



FINANCIAL STATEMENTS
JUNE 2008

MANAGEMENT REPORT

We present the financial statements of Banco Itaú BBA S.A. ("Itaú BBA") for the first semester of 2008. As of June 30 2008, assets totaled R\$ 108.9 billion, net equity was R\$ 6.3 billion and net profits for the semester were R\$ 685 million.

In the investment banking segment, Itaú BBA participated in debenture and promissory notes transactions totaling R\$ 5.0 billion and securitization transactions totaling R\$ 0.9 billion. In the National Association of Investment Banks (ANBID) ranking, divulged based on transactions up to June 2008, Itaú BBA ranked first in origination and distribution of fixed-income and securitization transactions, with market shares of 46% and 51%, respectively.

In capital markets, Itaú BBA was the coordinator and bookrunner of initial public offerings that totaled R\$ 6.7 billion and of subsequent public offerings that amounted to R\$ 5.6 billion. In the ANBID ranking, divulged based on operations up to June 2008, Itaú BBA ranked first in origination of variable-income operations, with a market share of 29%. In addition, it received the award for the Brazil category of the "World's Best Investment Banks 2008" from Global Finance, an American publication specialized in financial institutions all over the world.

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

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

(Approved by the Board of Directors of Itaú BBA)

BALANCE SHEETS AT JUNE 30

In thousands of reais

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and banks	299,269	442,956
Interbank investments (Notes 3a and 4)		
Investments in the open market	1,477,273	795,733
Interbank deposits	22,177,887	20,080,451
	<u>23,655,160</u>	<u>20,876,184</u>
Securities and derivative financial instruments (Notes 3b, 3c, 5 and 6)		
Own portfolio	5,783,317	9,238,112
Subject to repurchase agreements	1,043,220	618,298
Deposits with the Brazilian Central Bank	4,468	-
Securities given in guarantee	3,574,631	1,588,445
Derivative financial instruments	2,808,241	2,711,842
	<u>13,213,877</u>	<u>14,156,697</u>
Interbank accounts		
Payments and receipts pending settlement	42	42
Deposits with the Brazilian Central Bank	10,191	6,351
Interbank onlendings	9,695	-
Correspondents	34,790	20,818
	<u>54,718</u>	<u>27,211</u>
Loan, lease and other credit operations (Note 7)		
Operations with credit granting characteristics (Note 3d)	16,255,204	9,934,512
Allowance for loan losses (Note 3e)	(110,039)	(45,595)
	<u>16,145,165</u>	<u>9,888,917</u>
Other receivables		
Foreign exchange portfolio (Note 8)	8,164,705	4,709,686
Income receivable	17,308	24,587
Negotiation and intermediation of securities (Note 9)	711,656	1,042,795
Sundry receivables (Note 17a)	297,754	236,538
	<u>9,191,423</u>	<u>6,013,606</u>
Other assets		
Other assets	13,923	14,657
Prepaid expenses	17,352	4,690
	<u>31,275</u>	<u>19,347</u>
TOTAL CURRENT ASSETS	62,590,887	51,424,918
LONG-TERM RECEIVABLES		
Interbank investments (Notes 3a and 4)		
Investments in the open market	16,501,013	9,125,328
Interbank deposits	11,744,738	4,905,359
	<u>28,245,751</u>	<u>14,030,687</u>
Securities and derivative financial instruments (Notes 3b, 3c, 5 and 6)		
Own portfolio	2,345,465	2,404,754
Subject to repurchase agreements	1,198,188	955,938
Securities given in guarantee	746,802	84,013
Derivative financial instruments	858,323	719,153
	<u>5,148,778</u>	<u>4,163,858</u>
Loan, lease and other credit operations (Note 7)		
Operations with credit granting characteristics (Note 3d)	9,492,384	6,721,507
Allowance for loan losses (Note 3e)	(214,524)	(148,165)
	<u>9,277,860</u>	<u>6,573,342</u>
Other receivables		
Foreign exchange portfolio (Note 8)	2,229,101	-
Income receivable	80	174
Sundry receivables (Note 17a)	735,627	606,426
	<u>2,964,808</u>	<u>606,600</u>
Other assets - prepaid expenses	20,704	4,313
TOTAL LONG-TERM RECEIVABLES	45,657,901	25,378,800
PERMANENT ASSETS		
Investments (Notes 3f and 10a)		
Investments in subsidiaries		
Domestic	112,642	69,472
Abroad	1,734	-
	<u>114,376</u>	<u>69,472</u>
Other investments	8,322	26,696
Provision for loss	(361)	(361)
	<u>122,337</u>	<u>95,807</u>
Fixed assets (Notes 3g and 10b)		
Properties for own use	4,958	10,713
Other fixed assets	62,183	51,307
Accumulated depreciation	(40,273)	(37,585)
	<u>26,868</u>	<u>24,435</u>
Deferred charges (Notes 3h and 10c)		
Goodwill of merged subsidiary	760,905	760,905
Accumulated amortization of goodwill	(239,641)	(103,659)
Organization and expansion expenditures	7,647	7,342
Accumulated amortization	(3,652)	(2,705)
	<u>525,259</u>	<u>661,883</u>
TOTAL PERMANENT ASSETS	674,464	782,125
TOTAL ASSETS	108,923,252	77,585,843

BALANCE SHEETS AT JUNE 30

In thousands of reais

	2008	2007
LIABILITIES		
CURRENT LIABILITIES		
Deposits (Note 3a)		
Demand deposits.....	274,469	128,862
Interbank deposits.....	17,742,046	17,478,272
Time deposits.....	4,768,805	2,147,878
Other deposits.....	1,032	2
	<u>22,786,352</u>	<u>19,755,014</u>
Securities sold under repurchase agreements (Note 3a)		
Own portfolio.....	1,485,932	973,768
Third party portfolio.....	8,906,222	4,922,766
	<u>10,392,154</u>	<u>5,896,534</u>
Funds from acceptances and issue of securities (Note 3a)		
Real estate notes, mortgages, of credits and similars.....	956,395	-
Debentures.....	33,484	-
Issue of securities abroad.....	303,277	261,734
	<u>1,293,156</u>	<u>261,734</u>
Interbank accounts - receipts and payments pending settlement.....	2,483	5,370
Interdepartmental accounts - third party funds in transit.....	526,035	973,883
Borrowings and onlendings (Note 3a)		
Domestic borrowings - other institutions.....	1,516	1,499
Foreign borrowings.....	5,491,234	4,625,521
Interbank onlendings.....	202	-
Domestic onlendings - official institutions - National Bank for Economic and Social Development (BNDES).....	417,950	505,421
Domestic onlendings - official institutions - Government Agency for Machinery and Equipment (FINAME).....	561,973	450,328
Domestic onlendings - official institutions - Others.....	57,904	51,240
	<u>6,530,779</u>	<u>5,634,009</u>
Derivative financial instruments (Notes 3c and 6).....	3,201,702	2,557,491
Other liabilities		
Collection and payment of taxes.....	42,778	28,254
Foreign exchange portfolio (Note 8).....	8,383,626	4,808,764
Social and statutory.....	378,995	252,255
Taxes and social security contributions (Note 17c).....	544,439	286,510
Negotiation and intermediation of securities (Note 9).....	388,589	190,142
Sundry liabilities (Note 17b).....	139,960	86,915
	<u>9,878,387</u>	<u>5,652,840</u>
TOTAL CURRENT LIABILITIES	54,611,048	40,736,875
LONG-TERM LIABILITIES		
Deposits (Notes 3a and 14)		
Interbank deposits.....	30,977,305	19,113,478
Time deposits.....	1,634,843	1,905,985
	<u>32,612,148</u>	<u>21,019,463</u>
Securities sold under repurchase agreements (Notes 3a and 14)		
Own portfolio.....	800,126	587,237
Third party portfolio.....	6,095,304	4,158,839
	<u>6,895,430</u>	<u>4,746,076</u>
Funds from acceptances and issue of securities (Notes 3a and 14)		
Real estate notes, mortgages, of credits and similars.....	25,617	-
Debentures.....	110,640	-
Issue of securities abroad.....	576,575	754,651
	<u>712,832</u>	<u>754,651</u>
Borrowings and onlendings (Notes 3a and 14)		
Foreign borrowings.....	1,047,568	927,223
Interbank onlendings.....	29,768	-
Domestic onlendings - official institutions - BNDES.....	2,233,858	1,445,883
Domestic onlendings - official institutions - FINAME.....	627,468	609,883
Domestic onlendings - official institutions - Others.....	87,572	46,572
	<u>4,026,234</u>	<u>3,029,561</u>
Derivative financial instruments (Notes 3c and 6).....	779,925	1,185,672
Other liabilities		
Foreign exchange portfolio (Note 8).....	2,209,456	-
Social and statutory.....	11,562	-
Taxes and social security contributions (Note 17c).....	768,960	585,599
	<u>2,989,978</u>	<u>585,599</u>
TOTAL LONG-TERM LIABILITIES	48,016,547	31,321,022
DEFERRED INCOME (Note 3k)	20,369	16,728
STOCKHOLDERS' EQUITY (Note 15)		
Capital - Domestic.....	4,223,086	4,223,086
Capital reserves.....	15,344	13,321
Revenue reserves.....	1,873,824	1,049,757
Adjustments to market value - securities and derivative financial instruments (Notes 3b, 3c and 5).....	(40,229)	21,791
Retained earnings.....	203,263	203,263
	<u>6,275,288</u>	<u>5,511,218</u>
TOTAL STOCKHOLDERS' EQUITY	6,275,288	5,511,218
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	108,923,252	77,585,843

