As filed with the Securities and Exchange Commission on June 15, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ Registration Statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

OR

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended: December 31, 2006

OR

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from_____ to _____

☐ Shell Company Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 1-14640-1

UNIBANCO-UNIÃO DE BANCOS BRASILEIROS S.A.
& UNIBANCO HOLDINGS S.A.
(Exact name of Registrant as specified in its charter)
UNIBANCO-UNION OF BRAZILIAN BANKS S.A.
& UNIBANCO HOLDINGS S.A.
(Translation of Registrant's names into English)

Federative Republic of Brazil
(Jurisdiction of incorporation or organization)

UNIBANCO-UNIÃO DE BANCOS BRASILEIROS S.A. Avenida Eusébio Matoso, 891 05423-901 São Paulo, SP	UNIBANCO HOLDINGS, S.A. Avenida Eusébio Matoso 891 22nd Floor 05423-901 São Paulo, SP

(Address of principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	(Name of each exchange on which registered)
Global Depositary Shares, each representing ten Units, each Unit consisting of one Unibanco Preferred Share and one Unibanco Holdings Preferred Share	New York Stock Exchange
Unibanco Preferred Shares, without par value	New York Stock Exchange*
Unibanco Holdings Preferred Shares, without par value	New York Stock Exchange*

Securities registered pursuant to Section 12(g) of the Act:
None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None.

Indicate the number of outstanding shares of each of the issuers' classes of capital or common stock as of the close of the period covered by the annual report.

1,511,316,336 Unibanco Common Shares, no par value per share
1,296,439,472Unibanco Preferred Shares, no par value per share
553,735,904Unibanco Holdings Common Shares, no par value per share
1,089,851,783Unibanco Holdings Preferred Shares, no par value per share

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Unibanco: Yes ☒ No ☐

Unibanco Holdings: Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Unibanco: Yes ☐ No ☒

Unibanco Holdings: Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:

Unibanco: Yes ☒ No ☐

Unibanco Holdings: Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Unibanco: Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Unibanco Holdings: Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which financial statement item the registrant has elected to follow:

Unibanco: Item 17 ☐ Item 18 ☒

Unibanco Holdings: Item 17 ☐ Item 18 ☒

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Unibanco: Yes ☐ No ☒

Unibanco Holdings: Yes ☐ No ☒

* Not for trading purposes, but only in connection with the registration of Global Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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NOTE ON JOINT FILING

This annual report on Form 20-F has been jointly filed, with the permission of the Securities and Exchange Commission, by Unibanco–União de Bancos Brasileiros S.A. and our parent company, Unibanco Holdings S.A. Unibanco Holdings holds 97.1% of our outstanding common shares and 12.6% of our outstanding preferred shares as of May 31, 2007. Unibanco Holdings substantially engages in no activities other than holding our shares. (See note 33 to the Consolidated Financial Statements to this Annual Report).

PRESENTATION OF FINANCIAL INFORMATION

In this annual report, we refer to Unibanco-União de Bancos Brasileiros S.A. and, unless the context otherwise requires, its consolidated subsidiaries as "Unibanco," the "Company," "we" or "us." We refer to Unibanco Holdings S.A. as "Unibanco Holdings." All references in this annual report to a "Unit" or "Units" are to our units which are traded on the New York Stock Exchange. Each Unit represents one Unibanco preferred share and one Unibanco Holdings preferred share.

All references in this annual report to the *real*, *reais*, or R$ are to the Brazilian *real*, the official currency of the Federative Republic of Brazil since July 1, 1994. All references to U.S. dollars, dollars or US$ are to United States dollars.

On May 31, 2007, the exchange rate for *reais* into U.S. dollars was R$1.9289 to US$1.00, based on the commercial selling exchange rate as reported by the Central Bank of Brazil. The commercial selling exchange rate was R$2.1380 to US$1.00 as of December 31, 2006.

Our audited consolidated financial statements are included in Item 19 of this annual report. These financial statements include the assets, liabilities, results of operations and cash flows of our subsidiaries, as well as our branches outside Brazil. Unibanco Holdings, a corporation organized under the laws of Brazil, controls us through its ownership, as of May 31, 2007, of 97.1% of our outstanding common shares and 12.6% of our outstanding preferred shares. Unibanco Holdings engages in no material activities other than holding our shares. As a result, the financial statements of Unibanco Holdings are similar to ours in all material respects, except for other assets and liabilities, time deposits and the minority interest lines of the balance sheet and income statement and the financing activities section of the cash flow statement. References herein to our consolidated financial statements also refer to the financial statements of Unibanco Holdings.

Our audited consolidated balance sheets as of December 31, 2005 and 2006 and consolidated statements of income, changes in shareholders' equity and cash flows for each of the three-years ended December 31, 2006, including the notes thereto, included in this annual report have been prepared in accordance with U.S. GAAP. For certain purposes, such as providing reports to our Brazilian shareholders, filing financial statements with the *Comissão de Valores Mobiliários* (CVM), the Brazilian Securities Commission, and determining dividend payments and tax liabilities in Brazil, we have prepared and will continue to be required to prepare financial statements in accordance with applicable Brazilian accounting practices (Accounting Practices Adopted in Brazil) and the Brazilian Corporate Law.

Certain amounts (including percentages and totals) appearing herein have been rounded.

Unless the context otherwise requires, all references to loans include leases. Certain industry data presented herein have been derived from sources which we believe to be reliable, however, we have not independently verified this data and we assume no responsibility for its accuracy or completeness. Sources include *Sistema do Banco Central*, a database of information provided by financial institutions to the Central Bank (SISBACEN); *Federação Nacional das Empresas de Seguros Privados e de Capitalização*, the National Federation of Private Insurance and Capitalization Companies (Fenaseg); *Superintendência de Seguros Privados*, the Brazilian government insurance regulatory body (SUSEP); *Associação Nacional de Bancos de Investimento e Distribuidoras*, the National Association of Investment Banks and Security Dealers (ANBID); *Fundação Getúlio Vargas*, a leading Brazilian independent economic research organization (FGV); and *Associação de Empresas de Cartão de Crédito e Serviços*, the Brazilian Credit Cards Companies Association (ABECS).

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements relating to our business that are based on management's current expectations, estimates and projections. Words such as "believes", "expects", "intends", "plans", "projects", "estimates", "anticipates" and similar expressions are used to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from those expressed or implied in such forward-looking statements.

Factors that could cause actual results to differ materially include, but are not limited to, those discussed under "Item 3. Key Information-Risk Factors," and under "Item 5. Operating and Financial Review and Prospects" and elsewhere in this annual report. These factors include:

- increases in defaults by our borrowers and other loan delinquencies;
- increases in our provision for loan losses;
- deposit attrition, customer loss or revenue loss;
- changes in foreign exchange rates and/or interest rates which may, among other things, adversely affect margins;
- competition in the banking, financial services, credit card services, insurance, asset management and other industries in which we operate;
- government regulation and tax matters;
- adverse legal or regulatory disputes or proceedings;
- credit and other risks of lending and investment activities; and
- changes in regional, national and international business and economic conditions and inflation.

We do not assume, and specifically disclaim, any obligation to update any forward-looking statements, which speak only as of the date made.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

Our consolidated financial statements are presented in *reais*. For more details related to the latest, high and low exchange rates for *reais* into U.S. dollars, including the high and low exchange rates for each month during the previous six months and for the five most recent financial years, see "Item 10 D – Additional Information – Exchange Controls".

Our selected historical financial data as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 have been derived from, and should be read in conjunction with, our audited consolidated financial statements included in this annual report. The selected financial data as of December 31, 2002, 2003 and 2004 and for each of the two years in the period ended December 31, 2003 are derived from our audited consolidated financial statements, which are not included in this annual report. Our consolidated financial statements as of and for the years ended December 31, 2004, 2005 and 2006 have been audited by PricewaterhouseCoopers Auditores Independentes, São Paulo, Brazil. Our consolidated financial statements as of and for the years ended December 31, 2002 and 2003 have been audited by Deloitte Touche Tohmatsu Auditores Independentes, São Paulo, Brazil. The reports of the independent registered public accounting firms as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 are filed as part of this annual report.

In addition, our selected historical financial data,is prepared in accordance with the Accounting Practices Adopted in Brazil as of December 31, 2002 to 2006 and for the five years ended December 31, 2006 are derived from, and should be read in conjunction with our audited consolidated financial statements not included in this annual report, but filed at the *Comissão de Valores Mobiliários* (CVM), the Brazilian Securities Commission.

Because the consolidated financial statements of Unibanco are substantially similar in all material respects to those of Unibanco Holdings except for other assets and liabilities, minority interest, earnings per share and the cash flow statement, separate selected financial data for Unibanco Holdings have not been presented.

The following selected financial data should be read in conjunction with "Presentation of Financial Information" and "Item 5. Operating and Financial Review and Prospects."

	For the Year Ended December 31,				
	2002	2003	2004	2005	2006
USGAAP:			(in millions of R$)		
Unibanco Consolidated Income Statement Data:					
Net interest income	R$ 5,302	R$ 5,024	R$ 5,774	R$ 8,566	R$ 9,530
Provision for loan losses	(1,291)	(881)	(948)	(1,870)	(2,030)
Net interest income after provision for loan losses	4,011	4,143	4,826	6,696	7,500
Fee and commission income	1,854	2,152	2,382	2,814	3,140
Equity in results of unconsolidated companies (1)	184	199	220	158	195
Other non-interest income (2)	1,178	3,152	4,239	3,712	4,384
Operating expenses (3)	(3,985)	(4,534)	(5,098)	(5,851)	(6,251)
Other non-interest expense (4)	(2,600)	(3,731)	(4,055)	(5,261)	(6,326)
Income before income taxes and minority interest	642	1,381	2,514	2,268	2,642
Income taxes	276	(354)	(295)	(460)	(532)
Minority interest	(115)	(154)	(156)	(158)	(149)
Change in accounting principle	-	-	-	-	(10)
Net income	R$ 803	R$ 873	R$ 2,063	R$ 1,650	R$ 1,951

	For the Year Ended December 31,				
	2002	2003	2004	2005	2006
	(in R$, except per share data)				
Unibanco Earnings and Dividends Information: (16)					
Basic and diluted earnings per shares:					
Common	R$ 0.28	R$ 0.31	R$ 0.71	R$ 0.57	R$ 0.66
Preferred	0.31	0.34	0.78	0.62	0.73
Distributed earnings (dividends) per shares:					
Common	0.12	0.15	0.18	0.25	0.30
Preferred	0.13	0.17	0.20	0.27	0.33
Weighted average shares outstanding (in thousands) – Basic:					
Common	1,511,374	1,511,356	1,511,316	1,511,316	1,511,316
Preferred	1,259,752	1,245,662	1,262,448	1,282,354	1,291,496
Weighted average shares outstanding (in thousands) – Diluted:					
Common	1,511,374	1,511,356	1,511,316	1,511,316	1,511,316
Preferred	1,259,752	1,246,070	1,263,286	1,284,400	1,295,478
Unibanco Holdings Earnings and Dividends Information: (16)					
Basic and diluted earnings per shares:					
Common	0.29	0.30	0.71	0.56	0.65
Preferred “A”	0.32	0.07	-	-	-
Preferred	0.29	0.30	0.71	0.56	0.65
Distributed earnings (dividends) per shares:					
Common	0.12	0.14	0.16	0.21	0.28
Preferred “A”	0.13	0.07	-	-	-
Preferred	0.12	0.14	0.16	0.21	0.28
Weighted average shares outstanding (in thousands) – Basic:					
Common	742,768	699,508	630,292	600,846	553,736
Preferred “A”	76,870	47,306	-	-	-
Preferred	848,526	908,424	1,020,200	1,046,090	1,080,865
Weighted average shares outstanding (in thousands) – Diluted:					
Common	742,768	699,508	630,292	600,846	553,736
Preferred “A”	76,870	47,306	-	-	-
Preferred	848,526	908,830	1,021,036	1,048,134	1,084,847

	As of December 31,				
	2002	2003	2004	2005	2006
	(in millions of R$)				
Unibanco Consolidated Balance Sheet Data:					
Assets					
Cash and due from banks	R$ 934	R$ 812	R$ 1,575	R$ 1,158	R$ 1,304
Interest-bearing deposits in other banks	2,309	2,886	3,579	5,107	7,632
Federal funds sold and securities purchased under resale agreements	13,561	8,874	11,679	10,014	14,513
Trading, available for sale and held to maturity	18,117	14,666	14,875	19,580	18,766
Loans	25,254	26,039	31,377	39,237	44,654
Allowance for loan losses	(1,389)	(1,317)	(1,560)	(2,107)	(2,577)
Investments in unconsolidated companies	574	616	536	623	802
Goodwill and intangibles, net	1,349	1,248	1,630	1,620	2,023
Total assets	71,988	66,047	77,858	89,818	102,563
Average assets	60,310	64,579	74,383	80,628	99,302
Liabilities and Shareholders' Equity					
Deposits	R$ 26,055	R$ 25,700	R$ 33,775	R$ 35,936	R$ 36,201
Federal funds purchased and securities sold under repurchase agreements	13,806	6,750	6,687	10,721	16,991
Short-term borrowings	6,305	3,113	2,677	3,239	3,045
Long-term debt	10,928	13,348	11,700	12,850	14,638
Shareholders' equity	6,245	6,754	8,572	9,534	10,439
Average liabilities	54,223	58,085	66,723	71,605	89,301
Average shareholders' equity	6,087	6,494	7,660	9,023	10,001

	As of December 31,				
	2002	2003	2004	2005	2006
Selected Consolidated Ratios:					
Profitability and Performance					
Net Interest margin [5]	10.8%	9.4%	9.4%	12.8%	11.5%
Return on average assets [6]	1.3	1.4	2.8	2.0	2.0
Return on average equity [7]	13.2	13.4	26.9	18.3	19.5
Efficiency ratio [8]	69.5	68.7	61.1	59.5	58.3
Dividends payout ratio common and preferred	42.4	49.2	25.4	44.0	45.6
Liquidity					
Loans as a percentage of total deposits	96.9	101.3	92.9	109.2	123.4
Capital					
Average shareholder's equity as a percentage of average total assets	10.1	10.1	10.3	11.2	10.1
Total equity as a percentage of total assets	8.7	10.2	11.0	10.6	10.2
Total capital to risk-weighted assets [9]	15.7	18.6	16.3	15.6	16.0
Asset Quality					
Allowance for loan losses as a percentage of total loans	5.5	5.1	5.0	5.4	5.8
Nonperforming loans as a percentage of total loans [10]	3.9	4.5	4.1	4.3	5.1
Allowance for loan losses as a percentage of total nonperforming loans [10]	142.0	113.4	122.4	124.4	113.1
Net charge-offs as a percentage of average loans outstanding [11]	5.0	4.0	2.6	4.0	4.0

	As of December 31,				
	2002	2003	2004	2005	2006
	(in millions of R$, except per share amounts)				
Accounting Practices Adopted in Brazil:[12]					
Consolidated Income Statement Data:					
Profit from financial intermediation..	R$ 2,672	R$ 5,198	R$ 5,194	R$ 6,493	R$ 7,319
Net income..	1,010	1,052	1,283	1,838	1,750
Unibanco Earnings and Dividends Information:					
Earnings per 1,000 shares:					
Common..	3.65	3.83	459.57	657.73	624.96
Preferred...	3.65	3.83	459.57	657.73	624.96
Distributed earnings (dividends) per 1,000 shares:					
Common..	1.18	1.48	180.94	249.66	302.06
Preferred...	1.29	1.63	197.59	271.58	336.02

	As of December 31,				
	2002	2003	2004	2005	2006
	(in millions of R$, except percentages)				
Accounting Practices Adopted in Brazil: [12]					
Consolidated Balance Sheet Data:					
Total assets..	R$ 75,375	R$ 69,632	R$ 79,350	R$ 91,831	R$ 103,778
Total loans..	26,557	27,678	31,796	39,875	45,361
Total deposits..	25,988	25,357	33,530	35,499	35,633
Shareholders' equity...	6,559	7,156	8,106	9,324	9,921
Selected Consolidated Ratios:					
Return on average assets [13]..	1.5%	1.5%	1.7%	2.1%	1.8%
Return on average equity [14]..	16.0	15.3	16.8	21.1	18.2
Efficiency ratio [15]...	59.1	57.7	60.9	51.5	49.7
Total capital to risk weighted assets [9]..................................	15.7	18.6	16.3	15.6	16.0

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(1) For more information on our equity in results of unconsolidated companies, see "Item 5. Operating and Financial Review and Prospects - Accounting for results of unconsolidated affiliates" and "Item 5.A. Operating Results" and Note 11 to our consolidated financial statements.

(2) Other non-interest income consists of trading income (net), net gain (losses) on foreign currency transactions, net gains (losses) on securities and non-trading derivatives, insurance, private retirement plan and pension investment contracts and other non-interest income. For more information see Note 24 to our consolidated financial statements and "Item 5.A. Operating Results".

(3) Operating expenses consist of salaries and benefits and administrative expenses.

(4) Other non-interest expense consists of amortization of goodwill until December 31, 2001, amortization of intangibles and impairment on goodwill, insurance, private retirement plan and pension investment contracts and other non-interest expenses.

(5) Net interest income as a percentage of average interest-earning assets.

(6) Net income as a percentage of average total assets.

(7) Net income as a percentage of average shareholders' equity.

(8) Operating expenses as a percentage of the aggregate of net interest income, fee and commission income, other non-interest income and other non-interest expense.

(9) Based on Brazilian Central Bank guidelines. See "Item 4.B. Business Overview".

(10) Nonperforming loans consist of loans 60 days or more overdue.

(11) Charge-offs net of loan recoveries during the period as a percentage of average loans outstanding.

(12) Our Brazilian financial statements are prepared in accordance with the requirements of Brazilian Corporate Law and the regulations of the Central Bank, The Brazilian Private Insurance Superintendency and the Brazilian Securities Commission. We did not consider the reverse share split (1:100 shares), on August 30, 2004, for the years of 2002 and 2003.

(13) Net income as a percentage of average total assets.

(14) Net income as a percentage of average shareholders' equity.

(15) Operating expenses as a percentage of the aggregate profit from financial intermediation and other income.

(16) Earnings per share have been adjusted for all periods presented to reflect the new number of shares that resulted from the reverse share split (1:100 shares), on August 30, 2004 and to reflect "bonificação de ações" (2:1 shares) occurred on July 17, 2006, in accordance with SFAS 128 "Earnings per share" (see Note 19 to our consolidated financial statements).

3.D Risk Factors

Set forth below are certain risk factors that could have a material adverse effect on our future business, operating results or financial condition. You should consider these risk factors and the other information in this document before making investment decisions involving our shares. Additional risks not currently known to us, or which we deem to be immaterial now, may also have a material adverse effect on our business, financial condition, results of operations and your investment.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazilian political and economic conditions, could adversely affect our business and the market price of our Units.

During certain periods, the Brazilian government has intervened in the Brazilian economy and, it may occasionally make changes in economic policy and regulations. The Brazilian government's actions to control inflation and implement macroeconomic policies and regulations have involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as:

- inflation rates;
- interest rates;
- monetary policy;
- liquidity of domestic capital and lending markets;
- domestic economic growth;
- changes in the tax regime, including charges applicable to the banking industry;
- exchange rates and exchange control policies; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Devaluation of the Real against the U.S. dollar may harm our and our Brazilian borrowers' ability to pay dollar-denominated or dollar-indexed obligations.

Our financial condition and results of operations have been affected in the past, and will likely continue to be affected, by the devaluation of the Real that has followed the Brazilian government's decision in January 1999 to allow the Real to float freely.

The exchange rate between the Real and the U.S. dollar has varied in recent years. The Real has appreciated against the U.S. dollar, by 18.3%, 8.1%, 11.8% and 8.7% in 2003, 2004, 2005 and 2006, respectively, and the Brazilian economic scenario was favorable to the Brazilian currency during such period. In the past history of Brazil the Real has at times declined in value against the U.S. dollar, such as the 52.3% devaluation that occurred in 2002. When we refer to a specific percentage depreciation or appreciation of the Real against the U.S. dollar in any year, we have derived such percentage by comparing the number of Reais exchangeable for one U.S. dollar at the end of the given year to the number of Reais exchangeable for one U.S. dollar at the end of the previous year, as reported by the Central Bank.

Devaluation of the Real against the U.S. dollar and other foreign currencies may impair our ability to pay our dollar-denominated or dollar-indexed liabilities by making it more costly for us to obtain the foreign currency required to pay such obligations.

Devaluation of the Real may affect us by impairing the ability of our Brazilian corporate borrowers to repay dollar-denominated or dollar-indexed liabilities to us. When the Real is devalued, we incur losses on our liabilities denominated in or indexed to foreign currencies, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into Reais.

In addition, our lending and leasing operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation of the Real against the U.S. dollar will increase our cost of funds and require us to raise our rates on our loans, which, as a result, may affect our ability to attract new customers who might be deterred from paying such higher rates.

Appreciation of the Real against the U.S. dollar may adversely affect our income tax liability.

During periods when the Real appreciates against the currencies in which we hold our investments in our non-Brazilian subsidiaries and branches, we may experience an increase in our income tax liability. This is because losses in Real terms on our overseas investments are not deductible for Brazilian tax purposes, whereas gains in the value of the related Real-denominated hedges we maintain are generally taxable. At the end of 2006, all of Unibanco's foreign investments were fully global hedged in order to mitigate any effects from foreign exchange volatility, including the potential fiscal impact of such investments.

Volatility of currency exchange rates may lead to an uncertain economic climate in Brazil that could negatively affect our ability to finance our operations through the international capital markets.

Devaluation of the Real relative to the U.S. dollar could create additional inflationary pressures in Brazil by increasing the price of imported products and instigating governmental policies to curb aggregate demand. On the other hand, appreciation of the Real against the U.S. dollar may lead to a deterioration of the Brazilian current account and balance of payments, as well as dampening export-driven growth. The potential impact of the floating exchange rate and of potential measures taken by the Brazilian government to stabilize the Real is uncertain.

Imposition of exchange controls could restrict our access to the international capital markets and limit our ability to service our obligations that are denominated in foreign currencies.

The purchase and sale of foreign currency in Brazil is subject to governmental control. In the past, the Brazilian government has implemented a number of policies affecting exchange rates and the servicing of external debt by Brazilian borrowers. These policies have included sudden devaluation, periodic mini-devaluation (with the frequency of adjustments ranging from daily to monthly), floating exchange rate systems, exchange controls and the creation of a commercial rate exchange market and a floating rate exchange market, which were combined into a single exchange rate market in March 2005.

The Brazilian government has not prevented the remittance of proceeds to foreign investors since 1990 and has never done so in respect of securities obligations. Currently, the government does not restrict the ability of Brazilian or foreign individuals or entities to convert Brazilian currency into foreign currency provided that the transactions are (i) legal, (ii) based on the economic factors and responsibilities of each of the parties as set forth in the underlying document for each transaction and (iii) in compliance with all regulatory requirements such as previous registration with the Central Bank (when applicable). Since the foreign exchange market has recently been modified, certain operational procedures are still pending regulation by the Central Bank. The Central Bank has assumed responsibility for the external obligations in connection with the formal restructuring of Brazilian sovereign debt.

We cannot be sure that the Brazilian government will maintain the exchange control policy currently in force or that it will not adopt a more restrictive exchange control policy. Such a policy could impede our access to the international capital markets by making non-Brazilian lenders and investors reluctant to commit funds to Brazilian borrowers. Such a policy could also negatively affect the ability of Brazilian debtors (including us) to make payments outside of Brazil to meet their obligations under foreign currency-denominated liabilities. Many factors beyond our control might affect the likelihood that the government will impose exchange control restrictions. Among these factors are:

- the extent of Brazil's foreign currency reserves;
- the availability of sufficient foreign exchange on the date a payment is due;
- the size of Brazil's debt service burden relative to the economy as a whole; and
- political constraints to which Brazil may be subject.

If Brazil experiences substantial inflation in the future, our results of operations may be negatively affected.

In the last four years, the inflation rates in Brazil have been under control. For instance, in 2003, 2004, 2005 and 2006 the Brazilian inflation rates were 7.7%, 12.1%, 1.2% and 3.8% , respectively, and in the first five months of 2007 the aggregate inflation amount, measured by the general price index (IGP-DI), was approximately to 1.02%. Inflation itself and governmental measures to combat inflation have, in the past, had negative effects on the Brazilian economy. Inflation, actions taken to combat inflation, and public speculation about possible future actions have in the past also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future, our costs may increase and our operating and net margins may decrease (if not accompanied by an increase in interest rates). Inflationary pressures may curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy, which in turn could adversely affect our operations.

The market value of securities issued by Brazilian companies is influenced by the perception of risk in Brazil and other emerging economies, which may have a negative effect on the market price of our Units and may restrict our access to international capital markets.

Economic and market conditions in other emerging market countries, especially those in Latin America, may influence the market for securities issued by Brazilian companies. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse impact on the market value of Brazilian securities. In the wake of economic problems in various emerging market countries in recent years (such as the Asian financial crisis of 1997, the Russian financial crisis of 1998 and the Argentine financial crisis that began in 2001), investors viewed investments in emerging markets with heightened caution. Crises like those may produce a significant outflow of U.S. dollars from Brazil, negatively affecting the price of securities issued by Brazilian companies, and may cause Brazilian companies to face higher costs for raising funds, both domestically and abroad, which could impede the access of Brazilian companies to international capital markets. Furthermore, crises in other emerging market countries could hamper investor enthusiasm for securities of Brazilian issuers, including ours, which could adversely affect the market price of our Units.

Risks Relating to the Brazilian Banking Industry

Changes in regulation may negatively affect us.

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including, among others, regulations that impose:

- minimum capital requirements;

- compulsory reserve requirements;
- lending limits and other credit restrictions;
- investment requirements in fixed assets;
- accounting and statistical requirements; and
- corporate governance requirements.

The regulatory structure governing Brazilian financial institutions, including banks, broker-dealers, leasing companies, and insurance companies is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could be changed, and new laws or regulations could be adopted. Such changes could materially affect our operations and our revenues.

Changes in reserve and compulsory deposit requirements may affect our profitability.

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

Reserve and compulsory deposit requirements reduce our liquidity to make loans and other investments. In addition, compulsory deposits generally do not yield the same return as our other investments and deposits because (i) a portion of such deposits does not bear interest, (ii) we are obligated to hold some of our compulsory deposits in Brazilian government securities and (iii) a portion of the deposits must be used to finance government programs, including a federal housing program and rural sector subsidies.

If the Central Bank increases the mandatory reserve requirements in the future or imposes new reserve or compulsory deposit requirements, this could have an adverse effect on our business, financial condition and results of operations.

Changes in minimum levels for federal housing and rural sector loans may adversely affect our profitability.

Brazilian banking regulations require that we allocate a specified percentage of our savings deposits to a federal mortgage program and a minimum percentage of our demand deposits to rural sector loans. If we do not allocate the minimum amounts required by these programs, we must make up the difference by allocating the difference in the form of compulsory deposits with the Central Bank. Such compulsory deposits generally do not yield the same returns as our other investments and deposits. In addition, obligatory loans to these sectors entails more risk and is often less profitable than other lending opportunities that might be available to us. If the Central Bank increases the minimum amounts that we must allocate to such programs, this could have an adverse effect on our business, financial condition and results of operations.

Changes in tax regulation may adversely affect our operations.

To support its fiscal policies, the Brazilian government regularly enacts reforms to tax and other assessment regimes which affect us and our customers. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. There can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business and results of operations. Furthermore, such changes have produced uncertainty in the financial system, may increase the cost of borrowing and may contribute to an increase in our non-performing loan portfolio. See "Item 5. Operating and Financial Review and Prospects—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Government Regulation-Effects on our Financial Condition and Results or Operations—Other Taxes."

Changes in base interest rates by the Central Bank could adversely affect our results of operations and profitability.

The Central Bank establishes the base interest rate for the Brazilian banking system, and uses this rate as an instrument of monetary policy. The base interest rate is the benchmark interest rate payable to holders of some securities issued by the federal government and traded at the Special System for Settlement and Custody (Sistema Especial de Liquidação e Custódia), or SELIC.

Since 2001, the Central Bank has frequently adjusted the base interest rate, increasing the rate numerous times in response to economic uncertainties. The Central Bank reduced the base interest rate during the second half of 2003 and the first half of 2004. In order to control inflation, the Central Bank increased the base interest rate several times from 16.0% per annum on August 18, 2004 to 19.75% per annum on May 18, 2005, reducing it again to 18.0% per annum on December 14, 2005.

More recently, because of favorable macroeconomic figures and controlled inflation within the Central Bank target range, Central Bank lowered the base interest rate during 2006 from 18% to 17.25% on January 18, 2006, and lowered again to 13.25 % on November 23, 2006. In 2007, the lowering of rates continued, and as of June 2007, the SELIC interest rate was 12.00%.

Although increases in the base interest rate typically enable us to increase financial margins such increases could adversely affect our results of operations, among other ways, by reducing demand for our credit and investment products, increasing our cost of funds and increasing the risk of customer default. Decreases in the base interest rate could also adversely affect our results of operations, among other ways, by decreasing the interest income we earn on our interest-earning assets and lowering margins. See “ Item 5. Operating and Financial Review and Prospects—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Government Regulation-Effects on our Financial Condition and Results or Operations—Effects of Interest Rates on Our Financial Condition and Results of Operations.”

The increasingly competitive environment and recent consolidations in the Brazilian financial services market may adversely affect our business prospects.

The Brazilian financial markets, including the banking, insurance and asset management sectors, are highly competitive. We face significant competition in all of our principal areas of operation from other large Brazilian and international banks, both public and private, and insurance companies.

In recent years, the presence of foreign banks and insurance companies in Brazil has grown and competition in the banking and insurance sectors and in markets for specific products has increased.

The acquisition of an insurance company or of a bank by one of our competitors would likely increase such competitor’s market share and client base, and, as a result, we may face heightened competition. An increase in competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our client base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products we offer; and
- increasing competition for investment opportunities.

Risks Relating to Unibanco and Unibanco Holdings

The profile of our loan portfolio may be adversely affected due to changes in Brazilian or international economic conditions.

As of December 31, 2006, our loan portfolio was R$44.654 million, compared to R$39,237 million as of December 31, 2005. Our allowance for loan losses was R$2.577 million, representing 5.8% of our total loan portfolio, as of December 31, 2006, compared to R$2,107 million, representing

5.4% of our total loan portfolio, as of December 31, 2005. See "Item 5. Operating and Financial Review and Prospects—Results of Operations for Year Ended December 31, 2006 Compared to Year Ended December 31, 2005."

The quality of our loan portfolio is subject to changes in the profile of our business resulting from organic growth or acquisitions that we make, and is dependent on domestic and, to a lesser extent, international, economic conditions. Some acquisitions and joint-ventures, in particular within the consumer finance arena have affected the quality of our loan portfolio by significantly increasing our exposure to the lower income segment of the retail market. This sector generally features a higher volume of transactions, higher margins and higher default rates than other income brackets. Adverse changes affecting any of the sectors to which we have significant lending exposure, political events within and external to Brazil or the variability of economic activity may have an adverse impact on our business and our results of operations. Furthermore, our historic loan loss experience may not be indicative of our future loan losses.

Our securities portfolio is subject to market fluctuations due to changes in Brazilian or international economic conditions.

As of December 31, 2006, investment securities represented R$18.766 million, or 18.3% of our assets, and realized and unrealized investment gains and losses have had and will continue to have a significant impact on our results of operations. These gains and losses, which we record when investments in securities are sold or are marked to market (in the case of trading securities), may fluctuate considerably from period to period. We cannot predict the amount of realized or unrealized gains or losses for any future period, and variations from period to period have no practical analytical value in helping us to make such a prediction. Gains or losses on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation or depreciation now existing in our consolidated investment portfolio or any portion thereof.

Integration of businesses in future acquisitions may increase our risks.

Our business strategy includes growth through strategic acquisitions. We have made a number of acquisitions in the recent years and we may engage in future acquisitions as we seek to continue our growth in the consolidating Brazilian financial services industry. The integration of the businesses we have recently acquired and may acquire in the future entails significant risks, including the risks that:

- integrating new branch networks, information systems, personnel, products and customer bases into our existing business may place unexpectedly significant demands on our senior management, information systems, back office operations and marketing resources;

- our current information systems may be incompatible with the information systems of the companies we acquire, with the result that we may be unable to integrate the acquired systems at a reasonable cost or in a timely manner;

- we may lose key employees and customers of the acquired businesses;

- we may incur unexpected liabilities or contingencies relating to the acquired businesses; and

- delays in the integration process may cause us to incur greater operating expenses than expected with respect to our acquired businesses.

Risks Relating to the Global Depositary Shares and Units

Cancellation of Global Depositary Shares in exchange for Units could adversely affect the public market and value of Global Depositary Shares and impose further restrictions on Unit holders.

Under our Global Depositary Shares, or GDSs Program, GDS holders are entitled to cancel their GDSs and receive the underlying Units in Brazil. In this case:

- if a significant number of GDSs are cancelled, the public market and prices for GDSs could be adversely affected; and

- the proceeds and gains related to the Units are earned by their holders in Brazil. Foreign investors may not be able to remit the proceeds of the Units to investors outside Brazil. See "—Restrictions on Overseas Remittances could adversely affect Holders of Units and GDSs".

Restrictions on overseas remittances could adversely affect holders of Units and GDSs.

Brazilian law provides that, whenever there is a significant imbalance in Brazil's balance of payments or reasons to foresee such an imbalance, the Brazilian Government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil, as it did for approximately six months in 1989 and early 1990, and on the conversion of Brazilian currency into foreign currencies. In addition, if the Brazilian government determines that the Brazilian foreign currency reserves need to be maintained, it may impose temporary charges on any overseas remittance of up to 50% of the value of the remittance. Such restrictions could hinder or prevent foreign investors from converting dividends, distributions or the proceeds from any sale of Units into U.S. dollars and remitting such U.S. dollars abroad. Holders of Units and GDSs who reside outside Brazil could be adversely affected by delays in, or refusals to grant, any required governmental approvals for conversion of Brazilian currency payments and remittances abroad in respect of the Units and GDSs.

Absence of voting rights for the Units.

In accordance with Brazilian Corporation Law, our bylaws and the bylaws of Unibanco Holdings, holders of our preferred shares and Unibanco Holdings' preferred shares have no voting rights except under certain limited circumstances set forth in the Brazilian Corporation Law, and holders of Units, therefore, are not entitled to vote either at meetings of our shareholders or at meetings of Unibanco Holdings' shareholders.

Shares eligible for future sale may adversely affect the market value of our Units and GDSs.

Certain of our principal shareholders and the principal shareholders of Unibanco Holdings have the ability, subject to applicable Brazilian laws and regulations and applicable securities laws in the relevant jurisdictions, to sell our shares, Unibanco Holdings Common shares, and Units. No prediction can be made as to the effect, if any, that future sales of the shares represented by Units or GDSs may have on the market price of the Units and GDSs. Future sales of substantial amounts of such shares, or the perception that such sales could occur, could adversely affect the market prices of the Units and GDSs.

Limitations on exercise of preemptive rights by foreign shareholders.

Under Brazilian Corporation Law, except in the case of shares offered through a stock exchange or a public offering, a Brazilian company must offer its shareholders preemptive rights to purchase, by means of capital subscription in a private placement, a sufficient number of shares to maintain their existing ownership percentages prior to the offering and issuance of any new shares. However, the participation of foreign investors in the capital of financial institutions is subject to prior authorization by the Brazilian government, except for participation in non-voting capital, once a general authorization has already been granted for this purpose. Therefore, in the event voting securities are being offered, our foreign shareholders could be prevented from exercising their preemptive rights. In addition, foreign shareholders may not be able to exercise preemptive rights with respect to our shares represented by the Units, or with respect to any securities issued by us or by Unibanco Holdings as to which the holders of Units have preemptive rights, unless a registration statement under the Securities Act is effective with respect to the shares relating to such rights or an exemption from the registration requirements thereunder is available. Unibanco Holdings and we are under no obligation to file a registration statement with respect to such preemptive rights and there can be no assurance that Unibanco Holdings and we will file any such registration statement.

ITEM 4. INFORMATION ON THE COMPANY

4.A History and Development of the Company

Overview

We were founded in 1924 and are Brazil's oldest private-sector bank. From our longstanding position as one of the nation's leading wholesale banks, we have expanded our operations to become a full service financial institution providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Brazil. Our businesses comprise the following segments: Retail, Wholesale, Insurance and Pension Plans and Wealth Management. See note 32 to our consolidated financial statements for additional information on our four reportable segments.

We are one of the largest private-sector financial institutions in Brazil and have grown substantially both through organic growth and acquisitions. As of December 31, 2006, on a consolidated basis, we had:

- R$102.6 billion in total assets;
- R$44.7 billion in total loans;
- R$36.2 billion in total deposits; and
- R$10.4 billion in shareholders' equity.

Our consolidated net income for the year ended December 31, 2006 was R$1,951 billion, a 18.2% increase over consolidated net income for the year ended December 31, 2005. Our return on average equity during 2006 was 19.5% as compared to 18.3% in 2005. Our return on average assets during 2006 reached 2.0%.

Our equity securities have been publicly traded on the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or BOVESPA, since 1968. In 1997, we became the first Brazilian bank to list its equity securities on the New York Stock Exchange, or NYSE. As of December 31, 2006, the total market value of our equity securities, based on the closing price of our GDSs, was R$27.8 billion. Our legal name is Unibanco – União de Bancos Brasileiros S.A. Our address is Avenida Eusébio Matoso, 891, 05423-901, São Paulo, SP, Brazil. Our telephone number is +55-11-3584-1980. Our web site is www.unibanco.com. We are a corporation (*sociedade anônima*) and were incorporated on May 27, 1967 in accordance with Brazilian law. Our agent in the United States of America is our Representative Office in New York, which is located at 65 East 55th Street, 29th Floor, 10022, New York, NY U.S.A.; telephone number +1-212-207-9422.

Unibanco Holdings' legal name is Unibanco Holdings S.A. Its address and telephone number are the same as ours. Unibanco Holdings is a corporation (*sociedade anônima*) and was incorporated on June 20, 1994 in accordance with Brazilian law. Unibanco Holdings' agent in the United States of America is our Representative Office in New York.

Recent Developments

New Partnerships

Wal-Mart / Hipercard

In December 2005, Wal-Mart announced the acquisition of the Brazilian assets of the retailer Sonae. This acquisition effectively doubled Wal-Mart's presence in Brazil. We and Wal-Mart executed a partnership agreement whereby Wal-Mart extended the exclusivity we were already granted for the new stores. As a result, Hipercard is now accepted and hence the exclusive and private label credit card in all of Wal-Mart's stores. In addition, as of January 2006, the partnership encompasses the provision of other financial products within Wal-Mart stores.

