of Subordinated Notes: Registered Notes
- (i) DTC Global Notes, European Global Notes or individual Definitive Notes: [DTC Restricted Global Note or DTC Unrestricted Global Note available on Issue Date] [European Restricted Global Note or European Unrestricted Global Note available on Issue Date] [Individual Definitive Notes available on Issue Date]

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\* *If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and the principal paying agent, or trustee.*

- |   |   |
|---|---|
| 24. Details relating to Partly Paid Subordinated Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Subordinated Notes and interest due on late payment: | [Not Applicable /give details] (If applicable, complete terms <i>MUST</i> be set out in these Final Terms)                                    |
| 25. Redenomination, renominatisation and reconventioning provisions (Condition 21):   | [Applicable/Not Applicable]   |
| 26. Details relating to Instalment Notes:   | [Not applicable/give details]<br>(if applicable, complete terms <i>MUST</i> be set out in these Final Terms)                                  |
| 27. Maximum number of days for deferral of interest and principal (Condition 17(c)(ii)):  | [     ]   |
| 28. Minimum number of Relevant Business Days' notice to be given in connection with a deferral (Condition 17(c)(ii)):   | [     ]   |
| 29. Maximum number of Relevant Business Days' notice to be given in connection with a deferral (Condition 17(c)(ii)):   | [     ]   |
| 30. Other terms or special conditions:  | The Subordination Nucleus set out in Exhibit A hereto, which sets out the terms and conditions of subordination provided by Resolution 3,444. |

#### **DISTRIBUTION**

- |   |                                |
|---|--------------------------------|
| 31. (i) If syndicated, names of Managers: | [Not Applicable /give details] |
| (ii) Stabilising Manager (if any):        | [Not Applicable /give details] |
| (iii) Commissions and Concessions:        | [     ]                        |
| 32. If non-syndicated, name of Dealer(s): | [Not Applicable /give details] |
| 33. Additional selling restrictions:      | [Not Applicable /give details] |

#### **OPERATIONAL INFORMATION**

- |   |  |
|---|--|
| 34. (i) ISIN:   | [     ]  |
| (ii) CUSIP:   | [     ]  |
| (iii) Other:  | [     ]  |
| 35. Common Code:  | [     ]  |
| 36. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)]                                    |
| 37. Delivery:   | Delivery [against/free of] payment   |
| 38. Principal Paying Agent:   | [The Bank of New York Mellon, acting through its New York Branch/give details] |
| 39. Registrar:  | [The Bank of New York Mellon, acting through its New York Branch/give details] |
| 40. Calculation Agent:  | [The Bank of New York Mellon, acting through its London Branch/give details]   |
| 41. Trustee:  | [The Bank of New York Mellon, acting through its New York Branch/give details] |
| 42. Additional Agent(s) (if any):   | [     ]  |
| 43. U.S. TAX  | [     ]  |



## [LISTING APPLICATION]

These Final Terms comprise the final terms required to list the issue of Subordinated Notes described herein pursuant to the U.S.\$10,000,000,000 Global Medium Term Note Programme of Itaú Unibanco Holding S.A. [, acting through its Cayman Islands Branch].

## [STABILISING]

In connection with the issue of the Subordinated Notes, [insert name of Stabilising Manager] (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot Subordinated Notes or effect transactions with a view to supporting the market price of the Subordinated Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Subordinated Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Subordinated Notes and 60 days after the date of the allotment of the Subordinated Notes. Any stabilisation action or over allotment shall be conducted in accordance with applicable law.]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum (and the information incorporated by reference therein) referred to above, contain all information that is material in the context of the Subordinated Notes.

## [ADDITIONAL ISSUER DISCLOSURE]

*Include disclosure of any material information to be conveyed that is not already in the Offering Memorandum.]*

## GOVERNING LAW AND JURISDICTION

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

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including the non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed may be brought in such courts. Under the Trust Deed, the Issuer irrevocably submits to the exclusive jurisdiction of the English courts



Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised signatory

**EXHIBIT A**  
**FORM OF SUBORDINATION NUCLEUS**  
**SUBORDINATION NUCLEUS**  
**(“Núcleo de subordinação”)**

This Subordination Nucleus (“*núcleo de subordinação*”) have been prepared for the purposes of article 7 of Resolution No. 3,444, issued by the National Monetary Council of Brazil (“CMN”) on February 28, 2007, as amended (“**Resolution No. 3,444**”).

