



**Financial
Statements**
June 2007

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

MANAGEMENT REPORT

We present the financial statements of Banco Itaú BBA S.A. ("Itaú BBA") for the first semester of 2007. As of June 30, 2007, assets totaled R\$ 77.6 billion, net equity was R\$ 5.5 billion and net profits for the semester were R\$ 374 million.

For the first half of 2007, Itaú BBA continued its pursuit of excellence through implementation of the following: (1) focusing on sustainability and leadership in its investment banking activities; (2) ongoing development of structured credit transactions; and (3) growth in funding through customers.

In the investment banking segment, Banco Itaú BBA carried out debenture and promissory notes operations totaling R\$ 3.2 billion and Credit Rights Investment Funds (FDIC) totaling R\$ 1.6 billion. In the National Association of Investment Banks (ANBID) ranking of June 2007, Banco Itaú BBA ranked first in origination of debt securities, with 35% of market share.

In the equity markets, Banco Itaú BBA was the coordinator and bookrunner of initial public offerings that totaled R\$ 2.9 billion and of subsequent public offerings that amounted to R\$ 2.2 billion. In the ANBID ranking of June 2007, Itaú BBA ranked fourth in origination, with 11% of market share.

In relation to loan operations, we highlight the following initiatives: creation of syndicated financial structures, intensification of transactions involving multilateral lending agencies and loan operations with derivative financial instruments.

We also highlight the growth of 22% in the volume of funds raised from customers in the local market occurred to the second quarter of 2007 and the strong growth of 130% in average funding verified at the first half of 2007 as compared to the same period of 2006.

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

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

(Approved by the Board of Directors of Itaú BBA)

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

BALANCE SHEETS AT JUNE 30

In thousands of reais

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and banks	442,956	135,806
Interbank investments (Notes 3a and 4)		
Investments in the open market	795,733	638,733
Interbank deposits	20,080,451	6,388,594
	<u>20,876,184</u>	<u>7,027,327</u>
Securities and derivative financial instruments (Notes 3b, 3c, 5 and 6)		
Own portfolio,	9,238,112	3,588,997
Subject to repurchase agreements	618,298	865,921
Trading securities given in guarantee	1,588,445	1,278,139
Derivative financial instruments	2,711,842	2,287,544
	<u>14,156,697</u>	<u>8,020,601</u>
Interbank accounts		
Payments and receipts pending settlement	42	9
Deposits with the Brazilian Central Bank	6,351	368
Interbank onlendings	-	1,468
Correspondents	20,818	28,241
	<u>27,211</u>	<u>30,086</u>
Loan and other credit operations (Note 7)		
Operations with credit granting characteristics (Note 3d)	9,934,512	8,605,271
Allowance for loan losses (Note 3e)	(45,595)	(50,030)
	<u>9,888,917</u>	<u>8,555,241</u>
Other receivables		
Foreign exchange portfolio (Note 8)	4,709,686	1,788,836
Income receivable	24,587	8,910
Negotiation and intermediation of securities (Note 9)	1,042,795	209,872
Sundry receivables (Note 17a)	236,538	366,518
	<u>6,013,606</u>	<u>2,374,136</u>
Other assets		
Other assets	14,657	4,236
Prepaid expenses	4,690	4,732
	<u>19,347</u>	<u>8,968</u>
TOTAL CURRENT ASSETS	51,424,918	26,152,165
LONG-TERM RECEIVABLES		
Interbank investments (Notes 3a and 4)		
Investments in the open market	9,125,328	3,552,077
Interbank deposits	4,905,359	1,477,792
	<u>14,030,687</u>	<u>5,029,869</u>
Securities and derivative financial instruments (Notes 3b, 3c, 5 and 6)		
Own portfolio	2,404,754	1,003,371
Subject to repurchase agreements	955,938	809,708
Trading securities given in guarantee	84,013	157,966
Derivative financial instruments	719,153	665,263
	<u>4,163,858</u>	<u>2,636,308</u>
Loan and other credit operations (Note 7)		
Operations with credit granting characteristics (Note 3d)	6,721,507	5,921,991
Allowance for loan losses (Note 3e)	(148,165)	(219,335)
	<u>6,573,342</u>	<u>5,702,656</u>
Other receivables		
Income receivable	174	2,951
Sundry receivables (Note 17a)	606,426	454,491
	<u>606,600</u>	<u>457,442</u>
Other assets - prepaid expenses	4,313	6,100
TOTAL LONG-TERM RECEIVABLES	25,378,800	13,832,375
PERMANENT ASSETS		
Investments (Notes 3f and 10a)		
Investments in subsidiaries	69,472	105,756
Other investments	26,696	21,564
Provision for loss	(361)	(361)
	<u>95,807</u>	<u>126,959</u>
Fixed assets (Notes 3g and 10b)		
Properties for own use	10,713	10,713
Other fixed assets	51,307	47,532
Accumulated depreciation	(37,585)	(31,379)
	<u>24,435</u>	<u>26,866</u>
Deferred charges (Notes 3h and 10c)		
Goodwill of merged subsidiary	760,905	-
Accumulated amortization of goodwill	(103,659)	-
Organization and expansion expenses	7,342	6,163
Accumulated amortization	(2,705)	(1,860)
	<u>661,883</u>	<u>4,303</u>
TOTAL PERMANENT ASSETS	782,125	158,128
TOTAL ASSETS	77,585,843	40,142,668

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

BALANCE SHEETS AT JUNE 30

In thousands of reais

	2007	2006
LIABILITIES		
CURRENT LIABILITIES		
Deposits (Note 3a)		
Demand deposits	128,862	66,085
Interbank deposits	17,478,272	6,729,864
Time deposits	2,147,878	2,935,457
Other deposits	2	-
	<u>19,755,014</u>	<u>9,731,406</u>
Securities sold under repurchase agreements (Note 3a)		
Own portfolio	973,768	1,015,252
Third party portfolio	4,922,766	1,023,176
	<u>5,896,534</u>	<u>2,038,428</u>
Funds from acceptances and issue of securities - issue of securities abroad (Note 3a)	261,734	149,681
Interbank accounts - receipts and payments pending settlement	5,370	829
Interdepartmental accounts - third party funds in transit	973,883	451,684
Borrowings and onlendings (Note 3a)		
Local borrowings - other institutions	1,499	1,470
Foreign borrowings	4,625,521	1,934,753
Local onlendings - official institutions - National Bank for Economic and Social Development (BNDES)	505,421	630,166
Local onlendings - official institutions - Government Agency for Machinery and Equipment (FINAME)	450,328	317,660
Local onlendings - official institutions - OTHERS	51,240	1,465
	<u>5,634,009</u>	<u>2,885,514</u>
Derivative financial instruments (Notes 3c and 6)	2,557,491	2,293,448
Other liabilities		
Collection and payment of taxes	28,254	3,686
Foreign exchange portfolio (Note 8)	4,808,764	1,861,982
Social and statutory	252,255	224,775
Taxes and social security contributions (Note 17c)	286,510	445,216
Negotiation and intermediation of securities (Note 9)	190,142	175,151
Subordinated debt	-	62
Sundry liabilities (Note 17b)	86,915	112,929
	<u>5,652,840</u>	<u>2,823,801</u>
TOTAL CURRENT LIABILITIES	40,736,875	20,374,791
LONG-TERM LIABILITIES		
Deposits (Notes 3a and 14)		
Interbank deposits	19,113,478	6,522,346
Time deposits	1,905,985	1,142,719
	<u>21,019,463</u>	<u>7,665,065</u>
Securities sold under repurchase agreements (Notes 3a and 14)		
Own portfolio	587,237	564,616
Third party portfolio	4,158,839	2,383,154
	<u>4,746,076</u>	<u>2,947,770</u>
Funds from acceptances and issue of securities - issue of securities abroad (Notes 3a and 14)	754,651	429,840
Borrowings and onlendings (Notes 3a and 14)		
Foreign borrowings	927,223	570,884
Local onlendings - official institutions - BNDES	1,445,883	1,438,994
Local onlendings - official institutions - FINAME	609,883	595,164
Local onlendings - official institutions - OTHERS	46,572	19,957
	<u>3,029,561</u>	<u>2,624,999</u>
Derivative financial instruments (Notes 3c and 6)	1,185,672	597,248
Other liabilities		
Taxes and social security contributions (Note 17c)	585,599	508,954
Subordinated debt	-	108,044
Sundry liabilities (Note 17b)	-	3,043
	<u>585,599</u>	<u>620,041</u>
TOTAL LONG-TERM LIABILITIES	31,321,022	14,884,963
DEFERRED INCOME (Note 3k)	16,728	11,344
STOCKHOLDERS' EQUITY (Note 15)		
Capital - local	4,223,086	2,755,795
Capital reserves	13,321	99,314
Revenue reserves	1,049,757	1,761,472
Adjustments to market value - securities and derivative financial instruments (Notes 3b, 3c and 5)	21,791	9,710
Retained earnings	203,263	245,279
	<u>5,511,218</u>	<u>4,871,570</u>
TOTAL STOCKHOLDERS' EQUITY	5,511,218	4,871,570
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	77,585,843	40,142,668