Ipiranga Group

In August 2006, we announced the establishment of a new credit, financing and investment partnership with the Ipiranga group, in which each of us will hold a 50% equity interest. Ipiranga currently has approximately 4,200 service centers throughout Brazil. In addition to the private label cards and co-branded Ipiranga's credit cards, this partnership will offer Ipiranga's customers other financial, banking and insurance products, including personal and direct consumer loans. These products will be offered to Ipiranga's individual customers through its retail consumer network as well as directly to Ipiranga's distributors. This transaction is still subject to the approval of the Central Bank of Brazil.

VR Group

During the second half of 2006, we signed a partnership agreement with Grupo VR, a human resources benefits provider. This partnership will provide certain non-financial products related to human resources benefits to Unibanco clients and other clients defined in the relevant agreements, and will offer credit and product financing to Grupo VR clients and other clients defined in the relevant agreements, including payroll loans and working capital loans. Grupo VR has over 20,000 agreements with companies to provide human resources benefits for employees, and its products are accepted in more than 200,000 business establishments. This partnership will be implemented through a credit, financing and investment corporation, in which each partner will hold a 49% equity interest and the remaining equity interest will be held by the company's directors. Therefore, we have already acquired 49% of a company share capital and we and Grupo VR have submitted for Central Bank approval such acquisition and the transformation of such company in a credit, financing and investment corporation, which, after Central Bank approval, will be called UniVR. This transaction is still subject to the approval of the Central Bank.

Banco Cruzeiro do Sul

During the second half of 2006, we established a partnership with Banco Cruzeiro do Sul to jointly develop a payroll loan business. The partnership will combine our global scale of operations, products and services with Banco Cruzeiro do Sul's expertise in payroll loans and, in 2007, it was established a credit, financing and investment company in which each partner holds a 50% equity interest. We may also purchase Banco Cruzeiro do Sul's loan portfolios pursuant to this partnership. The organization of the credit, financing and investment company is still pending Central Bank approval.

Acquisition

Unibanco AIG Warrant

In June 2006, UASEG acquired the remaining 30% of the capital stock of Unibanco AIG Warrant S.A. ("UAW") from Whirlpool S.A. for R$66 million. Through this transaction, UAW became a wholly owned subsidiary of UASEG.

Divestiture

BWU

On January 24, 2007, Unibanco Empreendimentos e Participações S.A., a controlled company of ours, entered into an agreement with Lojas Americanas S.A. for the sale of 99.99% of the corporate capital of BWU Comércio e Entretenimento S.A., which explored, at such date, the development and subfranchising in Brazil of renting and retailing DVD and VHS tapes under the BLOCKBUSTER® trademark. The total sale price was R$185 million, subject to price adjustments, if any, after conclusion of the valuation of the variation of the company's working capital.

Capital Expenditures

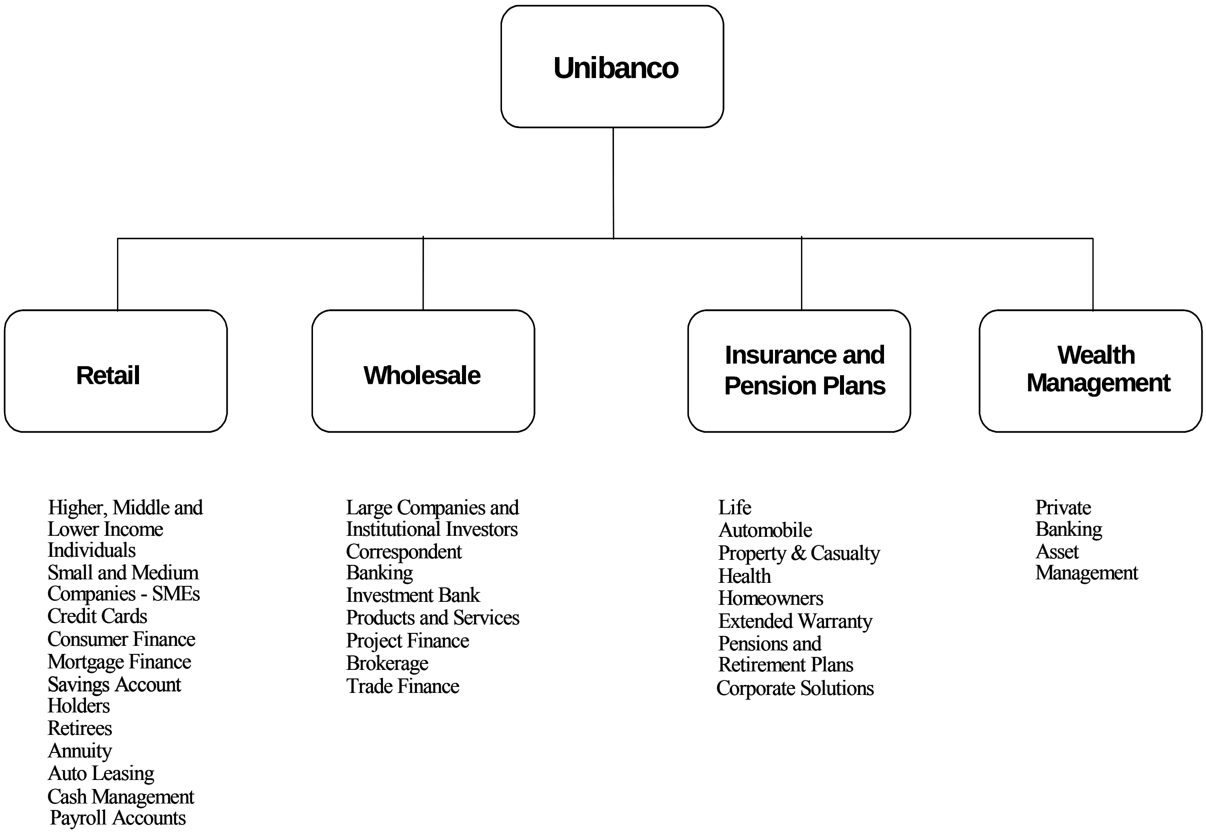
During the period from 2002 to 2006, our primary capital expenditures were for purchases of data processing hardware and software to support our growth, to increase productivity and to improve the level of services we offered our customers. In addition, we spent a significant amount of money on implementing our New Service Model and expanding our branch network. See "Retail."

In 2007, we expect that our main capital expenditures will be in connection with the remodeling of our branches so that they conform to our marketing positioning program launched in the beginning of 2005, the purchase of computer hardware and capital improvements to expand our capacity.

4.B Business Overview

Our Businesses

The following diagram shows our principal lines of business:



Retail

Our Retail business provides a wide range of financial services and products, including:

- Personal Banking services, provided by our nationwide branch network, internet and telephone banking;
- Commercial and Corporate Banking services, aimed at clients with revenues of up to R$150 million per year (small and medium-sized companies which we refer to as "SMEs"). As of December 2006, we had approximately 571,000 SME clients;
- Credit card services (issuance, processing and billing) of almost 30 million credit cards, including private label credit cards;
- Hipercard, Wal-Mart Brazil's official credit card, with over 6.5 million cards issued and approximately 204,000 affiliated merchants;
- Consumer Finance and Personal Credit, with a wide array of distribution partnerships (e.g. Pontocred and Luizacred) and proprietary operations (e.g. Fininvest);

- Auto Finance, provided through Unibanco branches and relationships with franchised auto dealers; and

- Payroll-linked loan business through our 100%-owned companies, partnerships and joint ventures such as with Banco Cruzeiro do Sul.

We separate individuals and companies into smaller groups according to income brackets to enable us to offer specialized products and services to these clients. By doing this, we increase our competitiveness in the market and foster cross-selling opportunities.

While we traditionally have focused on middle and upper income clients, we also have developed a strong presence in the financial services sector serving lower income individuals, and this market segment has provided a significant source of growth for our retail business.

For the year ended December 31, 2006, we had total loans of R$22,850 million, fees and commissions of R$2,490 million, and net income of R$1,217 million from our Retail business.

Individuals

We provide our individual customers with fee-based products and services, including use of ATMs, phone and personal computer banking and fund transfers. We also make secured and unsecured personal loans in *reais* for overdraft short term lines of credit, loans for consumer purchases, leasing and individual lines of credit. Individuals are separated into two different groups: those earning more than R$4,000 per month *(UniClass)* and those earning between R$350 and R$4,000 per month *(Exclusivo)*.

In the *UniClass* group, we believe we distinguish ourselves from competitors by providing our customers with:

- products and services tailored to their needs;

- a specialized call center that we believe offers higher quality service than our competitors, and which includes dedicated customer service representatives;

- specialized branches called "*Espaço UniClass*"; and

- a specialized team of account officers within our extensive distribution network.

In the *Exclusivo* group, we believe we distinguish ourselves from our competitors by providing personalized services and products which substantially reduce the time spent by our clients on their basic banking transactions, such as withdrawals and payment of bills. In particular, we provide *Exclusivo* customers convenient banking through access to our "30 Hours" services.

Small and Medium Companies

We serve approximately 571,000 SMEs consisting primarily of retailers. We provide this segment with a full range of financial services such as credit lines, account receivable financing, working capital loans, BNDES-funded loans, leasing and payroll services and cash management services. As of December 31, 2006, we had approximately R$8.5 billion in outstanding loans to SMEs, or approximately 19.0% of our total loan portfolio.

Distribution Network

As of December 31, 2006, we and our associated companies, Fininvest, LuizaCred, PontoCred, Tecban, and Banco 24 Horas, had a distribution network with approximately 18,000 points of distribution throughout Brazil, consisting of, approximately, the following:

- 940 retail branches;

- 316 corporate-site branches;

- 714 Fininvest stores, kiosks and mini-stores;

- 12,000 Fininvest points of sale (retailers);
- 341 LuizaCred points of sale;
- 378 PontoCred points of sale; and
- 3,201 Banco 24 Horas sites.

Unibanco's New Brand and New Service Model

In accordance with our original schedule, the New Service Model, known as the *Novo Modelo de Atendimento*, was fully implemented in our branch network by the end of 2006. The New Service Model aims to improve the quality of our customer service by harmonizing branch policies and processes, optimizing branch managers' time and developing tools that will allow us to reduce our response time to client inquiries.

Branches

Our branch system serves as a distribution network for the products and services that we offer to our retail customers. Our approximately 940 full-service branches accept deposits, provide cash withdrawals and offer the full range of our retail banking products, such as checking accounts, consumer loans, automobile financing, credit cards, loans to small-sized companies, leasing, insurance, asset management services and payment of bills, including bills for taxes and public services.

Corporate-Site Branches

We offer retail banking services to our corporate customers and their employees through special banking branches located on the premises of our corporate customers. Our network consists of approximately 316 corporate-site branches. In the case of retail and smaller corporate customers, corporate-site branches may consist solely of an automated branch. In the case of large corporate customers, corporate-site branches consist of an average of four employees dedicated to serving the corporation and its employees.

ATMs

We operate over 7,600 ATMs for the use of our customers. In addition to our proprietary network, we participate in the shared ATM network operated by our affiliate, Tecnologia Bancária S.A. This network has approximately 3,300 machines throughout Brazil and serves clients of approximately 50 banks, making it the largest ATM network in Brazil. Clients of banks associated with Tecnologia Bancária may withdraw cash through our ATM network for a fee, allowing us to increase our income and optimize our capabilities.

"30 Hour" Services

For more than 15 years, we have been innovative in the distribution and promotion of remote banking services. Our "30 Hour" telephone services provide clients with electronic banking services such as cash withdrawal, pre-printed checkbooks, account statements and investment services 24 hours a day. The "30 Hour" services are convenient for our clients and cost-efficient for us. The original concept of a call center was converted into a contact center, using the "30 Hour" telephone service as a customer relations and sales force platform. The majority of the calls are attended by an electronic voice reply system. This system identifies which callers may be potential product purchasers and transfers such callers to an operator.

Internet Banking

Although we initially used the telephone as a primary instrument for conducting banking transactions with our clients, now we also provide a variety of retail banking services, including opening accounts, utility bill payment, wire transfers, personal loans, investment products and mutual funds through our Internet banking services. Since April 2000, we have also offered a variety of "30 Hour" services electronically, enabling clients to access their banking information from their cellular phones, PDAs or e-mail.

Since May 2005, our internet banking services have been considered the fastest among Brazilian banks, based on the time required to access an account information, according to the specialized survey conducted by SiteSeeing. As of December 31, 2006, we had approximately 2.5 million registered users of our Internet banking services. During 2006, we processed approximately 327 million Internet transactions, an increase of 34% over 2005.

Funding

Our Retail business is an important source of funding for us. As of December 31, 2006, 61% of our total deposits (excluding mutual funds) were from retail customers. Our extensive distribution network and strong deposit base support our Retail products. As of December 31, 2006, Retail deposits (excluding mutual funds) were R$22,160 million, an increase of 17.7% as compared to December 31, 2005. This was mainly supported by a balance of R$5.3 billion in our *SuperPoupe* and *Valor Certo* portfolio as of December 31, 2006, an increase of 73.0% from December 31, 2005. *SuperPoupe* and *Valor Certo* are time deposit certificates offered to Unibanco customers with a cost of funding that is less than the cost of a traditional time deposit certificate.

Loans

As of December 31, 2006, retail loans including loans by our subsidiaries and affiliates, were R$22,850 million, which represents 51.2% of our total loan portfolio. We provide loans to individuals and to small and medium-sized companies. We believe we are well positioned to expand our retail loan business if interest rates and unemployment decline in Brazil.

Consumer Finance

We operate in consumer finance through Unicard, Hipercard, Redecard, Fininvest and our partnerships with retailers (PontoCred and LuizaCred and our new partnerships with Ipiranga Group, VR Group (UniVR) and Banco Cruzeiro do Sul). These companies operate in the credit cards, personal credit, consumer credit and payroll-linked credit markets. We have also entered into alliances with wholesalers, retailers and other businesses in order to better reach our customers.

We believe that we rank among the leaders in terms of the overall number of credit cards issued in Latin America. We issue Visa, MasterCard and Hipercard credit cards and a wide array of private labels, primarily through our subsidiaries Fininvest, Unicard and Hipercard.

In Brazil, clients still use their credit cards as a payment tool more than a credit instrument, although in recent years this behavior has been changing. The market for consumer credit has grown as declining inflation in Brazil has led to increased consumption and increased acceptance of credit cards by merchants.

We have responded to the current business environment by developing a large number of new products to serve all of our customers' needs:

- We offer more than one hundred co-branded cards whereby our customers can receive airline miles or other rewards for using their credit cards;

- We are a pioneer in the introduction of innovative value added services to credit cards in Brazil;

- We offer online, real-time credit approval;

- We send SMS alerts to our customers' mobile phones or PDA units, informing such customers whenever a purchase has been made using their credit card, thereby reducing opportunities for credit card theft;

- We provide a wide range of internet banking services, reducing the amount of time our clients need to spend visiting one of our branches;

- We have introduced a variety of new credit card products, including the Supermarket Card, Twin Strategy (Second Brand offering), Unicard Payroll and Unicard MasterCard Black.

Unicard

Unicard is one of our credit card companies. Its loan portfolio consists of three different categories of loans: (i) revolving credit, which yields high interest rates and, therefore, is the highest risk portion of Unicard's portfolio, (ii) loans that are usually due within thirty days, which are extended in connection with credit card purchases, and (iii) loans in connection with credit card purchases that are billed in multiple installments through agreements with retailers, a common practice in Brazil.

Unicard's credit portfolio reached R$2.9 billion as of December 31, 2006, an increase of 20.8%, when compared to December 31, 2005. As of December 31, 2006, Unicard had 11.9 million cards issued, a 50.6% increase compared to December 31, 2005.

Through our use of the Capstone system in connection with Unicard, we are able to provide our customers with a credit decision on-line, in real time, in all of our distribution networks, with a thirty-second response time from the initial credit request. The Capstone system compiles business intelligence and analytical customer relationship management in a credit decision platform that is used widely in banks.

Fininvest

Fininvest provides personal loans mainly to lower-income individuals and also offers regular and private label credit cards. Fininvest's credit portfolio was R$2.2 billion as of December 31, 2006. At the end of 2006, Fininvest had 714 stores, kiosks and mini-stores and approximately 12,000 points-of-sale.

Hipercard

Hipercard started as a private label credit card company for the Bompreço chain of supermarkets and is now a fully independent credit card company whose cards are accepted at over 204,000 points of sale in Brazil.

We acquired Hipercard in March 2004. During 2004, the Hipercard portfolio continued to be concentrated in the Northeast region. During 2005, its business expanded to the South and Southeast regions in line with the Hipercard strategy, enhanced by an agreement with Wal-Mart.

In 2005, Hipercard acquired E-capture, a company that focuses on the capture, transport, authorization and management of electronic transaction related information. The use of E-capture technology has reduced Hipercard's costs and has improved the level of technology it utilizes. Hipercard went through an important modernization process to support its aggressive growth plans and to continue consolidating its broad brand recognition in Brazil.

As of December 31, 2006, Hipercard had a credit portfolio of R$2.2 billion, with 6.5 million cards issued.

Redecard

Established in 1996, Redecard is responsible for the processing of credit and debit card transactions of the MasterCard, MasterCard Electronic, Maestro, Diners Club International and RedeShop brands in Brazil. Redecard also provides certain products and services for their customers, such as leasing to retailers the machines that are used for the processing of debit and credit card transactions. In recent years, debit card usage has been increasing in Brazil. As of December 31, 2006, we own 31.9% of Redecard.

The shareholders of Redecard are currently considering an initial public offering of Redecard in Brazil, with selling efforts abroad pursuant to Rule 144A and Regulation S of the Securities Act. A draft Portuguese language prospectus has been filed in Brazil with the CVM with this intention, however we cannot assure you that an initial public offering will occur, or the price at which it may occur. If an initial public offering were to occur, our interest in Redecard would decrease, proportionately with the other principal shareholders.

Savings and Annuity Products

Our wholly owned subsidiary, Unibanco Companhia de Capitalização, or Unibanco Capitalização, offers savings and annuity products. Unibanco Capitalização's products consist primarily of savings account-type products, which provide incentives to depositors through a special weekly lottery award.

Mortgage Loans

As of December 31, 2006, we had approximately R$1.4 billion in outstanding mortgage loans. Brazilian law requires banks to provide a minimum level of housing financing equal to at least 65% of a bank's savings deposits. However, banks may reduce their minimum lending requirements with credits against the Brazilian government housing fund (*Fundo Nacional de Compensação de Variações Salariais*), or FCVS.

Payroll-Linked Loans

We provide, through our wholly-owned subsidiaries, partnerships and joint ventures, loans that are deducted directly from an employee's paycheck, with lower interest rates due to the reduced insolvency risk. We also acquire payroll-linked loan portfolios from other financial institutions.

Cash Management

Our cash management unit optimizes companies' cash flow management by making payments and processing receivables more simple and efficient. As of December 31, 2006, approximately 116,000 customers used our cash management services, including payment and collection services.

Wholesale

Our Wholesale business provides a wide array of products and services, including: general and specialized corporate lending, trade finance, derivatives, capital markets and investment banking services, investment and brokerage services, project finance, and mergers and acquisitions advice to approximately 400 institutional investors and 2,150 economic groups. We serve these clients through a network of regional offices combined with a presence in major financial centers throughout Brazil.

The Wholesale segment serves companies with annual sales of over R$150 million, in addition to institutional investors.

During 2006, the expansion of our active client base and the continuous synergies among our various businesses allowed us to offer and increased number of products through cross-selling.

For the year ended December 31, 2006, we had a total of R$20,446 million in outstanding loans in our Wholesale portfolio, fees and commissions of R$380 million and net income of R$417 million from our Wholesale business.

Wholesale Network

We have structured our regional branch network in order to maintain close proximity to our client base. We have five regional offices (two in São Paulo State and one each in Rio de Janeiro, Minas Gerais, and Rio Grande do Sul) and seven regional branches. These regional offices are responsible for developing our relationship with our clients by offering them our vast array of banking products and structuring tailored solutions to their needs. Our branches are supported by products specialists who develop specific products to address our clients' needs, and a corporate desk that attends to the daily transactions of our clients. We also have an international network to service our clients abroad. Our subsidiaries and branches located abroad raise capital for trade finance and lending to our clients. Our international network consists of the following:

- a branch in the Cayman Islands;
- a representative office in New York;
- banking subsidiaries in Luxembourg, the Cayman Islands and Paraguay; and

- a brokerage firm in New York (Unibanco Securities Inc.).

Organization of the Wholesale Business

Our Wholesale business is organized as follows:

Commercial Division

The commercial division is focused on increasing and improving our relationships with large corporate clients by offering them specialized corporate lending and structured finance products and regular retail and banking services. As a result, we have increased our synergies with the product areas of our Retail business in order to identify cross-selling opportunities for this potential clientele. For example, we are continually expanding our cash management activities and services, creating new products to support our clients' cash flow administration and targeting potential opportunities in connection with the employees of our corporate clients and their suppliers' networks.

International Trade Finance and Correspondent Banking

We provide import and export financing and services to our corporate customers. We receive funding from correspondent banks as well as export and import financing funded or insured by export credit agencies and multilateral agencies. Our extensive network of correspondent banks and our international operations help us to provide our customers with foreign exchange and international trade support worldwide.

Investment Bank Products

Our equity, fixed income and mergers and acquisitions groups supply product expertise and innovation focused on the needs of Brazilian companies. Our brokerage and distribution groups are responsible for understanding the needs of Brazilian and international investors, in order to offer suitable investment options.

Brokerage

Our Brazilian brokerage operation offers equity and debt securities, derivatives products and provides trading services on Brazilian exchanges for institutional customers. It also provides research on approximately 80 listed companies to institutional and retail clients worldwide. Our equity research team is recognized as one of the best in the market. In 2006, it was listed in the Top 10 Research Houses All-Brazil Research Team rankings published by the British magazine Institutional Investor, obtaining a first–place position in the natural resources sector and a third-place position in the consumer goods category.

Project Finance and Privatization

Our project finance group is responsible for structuring and financing infrastructure and industrial projects, such as projects related to toll roads, ports, railroads, energy and telecommunications. Our activities include advising our corporate customers about the economic feasibility of proposed projects, as well as project structuring and long-term financing.

In July 2006, we reinforced our commitment to responsible and sustainable development by adopting the Equator Principles 2 (EP2), a revised framework of environmental and social policies launched by the International Finance Corporation (IFC). The IFC is the private-sector arm of the World Bank Group. As of July 2006, only 41 financial institutions worldwide had this framework. We were the first bank in Brazil and also among the developing countries of the world to adopt these policies in June 2004.

Treasury, Trading and Derivative Activities

In March 2005, we reorganized our corporate structure, and an executive officer, who reports directly to our CEO, became responsible for our Treasury. This reorganization reinforced the Treasury's institutional role of managing our balance sheet structure and of providing funding, liquidity and pricing to our Retail and Wholesale businesses, while maintaining its role as a profit center.

Our Treasury is divided into (i) a Banking Desk, responsible for portfolios with accrual accounting treatment that are generated by proprietary and commercial operations and (ii) a Trading Desk, responsible for portfolios generated by proprietary and commercial operations that are marked-to-market (MTM).

The Banking Desk manages both local and foreign portfolios. It aims to maximize returns by managing currency and maturity differentials. The Banking Desk provides quotes for commercial operations and manages the bank's reserves, while maintaining safe and efficient cash allocation.

The Trading Desk is responsible for our proprietary trading and market-making activities for our clients in the domestic and foreign fixed income, currency and derivatives markets.

In May 2005, in keeping with the business practices in our other existing business units, we instituted an Assets and Liabilities Management (ALM) group in our Treasury. The role of the ALM is to monitor our balance sheet structure, while seeking to improve the management of our consolidated funding and liquidity. The ALM unit is responsible for our institutional funding (for example, the MTN program or the receivables securitization program) and for coordination with the activities of the Asset and Liability Management Committee (ALCO), which holds a monthly meeting to deal with issues related to the Company's balance sheet structure.

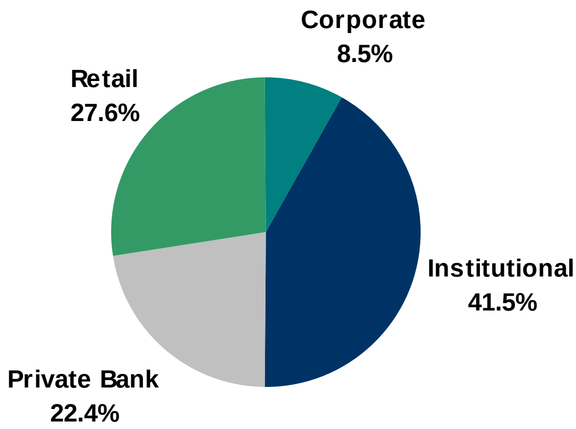
Wealth Management

We established our Wealth Management unit in 2002, and we were a pioneer in implementing this concept in Brazil. This business is conducted primarily through Unibanco Asset Management and our Private Bank.

The Wealth Management business offers fixed income and equity mutual funds to individual customers and manages portfolios on behalf of corporations, pension funds and private banking clients. Through Unibanco Private Bank, we provide wealth management services targeted to high net worth individuals with potential investment portfolios of over R$3 million.

During 2006, we directed our efforts towards strengthening our competitive position in both the Asset Management and Private Bank markets by focusing on funds and portfolio performance enhancement and consistency.

Assets under Management as of December 31, 2006



As of December 31, 2006, UAM had R$35.9 billion in assets under management. According to ANBID, we had a 5% market share in terms of assets under management at the end of 2006. Unibanco Private Bank was ranked second in ANBID's ranking of the private banking segment with a market share of 10%.

Asset Management

Unibanco Asset Management (UAM) was established more than ten years ago and was the first independent third-party asset management institution in Brazil that was linked to a large bank.

UAM usually charges its clients fees to invest in mutual funds. These fees are based on the average net asset value of the funds, which is calculated on a daily basis. UAM also manages portfolios for pension funds, corporations, private banking customers and foreign investors. UAM usually negotiates fees for these services that are based on a percentage of assets under management and on performance.

For the year-ended December 31, 2006, UAM had R$35.9 billion in assets under management, R$325 million in fees and commissions and R$112 million net income. UAM was ranked sixth in assets under management among private-owned banks, according to Investment Banks and Distributors National Association (*Associação Nacional de Bancos de Investimento e Distribuidoras - ANBID*), with a market share of 4.6%, in December 2006.

Private Banking

Our private banking unit targets high net worth individuals with potential investment portfolios over R$3 million. Many of our private banking clients are major shareholders or senior executives of our corporate clients.

With five offices in Brazil - in São Paulo, Rio de Janeiro, Porto Alegre, Ribeirão Preto and Belo Horizonte - our Private Banking business provides services to approximately 8,500 customers. The foreign operations of our Private Bank are supported by our international facilities through Unicorp Bank and Trust, Unibanco Luxembourg and UBT Finance.

Our Private Bank offers innovative, unique products, in addition to investment advice and full asset management. Among the services offered are estate planning, corporate, tax, and real estate advice, as well as projects for asset planning, structured products, derivatives and investment operations with excellent profit levels.

We had R$9.8 billion of assets under management in our Private Banking business, a 25.1% growth from December 31, 2005, putting us at second place in the ANBID's global ranking, with a 10% market share.

Insurance and Private Pension Plans

Our Insurance business provides individuals and businesses with life, auto, health, property and casualty and extended warranty insurance coverage, as well as pensions and retirement plans and certain related products and services. This business operates primarily through Unibanco AIG Seguros S.A., or ("UASEG"), our joint venture with American International Group, Inc. ("AIG"). We own 52.97% of the equity voting shares of UASEG.

As of December 2006, our insurance and private pension fund companies ranked fourth in Brazil in terms of total consolidated premiums, according to the Brazilian Private Insurance Superintendent (*Superintendência de Seguros Privados*), or SUSEP, and the National Health Agency (*Agência Nacional de Saúde Suplementar*), or ANS, with a 7.1% market share.

In 2006, insurance, private retirement plans and pension investment contract income was R$3.2 billion and total net income of the insurance segment was R$205 million, based on our proportionate share of the joint venture.

Insurance

UASEG has the exclusive right to distribute insurance products through our branch network to our Retail and Wholesale customers. We believe that this distribution channel gives us a competitive advantage over many insurance companies that are not affiliated with financial institutions. The portion of UASEG's insurance premiums obtained through our network customers generates significant cost savings and marketing synergies. UASEG also markets its insurance products through approximately 12,600 independent brokers and our call center, website and in-store branches. UASEG distributes products through banks, financial institutions and mass marketing programs to affiliated groups. We also offer an extended warranty program for household appliances. In 2006, UASEG maintained its leadership in extended warranty products, offering this service at large retail stores.

Pension and Retirement Plans

Our subsidiary Unibanco AIG Vida e Previdência S.A., or UAVP, manages reserves that consist of pension and retirement contributions made by institutional clients and individuals and serves over 1,300 corporate clients and 800 individual customers.

As of December 31, 2006, UAVP ranked fourth in Brazilian pension plan revenues with a 6.1% market share, according to SUSEP's official data.

Unibanco Business Strategy

Our objective is to maintain and enhance our position as a leading Brazilian full service financial institution operating in all business segments.

Our business strategy is to add economic value through continuous pursuit of profitability, scale and efficiency maximization. We seek to increase our client base, through cross-selling among our different businesses and by achieving a high level of client satisfaction with all of our products and services through excellent customer service, credit quality and our optimized distribution network. We are also focused on achieving greater synergies among our businesses. In order to achieve our goals, we aim to excel in human resources by promoting a challenging and cooperative work environment, valuing the principles propagated under our internal culture called *Jeito Unibanco* ("the Unibanco Way").

Since the second quarter of 2004, we have implemented important changes to our internal structure. Our new business model focuses on (i) increasing profits; (ii) fostering a collaborative environment; (iii) continuing excellence in human resources; and (iv) reinforcing our focus on our Retail segment, consistent with our strategy of intensifying our participation in higher margin and higher profitability businesses.

The main components of our business strategy are:

Continuous Pursuit of Profitability and Scale

We believe that to maintain competitiveness, we must increase our customer base, expand our product and service offerings in each of our business segments and identify additional sources of revenue, thereby improving our profitability. We seek to accomplish this through organic growth, acquisitions, strategic alliances and partnerships.

We have focused our growth strategy on expanding our retail customer base by offering new products (such as the *SuperPoupe* time deposit), and through acquisitions, alliances with retailers and organic expansion of our operations. More recently, we have also focused on growing our small and medium sized enterprises, or "SMEs", customer base by designating a separate SME division within the Retail segment and training the staff at our branches to better serve these customers. We believe that this strategy will contribute to improvements in our profitability and will help to lower our cost of funding.

We are also focusing on increasing the number of payrolls we service, through our relationship with SMEs and large corporate clients, as well as growing our payroll-linked loan portfolio through our fully-owned companies, partnerships and joint-ventures.

Our segmentation strategy also focuses on those segments with higher margins and higher growth rates, especially in the credit card and consumer finance segments. These businesses target different economic segments of the population than the ones that are generally targeted by banks, and they are largely responsible for the growth and penetration of credit access in Brazil.

In our Wholesale division, where we have traditionally been a market leader, we continue to improve our profitability by providing additional services to our large corporate clients such as cash management, payroll and investment banking services.

Continuous Efficiency Maximization

In mid-2006, we created an Operational Efficiency unit to improve management practices. This unit's mission is to implement a management system similar to that seen in process-intensive industries, with targets and capture curves used as indicators of activity performance and cross control, and is characterized by a constant effort to eliminate any problems that might occur during these processes.

The efficiency management system involves all levels of the organization, identifying areas where improvements can be made. Improvement projects are systematically monitored by executives from different areas of the Bank. Results, causes and corrective measures are presented to our Executive Committee.

We are focused on controlling our costs as well as managing all of our investments in order to maximize returns. For example:

- We have a multifunctional committee responsible for analyzing and approving our potential projects or strategic initiatives. As a result, project and strategy are aligned;

- We established multifunctional teams responsible for improving our well developed cost control mechanisms. This group meets on a monthly basis in order to run the PDCA (Plan, Develop, Check and Adjust) cycle and to follow up with corrective actions based on key performance indicators;

- We have centralized all of our back office activities, from operations to accounting and we are now reaping benefits from this synergy. This centralization process has included Fininvest, Hipercard, Creditec, Dibens, Unicard and other smaller operations;

- We have reviewed and refined certain of our policies related to the reimbursement of out of pocket expenses of our employees (i.e. - travel, telephone and meal expenses);

- We have established a single credit concession and recovery unit for all retail linked units called Credit Factory *(Fábrica de Crédito)* which provides unified credit and collections operations, systems and platforms for all of our the retail customers;

- We reviewed all of our logistics operations, including transportation routes and our suppliers evaluation and assessment in order to seek greater efficiencies;

- We have consolidated and restructured our overseas platforms; and

- We have reduced our costs by outsourcing our document processing needs.

Jeito Unibanco

In 2006, we created and distributed information to all of our employees about our internal culture, called *Jeito Unibanco* ("the Unibanco Way"). *Jeito Unibanco* is comprised of ten principles that we expect each of our employees to embody. Approximately 8,500 of our employees from different areas, positions and regions throughout Brazil took part in qualitative and quantitative surveys designed to define the Unibanco Way.

The Unibanco Way has also been widely disseminated through internal communication channels, training sessions and recruiting and selection procedures. All of our employees are required to sign a manual that outlines the terms of this commitment. The Unibanco Way is an integral part of our corporate culture.

Retail Strategy

Increased Scale

We believe that our ability to maintain our position as a leading full service financial institution depends in part on maintaining and increasing scale in our retail business. Our customer base grew from 13.2 million in 2002 to approximately 24 million in 2006. We have increased scale in our retail business through organic growth, strategic transactions initiatives and several new cross-selling opportunities through our subsidiaries and strategic partners. As of December 2006, our total retail portfolio was R$22,850 million, representing 51% of our total loans, compared to 52% as of December 2005 and 50% in December 2004.

We seek to increase our scale through carefully chosen acquisitions and strategic alliances. We believe that the consumer finance sector is one of the most rapidly growing and profitable segments of the Brazilian retail financial services market. Achieving a strong presence in consumer finance is central to our strategy of gaining scale in our retail business and reaching the lower income segment of the market.

Enhance Sales to Existing Customer Base Through Profitable Products and Service Offerings

We view scale not only in terms of the size of our customer base, but also as a function of the number of products we are able to sell per customer. Improving our product-per-client ratio has a positive impact on our profitability, since it is less expensive to sell an additional product to an existing customer than to acquire a new customer. We believe that continually developing and marketing tailored and innovative products to serve the needs of specifically identified customer segments increases our ability to sell multiple products per client.

We have increased our market penetration through cross-selling among our business units and offering new products and offers such as: *SuperPoupe*, a time deposit certificate that we offer our customers with a cost of funding that is less than the cost of a traditional time deposit certificate; *Tarifa Zero*, in which fees are based on a client's historical relationship with us; and payroll linked loans for which repayments are debited against payroll, offered to private or government employees with credit card usage and personal credit lines.

Quality Concerns and the New Service Model

We have improved our quality control practices in order to ensure a high level of quality for our services and products. We have also enhanced our communications with our clients. We have undertaken several initiatives to maintain the high quality standard of our products and to satisfy our customers through the use of innovative communication channels with them.

The New Service Model's main objective is to improve the quality of service through the optimization of branch manager time and the development of tools to reduce the response time to customers' demands. At the end of 2006, we had implemented the New Service Model in all of our branches, according to schedule.

Credit Risk Management

Risk management of the Retail sector, which is composed of private individuals, and companies with annual sales of up to R$150 million, requires specific systems and processes. In small and mid-sized companies, the need to obtain additional guarantees has grown as a strategy to mitigate the segment's increasing volatility. Several automated and/or statistical evaluation instruments are used, among which are credit and behavior scoring. An automatic credit system monitors loans at every stage. We also use a collection scoring system in order to determine the most efficient payment collection methods.

We use rigorous standards of credit portfolio analysis and management, which can include restrictions on credit limit increases and on the renewal of overdraft limits. At the same time, we have a specific structure to monitor and validate policies, models and processes used in the evaluation and concession of credit.

During 2006, we continued to apply a more conservative approach to the concession of loans, primarily in the consumer finance companies' portfolio and in connection with unsecured personal loans. We began following this strategy in mid-2005, and it has led to an improvement in the quality of our loan portfolio as of December 2006, when compared to December 2005.

Wholesale Strategy

Enhance Our Market Position in the Brazilian Wholesale Sector and Deepening Our Client Relationship Base

Our Wholesale business aims to be the bank of choice for corporations and investors with interests in Brazil. Our strategy combines the strength of a commercial bank with the agility of a leading investment bank. Our in-depth knowledge of our clients and their businesses coupled with our financial capabilities allows us to establish credit limits and to structure transactions in innovative ways. During 2006, we expanded our business, while maintaining a close relationship with our clients and attending to their day-to-day financial needs. We offer our Wholesale business clients diversified products and services, including working capital credit lines, foreign exchange lending, banking services, corporate finance, advisory services and derivative products. In addition, we have a special focus on the delivery of structured solutions to meet our clients' needs.

We are one of the leading Brazilian banks participating in the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, programs (see: The Brazilian Banking Industry section). As a financial agent of BNDES, Unibanco made available a sum of R$2.5 billion throughout the year for loans to third parties, with a market share of 8.6%, maintaining the third position in the BNDES general ranking. Our Equity Research team is recognized as one of the best in the market. In 2006, it was listed in the Top 10 Research Houses All-Brazil Research Team rankings published by the British magazine Institutional Investor, obtaining a first-place position in the natural resources sector and a third-place position in consumer goods category.

Insurance Strategy

Focus on Offering High Profitability Insurance Products and Strengthening our Leading Corporate Market Position

We believe that Brazilian economic growth will present opportunities for the country's insurance industry as Brazilians' spending on insurance products currently lags behind that of many other countries. We intend to take advantage of this growing market by using our sophisticated product development capability to focus our insurance offerings on value-added products. By maintaining high standards for our underwriting criteria, our products are more profitable than the relatively commoditized, market-standard products offered by many of our competitors.

We believe that our Insurance business has the most optimal mix of products among the five largest insurers in Brazil. In developing insurance products for corporate clients, we have achieved leading market positions in a variety of specialized areas such as segments of property risk, aviation, D&O (Directors and Officers) and energy distribution, in addition to extended warranty products. Our focus on developing and offering value-added insurance products is supported by our joint venture with AIG, which gives us access to AIG's expertise in product development and reinsurance, as well as a valuable brand name.

Unibanco AIG is distinguished by its innovative, successful products, such as Extended Warranty, offered at large retail chains, and D&O insurance, both of which hold leadership positions in the market. In 2006, we maintained our innovative stance, with the launch of Export Solution, a product designed for Brazilian exporters, which offers a package of special policies and services to protect exporters against injury and third party liability claims caused by defective products. In 2006, Unibanco AIG created a corporate solutions unit to offer services to large corporations, such as Brazilian multinationals. These companies can control their insurance programs all over the world, with local coordination and customized services, tailored to the needs of sophisticated clients.