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

In thousands of reais, except net income per share

	2008	2007
INCOME FROM FINANCIAL INTERMEDIATION		
Loan, lease and other credit operations.....	410,132	184,592
Securities	2,991,449	2,246,614
Derivative financial instruments	822,123	(98,547)
Foreign exchange, net (Note 2)	155,763	25,772
Compulsory deposits	10	-
	4,379,477	2,358,431
EXPENSES ON FINANCIAL INTERMEDIATION		
Funds obtained in the market	(3,133,685)	(1,836,464)
Borrowings, credit assignments and onlendings	102,933	211,389
Allowance for loan losses (Note 7g)	(57,469)	48,218
	(3,088,221)	(1,576,857)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	1,291,256	781,574
OTHER OPERATING INCOME (EXPENSES)		
Commissions and fees (Note 17d)	170,804	132,675
Income from bank charges (Note 2)	7,905	280
Personnel expenses (Note 17e)	(130,869)	(100,383)
Other administrative expenses (Note 17f)	(173,243)	(157,427)
Taxes (Notes 3j and 17g)	(101,919)	(71,649)
Equity in the earnings of subsidiaries and associates (Note 10a)	6,394	814
Other operating income (Note 17h)	52,569	53,137
Other operating expenses (Note 17i)	(20,194)	(9,109)
	(188,553)	(151,662)
NET OPERATING INCOME	1,102,703	629,912
NON-OPERATING INCOME (EXPENSES), NET (Note 17j)	21,510	(68)
PROFIT BEFORE TAXATION AND PROFIT SHARING	1,124,213	629,844
INCOME TAX (Notes 3j and 12a)	(321,341)	(174,604)
SOCIAL CONTRIBUTION ON NET INCOME (Notes 3j and 12a)	(180,007)	(68,377)
NET DEFERRED TAXES (Notes 3j and 12a)	163,333	45,734
PROFIT SHARING	(101,273)	(58,920)
NET INCOME	684,925	373,677
NET INCOME PER SHARE - in reais	64.80	35.36

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Note 15)

In thousands of reais

	Capital	Capital increase	Capital reserves	Revenue reserves		Adjustments to market value - securities and derivative financial instruments	Retained earnings	Total
			Fiscal incentives and other	Legal	Statutory			
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
Balances at December 31, 2007	4,223,086	-	15,256	289,141	1,153,909	891	203,263	5,885,546
Revaluation of stock exchange membership certificates	-	-	88	-	-	-	-	88
Adjustments to market value - securities and derivative financial instruments	-	-	-	-	-	(41,120)	-	(41,120)
Net income for the six-month period	-	-	-	-	-	-	684,925	684,925
Appropriation to legal reserve.....	-	-	-	34,246	-	-	(34,246)	-
Dividends paid/provided (R\$6.874 per share)	-	-	-	-	(46,624)	-	(26,027)	(72,651)
Interest on own capital paid/provided (R\$17.173 per share)	-	-	-	-	-	-	(181,500)	(181,500)
Constitution of statutory reserves	-	-	-	-	443,152	-	(443,152)	-
Balances at June 30, 2008	4,223,086	-	15,344	323,387	1,550,437	(40,229)	203,263	6,275,288
Changes in the period	-	-	88	34,246	396,528	(41,120)	-	389,742

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

In thousands of reais

	2008	2007
FINANCIAL RESOURCES WERE PROVIDED BY:		
Adjusted net income		
Net income	684,925	373,677
Amortization and depreciation	2,910	5,180
Amortization of goodwill of merged subsidiary	67,991	67,991
Equity in the earnings of subsidiaries	(6,394)	(814)
Amortization of goodwill	1,824	465
	<u>751,256</u>	<u>446,499</u>
Changes in deferred income	(8,491)	(4,903)
Third party resources provided by:		
Increase in current and long-term liabilities		
Deposits	259,214	13,987,656
Securities sold under repurchase agreements	5,290,697	807,432
Funds from acceptances and issue of securities	651,309	533,288
Interbank accounts	2,483	5,370
Interdepartmental accounts	-	675,061
Borrowings and onlendings	15,226	2,235,023
Derivative financial instruments	831,887	1,558,143
Other liabilities	2,237,263	2,758,797
	<u>9,288,079</u>	<u>22,560,770</u>
Decrease in current assets and long-term receivables		
Interbank accounts	11,184	2,839
Loan and other credit operations	-	379,297
	<u>11,184</u>	<u>382,136</u>
Decrease in investments in subsidiaries	-	170,600
Disposal of investments	1,388	-
Disposal of fixed assets	17	89
	<u>10,043,433</u>	<u>23,555,191</u>
FINANCIAL RESOURCES WERE USED FOR:		
Dividends paid/provided	72,651	44,442
Interest on own capital paid/provided	181,500	123,502
Investments in:		
Subsidiaries	1,715	3,325
Goodwill on purchase of investments	1,534	4,548
Fixed assets	5,755	3,223
Increase in deferred income	293	98
Increase in current assets and long-term receivables		
Interbank investments	1,993,794	14,747,317
Securities and derivative financial instruments	2,656,793	4,222,103
Loan, lease and other credit operations	3,194,087	-
Other assets	1,848,111	4,053,653
	<u>9,692,785</u>	<u>23,023,073</u>
Decrease in current and long-term liabilities		
Interdepartmental accounts	13,732	-
	<u>13,732</u>	<u>-</u>
	<u>9,969,965</u>	<u>23,202,211</u>
INCREASE IN CASH AND BANKS	73,468	352,980
CASH AND BANKS		
At the beginning of the six-month-period	225,801	89,976
At the end of the six-month-period	299,269	442,956
INCREASE IN CASH AND BANKS	73,468	352,980

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

All amounts in thousands of reais, unless otherwise indicated

1. OPERATIONS

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

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements of Itaú BBA have been prepared in conformity with Brazilian corporate legislation, not considering the effects of Law 11638/07, to be regulated by the Brazilian Central Bank ("BACEN") (Note 17o), 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.