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

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

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

In thousands of reais, except net income per share

	2007	2006
INCOME FROM FINANCIAL INTERMEDIATION		
Credit operations	184,592	540,714
Securities	2,246,614	1,149,934
Derivative financial instruments	(98,547)	532,509
Foreign exchange, net (Note 2)	25,772	-
	2,358,431	2,223,157
EXPENSES ON FINANCIAL INTERMEDIATION		
Funds obtained in the market	(1,836,464)	(1,185,749)
Borrowings, credit assignments and onlendings	211,389	(45,246)
Foreign exchange, net (Note 2)	-	(9,734)
Allowance for loan losses (Note 7g)	48,218	(29,012)
	(1,576,857)	(1,269,741)
NET INCOME FROM FINANCIAL INTERMEDIATION	781,574	953,416
OTHER OPERATING INCOME (EXPENSES)		
Commissions and fees	132,955	122,505
Personnel expenses	(100,383)	(86,909)
Other administrative expenses	(157,427)	(75,223)
Taxes (Notes 3j and 17d)	(71,649)	(77,523)
Equity in the earnings of subsidiaries (Note 10a)	814	5,243
Other operating income (Note 17e)	53,137	136,283
Other operating expenses (Note 17f)	(9,109)	(28,514)
	(151,662)	(4,138)
NET OPERATING INCOME	629,912	949,278
NON-OPERATING INCOME (EXPENSES), NET	(68)	2,233
PROFIT BEFORE TAXATION AND PROFIT SHARING	629,844	951,511
INCOME TAX (Notes 3j and 12a)	(174,604)	(248,760)
SOCIAL CONTRIBUTION ON NET INCOME (Notes 3j and 12a)	(68,377)	(93,589)
NET DEFERRED TAXES (Notes 3j and 12a)	45,734	54,252
PROFIT SHARING	(58,920)	(83,563)
NET INCOME	373,677	579,851
NET INCOME PER SHARE - in reais	35.36	56.21

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

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Note 15)

In thousands of reais

	Capital	Capital	Capital	Revenue reserves		Adjustments to	Retained	Total
	increase	incentives	Fiscal	Legal	Statutory	market value -	earnings	
		and other	reserves			securities		
			and other			and derivative		
						financial		
						instruments		
Balances at December 31, 2005	2,755,795	-	97,348	187,864	1,226,384	27,479	245,279	4,540,149
Revaluation of stock exchange membership certificates	-	-	1,966	-	-	-	-	1,966
Adjustments to market value - securities and derivative financial instruments	-	-	-	-	-	(17,769)	-	(17,769)
Net income for the six-month period	-	-	-	-	-	-	579,851	579,851
Appropriation to legal reserve	-	-	-	28,993	-	-	(28,993)	-
Dividends paid/provided (R\$9.732 per share)	-	-	-	-	(100,393)	-	-	(100,393)
Interest on own capital paid/provided (R\$12.818 per share)	-	-	-	-	-	-	(132,234)	(132,234)
Constitution of statutory reserves	-	-	-	-	418,624	-	(418,624)	-
Balances at June 30, 2006	2,755,795	-	99,314	216,857	1,544,615	9,710	245,279	4,871,570
Changes in the period	-	-	1,966	28,993	318,231	(17,769)	-	331,421
Balances at December 31, 2006	2,877,207	-	100,919	243,142	1,814,389	37,187	245,279	5,318,123
Capitalization of retained earnings and reserves ...	-	1,345,879	(90,356)	-	(1,213,506)	-	(42,017)	-
Revaluation of stock exchange membership certificates	-	-	2,758	-	-	-	-	2,758
Adjustments to market value - securities and derivative financial instruments	-	-	-	-	-	(15,396)	-	(15,396)
Net income for the six-month period	-	-	-	-	-	-	373,677	373,677
Appropriation to legal reserve	-	-	-	18,684	-	-	(18,684)	-
Dividends paid/provided (R\$4.205 per share)	-	-	-	-	(44,442)	-	-	(44,442)
Interest on own capital paid/provided (R\$11.685 per share)	-	-	-	-	-	-	(123,502)	(123,502)
Constitution of statutory reserves	-	-	-	-	231,490	-	(231,490)	-
Balances at June 30, 2007	2,877,207	1,345,879	13,321	261,826	787,931	21,791	203,263	5,511,218
Changes in the period	-	1,345,879	(87,598)	18,684	(1,026,458)	(15,396)	(42,016)	193,095

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

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE SIX-MONTH PERIODS ENDED JUNE 30

In thousands of reais

	2007	2006
FINANCIAL RESOURCES WERE PROVIDED BY:		
Adjusted net income		
Net income	373,677	579,851
Amortization and depreciation	5,180	3,094
Amortization of goodwill of merged subsidiary	67,991	-
Equity in the earnings of subsidiaries	(814)	(5,243)
Amortization of goodwill	465	-
	446,499	577,702
Changes in deferred income	(4,903)	(931)
Third party resources provided by:		
Increase in current and long-term liabilities		
Deposits	13,987,656	-
Securities sold under repurchase agreements	807,432	957,431
Funds from acceptances and issue of securities	533,288	141,743
Interbank accounts	5,370	829
Interdepartmental accounts	675,061	190,528
Borrowings and onlendings	2,235,023	-
Derivative financial instruments	1,558,143	330,861
Other liabilities	2,758,797	-
	22,560,770	1,621,392
Decrease in current assets and long-term receivables		
Interbank investments	-	1,291,563
Interbank accounts	2,839	45,107
Loan and other credit operations	379,297	495,234
Other receivables and other assets	-	530,590
	382,136	2,362,494
Decrease in investments in subsidiaries	170,600	8,036
Others	89	790
	23,555,191	4,569,483
FINANCIAL RESOURCES WERE USED FOR:		
Dividends paid/provided	44,442	100,393
Interest on own capital paid/provided	123,502	132,234
Investments in:		
Subsidiaries	3,325	2,532
Goodwill on purchase of investments	4,548	-
Fixed assets	3,223	2,609
Increase in deferred income	98	-
Increase in current assets and long-term receivables		
Interbank investments	14,747,317	-
Securities and derivative financial instruments	4,222,103	1,313,700
Other assets	4,053,653	-
	23,023,073	1,313,700
Decrease in current and long-term liabilities		
Deposits	-	1,164,488
Borrowings and onlendings	-	1,260,221
Other liabilities	-	574,005
	-	2,998,714
	23,202,211	4,550,182
INCREASE IN CASH AND BANKS	352,980	19,301
CASH AND BANKS		
At the beginning of the six-month-period	89,976	116,505
At the end of the six-month-period	442,956	135,806
INCREASE IN CASH AND BANKS	352,980	19,301

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

All amounts in thousands of reais, unless otherwise indicated

1. OPERATIONS

Banco Itaú BBA S.A. ("Itaú BBA") develops its businesses within a wholesale bank structure, with vocation to the attendance to customers.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements of Itaú BBA have been prepared in conformity with Brazilian corporate legislation together with the rules and regulations of the Brazilian Central Bank (BACEN), and the National Monetary Council (CMN). As determined by BACEN Circular 2804/98, the financial information of the foreign branches is included in the consolidated financial statements of Itaú BBA, converted into Brazilian reais at the exchange rates prevailing on the balance sheet dates. As set forth in the sole paragraph of article 7 of BACEN Circular 3068/01, securities classified as trading securities are presented in the balance sheet under current assets, regardless of their maturity dates. Advances on exchange contracts are reclassified from Other liabilities – Foreign exchange portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of income and expenses, in order to present exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

3. SIGNIFICANT ACCOUNTING PRACTICES

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

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

b) Securities

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

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

Gains and losses on securities available for sale, when realized, are recognized at the trade date in the statement of income, with a corresponding entry to the stockholders' equity account, "Adjustments to market value – securities and derivative financial instruments".