Enhance Profitability in Our Insurance Business through Cost Control, Operating Efficiency and Underwriting Expertise

The profitability of our Insurance business depends in part on our ability to minimize expenses and losses. We have taken significant steps to reduce expenses in our Insurance operations, including the merger of several companies into Unibanco AIG Seguros S.A., and the introduction of an Internet portal to communicate with our insurance broker and the public.

The continuing decline in interest rates in Brazil is placing a premium on operating efficiency in the insurance market. In the past, gains were primarily made in financial revenues with technical reserves. Unibanco AIG has been preparing itself by prioritizing positive operating results. Unibanco AIG's operating results participation on total earnings is above the market average.

Pension Plan Strategy

Our primary strategy is to improve sales of corporate pension plans by adding new companies to our pension plan portfolio and increasing the size of our portfolio of individual plans. We offer several innovative investment contract products including *Vida Gerador de Benefícios Livres*, or VGBL, which combines life insurance with investment, enabling the insured party to redeem the invested amount at any time, while still offering coverage in case of death, accident or disability; and *Plano Gerador de Benefícios Livres*, or PGBL, which enables customers to save for retirement with a tax-deductible feature and may include insurance coverage for death, accident or disability. These pension products are mainly sold in our branches. Increasing sales and controlling expenses are the key drivers for the profitability of our pension plan business.

Wealth Management Strategy

Be the Leading Provider of Wealth Management Services in Brazil

The mission of our Wealth Management business is to provide proactive advice to help our clients to accumulate, preserve and transfer their wealth. We offer integrated financial solutions through our three main areas of expertise: asset management, private banking and advisory services. Our tailored and value-added products are targeted towards middle to large-sized companies and pension funds and high net worth individuals, thus leveraging our unique position in those market segments. To be able to provide these services we have developed a strong local and international network of wealth management specialists in the areas of estate planning, tax and real estate advice, among others. In the area of financial investments we developed an open architecture model that further distinguishes our offerings. Through this model, our clients have access to our best investment products and also to the best investment products of third party asset managers.

With the decrease in interest rates in 2006, and the expectation that this trend will continue, Unibanco Asset Management seeks to continue to diversify and increase its client base, while offering high value-added products such as credit risk funds and equity funds.

Additional Information about Unibanco

Technology

Technology is important to the execution of several components of our business strategy. We have invested heavily in technology, and we will continue to invest in new technology to enable us to retain and enhance our competitive position in various markets to improve the quality of our services and to control costs.

During 2006, we invested a total of approximately R$241 million on technology. Our principal technology projects included:

- enhancing IT processing capacity;
- consolidating back-office infrastructure;
- expansion projects;

- developing new platform channels;
- upgrading Customer Relationship Management applications; and
- supporting Sarbanes-Oxley Certification.

Competition

The market for financial services in Brazil, including banking, insurance and asset management, remains highly competitive. Since 1990, the banking industry in Brazil has gone through a period of consolidation. A number of banks were liquidated, many important state banks were privatized, many medium-sized private-sector banks were sold and many were acquired by national or international banks. As of December 31, 2006, there where 137 multiple-service banks, 21 commercial banks, 18 investment banks and numerous savings and loan, brokerage, leasing and other financial institutions in Brazil.

Brazilian banks have been facing increasing competition from foreign banks. Some U.S. banks, such as Citibank, have become more active in Brazil. Other foreign banks such as HSBC, UBS, Credit Suisse, ABN-AMRO and Banco Santander Centro Hispano have established a significant presence in the Brazilian market through acquisitions.

Privately owned banks make up the largest sector of the banking industry. In December 2006, according to rankings published by the Brazilian Central Bank, Banco Bradesco and Banco Itaú were the two largest privately owned banks in Brazil in terms of assets, followed by ABN AMRO Real, Banco Santander-Banespa, Unibanco, Banco Safra and HSBC. We expect that the recent occurrence of a number of acquisitions and partnerships in the Brazilian banking market will increase competition in the retail sector, mainly in the consumer finance segment. There are also a number of mid-sized banks focused mainly in middle-market companies and payroll-linked loans. Among them are Banco Cruzeiro do Sul, Banco BMC (recently acquired by Bradesco), Banco BMG, Banco Pine, and Banco Sofisa among others.

We also face competition from public sector banks, some of which have a larger distribution network and larger customer base than their private-sector counterparts. These banks, the largest of which are Banco do Brasil and Caixa Econômica Federal, accounted for 38.3% of total lending in the Brazilian banking system as of December 31, 2006, compared to 38.2% as of December 31, 2005. Public-sector banks operate within the same legal and regulatory framework as the private-sector banks and have a strong presence in the retail sector.

Credit Cards and Consumer Finance

As of December 31, 2006, there were approximately 379 million credit and debit cards in use in Brazil. Of this amount, 78 million were credit cards, 189 million were debit cards and 112 million were private-label credit cards. The primary competitors of Unicard and Hipercard are Banco Itaú, Banco do Brasil, Banco Bradesco, Santander, Citibank (through Credicard's brand acquisition) and Banco ABN AMRO Real. We believe that the primary competitive factors among credit card companies are price (interest rate, cardholder fees and merchant fees), card distribution network, card acceptance and name recognition.

Co-branded cards, and in particular co-branded cards with companies that offer rewards, discounts or mileage programs, such as airline and automobile companies, are increasingly being adopted by credit card companies to expand their client base.

Post-dated checks also compete with credit cards. They are a popular means of term payment in Brazil by which customers pay for merchandise and services with post-dated checks, effectively allowing payment over a longer term. However, the use of post-dated checks has been decreasing, and we believe that they are gradually being replaced by credit cards as the primary method of term payment because of their convenience, safety and growing acceptance.

Consumer finance companies target different economic segments of the population than the ones that are generally targeted by banks, and they are largely responsible for the growth of credit access in Brazil. As access to credit grows in segments not generally served by commercial banks, consumer finance companies are likely to continue to experience strong growth rates. Several of the large commercial banks have established consumer finance companies and secondary brands to target this growing market. We believe the major competitors for Fininvest are Losango, which is owned by HSBC, Finasa, which is owned by Bradesco, Taií, which is owned by Itaú, Aymoré, which is owned by ABN AMRO Real, and many small independent companies.

Asset Management and Private Bank

The asset management industry in Brazil has been dominated by commercial banks offering fixed-income and equity funds to retail bank customers. Competition in the sector is mainly comprised of asset management companies from large banks such as Banco do Brasil, Banco Itaú, Banco Bradesco, CEF, HSBC, UBS Pactual, Santander and ABN. However, some small independent asset managers, such as Mellon and Legg Mason have been able to carve out profitable market niches. Unibanco Asset Management has several competitive advantages, particularly its ability to offer a wide product range and its strong brand. In addition, UAM has distinguished itself with the quality of its investment processes, which include credit analysis, macroeconomic and company research, asset allocation models and risk control.

Our primary competitors in Brazil are Citibank, Banco Itaú, UBS Pactual, HSBC, ABN and Banco Santander. Although the Private Banking industry is dominated by the largest commercial banks, there is also competition from investment management boutiques. Our offshore private banking operations have local competitors, and foreign competitors such as JP Morgan Chase, Merrill Lynch, Morgan Stanley, Crédit Suisse and the Swiss private banks (Lombard Odier Darier Hentsch, Mirabaud, Julius Baeur, among others).

Insurance and Pension Plans

The Brazilian insurance and pension plans market is highly competitive. The total insurance and pension plans market in 2006 had R$66 billion in premiums and pension contributions. The ten largest insurance and pension plan groups had 80.3% of the market share in this area as of December 2006; UASEG had a 6.8% share of the insurance market, and UAVP had a 9.9% share of the pension plans market (excluding VGBL products), representing a combined market share of 7.1% in insurance and pension plans.

Competition in the insurance market comes from two fronts: insurance companies in large commercial banks, such as Bradesco Seguros and Itaú Seguros, and independent companies such as Sul América Seguros and Porto Seguro. Companies also tend to specialize in market niches, such as automobile, health, or property insurance. Although companies that operate nationwide are our main competitors, we also face competition from certain local or regional companies in various markets that may have a relatively cheaper cost structure or a specialization in certain niches. We believe that our main competitive advantages are our strength, strong partnership with international company brand name recognition, quality of services and competitive rates.

The Brazilian Banking Industry

General

The Brazilian government controls some commercial banks and other financial institutions that play an important role in the Brazilian banking industry. These public institutions hold a significant portion of the banking system's total deposits and total assets and they have a stronger presence in markets such as residential mortgage and agricultural lending than private sector banks. In addition, the development banks act as regional development agencies.

Public Sector

The three main public financial institutions controlled by the Brazilian government are:

- Banco do Brasil, which provides a full range of banking products to both the public and private sectors. Banco do Brasil is the largest commercial bank in Brazil and the primary financial agent of the Brazilian government;

- BNDES, a development bank which provides medium and long-term financing to the Brazilian private sector, mainly in the industrial sector. BNDES provides funding both directly and indirectly through onlending by other public and private sector financial institutions; and

- Caixa Econômica Federal, which is involved principally in deposit-taking activities and provides financing for housing and urban infrastructure.

Private Sector

The following are the most important types of private sector financial institutions:

- multiple-service banks, such as Unibanco, which are licensed to provide a full range of commercial banking, investment banking (including securities underwriting and trading), consumer finance and other services;

- commercial banks, which are primarily engaged in wholesale and retail banking and are particularly active in taking demand and time deposits and lending for working capital purposes; and

- investment banks, which are principally engaged in underwriting securities and structured transactions.

Regulation and Supervision

Principal Regulatory Bodies

The National Financial System (*Sistema Financeiro Nacional)* is composed of the following regulatory and inspection bodies:

- the National Monetary Council (Conselho Monetário Nacional), or CMN;

- the Central Bank of Brazil (Banco Central do Brasil), which we refer to herein as the "Central Bank";

- the Brazilian Securities Commission (Comissão de Valores Mobiliários), or CVM;

- the Private Insurance Superintendency (Superintendência de Seguros Privados), or SUSEP; and

- the Complementary Pension Secretariat (Secretaria de Previdência Complementar).

The CMN, the Central Bank and the CVM regulate the Brazilian banking industry.

We summarize below the main functions and powers of each of these regulatory bodies:

National Monetary Council

- establishes currency and credit policies;
- controls lending and capital limits;
- approves monetary budgets;
- establishes foreign exchange and interest rate policy;
- oversees activities related to the stock exchange markets;
- regulates the constitution and operation of financial institutions;
- grants authority to the Central Bank to issue currency and establishes reserve requirement levels; and
- establishes general directives to the banking and financial markets.

Central Bank

- implements the currency and credit policies established by the National Monetary Council
- controls and supervises all public and private sector financial institutions
- has the power to authorize and approve:
  - the establishment and operation of financial institutions
  - capital increases by financial institutions
  - the establishment of branches and facilities in Brazil and abroad
  - mergers and acquisitions of financial institutions
  - amendments to bylaws of financial institutions
  - establishment or relocation of the principal place of business of financial institutions
  - merger, spin-off or acquisition transactions resulting in the change of control of financial institutions
- establishes:
  - minimum capital requirements
  - compulsory reserve requirements
  - operational limits

Brazilian Securities Commission

- implements and regulates the securities and exchange policies established by the National Monetary Council
- controls and supervises the Brazilian securities market
- has the power to approve, suspend and cancel:
  - the registration of public companies
  - the authorization for brokers and dealers to operate in the securities market
  - public offerings of securities
- supervises the activities of:
  - public companies
  - stock exchanges
  - commodities and futures exchanges

Central Bank	Brazilian Securities Commission
	• market members • financial investment funds and variable income funds
▪ requires the submission of: • annual audited financial statements • semi-annual audited financial statements • quarterly reviewed financial statements • monthly unaudited financial statements	▪ requires: • full disclosure of material events affecting the market • annual and quarterly reporting by public companies
▪ requires full disclosure of: • all credit transactions • foreign exchange transactions • export and import transactions • any other related economic activity	▪ imposes penalties
▪ imposes penalties	

Principal Limitations and Restrictions on Activities

Restrictions on the Extension of Credit

Financial institutions may not grant loans to, or guarantee the transactions of, their affiliates, except in some limited circumstances. For this purpose, the law defines an affiliate as:

- any company which holds more than 10% of the share capital of the financial institution;
- any company in which the financial institution holds more than 10% of the share capital; or
- managers of the financial institution (executive officers, directors and their family members until second degree, and any company in which these persons hold more than 10% of the share capital or in which they are also managers.

Moreover, there are currently certain restrictions imposed on financial institutions limiting the extension of credit to public-sector entities, such as government-owned companies and governmental agencies, which are in addition to certain limits on indebtedness to which these public sector entities are already subject.

Restrictions on Risk Concentration

Brazilian law prevents financial institutions from concentrating risks in only one person or group of related persons. The law prohibits a financial institution from extending credit to any person or group of related persons in an aggregate amount equivalent to 25% or more of the financial institution's adjusted shareholders' equity. This limitation applies to all transactions involving extension of credit, including those involving:

- loans and advances;
- guarantees;

- the underwriting, purchase and renegotiation of securities; and
- inter-bank deposits.

Restrictions on Investments

Financial institutions may not:

- hold, on a consolidated basis, permanent assets in excess of 50% of their adjusted shareholders' equity;
- own real property, other than real property for its own offices and branches; or
- acquire equity investments in other financial institutions abroad, without prior approval by the Central Bank.

When a bank receives real estate in satisfaction of a debt, such property must be sold within one year. Such one-year limit may be extended for two additional periods of one year, subject to the Central Bank's approval.

Repurchase Transactions

Repurchase transactions (operações compromissadas) are transactions involving assets that are sold or purchased subject to the occurrence of certain conditions. Upon the occurrence of any such conditions, and depending on the terms of the particular agreement, the seller or the buyer may be obligated to repurchase, or resell the assets, as the case may be. The conditions triggering the repurchase or resale obligation vary from one transaction to the other, and typically must occur within a particular time frame.

Repurchase transactions executed in Brazil are subject to operational capital limits based on the financial institution's shareholders' equity, as adjusted in accordance with Central Bank regulations. A financial institution may only hold repurchase transactions in an amount up to 30 times its adjusted shareholders' equity. Within that limit, repurchase transactions involving private securities may not exceed five times the amount of adjusted shareholders' equity. Limits on repurchase transactions involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Central Bank.

Foreign Currency Loans

Upon registering with the Central Bank, financial institutions may borrow foreign currency-denominated funds in the international markets for any reason whatsoever without the prior written consent of the Central Bank, including on-lending such funds in Brazil to Brazilian corporations and other financial institutions. Banks make those onlending transactions through loans denominated in Brazilian currency and indexed to the foreign currency in which the original loan was denominated.

The Central Bank may establish limitations on the term, interest rate and general conditions of foreign-currency loans. It frequently changes these limitations in accordance with the economic environment and the monetary policy of the Brazilian government.

Foreign Currency Position

Only those institutions authorized by the Central Bank to operate in the foreign exchange markets may purchase and sell foreign currency in Brazil. The Central Bank imposes a limit on the net exposure of Brazilian financial institutions and their affiliates to assets and debt subject to foreign currency and gold fluctuation. In December 2006, the limit was increased to 60% of the institution's adjusted shareholders' equity. By June 2007, this limit returned to its original level established in 2002 of 30%.

Management of Third Party Assets

Asset management was historically regulated by the Central Bank and the CVM. Pursuant to Law 10,303 of October 21, 2001, the regulation and supervision of both financial investment funds and variable income funds was transferred to the CVM. In 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. In 2004, the CVM issued certain regulations which set out, on a consolidated basis, the rules applicable to financial investment funds and variable income funds.

Only individuals or entities authorized by the CVM may act as managers of third party assets.

Financial institutions must segregate the management of third party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of the third party assets.

The Central Bank, except in very specific circumstances, has prohibited institutions that manage third party assets and their affiliated companies from investing in fixed rate income funds which they also manage. The CVM allows investments in equity funds. There are some rules regarding mutual funds portfolio diversification and composition, which aim to reduce exposure to certain types of risk.

Fund managers are required to mark their fixed-income securities to market and results in such fund's portfolio assets must be accounted for at their fair market value.

On August 18, 2004, the CVM issued Instruction 409, which sets forth the rules applicable to financial investment funds and variable income funds.

Micro-credit Regulation

The Brazilian government has taken several measures intended to encourage lower-income individuals to have greater access to the Brazilian Financial System. Such measures include the requirement for credit allocation, the simplification of banking procedures, and the liberalization of credit union (cooperativas de crédito) regulations.

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, the Caixa Econômica Federal and credit unions must allocate 2% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships, following a specific methodology. Interest rates on these loans cannot exceed 2% per month, the repayment term cannot be less than 120 days, and the principal amount of the loan cannot exceed R$1,000 for individuals, and R$3,000 for micro-enterprises.

In addition to these low-interest-rate loans, in 2005, a program targeting the production sector was implemented. This program is called *Programa Nacional de Microcrédito Produtivo Orientado*, and its purpose is to address small companies' and individuals' financial needs, within their businesses and production activities. In 2006, the Central Bank fixed the maximum interest rate for such loans, which is currently at 4% per month, the minimum repayment term, which cannot be fewer than 120 days, and the maximum principal amount, which is capped at R$10,000.

Credit upon Payroll Discount

Since December 2003, employees regulated by the Consolidation of Labor Laws, or CLT, are entitled to authorize employers to discount directly from employees' payroll amounts due under loans, financing and lease transactions, when the respective agreements permit such procedure. The employers may transfer the amounts discounted from employees' payroll to the institutions which have granted the credits to the employees, in accordance with the terms and conditions set forth in the respective loan, financing and/or lease agreements.

New Bankruptcy Law

In 2005, the Brazilian Congress enacted the new bankruptcy law, or New Bankruptcy Law, which regulates judicial recuperation, extrajudicial recuperation and bankruptcy of enterprises. The

New Bankruptcy Law applies only to financial institutions, with respect to the matters not specifically regulated by the intervention and extrajudicial liquidation regimes. It does not directly affect financial institutions, which continue to be subject to intervention and extrajudicial liquidation regimes according to specific legislation. See"—Bank Failure."

Under the New Bankruptcy Law, in the event of bankruptcy, creditors' credits will rank, in order of repayment, as follows (a) labor credits, up to a certain limit for each employee and credits derived from labor accidents, (b) credits guaranteed by collateral, up to the value of such collateral, (c) tax credits, (d) credits with special privilege under Brazilian laws, (e) credits with general privilege under Brazilian laws, (f) other credits, (g) any penalties derived from agreements, taxes or criminal laws, and (h) subordinated credits.

The changes in the creditors ranking in the event of a bankruptcy is deemed to be favorable to Brazilian creditors, to the extent that the fiscal credits no longer have preference over financial institutions credits guaranteed by collateral. It is expected that such changes will increase the granting of credit and promote further development in the Brazilian financial sector.

Furthermore, the Brazilian Tax Code has been amended to establish that in the event a person under bankruptcy or judicial recuperation proceeding disposes of its assets, the successor will not be responsible for the tax debts incurred before the disposal. It is expected that such modification will be favorable for the recuperation of the enterprises by means of the sale or disposal of part of their assets.

Although we cannot confirm at this time the effects of such modification, Brazil has already witnessed a material positive result from the modification. For example, one of the largest aviation companies in Brazil, Varig, faced a judicial recuperation proceeding, as the new modification allows, recently had its assets purchased, benefiting from the new regulation.

Regulations Intended to Ensure the Stability of Financial Institutions and the Financial System

Internal Compliance Procedures

All financial institutions must establish internal policies and procedures to control their:

- activities;
- financial, operational and management information systems; and
- compliance with all applicable regulations.

The board of executive officers of a financial institution is responsible for implementing an effective structure of internal controls by defining responsibilities and control procedures and establishing corresponding goals at all levels of the institution. The board of executive officers is also responsible for verifying compliance with internal procedures.

Either an internal audit department, which reports directly to the board of directors of the institution, or the institution's external auditors, must be responsible for monitoring the internal control system.

Independent Accountants and Audit Committee

All financial institutions must be audited by independent accountants. Independent accountants can only be hired if they are registered with the CVM, certified in specialized banking analysis by the Federal Board of Accounting (Conselho Federal de Contabilidade) and the Institute of Brazilian Independent Auditors (Instituto dos Auditores Independentes do Brasil) and if they meet several strict requirements that assure their independence. Moreover, financial institutions must replace their independent accounting firm at least every five consecutive fiscal years and former accountants can be rehired only after three complete fiscal years have passed since their prior service. Financial institutions must designate a senior manager to be responsible for compliance with all regulations regarding financial statements and auditing. However, Central Bank issued the Resolution No. 3332 on December 22, 2005, suspending the obligation of replacement of the independent accounting firm at least every five consecutive fiscal years as stated in Resolution No. 3198 from May 27, 2004, until December 31, 2007 for all of the institutions under Central Bank regulation.

In addition to preparing an audit report, the independent accountants must report:

- an evaluation of the financial institution's internal controls and risk management procedures, including its electronic data processing system, showing all deficiencies found; and

- a description of the financial institution's non-compliance with applicable regulation material to the financial institution's financial statements or activities.

All financial institutions (i) with a reference capital or a consolidated reference capital equal to or greater than R$1 billion (calculated in accordance with the Accounting Practices Adopted in Brazil), (ii) managing third parties assets in an amount equal to or greater than R$1 billion or (iii) managing third parties assets and deposits in an aggregate amount equal to or greater than R$5 billion must have created, by July 1, 2004, an audit committee. In accordance with Central Bank regulations, the audit committee must be a statutory body of the company created by the shareholders at a Shareholders' Meeting and must be composed of, at a minimum, three individuals, at least one of whom is an expert in accounting and auditing. In accordance with the Brazilian law, the members of the audit committee may also be members of the board of directors of the institution and must meet certain requirements that ensure their independence. Although the audit committee must be a separate body from the board of directors in accordance with Central Bank regulations, it must report directly to the board of directors. The main functions of an audit committee include:

- recommending which independent accountants should be appointed by the board of directors;

- supervising the work of the independent accountants;

- requesting the independent accountants' replacement when deemed necessary;

- reviewing quarterly financial statements, management reports and audit reports;

- supervising the accounting and auditing departments, including their compliance with internal procedures and applicable regulation;

- evaluating management's compliance with the recommendations of the independent accountants;

- receiving and publishing information regarding non-compliance with internal procedures or applicable regulations;

- advising management on the adoption of internal controls and procedures; and

- meeting with management, independent accountants and internal accountants to verify their compliance with the audit committee's recommendations.

Brazilian law provides that a conglomerate may establish one audit committee for all of the companies in a corporate group.

The independent accountants and the audit committee must immediately communicate to the Central Bank any event that may materially adversely affect the financial institution's status, including material non-compliance with applicable regulation and fraud. See "Item 16.C Audit Committee Financial Expert".

Capital Adequacy Guidelines

The Central Bank sets the minimum risk-based capital-adequacy ratio required for banks operating in Brazil. Such minimum capital requirement reflects the minimum balance between risk-adjusted assets and liabilities the Central Bank considers adequate for a bank to operate in Brazil.

Brazilian financial institutions must comply with guidelines similar to those of the Basle Accord on risk-based capital adequacy. The requirements imposed by the Central Bank differ from the Basle Accord in a few aspects. Among other differences, the Central Bank:

- imposes a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basle Accord;

- requires an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations; and

- assigns different risk weights to certain assets and credit conversion amounts, including a risk weight of 300% on deferred tax assets relating to income and social contribution taxes.

Note that the 11% minimum capital ratio imposed by the Central Bank for capital adequacy of Brazilian financial institutions is higher than the 8% minimum capital ratio imposed by the Basel Accord, as exercised in the United States for U.S. financial institutions, as a result of specific characteristics of the Brazilian economy, such as its higher volatility. Notwithstanding the above, Brazilian banks may freely increase this capital ratio in accordance with their respective financial conditions and internal policies.

It is expected that in 2008, the Central Bank will issue new rules for the risk-based capital adequacy of Brazilian financial institutions, modifying the Brazilian principles to better approximate the latest guidelines provided by the Basle Accord.

In addition to Capital Adequacy requirements, financial institutions are subject to certain Operational Limits, such as limits on credit-risk concentration and limits on foreign-currency positions. Operational Limits are calculated based on the Reference Capital of financial institutions. The Reference Capital of financial institutions is its adjusted net-worth, represented by the sum of Tier 1 and Tier 2.

On February, 2007, the CMN enacted Resolution 3.444/07 which redefined (i) the concepts of Reference Capital, (ii) the calculation method of both Tier 1 and Tier 2 capital, and (iii) the terms and conditions required for subordinated debt or hybrid bond instruments to compose Tier 2 capital and the terms and conditions required for hybrid bond instruments to compose Tier 1 capital. According to Resolution 3.444/07, each Tier is composed as follows:

- Tier 1 corresponds to net worth plus positive result account plus deposits into collateral accounts to remedies capital deficiencies minus negative result account, excluding reserves, contingency reserves and special profit reserves related to mandatory dividends not yet distributed, the amounts related to preferred cumulative stock and preferred redeemable stock, certain tax credits, deferred permanent assets (save for premiums paid in the acquisition of investments), balance of gains and losses non paid which arises from the market value of securities classified as “securities available for sale” and derivative transactions used to hedge cash flow.

- Tier 2 corresponds to revaluation reserves plus contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, balance of gains and losses non paid which arises from the market value of securities classified as “securities available for sale” and derivative transactions used to hedge cash flow, subordinated debt and hybrid instruments. The total amount of Tier 2 capital may not exceed the total amount of Tier 1 capital, provided that: (i) the total amount of revaluation reserves in Tier 2 capital may not exceed 25% of the Reference Capital; (ii) the total amount of subordinated debt in Tier 2 capital plus the amount of preferred redeemable stock, in each case originally maturing in less than 10 years, may not exceed 50% of the Tier 1 capital amount; and (iii) a 20% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier 2 capital every year for the 5 years immediately preceding the respective maturity. Please note that, in case of subordinated debt with redemption option, issued under Resolution 3.444/07, the date such option may be exercised shall be considered as the maturity date for Tier 2 calculations.

We believe that Resolution 3.444/07 innovations shall not significantly affect Unibanco.

Brazilian financial institutions calculate their capital adequacy ratio and their Reference Capital in accordance with Brazilian accounting practices and Central Bank rules. When the ratio is calculated under U.S. GAAP principles, the result may be slightly greater.

Notwithstanding the above, specifically concerning Unibanco's perpetual bond, we note that there are no differences between the accounting treatment under U.S. GAAP and the accounting practices adopted in Brazil.

Capital Structure

Financial institutions must be organized as corporations. As corporations, they are subject to all the provisions of Brazilian Corporate Law and, if they are registered as public companies, to the supervision of the CVM.

Financial institutions may divide their capital into voting (common share) and non-voting (preferred share) shares, although, non-voting shares may only represent up to 50% of their total capital.

Treatment of Overdue Debts

Under Central Bank regulations, banks have to classify their loan transactions with companies into nine categories, ranging from AA to H, in accordance with their risk. Risk assessment includes an evaluation of the borrower, the guarantor and the relevant loans. Credit classifications are determined in accordance with Central Bank criteria relating to:

- characteristics of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- characteristics of the transaction, such as its nature and purpose, the sufficiency of the collateral, the level of liquidity and the total amount of the loan.

The regulations specify, for each category of loans, a minimum provision, as follows:

Loan Rank	Minimum Provision
AA	—
A	0.5%
B	1.0%
C	3.0%
D	10.0%
E	30.0%
F	50.0%
G	70.0%
H	100.0%

In general, banks must review loan classifications annually. However, banks must review loans:

- semi-annually in any case where the aggregate amount of loans extended to a single borrower or economic group exceeds 5% of the bank's adjusted shareholders' equity; and

- monthly in the case of loans that become past due.

A loan may be upgraded if it has a credit support or downgraded if in default. Banks cannot charge-off credit transactions before the period of 6 months after they are ranked H, and their credit policy shall be consistent with the general rule of the Central Bank for banks to charge-off credit transactions six or twelve months after they are ranked H, depending on their initial maturity.

Some loans may be charged-off in less than 6 months from the date they were past due, if they were ranked H before becoming past due, which may occur if the loan is considered a high credit risk, for instance, in case of bankruptcy or very poor financial conditions of the debtor for corporate loans. Moreover, the Central Bank allows loans with maturity in excess of 36 months to have the period doubled counted. Furthermore, if loans are fully collateralized, they may take more than one year to be ranked H. Those are typically mortgaged loans and automobile financing. The abovementioned policy applies to both loans to companies and loans to individuals.

We also note our policy on risk assessment, which includes, as general rule, the analysis of:

- the economic and financial situation of the debtor and its guarantors, as well as their level of indebtedness, capacity for generating profits, cash flow, quality of management and controls, delay in payments, contingencies, type of economic activity and credit limits;

- the nature and purpose of the transaction, as well as sufficiency of the collateral, level of liquidity and total amount of the loan.

In the case of loan transactions with individuals, their risk assessments also include, in addition to the criteria set forth above, an evaluation of the individual's income, net worth and credit history (as well as other personal data).

For loans that are past due, the regulations establish maximum classifications, as follows:

Number of Days Loan is Past Due[(1)]	**Maximum Classification**
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

(1) In the case of loans with a maturity in excess of 36 months, the period is doubled.

Banks are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum classifications, and, if so, must adjust their provisions accordingly.

Finally, banks are required to make their lending and loan ranking policies available to the Central Bank and to their independent accountants. They must also provide information relating to their loan portfolio along with their financial statements, including:

- breakdown of activities and nature of the borrower;

- maturity of the loans;

- amounts of rolled-over, written-off and recovered loans;

- loan portfolio diversification in accordance with the loan classification; and

- overdue loans—divided between loans past due up to 15 days and loans past due over 15 days.

Central Bank Credit Risk System

Financial institutions are required to provide information to the Central Bank concerning the extension of credit and guarantees rendered to clients. The information is used to:

- strengthen the Central Bank's supervisory capacity; and

- make information concerning debtors available to other financial institutions (however, other institutions can only access information subject to client's authorization).

If the aggregate amount of a client's transactions exceeds R$5,000 or in case of transactions of a single client in an amount equal to or greater than U.S.$5,000,000 the financial institution must provide the Central Bank with:

- the identity of such customer;
- a breakdown of such customer's transactions, including any guarantees rendered by the bank with respect to his obligations; and
- information regarding the client's credit risk classification based on the credit risk classification policy described above.

For transactions that, in the aggregate, are below or equal to R$5,000 the financial institution must only report the total amount of transactions per client.

Moreover, the CMN announced that in 2007 the Central Bank shall reduce the loan amounts required for such reports from above R$5,000 to above R$3,000. By reducing these limits, we expect an increase in registered financial transactions, especially those relating to individual and consumer finance.

Anti-Money Laundering Law

Pursuant to the Brazilian anti-money laundering law, financial institutions must:

- identify and maintain up-to-date records regarding their customers;
- maintain internal controls and records;
- record, for a five-year period, any transaction or set of transactions performed by individuals or entities pertaining to the same economic group involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money that exceeds R$10,000;
- review transactions or proposals with characteristics which may indicate the existence of a crime;
- keep records of transactions involving checks for a period of 5 years;
- inform the appropriate authorities (without the customer's knowledge) of any transaction or set of transactions performed by individuals or entities pertaining to the same group of companies, which involves amounts exceeding R$10,000; and
- communicate to the appropriate authorities, within 24 hours, any suspicious transaction.

In addition, the Brazilian anti-money laundering law created the Financial Activity Control Council. The main role of the Council is to promote cooperation among the Brazilian governmental bodies responsible for implementing national anti-money laundering policies, in order to avoid the performance of illegal acts and frauds.

In 2006, in addition to the rules mentioned above, the Central Bank issued a new regulation whereby financial institutions must follow certain special procedures concerning banking transactions of public politicians. Therefore, the financial institutions also must:

- Identify public politicians, or members of their families, when reporting a suspicious transaction involving such individuals to the Central Bank; and
- Structure their internal procedures in order to identify public politicians and their sources of funds used for certain transactions. The financial institutions may consider the compatibility of such transactions with the information available in their systems regarding such person's assets.

Additionally, the Central Bank has adopted specific regulations to prevent financial transactions in connection with terrorism. Therefore, financial institutions must inform the Central Bank of any transaction involving:

- Osama bin Laden and members of Al-Qaeda and Taliban, observed the list of persons and entities published on: http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm

- Sadan Hussein and his employees related with Iraqi's old government, observed the list of persons and entities published on: http://www.un.org/Docs/sc/committees/IraqKuwait/IraqSanctionsCommEng.htm

- all other people with terrorists connections.

Anti-Tax Evasion Law

The Central Bank is authorized to require financial institutions to provide information generally protected by bank secrecy without judicial authorization, as long as they have strong circumstantial evidence that a customer has engaged in tax evasion. Such evidence may be represented by, among others:

- declarations by the customer of transactions with a value lower than their market value;

- loans acquired from sources outside the financial system;

- transactions involving "tax havens";

- expenses or investments which exceed the declared available income;

- overseas currency remittances through non-resident accounts in amounts which exceed the declared available income; and

- legal entities which have their registration with the General Taxpayers Registry cancelled or declared null.

Other than in the circumstances described above, information protected by bank secrecy laws can only be furnished in compliance with a court order or an order by a Congress Inquiry Committee, or CPI.

New National Monetary Council measures to increase competition

In 2006, the National Monetary Council announced new measures to increase competition in the Brazilian banking sector. These new statements apply to all financial institutions and are described below:

- Salary Account: Applicable as of April 2, 2007, employees are entitled to opt for an account exclusively set up to receive their salary payment or retirement, pension and other labor and social securities revenues. From this special account, the employee may transfer the amount received to any of that employee's accounts, held in any bank. In this specific transfer, banks are prohibited from charging any fees and CPMF rules, more particularly described below, do not apply.

- Credit Mobility: As of September 6, 2006, clients are able to transfer their loans from one institution to another without paying the CPMF and IOF taxes, defined below. The receiving institution will pay the amount of the credit directly to the original institution by means of a special form of wire transfer of funds (TED), and the receiving institution will have a credit right against the client;

- Records Mobility: Since September 6, 2006, a client of one bank can request that financial institutions provide to another financial institution his or her record of credit transactions and balance sheets of his or her current account, for the 12 prior months. This information will enable more precise and accurate analyses for credit transactions, including with respect to the definition of interest rates applicable to such transactions; and

- Charging of "prepayment commission": Since September 6, 2006 financial institutions are authorized to charge their clients that pay any credit transaction before the respective maturity date, a commission in order to cover the break funding that arises from such payments, called the "prepayment commission." This measure shall reduce litigation regarding this commission, both administrative and judicial.

In addition, as mentioned above, in "*Central Bank Credit Risk System",* an increase in registered financial transactions is expected as a result of the expected reduction in loan amount limits required for such registries, to occur by the end of 2007, from above R$5,000 to above R$3,000.

Regulations Affecting Liquidity in the Financial Market

Reserve Requirements

The Central Bank currently imposes several compulsory reserve requirements on financial institutions. Financial institutions must deposit those reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the financial system. The reserves imposed on demand deposits, savings deposits and time deposits account for substantially all amounts required to be deposited with the Central Bank. For further discussion of reserve requirements, please see "Item 5. Operating and Financial Review and Prospects—Macroeconomic Factors Affecting Our Financial Condition and Result of Operations—Effect of Government Regulation on Our Financial Condition and Results of Operations—Compulsory Deposit Requirements".

Taxation of Financial Transactions

Temporary Contribution on Financial Transactions (CPMF)

The Temporary Contribution on Financial Transactions (Contribuição Provisória sobre Movimentações Financeiras), or CPMF, is a tax imposed on any type of financial transaction, with certain limited exemptions. The current rate of the CPMF is 0.38%. On December 19, 2003, a Constitutional Amendment extended the period for the collection of the CPMF until December 31, 2007. In addition, on July 13, 2004, Law No. 10,892/04 created "Investment Deposit Accounts", which are investment accounts that allow investors to invest their money without paying CPMF, as long as they are using funds from accounts that meet the criteria set forth under the law. The Brazilian government may change the applicable rate at any time, subject to the limits established by the Federal Constitution.

The CPMF is generally levied upon any debit to bank accounts. This creates an incentive for clients to reduce transactions in the financial system and short-term investments.

The CPMF is applicable at the rate of 0% for debit entries in a deposit current account where a transaction involves shares transacted in the Brazilian Stock Exchange.

Increases in PIS and COFINS Tax Rates

On May 30, 2003, the Brazilian Congress approved a proposal to increase the rate of the Contribuição para Financiamento da Seguridade Social, or COFINS, payable by the financial services sector. The Programa de Integração Social, or PIS, and COFINS are imposed on our net margins of banking and financial activities at a combined rate of 4.65%. Non Financial Companies are taxed according to cumulative or non-cumulative regimes. Under the cumulative regime, taxation is due at the rate of 3.65% on gross revenues, whereas under the non-cumulative regime, these taxes are imposed at 9.25% of the value added.

On July 30, 2004, the Brazilian government, decreased the rate of PIS and COFINS to 0% over the revenues resulting from financial intermediation received by legal entities which are subject to the non-cumulative PIS and COFINS regime. The decrease of such rate is not applicable to revenues derived from hedge transactions and interest on capital. On May 9, 2005, the scope of this 0% rate was extended by the Brazilian government to include revenues derived from hedge transactions.

Tax on Financial Transactions (IOF)

The Tax on Financial Transactions (Imposto sobre Operações Financeiras), or IOF, taxes four different types of transactions at different rates. At present, actual rates are much lower than their legal limit.

Generally the IOF is imposed upon the following transactions, at the following rates:

Transaction	Maximum legal rate	Present rate
▪ Credit transactions	1.5% per day	▪ up to 0.0041% per day depending on the transaction limited to 1.5% per year
▪ transactions relating to securities and transactions involving gold as a financial asset	1.5% per day	▪ 0.5% per day for investment funds of any type with grace period (1) ▪ 0% on transactions with equity securities ▪ 1% decreasing over time on transactions with fixed income securities and investment funds (0% for investments matured in more than 30 days) (2)
▪ insurance transactions entered into by insurance companies	25%	▪ 0% for health and life insurance (3) ▪ 7% for all other types of insurance (4)
▪ foreign exchange transactions	25%	▪ 0% (general rule) ▪ 2% on credit card transactions ▪ 5% for inbound credits redeemed prior to 90 days of inception

(1) There are exceptions relating to real estate funds and to funds which invest in "emerging companies" (*fundos de investimento em empresas emergentes*).
(2) There are several exceptions which are taxed at 0%, including transactions by financial institutions, by portfolios of investment funds and by government entities.
(3) The rate of the IOF for life, personal accidents and labor accidents insurance was reduced from 4% to 2% from September 1, 2005 to August 31, 2006 and from 2% to 0% as of September 1, 2006.
(4) There are several exceptions, which are taxed at 0%, including reinsurance transactions, export insurance and governmental insurance.