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 income and expenses, in order to present exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

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

3. SIGNIFICANT ACCOUNTING PRACTICES

a) 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 updated up to their maturity date, not being adjusted to market value.

Gains and losses on securities available for sale, when realized, are recognized at the trade date in the statement of income, with a corresponding entry to the stockholders' equity account, "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 respective costs, resulting from non-temporary motives, 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, in accordance with BACEN Circular 3082/02.

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

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

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

d) Loan, Lease 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 the 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 to the rules determined by CMN Resolution 2682/99, among which are:

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

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

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, by setting up a provision for loss, in accordance with current standards.

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

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. Depreciation is calculated at the following annual rates:

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

h) Deferred charges

The goodwill of merged subsidiary corresponds to the goodwill on the purchase of the investment, which was transferred to deferred charges in accordance with Law 9532/97, to be amortized in 64 months.

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 obligations - Tax and social security

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

i- Contingent assets and liabilities:

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

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

ii- Legal obligations - Tax and social security:

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

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

j) Taxes

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

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

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

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

k) Deferred income

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

l) Determination of net income

Net income is recorded on the accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

4. INTERBANK INVESTMENTS

Interbank investments can be summarized as follows:

	2008					2007				
	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	1,419,670	504,288	25,948	-	889,434	161,730	78,128	-	-	83,602
With free movement ^(*)	351,258	330,859	20,399	-	-	86,342	-	86,342	-	-
	<u>1,770,928</u>	<u>835,147</u>	<u>46,347</u>	<u>-</u>	<u>889,434</u>	<u>248,072</u>	<u>78,128</u>	<u>86,342</u>	<u>-</u>	<u>83,602</u>
Financed position.....	16,207,358	534,800	60,979	-	15,611,579	9,672,989	631,263	-	-	9,041,726
	<u>17,978,286</u>	<u>1,369,947</u>	<u>107,326</u>	<u>-</u>	<u>16,501,013</u>	<u>9,921,061</u>	<u>709,391</u>	<u>86,342</u>	<u>-</u>	<u>9,125,328</u>
Interbank deposits	33,922,625	8,146,623	9,702,194	4,329,070	11,744,738	24,985,810	13,180,462	4,596,376	2,303,613	4,905,359
Total	<u>51,900,911</u>	<u>9,516,570</u>	<u>9,809,520</u>	<u>4,329,070</u>	<u>28,245,751</u>	<u>34,906,871</u>	<u>13,889,853</u>	<u>4,682,718</u>	<u>2,303,613</u>	<u>14,030,687</u>

^(*) At June 30, 2008, there were no securities pledged in guarantee (2007 - R\$28,236 were restricted to guarantee operations in the Brazilian Mercantile & Futures Exchange ("BM&F")).

5. SECURITIES

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

	2007							
	Cost of acquisition ^(b)	Market value ^(c)	Adjustment (market less cost)		Due up to three months	Due from three to six months	Due from six to 12 months	Maturity Due after 12 months
			Gross amount	Net amount				
Trading:^(a)								
Brazilian government securities	1,948,669	1,977,575	28,906		3,993	49,762	563,969	1,359,851
Foreign government securities	159,605	157,097	(2,508)		2,165	-	-	154,932
Debentures and commercial paper	58,475	58,431	(44)		7,400	-	6,637	44,394
Shares	231,054	246,674	15,620		246,674	-	-	-
Real estate receivables certificates	102,681	110,701	8,020		-	16,534	-	94,167
Term of energy certificates	59,418	59,551	133		35,729	23,822	-	-
Eurobonds and others	1,039,043	1,048,521	9,478		347,784	-	-	700,737
Funds	463,271	463,271	-		463,271	-	-	-
	<u>4,062,216</u>	<u>4,121,821</u>	<u>59,605^(d)</u>		<u>1,107,016</u>	<u>90,118</u>	<u>570,606</u>	<u>2,354,081</u>
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	-	-	-
	<u>10,602,049</u>	<u>10,635,823</u>	<u>33,774</u>	<u>21,791^(e)</u>	<u>2,139,814</u>	<u>1,934,971</u>	<u>3,221,800</u>	<u>3,339,238</u>
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
	<u>131,916</u>	<u>161,427^(f)</u>			<u>11,991</u>	<u>1,908</u>	<u>12,550</u>	<u>105,467</u>
Total	<u>14,796,181</u>	<u>14,919,071</u>			<u>3,258,821</u>	<u>2,026,997</u>	<u>3,804,956</u>	<u>5,798,786</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 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:

i - Securities given in guarantee amount to R\$4,325,901 (2007 - R\$1,672,458) and were given as guarantee of: (i) derivative financial instruments in the BM&F R\$1,534,054 (2007 - R\$1,495,940); (ii) funding R\$2,690,264 (2007 - nil); and (iii) others R\$101,583 (2007 - R\$176,518).

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

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, asset prices and credit, aiming to hedge against default by counterparts. 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 by the institution 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. Overseas transactions are carried out 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, at June 30, 2008, 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 institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

The institution 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 loan portfolio management reduce the specific risks of the debtor counterpart, 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.

Under normal conditions, the exchange prices are the best indicators of the fair value of the financial instruments. However, not all instruments have liquidity or quotations and, in these cases, it is necessary to adopt present value estimates and other pricing techniques. To obtain these market values, the following criteria were adopted:

- Swaps: the cash flow of each leg is discounted to present value, according to the corresponding interest curves, obtained based on the BM&F prices and/or market prices of the government securities for Brazilian transactions, and on the international exchange prices for transactions carried out abroad.
- Futures and Forward contracts: quotation on the exchanges or adoption of a criterion identical to those used for swaps.
- Options: statistical models that incorporate the volatility of the asset value, the interest rates, the exercise price and the spot price of the goods, such as the Black & Scholes model.
- Credit: pricing model involving a payment flow in the case of no event, and in the case of event, the notional amount is paid in exchange for unsettled securities.

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

Derivative financial instruments can be summarized as follows:

a) SWAP and arbitrage transactions ^(*)