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

c) Derivative financial instruments

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

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

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

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

d) Loan and other credits operations (Operations with credit granting characteristics)

These transactions are recorded at present values and calculated "pro rata die" based on the variation of the contracted index and interest rate, and are recorded on the accrual basis until 60th day overdue. After the 60th day, income is recognized upon the effective receipt of installments.

e) 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 the rules determined by CMN Resolution 2682/99, among which are:

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

f) Investments

The investments in subsidiaries are accounted for under the equity method and the financial statements of foreign branches are consolidated, adapted to comply with Brazilian accounting practices and translated into reais. Other investments are recorded at cost plus price-level restatements up to December 31, 1995 and, when applicable, setting up a provision for loss, in accordance with current standards. The Goodwill is being amortized based on the expected future profitability (10 years) or by the realization of investments.

g) Fixed assets

Fixed assets are stated at cost of acquisition, less accumulated depreciation, restated up to December 31, 1995. Depreciation is calculated using the straight-line method, based on monetarily corrected cost, considering that the installations and equipment with residual value up to R\$3 are fully depreciated. Depreciation is calculated at the following annual rates:

Properties for own use	4%
Communication systems, installations, furniture and fixtures	10%
Vehicles and data processing equipment	20%

h) Deferred charges

The Goodwill of merged subsidiary corresponds to the goodwill on the purchase of investment, which was transferred to deferred charges in accordance with Law 9,532/97.

Deferred organization and expansion expenditures mainly represent leasehold improvements and acquisition of software, which are amortized on the straight-line method over the contractual terms, limited to ten and five years, respectively.

i) Contingent assets and liabilities and legal liabilities – Tax and social security

These assets and liabilities are assessed, recognized and disclosed according to set forth in Brazilian Securities Commission (CVM) Resolution 489/05.

i - Contingent assets and liabilities:

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

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

ii - Legal liabilities – Tax and social security:

These liabilities are 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.

j) 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 on net income	9.00%
PIS - Social Integration Program	0.65%
COFINS Social Contribution on Revenues	4.00%
ISS - Services Tax	up to 5.00%
CPMF – Tax on Bank Outflows	0.38%

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

k) Deferred income

Deferred income refers basically to unexpired interest received in advance that is recorded as income is earned.

l) Determination of net income

Net income is recorded on the accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

4. INTERBANK INVESTMENTS

Interbank investments can be summarized as follows:

	2007					2006				
	Balance	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months	Balance	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months
Investments in the open market										
Funded position										
Without free movement ...	161,730	78,128	-	-	83,602	211,606	117,044	-	1,562	93,000
With free movement(*) ...	86,342	-	86,342	-	-	100,901	100,901	-	-	-
	248,072	78,128	86,342	-	83,602	312,507	217,945	-	1,562	93,000
Financed position	9,672,989	631,263	-	-	9,041,726	3,878,303	161,062	-	258,164	3,459,077
	9,921,061	709,391	86,342	-	9,125,328	4,190,810	379,007	-	259,726	3,552,077
Interbank deposits	24,985,810	13,180,462	4,596,376	2,303,613	4,905,359	7,866,386	4,455,609	1,153,937	779,048	1,477,792
Total	34,906,871	13,889,853	4,682,718	2,303,613	14,030,687	12,057,196	4,834,616	1,153,937	1,038,774	5,029,869

(*) At June 30, 2007, R\$ 28,236 were restricted to guarantee of operations in the Brazilian Mercantile & Futures Exchange (BM&F).

5. SECURITIES

	2007				2006			
	Cost of acquisition ^(b)	Market value ^(c)	Gross amount	Net amount	Due up to three months	Due from three to six months	Due from six to 12 months	Maturity Due after 12 months
Trading: ^(a)								
Brazilian government securities	1,948,669	1,977,575	28,906	40	3,993	49,762	563,969	1,359,851
Foreign government securities	159,605	157,097	(2,508)	3,229	2,165	-	-	154,932
Debentures and commercial paper	58,475	58,431	(44)	(2,335)	7,400	-	6,637	44,394
Shares	231,054	246,674	15,620	785	246,674	-	-	-
Real estate receivables certificates	102,681	110,701	8,020	2,130	-	16,534	-	94,167
Term of energy certificates	59,418	59,551	133	17,942	35,729	23,822	-	-
Eurobonds and Others	1,039,043	1,048,521	9,478	17,942	347,784	-	-	700,737
Funds	463,271	463,271	-	-	463,271	-	-	-
	4,062,216	4,121,821	59,605 ^(d)	21,791 ^(e)	1,107,016	90,118	570,606	2,354,081
Available for sale:								
Brazilian government securities	189,801	189,874	73	40	100,953	-	77,160	11,761
Foreign government securities	2,020,583	2,025,714	5,131	3,229	-	1,797,977	227,737	-
Debentures and commercial paper	2,483,961	2,480,246	(3,715)	(2,335)	479,867	100,975	187,983	1,711,421
Shares	540,536	541,783	1,247	785	541,783	-	-	-
Bank certificates of deposit	20,003	20,003	-	-	20,003	-	-	-
Real estate receivables certificates	70,122	73,507	3,385	2,130	2,627	215	8,171	62,494
Eurobonds and Others	4,304,760	4,332,413	27,653	17,942	22,298	35,804	2,720,749	1,553,562
Funds	972,283	972,283	-	-	972,283	-	-	-
	10,602,049	10,635,823	33,774	21,791 ^(e)	2,139,814	1,934,971	3,221,800	3,339,238
Held to maturity:								
Brazilian government securities	105,453	132,285			10,937	1,394	11,576	81,546
Foreign government securities	18,321	21,003			521	-	-	17,800
Debentures and commercial paper	8,142	8,139			533	514	974	6,121
	131,916	161,427 ^(f)			11,991	1,908	12,550	105,467
Total	14,796,181	14,919,071			3,258,821	2,026,997	3,804,956	5,798,786

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(continued)

All amounts in thousands of reais, unless otherwise indicated

	2006							
	Cost of acquisition ^(b)	Market value ^(c)	Adjustment (cost less market)		Due up to three months	Due from three to six months	Due from six to 12 months	Maturity Due after 12 months
			Gross amount	Net amount				
Trading: ^(a)								
Brazilian government securities	877,169	878,787	1,618	-	28,308	-	298,604	551,875
Foreign government securities	171,812	172,329	517	-	460	519	-	171,350
Shares	36,967	38,791	1,824	-	38,791	-	-	-
Bank certificates of deposit	233,012	233,012	-	-	52,636	-	180,376	-
Real estate receivables certificates	105,513	102,676	(2,837)	-	-	16,224	-	86,452
Term of energy certificates	29,145	30,362	1,217	-	5,372	5,365	10,715	8,910
Eurobonds and Others	134,665	136,603	1,938	-	-	1,876	-	134,727
Funds	395,197	395,197	-	-	395,197	-	-	-
	<u>1,983,480</u>	<u>1,987,757</u>	<u>4,277</u> ^(d)	-	<u>520,764</u>	<u>23,984</u>	<u>489,695</u>	<u>953,314</u>
Available for sale:								
Brazilian government securities	1,134,720	1,138,325	3,605	2,333	15,270	96,694	917,364	108,997
Debentures	1,409,182	1,409,581	399	251	94,301	25,487	109,170	1,180,623
Shares	635,901	630,248	(5,653)	(3,909)	630,248	-	-	-
Real estate receivables certificates	78,717	73,081	(5,636)	(3,547)	3,608	211	7,879	61,383
Eurobonds and Others	1,330,057	1,352,227	22,170	14,582	63,045	122,739	680,813	485,630
Funds	944,795	944,795	-	-	944,795	-	-	-
	<u>5,533,372</u>	<u>5,548,257</u>	<u>14,885</u>	<u>9,710</u> ^(e)	<u>1,751,267</u>	<u>245,131</u>	<u>1,715,226</u>	<u>1,836,633</u>
Held to maturity:								
Brazilian government securities	138,220	174,724	-	-	14,493	1,608	14,851	107,268
Foreign government securities	20,325	20,384	-	-	580	-	-	19,745
Debentures	9,543	9,543	-	-	565	545	1,034	7,399
	<u>168,088</u>	<u>204,651</u> ^(f)	-	-	<u>15,638</u>	<u>2,153</u>	<u>15,885</u>	<u>134,412</u>
Total	<u>7,684,940</u>	<u>7,740,665</u>			<u>2,287,669</u>	<u>271,268</u>	<u>2,220,806</u>	<u>2,924,359</u>

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

^(b) Cost of acquisition plus income accrued up to the balance sheet date.