Regulations Affecting Our Relationship with Our Clients

The relationship between financial institutions and their clients is regulated in general bylaws applicable to all commercial transactions, and by the Brazilian Civil Code in particular. However, regulations established by the CMN and the Central Bank address specific issues relating to banking activity and contracts, complementing the general regulation.

The Consumer Defense Code and the Banking Client Defense Code

The Brazilian Consumer Defense Code was enacted in 1990 to establish rules to govern the relationship between product and service providers and consumers and to protect consumers. In May 2004, the Brazilian Supreme Court of Justice ruled that the Consumer Defense Code also applies to transactions between financial institutions and their clients. This decision was challenged before the Brazilian Federal Supreme Court, but on June 7, 2006, the Brazilian Federal Supreme Court issued a decision confirming the understanding of the Brazilian Supreme Court of Justice that the Consumer Defense Code is applicable to the relationships financial institutions have with their clients. Because this decision was issued recently, at this time, we are not able to predict what the impact would be on the Brazilian banking system of this decision. Financial institutions are also subject to the Banking Client Defense Code, a regulation enacted by the CMN, which, among other things, specifically regulates the relationship between financial institutions and their clients.

The New Civil Code

A new Brazilian Civil Code, or the New Civil Code, took effect on January 11, 2003 and replaced the prior Civil Code and substantial parts of the Commercial Code. The New Civil Code is wide-ranging in application, governing individuals, corporations and other legal entities, and has provisions which affect, among others, contracts, including guarantees, property, family and succession law.

Banking Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as the sharing of information on credit history, criminal activity and violation of bank regulations or disclosure of information authorized by interested parties. Bank secrecy may also be breached when necessary for the investigation of any illegal act.

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

The Central Bank may intervene in the operations of a bank if there is a material risk for creditors. The Central Bank may intervene if liquidation can be avoided or it may perform administrative liquidation or, in some circumstances, require the bankruptcy of any financial institution except those controlled by the federal government.

Extrajudicial Liquidation

An extrajudicial liquidation of any financial institution (with the exception of public financial institutions controlled by the Federal Government) may be carried out by the Central Bank if it can be established that:

- debts of the financial institution are not being paid when due; or
- the financial institution is deemed insolvent; or
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors; or
- management of the relevant financial institution has materially violated Brazilian banking laws or regulations; or
- upon cancellation of its operating authorization, a financial institution's ordinary liquidation proceedings are not carried out within 90 days or are carried out with delay representing a risk to its creditors, at the Central Bank's discretion. Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institution's officers or by the intervener appointed by the Central Bank in the intervention proceeding.

Extrajudicial liquidation proceedings may cease:

- at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees; or

- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent Public Registry; or

- when converted to an ordinary liquidation; or

- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime (Regime de Administração Especial Temporária), or RAET, which is a less severe form of Central Bank intervention in private and non-federal public financial institutions and which allows institutions to continue to operate normally.

The RAET may be imposed by the Central Bank in the following circumstances:

- the institution continually participates in transactions contrary to the economic and financial policies established by federal law;

- the institution fails to comply with the compulsory reserves rules;

- the institution has operations or circumstances which call for an intervention;

- illegal or management misconduct; and

- the institution faces a shortage of assets.

The main object of the RAET is to assist with the recovery of the financial conditions of the institution under special administration. Therefore, the RAET does not affect the day-to-day business operations, liabilities or rights of the financial institution, which continues to operate in its ordinary course.

Repayment of Creditors in a Liquidation

In the liquidation of a financial institution, employees' wages and indemnities and tax claims enjoy the highest priority of any claims against the bankrupt estate. The Credit Insurance Fund is a deposit insurance system which guarantees a maximum amount of R$60,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group). The Credit Insurance Fund is funded principally by mandatory contributions, currently at 0.15% per year, from all Brazilian financial institutions that work with customer deposits. The payment of unsecured credit and customer deposits not payable under the Credit Insurance Fund is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

Brazilian Payment and Settlement System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the Bank of International Settlements, or BIS, and the Brazilian Payment and Settlement System began operating in April 2002. The Central Bank and CVM have the power to regulate and supervise this system. Pursuant to these rules, all clearing houses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks previously borne by the Central Bank. The most important principles of the Brazilian Payment and Settlement System are:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;

- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and

- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

Foreign Investment and the Federal Constitution

Foreign Banks

The Federal Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by the Brazilian government. A foreign financial institution duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign Investment in Brazilian Financial Institutions

The Federal Constitution provides that a special law will regulate the foreign investments in Brazilian financial institutions. As long as such special law is not issued, foreign investments are only permitted if they have specific authorization from the Brazilian government.

Notwithstanding the above, Brazilian government has declared that foreign investments in financial institutions are in the government's interest, as long as they do not have any voting rights.

Therefore, there is no requirement to obtain any authorization from the Brazilian Government in order for companies or individuals to acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts offered abroad representing non-voting shares.

Supervision in Other Jurisdictions

The Central Bank exercises global consolidated supervision over such branches, subsidiaries and representative offices. Nevertheless, in most cases, we had to obtain governmental approvals from local central banks and monetary authorities in other jurisdictions before initiating business, and in all cases we are subject to local authorities' supervision.

Insurance Market

Principal Regulatory Entities

Two regulatory agencies oversee the Brazilian insurance system: the National Private Insurance Council (Conselho Nacional de Seguros Privados), or CNSP, and the SUSEP. The SUSEP is responsible for implementing and supervising the CNSP's policies and ensuring compliance by insurance companies and brokers.

Insurance

Insurance companies require government approval to operate, as well as specific approval from the SUSEP for each of their products. Insurance companies may sell policies only through qualified brokers.

Insurance companies must set aside reserves, funds and provisions in accordance with the criteria established by the CNSP. The investments backing up the reserves must be diversified in fixed-income funds, stock funds and real estate. Securities comprise a substantial portion of the assets in which insurance companies can invest. As a result, insurance companies are major investors in the Brazilian financial markets and are subject to a series of rules and conditions imposed by the CMN regarding the investment of technical reserves.

Insurance companies, subject to certain specific exceptions approved by CMN, are prohibited among other things from:

- acting as financial institutions by extending credit or issuing guarantees;
- trading in securities; or

- investing outside of Brazil.

Insurance companies must operate within technical limits set forth by SUSEP pursuant to rules established by the CNSP. The rules take into account the economic and financial situation of the insurance companies, the technical conditions of their respective portfolios and the results of their operations with IRB (as defined below).

Insurance companies (i) with adjusted net worth greater than R$500 million disclosed in the financial statements for each of the two previous years, or (ii) technical provisions greater than R$700 million as disclosed in the financial statements for each of the two previous years must appoint internal audit committees.

For insurance companies which are part of financial groups, such conditions are applied considering all of the insurance companies under the same group. Additionally, insurance companies which are part of a financial group may have a single audit committee for the group, in order to comply with the responsibilities of the insurance companies.

Reinsurance

All risks in excess of the companies' maximum retention limits established by the SUSEP are required to be reinsured or co-insured. According to industry practice, insurance companies also voluntarily reinsure or co-insure a portion of their exposure, regardless of whether they meet the maximum retention limits. The regulation of reinsurance transactions in Brazil has traditionally been the domain of IRB-Brasil Resseguros S.A., or IRB, a government-controlled entity which enjoyed a monopoly over the Brazilian reinsurance market since 1932.

In 2007, the Brazilian Government issued a Special Law, formally eliminating the monopoly and transforming IRB into a local reinsurer. In addition, the regulatory powers were formally transferred to the insurance supervisory body, the CNSP, and the supervision powers were given to SUSEP.

According to this Special Law, the Brazilian insurance market must give preference to local reinsurers for at least:

- 60% of their reinsurance cessions, during the first three years; and

- 40% of their reinsurance cessions, after such period.

The effectiveness and full implementation of the measures issued by the Special Law still depend on regulations to be issued by the CNSP, which are expected to be issued in 2008.

Reporting Requirements

Insurance companies must file unaudited monthly and audited semiannual and annual reports with the SUSEP.

Liquidation

Insurance companies are exempt from ordinary bankruptcy procedures and instead follow a special procedure administered by the SUSEP. Liquidation may be either voluntary or compulsory. The Minister of Commerce and Industry has the authority to institute compulsory liquidation.

Foreign Participation in the Insurance Market

There is currently no rule restricting foreign investment in insurance companies.

The Brazilian Government issued a Special Law in 2007, regulating the foreign investments in the reinsurance market. According to such Special Law, foreign reinsurers must be registered by SUSEP and shall be classified within the following two main categories:

- Admitted: a reinsurer domiciled in a foreign country, with representative offices in Brazil; and

- Eventual: a reinsurer domiciled in a foreign country, with no representative offices in Brazil.

Companies domiciled in "tax havens" countries may not operate in Brazil, irrespective whether such companies have or not local offices in Brazil. For the purposes of this Special Law, "tax havens" shall mean any country that does not have income taxes or its rate is below 20%. Additionally, the countries that impose legal restrictions on the information about the companies' shareholders shall also be considered as a "tax haven".

Foreign reinsurers must observe the following requirements to operate in Brazil:

- Have operated as a reinsurer in its original country for at least 5 years in the same business they intend to perform in Brazil;

- Observe SUSEP's minimum economic and financial guidelines for reinsurers;

- Have a creditworthiness survey recognized by SUSEP, observing Brazilian guidelines; and

- Have an attorney-in-fact in Brazil with powers to receive both administrative and judicial notices.

Additionally to the above-mentioned requirements, the admitted reinsurer must present its financial statements to SUSEP and guarantee its operations in Brazil in accordance with SUSEP requirements.

Extended Warranty Insurance

According to Resolution No. 122, enacted by SUSEP on May 3, 2005, extended warranty agreements are considered insurance products for the purpose of insurance regulations, and therefore, must be entered into by insurance companies, subject to the supervision of SUSEP. Any companies that distribute extended warranty products had until June 30, 2006 to comply with such Resolution, but such term may be extended one year upon receipt by SUSEP of a duly justified request to extend the term. Unibanco AIG Seguros S/A ("UASEG"), is our insurance subsidiary that distributes extended warranty products, and it is in full compliance with this requirement.

Securities Market

The Brazilian securities market is regulated by the CMN and the CVM. Current regulations impose several obligations on publicly traded corporations, such as:

- registration requirements;

- disclosure obligations;

- insider trading prohibitions;

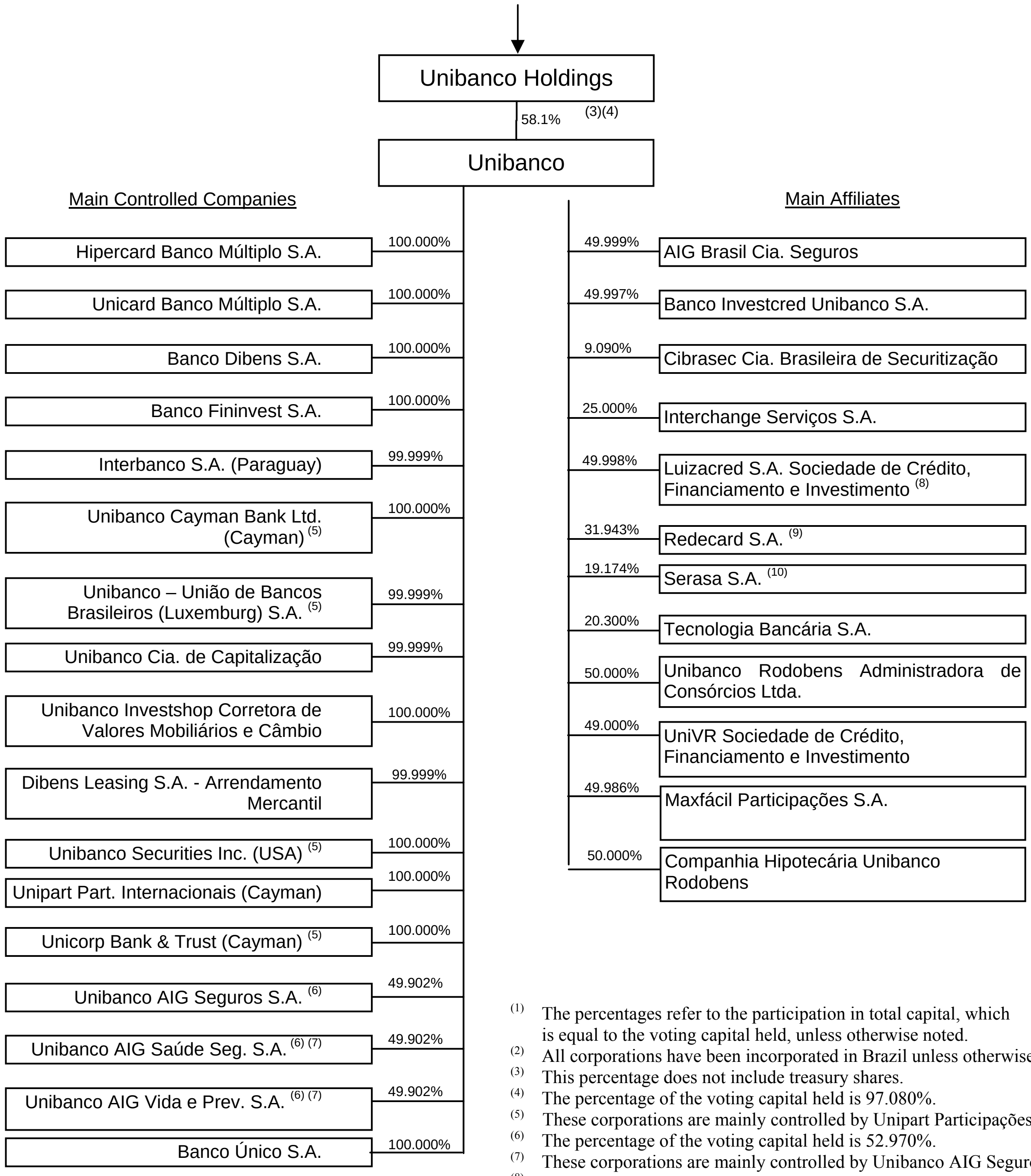
- special qualification requirements for managers; and

- rules protecting minority shareholders.

For a discussion of the main provisions of Brazilian Corporate Law regarding protection to minority shareholders and requirements on publicly traded corporations, see "Item 10.B Memorandum and Articles of Association".

4.C Organizational Structure

The following chart sets forth information, as of December 31, 2006, regarding our most significant subsidiaries and affiliates or Group[(1)(2)]:



(1) The percentages refer to the participation in total capital, which is equal to the voting capital held, unless otherwise noted.
(2) All corporations have been incorporated in Brazil unless otherwise noted.
(3) This percentage does not include treasury shares.
(4) The percentage of the voting capital held is 97.080%.
(5) These corporations are mainly controlled by Unipart Participações Internacionais Ltd.
(6) The percentage of the voting capital held is 52.970%.
(7) These corporations are mainly controlled by Unibanco AIG Seguros S.A.
(8) The percentage of the voting capital held is 49.996%.
(9) The percentage of the voting capital held is 31.942%.
(10) The percentage of the voting capital held is 16.503%.

4.D Property, Plants and Equipment

Our principal executive offices are located in São Paulo, Brazil. We own a portion of these offices and lease the remainder. The main offices that we own, and the main activities at each of these facilities are:

- Unibanco Building: Principal executive offices and main administrative offices (24,775.52 m^2);

- CAU, or Unibanco Administrative Center: Data Processing Center, Information Technology, Accounting and Human Resources (45,673 m^2);

- Barão de Iguape Building: Back-offices (25,096.14 m^2);

- Boa Vista Building: Back-offices (19,839.14 m^2); and

- Call Center Building: 30 Hour Telephone Center (17,522 m^2).

We also have a number of other administrative offices in the main Brazilian cities, most of which are leased. We own 4% of our total branches and lease the remaining 96%. We lease most of our branches under renewable leases with terms averaging five years.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2004, 2005, and 2006 and the related notes thereto included in Item 19 of this Form 20-F.

Overview

We operate our business in four segments: Retail, Wholesale, Insurance and Pension Plans and Wealth Management.

Our primary sources of revenues and expenses are:

- *Interest income* from our interest-earning assets including loans, securities, federal funds sold and securities purchased under resale agreements and Central Bank compulsory deposits, among others;

- *Non-interest income* from fees and commissions, including banking tariffs and other fees and commissions from capital markets, investment banking, credit card, asset management and collection businesses, from trading income such as realized and unrealized gains or losses on securities and derivatives transactions, from insurance, private retirement plan and pension investment contracts, and from our equity in results of unconsolidated companies, among others;

- *Interest expense* from our interest-bearing liabilities, including savings and time deposits, federal funds purchased and securities sold under repurchase agreements, short-term borrowings and long-term debt, among others;

- *Non-interest expense* from personnel and administrative expenses, insurance, private retirement plan and pension investment contracts, contingency provisions and other taxes, among others; and

- *Provisions for loan losses* based on the quality and size of our loan portfolio and reflecting our expectations regarding the ability of our customers to repay their loans.

The following table shows our financial performance highlights for the years ended 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	2005	2006
	(in millions of R$, except percentages)		
Income Before Income Taxes and Minority Interest..........	2,514	2,268	2,642
Net Income..	2,063	1,650	1,951
Return on average equity...	26.9%	18.3%	19.5%
Return on average assets...	2.8%	2.0%	2.0%
Basle Capital Ratio (1)...	16.3%	15.6%	16.0%
Total Assets..	77,858	89,818	102,563
Total Loans (gross)..	31,377	39,237	44,654
Total Deposits...	33,775	35,936	36,201
Shareholders' equity...	8,572	9,534	10,439

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(1) The Basle capital adequacy ratio measures the percentage of minimum regulatory capital required on risk-based to total capital.

Macroeconomic Factors Affecting Our Financial Condition and Results of Operations

Our earnings and businesses are affected by general economic conditions, the performance of the financial markets, interest rates, currency exchange rates, changes in laws, regulations and policies of the Central Bank, and competitive factors on a global, national and regional basis. Since the majority of our customers are Brazilian, our financial condition and results of operations are dependent on Brazilian economic conditions. For example, high levels of inflation and interest rates adversely affect the ability of our customers to repay their loans and may affect our financial condition and results of operations. We are also affected by changes in the value of the Real relative to the U.S. dollar and other foreign currencies, because we have assets and liabilities denominated in or indexed to foreign currencies, primarily the U.S. dollar.

Brazilian Economic Environment

The following table sets forth the main Brazilian macroeconomic indicators for the periods indicated:

	For the Year Ended December 31,		
	2004	2005	2006
Real GPD growth (1).....................................	5.2%	2.3%	2.9%
Inflation rate (2)...	12.1%	1.2%	3.8%
Inflation rate (3)...	7.6%	5.7%	3.1%
Period end exchange rate (R$/US$) (4).........	2.6544	2.3407	2.1380
Appreciation of the real vs. U.S. dollar (5)......	8.1%	11.8%	8.7%
Average exchange rate (R$/US$) (6)............	2.9171	2.4125	2.1679
SELIC interest rate (7).................................	17.8%	18.0%	13.3%
Average interbank deposit interest rate (8)..	16.2%	19.1%	15.0%

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(1) *Source:* Brazilian Institute of Geography and Statistics (IBGE). On March 21, 2007, IBGE reviewed the methodology used to calculate the GDP, which resulted in a reviewed GDP for 2006 of 3.7% and 2.9% for 2005
(2) *Source:* IGP-DI, as published by the Fundação Getúlio Vargas (FGV)
(3) *Source:* IPCA, the Consumer Price Index published by IBGE
(4) *Source:* Central Bank of Brazil as of December 31 for each year
(5) When we refer to a specific percentage of appreciation of the Real against the U.S. dollar in any year, we have derived such percentage by comparing the number of Reais exchangeable for one U.S. dollar at the end of the given year to the number of Reais exchangeable for one U.S. dollar at the end of the previous year
(6) Average of the closing exchange rates (R$/US$) on the last day of each month in the period
(7) *Source:* Central Bank of Brazil as of December 31 for each year
(8) *Source:* Central de Liquidação e Custódia de Títulos Privados (CETIP)

2004. Economic recovery continued during 2004. In the first half of the year, the downward cycle in interest rates ceased and the SELIC base interest rate stabilized at 16.00% due to the risk of inflation increase. Inflation concerns continued to grow during the second half of the year, leading the Central Bank to a new cycle of increases in the SELIC base interest rate. The Central Bank increased the SELIC base interest rate gradually, from 16.00% in September 2004 to 17.75% by December 2004.

The primary surplus was 4.59% of GDP at the end of 2004 (the Central Bank had established a target of 4.5% of GDP for 2004). The debt to GDP ratio declined over the course of the year, reaching 51.8% on December 31, 2004, as compared with 57.2% on December 31, 2003. In the twelve-month period ending in December 2004, Brazil posted a trade surplus of US$33.7 billion.

The Real appreciated by 8.1% against the U.S. dollar, closing at R$2.6544 per U.S. dollar on December 31, 2004. The IPCA inflation index in the twelve-month period ended December 31, 2004 was 7.6%, lower than the 9.3% posted in 2003. Industrial production, as measured by the IBGE, was 8.3% higher in the twelve-month period ended December 31, 2004 as compared to 2003.

The combination of these factors helped reduce the perception of Brazilian sovereign risk, resulting in an 80 basis points decrease in JP Morgan's Emerging Market Bond Index (the "EMBI"), which closed December 2004 at 383 basis points.

2005. During the first half of the year, the Central Bank continued to increase the SELIC base interest rate in response to inflation concerns, from 18.25% in January 2005 to 19.75% in May 2005. The SELIC base interest rate of 19.75% was maintained until August 2005.

Towards the end of 2005, the Central Bank acknowledged that inflation was moving towards the established annual goal, and once again began to lower interest rates. In September 2005, the Central Bank announced the first decrease in the SELIC base interest rate for 2005, from 19.75% to 19.50%. By the end of the year, after two more decreases in interest rates, the SELIC base interest rate was 18.00%.

The trade balance continued to post strong results, accumulating a surplus of US$44.8 billion in 2005, as compared to US$33.7 billion in 2004. At the same time, the National Treasury continued to acquire U.S. dollars in the open market but was unable to curb the appreciation of the Real against the U.S. dollar. At December 31, 2005, the Real appreciated 11.8% against the U.S. dollar, as compared to December 31, 2004.

The ratio of public sector debt to GDP for 2005 was 51.6%, the same level as at the end of 2004. In 2005, accumulated inflation, as measured by the IPCA index, reached 5.69%, as compared to 7.6% in 2004. Industrial production in Brazil, as measured by the IBGE, grew 3.1% in 2005 as compared to the same period in 2004.

During 2005, Brazilian sovereign risk decreased significantly, mainly as a result of the continued high liquidity in the global capital markets, the growth in exports and the improvement observed in several key internal economic indices. The EMBI Brazil Index closed December 2005 at 305 basis points, 20.4% lower than at the end of 2004.

2006. Towards the end of 2006, the Central Bank acknowledged that inflation was converging toward its established yearly goal, and it therefore continued the trend it had started in September 2005 of lowering interest rates. The interest rate as of January 31, 2006 was 18%, and after eight consecutive rate cuts during the year, achieved 13.25% as of December 31, 2006.

Brazilian sovereign risk decreased significantly during the year, mainly as a result of continued high liquidity in the global capital markets, growth in exports and improvement in several key internal economic indices. The EMBI-Brazil closed at 192 basis points on December 31, 2006, 38% lower than on December 31, 2005.

The trade balance continued to post strong results, accumulating a surplus of US$46.1 billion in 2006, compared to US$44.8 billion during 2005. At the same time, the Central Bank continued to acquire U.S. dollars in the open market, but was unable to stem the appreciation of the Real, which appreciated 8.7% in relation to the U.S. dollar in 2006 as compared to 2005.

The ratio of public sector debt to GDP closed 2006 at 50%, a decrease as compared to the ratio of 51.6% in 2005. Accumulated inflation, as measured by the IPCA index, decreased from 5.69% in 2005 to 3.14% in 2006. GDP growth for 2006 was 2.9% and industrial production, as measured by the IBGE, registered an increase of 2.8% in 2006 as compared to 2005.

January to May 2007. The Central Bank continued to decrease the SELIC base interest rate from 13.25% at the end of 2006 to 12.5% at the end of May 2007. Inflation measured by the IPCA index accumulated 1.79% in the first 5 months of 2007, almost equal to the rate registered in the same period of the previous year.

At the end of May 2007, the Real had appreciated 10.08% against the U.S. dollar as compared to December 31, 2006, achieving R$ 1.9202 per dollar as of May 31, 2007. The trade balance continued strong, with a surplus of US$16.8 billion during the first five months of 2007, as compared to a surplus of US$15.4 billion during the same period in 2006.

Industrial production accumulated growth of 3.6% until April 2007. In addition, Brazil's sovereign risk improved, with the EMBI Brazil Index reaching 147 bps at the end of May 2007, considerably below the 192 bps registered by the end of 2006. The improved fundamentals of the Brazilian economy prompted two rating agencies (Standard & Poor's and Fitch) to upgrade the country's sovereign rating, reducing the distance to the investment grade status to only one notch.

On March 21, 2007, the Brazilian Institute of Geography and Statistics (IBGE) reviewed the methodology used to calculate the GDP. This methodology will be used from now on. The following table sets forth the revised indicators for the past periods:

	As of December 31, 2006	
	2005	**2006**
Real GDP Growth	2.9%	3.7%
Ratio of public sector debt to GDP	46.7%	44.9%

Effects of Depreciation or Appreciation of the Real on Our Financial Condition and Results of Operations

The depreciation or appreciation of the Real affects our net income, since a portion of our assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar.

When the Real depreciates, we incur losses on net income from our liabilities that are denominated in or indexed to foreign currencies, such as U.S. dollar-denominated short-term borrowings and long-term debt, as the carrying value and interest expense measured in Reais increases. At the same time, we experience gains from our assets that are denominated in or indexed to foreign currencies, such as U.S. dollar-indexed marketable securities and loans, as the carrying value and interest income measured in Reais also increases.

On the other hand, when the Real appreciates, we incur gains on net income from our liabilities that are denominated in or indexed to foreign currencies, as the carrying value and interest expense measured in Reais decreases. At the same time, we experience losses from our assets that are denominated in or indexed to foreign currencies, as the carrying value and interest income measured in Reais also decreases.

Effects of Interest Rates on Our Financial Condition and Results of Operations

Increases in the Brazilian interest rate may affect our interest income as interest rates on our interest-earning assets also increase. On the other hand, our interest expense may also be affected as interest rates on our interest-bearing liabilities increase.

Typically, increases in the interest rate enable us to increase our revenues from credit operations due to higher net interest spreads on these operations. However, increases in the interest rate could adversely affect our results and loan portfolios by reducing demand for credit and increasing the risk of customer default. On the other hand, decreases in the interest rate could decrease our revenues from credit operations due to lower spreads. This decrease in revenues may be offset by an increase in the volume of credit due to increased demand for credit.

Effects of Inflation on Our Financial Condition and Results of Operations

Increases in the Brazilian inflation rate may affect our net income by increasing our costs and decreasing our operating margins if such increases are not accompanied by an increase in interest rates. Moreover, inflation may contribute to increases in volatility in the market due to economic uncertainty, decreases in spending, lower real income growth and decreases in consumer confidence, which in turn could adversely affect our results of operations.

Effects of Government Regulation on Our Financial Condition and Results of Operations

Compulsory Deposit Requirements

The Central Bank imposes several compulsory deposit requirements on financial institutions, as a mechanism to control the liquidity of the Brazilian financial system. By changing the compulsory deposit requirements, the Central Bank is able to effect changes in the amount of our interest-earning assets and interest-bearing liabilities, and consequently our interest income and interest expense.

As of December 31, 2004, 2005 and 2006, respectively, the compulsory deposit requirements were as follows:

- the rate of compulsory deposit requirements for demand deposits was 45%;
- the rate of compulsory deposit requirements for savings deposits was 20%;
- the rate of compulsory deposit requirements for time deposits was 15%; and
- the additional reserve requirements on time deposits, demand deposits and savings deposits were, respectively, 8%, 8%, and 10%.

Compulsory deposits are deposited with the Central Bank and earn interest, except for the 45% compulsory deposits related to demand deposits (the additional 8% requirement on demand deposits earns interest). As of December 31, 2006, our reserve requirement on time deposits, in the form of Brazilian government securities deposited with the Central Bank, totaled R$3,161 million, our reserve requirement on demand deposits totaled R$3,778 million, our reserve requirement on savings deposits totaled R$1,376 million and our reserve requirement on other deposits totaled R$23 million.

Capital Adequacy

The Central Bank requires banks to maintain a minimum capital adequacy ratio of 11% of total capital to total risk-adjusted assets. The Central Bank also applies capital requirements on foreign currency exposure, on interest rate market risk and on credit swap risk, which are all part of the determination of our capital adequacy ratio. Banks may choose to increase this threshold in light of their respective financial conditions and in accordance with their internal policies.

The minimum capital ratio set by the Central Bank (i) is based on information derived from the financial statements prepared in accordance with Accounting Practices Adopted in Brazil and applicable regulations of the Central Bank and (ii) reflects the minimum capital structure that the Central Bank considers adequate for a bank to operate in Brazil, after taking into account Brazilian economic conditions. Although the Central Bank has not defined the particular Brazilian economic conditions it takes into account when determining the minimum capital adequacy ratio, in our view, the fact that Brazil is currently considered to have an emerging market economy which may represent a higher risk in respect of liquidity than the economies of investment grade countries, is likely to be one of the factors considered by the Central Bank. This minimum capital ratio requirement is in line with the capital adequacy standards set forth in the Basle Accord.

The main difference between the Central Bank capital adequacy standards and the Basel II standard imposed in the United States for US financial institutions is the target standard ratio. Due to the specific characteristics of the Brazilian economy, the Central Bank has adopted a more conservative minimum capital ratio than that which has been instituted for financial institutions operating in the United States.

If the calculation of the capital ratio were to follow accounting principles other than those which are required under Brazilian legislation, including the Central Bank requirements, the capital rate calculation would not reflect the minimum capital adequacy ratio required by the Central Bank. As of December 31, 2006, our capital adequacy ratio according to Central Bank calculations was 16.0%.

In June 2004, the Bank for International Settlements Committee on Banking Supervision, or BIS, endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework, commonly known as Basle II. On December 9, 2004, the Central Bank, in Communication No. 12,746, expressed its intention to adopt Basle II over the course of the next few years, with the appropriate adaptations for the Brazilian market. This Communication set forth a proposed timetable for the implementation of the minimum capital requirements directives, known as "Pilar I" in Brazil. The proposed timetable consists of five different phases. Since May 22, 2006, the Central Bank has announced several proposals for the implementation of phase one of the implementation of Basle II directives for the Brazilian market. These proposals are currently under review by Brazilian financial institutions and other Brazilian entities that are interested in this issue, such as FEBRABAN - Brazilian Federation of Banks and ABECIP - The Brazilian Savings and Loan Trade Association.

We intend to adopt the advanced approach of Basle II for credit, market and operational risk according to the Central Bank's timetable and are applying our best efforts to achieve compliance with all of the requirements set forth therein.

We expect that the final implementation regulations for the first phase of "Pilar I" will be published by the end of 2007, and will become effective in the beginning of 2008.

Loan Charge-off

We consider certain loans as charge-offs when in our judgment all amounts due, including accrued interest and indexation, are no longer considered collectible in accordance with the contractual terms of the loan. In our experience, if collection efforts are not successful within one year, we are unlikely to recover the amount past due. This practice is also consistent with the general rule of the Central Bank for banks to write-off credit transactions six or twelve months after they are ranked H, depending on their initial maturity, see "Item 4. Regulation and Supervision – Treatment of Overdue Debts." As a result, our allowance for loan losses for any loan remains on our books for a period of 360 days until such loan is charged off.

Below is a tabular summary of the number of months loans were past due at the time the loan was charged-off. All of the loans were already ranked as H at the time they were charged-off.

	For the Year Ended December 31,		
	2004	**2005**	**2006**
number of months past due			
up to 6 months[1]	47	24	22
7 to 12 months	982	1,204	1,590
More than 12 months[2]	88	214	230
Total	R$ 1,117	R$ 1,442	R$ 1,842

[1] There are some loans that were past due less than 6 months at the time they were charged-off because they were ranked H before becoming past due. A loan can be ranked H before becoming past due if the loan is considered of high credit risk, for instance in the case of bankruptcy or very poor financial conditions of the debtor for corporate loans.

[2] The Central Bank allows loans with maturity in excess of 36 months to have the period double counted. Moreover, if loans are fully collateralized, they may take more than one year to be ranked H. Those are typically mortgage loans and automobile financing.

Income Taxes

Our income tax expenses consist of two components: the federal income tax and the social contribution tax. For each of the years 2004, 2005 and 2006, the federal income tax was assessed at a rate of 25% and the social contribution tax was assessed at a rate of 9%.

Other Taxes

The *Programa de Integração Social*, or PIS, and the *Contribuição para Financiamento de Seguridade Social*, or COFINS, are imposed on net margins of banking and financial activities. Pursuant to Law No. 10,684 of May 30, 2003, the PIS and COFINS combined rate payable by financial institutions was 4.65% on net margins of banking and financial activities for each of the years 2004, 2005 and 2006. For additional information, see "Item 4.B - Business Overview - Taxation of Financial Transactions."

The *Contribuição Provisória sobre Movimentações Financeiras*, or the CPMF, was assessed at a rate of 0.38% during each of 2004, 2005 and 2006, mainly on debits from bank accounts, with certain limited exceptions. For additional information, see "Item 4.B - Business Overview - Taxation of Financial Transactions."

Critical Accounting Estimates

In preparing our consolidated financial statements, we use management estimates, assumptions and judgments to account for certain assets, liabilities, revenues, expenses and other transactions, in accordance with U.S. GAAP. Actual results in future periods could differ from those estimates, assumptions and judgments, and consequently, our reported results of operations may be affected.

The following is a brief description of the more critical estimates, assumptions and judgments in the application of our accounting policies under U.S. GAAP.

Allowance for Loan Losses

We establish allowances for loan losses on a regular basis. For each client rating, we determine an allowance for corresponding probable losses using forecast models that consider, among other things, recent loss experience, current economic conditions, the risk characteristics of the various classifications of loans, the fair value of the underlying collateral, the probability of default, and the size and diversity of individual loans. The methodology for calculating the allowances for expected credit losses based on forecast models involves significant judgment and is dependent on the quality of the information available.

Wholesale loans have distinctive characteristics and therefore are not evaluated as a homogeneous portfolio. Risk evaluations for wholesale loans are carried out on an individual and periodic basis by means of a proprietary risk rating system. This rating system consists of quantitative and qualitative elements, such as economic and financial status, management capacity, financial background, relationship history, market conditions and other factors relating to credit risk.

Retail loans, which consist of small-balance loans such as overdrafts, credit card loans, mortgage loans and consumer finance loans, have similar characteristics and are managed using specific systems and processes. We use a wide range of statistical tools to evaluate loan requests and a client's potential performance, including credit and behavior scoring models. For additional information, see Note 2(h) to our consolidated financial statements.

The volatility of the Brazilian economy may lead to greater uncertainty in our models than would be expected in more stable macroeconomic environments. Consequently, actual loan losses could differ from our forecasted results and the allowance for loan losses may not be indicative of future charge-offs.

Fair Value of Financial Instruments

Our financial instruments include fixed rate securities, equity securities, derivatives and other financial instruments. We carry our investments at fair value if they are considered to be available for sale or trading securities. For the majority of our portfolios, fair value is determined based on externally quoted prices. If externally quoted prices are not available, we determine the fair value by reference to the quoted market price of comparable instruments, or we discount the expected cash flows using market interest rates commensurate with the credit quality and maturity of the investments on internally developed pricing models based on independent sources of market information.

The market risk exposure of our portfolio is independently supervised and controlled. Changes in the fair value of available for sale securities are recognized and included as a component of shareholders' equity, unless the loss is considered to be other than temporary. Impairment losses that are considered other than temporary are recognized as losses in the period in which they occur. We conduct regular reviews to assess whether other than temporary impairment exists. For additional information, see Notes 2(f), 7 and 8 to our consolidated financial statements.

Deterioration in economic conditions could adversely affect these values. Changes in the fair value of trading assets and liabilities, including our derivatives for trading purposes with our customers, derivatives qualified as fair value hedges, and derivatives not qualified as hedges (primarily derivatives used to manage our overall exposure to changes in interest rates and foreign currencies), are recognized in earnings. Changes in the fair value of derivatives qualified as cash-flow hedges are recognized as a component of shareholders' equity.

Insurance Reserves

Reserves for insurance claims and claims expenses are charged as they are incurred. The reserves for claims and claims expenses represent the accumulation of estimates for reported claims and include provisions for claims incurred but not reported. The methods of determining such estimates and establishing the reserves are reviewed and updated regularly. Adjustments resulting thereof are recognized in earnings for the respective period. For additional information, see Note 22(b) to our consolidated financial statements.

Income Taxes

In preparing our consolidated financial statements we are required to estimate income taxes, which involve an estimation of current tax expenses together with an assessment of temporary differences. Temporary differences result from the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and this difference generates net deferred tax assets. Net deferred tax assets may also include tax loss carry forwards.

Our carrying value of net deferred tax assets assumes that we will be able to generate sufficient future taxable income based on an internal forecast model that uses estimates and assumptions. We frequently evaluate the reliability of the deferred tax assets. If these estimates and assumptions change in the future, we may be required to record valuation allowances against our deferred tax assets resulting in additional income tax expense in our consolidated financial statements. We recorded no valuation allowances related to our net deferred tax assets for the years ended December 31, 2004, 2005 and 2006. For additional information concerning income taxes, see Notes 2(s) and 18 to our consolidated financial statements.

Impairment of Long-lived Assets, Goodwill and Intangible Assets

Our balance sheet includes long-lived assets related to our premises and equipment, goodwill and intangible assets. Premises and equipment and intangible assets with finite useful lives are depreciated or amortized over their estimated useful lives. Useful lives are estimated based on the length of time that the assets will generate revenue. If circumstances and conditions indicate deterioration in the value of tangible or intangible assets, the book value will be adjusted and a loss will be recognized in earnings.