	2008				2007			
	Amounts per contracted rates and indices			Market value	Amounts per contracted rates and indices			Market value
	Assets	Liabilities	Net position	Net position	Assets	Liabilities	Net position	Net position
i) Index:								
a) Foreign currency	27,149,339	36,732,025	(9,582,686)	(9,894,601)	13,598,650	19,981,955	(6,383,305)	(6,248,577)
b) Floating rates	17,493,397	2,792,281	14,701,116	14,730,949	23,242,579	1,365,340	21,877,239	21,874,715
c) Fixed rates	26,105,514	20,662,792	5,442,722	6,081,342	12,624,512	15,519,473	(2,894,961)	(2,972,484)
d) Interbank market	26,771,632	36,400,756	(9,629,124)	(9,685,940)	18,172,674	30,943,879	(12,771,205)	(12,791,402)
e) Indices	4,650,290	5,604,809	(954,519)	(967,666)	4,645,681	4,578,840	66,841	52,277
f) Others	151,480	285,631	(134,151)	(122,488)	223,070	90,478	132,592	131,631
	<u>102,321,652</u>	<u>102,478,294</u>	<u>(156,642)</u>	<u>141,596</u>	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>
ii) Counterparties:								
a) Companies	18,831,728	19,135,069	(303,341)	(228,412)	11,181,148	10,962,586	218,562	214,221
b) BM&F	8,917,210	8,991,923	(74,713)	(69,220)	7,465,061	7,443,003	22,058	22,862
c) Financial institutions	7,164,324	7,417,245	(252,921)	8,665	8,801,486	9,041,917	(240,431)	(230,384)
d) Related parties	67,400,867	66,927,778	473,089	428,727	45,059,471	45,032,459	27,012	39,461
e) Individuals.....	7,523	6,279	1,244	1,836	-	-	-	-
	<u>102,321,652</u>	<u>102,478,294</u>	<u>(156,642)</u>	<u>141,596</u>	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>
iii) Maturity:								
a) Due up to three months	39,860,634	39,457,037	403,597	491,835	18,986,518	18,854,725	131,793	166,815
b) Due from three to six months	26,743,377	27,373,503	(630,126)	(606,208)	8,305,242	8,219,538	85,704	96,010
c) Due from six to 12 months	11,184,753	11,131,242	53,511	97,440	13,356,887	13,306,889	49,998	48,411
d) Due after 12 months	24,532,888	24,516,512	16,376	158,529	31,858,519	32,098,813	(240,294)	(265,076)
	<u>102,321,652</u>	<u>102,478,294</u>	<u>(156,642)</u>	<u>141,596</u>	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>
iv) Market:								
a) BM&F	8,917,210	8,991,923	(74,713)	(69,220)	7,471,380	7,446,462	24,918	25,703
b) Over-the-counter market	93,404,442	93,486,371	(81,929)	210,816	65,035,786	65,033,503	2,283	20,457
	<u>102,321,652</u>	<u>102,478,294</u>	<u>(156,642)</u>	<u>141,596</u>	<u>72,507,166</u>	<u>72,479,965</u>	<u>27,201</u>	<u>46,160</u>

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

b) Options

	2008		Premium paid or (received)	
	Cost	Market value	Cost	Market value
i) Contractual rights:				
a) Foreign currency	89,705	47,308	43,449	36,534
b) Reais	13,262	6,511	5,230	3,746
c) Indices	60,446	77,045	34,992	21,373
d) Shares	276,727	276,730	221,204	220,791
e) Others	11,260	8,842	12,802	9,782
	451,400	416,436	317,677	292,226
ii) Contractual obligations:				
a) Foreign currency	(251,998)	(90,413)	(36,187)	(38,318)
b) Reais	(109,203)	(36,537)	(48,501)	(34,167)
c) Indices	(68,837)	(86,826)	(31,455)	(18,050)
d) Others	(10,544)	(7,106)	(7,338)	(3,905)
	(440,582)	(220,882)	(123,481)	(94,440)
Total	10,818	195,554	194,196	197,786
iii) Counterparties:				
a) Companies	269,492	277,591	213,725	204,421
b) Futures and Stock Exchanges	(141,239)	(37,005)	(10,199)	(7,798)
c) Financial institutions	(117,435)	(45,032)	(11,569)	400
d) Related parties	-	-	2,239	763
	10,818	195,554	194,196	197,786
iv) Maturity:				
a) Due up to three months	(68,059)	(18,343)	(1,096)	(6,132)
b) Due from three to six months	(70,804)	(11,523)	(5,265)	(13,269)
c) Due from six to 12 months	226,331	260,894	198,159	213,222
d) Due after 12 months	(76,650)	(35,474)	2,398	3,965
	10,818	195,554	194,196	197,786
v) Market:				
a) Exchange traded options	(139,137)	(46,260)	(11,212)	(7,441)
b) Over-the-counter market	149,955	241,814	205,408	205,227
	10,818	195,554	194,196	197,786

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

c) Futures contracts

	2008			2007		
	Cost (*)	Market value	Net position	Cost(*)	Market value	Net position
i) Index:						
a) US dollar coupon (DDI)						
Purchase position	6,279,116	6,276,994	(2,122)	20,482,824	20,489,430	6,606
Sale position.....	(5,471,549)	(5,469,062)	2,487	(17,444,949)	(17,450,872)	(5,923)
b) Interest rate (DI1)						
Purchase position	31,647,922	31,646,051	(1,871)	27,354,980	27,356,480	1,500
Sale position.....	(4,144,391)	(4,144,664)	(273)	(3,490,384)	(3,491,105)	(721)
c) Foreign currency						
Purchase position	1,678,626	1,677,976	(650)	64,136,420	64,136,561	141
Sale position.....	(1,446,588)	(1,446,443)	145	(18,705,857)	(18,706,748)	(891)
d) Indices						
Purchase position	3	20	17	1,642,267	1,642,387	120
Sale position.....	(1,985)	(2,002)	(17)	(195,770)	(195,770)	-
e) Securities						
Purchase position	-	-	-	42,454	42,415	(39)
Sale position.....	(23,879)	(24,237)	(358)	(82,626)	(82,638)	(12)
f) Others						
Purchase position	7,257	23,101	15,844	186	186	-
Sale position.....	(3,792)	(5,298)	(1,506)	(2,598)	(2,598)	-
	<u>28,520,740</u>	<u>28,532,436</u>	<u>11,696</u>	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>
ii) Counterparties:						
a) Companies.....						
	(32)	(557)	(525)	-	-	-
b) Exchange traded futures						
	28,541,160	28,538,882	(2,278)	24,111,401	24,112,182	781
c) Financial institutions						
	(20,388)	(5,889)	14,499	49,625,546	49,625,546	-
	<u>28,520,740</u>	<u>28,532,436</u>	<u>11,696</u>	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>
iii) Maturity:						
a) Due up to three months.....						
	(723,903)	(719,976)	3,927	(30,126,106)	(30,130,843)	(4,737)
b) Due from three to six months.....						
	13,159,015	13,166,056	7,041	48,384,301	48,386,842	2,541
c) Due from six to 12 months.....						
	17,763,080	17,763,926	846	55,741,540	55,745,819	4,279
d) Due after 12 months						
	(1,677,452)	(1,677,570)	(118)	(262,788)	(264,090)	(1,302)
	<u>28,520,740</u>	<u>28,532,436</u>	<u>11,696</u>	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>
iv) Market:						
a) Exchange traded futures.....						
	28,520,772	28,532,993	12,221	24,111,401	24,112,182	781
b) Over-the-counter market.....						
	(32)	(557)	(525)	49,625,546	49,625,546	-
	<u>28,520,740</u>	<u>28,532,436</u>	<u>11,696</u>	<u>73,736,947</u>	<u>73,737,728</u>	<u>781</u>

(*) Memorandum account.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

d) Other derivative financial instruments

	2008		2007	
	Carrying amount	Market value	Carrying amount	Market value
i) Index:				
a) Foreign currency				
Purchase position	372,423	371,651	870,947	873,848
Sale position.....	(766,539)	(742,478)	(1,208,702)	(1,234,361)
b) Reais				
Purchase position	108,045	109,136	53,125	53,125
Sale position.....	(385,495)	(379,215)	(230,363)	(230,363)
c) Fixed rates				
Purchase position	36,022	43,705	13,056	41,219
Sale position.....	(2,669)	(19,039)	(42,438)	(97,565)
d) Others				
Purchase position	4,181	6,539	39	39
Sale position.....	(11,481)	(10,786)	(144)	(766)
	<u>(645,513)</u>	<u>(620,487)</u>	<u>(544,480)</u>	<u>(594,824)</u>
ii) Counterparties:				
a) Companies.....	(415,110)	(390,332)	(346,674)	(369,443)
b) BM&F	-	2,092	-	(702)
c) Financial institutions	(289,284)	(291,013)	(215,993)	(242,849)
d) Related parties	58,881	58,766	18,187	18,170
	<u>(645,513)</u>	<u>(620,487)</u>	<u>(544,480)</u>	<u>(594,824)</u>
iii) Maturity:				
a) Due up to three months	(113,261)	(119,059)	(118,744)	(121,918)
b) Due from three to six months.....	(334,146)	(325,414)	(132,916)	(157,691)
c) Due from six to 12 months.....	(159,038)	(151,019)	(100,603)	(109,807)
d) Due after 12 months	(39,068)	(24,995)	(192,217)	(205,408)
	<u>(645,513)</u>	<u>(620,487)</u>	<u>(544,480)</u>	<u>(594,824)</u>
vi) Market:				
a) BM&F	-	2,092	-	(702)
b) Over-the-counter market	(645,513)	(622,579)	(544,480)	(594,122)
	<u>(645,513)</u>	<u>(620,487)</u>	<u>(544,480)</u>	<u>(594,824)</u>