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

^(d) Recognized directly in the statement of income.

^(e) The unrealized gains/losses are recorded in a special stockholders' equity account at their amounts net of taxes.

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

Comments:

Securities given in guarantee amount to R\$1,672,458 (2006 - R\$1,436,105) and basically refer to derivative financial instrument transactions in the BM&F.

6. 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 and assets prices and credit, aiming to hedge the Bank against default by the counterpart. Accordingly, Itaú BBA is fully involved in the derivative markets for meeting the growing needs of its clients, as well as carrying out its risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

Most derivative contracts traded with clients in Brazil are swap and futures contracts, which are registered at the Brazilian Mercantile and Futures Exchange (BM&F) or at the Clearing House for the Custody and Financial Settlement of Securities (CETIP). BM&F future contracts involving interbank rates and U.S. dollars are mainly used to lock the financing rates offered to customers with maturity or currency mismatches between their obligations and the resources used to fund them. Itaú BBA carries out transactions overseas with futures, forwards, options, swaps and credits, with registration mainly in the Chicago, New York and London Exchanges.

The main risk factors of the derivatives, assumed by Itaú BBA at June 30, 2007, were related to the foreign exchange rate, interest rate, U.S. dollar coupon and 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 Bank, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

The pricing models used are compatible with the complexity of the transactions and appropriate for the financial instruments negotiated. The techniques used are based on asset valuation models contingent to the options (such as the Black & Scholes models) and models of non-arbitration for the futures and swap contracts.

The establishment of the market values of derivative instruments is determined using the available market information, such as from brokers, external information providers and even comparisons with rates and prices of other banks, thereby achieving a consistent valuation of the actual market values of the priced instruments.

The Bank carries out operations involving credit derivatives with the purpose of optimizing the management of its exposure to the credit risk of the assets of its balance sheet.

The operations carried out for credit portfolio management reduce the specific risks of the counterpart in default, transferring these risks, totally or partially, to the institution that sells the hedge. Such risks are daily monitored in view of the credit limits established for each counterpart, thus ensuring that they are properly managed.

These financial instruments have their notional values recorded in memorandum accounts and adjustments/premiums are recorded in balance sheet accounts.

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(continued)

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Derivative financial instruments can be summarized as follows:

a) SWAP and arbitrage transactions (*)

	Amounts per contracted rates and indices			2007 Market value	Amounts per contracted rates and indices			2006 Market value
	Assets	Liabilities	Net position	Net position	Assets	Liabilities	Net position	Net position
i) Index:								
a) Foreign currency	13,598,650	19,981,955	(6,383,305)	(6,248,577)	16,715,642	18,261,455	(1,545,813)	(4,805,192)
b) Floating rates	23,242,579	1,365,340	21,877,239	21,874,715	1,785,205	2,359,275	(574,070)	(580,577)
c) Fixed rates	12,624,512	15,519,473	(2,894,961)	(2,972,484)	11,460,545	6,349,576	5,110,969	4,655,763
d) Interbank market	18,172,674	30,943,879	(12,771,205)	(12,791,402)	16,032,827	18,325,961	(2,293,134)	1,447,747
e) Indices	4,645,681	4,578,840	66,841	52,277	3,889,616	4,593,064	(703,448)	(685,931)
f) Others	223,070	90,478	132,592	131,631	91,047	96,055	(5,008)	(5,374)
	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>	<u>49,974,882</u>	<u>49,985,386</u>	<u>(10,504)</u>	<u>26,436</u>
ii) Counterparties:								
a) Companies	11,181,148	10,962,586	218,562	214,221	8,845,929	8,383,607	462,322	401,539
b) BM&F	7,465,061	7,443,003	22,058	22,862	12,203,843	12,199,588	4,255	17,395
c) Financial institutions	8,801,486	9,041,917	(240,431)	(230,384)	7,043,996	6,974,160	69,836	105,171
d) Related parties	45,059,471	45,032,459	27,012	39,461	21,881,114	22,428,031	(546,917)	(497,669)
	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>	<u>49,974,882</u>	<u>49,985,386</u>	<u>(10,504)</u>	<u>26,436</u>
iii) Maturity:								
a) Due up to three months	18,986,518	18,854,725	131,793	166,815	20,218,406	20,292,808	(74,402)	(46,289)
b) Due from three to six months	8,305,242	8,219,538	85,704	96,010	7,010,110	6,997,710	12,400	33,860
c) Due from six to 12 months	13,356,887	13,306,889	49,998	48,411	10,036,333	10,135,096	(98,763)	(80,022)
d) Due after 12 months	31,858,519	32,098,813	(240,294)	(265,076)	12,710,033	12,559,772	150,261	118,887
	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>	<u>49,974,882</u>	<u>49,985,386</u>	<u>(10,504)</u>	<u>26,436</u>
iv) Market:								
a) BM&F	7,471,380	7,446,462	24,918	25,703	12,223,244	12,212,011	11,233	24,354
b) Over-the-counter market	65,035,786	65,033,503	2,283	20,457	37,751,638	37,773,375	(21,737)	2,082
	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>	<u>49,974,882</u>	<u>49,985,386</u>	<u>(10,504)</u>	<u>26,436</u>

(*) The arbitrage transactions are classified in Other receivables and Other liabilities - foreign exchange portfolio.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

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b) Options

	2007		Premium paid or (received) 2006	
	Cost	Market value	Cost	Market value
i) Contractual rights:				
a) Foreign currency	43,449	36,534	37,349	21,491
b) Reais	5,230	3,746	8,848	4,135
c) Securities	-	-	3,052	2,947
d) Indices	34,992	21,373	2,068	1,222
e) Shares	221,204	220,791	135,987	139,846
f) Others	12,802	9,782	1,086	951
	<u>317,677</u>	<u>292,226</u>	<u>188,390</u>	<u>170,592</u>
ii) Contractual obligations:				
a) Foreign currency	(36,187)	(38,318)	(28,976)	(25,693)
b) Reais	(48,501)	(34,167)	(15,834)	(8,624)
c) Securities	-	-	(3,052)	(923)
d) Indices	(31,455)	(18,050)	(798)	(521)
e) Others	(7,338)	(3,905)	-	-
	<u>(123,481)</u>	<u>(94,440)</u>	<u>(48,660)</u>	<u>(35,761)</u>
Total	<u>194,196</u>	<u>197,786</u>	<u>139,730</u>	<u>134,831</u>
iii) Counterparties:				
a) Companies	213,725	204,421	135,987	139,976
b) Futures and Stock Exchanges	(10,199)	(7,798)	(8,581)	(7,441)
c) Financial institutions	(11,569)	400	14,244	2,588
d) Related parties	2,239	763	(1,920)	(292)
	<u>194,196</u>	<u>197,786</u>	<u>139,730</u>	<u>134,831</u>
iv) Maturity:				
a) Due up to three months	(1,096)	(6,132)	14,667	2,746
b) Due from three to six months	(5,265)	(13,269)	(6,981)	(4,530)
c) Due from six to 12 months	198,159	213,222	131,228	135,990
d) Due after 12 months	2,398	3,965	816	625
	<u>194,196</u>	<u>197,786</u>	<u>139,730</u>	<u>134,831</u>
v) Market:				
a) Exchange traded options	(11,212)	(7,441)	(7,203)	(6,740)
b) Over-the-counter market	205,408	205,227	146,933	141,571
	<u>194,196</u>	<u>197,786</u>	<u>139,730</u>	<u>134,831</u>

c) Forward operations realized with the counter market

	2007	
	Cost	Market value
i) Index:		
a) Securities		
Sales receivable	343,924	343,899
Obligation by sell to delivery	(343,924)	(343,899)
ii) Counterparties:		
a) Financial institutions	343,924	343,899
iii) Maturity:		
a) Due up to three months	343,924	343,899