Statement of Financial Accounting Standards 142 "Goodwill and Other Intangible Assets", or SFAS 142, provides that goodwill and identified intangible assets with indefinite useful lives should not be amortized but should be tested for impairment on an annual basis, or more frequently. In assessing the recoverability of goodwill and other intangible assets we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of such assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for such assets that were not recorded previously based on the difference between the fair value and the book value of such assets. Goodwill was tested for impairment at December 31, 2004, 2005 and 2006, and no impairment charges were recorded in 2005 and 2006. In 2004, however, we recorded an impairment charge of R$35 million, mainly as a consequence of our decision to discontinue the reporting business unit of Banco1.net. In addition, we evaluated the useful lives of intangible assets at December 31, 2004, 2005, and 2006, and no impairment was recognized.

We also assess impairment of our long-lived assets and intangible assets with finite useful lives in accordance with the requirements of SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" when events and circumstances indicate that such impairment may exist. No impairment was recognized in 2004, 2005 or 2006.

Provisions for Litigation

We are subject to administrative proceedings, lawsuits and other claims related to tax, labor and civil matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual matter in the case of certain strategic civil cases or is based on average amounts paid for similar claims during the previous twelve-month period in the case of labor and other civil matters. According to our policy for tax disputes, we record provisions for tax lawsuits only when we believe it is probable that we will incur losses as a result of such disputes or when the tax matter under discussion is expressly due by force of law or regulation, regardless of the existence of a lawsuit or a dispute in connection thereto. With respect to tax administrative proceedings, we do not record provisions when the probability of loss is remote or possible and we usually pay/settle the amounts due thereunder when there is high probability of loss. The required reserves for these contingencies aforementioned may change in the future due to new developments in each matter or changes in approach, such as a change in the settlement strategy in dealing with these matters. These changes could result in an negative impact on future results and cash flows. For additional information, see "Item 8.A - Legal Proceedings" and Note 30 to our consolidated financial statements.

Accounting for Results of Unconsolidated Companies

In accordance with U.S. GAAP, our equity in results of unconsolidated companies consists primarily of our proportionate interest in the results of affiliated companies whose results of operations are not consolidated. Under U.S. GAAP, we only consolidate the results of companies in which we have a controlling interest (either through a majority voting interest, or through the existence of other control factors).

In 2006, the most significant equity interests that we held in unconsolidated companies were:

- 31.9% equity interest in Redecard S.A., one of the largest processors of debit and credit card transactions in Brazil;
- 50.0% equity interest in Banco Investcred Unibanco, a consumer finance company;
- 19.2% equity interest in Serasa S.A., is one of the world's leading economic and financial analysis and information firms, with full domestic and foreign coverage;
- 50.0% equity interest in Unibanco Rodobens Administradora de Consórcio Ltda., a consortium company focused on vehicle and mortgage business; and
- 50.0% equity interest in Luizacred, a consumer finance company.

For additional information concerning the contributions to our net income generated by unconsolidated companies, see "Item 5.A. Operating Results - Results of Operations for the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005 and the Year Ended December 31, 2004 - Non-Interest Income" and Notes 2(j) and 11 to our consolidated financial statements.

5.A. OPERATING RESULTS

Overview

Unibanco Holdings, a corporation organized under Brazilian laws, controls us through its ownership of our shares. As of December 31, 2006, Unibanco Holdings held 97.1% of our outstanding common shares, 12.4% of our outstanding preferred shares and 58.1% of our total outstanding equity. Unibanco Holdings engages in no activities other than holding our shares. As a result, the financial statements of Unibanco Holdings are similar to ours in all material respects, except for the minority interest line of the balance sheet and income statement and the financing activities section of the cash flow statement. References herein to our consolidated financial statements also refer to the financial statements of Unibanco Holdings.

In our discussion of our operating results for 2006 as compared to 2005 and 2004 below, when we refer to changes from year to year being due to the “appreciation of the Real,” we are referring primarily to the effects of the appreciation of the Real described under “Item 5. Operating and Financial Review and Prospects - Macroeconomic Factors Affecting Our Financial Condition and Results of Operations - Effects of Depreciation or Appreciation of the Real on Our Financial Condition and Results of Operations”, as applicable. During the years ended December 31, 2004, 2005 and 2006, the Real appreciated by approximately 8.1%, 11.8% and 8.7%, respectively, against the U.S. dollar. When we refer to a specific percentage depreciation or appreciation of the Real against the U.S. dollar in any year, we have derived such percentage by comparing the number of Reais exchangeable for one U.S. dollar at the end of the given year to the number of Reais exchangeable for one U.S. dollar at the end of the previous year, as reported by the Central Bank.

When we refer to changes from 2005 to 2006 being due to the “lower appreciation of the Real,” we are referring to the fact that although we experienced effects of appreciation in 2006 that were similar to those we experienced in 2005, such effects were less pronounced because the percentage appreciation was lower in 2006. On the other hand, when we refer to changes from 2004 to 2005 being due to the “higher appreciation of the Real,” we are referring to the fact that although we experienced effects of appreciation in 2005 that were similar to those we experienced in 2004, such effects were more pronounced because the percentage appreciation was higher in 2005.

In addition, we refer in our discussion of our operating results below to “average interest earned” and “average interest paid” on our interest-earning assets and interest-bearing liabilities, respectively. Average interest earned on assets denominated in or indexed to foreign currency is the yield on such assets, taking into account the effect of the depreciation or appreciation of the Real on the carrying value of and interest on such assets when measured in Reais. Average interest paid on liabilities denominated in or indexed to foreign currency is the yield on such liabilities, taking into account the effect of the depreciation or appreciation of the Real on the carrying value of and interest on such liabilities when measured in Reais.

Results of Operations for the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005 and the Year Ended December 31, 2004

Net income

The following table shows the principal components of our consolidated net income for 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	2005	2006
	(in millions of R$)		
Net Interest Income	5,774	8,566	9,530
Provision for loan losses	(948)	(1,870)	(2,030)
Non Interest Income	6,841	6,684	7,719
Non Interest Expense	(9,153)	(11,112)	(12,577)
Income Before Income Taxes and Minority Interest	2,514	2,268	2,642
Income Taxes	(295)	(460)	(532)
Income Before Minority Interest	2,219	1,808	2,110
Minority Interest	(156)	(158)	(149)
Change in accounting principle (note 2(x))	-	-	(10)
Net Income	2,063	1,650	1,951

Our net income decreased 20.0% in 2005, due to lower income before taxes and minority interest and higher income tax expenses than in 2004. Our income before taxes and minority interest decreased 9.8% in 2005 as compared to 2004, largely due to the non-recurring earnings generated by the sale of our equity interests in Credicard and Orbitall in 2004, which offset the growth in our net interest income and the savings we realized as a result of our strict cost control in 2005. The higher income tax expenses recorded in 2005 were primarily a result of non-taxable income from equity results recorded in 2004, partially offset by higher non-deductible losses from exchange variations on our foreign investments in 2005.

In 2006, we reached a net income of R$1,951 million, a 18.2% increase over 2005. Our income before taxes and minority interest increased 16.5% in 2006 as compared to 2005, primarily due to (i) an increase in net interest income despite a steep decline in the SELIC interest rate, as a result of higher credit volume of 13.8% (despite our conservative lending policy, especially in unsecured personal loans) and considerable improvement in our funding mix due to an increase in the percentage of lower cost funding, (ii) an increase on fees and commissions, due to increased number of products and services offered to our clients and opening of new checking accounts, (iii) an improvement in the quality of loan portfolio, highlighted by a lower growth of provision for loan losses compared to the loan portfolio and (iv) a continuous cost control. Income tax expenses grew 15.7% in the same period, mainly driven by the increase on income before taxes and minority interest.

Retail Segment

In 2005, net income from our Retail business segment decreased due to the non-recurring earnings generated by the sale of our equity interests in Credicard and Orbitall in 2004, which offset the growth in our net interest income and fee and commission income in 2005. Excluding non-recurring earnings from the sale of our equity interests in Credicard and Orbitall, net income from the Retail business segment increased 83.4% in 2005 as compared to 2004. Net interest income increase was primarily due to the 31.5% growth in our loan portfolio, which was primarily the result of growth in the loan portfolios of Unicard, Fininvest and Hipercard, small and medium companies, as well as the growth in loans offered through our branch network. Fee and commission income increased, mainly as a result of a 19.0% increase in our total credit card fees, due to the expansion of Hipercard and Fininvest and growth of Unicard, combined with the growth in banking tariffs, primarily due to the expansion of our branch network. Our provision for loan losses in our Retail segment increased due to the expansion of our individuals' loan portfolio. Personnel and administrative expenses increased 18.9%, mainly due to higher provisions for labor claims, increase in profit sharing expenses, bargaining agreements, annual adjustments of utilities expenses, higher marketing costs related to the expansion of Fininvest and Hipercard and to the relaunch of our brand.

In 2006, net income from our Retail business segment increased 12.7% in 2006 as compared to 2005, mainly due to (i) an increase of 11.7% in the net interest income, mainly as a result of the expansion in credit volume, especially in small and medium companies and credit card segments, in addition to an improvement in the mix of funding over the last 12 months; and (ii) an increase of 14.0% in fee and commission income as a result of the expansion of our client base, the increasing number of products and services offered through our branch network and the increase in credit card fees following the business expansion in 2006. Provision for loan losses increased 12.6% in the Retail segment in 2006, in line with its loan portfolio increase of 11.0%, as compared to 2005, due to a conservative credit approach adopted in mid-2005, especially in unsecured personal loans. Personnel and administrative expenses increased 5.5% in 2006, as compared to 2005, as a result of strict cost control, despite the increases in expenses generated by profit sharing, bargaining agreements, annual adjustments of utilities, premises and equipment related to the refurbishment of branches and communication and third party services due to the expansion of our consumer finance activities.

Wholesale Segment

In 2005, the net income of our Wholesale business segment amounted to R$278 million, an increase of 71.6% as compared to 2004. This increase was mainly a result of the decrease of provisions for loan losses due to the reduction in the risk assigned to individual corporate clients and settlements of some large corporate loans during the year. An increase in fees and commissions from capital market transactions, investment banking, and mergers and acquisitions also contributed to the higher net income of our Wholesale business in 2005.

In 2006, the net income of our Wholesale business segment increased 50.0%, as compared to 2005. Despite the decrease in interest rates and spreads on large-company transactions, Wholesale business managed to remain profitable and even expanded its assets. Net income increase is mainly a result of the increase of 17.7% in the Wholesale loan portfolio in 2006, as compared to 2005, as well as due to the decrease in this segments provision for loan loss expense, as a result of a continuous reduction in the risk assigned to individual corporate clients and settlements of some large corporate loans during 2006. Loan portfolio growth was driven by the continued synergy among corporate divisions, which has led not only to more products for clients through cross-selling, but also to funding of new economic groups.

Insurance and Pension Plans Segment

In 2005, the net income of our Insurance and Pension Plans business segment increased 12.4% as compared to 2004, primarily as a result of the launching of products directed to specific market segments, such as environmental insurance, insurance developed to small businesses (especially in the retail and services segment) and to the maintenance of our leadership in the extended warranty sector. Our insurance, private retirement plans and pension investment contracts income was R$2,616 million in 2005 as compared to R$1,775 million in 2004, representing an increase of 47.4%. Insurance and Pension Plans business segment expenses grew by 48.1% in 2005. Both increases were impacted by the change in consolidation of our extended warranty segment as a consequence of a regulation approved by SUSEP in January 2005, combined to higher business activity. Increases would be 8.9% in our insurance, private retirement plans and pension investment contracts income and 15.0% in our Insurance and Pension Plans business segment expenses without such consolidation.

In 2006, the net income of our Insurance and Pension Plans business increased 19.2% as compared to 2005. The continuing decline in interest rates in Brazil is driving the entire insurance market to search for more operating efficiency. In the past, gains were primarily made from financial revenues earned from technical reserves. We have been preparing for this in recent years: positive operating earnings have become a priority and now account for a larger percentage of total earnings and we continued improving our operational efficiency (which has been substantially better than the market average for many years). Our insurance and pension plan companies were ranked fourth in the combined insurance and supplementary pension-fund market, according to SUSEP and ANS in December 2006. Also in 2006, we maintained our leadership in the areas of industrial risk, energy production and distribution, environment, D&O liability, transportation and extended warranty.

Wealth Management

In 2005, our Wealth Management business segment net income was R$121 million, an increase of 16.3% as compared to 2004. This increase is primarily a consequence of the improvement in our private banking segment. The 11.5% increase of assets under management, from R$27,765 million in 2004 to R$30,962 million in 2005, compensated the reduction in the average rate of fee income, from 1.1% in 2004 to 0.9% in 2005.

In 2006, our Wealth Management business segment net income decreased 7.4% in 2006 as compared to 2005. With the decline in interest rates in 2006 and the expected continuation of this trend, we have sought to diversify and increase our client base, and expand the offer of high value-added products. Net income decrease was mainly due to the decrease of 3.4% in asset management fees, reflecting the decrease on average fees charged from 0.9% in 2005 to 0.8% in 2006, despite the growth of 16% in our total assets under management in the same period.

Net Interest Income

The following table shows the principal components of our net interest income for 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	**2005**	**2006**
	(in millions of R$)		
Interest Income (1)...	11,114	15,111	16,425
Interest Expense (2)..	(5,340)	(6,545)	(6,895)
Net interest income....................................	5,774	8,566	9,530

(1) Interest income includes the interest on securities, loans, federal funds sold and securities purchased under resale agreements, deposits in other banks and compulsory deposits.
(2) Interest expense includes interest from customers and bank deposits, federal funds purchased and securities sold under repurchase agreements, short-term borrowings and long-term debt.

In 2005, interest income increased by R$3,997 million, or 36.0%, as compared to 2004, interest expense increased by R$1,205 million, or 22.6%, and net interest income increased by R$2,792 million, or 48.4%.

In 2006, interest income increased by R$1,314 million, or 8.7%, interest expense increased by R$350 million, or 5.3%, and net interest income increased by R$964 million, or 11.3%, in each case, as compared to 2005.

The increases in net interest income during 2005 and 2006 are primarily attributable to a combination of:

- growth in our lending portfolio, positively affected by the focus on higher margin segments, such as personal loans, credit card operations and Small and Medium Enterprises (SMEs) transactions; and

- improvement in our funding mix, with a greater focus on lower cost products.

Interest Income

The following table shows the principal components of our average interest-earning assets and the average interest rate earned in 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	**2005**	**2006**
	(in millions of Reais (1))		
Average interest-earning assets			
Interest-bearing deposits in other banks......	3,780	3,879	5,812
Federal funds sold and securities purchased under resale agreements..........	10,518	10,549	13,152
Central Bank compulsory deposits................	3,378	3,826	4,012
Trading assets...	7,643	8,658	11,401
Securities available for sale..........................	3,121	3,511	6,790
Securities held to maturity............................	5,742	3,267	2,534
Loans..	27,080	33,310	39,245
Other interest-earning assets.......................	45	49	52
Total...	61,307	67,049	82,998
Average interest rate earned:............................	18.1%	22.5%	19.8%

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(1) Except for the average interest rate earned, which is a percentage

The following table indicates the extent to which the increase in our interest income was attributable to changes in the average volume of interest-earning assets and to changes in the average interest rates earned, including the effects of the appreciation of the Real, in each case for 2005 as compared to 2004 and 2006 as compared to 2005:

	Increase / (Decrease)	
	2005 / 2004	**2006 / 2005**
	(in millions of Reais)	
Due to changes in average volume of interest-earning assets....	1,111	3,305
Due to changes in average interest rates...................................	2,886	(1,991)
Net change..	3,997	1,314

In 2005, interest income increased R$3,997 million, or 36.0%, as compared to 2004, principally as a result of:

- an increase in total average interest-earning assets of 9.4%, which resulted in a R$1,111 million increase in interest income; and
- an increase in the average interest rate earned of 440 basis points, which generated an increase of R$2,886 million interest income.

The increase in interest income in 2005 as compared to 2004 can also be explained by:

- a R$2,848 million increase in interest and fees on loans;
- a R$268 million increase in interest on securities;
- a R$165 million increase in interest on Central Bank compulsory deposits;
- a R$531 million increase in interest income on federal funds sold and securities purchased under resale agreements;
- a R$187 million increase in interest on deposits in other banks; and
- a R$2 million decrease in interest on other assets.

In 2006, interest income increased R$1,314 million, or 8.7%, as compared to 2005, principally as a result of:

- an increase in total average interest-earning assets of 23.8%, which resulted in a R$3,305 million increase in interest income; and

- a decrease in the average interest rate earned of 270 basis points, which generated a decrease of R$1,991 million interest income.

The increase in interest income in 2006 as compared to 2005 can also be explained by:

- a R$717 million increase in interest and fees on loans;

- a R$732 million increase in interest on securities;

- a R$83 million decrease in interest on Central Bank compulsory deposits;

- a R$260 million decrease in interest income on federal funds sold and securities purchased under resale agreements; and

- a R$208 million increase in interest on deposits in other banks.

Interest income and fees on loans. Interest income and fees on loans increased from R$6,495 million in 2004 to R$9,343 million in 2005, an overall increase of 43.8%. Such increase was primarily a result of the increase of R$7,860 million, or 25.1%, in the volume of our loan portfolio, mainly from individuals and small and medium enterprises (SMEs). Loans in such segments generally yield higher rates, which offset the effect of the appreciation of the Real on average interest earned. Average interest earned increased from 24.0% in 2004 to 28.0% in 2005. On December 31, 2005, 17.6% of our loan portfolio was denominated in or indexed to foreign currencies, primarily the U.S. dollar, compared to 19.3% on December 31, 2004.

Interest income and fees on loans increased from R$9,343 million in 2005 to R$10,060 million in 2006. This growth of 7.7% was mainly driven by the increase of R$5,417 million, or 13.8%, in the volume of our loan portfolio, partially offset by the decrease of average interest earned from 28.0% in 2005 to 25.6% in 2006 as a result of (i) a decrease in the percentage of loans to individuals in the total portfolio due to our conservative credit approach adopted in the mid-2005, especially in unsecured personal loans and (ii) a decrease in the SELIC base interest rate, despite the lower appreciation of the real in 2006 as compared to 2005.

Interest on Securities. Interest income on securities (including trading, available for sale and held to maturity securities) increased from R$2,422 million in 2004 to R$2,690 million in 2005. The largest contribution to the increase in interest income on securities in 2005 was the increase in our interest on securities available for sale, due to higher market volatility despite the small growth in average volume.

Combining the exchange and interest rate variations, average interest earned changed as follows:

- average interest earned from trading assets decreased from 18.1% in 2004 to 13.6% in 2005;

- average interest earned from securities available for sale was 18.8% and 32.1% in 2004 and 2005, respectively; and

- average interest earned from securities held to maturity was 7.8% and 11.8% in 2004 and 2005, respectively.

Interest income on securities (including trading, available for sale and held to maturity securities) increased from R$2,690 million in 2005 to R$3,422 million in 2006, as a result of:

- Trading securities: increased by R$1,119 million in 2006 as compared to 2005, due to (i) an increase in average volume of R$2,743 million, which resulted in a R$444 million increase in interest income and (ii) an increase in average interest earned, which generated an increase of R$675 million in interest income;

- Securities available for sale: decreased by R$230 million in 2006 as compared to 2005, due to (i) an increase in average volume of R$3,279 million, which resulted in a R$673 million increase in interest income and (ii) a decrease in average interest earned, which generated a decrease of R$903 million in interest income. Average interest earned was positively impacted in 2005 by higher market volatility; and

- Securities held to maturity: decreased R$157 million in 2006 as compared to 2005, due to (i) a decrease in average volume of R$733 million, which resulted in a R$77 million decrease in interest income and (ii) a decrease in average interest earned, which generated a decrease of R$80 million in interest income.

In general, interest income on securities could present volatile earnings due to the use of these kind of instruments for global hedging purposes of market exposure accounted in other instruments.

Interest on Deposits in Other Banks. Interest income on deposits in other banks increased 75.1%, or R$187 million, in 2005 as compared to 2004, primarily due to an increase in the average interest rate earned, from 6.6% to 11.2%, in large part resulting from the increase in the average SELIC base interest rate in 2005, and to the 2.6%, or R$99 million, growth in the average volume of deposits.

Interest income on deposits in other banks increased 47.7%, or R$208 million, in 2006 as compared to 2005, mainly due to the increase of 49.8% in the average volume of deposits. In the same period, average interest rate earned was stable, achieving an average of 11.2% in 2005 and 11.1% in 2006.

Interest on Central Bank Compulsory Deposits. Interest income from our compulsory deposits with the Central Bank, of which 78.9% are interest-earning deposits, increased from R$404 million in 2004 to R$569 million in 2005. This R$165 million increase, or 40.8%, was primarily due to higher interest rates earned in 2005 as compared to 2004. The average interest rate earned increased from 12.0% to 14.9%, primarily due to the correlation of the interest rates earned on these deposits with the SELIC base interest rate, which on average also increased in 2005.

Interest income from our compulsory deposits with the Central Bank, of which 80.9% are interest-earning deposits, decreased from R$569 million in 2005 to R$486 million in 2006. This R$83 million decrease, despite the 4.9% growth in average balance of Central Bank compulsory deposits, was primarily due to lower interest rates earned in 2006 as compared to 2005. The average interest rate earned decreased from 14.9% to 12.1%, primarily due to the correlation of the interest rates earned on these deposits with the SELIC base interest rate, which on average also decreased in 2006.

Interest on Federal Funds Sold and Securities Purchased under Resale Agreements. Interest income from federal funds sold and securities purchased under resale agreements increased R$531 million, or 34.5%, from R$1,538 million in 2004 to R$2,069 million in 2005. This increase was a result of the increase in the average interest rate earned on these assets, from 14.6% in 2004 to 19.6% in 2005, in large part due to the correlation with the SELIC base interest rate, which on average also increased in 2005.

Interest on federal funds sold and securities purchased under resale agreements decreased by R$260 million, or 12.6% from R$2,069 million in 2005 to R$1,809 million in 2006, mainly due to lower average interest rate earned despite the increase of R$2,603 million, or 24.7%, on average balance of these assets. The average interest rate earned decreased from 19.6% in 2005 to 13.8% in 2006, in large part due to the correlation with the SELIC base interest rate, which on average also decreased in 2006.

Interest Expense

The following table shows the principal components of our average interest-bearing liabilities and the average interest rate paid on those liabilities in 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	**2005**	**2006**
	(in millions of Reais)		
Average interest-bearing liabilities			
Time deposits	20,068	25,358	27,192
Savings deposits	6,168	6,130	5,996
Deposits from banks	231	115	182
Federal funds purchased and securities sold under repurchase agreements	8,874	7,194	14,459
Short-term borrowings	3,419	2,686	1,374
Long-term debt	12,584	11,735	14,267
Total	51,344	53,218	63,470
Average interest rate paid:	10.4%	12.3%	10.9%

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(1) Except for the average interest rate earned, which is a percentage.

The following table indicates the extent to which the increase in our interest expense was attributable to changes in the average volume of interest-bearing liabilities and to changes in average interest rates paid, including the appreciation of the Real, in each case for 2005 as compared to 2004, and 2006 as compared to 2005:

	Increase / (Decrease)	
	2005 / 2004	**2006 / 2005**
	(in millions of Reais)	
Due to changes in average volume of interest-bearing liabilities	201	1,169
Due to changes in average interest rates	1,004	(819)
Net change	1,205	350

In 2005, interest expense increased R$1,205 million, or 22.6%, as compared to 2004, principally as a result of:

- an increase in total average interest-bearing liabilities of 3.6% which resulted in an increase of R$201 million in interest expense; and
- an increase in the average interest rate paid of 190 basis points, which generated an increase of R$1,004 million in interest expense.

The increase in interest expense in 2005 as compared to 2004 can also be explained by:

- a R$20 million increase in interest on long-term debt;
- a R$80 million decrease in interest on short-term borrowings;
- a R$130 million decrease in interest on federal funds purchased and securities sold under repurchase agreements; and
- a R$1,395 million increase in interest on time deposits, savings deposits and deposits from banks.

In 2006, interest expense increased R$350 million, or 5.3%, as compared to 2005, principally as a result of:

- an increase in total average interest-bearing liabilities of 19.3% which resulted in an increase of R$1,169 million in interest expense; and
- a decrease in the average interest rate paid of 140 basis points, which generated a decrease of R$819 million in interest expense.

The increase in interest expense in 2006 as compared to 2005 can also be explained by:

- a R$150 million increase in interest on long-term debt;
- a R$125 million increase in interest on short-term borrowings;
- a R$677 million increase in interest on federal funds purchased and securities sold under repurchase agreements; and
- a R$602 million decrease in interest on time deposits, savings deposits and deposits from banks.

Interest on Long-term Debt. Interest expense from our long-term debt increased from R$949 million in 2004 to R$969 million in 2005. Despite higher appreciation of the Real in 2005 as compared to 2004, interest expense increased 2.1% primarily due to increases in the average interest rate paid on long-term debt, as a result of the higher interest rate paid by new issuances. The average interest rate paid on our long-term debt increased from 7.5% in 2004 to 8.3% in 2005. On the other hand, the average amount of our long-term debt decreased by 6.7% in 2005, with approximately 47.7% of such debt denominated in or indexed to foreign currencies, which were impacted by the higher appreciation of the Real in 2005, as compared to 2004. Increases on the gains generated by our global hedges of our foreign investments as a result of the higher appreciation of the Real and the higher volume of long-term debt instruments used to hedge our foreign investments also contributed to a lower increase in interest expense. In 2005, we recognized gains on these global hedging transactions of R$251 million compared to R$154 million in 2004.

Interest expense from our long-term debt increased from R$969 million in 2005 to R$1,119 million in 2006. Despite lower appreciation of the Real in 2006 as compared to 2005, interest expense increased 15.5% primarily due to a 21.6% increase in the average balance of long-term debt with approximately 31.3% of such debt denominated in or indexed to foreign currencies. The average interest rate paid on these liabilities decreased, from 8.3% in 2005 to 7.8% in 2006. Increases on the gains generated by our global hedges of our foreign investments contributed to offset the increase in this interest expense. In 2006, we recognized gains on these global hedging transactions of R$272 million compared to R$251 million in 2005 as a result of the higher volume of instruments used to hedge our foreign investments partially offset by the lower appreciation of the Real in 2006 as compared to 2005 .

Interest on Short-term Borrowings. Interest expense on our short-term borrowings increased from interest income of R$36 million in 2004 to interest income of R$116 million in 2005, mainly due to higher appreciation of the Real in 2005 as compared to 2004. The average interest paid on short-term borrowings decreased 320 basis points, from negative 1.1% to negative 4.3%. Additionally, the average amount of our short-term borrowings decreased by 21.4% in 2005, with approximately 99.4% denominated in or indexed to foreign currencies, this decrease was due to the appreciation of the Real in 2005.

Interest expense on our short-term borrowings decreased from interest income of R$116 million in 2005 to interest expenses of R$9 million in 2006, mainly due to lower appreciation of the Real in 2006 as compared to 2005. The average interest paid on short-term borrowings increased 500 basis points, from negative 4.3% in 2005 to positive 0.7% in 2006. However, the average amount of our short-term borrowings decreased by 48.8% in 2006, as a result of the appreciation of the Real in 2006.

Interest on Federal Funds Purchased and Securities Sold under Repurchase Agreements. Our interest expense on federal funds purchased and securities sold under repurchase agreements decreased R$130 million, or 11.1%, from R$1,167 million in 2004 to R$1,037 million in 2005. Despite the increase in average interest paid, from 13.2% in 2004 to 14.4% in 2005, which was driven by the increase in the average SELIC base interest rate also experienced in the same period, the average volume of these liabilities decreased 18.9%, accounting for the decrease in interest expense.

Our interest expense on federal funds purchased and securities sold under repurchase agreements increased R$677 million, or 65.3%, from R$1,037 million in 2005 to R$1,714 million in 2006. Despite the decrease in average interest paid, from 14.4% in 2005 to 11.9% in 2006, which was driven by the decrease in the average SELIC base interest rate which occurred during this period, the average volume of these liabilities increased 101.0%, accounting for the increase in interest expense.

Interest on Time Deposits, Savings Deposits and Deposits from Banks. Interest expense on time deposits, savings deposits and deposits from banks increased R$1,395 million in 2005 as compared to 2004 as follows:

- Interest expense on time deposits increased R$1,377 million, or 48.4%, from 2004 to 2005. The average volume of time deposits in 2005 increased R$5,290 million, or 26.4%, primarily due to the success of Superpoupe and to other funding initiatives. Despite the success of Superpoupe, which pays lower interest rates, the average interest rate paid in 2005 increased 240 basis points, from 14.2% in 2004 to 16.6% in 2005, primarily due to the correlation with the SELIC base interest rate, which also increased on average in 2005;

- Interest expense on savings accounts increased R$33 million, or 8.6%, in 2005 as compared to 2004. Despite the fact that the average volume of savings deposits decreased 0.6%, or R$38 million, during the same period, the average interest rate increased 60 basis points, from 6.2% in 2004 to 6.8% in 2005, primarily due to the correlation with the SELIC base interest rate, which also increased on average in 2005; and

- Interest expense on deposits from banks decreased R$15 million, or 44.1%, primarily due to the 50.2% decrease, or R$116 million, in the average volume of deposits from 2004 to 2005, which offset the increase in the average interest rate paid, from 14.7% in 2004 to 16.5% in 2005, also impacted by higher average SELIC base interest rate in 2005.

Interest expense on time deposits, savings deposits and deposits from banks decreased R$602 million in 2006 as compared to 2005 as follows:

- Interest expense on time deposits decreased R$554 million, or 13.1%, from 2005 to 2006. The average volume of time deposits in 2006 increased R$1,834 million, or 7.2%. This modest growth of volume was primarily due to a shift in our funding strategy from time deposits to securities sold under repurchase agreement using Unibanco Leasing debentures as collateral. The average interest rate paid in 2006 decreased 310 basis points, from 16.6% in 2005 to 13.5% in 2006, primarily due to the correlation with the SELIC base interest rate, which also decreased in 2006;

- Interest expense on savings accounts decreased R$70 million, or 16.8%, in 2006 as compared to 2005. During the same period, the average volume of savings deposits decreased 2.2%, or R$134 million, and the average interest rate decreased 100 basis points, from 6.8% in 2005 to 5.8% in 2006. The decrease in the average interest rate was primarily due to the correlation with the SELIC base interest rate, which also decreased in 2006; and

- Interest expense on deposits from banks increased R$22 million, or 115.8%, primarily due to the increase in the average interest rate paid, from 16.5% in 2005 to 22.5% in 2006, also due to the 58.3% increase, or R$67 million, in the average volume of deposits from 2005 to 2006.

Provision for Loan Losses

The following table shows the loan portfolio and provision for loan losses by segment for 2004, 2005, and 2006:

In millions of R$ For the Year Ended December 31,	Retail			Wholesale			Wealth Management			Insurance			Total Consolidated		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Total Loans (A)...	15,653	20,581	22,850	15,027	17,370	20,446	327	462	535	370	824	823	31,377	39,237	44,654
Average Total Loans (B)............	12,884	18,044	21,189	14,628	15,589	18,782	298	413	484	392	646	802	28,202	34,692	41,257
Provision for Loan Losses (C)..	807	1,872	2,107	139	(3)	(69)	1	(3)	0	1	4	(8)	948	1,870	2,030
(C) / (B).............	6.3%	10.4%	9.9%	1.0%	0.0%	-0.4%	0.3%	-0.7%	0.0%	0.3%	0.6%	-1.0%	3.4%	5.4%	4.9%
Loan Charge-Offs (D).......................	(1,065)	(1,335)	(1,807)	(47)	(89)	(39)	(5)	(17)	0	0	(1)	4	(1,117)	(1,442)	(1,842)
(D) / (B)............	8.3%	7.4%	8.5%	0.3%	0.6%	0.2%	1.7%	4.1%	0.0%	0.0%	0.2%	-0.5%	4.0%	4.2%	4.5%
Allowance at the end of the year (E).......................	783	1,413	1,903	745	677	661	30	12	12	2	5	1	1,560	2,107	2,577
(E) / (A).............	5.0%	6.9%	8.3%	5.0%	3.9%	3.2%	9.2%	2.6%	2.2%	0.5%	0.6%	0.1%	5.0%	5.4%	5.8%
Non-performing Loans (F)............	1,008	1,639	2,143	247	54	126	17	1	8	2	0	1	1,274	1,694	2,278
(F) / (A).............	6.4%	8.0%	9.4%	1.6%	0.3%	0.6%	5.2%	0.2%	1.5%	0.5%	0.0%	0.1%	4.1%	4.3%	5.1%
Loan Recoveries (G).......................	307	93	190	102	24	92	3	2	0	0	0	0	412	119	282
Net charge-Offs (D+G).................	(758)	(1,242)	(1,617)	55	(65)	53	(2)	(15)	0	0	(1)	4	(705)	(1,323)	(1,560)

The provision for loan losses increased from R$948 million in 2004 to R$1,870 million in 2005, posting a 97.3%, or R$922 million, increase as compared to 2004. This increase was a result of our efforts to increase our market share in those markets that generate higher margins, like individuals, credit cards and small and medium enterprises. In addition, the ratio of total provisions to average loans increased from 3.4% in 2004 to 5.4% in 2005 and the ratio of non-performing loans to total loans increased from 4.1% in 2004 to 4.3% in 2005.

The increase of R$922 million, or 97.3%, in 2005 as compared to 2004, of our provision for loan loss expenses was primarily a result of the following:

- the Wholesale segment's provision for loan loss expenses decreased R$142 million primarily due to a reduction in the risk assigned to individual corporate clients and settlements of some large corporate loans during the year;

- the Retail segment's provision for loan loss expenses increased R$1,065 million as compared to 2004 as follows:

  - Fininvest's provisions increased R$286 million with a R$632 million, or 40.4% increase in its loan portfolio during this time, along with a deterioration in the risk profile of its loans. This deterioration was a consequence of significant growth, during the first half of 2005, in the portion of Fininvest's portfolio that is devoted to unsecured personal loans, which are a high risk product;

  - Hipercard's provisions increased R$157 million as a result of a 47% portfolio growth in 2005, the riskier credit profile of Hipercard's clients due to the strategy of expanding to the South and Southeast regions, and a larger revolving credit portion in the portfolio mix (for instance, the percentage of average revolving credit on average loan portfolio was 15% in 2004 as compared to 19% in 2005);

  - Unicard's provisions decreased R$44 million with a R$688 million increase in its loan portfolio due to the following three factors: (i) an aggressive strategy to acquire new clients along with a strong credit expansion in Brazil, resulting in Unicard's loan portfolio growth of 40.3% (which took place mainly in the second half of 2005, growing 35.4% during that period); (ii) acquisition of new clients with lower risk profile than Unicard's prior customer base thus resulting in a new portfolio with better creditworthiness; and (iii) lower growth of the revolving category of Unicard's loan portfolio as compared to the total loan portfolio growth. For instance, the percentage of average revolving credit in Unicard's total loan portfolio was 26% in December 2004 as compared to 22% in December 2005; and

- Commercial bank and other retail provisions increased R$666 million in connection with an increase of R$3,087 million of their loan portfolio. This increase in provisions resulted from organic growth in the loan portfolio of the branch network and the growth in the auto financing loan portfolio.

In 2005, loan charge-offs increased R$325 million, or 29.1%, as compared to 2004 due primarily to the growth of our loan portfolio segments that present greater risk. Wholesale loan charge-offs increased R$42 million during the same period. In the Retail segment, Fininvest's loan charge-offs increased R$190 million, or 54.9%, due to the expansion in this segment and Hipercard loan charge-offs increased R$34 million during the same period. Commercial bank and other retail loan charge-offs were reduced by R$46 million, or 6.5%, during the same period.

Allowances increased R$547 million, or 35.1%, in 2005 as compared to 2004. Wholesale allowances decreased R$68 million, or 9.1%, mainly due the reduction in the risk assigned to each individual corporate clients and settlements of some large corporate loans in 2005. Unicard's allowance increased R$42 million, or 37.5%, and Fininvest's allowance increased R$74 million, or 63.2%, during this period. Hipercard's allowance increased R$57 million in 2005. Commercial bank and other retail allowances posted an increase of R$457 million, or 88.2% during the same period.

Non-performing loans increased R$420 million, or 33.0%, in 2005 as compared to 2004, due to the growth of those segments that present greater risk such as individuals and small and medium enterprises. Wholesale non-performing loans decreased R$193 million, or 78.1%, during the same period. In the Retail segment, Hipercard's non-performing loans increased R$79 million, Fininvest's non-performing loans increased by R$127 million, or 67.9%, Unicard's non-performing loans increased R$34 million, or 22.1% and Commercial bank and other retail non-performing loans posted an increase of R$391 million, or 63.8% during the same period.

Our performance on this sector in 2006 was marked by a conservative lending policy, especially in unsecured personal loans. This policy began in mid-2005 as a result of increasing default rates in the consumer loan market. For the year, loan portfolio grew by 13.8%. Our decision to slow the growth rate of loans proved to be accurate: allowances for doubtful accounts remained at an acceptable level. The provision for loan losses increased from R$1,870 million in 2005 to R$2,030 million in 2006, reaching a 8.6%, or R$160 million, increase as compared to 2005. The ratio of total provisions to average loans decreased from 5.4% in 2005 to 4.9% in 2006 and the ratio of non-performing loans to total loans increased from 4.3% in 2005 to 5.1% in 2006.

The increase of R$160 million, or 8.6%, in 2006 as compared to 2005, of our provision for loan loss expenses was primarily a result of:

- the Retail segment's provision for loan loss expenses increased R$235 million as compared to 2005 as follows :

  - - Fininvest's provisions increased R$31 million with a R$12 million decrease in its loan portfolio. Fininvest was directly affected by our conservative lending policy adopted mid-2005, as a result of increasing default rates in the consumer loan market. However, in the last quarter of 2006, the credit approval rate was increased, although still at prudent level, due to improvement in the quality of its credit portfolio;

  - - Hipercard's provisions increased R$79 million due to a strong business growth, with 145% increase in total points-of-sale, leading to a 35% increase in its loan portfolio. Hipercard continued to expand its business through the South and Southeast regions, which carries riskier credit profile, however the percentage of average revolving credit on average loan portfolio decreased from 19% in 2005 to 15% in 2006;

  - - Unicard's provisions increased R$150 million with a R$514 million, or 22%, increase in its loan portfolio. In 2006, Unicard's provisions were impacted by the aggressive strategy to acquire new clients along with a strong credit expansion in Brazil adopted mainly in the second half of 2005; and

- - Commercial bank and other retail provisions increased R$72 million with an increase of R$1,201 million of their loan portfolio. This segment was also affected by our conservative lending policy adopted mid-2005, especially in unsecured personal loans. On the other hand, we expanded the offering of lower risk products to individuals such as payroll-linked loans and posted a growth of R$665 million, or 25%, in the SMEs' portfolio that also carries lower risk. The increase in provisions was offset by the increase in loan recoveries amounting to R$97 million.