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

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All amounts in thousands of reais, unless otherwise indicated

e) Credit derivatives

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

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

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

The transactions can be summarized as follows:

	Credit risk amount ^(*)		Effect on the calculation of the required net equity	
	2008	2007	2008	2007
Transferred:				
Credit swaps whose underlying assets are:				
Securities	(1,487,407)	(2,744,385)	(163,615)	(301,883)
Derivatives	(24,754)	(70,022)	(2,723)	(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	1,031,598	3,601,640	21,889	128,189
Derivatives	50,000	140,000	5,500	15,400
Credit operations	24,000	-	2,640	-
Total return rate swap whose underlying assets are securities	304,140	-	-	-
Total	(102,423)	774,620	(136,309)	(182,784)

^(*) Memorandum account.

The market value of the credit derivative operations described above, recorded in assets, amounted to R\$39,240 (2007 - R\$40,972), and in liabilities, to R\$14,720 (2007 - R\$96,528).

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

f) The guarantees

The guarantees given for derivative financial instrument transactions amounted to R\$1,534,054 (2007 - R\$1,524,176), represented by securities.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

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

Itaú BBA is a wholesale bank and, therefore, concentrates its business mainly on large Brazilian and multinational corporations; consequently, individual loans involve high amounts (an average of approximately R\$16 million (2007 - R\$18 million) per customer).

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

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

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

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

a) Analysis of the loan portfolio by type of transaction

	<u>2008</u>	<u>2007</u>
Credit operations:		
Loans and bills discounted	10,140,481	6,696,199
Financing	9,454,811	6,829,006
Foreign currency financing	1,072,218	519,383
Farming and agribusiness financing	2,609,245	2,054,316
Lease operations	511,719	-
Advances on exchange contracts ⁽¹⁾	1,906,886	527,047
Other operations ⁽²⁾	52,228	30,068
	<u>25,747,588</u>	<u>16,656,019</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

b) Analysis of the loan portfolio by sector

	2008	2007 ⁽¹⁾
Public sector		
Electrical energy generation and distribution.....	328,587	501,289
Chemical and petrochemical	86,958	130,539
Others	151,995	113,792
	567,540	745,620
Private sector		
Company		
Industry and Commerce		
Food and beverages	1,908,263	1,534,814
Autoparts and accessories	345,710	226,643
Agribusiness capital assets	124,402	100,445
Industrial capital assets	480,961	208,844
Pulp and paper	210,169	239,692
Distribution of fuels	186,526	220,211
Electrical and electronic	1,252,640	727,180
Pharmaceuticals	273,251	272,485
Fertilizers, insecticides and crop protection	1,176,063	619,956
Tobacco	241,702	243,614
Import and export	434,682	246,495
Hospital care materials and equipment	43,854	1,078
Construction material	214,737	253,332
Steel and metallurgy	1,435,411	715,725
Wood and furniture	411,063	294,616
Chemical and petrochemical	1,477,942	989,213
Supermarkets	36,093	4,057
Light and heavy vehicles	574,554	350,634
Clothing	241,039	364,403
Other - commerce	63,663	165,513
Other - industry	193,692	139,652
	11,326,417	7,918,602
Services		
Heavy construction (contractors).....	490,634	231,874
Financial.....	604,707	320,408
Electrical energy generation and distribution.....	1,617,223	1,198,845
Holding company	1,571,458	692,177
Real estate	1,210,557	625,742
Media	544,613	441,154
Service companies.....	134,472	134,675
Health care	83,177	44,069
Telecommunications	771,411	539,975
Transportation.....	779,955	349,488
Other services.....	710,494	861,521
	8,518,701	5,439,928
Primary sector		
Agribusiness.....	3,637,448	2,078,728
Mining	1,074,713	218,921
	4,712,161	2,297,649
Others	147,474	254,220
	24,704,753	15,910,399
Individual - vehicles	475,295	-
	25,180,048	15,910,399
	25,747,588	16,656,019

⁽¹⁾ The prior disclosure at June 30, 2007 was reclassified, to reflect the new breakdown of industry sectors as of June 30, 2008, to improve comparability.

c) Credit risk concentration

	2008	2007
Largest debtor	1,521,644	518,805
Percentage of the total loan portfolio	5.91%	3.11%
20 largest debtors	7,016,214	4,946,369
Percentage of the total loan portfolio	27.25%	29.70%

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

d) Analysis of the loan portfolio by maturity

	2008			2007		
	Abnormal ⁽¹⁾	Normal	Outstanding Total	Abnormal ⁽¹⁾	Normal	Outstanding Total
Falling due installments:						
1 to 30 days	144	4,189,813	4,189,957	224	2,415,915	2,416,139
31 to 60	1,190	1,792,934	1,794,124	143	1,170,299	1,170,442
61 to 90	1,229	1,655,913	1,657,142	58	1,183,079	1,183,137
91 to 180	2,469	4,618,541	4,621,010	2,030	2,695,534	2,697,564
181 to 365	13,506	3,874,161	3,887,667	8,520	2,335,929	2,344,449
Over 365	44,635	9,447,749	9,492,384	23,644	6,697,863	6,721,507
	63,173	25,579,111	25,642,284	34,619	16,498,619	16,533,238
Overdue installments:						
1 to 14 days	3	44,264	44,267	1	47,190	47,191
15 to 30	8,843	-	8,843	35,805	-	35,805
31 to 60	8,223	-	8,223	8,934	-	8,934
61 to 90	7,775	-	7,775	4,693	-	4,693
91 to 180	11,109	-	11,109	26,152	-	26,152
181 to 365	25,087	-	25,087	6	-	6
	61,040	44,264	105,304	75,591	47,190	122,781
	124,213	25,623,375	25,747,588	110,210	16,545,809	16,656,019

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

Risk level	Credit portfolio		Percentage of provision ^(*)	Allowance for loan losses based on the minimum required percentage		Allowance for loan losses recorded	
	2008	2007		2008	2007	2008	2007
AA	11,464,117	9,037,113	-	-	-	(56,156)	(44,282)
A	11,554,303	6,113,735	0.5%	(57,772)	(30,568)	(114,388)	(60,526)
B	2,486,887	1,312,682	1.0%	(24,869)	(13,127)	(74,358)	(39,249)
C	140,015	83,798	3.0%	(4,200)	(2,514)	(13,987)	(8,371)
D	32,430	77,445	10.0%	(3,243)	(7,745)	(9,726)	(23,226)
E	12,967	26,227	30.0%	(3,890)	(7,868)	(6,482)	(13,111)
F	24,670	79	50.0%	(12,335)	(39)	(17,267)	(55)
G	-	-	70.0%	-	-	-	-
H	32,199	4,940	100.0%	(32,199)	(4,940)	(32,199)	(4,940)
	25,747,588	16,656,019		(138,508)	(66,801)	(324,563)	(193,760)