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(continued)

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d) Futures contracts

	2007			2006		
	Cost (*)	Market value	Net position	Cost (*)	Market value	Net position
i) Index:						
a) US dollar coupon (DDI)						
Purchase contracts	20,482,824	20,489,430	6,606	3,548,135	3,546,838	(1,297)
Sale contracts	(17,444,949)	(17,450,872)	(5,923)	(2,655,716)	(2,654,620)	1,096
b) Interest rate (DI1)						
Purchase contracts	27,354,980	27,356,480	1,500	62,978,899	62,978,603	(296)
Sale contracts	(3,490,384)	(3,491,105)	(721)	(2,286,895)	(2,287,157)	(262)
c) Foreign currency						
Purchase contracts	64,136,420	64,136,561	141	325,661	325,523	(138)
Sale contracts	(18,705,857)	(18,706,748)	(891)	(670,482)	(670,461)	21
d) Indices						
Purchase contracts	1,642,267	1,642,387	120	52,471,012	52,471,012	-
Sale contracts	(195,770)	(195,770)	-	(6,538,338)	(6,538,416)	(78)
e) Securities						
Purchase contracts	42,454	42,415	(39)	89,962	90,089	127
Sale contracts	(82,626)	(82,638)	(12)	-	-	-
f) Others						
Purchase contracts	186	186	-	-	-	-
Sale contracts	(2,598)	(2,598)	-	-	-	-
	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>	<u>107,262,238</u>	<u>107,261,411</u>	<u>(827)</u>
ii) Counterparties:						
a) BM&F	24,111,401	24,112,182	781	61,309,883	61,309,056	(827)
b) Financial institutions	49,625,546	49,625,546	-	45,952,355	45,952,355	-
	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>	<u>107,262,238</u>	<u>107,261,411</u>	<u>(827)</u>
iii) Maturity:						
a) Due up to three months	(30,126,106)	(30,130,843)	(4,737)	67,828,513	67,828,624	111
b) Due from three to six months	48,384,301	48,386,842	2,541	32,566,288	32,565,877	(411)
c) Due from six to 12 months	55,741,540	55,745,819	4,279	6,083,777	6,083,648	(129)
d) Due after 12 months	(262,788)	(264,090)	(1,302)	783,660	783,262	(398)
	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>	<u>107,262,238</u>	<u>107,261,411</u>	<u>(827)</u>
iv) Market:						
a) BM&F	24,111,401	24,112,182	781	61,309,883	61,309,056	(827)
b) Over-the-counter market	49,625,546	49,625,546	-	45,952,355	45,952,355	-
	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>	<u>107,262,238</u>	<u>107,261,411</u>	<u>(827)</u>

(*) Memorandum account.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

e) Other derivative financial instruments

	2007		2006	
	Carrying amount	Market value	Carrying amount	Market value
i) Index:				
a) Foreign currency				
Purchase contracts	870,947	873,848	1,235,733	1,247,579
Sale contracts	(1,208,702)	(1,234,361)	(1,298,217)	(1,383,353)
b) Reais				
Purchase contracts	53,125	53,125	43,256	43,256
Sale contracts	(230,363)	(230,363)	(16,500)	(16,500)
c) Fixed rates				
Purchase contracts	13,056	41,219	1,942	13,636
Sale contracts	(42,438)	(97,565)	(839)	(5,012)
d) Others				
Purchase contracts	39	39	-	2,473
Sale contracts	(144)	(766)	(106)	(106)
	<u>(544,480)</u>	<u>(594,824)</u>	<u>(34,731)</u>	<u>(98,027)</u>
ii) Counterparties:				
a) Companies	(346,674)	(369,443)	(68,091)	(141,063)
b) BM&F	-	(702)	-	-
c) Financial institutions	(215,993)	(242,849)	(5,834)	1,369
d) Related parties	18,187	18,170	39,194	41,667
	<u>(544,480)</u>	<u>(594,824)</u>	<u>(34,731)</u>	<u>(98,027)</u>
iii) Maturity:				
a) Due up to three months	(118,744)	(121,918)	33,934	20,609
b) Due from three to six months	(132,916)	(157,691)	(8,601)	(25,118)
c) Due from six to 12 months	(100,603)	(109,807)	(22,720)	(42,021)
d) Due after 12 months	(192,217)	(205,408)	(37,344)	(51,497)
	<u>(544,480)</u>	<u>(594,824)</u>	<u>(34,731)</u>	<u>(98,027)</u>
vi) Market:				
a) BM&F	-	(702)	-	-
b) Over-the-counter market	(544,480)	(594,122)	(34,731)	(98,027)
	<u>(544,480)</u>	<u>(594,824)</u>	<u>(34,731)</u>	<u>(98,027)</u>

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(continued)

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f) Credit derivatives

Itaú BBA carries out operations involving credit derivatives for the following purposes: a) reducing or eliminating its exposure to specific risks to the assets of its balance sheet based on the concept of credit portfolio management; and b) assuming risk positions by way of hedging purchases or sales based on the trading concept.

The transactions carried out for credit portfolio management mitigate the specific risks of the counterparty debtor, transferring these risks, totally or partially, to the institution that sells the hedge. These risks are monitored daily in view of the credit limits established for each counterparty, thus ensuring that they are properly managed.

The transactions realized by the Treasury Department are controlled daily through sophisticated pricing and risk market measurement models, affecting the VaR and VaR Stress limits established by it.

The transactions can be summarized as follows:

	Credit risk amount (*)		Effect on the calculation of the required net equity	
	2007	2006	2007	2006
Transferred:				
Credit swaps whose underlying assets are:				
Securities	(2,744,385)	-	(301,883)	-
Derivatives with companies	(70,022)	-	(7,703)	-
Total return rate swap whose underlying assets are:				
Securities	(144,465)	-	(15,891)	-
Derivatives with companies	(8,148)	-	(896)	-
Received:				
Credit swaps whose underlying assets are:				
Securities	3,601,640	-	128,189	-
Derivatives with companies	140,000	119,500	15,400	13,145
Total	774,620	119,500	(182,784)	13,145

(*) Memorandum account.

The market value of the credit derivative operations described above, recorded in assets, amounted to R\$40,972, and in liabilities, to R\$96,528 (2006 - R\$106). During the 1st six-month period, there was no occurrence of a credit event as provided for in the agreements.

g) The guarantees

The guarantees given in the derivative financial instrument transactions amounted to R\$1,524,176 (2006 - R\$1,078,365), represented by securities.

7. LOAN AND OTHER CREDIT OPERATIONS AND ALLOWANCE FOR LOAN LOSSES

Itaú BBA is a wholesale bank and, therefore, concentrates its business mainly on large Brazilian and multinational corporations; consequently, individual loans involve high amounts (an average of approximately R\$18 million (2006 - R\$18 million) per customer).