- the Wholesale segment's provision for loan loss expenses decreased R$66 million, primarily due to a reduction in the risk assigned to individual corporate clients and settlements of some large corporate loans during the year.

In 2006, loan charge-offs increased R$400 million, or 27.7%, as compared to 2005, primarily due to our previous growth of our loan portfolio in segments that present greater risk, such as unsecured personal loans. In the Retail segment, commercial bank and other retail loan charge-offs increased by R$361 million in 2006 as compared to 2005. Fininvest's loan charge-offs increased R$19 million, or 3.5% and Hipercard loan charge-offs increased R$92 million during the same period. These increases were partially offset by the decrease on Wholesale loan charge-offs of R$50 million during the same period.

Allowances increased R$470 million, or 22.3%, in 2006 as compared to 2005. Unicard's allowance increased R$180 million, or 116.9%, Fininvest's allowance increased R$89 million, or 46.6% and Hipercard's allowance increased R$50 million, or 53.8% in 2006. Commercial bank and other retail allowances posted an increase of R$171 million during 2006. Wholesale allowances decreased R$16 million, or 2.4%, mainly due the reduction in the risk assigned to corporate clients and settlements of some large corporate loans in 2006.

Non-performing loans increased R$584 million, or 34.5%, in 2006 as compared to 2005, also due to previous growth of our loan portfolio in segments that present greater risk, such as unsecured personal loans. In the Retail segment, Hipercard's non-performing loans increased R$36 million, Fininvest's non-performing loans increased by R$31 million, or 9.9%, Unicard's non-performing loans increased R$140 million, or 74.5% and Commercial bank and other retail non-performing loans posted an increase of R$297 million during the same period. Wholesale non-performing loans increased R$72 million, or 133.3%, during the same period.

Non-Interest Income

The following table shows the principal components of our non-interest income for 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	**2005**	**2006**
	(in millions of Reais)		
Fee and commission income	2,382	2,814	3,140
Trading income (expenses)	221	111	225
Net gains (losses) on securities and non-trading derivatives	(150)	83	132
Net gains on foreign currency transactions	108	(100)	(43)
Equity in results of unconsolidated companies	220	158	195
Insurance, private retirement plan and pension investment contracts	1,775	2,616	3,220
Other non-interest income	2,285	1,002	850
Total	6,841	6,684	7,719

In 2005, our non-interest income decreased R$157 million, or 2.3%, as compared to 2004, principally due to non-recurring earnings from the sale of our equity interests in Credicard and Orbitall in 2004. Excluding such income in 2004, our non-interest income increased 26.9% in the same period, as a result of higher fee and commission income, higher income from our insurance, private retirement plan and pension investment contracts and higher other non-interest income.

In 2006, our non-interest income increased R$1,035 million, or 15.5%, as compared to 2005, mainly as a result higher fee and commission income, higher trading income and higher income from our insurance, private retirement plan and pension investment contracts.

Fee and Commission Income. Fee and commission income increased 18.1%, or R$432 million, in 2005 as compared to 2004. In 2005, our fee and commission income was derived from the following sources:

- 59.4%, or R$1,671 million, from banking tariffs and other fees and commissions, representing an increase of R$230 million, or 16.0%, as compared to 2004, mainly as a result of the expansion of our client base and our continued focus on cross-selling activities, combined with the organic growth of our banking operations and an increase in the fees we receive from Wholesale transactions;

- 22.3%, or R$627 million, from credit card fees, representing an increase of R$100 million, or 19.0%, as compared to 2004, primarily as a result of the expansion of Hipercard and the growth experienced by Unicard;

- 9.5%, or R$268 million, from asset management fees, representing a R$4 million decrease, or 1.5%, as compared to 2004, as a result of a lower average rate of fee income from 1.1% in 2004 to 0.9% in 2005, which offset the increase of 11.5% in our assets under management in the same period; and

- 8.8%, or R$248 million, from collection fees, representing a R$106 million increase, or 74.6%, as compared to 2004, largely due to our increased focus on our collection products.

Fee and commission income increased 11.6%, or R$326 million, in 2006 as compared to 2005. In 2006, fee and commission income was derived from the following sources:

- 61.3%, or R$1,924 million, from banking tariffs and other fees and commissions, representing an increase of R$253 million, or 15.1%, as compared to 2005, mainly as a result of increased number of products and services offered to our clients and the expansion of our client base;

- 23.5%, or R$738 million, from credit card fees, representing an increase of R$111 million, or 17.7%, as compared to 2005, primarily due to new commercial initiatives undertaken by Unicard and Hipercard followed by significant growth in both businesses;

- 8.2%, or R$259 million, from asset management fees, representing a R$9 million decrease, or 3.4%, as compared to 2005, reflecting the decrease on average fees charged from 0.9% in 2005 to 0.8% in 2006, despite the growth of 16% in our total assets under management in the same period; and

- 7.0%, or R$219 million, from collection fees, representing a R$29 million decrease or 11.7%, as compared to 2005.

Trading Income. Trading income is affected by exchange and interest rate variations. In general, it could present volatile earnings due to the use of securities and derivatives for hedging purposes of market exposure accounted in other instruments.

In 2005, trading income decreased R$110 million as compared to 2004. In 2005, we recognized net expenses of R$23 million from realized gains (losses) on securities, as compared to net earnings of R$15 million in 2004, net earnings of R$139 million from realized gains (losses) on derivatives, as compared to R$308 million in 2004, and R$5 million in unrealized losses on securities and derivatives, as compared to R$102 million in 2004. In 2005, we changed our global hedge instruments on our foreign investments from derivatives to long-term debt, reducing the results from derivatives used as global hedges of foreign investments from income of R$117 million in 2004 to R$7 million in expenses in 2005.

In 2006, trading income increased R$114 million as compared to 2005. In 2006, we recognized net earnings of R$48 million from realized gains (losses) on securities, as compared to net expenses of R$23 million in 2005, net earnings of R$220 million from realized gains (losses) on derivatives, as compared to R$139 million in 2005, and R$43 million in unrealized losses on securities and derivatives, as compared to R$5 million in 2005. In 2006, we did not record any results from derivatives used as global hedges of foreign investments.

Net Gains (Losses) on Securities and Non-trading Derivatives. Net gains (losses) on securities and non-trading derivatives increased R$233 million, from losses of R$150 million in 2004 to gains of R$83 million in 2005, mainly as a result of an increase in realized gains on securities available for sale, from R$25 million in 2004 to R$84 million in 2005, and a decrease of R$105 million in unrealized losses considered other than temporary on securities available for sale. In 2005, we recognized no losses on securities available for sale as compared to losses of R$105 million in 2004.

In 2006, net gains on securities and non-trading derivatives increased by 59.0% or R$49 million, principally due to an increase in realized gains on securities available for sale, from R$84 million in 2005 to R$135 million in 2006.

Net Gains (Losses) on Foreign Currency Transactions. The net gains on foreign currency transactions decreased R$208 million, from income of R$108 million in 2004, to expenses of R$100 million in 2005. In 2006, it increased by R$57 million, from expenses of R$100 million in 2005, to expenses of R$43 million in 2006. The results of such transactions were directly impacted by the volume of transactions and the appreciation of the Real.

Equity in Results of Unconsolidated Companies. The equity in results of unconsolidated companies decreased from R$220 million in 2004 to R$158 million in 2005, mainly due a decrease of R$101 million as a result of the sale of our equity interests in Credicard and Orbitall at the end of 2004. This sale was partially offset by:

- *Investcred and Luizacred* (consumer finance companies): which had an increase of R$6 million and R$4 million in their equity in results, respectively, due to higher average interest rates, expansion in points of sale and growth of their respective loan portfolios;

- *Redecard* (debit card processor): which had an increase of equity in results of R$12 million, as a result of increased debit card activity in Brazil and the expansion of our client base; and

- *Other Companies* (not relevant individually): which had an increase of R$17 million of equity in results.

The equity in results of unconsolidated companies increased from R$158 million in 2005 to R$195 million in 2006, mainly due to Redecard (debit card processor), which had an increase of R$43 million of equity in results, as a result of increased debit card activity in Brazil and the expansion of our client base. This increase was partially offset by a decline of equity in results of Luizacred and Investcred (consumer finance companies) of R$3 million and R$5 million, respectively, in 2006 as compared to 2005, as a result of our conservative lending policy adopted in mid-2005, as a result of increasing default rates in the consumer loan market.

Insurance, Private Retirement Plans and Pension Investment Contracts. In January 2005, a SUSEP regulation ratified the consolidation of our extended warranty segment in our Insurance business. As a result, insurance premiums, private retirement plans premiums and pension investment contracts increased 47.4%, or R$841 million, from R$1,775 million in 2004 to R$2,616 million in 2005. Without such consolidation of the extended warranty segment in 2005, our revenues would have increased 8.9%, or R$159 million, as compared to 2004. During 2005, we experienced growth in homeowners and casualty and health insurance, and re-launched specialized insurance products for men and for the environment, which was the first of its type in Brazil.

In 2006, premiums from insurance, private retirement plans and pension investment contracts increased by 23.1% or R$604 million, as compared to 2005. Also, due to the reduction in the SELIC base interest rate in 2006, we focused to grow our results in operational gains to compensate the impact on financial results. Insurance premiums and private retirement plans fees increased R$385 million and R$220 million, respectively, in 2006 as compared to 2005, as a result of our organic growth and the expansion of our extended warranty business in 2006.

Other Non-interest Income. Other non-interest income decreased 56.1%, or R$1,283 million, from R$2,285 million in 2004 to R$1,002 million in 2005, mainly because of the sale of our equity interests in Credicard and Orbitall in 2004, which also contributed to the increase in other non-interest income from R$709 million in 2003 to R$2,285 million in 2004. In 2004, we recognized non-recurring earnings of R$1,574 million from the sale of our equity interests in Credicard and Orbitall. Excluding non-recurring earnings in 2004, other non-interest income would have increased R$291 million, or

40.9%, in 2005 as compared to 2004. The R$291 million increase was mainly due to the indemnity payment that we received in 2005 from Caixa Geral de Depósitos, the former majority shareholder of Banco Bandeirantes, in the amount of R$238 million. The indemnity included settlements and the full release of contingencies related to Banorte and Bandeirantes. For additional information, see Note 24(b) to our consolidated financial statements.

In 2006, other non-interest income decreased 15.2%, or R$152 million, from R$1,002 million in 2005 to R$850 million in 2006, mainly due to the indemnity payment that we received in 2005 from Caixa Geral de Depósitos, the former majority shareholder of Banco Bandeirantes, in the amount of R$238 million. For additional information, see Note 24(b) to our consolidated financial statements.

Non-Interest Expense

The following table shows the principal components of our non-interest expense for 2004, 2005 and 2006:

	For the Year Ended December 31,		
	2004	2005	2006
	(in millions of Reais)		
Salaries and benefits	2,549	3,039	3,056
Administrative expenses	2,549	2,812	3,195
Amortization of intangibles and impairment on goodwill	152	130	58
Insurance, private retirement plan and pension investment contracts	1,898	2,830	3,548
Other non-interest expense	2,005	2,301	2,720
Total	9,153	11,112	12,577

Non-interest expense increased in each of 2004, 2005 and 2006, from R$9,153 million, to R$11,112 million to R$12,577 million, respectively.

Each of these increases were primarily due to higher expenses related to salaries and benefits, administrative expenses, insurance, private retirement plan and pension investment contracts expenses, and other non-interest expenses such as the exchange losses on foreign investments, tax litigation, credit card selling expenses and service, revenues and other taxes.

Salaries and Benefits. Salaries and benefits increased 19.2%, or R$490 million, in 2005 as compared to 2004 principally due to:

- an increase in profit sharing expenses, as a result of higher net income under accounting practices adopted in Brazil;
- increases in labor claims; and
- increases in employee salaries of 6.0% in September 2005 and 8.5% in September 2004 pursuant to collective bargaining agreements with our employees. These increases were partially offset by gains achieved by operational restructuring as well as strict cost controls.

Salaries and benefits increased 0.6%, or R$17 million, in 2006 as compared to 2005. In 2006, we continued focusing on efficiency gains with continuous operational restructuring as well as strict cost controls. This strategy contributed to partially offset (i) increases in employee salaries of 3.5% in September 2006 and 6.0% in September 2005 pursuant to collective bargaining agreements with our employees, (ii) organic growth in the banking activities, specially in the Retail segment, (iii) increase in profit sharing expenses, as a result of higher net income under accounting practices adopted in Brazil and (iv) expansion in consumer finance activities.

We had 29,504 employees at December 31, 2005, as compared to 27,408 employees at December 31, 2004. The increase was a result of the incorporation of Prorevenda, which was associated with the acquisition of Banco Dibens, the addition of new sales force employees in Fininvest and Hipercard, as a result of the expansion of our business, and the addition of new employees associated with our compliance and audit areas, in order to ensure our compliance with the requirements of Sarbanes-Oxley Act.

As of December 31, 2006 we had 32,956 employees as compared to 29,504 employees as of December 31, 2005. This increase was mainly a result of the addition of new sales force employees in consumer finance companies, as well as the expansion of our business.

Administrative expenses increased 10.3%, or R$263 million, in 2005 as compared to 2004, primarily due to:

- higher communication and third party service costs as a result of the expansion of Fininvest, Hipercard and Unicard;

- higher marketing costs related to the expansion of Fininvest and Hipercard and to the relaunch of our brand; and

- annual price adjustments on public utilities tariffs, rental and software maintenance contracts.

Administrative expenses increased 13.6%, or R$383 million, in 2006 as compared to 2005, primarily due to:

- higher communication and third party service costs as a result of the expansion of consumer finance activities, as well as our new television campaign;

- higher expenses for premises and equipment mainly due to the refurbishment of branches as a result of the relaunch of our brand; and

- annual price adjustments on public utilities tariffs, rental and software maintenance contracts.

Amortization of Intangibles and Impairment of Goodwill. The amortization of intangibles and impairment on goodwill decreased R$22 million, or 14.5%, in 2005 as compared to 2004. This decrease is attributable to higher impairment of goodwill in 2004, as a result of the discontinuation of Banco1.net. This decrease was partially offset by the amortization of intangible assets in Hipercard for a full year, as compared to nine months in 2004.

The amortization of intangibles and impairment on goodwill decreased R$72 million, or 55.4%, in 2006 as compared to 2005. In 2006, we recognized no amortization of intangibles for Bandeirantes as compared to R$90 million in 2005, since it was fully amortized in 2005.

Insurance, private retirement plan and pension investment contracts. In January 2005, a SUSEP regulation ratified the consolidation of our extended warranty segment in our Insurance business. As a result, insurance, private retirement plan and pension investment contracts expenses increased 49.1%, or R$932 million, from R$1,898 million in 2004 to R$2,830 million in 2005. If we had not consolidated our extended warranty business in 2005, our expenses would have increased R$277 million, or 14.6%, as compared to 2004. This increase in consolidated results was driven largely by an R$777 million increase in unearned premium reserves, primarily due to our extended warranty business, as well as a R$22 million increase in insurance claims. Sales growth led to an R$108 million increase in pension investment contract expenses. However, a change in the mix of products offered helped reduce selling expenses by R$31 million between 2004 and 2005.

Insurance, private retirement plan and pension investment contracts expenses increased 25.4%, or R$718 million, from R$2,830 million in 2005 to R$3,548 million in 2006. This increase was driven largely by a R$125 million increase in insurance claims and by a R$156 million increase in benefit expenses related to our private retirement plans, as a result of an increase in the volume of such plans. Sales growth led to an R$174 million increase in pension investment contract expenses. Our selling expenses also increased by R$212 million largely due to an increase in our extended warranty portfolio, which carries higher expenses.

Other non-interest expenses. The increase of 14.8%, or R$296 million, in other non-interest expenses, from R$2,005 million in 2004 to R$2,301 million in 2005, was primarily due to:

- a R$68 million increase in credit card selling expenses, associated with the growth of our credit card portfolio in Hipercard, Unicard and Fininvest;

- a R$67 million increase in exchange loss on foreign investments, as a result of the appreciation of the Real;

- a R$22 million increase in our national financing system contributions which is a federal fund run by the Central Bank that provides deposit insurance and to which we are required to contribute; and

- a R$19 million increase in our civil litigation provision.

Other non interest expenses increased 18.2% or R$419 million in 2006 as compared to 2005. This increase was mainly due to:

- a R$160 million increase in service, revenue and other taxes expenses, as a consequence of increases on net interest income and services rendered;

- a R$95 million increase in our civil litigation provision;

- a R$35 million increase in statutory profit sharing;

- a R$35 million increase in net expenses related to checks and billing;

- a R$32 million increase in uninsured losses of branch network; and

- a R$27 million increase in tax litigation expenses.

Income Tax

Our income tax and social contribution expenses increased by R$165 million in 2005 as compared to 2004. At the statutory rate, our taxes would have decreased R$63 million in 2005 as compared to 2004, as a consequence of the decrease in our income before taxes in 2005. However, effective income tax and social contribution expenses increased in 2005 primarily because we had a greater offset against taxable income in 2004 as a result of non-taxable income from equity results, which had a positive impact on our income tax of R$245 million in 2004. Additionally, we incurred higher tax effects of R$23 million due to non-deductible losses from exchange variations on our foreign investments in 2005 as compared to 2004. In 2005, we recorded exchange losses of R$150 million on our foreign investments, which had a negative impact on our income tax of R$51 million in 2005. During the same period in 2004, we posted a loss of R$83 million on our foreign investments, which had a negative impact on our income tax of R$28 million. Such increases were partially offset by higher tax benefits of R$62 million from interest attributed to shareholders' equity in 2005 as compared to 2004. For additional information, see Note 18 to our consolidated financial statements.

Our income tax and social contribution expenses increased by R$72 million in 2006 as compared to 2005. At the statutory rate, our taxes would have increased R$115 million in 2006 as compared to 2005, as a consequence of the increase in our income before taxes in 2006. However, we increased R$65 million in tax benefits from interest attributed to shareholders' equity in 2006 as compared to 2005. In addition, we incurred lower tax effects of R$18 million due to non-deductible losses from exchange variations on our foreign investments in 2006 as compared to 2005. In 2006, we recorded non-deductible exchange losses of R$98 million on our foreign investments, this resulted in an increase of R$33 million in our income taxes in 2006. During 2005, we experienced a non-deductible loss of R$150 million on our foreign investments, this resulted in an increase of R$51 million in our income taxes. These effects were partially offset by higher other permanent differences of R$33 million, mainly due to non-deductible expenses related to stock options evaluated at its fair value in 2006. For additional information, see Note 18 to our consolidated financial statements.

5.B LIQUIDITY AND CAPITAL RESOURCES

Overview

Our asset and liability management policy is designed to ensure that our capital position is consistent with our risk profile and applicable regulatory standards and guidelines. In particular, our policy is designed to avoid material mismatches between assets and liabilities, to optimize our risk-return ratio and to ensure that sufficient liquidity is available to honor withdrawals of deposits, make repayments at maturity of other liabilities, extend loans or other forms of credit to our customers, and to meet our own working capital needs.

We seek to ensure continued access to diversified sources of funding at efficient costs, within the framework of our assets and liabilities management policy, which sets limits with respect to risk factors, sensitivity, gaps and concentration in certain instruments, such as government securities. As a general rule, our main funding provider is the financial market, either in Reais or in foreign currencies. For additional information concerning capital and liquidity risk management, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk - Risk Management."

Asset and liability management, as well as liquidity and capital resources, are considered at our monthly financial committee meetings. The financial committee discusses and evaluates our liquidity performance in order to determine the minimum liquidity level we must maintain, and, if necessary, holds extraordinary meetings to evaluate our liquidity position in response to unexpected macroeconomic changes. The financial committee has pre-approved a contingency plan that determines the procedures in the case of a liquidity crisis.

Our Treasury department is responsible for managing our liquidity and sources of funding, including executing investments, in both Reais and foreign currencies. The Treasury department maintains what we believe is a proper balance of maturity distributions and diversification of sources of funds. Based upon our levels of resources and ability to access funding, we believe that our overall liquidity is sufficient to meet current obligations to customers and debt holders, to support expectations for future changes in asset and liability levels and to support our ordinary working capital needs.

Ratings

We are evaluated by the three main international rating companies: Moody's Investors, Standard & Poor's, and Fitch Ratings. The assigned ratings reflect our solvency, management quality and superior operating performance and, consequently, directly impact our cost of funding.

In October 2005, Moody's revised our rating for long-term foreign-currency deposits, and upgraded it from B2 to B1, with a positive outlook. The rating for our foreign-currency long-term debt was upgraded to Ba1 with a stable outlook. In the same month, Fitch upgraded the outlook for our long-term debt in foreign-currency (BB-) and local currency (BB) ratings from stable to positive.

In February 2006, Moody's upgraded our financial strength rating from D+ to C-. At the end of February 2006, our rating by Standard & Poor's for long-term foreign-currency was improved from BB- to BB.

In August 2006, Moody's upgraded our long and short-term local currency deposit ratings to A1 and Prime-1, respectively. It also upgraded our long-term foreign currency deposit rating to Ba3 and assigned our and Unibanco Cayman's long-term foreign currency securities a rating of Baa3. This rating is an investment grade rating according to Moody's global rating scale, and we view it as a reflection of our strong performance in 2006.

In April 2007, Moody's Investors Service upgraded our Financial Strength rating to B- from C-, representing a 3-notch upgrade. The new rating is the highest rating that has been assigned in Brazil and only other two Brazilian financial institutions have obtained the same rating.

In May 2007, Fitch Ratings upgraded our rating to BBB-, which is an investment grade rating. This rating refers to the long-term foreign currency IDR (Issuer Default Rating) and is the highest rating that has been obtained by a Brazilian financial institution. Standard & Poor's also revised our ratings in May 2007 and improved their long-term foreign currency credit rating from BB to BB+ with positive outlook. This rating is one-notch below their investment grade rating.

Sources of Funding

Capital

The following table sets forth our capital composition at December 31, 2004, 2005 and 2006:

	As of December 31, Consolidated		
	2004	2005	2006
	(in millions of Reais)		
Shareholder's Equity (Tier 1).......	8,572	9,534	10,439
Subordinated Debt (Tier 2)..........	1,898	2,964	3,240
Minority Interest.........................	842	855	850

Shareholders' Equity

Shareholders' equity increased to R$9,534 million as of December 31, 2005, from R$8,572 million as of December 31, 2004. The increase primarily reflected R$1,650 million in net income earned in 2005, partially offset by the provision of R$726 million of dividends/interest on shareholders' equity.

Shareholders' equity increased to R$10,439 million as of December 31, 2006, from R$9,534 million as of December 31, 2005. The increase primarily reflected R$1,951 million in net income earned in 2006, partially offset by the provision of R$890 million of dividends/interest on shareholders' equity.

Subordinated Debt Issuances

Our Tier 2 subordinated debt increased R$1,066 million in 2005 as compared to 2004, primarily due to the issuance of our perpetual bonds. This increase was partially offset by the appreciation of the Real.

In July 2005, we issued US$500 million in perpetual bonds through our Grand Cayman branch. The perpetual bonds have no maturity date and pay a coupon of 8.7% on a quarterly basis. We can redeem these bonds upon approval of the Central Bank, on July 29, 2010, or on any interest payment date thereafter. According to accounting practices adopted in Brazil, such bonds were approved by the Central Bank to become Tier 2 capital in March 2006, and therefore are not considered for purposes of the calculation of the Basle capital adequacy ratio in 2005.

Our Tier 2 subordinated debt increased R$276 million in 2006 as compared to 2005, mainly due to the issuance in December 2006 of R$500 million in subordinated time deposits, which matures in 2016.

Regulatory Capital

We are subject to risk-based capital adequacy guidelines and regulations issued by the Central Bank that are similar to the standards set forth in the Basle Accord. Under Central Bank rules, we are currently required to maintain a capital adequacy ratio of 11% of total capital to total risk-adjusted assets, as calculated in accordance with accounting practices adopted in Brazil. As of December 31, 2006, our capital adequacy ratio was 16.0%. For additional information on capital adequacy requirement see "Item 4.B. Business Overview - Regulation and Supervision".

We measure our capital compliance on a consolidated basis, since we believe this represents the most accurate measure of our ability to withstand losses from our direct and indirect operations.

The following table shows our Basle capital adequacy ratio, as calculated in accordance with accounting practices adopted in Brazil, as well as the minimum regulatory capital required under Brazilian law, as of December 31, 2004, 2005 and 2006. For additional information on our Basle capital adequacy ratio, see Note 31 to our consolidated financial statements.

	As of December 31, Consolidated					
	Partial			Full		
	2004	2005	2006	2004	2005	2006
Tier 1	13.5%	13.3%	12.2%	13.6%	13.9%	12.9%
Tier 2 (3)	2.8%	2.3%	3.8%	2.1%	2.2%	3.7%
Total capital	16.3%	15.6%	16.0%	15.7%	16.1%	16.6%
Our regulatory capital	9,982	10,992	13,080	10,508	11,732	13,871
Minimum regulatory capital required	6,748	7,729	9,000	7,364	7,993	9,190
Excess over minimum regulatory capital required	3,234	3,263	4,080	3,144	3,739	4,681

(1) Partial consolidation excludes non-financial subsidiaries.
(2) Full consolidation includes both financial and non-financial subsidiaries.
(3) The Central Bank adjusts the balance of Tier 2 capital to calculate the Basle capital adequacy ratio. Subordinated debt that matures more than five years into the future is accounted for at 100% of face value. For every year below five years, 20% of face value is deducted from the calculation. For example, a subordinated debt with a one-year maturity is included in the calculation at 20% of face value. As of December 31, 2006, the adjusted amount of subordinated debt used for the Basle capital adequacy ratio calculation was R$3,091 million.

Our regulatory capital increased from R$9,982 million as of December 31, 2004 to R$10,992 million as of December 31, 2005 on a partially consolidated basis (excluding non-financial subsidiaries). On a fully consolidated basis, our regulatory capital increased from R$10,508 million as of December 31, 2004 to R$11,732 million as of December 31, 2005. The minimum regulatory capital required on a partially consolidated basis increased in 2005, as compared to 2004, mainly due to the increase of our loan portfolio, which consequently impacted our capital requirement for risk weighted assets, contributing to a decrease of 2.8% in our Basle capital adequacy ratio. Such decrease was partially offset by the growth of our Tier 1 capital due to our net income of R$1,838 million, according to accounting practices adopted in Brazil, partially offset by the provision of R$726 million of interest on shareholder's equity during the same period.

Our regulatory capital increased from R$10,992 million as of December 31, 2005 to R$13,080 million as of December 31, 2006 on a partially consolidated basis (excluding non-financial subsidiaries). On a fully consolidated basis, our regulatory capital increased from R$11,732 million as of December 31, 2005 to R$13,871 million as of December 31, 2006. The minimum regulatory capital required on a partially consolidated basis increased in 2006, as compared to 2005, mainly due to the increase in our loan portfolio, which impacted our capital requirement for risk weighted assets. Our Basle capital adequacy ratio increased 0.4%, mainly as a result of the R$500 million of subordinated time deposits issued in local currency in December 2006 (which are due in 2016) and the approval in March 2006 as a Tier II capital of our perpetual non-cumulative junior subordinated securities (in accordance with accounting practices adopted in Brazil). Such impact was partially offset the growth of our loan portfolio, contributing to a decrease of 1.5% in our Basle capital adequacy ratio.

Basle Capital Adequacy Ratio Impacts Year Ended December 31, 2005 (accounting practices adopted in Brazil)

Basle capital adequacy ratio at December 31, 2004 (1)	16.3%
Decrease in risk weighted assets	(2.8)
Impact of the extraordinary goodwill amortization	-
Change in market risk – interest rates and exchange portfolio	0.6
Increase in shareholders' equity	1.6
Tier 2	(0.1)
Basle capital adequacy ratio at December 31, 2005	15.6%

Basle Capital Adequacy Ratio Impacts Year Ended December 31, 2006 (accounting practices adopted in Brazil)

Basle capital adequacy ratio at December 31, 2005 (1)	15.6%
Decrease in risk weighted assets	(1.5)
Impact of the extraordinary goodwill amortization	(0.6)
Change in market risk – interest rates and exchange portfolio	(0.1)
Increase in shareholders' equity	0.8
Tier 2	1.8
Basle capital adequacy ratio at December 31, 2006	16.0%

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(1) Does not include the perpetual bonds issued in 2005, since they were approved as Tier 2 capital in March 2006 in accordance with accounting practices adopted in Brazil.

The enhancement of our loan portfolio from 2004 to 2006 reflects an improved outlook for Brazilian economic growth and the gradual recovery of domestic demand. Since our current Basle capital adequacy ratio is in excess of the minimum required ratio, we can continue to increase our risk weighted assets, especially in connection with our loan portfolio.

In addition, the Central Bank limits the amount of investments in consolidated subsidiaries not engaged in banking, leasing or securities activities and in unconsolidated companies, premises and equipment and intangible assets to 50.0% of adjusted capital on a consolidated basis. This limit is known as the fixed asset ratio. As of December 31, 2006, our total investment in such assets was 44.8% of adjusted capital on a consolidated basis, lower than the Central Bank's limit, according to accounting practices adopted in Brazil.

Third-Party Liabilities

The following table shows our third-party liabilities at December 31, 2004, 2005, and 2006:

	As of December 31,					
	2004	% of total	2005	% of total	2006	% of total
Liabilities (in millions of Reais)						
Deposits from customers:						
Demand deposits	R$ 3,209	4.7%	R$ 3,787	4.8%	R$ 4,099	4.5%
Time deposits	24,101	35.2	26,011	32.7	24,393	26.7
Savings deposits	6,346	9.3	6,115	7.7	7,274	8.0
Deposits from banks	119	0.2	23	-	435	0.5
Total deposits	33,775	49.4	35,936	45.2	36,201	39.7
Federal funds purchased and securities sold under repurchase agreements	6,687	9.8	10,721	13.5	16,991	18.6
Import and export financings	2,048	3.0	2,932	3.7	2,420	2.7
Other interbank borrowings	600	0.8	235	0.3	533	0.6
Other	29	-	72	0.1	92	0.1
Short-term borrowings	2,677	3.8	3,239	4.1	3,045	3.4
Local onlendings	5,162	7.5	6,012	7.6	6,535	7.2
Euronotes	1,157	1.7	989	1.2	1,029	1.1
Debentures	-	-	-	-	765	0.8
Notes issued under securitization arrangements	2,668	3.9	2,137	2.7	1,644	1.8
Subordinated debt	1,898	2.8	2,964	3.7	3,240	3.5
Mortgage indebtedness	331	0.5	514	0.6	1,272	1.4
Foreign onlendings	254	0.4	143	0.2	64	0.1
Obligations under capital leases	79	0.1	58	0.1	63	0.1
Other	151	0.2	33	-	26	-
Long-term debt	11,700	17.1	12,850	16.2	14,638	16.0
Other liabilities	13,605	19.9	16,683	21.0	20,399	22.3
Total Liabilities	R$ 68,444	100.0%	R$ 79,429	100.0%	R$ 91,274	100.0%

Deposits

Deposits are the most important source of funding for our banking operations. Our deposits consist primarily of Real-denominated interest-bearing time and savings deposits and Real-denominated non-interest-bearing demand deposits.

Between December 31, 2004 and December 31, 2005, total deposits increased by 6.4%, primarily as a result of the growth of Superpoupe, a time deposit with savings deposit-like characteristics. Superpoupe posted a balance of R$3,044 million at December 31, 2005, an increase of 87.3% as compared to December 31, 2004. Such increase contributed to a 15.8% increase in our core deposits, which comprises demand deposits, savings deposits and Superpoupe, demonstrating our focus in expanding our sources of low-cost funding.

Our total deposits remained stable between December 31, 2005 and December 31, 2006, with a 0.7% increase, due to the growth in demand and savings deposits, which was offset by a 6.2% decrease in our time deposits. The decrease in our time deposits is mainly due to a shift in our short term funding strategy, focusing more on the issuance of Unibanco Leasing debentures, posted mainly under repurchase agreements. The increase in our demand and savings deposits (8.2% and 19.0%, respectively) between December 31, 2005 and December 31, 2006, continues to demonstrate our focus in expanding our sources of low-cost funding.

Federal Funds Purchased and Securities Sold Under Repurchase Agreements

Our open market operations increased by 60.3% between December 31, 2004 and December 31, 2005, reaching R$10,721 million. Securities sold under repurchase agreements increased 58.5% between December 31, 2005 and December 31, 2006, reaching R$16,991 million. This growth reflects a change in our short term funding strategy, which has started to focus more on repurchase agreements using debentures as collateral. This source of funding can present volume volatility since such funding is directly impacted by market liquidity and our participation as counterparty on such transactions.

Import and Export Financings

Import and export financings from correspondent banks also represent an important source of funding for us. In general, these trade finance credit lines are denominated in U.S. dollars. Historically, we have funded our foreign currency trade loans with foreign currency lines from correspondent banks.

The R$884 million increase of trade finance credit lines between December 31, 2004 and December 31, 2005 was partially due to the continuous growth of Brazilian exports, which were partially offset by the appreciation of the Real in the same period. At December 31, 2005, approximately R$1,948 million, or 66.4%, of our existing trade finance credit lines were considered short-term, as compared to R$1,461 million, or 71.3%, on December 31, 2004.

Our import and export financings decreased 17.5% or R$512 million between December 31, 2005 and December 31, 2006, mainly due to the 8.7% appreciation of the Real in the same period.

Other Sources of Funding

Euronotes

We are an active participant in the capital markets, especially in the euronotes market. We use the proceeds of these obligations primarily for general lending to our Brazilian clients. As of December 31, 2006, we had R$1,029 million of outstanding euronotes denominated in U.S. dollars and other foreign currencies, of which R$231 million issued under our Medium Term Note (MTN) program. Our MTN program, is a relatively inexpensive source of funding and permits the issuance of up to US$2 billion (or its equivalent in other currencies) of securities with a maturity of more than 12 months.

The R$168 million decrease in the balance of outstanding Euronotes between December 31, 2004 and December 31, 2005 was due to the appreciation of the Real and the maturity of previous note issuances amounting to US$225 million, partially offset by the issuance of R$325 million of inflation-indexed and Real denominated notes under our MTN program in February 2005.

The balance of outstanding Euronotes between December 31, 2006 and December 31, 2005 increased by R$40 million due to new issuances and the accrual of interest in 2006, partially offset by the appreciation of the Real and maturities in the same period. In the twelve months following December 31, 2006, R$382 million of our total obligation will mature. For additional information see Note 16 of our consolidated financial statement.

Notes Issued Under Securitization Arrangements

We securitize U.S. dollar payment orders that we receive and process through our correspondent banks. We generally refer to these payment orders as Swift MT-100 payments. UBB Diversified Payment Rights Finance Company, an exempted special purpose company established under the laws of the Cayman Islands, acquires these payment orders and uses them as an underlying asset for the issuance of notes in the international capital markets. Proceeds from the sale of notes are remitted to our subsidiary, Unibanco Cayman, as payment for the sale of the U.S. payment orders. The notes issued under securitization of U.S. dollar payment orders represent an additional source of funding for us.

As of December 31, 2005, and December 31, 2006, we had R$2,137 million and R$1,644 million, respectively, in outstanding liabilities in connection with notes we have issued under securitization arrangements, a decrease of 19.9% and 23.1%, respectively as compared to December

31, 2004 and December 31, 2005. The main reason for these declines was the appreciation of the Real during 2005 and 2006. For additional information see Note 16 of our consolidated financial statement.

DPRs Program

In September 2005, we completed a US$200 million liquidity facility transaction. This facility allows us to draw, at any time during a 24-month period beginning in September 2005, a minimum aggregate amount of US$100 million and a maximum amount of US$200 million. We have a seven-year term for the repayment of any funds withdrawn under this facility, with a two-year grace period for interest payments and a five-year grace period for principal payments. As of December 31, 2006, we had not drawn any amounts under this facility.

Mortgage Indebtedness

As of December 31, 2005, we had R$514 million in outstanding mortgage notes as compared to R$331 million of outstanding mortgage notes on December 31, 2004. This increase was primarily a result of our greater use of this type of funding during 2005.

As of December 31, 2006, we had R$1,272 million in mortgage indebtedness, as compared to R$514 million on December 31, 2005, mainly due to the fact in 2006, we began issuing and negotiating real estate notes, posting a balance of R$834 million on December 31, 2006. As of December 31, 2006, we had R$438 million in mortgage notes outstanding compared to R$514 million of outstanding mortgage notes on December 31, 2005. This decrease was primarily due to our use of other sources of funding.

Local and Foreign Onlendings

Local and foreign onlendings consists primarily of Real-denominated funds borrowed from BNDES, and FINAME for loans extended to Brazilian clients for investments mainly in fixed assets, such as property and equipment.

On December 31, 2005, we had R$6,155 million in local and foreign onlendings outstanding. The 13.6% increase in local and foreign onlendings obligations from R$5,416 million on December 31, 2004 was mainly due to an increase in the demand for fixed-asset financing, driven by the growth of the Brazilian economy.

On December 31, 2006, we had R$6,599 million in local and foreign onlendings outstanding, a 7.2% increase over 2005, mainly due to a disbursement of R$2,500 million in BNDES onlendings portfolio, consolidating our third place position in the BNDES overall ranking of financing agents, with a market share of 8.6%. This increase was partially offset by a 8.9% decrease in our FINAME onlendings portfolio.

Uses of Funding

The following table shows our assets at December 31, 2004, 2005 and 2006:

	As of December 31,					
	2004	% of total	2005	% of total	2006	% of total
Assets (in millions of R$)						
Cash and due from banks	R$ 1,575	2.0%	R$ 1,158	1.3%	R$ 1,304	1.3%
Interest-bearing deposits in other banks	2,652	3.4	1,756	2.0	2,407	2.4
Federal funds sold and securities purchased under resale agreements	11,472	14.7	1,541	1.7	7,928	7.7
Cash and cash equivalents	15,699	20.1	4,455	5.0	11,639	11.4
Interest-bearing deposits in other banks	927	1.2	3,351	3.7	5,225	5.1
Federal funds sold and securities purchased under resale agreements	207	0.3	8,473	9.4	6,585	6.4
Central Bank compulsory deposits	4,808	6.2	5,150	5.7	5,177	5.1
Trading assets, at fair value	7,442	9.6	11,623	12.9	9,904	9.7
Securities available for sale, at fair value	2,595	3.3	5,471	6.1	7,286	7.1
Securities held to maturity, at cost	4,838	6.2	2,486	2.8	1,576	1.5
Loans	31,377	40.3	39,237	43.7	44,654	43.5
Allowance for loan losses	(1,560)	(2.0)	(2,107)	(2.3)	(2,577)	(2.5)
Net loans	29,817	38.3	37,130	41.3	42,077	41.0
Investments in unconsolidated companies	536	0.7	623	0.7	802	0.8
Premises and equipment, net	1,404	1.8	1,422	1.6	1,435	1.4
Goodwill	1,224	1.6	1,233	1.4	1,471	1.4
Intangibles, net	406	0.5	387	0.4	552	0.5
Other assets	7,955	10.2	8,014	8.9	8,834	8.6
Total Assets	R$ 77,858	100.0%	R$ 89,818	100.0%	R$ 102,563	100.0%

In accordance with our asset and liability management policy, most of our investments are in loans and securities portfolios, as well as cash and cash equivalents. At December 31, 2004, our loan portfolio represented 40.3%, our securities portfolio 19.1% and cash and cash equivalents 20.1% of our total assets, as compared to 43.7%, 21.8% and 5.0%, respectively, at December 31, 2005, and 43.5%, 18.3% and 11.4%, respectively, at December 31, 2006. In addition to cash and cash equivalents, we believe that our securities portfolio, which consists principally of Brazilian government securities, is also an additional source of liquidity because these securities can be readily converted into cash.