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(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)	
	2008	2007	2008	2007	2008	2007
Loans	-	-	-	-	-	(12,188)
Financing	257,684	313,949	-	-	(17,443)	(23,809)
Farming and agribusiness financing.....	-	16,701	-	-	-	964
Time deposits.....	-	-	-	16,626	-	(1,479)
Issue of securities abroad	-	-	170,511	204,104	11,990	27,803
Foreign borrowings	-	-	86,274	109,725	7,328	8,930
Total	257,684	330,650	256,785	330,455	1,875	221

At June 30, 2008, there were no operations in default.

g) Changes in allowance for loan losses

	2008	2007
Balance at the beginning of the six-month period	(272,103)	(278,883)
Reversal/(Provision) recorded	(57,469)	48,218
Exchange variation on the allowances of the foreign branches	(762)	400
Loans written off	5,771	36,505
Balance at the end of the six-month period	(324,563)	(193,760)

h) Recoveries of loans previously written off

2008	2007
11,289	215

i) Assignment of credit without recourse

In 2008, in accordance with CMN Resolution 2836/01, credit assignments without recourse were carried out in the amount of R\$177,190 (2007 - R\$154,096), for which the book value of the credits amounted to R\$177,670 (2007 - R\$154,096). The effect resulting from these transactions on stockholders' equity and on results, net of income tax, was R\$(298) (2007 - nil).

8. FOREIGN EXCHANGE PORTFOLIO

The foreign exchange portfolio is represented by:

	2008	2007
Assets - Other receivables		
Foreign exchange purchases pending settlement	5,835,044	2,364,055
Foreign currency bills of exchange and term documents.....	23,486	209
Rights on foreign exchange sales	4,648,640	2,452,217
(-) Advances received	(113,364)	(106,795)
	10,393,806	4,709,686
Liabilities - Other liabilities		
Foreign exchange sales pending settlement	4,153,172	2,354,966
Liabilities for purchases of foreign exchange.....	6,439,321	2,527,677
(-) Advances on exchange contracts - financial institutions	-	(74,223)
Other.....	589	344
	10,593,082	4,808,764
Memorandum accounts		
Outstanding import credits	152,328	117,592
Confirmed export credits.....	33,842	58,635
	186,170	176,227

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

9. NEGOTIATION AND INTERMEDIATION OF SECURITIES

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Accounts receivable and payable on sale and purchase of assets.....	352,978	97,487	254,156	46,288
Contracts for loan of securities	-	285,700	-	129,497
Margin deposits	353,254	-	774,278	-
Other	5,424	5,402	14,361	14,357
	<u>711,656</u>	<u>388,589</u>	<u>1,042,795</u>	<u>190,142</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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Itaú BBA Trading S.A. ⁽ⁱ⁾	3,078,040,844	3,078,040,844	100.00	100.00	(789)	724	33,999	37,422	33,999	37,422	(789)
Puerto Cia Securitizadora de Créditos Financeiros..	178,687,269	178,687,269	99.99	99.99	228	421	15,068	13,424	15,068	13,424	228	421
Itaú BBA Securitizadora S.A. ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	-	-	-	-	76
Delle Holdings S.A.	6,454,953	2,362,669	42.14	34.13	9,517	(1,191)	69,553	22,716	63,030	18,626 ⁽ⁱⁱⁱ⁾	7,079	(407)
Banco Itaú Buen Ayre S.A. ^(iv)	1,482,244	-	1.00	-	3,257	-	173,402	-	1,734	-	(85)	-
Estruturadora Brasileira de Projetos S.A. - EBP ^(v)	583,334	-	16.67	-	(234)	-	3,267	-	545	-	(39)	-
									<u>114,376</u>	<u>69,472</u>	<u>6,394</u>	<u>814</u>

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

⁽ⁱ⁾ See Note 17I.

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

⁽ⁱⁱⁱ⁾ Includes goodwill on the purchase of investments of R\$33,719 (2007 - R\$10,873).

^(iv) As from November, 2007.

^(v) As from March, 2008.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

11. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY

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

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

	2008			2007		
	Civil	Labor	Total	Civil	Labor	Total
Opening balance	49,836	7,716	57,552	44,316	6,848	51,164
Changes in the period reflected in results:						
Restatements/charges	3,690	549	4,239	2,728	556	3,284
Increase	1,755	-	1,755	-	5	5
Reversals	(1,167)	(2,610)	(3,777)	-	-	-
	4,278	(2,061)	2,217	2,728	561	3,289
Payments	(320)	(1,860)	(2,180)	-	(99)	(99)
Closing balance (Note 17b)	53,794	3,795	57,589	47,044	7,310	54,354

ii - Possible loss - represented by civil lawsuits amounting to R\$512 (2007 - R\$358) and labor lawsuits amounting to R\$20,535 (2007 - R\$6,541).**c) Legal Obligations - Tax and Social Security** - represented by amounts payable relating to tax liabilities, the legality or constitutionality of which is subject to administrative or judicial challenge. They are recognized at the full amount under discussion. The changes can be summarized as follows:

	2008	2007
Opening balance	638,624	504,477
Changes in the period reflected in results:		
Restatements/charges	19,600	15,963
Increase	70,596	48,425
Reversals	-	(2,628)
	90,196	61,760
Closing balance (Note 17c)	728,820	566,237

The escrow deposits on litigation (Note 17a) amount to R\$547,094 (2007 - R\$468,527).

The main natures of processes are described as follows:

- Profit earned abroad - IRPJ and CSLL - R\$394,472 - Aimed at rejecting the requirement set forth by in article 25 of Law 9249/95 and paragraph 9, of article 2 of Regulatory Instruction 38/96, that deal with the taxation of profit earned abroad, as being unconstitutional. The corresponding escrow deposit totals R\$155,867.
- PIS and COFINS - Law 9718/98 - R\$261,737 - Assert in the right of paying contributions to PIS and COFINS based on revenue, without adopting the provisions of Article 3, paragraph 1, of Law 9718/98, which established the extension of the calculation bases of these contributions.
- IRPJ - Article 8 of Law 8541/92 - R\$39,623 - Illegality of articles 7 and 8 of Law 8541/92, which had conditioned the deduction of the tributes and contributions on their effective payment (cash basis), considering improper deduction of tributes, including monetary correction, for which payment has been suspended by a judicial measure. The corresponding escrow deposit totals R\$38,045.
- PIS - Constitutional Amendment 17/97 - R\$16,719 - Aimed at rejecting the levy of PIS over the period, from the end of the term enforced by Constitutional Amendment 10/96 and the restart of its enforcement, with the enactment of Constitutional Amendment 17/97, based on principles of minimum advance not of 90 days without retroactivity with respect to tax laws and inexistence of legislation for this interim period. Also, aimed at paying PIS during the mentioned period based on Supplementary Law 7/70.