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

a) Analysis of the loan portfolio by type of transaction

	2007	2006
Credit operations:		
Loans and bills discounted	6,696,199	5,752,615
Financing	6,829,006	5,703,744
Foreign currency financing	519,383	306,525
Farming and agribusiness financing	2,054,316	1,936,148
Advances on exchange contracts ⁽¹⁾	527,047	795,646
Other operations ⁽²⁾	30,068	32,584
	<u>16,656,019</u>	<u>14,527,262</u>

⁽¹⁾ Advances on exchange contracts have been reclassified from "Other liabilities – foreign exchange portfolio".⁽²⁾ Includes sureties paid, income receivable from advances granted, receivables for purchase of assets, and securities and credits receivable reclassified from "Other receivables".**b) Analysis of the loan portfolio by sector**

	2007	2006
Public sector		
Chemical and petrochemical	130,539	179,425
Electrical energy generation and distribution	501,289	922,412
Others	113,792	81,521
	<u>745,620</u>	<u>1,183,358</u>
Private sector		
Industry		
Food and beverages	1,486,147	1,074,491
Steel and metallurgy	764,951	682,422
Chemical and petrochemical	961,060	1,034,862
Electrical and electronic	599,642	417,832
Paper and pulp	250,982	137,030
Light and heavy vehicles	251,604	360,018
Textile and clothing	356,651	175,779
Mechanical	189,880	190,348
Tobacco	243,614	371,395
Fertilizers, insecticides and crop protection	614,102	587,388
Autoparts and accessories	226,643	207,709
Construction materials	278,096	296,458
Pharmaceuticals	203,951	189,494
Wood and furniture	249,842	284,377
Tractors and agribusiness machinery	43,924	50,692
Industry - others	165,684	163,425
	<u>6,886,773</u>	<u>6,223,720</u>
Commerce		
Retail	441,140	502,081
Wholesale	179,835	56,528
Commerce - others	72,286	125,606
	<u>693,261</u>	<u>684,215</u>
Services		
Telecommunications	595,607	1,030,344
Electrical energy generation and distribution	1,522,681	1,268,167
Financial	322,881	309,819
Service companies	530,200	251,444
Contractors and real estate agents	1,158,887	399,867
Utility concessionaires	399,802	366,858
Transportation	69,369	45,443
Communication	353,794	8,570
Services - others	606,171	523,096
	<u>5,559,392</u>	<u>4,203,608</u>
Primary sector		
Mining	270,929	229,704
Farming and livestock	2,214,994	1,911,099
Primary – others	10,601	12,774
	<u>2,496,524</u>	<u>2,153,577</u>
Others	<u>274,449</u>	<u>78,784</u>
	<u>15,910,399</u>	<u>13,343,904</u>
	<u>16,656,019</u>	<u>14,527,262</u>

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Banco Itaú BBA S.A.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

c) Credit risk concentration

	2007	2006
Largest debtor	518,805	517,372
Percentage of the total loan portfolio	3.11%	3.56%
20 largest debtors	4,946,369	4,929,226
Percentage of the total loan portfolio	29.70%	33.93%

d) Analysis of the loan portfolio by maturity

	2007	2006
i) Overdue up to 14 days in normal situation	47,190	62,032
ii) Overdue up to 14 days in abnormal situation	1	-
iii) Overdue from 15 to 60 days	44,739	26,394
iv) Overdue more than 60 days	30,851	15,041
v) Amounts not due of overdue transactions	34,619	23,228
vi) Due up to 90 days	4,769,293	4,111,828
vii) Due from 91 to 180 days	2,695,534	2,087,277
viii) Due from 181 days to one year	2,335,929	2,288,261
ix) Due after one year	6,697,863	5,913,201
	<u>16,656,019</u>	<u>14,527,262</u>

e) Allowance for loan losses

						2007		
Risk level	Normal situation		Abnormal situation		Total	Percentage of provision ⁽²⁾	Allowance for loan losses based on the minimum required percentage ⁽²⁾	Allowance for loan losses recorded
	Installments not due	Overdue installments ⁽¹⁾	Installments not due	Overdue installments				
AA	9,019,430	17,683	-	-	9,037,113	-	-	(44,282)
A	6,095,238	18,497	-	-	6,113,735	0.5%	(30,568)	(60,526)
B	1,255,816	8,169	11,282	37,415	1,312,682	1.0%	(13,127)	(39,249)
C	49,587	1,794	21,751	10,666	83,798	3.0%	(2,514)	(8,371)
D	73,717	1,047	1,354	1,327	77,445	10.0%	(7,745)	(23,226)
E	-	-	103	26,124	26,227	30.0%	(7,868)	(13,111)
F	-	-	52	27	79	50.0%	(39)	(55)
G	-	-	-	-	-	70.0%	-	-
H	4,831	-	77	32	4,940	100.0%	(4,940)	(4,940)
	<u>16,498,619</u>	<u>47,190</u>	<u>34,619</u>	<u>75,591</u>	<u>16,656,019</u>		<u>(66,801)</u>	<u>(193,760)</u>

						2006		
Risk level	Normal situation		Abnormal situation		Total	Percentage of provision ⁽²⁾	Allowance for loan losses based on the minimum required percentage ⁽²⁾	Allowance for loan losses recorded
	Installments not due	Overdue installments ⁽¹⁾	Installments not due	Overdue installments				
AA	7,438,921	32,088	-	-	7,471,009	-	-	(36,608)
A	5,382,537	28,857	-	-	5,411,394	0.5%	(27,057)	(53,573)
B	1,322,196	1,087	2,027	11,376	1,336,686	1.0%	(13,367)	(39,967)
C	65,971	-	2,368	15,120	83,459	3.0%	(2,504)	(8,337)
D	41,283	-	17,755	14,249	73,287	10.0%	(7,328)	(21,979)
E	12,774	-	-	-	12,774	30.0%	(3,832)	(6,386)
F	120,417	-	-	-	120,417	50.0%	(60,208)	(84,279)
G	-	-	-	-	-	70.0%	-	-
H	16,468	-	1,078	690	18,236	100.0%	(18,236)	(18,236)
	<u>14,400,567</u>	<u>62,032</u>	<u>23,228</u>	<u>41,435</u>	<u>14,527,262</u>		<u>(132,532)</u>	<u>(269,365)</u>

⁽¹⁾ Includes overdue installments up to 14 days.

⁽²⁾ Minimum percentage provision required by CMN Resolution 2682/99 per risk level.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

f) Restricted credit operations

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

	Assets		Liabilities		Income/(expenses)	
	2007	2006	2007	2006	2007	2006
Loans	-	183,236	-	-	(12,188)	5,930
Financing	313,949	233,855	-	-	(23,809)	20,943
Farming and agribusiness financing	16,701	-	-	-	964	-
Time deposits	-	-	16,626	-	(1,479)	-
Issue of securities abroad	-	-	204,104	233,855	27,803	(20,708)
Foreign borrowings	-	-	109,725	183,092	8,930	(5,625)
Total	<u>330,650</u>	<u>417,091</u>	<u>330,455</u>	<u>416,947</u>	<u>221</u>	<u>540</u>

At June 30, 2007, there were no default operations.

g) Changes in allowance for loan losses

	2007	2006
Balance at the beginning of the six-month period	(278,883)	(240,186)
Reversal/(Provision) recorded	48,218	(29,012)
Exchange variation on the allowances of the foreign branches	400	(182)
Loans written off	36,505	15
Balance at the end of the six-month period	<u>(193,760)</u>	<u>(269,365)</u>

	2007	2006
h) Recoveries of loans previously written off	215	17,066

i) Assignment of credit without co-obligation

In the 1st six-month period of 2007, in accordance with CMN Resolution 2836/01, credit assignments without joint liabilities were carried out in the amount of R\$154,096. There were no effects resulting from these transactions on stockholders' equity and on results.

8. FOREIGN EXCHANGE PORTFOLIO

The foreign exchange portfolio is represented by:

	2007	2006
Assets - Other receivables		
Foreign exchange purchases pending settlement	2,364,055	1,341,401
Foreign currency bills of exchange and term documents	209	5,145
Rights on foreign exchange sales	2,452,217	499,548
(-) Advances received	(106,795)	(57,258)
	<u>4,709,686</u>	<u>1,788,836</u>
Liabilities - Other liabilities		
Foreign exchange sales pending settlement	2,354,966	492,296
Liabilities for purchases of foreign exchange	2,527,677	1,369,515
Advances on exchange contracts - financial institutions	(74,223)	-
Other	344	171
	<u>4,808,764</u>	<u>1,861,982</u>
Memorandum accounts		
Outstanding import credits	117,592	16,850
Confirmed export credits	58,635	15,405
	<u>176,227</u>	<u>32,255</u>

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NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

9. NEGOTIATION AND INTERMEDIATION OF SECURITIES

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Accounts receivable and payable on sale and purchase of assets	254,156	6,288	88,234	143,420
Contracts for loan of securities	-	129,497	-	31,731
Margin deposits	774,278	-	121,638	-
Other	14,361	14,357	-	-
	<u>1,042,795</u>	<u>190,142</u>	<u>209,872</u>	<u>175,151</u>

10. PERMANENT ASSETS

a) Investments recorded on the equity method of accounting

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

	Capital - number of shares held		Percentage ownership %		Net income/(loss) for the period		Stockholders' equity		Book value of the investments		Equity in earnings	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Itaú BBA Trading S.A. ⁽ⁱ⁾	3,078,040,844	3,078,040,844	100.00	100.00	724	1,413	37,422	27,431	37,422	27,431	724	1,413
Puerto Cia Securitizadora de Créditos Financeiros ⁽ⁱ⁾	178,687,269	364,012,478	99.99	99.99	421	3,795	13,424	76,290	13,424	76,290	421	3,795
Itaú BBA Securitizadora S.A. ⁽ⁱⁱ⁾	-	1,999,994	-	99.99	-	35	-	2,035	-	2,035	76	35
Delle Holdings S.A.	2,362,669	-	34.13	-	(1,191)	-	22,716	-	18,626 ⁽ⁱⁱⁱ⁾	-	(407)	-
									<u>69,472</u>	<u>105,756</u>	<u>814</u>	<u>5,243</u>

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

⁽ⁱ⁾ See Note 17h.