Loans

The following table sets forth our loans, by segment, for 2004, 2005 and 2006:

	For the Year ended December 31,		
	2004	2005	2006
	(in millions of Reais)		
Retail	15,653	20,581	22,850
Wholesale	15,027	17,370	20,446
Wealth Management	327	462	535
Insurance	370	824	823
Total Assets	R$ 31,377	R$ 39,237	R$ 44,654

Loans are one of our main sources of revenue. In 2005, we continued our commitment to expand our loan portfolio in segments that provide higher margins, especially to individuals and small and medium enterprises (SMEs). Our total loans increased 25.1%, or R$7,860 million, in 2005 as compared to 2004, enhanced by the growth in Retail segment loans of 31.5%, or R$4,928 million. Our Retail segment experienced significant growth in the loan portfolios for Unicard, Fininvest and Hipercard, as well as robust growth in loans offered through our branch network. In the Wholesale segment, our loans portfolio increased 15.6%, or R$2,343 million, mainly due to improved economic conditions. This increase was partially offset by the appreciation of the Real, which affected our portfolio of loans indexed to or denominated in foreign currencies.

In 2006 our total loans increased 13.8% or R$5,417 million, as compared to 2005. In 2006, we took a more conservative approach to credit concession, due to an increased deterioration in our consumer retail loans. However, an increase in our credit card and SMEs loans segments led our retail loans to increase 11.0% or R$2,269 million. In the Wholesale segment, our loans portfolio increased 17.7%, or R$3,076 million, mainly due to improved economic conditions. This increase was partially offset by the appreciation of the Real, which affected our portfolio of loans indexed to or denominated in foreign currencies.

Capital Expenditures

The following table sets forth our capital expenditures in 2004, 2005 and 2006:

	For the Year ended December 31,		
	2004	2005	2006
	(in millions of Reais)		
Land and buildings	R$ 68	R$ 105	R$ 9
Furniture and equipment	38	38	72
Leasehold improvements	66	63	55
Data processing	69	56	87
Software developed or obtained for internal use	90	113	125
Other	22	20	20
Total	**R$ 353**	**R$ 395**	**R$ 368**

In 2004, our capital expenditures were focused on the upgrading and unification of operational and support platforms, the expansion of points of sale and the incorporation of acquired companies such as BNL, Hipercard and Phenix. Land and building expenditures increased primarily as a result of the incorporation of BNL and the construction of our new branches, as well as the remodeling of our existing branches to implement the modification of our brand and our logo. Data processing expenses increased R$45 million primarily due to the incorporation of Hipercard and BNL, and as a result of leasing contracts that we entered into with IBM to provide necessary infrastructure to our new branches.

In 2005, our capital expenditures increased by R$42 million as compared to 2004. This was largely a result of the expansion of operations at Fininvest and Hipercard, whereby we increased points of sale and added new stores and locations, and the continued remodeling of our branch network. Consequently, in 2005, we increased our capital expenditures for land and buildings by R$37 million.

In 2006, our capital expenditures decreased 6.8% or R$27 million, largely due a slowing down in the expansion of operations, given our decision to focus on exploring our existing points of sale and stores. This decrease was partially offset by an R$34 million increase in capital expenditures for furniture and equipment, due to the remodeling of our existing branch network.

During the period from 2004 to 2006, we incurred capital expenditures primarily in connection with initiatives designed to increase the efficiency of our operations, services offered to our customers and improving our productivity.

We expect that our capital expenditures in 2007 will be in line with historical levels.

Changes in Cash Flows

The following table shows the principal variations in our cash flows during each of the three years indicated:

	For the Year Ended December 31,		
	2004	2005	2006
	(in millions of Reais)		
Net cash provided by operating activities	1,383	2,989	10,971
Net cash provided by (used in) investing activities	(1,713)	(20,650)	(9,261)
Net cash provided by (used in) financing activities	4,132	6,417	5,474
Net increase (decrease) in cash and cash equivalents	R$ 3,802	R$ (11,244)	R$ 7,184

2004

Net cash provided by operating activities

During 2004, our operating activities provided R$1,383 million in net cash, and consisted mainly of:

- R$2,379 million provided by our net income adjusted by non-cash items; and
- R$2,742 million provided by an increase in other liabilities, offset by an increase of R$2,591 million in other assets.

Net cash used in investing activities

During 2004, net cash used in investing activities was R$1,713 million, consisting mainly of:

- R$1,885 million used in purchase of securities held to maturity, offset by R$3,140 million proceeds from matured of securities held to maturity;
- R$2,298 million used in purchase of securities available for sale, offset by R$3,490 million proceeds from sale of securities available for sale; and
- R$4,054 million increase in loans, due to our organic growth.

Net cash provided by financing activities

During 2004, net cash provided by financing activities was R$4,132 million, consisting mainly of:

- R$7,538 million increase in deposits, mainly time deposits, including Superpoupe, due to the initiatives of the bank towards improving its funding mix during 2004; and
- R$1,916 million decrease in borrowing under long-term debt arrangements net of repayments, mainly due to R$1,434 million decrease in euronotes, R$502 million decrease in local onlendings, offset by R$215 million increase from the issuance of notes issued under securitization arrangements and R$430 million increase from new issuances of subordinated debts.

2005

Net cash provided by operating activities

During 2005, our operating activities provided R$2,989 million in net cash, and consisted of:

- R$5,069 million provided by our net income adjusted by non-cash items; and
- R$2,845 million provided by an increase in other liabilities, offset by an increase of R$1,609 million in other assets and an increase of R$3,316 million in trading assets.

Net cash used in investing activities

During 2005, net cash used in investing activities was R$20,650 million, consisting mainly of:

- R$5,669 million used in purchase of securities available for sale, offset by R$3,244 million proceeds from sale of securities available for sale;
- R$8,695 million increase in federal funds sold and securities purchased under resale agreements; and
- R$8,591 million increase in loans, due to our organic growth.

Net cash provided by financing activities

During 2005, net cash provided by financing activities was R$6,417 million, consisting mainly of:

- R$3,846 million increase in federal funds purchased and securities sold under repurchase agreements;
- R$1,585 million increase in deposits; and
- R$1,240 million increase in borrowing under long-term debt arrangements net of repayments, mainly due to R$850 million increase in local onlendings, R$1,066 million increase from a new issuance of subordinated debt, offset by R$168 million decrease in euronotes and R$531 million decrease in notes issued under securitization arrangements.

2006

Net cash provided by operating activities

During 2006, our operating activities provided R$10,971 million in net cash, and consisted of:

- R$5,444 million provided by our net income adjusted by non-cash items; and
- R$4,331 million provided by an increase in other liabilities, offset by a decrease of R$46 million in other assets and a decrease of R$1,150 million in trading assets.

Net cash used in investing activities

During 2006, net cash used in investing activities was R$9,261 million, consisting mainly of:

- R$15,826 million used in purchase of securities available for sale, offset by R$13,637 million proceeds from sale of securities available for sale;
- R$1,557 million decrease in federal funds sold and securities purchased under resale agreements;
- R$1,636 million increase in deposits in other banks; and
- R$6,925 million increase in loans, due to our organic growth.

Net cash provided by financing activities

During 2006, net cash provided by financing activities was R$5,474 million, consisting mainly of:

- R$5,784 million increase in federal funds purchased and securities sold under repurchase agreements;
- R$148 million increase in deposits; and
- R$698 million increase in borrowings under long-term debt arrangements net of repayments, mainly due to R$523 million increase in local onlendings, R$276 million increase from a new issuance of subordinated debt, R$758 million increase in mortgage indebtedness, offset by R$493 million decrease in notes issued under securitization arrangements.

Interest Rate Sensitivity

Managing interest rate sensitivity is a key component of our asset and liability management policy. Interest rate sensitivity is the result of maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities due to market interest rates. For any given period, the interest rate sensitivity is offset when an equal amount of these assets or liabilities matures or reprices on that date. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. This relationship is as of one particular date only, and significant swings can occur daily as a result of both market forces and management decisions.

Our interest rate sensitivity strategy takes into account:

- the balance between expected rates of return and risk;
- the overall exposure to interest rate risk; and
- the liquidity and capital requirements.

Our management monitors maturity mismatches in our positions on a daily basis and manages them within established limits, changing positions promptly as market outlooks change.

The following tables set forth the repricing periods of our interest-earning assets and interest-bearing liabilities as of December 31, 2006. The information at that date may not reflect interest rate gap positions at other times and may not represent the future impact on our results. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held.

	As of December 31, 2006							
	Due in 30 days or less	**Due in 31 -90 days**	**Due in 91-180 days**	**Due in 181-360 days**	**Due after 1 year to 3 years**	**Due after 3 year to 5 years**	**Due after 5 years**	**Total**
	(in millions of R$, except percentages)							
Deposits in other banks............................	R$ 2,540	R$ 1,053	R$ 787	R$ 1,565	R$ 1,206	R$ 65	R$ 416	R$ 7,632
Federal Funds sold and securities purchased under resale agreement........	14	1,436	800	4,472	5,990	810	991	14,513
Central bank compulsory deposity............	5,177	-	-	-	-	-	-	5,177
Trading Related.......................................	9,308	95	132	50	190	103	26	9,904
Securities available for sale......................	353	155	343	944	1,952	1,081	2,458	7,286
Securities held to maturity.......................	54	12	48	167	266	264	765	1,576
Loans (net)..	8,631	7,674	5,801	5,548	9,428	2,998	1,997	42,077
Other Assets..	54	-	-	-	-	-	-	54
	R$ 26,131	**R$ 10,425**	**R$ 7,911**	**R$ 12,746**	**R$ 19,032**	**R$ 5,321**	**R$ 6,653**	**R$ 88,219**

	As of December 31, 2006							
	Due in 30 days or less	**Due in 31 -90 days**	**Due in 91-180 days**	**Due in 181-360 days**	**Due after 1 year to 3 years**	**Due after 3 year to 5 years**	**Due after 5 years**	**Total**
	(in millions of R$, except percentages)							
Deposits from banks.................................	R$ 435	R$ -	R$ -	R$ -	R$ -	R$ -	R$ -	R$ 435
Saving deposits.......................................	7,274	-	-	-	-	-	-	7,274
Time deposits...	2,253	1,572	3,839	2,123	11,831	2,763	12	24,393
Federal Funds purchased and securities sold under repurchase agreements........	5,324	1,033	1,138	3,595	5,526	373	2	16,991
Short term borrowings..............................	358	382	613	342	1,181	132	37	3,045
Long term debt...	395	817	1,935	1,640	3,938	2,715	3,198	14,638
	R$ 16,039	**R$ 3,804**	**R$ 7,525**	**R$ 7,700**	**R$ 22,476**	**R$ 5,983**	**R$ 3,249**	**R$ 66,776**
Asset/liability gap.....................................	10,092	6,621	386	5,046	(3,444)	(662)	3,404	21,443
Cumulative gap...	10,092	16,713	17,099	22,145	18,701	18,039	21,443	21,443
Ratio of cumulative gap to cumulative total interest earning assets......................................	**11.4%**	**18.9%**	**19.4%**	**25.1%**	**21.2%**	**20.4%**	**24.3%**	

Exchange Rate Sensitivity

Most of our operations are denominated in Reais. However, at any given time, we usually have assets, liabilities and derivatives denominated in foreign currencies, principally the U.S. dollar. We enter into derivatives contracts, including swaps, futures and options, to manage our overall exposure, as well as to assist our customers with managing their exposure. Central Bank regulations limit our maximum foreign currency exposure to 60% of our regulatory capital. As of December 31, 2006, our net foreign currency exposure was 6.6% of our regulatory capital, according to Central Bank regulations. For additional information see "Item 5. Operating and Financial Review and Prospects - Macroeconomic Factors Affecting Our Financial Condition and Results of Operations - Effects of Government Regulation on Our Financial Conditions and Results of Operations - Capital Adequacy".

As of December 31, 2006, the composition of our assets, liabilities, shareholders' equity and derivative financial instruments by currency and term was as shown below. The information below may not reflect our net exposure as of such date under the Central Bank's guidelines, primarily because operations that mature during the following business day are not subject to changes in foreign currency as they are settled with an exchange rate from the previous day. In addition, the *information at that date may not reflect the net exposure at other times and may not represent the future impact on our results*

	As of December 31, 2006			
	R$	Foreign Currency	Total	Percentage
	(in millions of R$, except percentages)			
Assets				
Cash and due from banks	R$ 1,174	R$ 130	R$ 1,304	1.3%
Loans, securities and other assets	83,677	13,621	97,298	95.0
Less than one year	56,693	6,016	62,709	61.1
From one to three years...............................	16,236	2,606	18,842	18.4
More than three years..................................	10,748	4,999	15,747	15.4
Premises and equipment, net........................	1,435	-	1,435	1.4
Investments in unconsolidated companies....	802	-	802	0.7
Goodwill and other intangibles, net..............	2,023	-	2,023	2.0
Nonperforming loans.....................................	2,196	82	2,278	2.2
Allowance for loan losses..............................	(2,577)	-	(2,577)	(2.5)
Total..	R$ 88,730	R$ 13,833	R$ 102,563	100.0%
Percentage of total assets..........................	86.5%	13.5%	100.0%	
Liabilities and Stockholders' Equity............				
Non-interest bearing deposits.......................	R$ 3,757	R$ 342	R$ 4,099	4.0%
Deposits, borrowings and other liabilities......	77,730	10,295	88,025	85.8
Less than one year.......................................	50,921	5,395	56,315	54.9
From one to three years...............................	20,383	2,094	22,477	21.9
More than three years..................................	6,426	2,806	9,232	9.0
Stockholders' equity......................................	10,439	-	10,439	10.2
Total..	R$ 91,926	R$ 10,637	R$ 102,563	100.0%
Percentage of total liabilities and stockholders' equity..................................	89.6%	10.4%	100.0%	
Derivative financial instruments................	R$ 811	R$ 104	R$ 915	
Net exposure..		R$ 3,300		

5.C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES, ETC.

We do not have any significant policies or projects relating to research and development, and we own no patents or licenses.

5.D. TREND INFORMATION

After a period of economic instability and high inflation, Brazil underwent profound economic and financial changes during the last decade. In 2006, Brazilian interest rates fell to their lowest levels in history, and the country is moving gradually closer to investment grade.

In an atmosphere of increased competitiveness with a relentless search for efficiency and products with greater added value, a successful financial institution will need greater volume, economies-of-scale, the best quality services, a pioneering spirit and innovation.

For us, future business development will rely on cross-selling, increased client base, and a greater offer of retail credit in conjunction with continued growth in income and GDP. We expect the Insurance and Pension-Fund business to grow most in the private individual and pension-fund segments, given the trend from closed to open pension fund plans. In the Wholesale segment, given ever-decreasing spreads, future growth will rely on an increasing number of transactions and new opportunities in the capital markets, such as IPOs. In Asset Management, the strategy is to maintain our focus on products with high added value, such as equity funds and credit assets.

Our constant search for efficiency along with greater volume of revenue will enable us to realize our goals of increased profitability and ever-increasing payouts to our shareholders, creating new employment and contributing to the country's development.

5.E. OFF-BALANCE SHEET ARRANGEMENTS

We and our subsidiaries have entered into several types of off-balance sheet arrangements, including lines and letters of credit, financial guarantees, and certain derivative and hedging transactions. We have no off-balance sheet entities or off-balance sheet arrangements that we believe are reasonably likely to have a material adverse effect on liquidity or the availability of or the requirements for capital resources.

Notional Amounts of our Derivatives

We use derivative financial instruments to manage our overall exposures, and to assist our clients in managing their exposure, with respect to market risks and currency exchange rate and interest rate fluctuations. We also enter into derivative contracts for trading purposes to take advantage of market opportunities.

The following table presents the notional amount and the credit risk value at December 31, 2006 of derivative positions held for trading and hedging purposes. For additional information, see Note 28 to our consolidated financial statements.

	2006	
	Notional	**Credit Risk**
Interest rates:		
Swap contracts - Non-hedge…...........................	R$ 10,552	R$ 569
Future contracts - purchased position:		
Hedge..	1,935	-
Non-hedge..	29,310	-
Future contracts - sold position:		
Hedge..	(13,680)	-
Non-hedge..	(9,187)	-
Forward contracts - Non-hedge........................	498	101
Option contracts - purchase option - Non-hedge...	79,087	123
Option contracts - sale option - Non-hedge.........	67,728	-
Foreign currency:		
Swap contracts - Non-hedge............................	2,210	47
Future contracts - purchased position-Non-hedge.	1,083	-
Future contracts - sold position - Non-Hedge........	(1,895)	-
Forward contracts - Non-hedge........................	2,785	10
Option contracts - purchase option Non-hedge.....	17,375	47
Option contracts - sale option Non-hedge...........	9,187	-
Equity Securities:		
Future contracts - purchased position - Non-hedge.	44	-
Future contracts - sold position - Non-hedge.........	(57)	-
Option contracts - purchase option - Non-hedge.....	56	18
Option contracts - sale option - Non-hedge...........	21	-

Non-Hedging Transactions

Interest rate and currency swaps are contracts in which a series of interest rate cash flows of a single currency or interest or principal payments in two different currencies are exchanged for a contractual period. The notional amount represents the basis on which the cash flows are determined. The original maturity on these contracts at December 31, 2006 ranges from one day to nine years. The risks associated with swaps relate to the potential inability or unwillingness of the counterparties to perform according to the contractual terms and the risk associated with changes in market conditions, due to movements in interest rates and the exchange rate of currencies. We have liabilities related to other interest rate and currency swaps in the amounts of R$243 million and R$226 million that are classified as “Other liabilities” at December 31, 2005 and 2006, respectively.

Interest rate and currency futures and forwards contracts are contracts for the delayed delivery of an instrument at a specified price or yield. The notional amounts represent the face value of the underlying instrument for which daily cash settlements of the price movements are made for the future contracts. Maturities of these contracts at December 31, 2006 range from two days to eight years. The credit risk associated with future and forwards contracts is minimized due to daily or monthly cash settlements and by entering into transactions with a select number of high-quality institutions.

Options are contracts which (i) transfer, modify, or reduce interest rate risk, or (ii) allow us to purchase or sell a currency in exchange for the payment of a premium at inception of the contract. As a purchaser of options, we pay a premium and as the writer of options, receive a premium in exchange for bearing the risk of unfavorable movements in future interest rates and market prices for the underlying currency.

Hedging Transactions

Cash flow hedge: At December 31, 2005 and 2006, there were future operations with notional amounts of R$11,318 million and R$15,615 million, respectively. In 2005, R$10,598 million was classified as hedge of the variability in forecasted cash flows associated with the Brazilian benchmark inter bank interest rate (CDI) relating to certain time deposits, in 2006 this amount was R$13,680 million. Also in 2005 and 2006 we have recorded R$451 million and R$561 million as hedge of the variability of debentures indexed to CDI and R$268 million and R$1,374 million as hedge of the variability of loans indexed to CDI, respectively.

The carrying value, represented by fair value, of all derivatives described above are included in trading account assets and in other liabilities – derivatives liability as summarized in Notes 6 and 17 to our consolidated financial statements, when applicable.

Financial Guarantees

As part of our lending operations, we enter into various off-balance sheet credit instruments with our customers, which are summarized below:

	Contractual amounts						
	As of December 31,						
	2005	2006	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years	No stated maturity
Co-obligation for credit assignment........................	R$ 34	R$ 150	R$ 127	R$ 4	R$ 15	R$ 4	R$ -
Guarantees............................	7,155	8,960	1,576	4,401	276	2,284	423
Standby letters of credit and other letter of credit............	125	9	9	-	-	-	-

Co-obligation for credit assignment are assignments of credit in which we continue to have a co-payment obligation in the event of default by borrower.

Guarantees and standby letters of credit are our conditional commitments to guarantee the performance of a customer to a third party in borrowing arrangements. Other letters of credit are issued to support transactions on behalf of customers.

At December 31, 2005 and 2006, the carrying value of financial guarantees is recorded in “Other liabilities” in the amount of R$34 million and R$ 60 million, including the provision for probable losses in the amount of R$23 million and R$39 million, respectively.

Additionally, at December 31, 2005 and 2006 we have contractual amounts of R$22,381 million and R$27,263 million, respectively, of unfunded commitments to extend credit for a specified time period to lend to customers who have complied with predetermined contractual conditions. These contracts have maturities of less than one year and can be renewed.

For a detailed discussion of the impact of off-balance sheet arrangements see Notes 27 and 29 to our consolidated financial statements.

5.F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Contractual Obligations

Our contractual obligations as of December 31, 2006 are summarized as follows:

Contractual obligations		Total		Less than one year		1 to 3 years	Payments due by period	3 to 5 years		More than 5 years
	(in millions of R$)									
Time Deposits	R$	24.393	R$	9.787	R$	11.831	R$	2.763	R$	12
Euronotes		1.029		382		386		250		11
Foreign onlendings		64		19		31		14		-
Local onlending		6.535		2.416		2.588		935		596
Mortgage indebtedness (1)		1.272		1.266		6		-		-
Notes issued under securitization arrangements		1.644		199		511		478		456
Debentures		765		7		58		-		700
Subordinated Debt		3.240		450		321		1.034		1.435
Obligations under capital leases		63		32		28		3		-
Other		26		16		9		1		-
Total debt obligations	R$	39.031	R$	14.574	R$	15.769	R$	5.478	R$	3.210

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(1) Notes issued in the Brazilian Market, entirely collateralized by real estate loans.

For additional information related to contractual obligation see Note 16 to our consolidated financial statements.

Other commitments

We lease many properties under standard real estate leases that can be canceled at our option and include renewal options and escalation clauses for adjusting rentals to reflect changes in price indices. During 2004, we sold many properties used as branches and, subsequently, we rented them for the purpose of continuing our operations. Expenses of real estate leases were R$229 million in 2006.

Future liabilities for the payment of leases related to financing through 2009 are as follows:

	Real estate leases commitments (in millions of R$)	
2007	R$	2
2008		1
2009		1
Total	R$	4

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in connection with our U.S. GAAP Financial Statements.

Average Consolidated Balance Sheet and Interest Rate Data

The table below presents the average consolidated balances for our interest-bearing assets and interest-bearing liabilities, the related interest income and expense amounts and the average yields and rates for each period. The average balances were calculated from the month end principal balances together with the related accrued interest balances (see Note 2(b) to our consolidated financial statements).

We have broken down certain liabilities into domestic and international currencies. The domestic balances represent liabilities denominated in *reais* while the international balances represent liabilities denominated in currencies other than *reais*, primarily the U.S. dollar. Asset balances were not broken down into domestic and international currencies, as substantially all of our assets are denominated in *reais*.

All nonperforming loans are also nonaccrual loans and they have been excluded from "Loans" in the average balance and included as non-interest-earning assets.

The accrual of interest on typical Brazilian financial assets and liabilities includes nominal interest rates and a monetary correction component. Such monetary correction may be related to an inflation index, changes in foreign exchange rates (usually U.S. Dollar) or other floating interest rate. The interest rate and monetary correction are applied at the end of each month to the principal balance of each operation. The updated value becomes the new basis for the accrual of the next month's interest and monetary correction, and so forth, until settled. As a result, it is not practical (and it would not reflect the actual return on our investments) to segregate only the interest rate component for purposes of showing our average consolidated balance sheet and interest rate data. On the other hand, for prospective financial information we only considered the interest rate component, as we cannot predict the effects of monetary correction up to the maturity date.

Brazilian tax law does not currently provide income tax exemptions for interest earned on any investment securities. Therefore, interest income has not been presented on a tax-equivalent basis. Additionally, fees received for loans are included in interest income on loans. We do not consider these amounts to be significant.

	As of December 31,								
	2004			2005			2006		
	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate
	(in millions of R$, except percentages)								
Interest-bearing assets:									
Interesting bearing deposits in other banks	R$ 3,780	R$ 249	6.6%	R$ 3,879	R$ 436	11.2%	R$ 5,812	R$ 644	11.1%
Federal funds sold and securities purchased under resale agreements	10,518	1,538	14.6	10,549	2,069	19.6	13,152	1,809	13.8
Central Bank compulsory deposits	3,378	404	12.0	3,826	569	14.9	4,012	486	12.1
Trading assets	7,643	1,385	18.1	8,658	1,176	13.6	11,401	2,295	20.1
Securities available for sale (1)	3,121	588	18.8	3,511	1,128	32.1	6,790	898	13.2
Securities held to maturity	5,742	449	7.8	3,267	386	11.8	2,534	229	9.0
Loans	27,080	6,495	24.0	33,310	9,343	28.0	39,245	10,060	25.6
Other interest-bearing assets	45	6	13.3	49	4	8.2	52	4	7.7
Total interest-bearing assets	61,307	11,114	18.1	67,049	15,111	22.5	82,998	16,425	19.8
Non-interest-bearning assets:									
Cash and due from banks	1,188			1,458			1,863		
Central Bank compulsory deposits	896			1,162			1,192		
Nonperforming loans	1,122			1,382			2,012		
Allowance for loan losses	(1,298)			(1,753)			(2,295)		
Investments in unconsolidated companies	712			626			693		
Premises and equipment	1,507			1,390			1,410		
Goodwill and intangibles	1,456			1,632			2,307		
Other assets	7,493			7,682			9,122		
Total non-interest bearing assets	13,076			13,579			16,304		
Total assets	R$ 74,383	R$ 11,114	14.9%	R$ 80,628	R$ 15,111	18.7%	R$ 99,302	R$ 16,425	16.5%
Interest-bearing liabilities									
Time deposits:									
Domestic	R$ 18,838	R$ 2,814	14.9%	R$ 24,502	R$ 4,177	17.0%	R$ 25,983	R$ 3,567	13.7%
International	1,230	29	2.4	856	43	5.0	1,209	99	8.2
Total	20,068	2,843	14.2	25,358	4,220	16.6	27,192	3,666	13.5
Savings deposits:									
Domestic	5,684	380	6.7	5,658	415	7.3	5,535	345	6.2
International	484	3	0.6	472	1	0.2	461	1	0.2
Total	6,168	383	6.2	6,130	416	6.8	5,996	346	5.8
Deposits from banks:									
Domestic	143	34	23.8	72	14	19.4	175	40	22.9
International	88	0	-	43	5	11.6	7	1	14.3
Total	231	34	14.7	115	19	16.5	182	41	22.5
Federal funds purchased and securities sold under repurchase agreements	8,874	1,167	13.2	7,194	1,037	14.4	14,459	1,714	11.9
Short-term borrowings:									
Domestic	66	1	1.5	17	3	17.6	1,084	(94)	(8.7)
International	3,353	(37)	(1.1)	2,669	(119)	(4.5)	290	103	35.5
Total	3,419	(36)	(1.1)	2,686	(116)	(4.3)	1,374	9	0.7
Long-term debt:									
Domestic	6,328	696	11.0	6,138	418	6.8	9,795	606	6.2
International	6,256	253	4.0	5,597	551	9.8	4,472	513	11.5
Total	12,584	949	7.5	11,735	969	8.3	14,267	1,119	7.8
Total interest-bearing liabilities	51,344	5,340	10.4	53,218	6,545	12.3	63,470	6,895	10.9
Non-interest-bearing liabilities:									
Demand deposits:									
Domestic	2,296			2,982			3,493		
International	657			504			702		
Total	2,953			3,486			4,195		
Other non-interest- bearing liabilities	12,426	-		14,901	-		21,636		
Total non-interest-bearing liabilities	15,379	-		18,387	-		25,831		
Total liabilities	66,723	5,340	8.0%	71,605	6,545	9.1%	89,301	6,895	7.7%
Shareholders' equity	7,660	-		9,023	-		10,001		
Total liabilities and shareholders' equity	R$ 74,383	R$ 5,340		R$ 80,628	R$ 6,545		R$ 99,302	R$ 6,895	

(1) The average balance for securities classified as available for sale do not include the effect of changes in fair value.

Changes in Interest Income and Expenses - Volume and Rate Analysis

The following table shows the allocation of the changes in our interest income and expense between average volume and changes in the average yields/rates for 2005 compared to 2004 and for 2006 compared to 2005. Volume and rate variances have been calculated based on movements of average balances over the period and changes in average interest yield/rates on interest-bearing assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated to the change due to volume and the change due to rate on a proportional basis.

	2005/2004 Increase / (decrease) due to changes in:			2006/2005 Increase / (decrease) due to changes in:		
	Volume	yield/rate	Net change	Volume	yield/rate	Net change
			(in millions of R$)			
Interest-bearing assets:						
Interest-bearing deposits in other banks........	R$ 7	R$ 180	R$ 187	R$ 214	R$ (6)	R$ 208
Federal funds sold and securities purchased under resale agreement................................	5	526	531	442	(702)	(260)
Central Bank compulsory deposits..................	58	107	165	27	(110)	(83)
Trading assets..	168	(377)	(209)	444	675	1,119
Securities available for sale............................	81	459	540	673	(903)	(230)
Securities held to maturity..............................	(239)	176	(63)	(77)	(80)	(157)
Loans...	1,640	1,208	2,848	1,568	(851)	717
Other interest-bearing assets.........................	-	(2)	(2)	-	-	-
Total interest-bearing assets..........................	R$ 1,111	R$ 2,886	R$ 3,997	R$ 3,305	R$ (1,991)	R$ 1,314
Interest-bearing liabilities:						
Time deposits:						
Domestic..	R$ 927	R$ 436	R$ 1,363	R$ 240	R$ (850)	R$ (610)
International...	(11)	25	14	22	34	56
Total...	828	549	1,377	260	(814)	(554)
Savings deposits:						
Domestic..	(2)	37	35	(9)	(61)	(70)
International...	-	(2)	(2)	-	-	-
Total...	(2)	35	33	(9)	(61)	(70)
Deposits from banks:						
Domestic..	(12)	(8)	(20)	23	3	26
International...	-	5	5	(5)	1	(4)
Total...	(19)	4	(15)	18	4	22
Federal funds purchased and securities sold under repurchase agreements......................	(235)	104	(131)	889	(212)	677
Short-term borrowings:						
Domestic..	(1)	(3)	2	(87)	(10)	(97)
International...	6	(88)	(82)	20	202	222
Total...	9	(89)	(80)	27	98	125
Long-term debt:						
Domestic..	(22)	(256)	(278)	229	(41)	188
International...	(29)	327	298	(121)	83	(38)
Total...	(67)	87	20	109	41	150
Total interest-bearing liabilities......................	R$ 201	R$ 1,004	R$ 1,205	R$ 1,169	R$ (819)	R$ 350

Net Interest Margin and Spread

The following table shows our average interest-bearing assets, average interest-bearing liabilities, net interest income and the comparative net interest margin and net interest spread for 2004, 2005 and 2006.

	For the Year Ended December 31,		
	2004	2005	2006
	(in millions of R$, except percentages)		
Total average interest-bearing assets......................................	R$ 61,307	R$ 67,049	R$ 82,998
Total average interest - bearing liabilities................................	51,344	53,218	63,470
Net interest income [(1)]..	R$ 5,774	R$ 8,566	R$ 9,530
Average yield on average interest - bearing assets.................	18.1%	22.5%	19.8%
Average rate on average interest - bearing liabilities...............	10.4	12.3	10.9
Net interest spread [(2)]...	7.7	10.2	8.9
Net interest margin [(3)]...	9.4%	12.8%	11.5%

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(1) Defined as total interest income less total interest expense.
(2) Defined as the differences between the average yield on interest-bearing assets and the average rate on interest-bearing liabilities.
(3) Defined as net interest income divided by average interest-bearing assets.

Returns on Equity and Assets

The following table shows certain of our financial data for the periods indicated:

	For the Year Ended December 31,		
	2004	2005	2006
	(in millions of R$, except percentages)		
Net income	R$ 2,063	R$ 1,650	R$ 1,951
Average total assets	74,383	80,628	99,302
Average shareholders' equity	R$ 7,660	R$ 9,023	R$ 10,001
Net income as a percentage of average total assets	2.8%	2.0%	2.0%
Net income as a percentage of average shareholders' equity	26.9	18.3	19.5
Dividends payout ratio common and preferred (1)	25.4	44.0	45.6
Average shareholders´ equity as a percentage of average total assets	10.3%	11.2%	10.1%

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(1) Defined as dividends declared per share divided by net income per share

Securities Portfolio

General

The following table shows our portfolio of trading assets, securities available for sale and securities held to maturity as of December 31, 2004, 2005 and 2006. The amounts exclude our investments in unconsolidated companies (see Note 11 to our consolidated financial statements). Trading assets and securities available for sale are stated at fair value and securities held to maturity are stated at amortized cost (see Notes 2(d), 2(e), 2(f), 6, 7, 8 and 28 to our consolidated financial statements).

	As of December 31,					
	2004	% of total	2005	% of total	2006	% of total
	(in millions of R$, except percentages)					
Trading Assets:						
Federal government securities	R$ 5,985	80.4%	R$ 9,465	81.5%	R$ 6,948	70.1%
Brazilian sovereign bonds (2)	81	1.1	79	0.7	594	6.0
Securities of foreign governments	146	2.0	236	2.0	389	3.9
Corporate debt securities	162	2.2	396	3.4	363	3.7
Bank debt securities	22	0.3	107	0.9	97	1.0
Mutual funds (1)	477	6.4	398	3.4	514	5.2
Shares	90	1.2	97	0.8	229	2.3
Derivative financial instruments	479	6.4	845	7.3	770	7.8
Total	R$ 7,442	100.0%	R$ 11,623	100.0%	R$ 9,904	100.0%
Trading assets as a percentage of Total assets	9.6%		12.9%		9.7%	
Securities Available For Sale:						
Federal government securities	R$ 497	19.2%	R$ 489	8.9%	R$ 2,716	37.3%
Brazilian sovereign bonds (2)	-	-	2,374	43.4	2,162	29.7
Securities of foreign governments	27	1.0	-	-	272	3.7
Corporate debt securities	1,791	69.0	2,230	40.8	1,869	25.6
Bank debt securities	137	5.3	283	5.2	121	1.7
Shares	110	4.2	92	1.7	140	1.9
Mutual funds (1)	33	1.3	3	-	6	0.1
Total	R$ 2,595	100.0%	R$ 5,471	100.0%	R$ 7,286	100.0%
Securities available for sale as a percentage of total assets	3.3%		6.1%		7.1%	
Securities held to maturity:						
Federal government securities	R$ 2,349	48.6%	R$ 1,091	43.9%	R$ 469	29.8%
Brazilian sovereign bonds (2)	2,178	45.0	1,240	49.8	993	63.0
Corporate debt securities	215	4.4	74	3.0	57	3.6
Bank debt securities	96	2.0	81	3.3	57	3.6
Total	R$ 4,838	100.0%	R$ 2,486	100.0%	R$ 1,576	100.0%
Securities held to maturity as a percentage of total assets	6.2%		2.8%		1.5%	

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(1) The portfolios of mutual funds held by our insurance, capitalization and private retirement companies are represented mainly by federal government securities.

(2) Consists primarily of Brady Bonds and Global Bonds issued by Brazilian government abroad.

At December 31, 2004, 2005 and 2006 we held no securities of a single issuer or related group of companies whose the aggregate book value and market value exceeded 10% of our shareholders' equity, except for the R$11,090 million, R$14,738 million and R$13,882 million of investment on Federal government securities and Brazilian sovereign bonds representing 129.4%, 154.6% and 133.0% of our shareholders' equity, respectively.

Maturity Distribution

The following table shows the maturity distribution and average yields as of December 31, 2006 for our trading assets, securities available for sale and securities held to maturity. Brazilian tax law does not currently provide income tax exemptions for interest earned on any investment securities. Therefore interest income has not been presented on a tax-equivalent basis.

	As of December 31, 2006									
	Due in 1 year or less		Due in between 1 and 5 years		Due in between 5 to 10 years		Due after 10 years		Total	
	R$	Yield % (3)	R$	Yield % (3)	R$	Yield % (3)	R$	Yield % (3)	R$	Yield % (3)
	(in millions of R$, except percentages)									
Trading Assets:										
Federal government securities	R$ 6,948	11.9%	R$ -	-	R$ -	-	R$ -	-	R$ 6,948	11.9%
Brazilian sovereign bonds	594	9.6	-	-	-	-	-	-	594	9.6
Securities of foreign governments	389	11.2	-	-	-	-	-	-	389	11.2
Corporate debt securities	363	12.1	-	-	-	-	-	-	363	12.1
Bank debt securities	97	5.3	-	-	-	-	-	-	97	5.3
Mutual funds (1)	514	-	-	-	-	-	-	-	514	-
Shares	229	-	-	-	-	-	-	-	229	-
Derivative financial instruments	451	-	293	-	26	-	-	-	770	-
Total (3)	R$ 9,585	11.6%	R$ 293	-	R$ 26	-	R$ -	-	R$ 9,904	11.6%
Securities Available for Sale: (2)										
Federal government securities	R$ 761	11.1%	R$ 1,590	12.4%	R$ 90	12.9%	R$ 275	8.1%	R$ 2,716	11.6%
Brazilian sovereign bonds	139	9.8	206	10.2	446	10.1	1,371	8.0	2,162	8.8
Securities of foreign governments	272	11.5	-	-	-	-	-	-	272	11.5
Corporate debt securities	380	8.6	1,214	7.0	206	6.8	69	9.4	1,869	7.4
Bank debt securities	97	5.6	22	11.6	1	12.4	1	9.6	121	6.8
Shares	140	-	-	-	-	-	-	-	140	-
Mutual funds (1)	6	-	-	-	-	-	-	-	6	-
Total (3)	R$ 1,795	10.2%	R$ 3,032	10.1%	R$ 743	9.5%	R$ 1,716	8.1%	R$ 7,286	9.6%
Securities held to maturity:										
Federal government securities	R$ -	0.0%	R$ 1	0.0%	R$ -	0.0%	R$ 468	9.1%	R$ 469	9.1%
Brazilian sovereign bonds	192	11.0	504	11.3	158	10.5	139	12.8	993	11.3
Corporate debt securities	53	10.3	4	13.0	-	-	-	-	57	10.5
Bank debt securities	36	9.4	21	5.9	-	-	-	-	57	8.1
Total (3)	R$ 281	10.7%	R$ 530	11.1%	R$ 158	10.5%	R$ 607	9.9%	R$ 1,576	10.5%

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(1) Average yields are not shown as such yields are not meaningful. These securities have been excluded from the calculation of the total yield.