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

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

	2008	2007
Profit before taxation and profit sharing	1,124,213	629,844
Income tax and social contribution calculated at 25% and 9%, respectively (Note 3j)	382,232	214,147
Effects of permanent and temporary additions or (exclusions) in the tax calculation:		
(i) Exchange variation on foreign investments	123,832	98,247
(ii) Equity in the earnings of subsidiaries	(2,174)	(277)
(iii) Interest on own capital	(61,710)	(41,991)
(iv) Dividends, interest and tax incentive	(86,420)	(58,293)
(v) Other net exclusions net of other additions	(22,246)	(14,586)
(vi) Effect of the increase in the social contribution rate (Note 3j)	4,501	-
Income tax and social contribution on net income	338,015	197,247

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

	December 2007	Realization/ Reversal	Increase	June 2008	June 2007
Allowance for loan losses	101,649	(88,192)	111,673	125,130	81,286
Other temporarily non-deductible provisions	119,756	(11,589)	151,558	259,725	147,031
Social contribution to be offset (Provisional Measure 2158-35)	5,142	(66)	-	5,076	34,798
Adjustments to market value - securities and derivative financial instruments.....	5,160	(5,033)	24,442	24,569	238
Total tax credits (Note 17a)	231,707	(104,880)	287,673	414,500	263,353
Deferred tax liabilities (Note 17c).....	(127,088)	111,781	(209,763)	(225,070)	(71,146)
Tax credits, net of deferred tax liabilities.....	104,619	6,901	77,910	189,430	192,207

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

Unrecorded deferred tax assets amount to R\$3,776.

c) Expectation of realization of the tax credits

The estimated timing of realization and present value of the deferred income tax and social contribution arising from Provisional Measure 2158-35, existing at June 30, 2008, in accordance with the expected generation of future taxable income based on technical studies, follows:

Expected realization	Tax credits		Social contribution to be offset (PM 2158-35)	Total
	Temporary differences			
2008.....	211,760		5,076	216,836
2009.....	14,776		-	14,776
2010.....	81,835		-	81,835
2011.....	1,992		-	1,992
2012.....	850		-	850
2013 to 2018/June	98,211		-	98,211
Total	409,424		5,076	414,500
Present value (*)	330,270		4,878	335,148

(*) The present value of the tax credits was calculated based on the yield curve of fixed interest rates in reais, considering the realizations within each period, net of tax effects. The projections of future taxable income include estimates relating to macroeconomic variables, foreign exchange rates, interest rates, etc., and could differ in relation to actual data and amounts.

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

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

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All amounts in thousands of reais, unless otherwise indicated

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, are summarized as follows:

	2008	2007
Current assets and long-term receivables.....	7,822,506	8,018,223
Permanent assets.....	75	70
Current and long-term liabilities.....	12,274,650	10,702,145
Deferred income	1,824	3,440
Net income for the six-month period.....	(240,617)	(39,874)

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	2008	2007
Credit operations.....	(392,551)	(291,779)
Securities	(407,096)	(736,651)
Derivative financial instruments	38,437	15,700
Funds obtained in the market	103,278	442,856
Borrowings, credit assignments and onlendings.....	290,033	272,409
Allowance for loan losses	3,505	2,643
Commissions and fees.....	(344)	(192)
Personnel expenses	-	3
Other administrative expenses.....	24	37
Other operating income	502	6,012
	<u>(364,212)</u>	<u>(288,962)</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 floating interest rates; (b) local onlendings from Brazilian government institutions (mainly, BNDES and FINAME); and (c) issue of securities abroad and foreign borrowings, at rates ranging from 1.37% to 12.68% per annum plus income tax withholding, when applicable.

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

Due up to	2008						
	Interbank deposits	Time deposits	Securities sold under repurchase agreements	Real estate notes, mortgages, of credits, similars and Debentures	Interbank onlendings	Local onlendings from official institutions	Issue of securities abroad and foreign borrowings
12/31/2009.....	3,646,579	151,050	2,180,497	133,198	101	433,117	706,343
12/31/2010.....	9,923,353	903,560	4,171,836	-	29,667	657,960	131,890
12/31/2011.....	2,236,346	172,288	255,380	-	-	556,572	186,013
12/31/2012.....	520,983	140,140	123,217	-	-	438,277	530,995
12/31/2013 to 12/31/2014..	1,299,740	267,805	60,495	3,059	-	526,133	68,470
After 12/31/2014.....	13,350,304	-	104,005	-	-	336,839	432
	<u>30,977,305</u>	<u>1,634,843</u>	<u>6,895,430</u>	<u>136,257</u>	<u>29,768</u>	<u>2,948,898</u>	<u>1,624,143</u>

Due up to	2007						
	Interbank deposits	Time deposits	Securities sold under repurchase agreements	Real estate notes, mortgages, of credits, similars and Debentures	Interbank onlendings	Local onlendings from official institutions	Issue of securities abroad and foreign borrowings
12/31/2008.....	2,014,402	719,966	2,699,913	-	-	391,131	377,782
06/30/2009.....	1,379,399	280,936	1,720,241	-	-	277,998	476,281
12/31/2009.....	2,441,518	94,505	168,200	-	-	243,176	258,625
12/31/2010.....	2,324,975	373,052	151,805	-	-	409,198	72,044
12/31/2011.....	1,438,894	202,101	-	-	-	293,143	77,765
12/31/2012.....	244,434	139,115	5,917	-	-	192,988	405,893
12/31/2013 to 12/31/2014..	526,923	96,310	-	-	-	182,561	13,484
After 12/31/2014.....	8,742,933	-	-	-	-	112,143	-
	<u>19,113,478</u>	<u>1,905,985</u>	<u>4,746,076</u>	<u>-</u>	<u>-</u>	<u>2,102,338</u>	<u>1,681,874</u>

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

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

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

b) Dividends and interest on own capital

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

16. GUARANTEES TO THIRD PARTIES

Guarantees to third parties amount to R\$9,247,981 (2007 - R\$5,870,238), represented by guarantees, sureties and other co-obligations.

17. OTHER INFORMATION

	2008	2007
a) Other receivables - sundry:		
Deferred income tax and contributions (Note 12b)	414,500	263,353
Escrow deposits on litigation (Note 11c) ⁽¹⁾	547,094	468,527
Taxes and contributions for offset	48,000	93,187
Amounts receivable from related companies (Note 18)	6,930	6,744
Others	16,857	11,153
	<u>1,033,381</u>	<u>842,964</u>
⁽¹⁾ Substantially linked to tax litigation.		
b) Other liabilities - sundry:		
Debt assumptions	-	2,499
Accrued liabilities	41,547	18,776
Provision for contingent liabilities (Note 11b)	57,589	54,354
Accounts payable - local onlendings - Finame	16,542	2,728
Others	24,282	8,558
	<u>139,960</u>	<u>86,915</u>
c) Taxes and social security contributions payable:		
Taxes and contributions on profits	316,688	205,400
Taxes and contributions payable	42,821	29,326
Provision for deferred taxes and contributions (Note 12b)	225,070	71,146
Legal liabilities - taxes and social security contributions (Note 11c)	728,820	566,237
	<u>1,313,399</u>	<u>872,109</u>
d) Banking service fees: ^(*)		
Income from economic and financial advisory	41,049	29,296
Income from brokerage	46,008	40,740
Loan operations and guarantees provided	49,847	29,843
Collection fees	24,609	16,753
Foreign exchange services	2,137	11,594
Other services	7,154	4,449
	<u>170,804</u>	<u>132,675</u>
^(*) Includes service fees from special and differentiated services, in accordance with articles 4 and 5 of CMN Resolution 3518/07. The fees for priority services are now disclosed under the heading income from bank charges, in accordance with BACEN Circular letter 3324/08, with the reclassification of the corresponding accounts for the period January 1, 2007 to June 30, 2007.		
e) Personnel expenses:		
Compensation	(90,413)	(69,310)
Welfare charges	(29,277)	(21,311)
Welfare benefits	(11,179)	(9,762)
	<u>(130,869)</u>	<u>(100,383)</u>