**1. Clauses showing compliance with all requirements of article 9 of Resolution No. 3,444:**

(i) Pursuant to article 9, I, II and III of Resolution No. 3,444, the Subordinated Notes shall be issued in registered form, fully-paid in cash and may not have a maturity date, be redeemed, or amortized prior to five years from the issuance date, as set forth below:

***Form, Subscription in Cash and Maturity***

- i. *Form: Subordinated Notes will be issued as registered notes.*
- ii. *Subscription and payment in cash: Subordinated Notes may be issued in one or more Series or Tranches, consideration for which shall be paid to the Issuer in cash at the date of issue thereof.*
- iii. *Maturity: The Subordinated Notes shall not, without the prior approval of the Central Bank, have a maturity date, be redeemed, or amortized prior to five (5) years from their issuance date.*

(ii) Pursuant to article 9, IV, of Resolution No. 3,444, the payment of any amounts due and payable under the Subordinated Notes shall be subordinated to other obligations of the Issuer, in the case of the Issuer’s dissolution, bankruptcy or liquidation, as set forth below:

***Status; Subordination Provisions***

- i. *Status: Subordinated Notes constitute unsecured and subordinated obligations of the Issuer.*
- ii. *Subordination: Subordinated Notes are subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with this Subordination Nucleus.*

*Subject to applicable law (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon the Issuer’s winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings (each a “**Bankruptcy Event**”), and (B)(i) Subordinated Notes shall rank pari passu with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the Subordinated Notes shall rank pari passu with the rights and claims of holders of the Parity Liabilities and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer’s Second Priority Liabilities; provided that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a cisão) of its properties, assets and liabilities substantially as an entirety to another corporation shall not be deemed a Bankruptcy Event for the purposes of this clause if the Central Bank has approved such consolidation, merger, transfer or conveyance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such Successor Corporation pursuant to the terms of Resolution 3,444.*

(iii) Pursuant to article 9, V, of Resolution No. 3,444, the payment of principal, interest or any amounts due and payable under the Subordinated Notes shall be postponed in case the Issuer is not in compliance with

the risk-based capital requirements or its operational limits determined by the Central Bank or if such payment would cause the Issuer to fail to satisfy such risk-based capital requirements, as set forth below:

***Deferral of Interest and Principal***

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

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

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

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

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

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

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

(iv) Pursuant to article 9, VI, of Resolution No. 3,444, the repurchase or early redemption of the Subordinated Notes, even if indirectly, through a legal entity related to the Issuer within the same financial conglomerate or economic/financial group, is subject to Central Bank prior authorization, as set forth below:

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

(ii) Optional Redemption for Taxation Reasons: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes at its

option in whole, but not in part, at any time, on giving not less than 30 days nor more than 45 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified, at the nominal amount specified in the relevant Final Terms (in each case together with interest accrued to, but excluding, the date fixed for redemption) if (i) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with item 8 of the Terms and Conditions) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified in the relevant Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands, or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, provided that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Subordinated Notes then due (or in the case of Subordinated Notes which bear interest at the Floating Rate, a number of days which is equal to the aggregate number of days falling within the current Interest Period applicable to the Subordinated Notes plus 75 days). Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this clause 1(iv)(ii) of this Subordination Nucleus, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, which shall be conclusive and binding on the Noteholders.

(iii) Optional Redemption due to a Regulatory Event: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to, but excluding, the date fixed for redemption) if the Issuer certifies to the Trustee immediately prior to the giving of such notice that a Regulatory Event has occurred, provided, however, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Regulatory Event is or is reasonably expected to be effective. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this clause 1(iv)(iii) of this Subordination Nucleus, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the Issuer is entitled to effect such a redemption or to cause such purchase in lieu of redemption pursuant to this clause 1(v)(iii) of this Subordination Nucleus, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption. Concurrently, the Issuer will deliver to the Trustee a written Opinion of Counsel stating, among other things, that a Regulatory Event has occurred and that all governmental approvals necessary for the Issuer to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

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

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

(v) Pursuant to article 9, VII, of Resolution No. 3,444, the Subordinated Notes shall not be redeemed at the Noteholders' option, as set forth below:

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

(vi) Pursuant to article 9, VIII and IX, of Resolution No. 3,444, the Subordinated Notes shall be unsecured obligations of the Issuer and shall not be subject to insurance coverage, as set forth below:

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

(vii) Pursuant to paragraph one of article 9 of Resolution No. 3,444, the Trust Deed and the Subordinated Notes shall be governed by, and construed in accordance with, a specific governing law and jurisdiction:

Governing Law: *The Trust Deed, The Subordinated Notes and any non-contractual obligations arising out of or in connection with them (including the summary of the Final Terms established on item 5 of this Subordination Nucleus) are governed by, and shall be construed in accordance with, English law, provided that the provisions contained in this Subordination Nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution No. 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.*

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

- 2. Clause providing that, pursuant to article 7, II, of Resolution No. 3,444, any provision, whether in the Trust Deed itself, in the Subordinated Notes or in another ancillary document, to the extent that they impair the fulfillment of, or conflict with, those requirements set out in article 9 of Resolution No. 3,444, is null and void, as set forth below:**

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

**3. Clause of each ancillary document providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:**

(i) Clause of the Trust Deed providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Trust Deed that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

(ii) Clause of the Subordinated Notes providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Subordinated Note that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

(iii) Clause of the Agency Agreement providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Agency Agreement that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

(iv) Clause of the Dealer Agreement providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Dealer Agreement that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

**4. Clause providing that, pursuant to article 7, III and paragraph two, of Resolution No. 3,444, any amendment, change or revocation affecting the provisions of this Subordination Nucleus will be subject to prior authorization of the Central Bank, as set forth below:**

*The execution of any amendment, change or revocation of any provision of this Subordination Nucleus is subject to the prior consent of the Central Bank, if required pursuant to applicable regulations then in effect.*

**5. Summary of the transaction, pursuant to article 7, IV, of Resolution No. 3,444:**

[ ]

**6. Definitions:**

For the purposes hereof, capitalized terms and expressions used herein and not otherwise defined shall have the following meanings:

For the purposes of this Subordination Nucleus:

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

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

“**Benchmark**” means one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Term.

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



“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms.

“**Central Bank**” means the Central Bank of Brazil or any Brazilian Governmental Authority that replaces the Central Bank of Brazil in its current functions applicable to this Subordination Nucleus.

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

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

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

“**Event of Default**” subject to this Subordination Nucleus, means the following events: (1) the Issuer fails to pay any principal or interest (if any) in respect of any of the Subordinated Notes of such Series on the date when due and, with respect to principal, such failure continues for a period of three days and, with respect to interest, such failure continues for a period of ten days; or (2) the Issuer (a) is dissolved other than in connection with a consolidation, merger or reorganization not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Subordinated Notes are assumed by the successor entity; (b) suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due; (c) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors’ rights that is similar to a bankruptcy law; (d) consents to the commencement against it of an involuntary case in bankruptcy or any other action or proceeding, or a proceeding is commenced in an involuntary case if such proceeding is not dismissed on or before the 60th day after the entry thereof or if any such dismissal or stay ceases to be in effect; or (3) any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to on item (2) of this definition.

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

“**Exchange**” means any stock exchange on which the relevant Subordinated Notes could be listed.

“**Final Terms**” means in respect of a Tranche which includes such Subordinated Note (each the “**Final Terms**”), shall be deemed to include terms specified in the Subordination Nucleus) set out as an annex to the relevant Final Terms, issued in respect of a Tranche which includes such Subordinated Notes.

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

“**Instalment Note**” means any Note, the principal amount of which is repayable by installments.

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

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

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

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

“**Issuer**” means Itaú Unibanco Holding S.A. or any successor thereto, acting through its head office or through its Grand Cayman Branch.

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

“**Noteholders**” the person in whose name a Subordinated Note is registered.

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

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

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

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

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

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

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

“**Relevant Business Day**” means (a) in case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; or (b) in the case of euro, a TARGET Business Day; and (c) in the case of any currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Business Centre(s) specified in the relevant Final Terms.

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

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

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

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

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

“**Series**” means Subordinated Notes which have identical terms and conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters.

“**Specified Denomination**” means the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

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

“**Subordinated Notes**” means the Notes issued by the Issuer in accordance with the Final Terms and Resolution 3,444.

“**Successor Corporation**” means the corporation formed by consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer (including in connection with a *cisão*) all or substantially all of the properties and assets of the Issuer.

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



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

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

“**Subordination Nucleus**” means this subordination nucleus prepared in accordance with Resolution 3,444.

“**Tier 2 Capital**” means raising of capital carried out by the Issuer or by its Affiliates, which were, or will be, authorized by the Central Bank as Tier 2 of the regulatory capital (*Patrimônio de Referência*), as set forth in Resolution 3,444.

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

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

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

“**Trustee**” shall include all persons for the time being the trustee or trustees under the Trust Deed.

“**Trust Deed**” means the trust deed dated March 29, 2010 between the Issuer and the Trustee, as amended from time to time.

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