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

⁽ⁱⁱⁱ⁾ Includes goodwill on the purchase of investments of R\$10,873.

The Banco Itaúsaga was acquired on October, 2006, and on January 31, 2007, was merged. The goodwill of R\$725,237 was transferred to Permanent assets deferred charges (see note 10c) and is being amortized over 64 months.

	Net balance at 12/31/2006	Changes			Balance at 06/30/2007			Balance at 06/30/2006		
		Acquisition	Disposals	Depreciation /amortization expense	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
b) Fixed assets										
Properties for own use ⁽ⁱ⁾										
Land	2,536	-	-	-	2,536	-	2,536	2,536	-	2,536
Buildings	3,740	-	-	(204)	8,177	(4,641)	3,536	8,177	(4,233)	3,944
	6,276	-	-	(204)	10,713	(4,641)	6,072	10,713	(4,233)	6,480
Other fixed assets for own use										
Installations	7,158	378	(72)	(512)	10,449	(3,497)	6,952	9,972	(2,581)	7,391
Furniture and equipment	2,205	723	(11)	(859)	6,775	(4,717)	2,058	6,553	(4,183)	2,370
Communication system	4,069	856	(2)	(995)	7,901	(3,973)	3,928	7,351	(3,198)	4,153
Data processing system	5,877	1,262	(4)	(2,101)	25,205	(20,171)	5,034	22,605	(16,685)	5,920
Security system	441	4	-	(54)	732	(341)	391	806	(254)	552
Transport system	-	-	-	-	245	(245)	-	245	(245)	-
	19,750	3,223	(89)	(4,521)	51,307	(32,944)	18,363	47,532	(27,146)	20,386
	26,026	3,223	(89)	(4,725)	62,020	(37,585)	24,435	58,245	(31,379)	26,866
c) Deferred charges										
Goodwill on the purchase of Investments										
	-	725,237	-	(67,991)	760,905	(103,659)	657,246	-	-	-
Leasehold improvements	4,994	98	-	(455)	7,342	(2,705)	4,637	6,163	(1,860)	4,303
	4,994	725,335	-	(68,446)	768,247	(106,364)	661,883	6,163	(1,860)	4,303
Total - (b + c)	31,020	728,558	(89)	(73,171)	830,267	(143,949)	686,318	64,408	(33,239)	31,169

⁽ⁱ⁾ Includes assets given in guarantee in voluntary deposits (Note 17h).

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

11. CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

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

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

	2007			2006		
	Civil	Labor	Total	Civil	Labor	Total
Opening balance	44,316	6,848	51,164	38,394	8,466	46,860
Changes in the period reflected in results:						
Restatements/charges	2,728	556	3,284	2,852	243	3,095
Increase	-	5	5	51	50	101
Reversals	-	-	-	-	(1,096)	(1,096)
	2,728	561	3,289	2,903	(803)	2,100
Payments	-	(99)	(99)	-	-	-
Closing balance (Note 17b)	47,044	7,310	54,354	41,297	7,663	48,960

ii - Possible loss - represented by Civil Lawsuits amounting to R\$358 and Labor Lawsuits amounting to R\$6,541.**c) Legal Liabilities - Tax and Social Security** - represented by amounts payable relating to tax liabilities, the legality or constitutionality of which are subject to administrative or judicial defense. They are recognized at the full amount under discussion. The changes can be summarized as follows:

	2007	2006
Opening balance	504,477	386,849
Changes in the period reflected in results:		
Restatements/charges	15,963	36,641
Increase	48,425	21,636
Reversals	(2,628)	-
	61,760	58,277
Closing balance (Note 17c)	566,237	445,126
Escrow deposits on litigation (Note 17a)	468,527	300,337

According to the opinion of the legal advisors, Itaú BBA is not involved in any administrative proceedings or lawsuits that may significantly affect the results of its operations. The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recorded based on the analysis of internal and external legal advisors, confirms that the amounts provided are within the requirements of CVM Resolution 489/05.

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

	2007	2006
Profit before taxation and profit sharing	629,844	951,511
Income tax and social contribution calculated at 25% and 9%, respectively (Note 3j)	214,147	323,514
Effects of permanent and temporary additions or (exclusions) in the tax calculation:		
(i) Exchange variation on foreign investments	98,247	44,322
(ii) Equity in the earnings of subsidiaries	(277)	(1,783)
(iii) Interest on own capital	(41,991)	(44,960)
(iv) Dividends, interest and tax incentive	(58,293)	(14,161)
(v) Other net exclusions net of other additions	(14,586)	(18,835)
Income tax and social contribution on net income	197,247	288,097

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

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

	December 2006	Realization Reversal	Increase	June 2007	June 2006
Allowance for loan losses	92,318	(80,084)	69,052	81,286	91,814
Other temporarily non-deductible provisions	90,190	(14,358)	71,199	147,031	132,352
Social contribution to be offset (Provisional Measure 2158-35)	34,937	(139)	-	34,798	77,418
Adjustments to market value - securities and derivative financial instruments	22,436	(22,436)	238	238	20,636
Total tax credits	239,881	(117,017)	140,489	263,353	322,220
Deferred tax liabilities	(60,222)	48,888	(59,812)	(71,146)	(94,122)
Tax credits, net of deferred tax liabilities	<u>179,659</u>	<u>(68,129)</u>	<u>80,677</u>	<u>192,207</u>	<u>228,098</u>

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

c) Expectation of realization of the tax credits

The estimate of realization and present value of the deferred income tax and social contribution arising from Provisional Measure 2158-35, existing at June 30, 2007, in accordance with the generation of future taxable income based on technical studies, are:

Expected realization	Tax credits Temporary differences	Social contribution to be offset (PM 2158-35)	Total
2007	111,383	10,678	122,061
2008	31,251	10,678	41,929
2009	3,824	10,678	14,502
2010	37,336	2,764	40,100
2011	1,987	-	1,987
2012 to 2007/June	42,774	-	42,774
Total	<u>228,555</u>	<u>34,798</u>	<u>263,353</u>
Present value (*)	<u>193,758</u>	<u>31,078</u>	<u>224,836</u>

(*) The present value of the tax credits was calculated based on the yield curve of pre-fixed interest rates in reais, considering the realizations within each period, and the applicable tax effects.

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

Net income does not present a direct relationship to taxable income for income tax and social contribution calculation purposes, mainly because of differences between accounting practices and tax legislation, as well as corporate aspects. Accordingly, the realization of the tax credits arising from temporary differences should not be taken as being indicative of future net income.

There were no unrecorded tax credits.

13. FOREIGN BRANCHES

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

	2007	2006
Current assets and long-term receivables	8,018,223	6,206,600
Permanent assets	70	93
Current and long-term liabilities	10,702,145	8,092,434
Deferred income	3,440	2,594
Net income for the 1st six-month period	(39,874)	(90,254)

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

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

Accounts	2007	2006
Credit operations	(291,779)	(139,544)
Securities	(736,651)	(235,112)
Derivative financial instruments	15,700	1,925
Funds obtained in the market	442,856	208,249
Borrowings, credit assignments and onlendings	272,409	27,394
Allowance for loan losses	2,643	1,755
Commissions and fees	(192)	(47)
Personnel expenses	3	2
Other administrative expenses	37	28
Other operating income	6,012	4,990
	<u>(288,962)</u>	<u>(130,360)</u>

14. LONG-TERM LIABILITIES

These liabilities are principally represented by: (a) interbank deposits, time deposits and securities sold under repurchase agreements with remuneration predominantly in post-fixed interest rates; (b) local onlendings from Brazilian government institutions (mainly, BNDES and FINAME); and (c) issue of securities abroad and foreign borrowings, at rates ranging from 3.88% to 11.31% per annum plus withholding income tax, when applicable.