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

	2008	2007
f) Other administrative expenses:		
Depreciation and amortization (Notes 10b and 10c)	(70,901)	(73,171)
Financial system services	(33,720)	(30,869)
Data processing and telecommunications	(19,485)	(17,353)
Third-party services.....	(21,854)	(12,252)
Facilities	(13,920)	(11,417)
Advertising, promotions and publications.....	(1,570)	(2,129)
Other.....	(11,793)	(10,236)
	<u>(173,243)</u>	<u>(157,427)</u>
g) Composition of tax expenses:		
COFINS.....	(73,914)	(48,625)
PIS.....	(12,031)	(7,925)
ISS.....	(8,765)	(5,993)
CPMF ^(*)	-	(7,465)
Other.....	(7,209)	(1,641)
	<u>(101,919)</u>	<u>(71,649)</u>
h) Other operating income:		
Exchange gains - foreign branches.....	502	6,012
Income tax recoverable of the foreign branches	44,442	38,954
Charges and expenses recovered	1,912	1,085
Income on transactions of foreign branches.....	4,668	4,623
Other.....	1,045	2,463
	<u>52,569</u>	<u>53,137</u>
i) Other operating expenses:		
Goodwill amortization	(1,824)	(465)
Commission and financial intermediation expenses.....	(2,217)	(2,876)
Provision for contingent - Civil (Note 11b).....	(4,278)	(2,728)
Expenses on export and import transactions and others related to foreign trade.....	(8,338)	(2,687)
Other.....	(3,537)	(353)
	<u>(20,194)</u>	<u>(9,109)</u>

^(*) As from January 1, 2008, as determined by law, the withholding and payment of this contribution were ended.

j) Non-operating income and expenses, net, refers basically to disposal of investments in BOVESPA and BM&F R\$20,597.

k) The assets given as guarantee totaled R\$4,713,164 (2007 - R\$2,518,361), and were represented by: (i) Securities R\$4,325,901 (2007 - R\$1,672,458); (ii) Investments in the open market nil (2007 - R\$28,236); (iii) Margin deposits R\$353,254 (2007 - R\$774,278); and (iv) other assets R\$34,009 (2007 - R\$43,389). Of these amounts, R\$1,624,826 (2007 - R\$1,694,986) were given as guarantee of operations in the BM&F and BOVESPA.

l) With respect to administrative proceedings filed by Bank (in accordance with article 32 of Law 10522/02), the Bank has enrolled permanent assets totaling R\$34,009 as guarantees (2007 - R\$43,389), represented by properties for own use of R\$10 (2007 - R\$5,967) and investments (shares) of R\$33,999 (2007 - R\$37,422). As a result of the unconstitutionality lawsuit 1976, the Federal Supreme Court declared unconstitutional the requirement of enrolling assets for considering voluntary appeals on April 10, 2007. Itaú BBA is requesting the cancellation of the enrollment of assets to the Federal Revenue Service.

m) In accordance with CMN Resolution 3198/04, Banco Itaú BBA S.A. adopted to the single Audit Committee formed by the Itaú Financial Group, through the leading institution 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 05, 2008.

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

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

o) Law 11638

On December 28, 2007, Law 11638 was approved in order to amend and revoke some provisions of Law 6404/76, and Law 6385/76 in connection with accounting practices, preparation and disclosure of financial statements.

Article 9 of this Law sets forth that it will come into effect on the first day of the year subsequent to its publication. The Brazilian Securities and Exchange Commission (CVM), through notice to the market of January 14, 2008, and BACEN, through notice 16669/08, waived the adoption of the changes provided by this Law in the interim financial statements for 2008. Accordingly, these changes, which are awaiting regulation by BACEN and CVM, shall give rise to effects in the financial statements for the year ending December 31, 2008 and should be in compliance with the international accounting standards. In view of the above, ITAÚ BBA understands that nowadays it is not currently possible to determine the impacts of the adoption of this law.

Among the major amendments set forth by this law, Itaú BBA already adopts the criteria for classification and valuation of financial instruments at market value (Notes 3b, 3c, 5 and 6).

We highlight below the major amendments awaiting regulation:

- Substitution of the Statement of Changes in Financial Position with the Statement of Cash Flows;
- 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. 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;
- Creation of subgroup "Asset valuation adjustments" in Stockholders' equity, with the purpose of recording the contra-entry to the exchange variation of statutory investments abroad when the functional currency of the investee is different from that of the parent company, and classifying any contra-entries to increases or decreases in the amounts assigned to asset and liability elements, in view of its valuation at market price;
- Adjustment to present value of long-term asset and liability balances, with the other operations being adjusted when any significant effect arises;
- In take-over, merger and spin-off operations, carried out between independent parties and related to the effective transfer of control, the assets and liabilities of the company to be taken over or arising from the merger or spin-off will be recorded at their market value;
- Change in treatment of tax incentives that will now pass through results, with optional allocation to Revenue Reserve - Reserve for tax incentives and excluded from the mandatory dividend calculation basis.

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

Moreover, at the last quarter of 2007, we released the reconciliation of stockholders' equity and net income as of December 31, 2006 between the Brazilian accounting practices and the IFRS, describing their main differences. Considering that this law aims at the convergence of the Brazilian accounting practices and the IFRS, both reports are parameters of the effects of Law 11638/07.

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008 AND 2007

(continued)

All amounts in thousands of reais, unless otherwise indicated

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)	
	2008	2007	2008	2007
Investments in the open market	17,232,960	9,640,189	808,686	520,195
Interbank deposits	29,342,249	21,530,257	1,750,562	1,018,349
Securities and derivative financial instruments	2,221,096	1,677,315	2,538,252	1,251,020
Interbank accounts	34,790	20,818	-	-
Other receivables:				
Foreign exchange portfolio	3,770,211	1,999,614	993,658	136,052
Income receivable	8	7,409	1,017	8,923
Negotiation and intermediation of securities	5,597	14,362	-	-
Amounts receivable from subsidiaries	6,930	6,744	-	-
Sundry receivables	190	322	-	80
Deposits	(50,463,863)	(38,453,180)	(2,730,629)	(1,860,571)
Securities sold under repurchase agreements	(1,010,681)	(699,437)	(27,710)	(33,535)
Issue of securities abroad	(3,476)	(7,889)	(428)	(42)
Interdepartmental accounts	(5,390)	(298,792)	-	-
Derivative financial instruments	(1,088,102)	(984,624)	(1,979,489)	(1,045,692)
Other liabilities:				
Foreign exchange portfolio	(3,800,447)	(2,075,768)	(505,493)	(156,727)
Social and statutory	(207,528)	(123,503)	-	-
Negotiation and intermediation of securities	(5,402)	(14,357)	-	-
Subordinated debt	-	-	-	(2,948)
Sundry liabilities	(22,955)	(234)	(44,433)	(17,375)

THE BOARD OF DIRECTORS

Mario Luiz Amabile
Contador CRC 1SP129089/O-1

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, 2008 and 2007, 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, 2008 and 2007, and the results of its operations, the changes in stockholders' equity and the changes in its financial position for the six-months period then ended, in accordance with accounting practices adopted in Brazil before the enactment of Law No. 11.638/07.
4. As mentioned in Note 17(o), Law No. 11638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law amended, revoked and introduced new provisions to Law No. 6404/76 (Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Although the mentioned law is already effective, the main changes introduced by it depend on regulations to be issued by the National Monetary Council and the Brazilian Central Bank (BACEN) for them to be implemented by the institutions regulated by them. Accordingly, during this phase of transition, BACEN, through its Communication No. 16669/08, does not require the implementation of all the provisions of Law No. 11638/07 in the preparation of the interim financial statements. As a result, the financial statements referred to in paragraph 1 were prepared in accordance with specific BACEN instructions and do not contemplate all the changes in accounting practices introduced by Law No. 11638/07.

São Paulo, August 4, 2008

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
Auditores Independentes
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Carlos Augusto da Silva
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