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

Due up to	Interbank deposits		Time deposits		Securities sold under repurchase agreements		Local onlendings from official institutions		Issue of securities abroad and foreign borrowings	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
12/31/2007	-	567,840	-	189,135	-	1,037,643	-	463,079	-	276,638
06/30/2008	-	920,411	-	221,465	-	1,862,388	-	242,777	-	237,301
12/31/2008	2,014,402	44,807	719,966	123,460	2,699,913	9,292	391,131	215,427	377,782	80,089
12/31/2009	3,820,917	1,408,711	375,441	166,014	1,888,441	33,216	521,174	356,899	734,906	264,156
12/31/2010	2,324,975	977,347	373,052	286,070	151,805	-	409,198	280,796	72,044	69,682
12/31/2011	1,438,894	65	202,101	108,479	-	-	293,143	175,586	77,765	65,485
12/31/2012 to 12/31/2013 .	432,539	65,854	235,425	48,096	5,917	5,231	302,737	205,250	419,377	7,373
12/31/2013 onwards	9,081,751	2,537,311	-	-	-	-	184,955	114,301	-	-
	<u>19,113,478</u>	<u>6,522,346</u>	<u>1,905,985</u>	<u>1,142,719</u>	<u>4,746,076</u>	<u>2,947,770</u>	<u>2,102,338</u>	<u>2,054,115</u>	<u>1,681,874</u>	<u>1,000,724</u>

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

The capital of Itaú BBA comprises 10,569,052 (2006 - 10,315,908) nominative shares with no par value, equally distributed among common and preferred shares and held by local residents.

On April 30, 2007 the capital of Itaú BBA was increased by R\$1,345,879 through capitalization of retained earnings and reserves, without issue of any new shares.

This capital increase was approved by BACEN on July 31, 2007.

b) Dividends and interest on own capital

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

16. GUARANTEES TO THIRD PARTIES

Guarantees to third parties amount to R\$5,870,238 (2006 - R\$4,157,881), represented by guarantees, sureties and other co-obligations.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

17. OTHER INFORMATION**a) Other receivables - sundry:**

	2007	2006
Deferred income tax and contributions (Note 12b)	263,353	322,220
Escrow deposits on litigation (Note 11c) ⁽¹⁾	468,527	300,337
Taxes and contributions for offset	93,187	122,062
Amounts receivable from related companies	6,744	71,339
Others	11,153	5,051
	<u>842,964</u>	<u>821,009</u>

⁽¹⁾ Substantially linked to tax litigation.**b) Other liabilities - sundry:**

Debt assumptions	2,499	8,900
Accrued liabilities	18,776	52,587
Provision for contingent liabilities (Note 11b)	54,354	48,960
Others	11,286	5,525
	<u>86,915</u>	<u>115,972</u>

c) Taxes and social security contributions payable

Taxes and contributions on profits	205,400	399,394
Taxes and contributions payable	29,326	15,528
Provision for deferred taxes and contributions	71,146	94,122
Legal liabilities – taxes and social security contributions (Note 11c)	566,237	445,126
	<u>872,109</u>	<u>954,170</u>

d) Composition of tax expenses

COFINS	(48,625)	(57,986)
PIS	(7,925)	(9,432)
ISS	(5,993)	(6,251)
CPMF	(7,465)	(3,185)
Other	(1,641)	(669)
	<u>(71,649)</u>	<u>(77,523)</u>

e) Other operating income:

Exchange gains – foreign branches	6,012	4,990
Reversal of provision for volatility	-	77,374
Income tax recoverable of the foreign branches	38,954	46,608
Charges and expenses recovered	1,085	1,442
Income on transactions of foreign branches	4,623	4,782
Other	2,463	1,087
	<u>53,137</u>	<u>136,283</u>

f) Other operating expenses:

Goodwill amortizations	(465)	-
Commission and financial intermediation expenses	(2,876)	(6,889)
Provision for contingent - Civil (Note 11b)	(2,728)	(2,903)
Expenses on export and import transactions and others related to foreign trade	(2,687)	(7,200)
Exchange losses – futures	-	(9,517)
Other	(353)	(2,005)
	<u>(9,109)</u>	<u>(28,514)</u>

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2007 AND 2006

(continued)

All amounts in thousands of reais, unless otherwise indicated

- g) The assets given as guarantee totalled R\$2,518,361 (2006 - R\$1,654,063), and were represented by: (i) Securities R\$1,672,458 (2006 - R\$1,436,105); (ii) Investments in the open market R\$28,236 (2006 - nil); (iii) Margin deposits R\$774,278 (2006 - R\$121,638) and (iv) other assets R\$43,389 (2006 - R\$96,320). From this amount, R\$1,694,986 (2006 - R\$1,270,393) were given as guarantee of operations in the BM&F and BOVESPA.
- h) Permanent assets totaling R\$43,389 (2006 - R\$96,320), represented by properties for own use of R\$5,967 (2006 - R\$ 6,369) and investments (shares) of R\$37,422 (2006 - R\$89,951), have been given in guarantee of litigation defense filed in administrative proceedings (in accordance with article 32 of Law 10,522/02).
- i) In accordance with CMN Resolution 3198/04, Banco Itaú BBA S.A. adhered to the single Audit Committee formed by the Itaú Financial Group, through the leading institution Banco Itaú Holding Financeira S.A. A summary of the Committee's report will be disclosed together with the financial statements of the leading institution on August 07, 2007.
- j) Agreements for the offset of obligations within the National Financial System
In accordance with CMN Resolution 3263/05, some agreements were signed by public instrument for the offset and settlement of obligations, to enable the offset of credits and debits maintained with the same counterparty, where the due dates of rights and obligations can be advanced to the date of an event of default by one of the parties or in case of the bankruptcy of the debtor.

18. RELATED PARTY TRANSACTIONS

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

	Assets/(liabilities)		Income/(expenses)	
	2007	2006	2007	2006
Investments in the open market	9,640,189	3,911,801	520,195	279,156
Interbank deposits	21,530,257	4,707,577	1,018,349	313,995
Securities and derivative financial instruments	1,677,315	1,162,995	1,251,020	2,348,966
Interbank accounts	20,818	28,241	-	-
Other receivables:				
Foreign exchange portfolio	1,999,614	503,559	136,052	17,732
Income receivable	7,409	12	8,923	2,323
Negotiation and intermediation of securities	14,362	-	-	-
Amounts receivable from subsidiaries	6,744	71,339	-	-
Sundry receivables	322	188	80	27
Deposits	(38,453,180)	(14,800,787)	(1,860,571)	(1,046,415)
Securities sold under repurchase agreements	(699,437)	(249,994)	(33,535)	(5,939)
Issue of securities abroad	(7,889)	(999)	(42)	(323)
Interdepartmental accounts	(298,792)	-	-	-
Derivative financial instruments	(984,624)	(1,074,240)	(1,045,692)	(2,287,052)
Other liabilities:				
Foreign exchange portfolio	(2,075,768)	(503,248)	(156,727)	(21,014)
Social and statutory	(123,503)	(132,234)	-	-
Negotiation and intermediation of securities	(14,357)	-	-	-
Subordinated debt	-	(65,146)	(2,948)	(3,368)
Sundry liabilities	(234)	(261)	(17,375)	(16,939)

THE BOARD OF DIRECTORS

Mario Luiz Amabile
Accountant CRC 1SP129089/0-1

(A free translation of the original in Portuguese)

Banco Itaú BBA S.A.

REPORT OF INDEPENDENT AUDITORS

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

- 1 We have audited the accompanying balance sheets of Banco Itaú BBA S.A. as of June 30, 2007 and 2006, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the six-month periods then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Banco Itaú BBA S.A. at June 30, 2007 and 2006, and the results of its operations, the changes in stockholders' equity and the changes in its financial position for the six-month periods then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, August 06, 2007.

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/0-5

Carlos Augusto da Silva
Contador CRC 1SP197007/0-2

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