(2) Fair value balances have been used to compute yield. The fair value adjustments in the amount of R$19 million loss are reflected as a component of shareholders' equity.

(3) These yields do not include the monetary correction component of our securities.

The following table presents our securities portfolio by currency as of December 31, 2004, 2005 and 2006.

	At fair value				At amortized cost			
	Trading assets		Securities available for sale		Securities held to maturity		Total	
	(in millions of R$)							
As of December 31, 2004								
Brazilian currency *(reais)*	R$	6.871	R$	2.489	R$	641	R$	10.001
Indexed by foreing currency [(1)]..............		33		-		1.707		1.740
Denominated in foreign currency [(1)].........		538		106		2.490		3.134
Total..	R$	7.442	R$	2.595	R$	4.838	R$	14.875
As of December 31, 2005								
Brazilian currency *(reais)*	R$	10.961	R$	1.604	R$	1.805	R$	14.370
Indexed by foreing currency [(1)]..............		67		-		520		587
Denominated in foreign currency [(1)].........		595		3.867		161		4.623
Total..	R$	11.623	R$	5.471	R$	2.486	R$	19.580
As of December 31, 2006								
Brazilian currency *(reais)*	R$	8.739	R$	4.849	R$	467	R$	14.055
Indexed by foreing currency [(1)]..............		-		-		-		-
Denominated in foreign currency [(1)].........		1.165		2.437		1.109		4.711
Total..	R$	9.904	R$	7.286	R$	1.576	R$	18.766

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(1) Predominantly U.S. dollar

Central Bank Compulsory Deposits

We are required to maintain certain deposits with the Central Bank. The following shows the amounts of these deposits at December 31, 2004, 2005 and 2006.

	As of December 31,					
	2004		2005		2006	
	R$	% of total compulsory deposits	R$	% of total compulsory deposits	R$	% of total compulsory deposits
	(in millions of R$, except percentages)					
Type of deposits:						
Non-interest-earning..............	R$ 1,021	21.2%	R$ 1,087	21.1%	R$ 987	19.1%
Interest-earning.....................	3,787	78.8	4,063	78.9	4,190	80.9
Total.......................................	R$ 4,808	100.0%	R$ 5,150	100.0%	R$ 5,177	100.0%

At December 31, 2005 and 2006 we had also R$621 and R$3,161 of federal government securities, linked to the Central Bank in the form of compulsory deposits, recorded as trading assets in the amount of R$592 in 2005, securities held to maturity in the amount of R$29 in 2005, and securities available for sale in the amount of R$27 in 2006, and federal funds sold and securities purchased under resale agreements in the amount of R$ 3,134 in 2006.

Loans

The following table shows gross loans outstanding under our loan portfolio by category of the borrower's principal business sector. Substantially all of our loans are to borrowers domiciled in Brazil and are denominated in *reais*. Additionally, approximately half of our loan portfolio is indexed to Brazilian base interest rates or to U.S. dollar.

	As of December 31,				
	2002	2003	2004	2005	2006
	(in millions of R$)				
Type of Loans					
Commercial:					
Industrial and other	R$ 12,480	R$ 13,122	R$ 15,263	R$ 19,049	R$ 22,549
Import financing	1,231	759	1,291	1,369	1,503
Export financing	2,714	2,510	1,804	2,076	1,548
Real estate loans, primarily residential housing loans	648	844	1,052	1,284	1,404
Direct lease financing	520	471	639	826	1,907
Individuals:					
Overdraft	873	795	804	779	660
Financing	3,503	3,703	4,524	6,009	5,533
Credit card	1,516	1,862	3,676	5,031	5,957
Agricultural	791	812	1,050	1,120	1,315
Nonperforming loans	978	1,161	1,274	1,694	2,278
Allowance for loan losses	(1,389)	(1,317)	(1,560)	(2,107)	(2,577)
Loans, net	R$ 23,865	R$ 24,722	R$ 29,817	R$ 37,130	R$ 42,077

The loans categories shown above are as follows:

Commercial - Commercial loans include loans to corporate customers, including small businesses, as well as the financing of imports for corporate customers. Additionally, we make advances to corporate exporters under trade exchange contracts. Generally, these loans have short-to medium-term maturities.

Real estate - Real estate loans primarily consist of mortgage loans to individuals for residences, which generally have long-term maturities, as well as mortgage loans to construction companies, which generally have medium-term maturities.

Direct lease financing - Direct lease contracts consist primarily of leases of equipment and automobiles to both corporate and individual borrowers.

Individuals - Loans to individuals include lines of credit to individuals as a result of overdrafts on their related deposit accounts under pre-approved credit limits. Additionally, we finance personal loans for various needs and credit card for individuals.

Agricultural - Agricultural loans represent loans to borrowers who operate in the agricultural business, including farming, produce, livestock and forestry.

Nonperforming Loans

The following table shows our nonperforming loans, together with certain asset quality ratios for the years 2002 through 2006. We consider all loans 60 days or more overdue as nonperforming and subject to review for impairment. Small-balance homogenous loans, such as overdrafts, credit card receivables, residential housing loans and consumer installment loans, are aggregated for purposes of evaluating impairment. Larger-balance loans are assessed based on the risk characteristics of each individual borrower. We do not have any material restructured loans. Charge-off normally occurs if no payment is received within 360 days.

	As of or for the Year Ended December 31,				
	2002	2003	2004	2005	2006
	(in millions of R$, except percentages)				
Nonperforming loans	R$ 978	R$ 1,161	R$ 1,274	R$ 1,694	R$ 2,278
Foreclosed assets, net of reserves	92	95	44	71	168
Total nonperforming loans and foreclosed assets	R$ 1,070	R$ 1,256	R$ 1,318	R$ 1,765	R$ 2,446
Allowance for loan losses	1,389	1,317	1,560	2,107	2,577
Total loans	R$ 25,254	R$ 26,039	R$ 31,377	R$ 39,237	R$ 44,654
Nonperforming loans as a percentage of total loans	3.9%	4.5%	4.1%	4.3%	5.1%
Nonperforming loans and foreclosed assets as a percentage of total loans	4.2	4.8	4.2	4.5	5.5
Allowance for loan losses as a percentage of total loans	5.5	5.1	5.0	5.4	5.8
Allowance for loan losses as a percentage of nonperforning loans	142	113	122	124	113
Allowance for loan losses as a percentage of nonperforming loans and foreclosed assets	130	105	118	119	105
Net charge-offs during the period as percentage of average loans outstanding (including nonperforming loans)	4.8%	3.8%	2.5%	3.8%	3.8%

Credit Approval Process

For a discussion of our approval process for retail and wholesale loans, including credit card loans, see "Item 11 - Quantitative and Qualitative Disclosures about Market Risk – Risk Management – Credit Risk".

Risks of the Loan Portfolio by Category

Credit Risk - Lending

For a discussion of credit risk - lending, see "Item 11 - Quantitative and Qualitative Disclosures about Market Risk - Credit".

Indexation

Substantially all of our loan portfolio is denominated in *reais*. However, a portion of the portfolio is indexed to or denominated in foreign currencies, primarily the U.S. dollar, which at December 31, 2004, 2005 and 2006 represented, 19.3%, 17.6% and 18.1%, respectively, of our total loan portfolio. Our main loan transactions denominated in or indexed to the U.S. dollar consist of onlending of eurobonds and export and import financing.

Maturity and Interest Rate Sensitivity of Loans

The following tables show the maturity distribution of our loan portfolio by category as well as the interest rate sensitivity of the loan portfolio by maturity distribution.

	As of December 31,2006										
	Due in 30 days or less	Due in between 31-90 days	Due in between 91-180 days	Due in between 181-360 days	Due in between 1 and 3 years	Due in between 3 and 5 years	Due after 5 years	No stated maturity	Total gross loans	Allowance for loans losses	Total
	(In millions of R$)										
Type of Loan											
Commercial:											
Industrial and other..........	R$4,467	R$3,802	R$3,073	R$2,440	R$ 5,428	R$ 2,108	R$1,459	R$ 437	R$23,214	R$ (1,145)	R$22,069
Import financing.............	55	115	216	197	876	34	8	2	1,503	(3)	1,500
Export financing..............	216	346	205	252	152	314	31	40	1,556	(15)	1,541
Real estate loans, primarily residential housing loans....	50	74	111	185	416	207	444	19	1,506	(38)	1,468
Direct lease financing	90	168	232	397	881	178	1	12	1,959	(43)	1,916
Individuals:											
Overdraft.......................	267	359	5	2	-	-	-	174	807	(115)	692
Financing........................	1,360	719	869	1,231	1,455	102	17	293	6,046	(501)	5,545
Credit card......................	2,749	1,853	703	367	20	-	-	1,050	6,742	(698)	6,044
Agricultural.......................	59	231	377	382	172	55	37	8	1,321	(19)	1,302
Total................................	R$ 9,313	R$ 7,667	R$ 5,791	R$ 5,453	R$ 9,400	R$ 2,998	R$ 1,997	R$ 2,035	R$ 44,654	R$ (2,577)	R$ 42,077

Credit card loans require minimum payment, which ranges from 15% to 20% of the outstanding balance and the remaining balances may be rolled-over at the customer's discretion.

	As of December 31, 2006								
	Due in 30 days or less	Due in between 31-90 days	Due in between 91-180 days	Due in between 181-360 days	Due in between 1 and 3 years	Due in between 3 and 5 years	Due after 5 years	No stated maturity	Total gross loans
	(In millions of R$)								
Loans to customers by maturity subject to:									
Variable rates..................	R$2,950	R$2,785	R$2,484	R$2,159	R$ 6,018	R$ 2,513	R$1,962	R$ 151	R$21,022
Fixed rates........................	6,363	4,882	3,307	3,294	3,382	485	35	1,884	23,632
Total................................	R$ 9,313	R$ 7,667	R$ 5,791	R$ 5,453	R$ 9,400	R$ 2,998	R$ 1,997	R$ 2,035	R$ 44,654

Foreign Country Loans Outstanding

Cross-border outstanding loans at December 31, 2006 in each foreign country account are showed in the following table:

Foreign Country	**Loans, net**	**% of total assets**
Cayman Island....................................	R$ 2,073	2.02%
Paraguay...	438	0.43
Luxembourg.......................................	56	0.05
Total...	**R$ 2,567**	**2.50%**

Additionally, our deposit base is primarily comprised of Brazilian-based customers and the amount of deposits outside of Brazil is not considered significant (less than 10% of total deposits).

Loans by Economic Activity

The following table shows our loans by borrowers' economic activity as of December 31, 2004, 2005 and 2006. The table does not include nonperforming loans.

	As of December 31,					
	2004		2005		2006	
	Loan portfolio	% of loan portfolio	Loan portfolio	% of loan portfolio	Loan portfolio	% of loan portfolio
	(in millions of R$, except percentages)					
Manufacturing						
Electricty, gas and water	R$ 1,657	5.5%	R$ 2,530	6.7%	R$ 3,366	7.9%
Paper, pulp, paper and wood products	1,221	4.1	1,487	4.0	1,463	3.5
Food, beverages and tobacco	1,086	3.6	1,339	3.6	1,986	4.7
Automobile industry	994	3.3	2,100	5.6	1,276	3.0
Production of machines and equipment	853	2.8	892	2.4	638	1.5
Chemical and pharmaceutical	816	2.7	912	2.4	769	1.8
Basic metal industries	770	2.6	963	2.6	1,281	3.0
Petroleum	417	1.4	389	1.0	469	1.1
Extractive	379	1.3	395	1.0	501	1.2
Textiles, clothing and leather goods	367	1.2	463	1.2	345	0.8
Electronic and communication equipment	332	1.1	95	0.3	206	0.5
Rubber and plastic	203	0.7	203	0.5	229	0.5
Production of metal goods	171	0.6	152	0.4	280	0.7
Electric and electronic	145	0.5	175	0.5	223	0.5
Other manufacturing industries	20	0.1	20	0.1	301	0.7
Subtotal	9,431	31.5	12,115	32.3	13,333	31.4
Retailers						
Retail	1,873	6.2	2,172	5.8	3,365	7.9
Wholesale	1,171	3.9	1,598	4.3	1,916	4.5
Subtotal	3,044	10.1	3,770	10.1	5,281	12.4
Financial sevice						
Financial companies	279	0.9	1,169	3.1	1,438	3.4
Insurance companies and private pension funds	5	-	2	-	75	0.2
Subtotal	284	0.9	1,171	3.1	1,513	3.6
Residential construction loans	266	0.9	313	0.8	461	1.1
Other services:						
Transportation	1,556	5.2	1,787	4.8	2,423	5.7
Post office and telecommunications	1,364	4.5	1,265	3.3	950	2.2
Construction	433	1.4	417	1.1	556	1.3
Real estate services	400	1.3	481	1.3	424	1.0
Agricultural	268	0.9	400	1.1	344	0.8
Associative activities	153	0.5	209	0.6	114	0.3
Education	147	0.5	129	0.3	118	0.3
Health and social services	145	0.5	160	0.4	191	0.5
Cultural and sport leisure activities	96	0.3	47	0.1	35	0.1
Lodging and catering services	92	0.3	128	0.3	140	0.3
Other	1,512	5.0	1,091	2.9	1,256	3.0
Subtotal	6,166	20.4	6,114	16.2	6,551	15.5
Agriculture, livestock, forestry and fishing	899	3.0	892	2.4	1,060	2.5
Individuals:						
Consumer loans	9,007	29.9	11,828	31.5	10,624	25.1
Residential mortgage loans	786	2.6	971	2.6	939	2.2
Lease financing	69	0.2	141	0.4	857	2.0
Other	151	0.5	228	0.6	1,757	4.2
Subtotal	10,013	33.2	13,168	35.1	14,177	33.5
Total	R$ 30,103	100.0%	R$ 37,543	100.0%	R$ 42,376	100.0%

Classification of Loan Portfolio

The following table shows the current classification of our loan portfolio by risk category, which AA represents minimum credit risk and H represents extremely high credit risk. At December 31, 2004, 2005 and 2006, 91.1%, 92.5% and 93.7%, respectively of our loan portfolio were classified in the categories AA to C, which represent loans on full accrual status.

As of December 31, 2004

	Loans					Nonperforming loans					Allowance for loan losses				
Risk level	Wholesale	Retail	Wealth management	Insurance	Total	Wholesale	Retail	Wealth management	Insurance	Total	Wholesale	Retail	Wealth management	Insurance	Total
	(in millions of R$)														
AA	R$ 8.216	R$ 4.118	R$ 250	R$ 368	R$ 12.952	R$ -	R$ -	R$ -	R$ -	R$ -	R$ 8	R$ -	R$ -	R$ -	R$ 8
A	3.196	8.066	10	-	11.272	-	-	-	-	-	14	42	-	-	56
B	1.394	1.211	28	-	2.633	-	-	-	-	-	13	13	-	-	26
C	724	972	4	-	1.700	2	39	-	-	41	64	34	-	-	98
D	907	143	4	-	1.054	78	178	-	-	256	282	43	-	-	325
E	186	49	1	-	236	36	172	-	-	208	82	70	-	-	152
F	2	25	-	-	27	9	149	-	-	158	15	90	-	-	105
G	135	14	2	-	151	1	122	-	-	123	126	96	2	-	224
H	20	47	11	-	78	121	348	17	2	488	141	395	28	2	566
Total	R$ 14.780	R$ 14.645	R$ 310	R$ 368	R$ 30.103	R$ 247	R$ 1.008	R$ 17	R$ 2	R$ 1.274	R$ 745	R$ 783	R$ 30	R$ 2	R$ 1.560

As of December 31, 2005

	Loans					Nonperforming loans					Allowance for loan losses				
Risk level	Wholesale	Retail	Wealth management	Insurance	Total	Wholesale	Retail	Wealth management	Insurance	Total	Wholesale	Retail	Wealth management	Insurance	Total
	(in millions of R$)														
AA	R$ 10.858	R$ 4.626	R$ 358	R$ 820	R$ 16.662	R$ -	R$ -	R$ -	R$ -	R$ -	R$ 84	R$ 13	R$ 12	R$ 3	R$ 112
A	3.646	10.851	11	-	14.508	-	-	-	-	-	51	146	-	-	197
B	1.418	1.690	25	-	3.133	-	-	-	-	-	34	65	-	-	99
C	516	1.358	57	-	1.931	-	45	-	-	45	60	197	-	-	257
D	690	228	1	-	919	22	289	-	-	311	91	175	-	-	266
E	19	83	-	-	102	6	241	-	-	247	39	133	-	-	172
F	36	57	1	-	94	4	221	-	-	225	43	130	-	-	173
G	54	64	2	-	120	7	184	-	-	191	63	109	-	-	172
H	1	66	7	-	74	93	578	-	4	675	212	445	-	2	659
Total	R$ 17.238	R$ 19.023	R$ 462	R$ 820	R$ 37.543	R$ 132	R$ 1.558	R$ -	R$ 4	R$ 1.694	R$ 677	R$ 1.413	R$ 12	R$ 5	R$ 2.107

As of December 31, 2006

	Loans					Nonperforming loans					Allowance for loan losses				
Risk level	Wholesale	Retail	Wealth management	Insurance	Total	Wholesale	Retail	Wealth management	Insurance	Total	Wholesale	Retail	Wealth management	Insurance	Total
	(in millions of R$)														
AA	R$ 13.051	R$ 5.243	R$ 420	R$ 822	R$ 19.536	R$ 10	R$ -	R$ -	R$ -	R$ 10	R$ 79	R$ 1	R$ -	R$ -	R$ 80
A	5.140	11.746	12	-	16.898	-	8	-	-	8	71	61	-	-	132
B	1.538	1.930	14	-	3.482	-	3	-	-	3	75	24	-	-	99
C	463	1.296	79	-	1.838	-	60	-	-	60	192	52	3	-	247
D	64	181	-	-	245	83	277	1	-	361	147	54	-	-	201
E	5	95	-	-	100	-	241	-	-	241	5	112	-	-	117
F	21	54	-	-	75	10	224	-	-	234	31	149	-	-	180
G	1	35	-	-	36	-	198	1	-	199	1	191	1	-	193
H	37	127	2	-	166	23	1.132	6	1	1.162	60	1.259	8	1	1.328
Total	R$ 20.320	R$ 20.707	R$ 527	R$ 822	R$ 42.376	R$ 126	R$ 2.143	R$ 8	R$ 1	R$ 2.278	R$ 661	R$ 1.903	R$ 12	R$ 1	R$ 2.577

Allowance for Loan Losses

The following table shows activity in the allowance for loan losses for 2002, 2003, 2004, 2005 and 2006.

	As of or for the Year Ended December 31,									
	2002		2003		2004		2005		2006	
	(in millions of R$)									
Balance at beginning of period	R$	1,276	R$	1,389	R$	1,317	R$	1,560	R$	2,107
Charge-offs:										
Commercial:										
Industrial and other		(293)		(366)		(236)		(340)		(382)
Import end export financing		(9)		(25)		-		(1)		-
Real estate loans, primarily residential housing loans		(36)		(21)		(54)		(24)		(15)
Direct lease financing		(15)		(1)		(1)		(2)		(4)
Individuals:										
Overdraft		(93)		(79)		(76)		(70)		(128)
Financing		(436)		(412)		(256)		(415)		(437)
Credit card		(647)		(426)		(494)		(590)		(876)
Total charge-offs	R$	(1,529)	R$	(1,330)	R$	(1,117)	R$	(1,442)	R$	(1,842)
Recoveries:										
Commercial:										
Industrial and other	R$	111	R$	83	R$	249	R$	34	R$	95
Import end export financing		4		10		-		-		-
Real estate loans, primarily residential housing loans		12		1		9		6		10
Direct lease financing		8		2		4		1		5
Individuals:										
Overdraft		23		17		5		2		5
Financing		57		148		55		40		94
Credit card		136		116		90		36		70
Agricultural		-		-		-		-		3
Total recoveries	R$	351	R$	377	R$	412	R$	119	R$	282
Net charge-offs	R$	(1,178)	R$	(953)	R$	(705)	R$	(1,323)	R$	(1,560)
Provision for loan losses		1,291		881		948		1,870		2,030
Balance at the end of period	R$	1,389	R$	1,317	R$	1,560	R$	2,107	R$	2,577
Ratio of net charge-offs during the period to average loans outstanding including nonperforming loans during the period		4.8%		3.8%		2.5%		3.8%		3.8%

The following table shows our provision for loan losses, loan charge-offs and loan recoveries for 2004, 2005 and 2006:

	For the Year Ended December 31,						% Change	
	2004		2005		2006		2005/2004	2006/2005
	(in millions of R$, except percentages)							
Provision for loan losses	R$	948	R$	1,870	R$	2,030	97.3%	8.6%
Loan charge-offs		(1,117)		(1,442)		(1,842)	29.1	27.7
Total recoveries		412		119		282	(71.1)	137.0
Net charge-offs	R$	(705)	R$	(1,323)	R$	(1,560)	87.7%	17.9%
Provision to loans [(1)]		3.4%		5.4%		4.9%		

(2) Provision expressed as a percentage of average loans, including nonperforming loans.

For information regarding the allowance for loan losses, provision for loan losses, loan charge-offs, loan recoveries and nonperforming loans, see Item 5.A. Operating Results.

Allocation of the Allowance for Loan Losses

The following table shows our allocation of the allowance for loan losses as of December 31, 2002, 2003, 2004, 2005 and 2006. The allocated amount of the allowance is expressed as a percentage of the related loan amount with the corresponding percentage of the loan category to total loans.

	As of December 31,								
	2002			2003			2004		
	Allocated allowance	Allocated allowance as a percentage of total loans	Loans category as a percentage of total loans	Allocated allowance	Allocated allowance as a percentage of total loans	Loans category as a percentage of total loans	Allocated allowance	Allocated allowance as a percentage of total loans	Loans category as a percentage of total loans
	(in millions of R$, except percentages)								
Type of Loan:									
Commercial:									
Industrial and other.........	R$ 700	2.8%	50.6%	R$ 638	2.5%	51.9%	R$ 869	2.8%	49.8%
Import financing.............	19	0.1	4.9	10	-	2.9	2	-	4.1
Export financing.............	17	0.1	10.8	10	-	9.6	10	-	5.8
Real estate loans, primarily residential housing loans...	55	0.2	2.8	32	0.1	3.5	37	0.1	3.6
Direct lease financing.........	32	0.1	2.1	16	0.1	1.9	18	0.1	2.1
Individuals:									
Overdraft.......................	58	0.2	3.7	61	0.2	3.3	53	0.2	3.0
Financing.......................	298	1.2	15.1	297	1.2	15.6	302	1.0	15.4
Credit card....................	146	0.6	6.8	202	0.8	8.2	230	0.7	12.8
Agricultural......................	64	0.2	3.2	51	0.2	3.1	39	0.1	3.4
Total............................	R$ 1,389	5.5%	100.0%	R$ 1,317	5.1%	100.0%	R$ 1,560	5.0%	100.0%

	As of December 31,					
	2005			2006		
	Allocated allowance	Allocated allowance as a percentage of total loans	Loans category as a percentage of total loans	Allocated allowance	Allocated allowance as a percentage of total loans	Loans category as a percentage of total loans
	(in millions of R$, except percentages)					
Type of Loan:						
Commercial:						
Industrial and other.............	910	2.3%	49.4%	1,145	2.6%	52.0%
Import financing..................	3	-	3.5	3	-	3.3
Export financing..................	8	-	5.3	15	-	3.5
Real estate loans,..................	29	0.1	3.5	38	0.1	3.4
Direct lease financing.............	45	0.1	2.2	43	0.1	4.4
Individuals:						
Overdraft...........................	99	0.3	2.5	115	0.3	1.8
Financing...........................	536	1.4	16.6	501	1.1	13.5
Credit card.........................	448	1.1	14.1	698	1.6	15.1
Agricultural...........................	29	0.1	2.9	19	-	3.0
Total..................................	R$ 2,107	5.4%	100.0%	R$ 2,577	5.8%	100.0%

Average Deposit Balances and Interest Rates

The following table shows the average balance of deposits together with the average interest rate paid for each period presented.

	As of or for the Year Ended December 31,					
	2004		2005		2006	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
Domestc deposits:	(in millions of R$, except percentages)					
Non-interest-bearing deposits:						
Demand deposits	R$ 2,296	- %	R$ 2,982	- %	R$ 3,493	0%
Interest - Bearing deposits:						
Deposits from banks	143	23.8	72	19.4	175	22.9
Savings deposits	5,684	6.7	5,658	7.3	5,535	6.2
Time deposits	18,838	14.9	24,502	17.0	25,983	13.7
Total interest - bearing deposits	24,665	13.1	30,232	15.2	31,693	12.5
Total domestic deposits	26,961	12.0	33,214	13.9	35,186	11.2
International deposits (1):						
Non-interest-bearing deposits:						
Demand deposits	R$ 657	- %	R$ 504	- %	R$ 702	0%
Interest - Bearing deposits:						
Deposits from banks	88	-	43	11.6	7	14.3
Savings deposits	484	0.6	472	0.2	461	0.2
Time deposits	1,230	2.4	856	5.0	1,209	8.2
Total interest-bearing deposits	1,802	1.8	1,371	3.6	1,677	6.0
Total international deposits	2,459	1.3	1,875	2.6	2,379	4.2
Total deposits	R$ 29,420	11.1%	R$ 35,089	13.3%	R$ 37,565	10.8%

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(1) Denominated in currencies other than *reais*, primarily U.S. dollar.

Maturity of Deposits

The following table shows the maturity distribution of our deposits at December 31, 2006.

	As of December 31, 2006				
	Due in 3 months or less	Due in between 3 and 6 months	Due in between 6 months and 1 year	Due After 1 year	Total
	(In millions of R$)				
Domestic Deposits:					
Non-interest-bearing deposits:					
Demand deposits	R$ 3,757	R$ -	R$ -	R$ -	R$ 3,757
Interest-bearing deposits:					
Deposits from banks	427	-	-	-	427
Savings deposits	6,796	-	-	-	6,796
Time deposits	1,612	3,726	2,025	14,511	21,874
Total Interest-bearing deposits:	8,835	3,726	2,025	14,511	29,097
Total domestic deposits	12,592	3,726	2,025	14,511	32,854
International Deposits (1)					
Non-interest-bearing deposits:					
Demand deposits	R$ 342	R$ -	R$ -	R$ -	R$ 342
Interest-bearing deposits:					
Deposits from banks	8	-	-	-	8
Savings deposits	478	-	-	-	478
Time deposits	2,213	113	98	95	2,519
Total Interest-bearing deposits:	2,699	113	98	95	3,005
Total international deposits	3,041	113	98	95	3,347
Total deposits	R$ 15,633	R$ 3,839	R$ 2,123	R$ 14,606	R$ 36,201

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(1) Denominated in currencies other than *reais*, primarily U.S. dollar.

The following table shows the maturity of outstanding deposits with balances in excess of US$100,000.00 (or its equivalent) issued by us at December 31, 2006.

	Currency	
	Domestic	International
	(In millions of R$)	
Maturity within 3 months................................	R$ 1,354	R$ 2,213
Maturity after 3 months but within 6 months..	3,331	113
Maturity after 6 months but within 12 months	1,044	98
Maturity after 12 months................................	8,735	95
Total deposits in excess of US$100,000..........	R$ 14,464	R$ 2,519

Capital

Specific regulatory capital requirements are discussed in Item 4.B. Business Overview – Regulation and Supervision.

Minimum Capital Requirements

The following table shows our actual capital compared to the minimum capital required by the Central Bank rules and presented in accordance with accounting principles adopted in Brazil.

	As of December 31,					
	Partial Consolidation (1)			Full Consolidation (2)		
	2004	2005	2006	2004	2005	2006
	(In millions of R$)					
Our Regulatory Capital...	R$ 9,982	R$ 10,992	R$ 13,080	R$ 10,508	R$ 11,732	R$ 13,871
Minimum Regulatory Capital Required...........................	6,748	7,729	9,000	7,364	7,993	9,190
Excess Over Minimum regulatory Capital Required.........	R$ 3,234	R$ 3,263	R$ 4,080	R$ 3,144	R$ 3,739	R$ 4,681

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(1) Partial consolidation excludes non-financial subsidiaries.
(2) Full consolidation includes both financial and non-financial subsidiaries.

For additional information on capital – minimum capital requirements see Note 31 to our consolidated financial statements and Item 5.B. Liquidity and Capital Resources – Sources of Funding - Capital.

Short-term Borrowings

The following table presents a summary of the primary short-term borrowings for the periods indicated.

	As of or for the Year Ended December 31,		
	2004	2005	2006
	(in millions of R$, except percentages)		
Federal Funds Purchased and Securities Sold Under Repurchase Agreements:			
Amount outstanding	R$ 6,687	R$ 10,721	R$ 16,991
Maximum amount outstanding during the period	15,417	10,721	17,939
Weighted average interest rate at period-end	17.8 %	18.0 %	13.2 %
Average amount outstanding during period	8,874	7,194	14,459
Weighted average interest rate	13.2 %	14.4 %	11.9 %
Import and Export Financing:			
Amount outstanding	R$ 2,048	R$ 2,932	R$ 2,420
Maximum amount outstanding during the period	3,788	2,932	2,932
Weighted average interest rate at period-end	2.7 %	4.6 %	6.7 %
Average amount outstanding during period	2,761	2,378	2,440
Weighted average interest rate	(1.4) %	(5.3) %	(0.3) %
Other Interbank Borrowings:			
Amount outstanding	R$ 600	R$ 235	R$ 533
Maximum amount outstanding during the period	747	340	803
Weighted average interest rate at period-end	2.6 %	4.0 %	5.5 %
Average amount outstanding during period	573	273	363
Weighted average interest rate	- %	1.7 %	4.6 %
Other:			
Amount outstanding	R$ 29	R$ 72	R$ 92
Maximum amount outstanding during the period	-	-	111
Weighted average interest rate at period-end	- %	- %	- %
Average amount outstanding during period	-	-	85
Weighted average interest rate	- %	- %	- %
Total	R$ 9,364	R$ 13,960	R$ 20,036

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A Directors and Senior Management

Unibanco

We are managed by our:

- Board of Directors (Conselho de Administração), consisting of nine Directors; and

- Board of Officers (Diretoria), consisting of one Chief Executive Officer, four Vice Presidents and ten Executive Officers (who make up the Board of Executive Officers), thirty-seven Officers and thirty-five deputy Officers.

The Board of Directors is our decision-making body. It determines our general corporate guidelines and policies by:

- establishing our corporate strategy;

- reviewing our business plans; and

- supervising and monitoring the activities of our executive Officers.

The Board of Officers is elected by our Board of Directors. The Board of Executive Officers is responsible for the management and supervision of our corporate activities by ensuring compliance with our general corporate guidelines and policies established at general shareholders meetings, by our Board of Directors and bylaws. All members of the Board of Officers have the power to act on our behalf pursuant to our bylaws. We previously had two Executive Vice Presidencies, but they have their positions changed to Vice Presidencies by our Board of Directors on June 29, 2006.

The Chief Executive Officer is exclusively responsible for:

- leading management;
- coordinating and supervising the performance of Vice Presidents;
- ensuring compliance with the guidelines and policies established by the Board of Directors; and
- making urgent decisions that are under the competence of the Board of Executive Officers, when a meeting of the Board of Executive Officers is not feasible.

The Vice Presidents are responsible for the operational and administrative management of the retail and wholesale banking activities, which comprise the following areas:

- wholesale banking;
- national and international distribution,
- asset management;
- retail banking, including branches network, other commercial banking activities and consumer finance companies;
- insurance and private pension plan departments;
- human resources;
- corporate communications;
- investors relations; and
- planning, controlling, accounting and management of systems, supplies and engineering.

In accordance with the policies, directives and parameters established by the Board of Directors, it is jointly incumbent upon the Chief Executive Officer and the Vice Presidents:

- to make changes to and approve UNIBANCO's administrative structure and internal rules;
- to submit to the approval of the Board of Directors the results and investment budgets and the respective business plans for each business segment as well as to implement the decisions made;
- to establish operational and administrative limits of authority;
- to care for the improvement of the members of management, following up on their professional performance and development.

The Executive Officers are responsible for the management and supervision of the areas delegated by the Board of Directors or by the Board of Officers and for the supervision and coordination of the performance of the Officers and Deputy Officers that are under their supervision.

The following areas are under the responsibility of Officers and Executive Officers who report directly to the Chief Executive Officer:

- legal and institutional relationship;
- compliance and risk management; and
- treasury.

The Officers are responsible for the management and supervision of the areas delegated by the Board of Executive Officers.

The Deputy Officers are responsible for the management and supervision of the areas delegated by the Board of Executive Officers or by the Officers.

Pursuant to Brazilian law, the election of each member of our Board of Directors and Board of Officers must be approved by the Central Bank. As indicated in the table below, two new Directors were elected at our March 21, 2007 Shareholders' Meeting and one former Deputy Officer was elected as Officer at our March 21, 2007 Board of Directors' meeting. Such elections are still pending Central Bank approval. Six new Deputy Officers were elected at our March 30 and April 30, 2007 Board of Directors' meetings and their elections are also pending Central Bank approval. In addition, at our April 12, 2006, July 27, 2006 and December 21, 2006 Board of Directors meetings, six new Officers were elected. These elections have already been approved by the Central Bank and these Officers were reelected at our March 21, 2007 Board of Directors meeting.

Except for those indicated below, the elections of all of our Directors and Officers have been approved by the Central Bank.

As of June 2007, our Directors, Executive Officers and Officers are:

Directors	Position	Date of Birth
Pedro Sampaio Malan	Chairman	February 19, 1943
Pedro Moreira Salles	Vice Chairman	October 20, 1959
Armínio Fraga Neto	Director	July 20, 1957
Israel Vainboim	Director	June 1, 1944
Joaquim Francisco de Castro Neto	Director	March 30, 1944
Pedro Luiz Bodin de Moraes	Director	July 13, 1956
João Dionisio Filgueira Barreto Amoêdo	Director	October 22, 1962
Francisco Eduardo de Almeida Pinto**	Director	December 14, 1958
Guilherme Affonso Ferreira**	Director	May 9, 1951

Executive Officers	Position	Date of Birth
Pedro Moreira Salles	Chief Executive Officer	October 20, 1959
Demosthenes Madureira de Pinho Neto	Vice President	January 28, 1960
Márcio de Andrade Schettini	Vice President	May 22, 1964
Geraldo Travaglia Filho	Vice President	May 26, 1951
José Castro Araújo Rudge	Vice President	September 25, 1957
Celso Scaramuzza	Executive Officer	December 3, 1952
Daniel Luiz Gleizer	Executive Officer	February 23,1960
Ivo Luiz de Sá Freire Vieitas Junior	Executive Officer	June 14, 1964
Jose Roberto Haym	Executive Officer	October 12, 1959
Marcos de Barros Lisboa	Executive Officer	August 2, 1964
Nicolau Ferreira Chacur	Executive Officer	July 24, 1964
Osias Santana de Brito	Executive Officer	October 11, 1963
Raphael Afonso Godinho de Carvalho	Executive Officer	February 28, 1966
Roberto Lamy	Executive Officer	April 9, 1958
Rogério Carvalho Braga	Executive Officer	January 30, 1956

Officers	Position	Date of Birth
Álvaro Augusto Mendes Lopes	Officer	September 17, 1965
André Sapoznik	Officer	February 24, 1972
Antonio Carlos Azevedo	Officer	November 16, 1968
Antonio Carlos Azzi Junior	Officer	November 8, 1962
Bruno Padilha de Lima Costa	Officer	January 21, 1975
Cai Alejandro Von Igel	Officer	December 4, 1967
Carlos Alberto Bezerra de Moura	Officer	April 1, 1974
Carlos Eduardo Castro	Officer	March 17, 1960
Carlos Elder Maciel de Aquino	Officer	April 9, 1961
Carlos Henrique Zanvettor	Officer	March 30, 1966
Claudia Politanski	Officer	August 31, 1970
Claudio Coracini	Officer	April 17, 1956
Cláudio José Coutinho Arromatte	Officer	February 2, 1966
Edgard Borsoi Viana	Officer	February 3, 1960
Fabio Massashi Okumura	Officer	February 4, 1965
Francisco de Assis Crema	Officer	October 4, 1949
Humberto Padula Filho	Officer	June 11, 1966
José Ramon do Amaral Gomez	Officer	June 20, 1965
Julio Almeida Gomes	Officer	December 25, 1966
Luis Tadeu Mantovani Sassi	Officer	September 6, 1958
Luiz Eduardo Loureiro Veloso	Officer	April 4, 1968
Marcelo Ariel Rosenhek*	Officer	April 01, 1968
Marcelo da Silva Mitri	Officer	March 10, 1965

Marcelo Luis Orticelli	Officer	August 22, 1966
Marcia Maria Freitas de Aguiar	Officer	July 9, 1966
Marcos Braga Dainesi	Officer	December 2, 1958
Marcos Augusto Caetano da Silva Filho	Officer	August 22, 1966
Moises dos Santos Jardim	Officer	January 13, 1963
Paulo Meirelles de Oliveira Santos	Officer	November 25, 1957
Paulo Pires Vaz	Officer	August 5, 1953
Plínio Cardoso da Costa Patrão	Officer	October 14, 1966
Ricardo Coutinho	Officer	July 28, 1963
Rogério Vasconcelos Costa	Officer	June 11, 1970
Romildo Gonçalves Valente	Officer	April 5, 1966
Rubem Rollemberg Henriques	Officer	July 20, 1959
Sérgio Ricardo Juruena da Costa Braga	Officer	May 30, 1967
William Mcdougall Bethlem	Officer	October 18, 1961

* The nomination of these Officers to these positions is pending approval by the Central Bank.
** The election of these Directors to these positions is still pending approval by the Central Bank.

Each Director is elected for a one-year term by the Shareholders' Meeting and holds such position until they are reelected upon expiration of his or her term, or until a successor is invested. A Director may not be re-elected after his or her sixty-fifth birthday, unless such election is approved by the Board of Directors. The current members of the Board of Directors were elected at the Ordinary Shareholders' meeting held on March 21, 2007.

Members of the Board of Officers are elected for one-year terms. Officers may run for subsequent terms. If their terms of office end, they maintain their position or such position remains vacant until a successor is invested. An Officer may not be re-elected after his or her sixtieth birthday, unless such re-election is approved by the Board of Directors. In addition, as approved at the Board of Directors Meeting on April 30, 2004, the Chief Executive Officer may determine whether Officers who are older than fifty-eight may stand for re-election. The current members of the Board of Officers were elected at the Board of Directors' meetings held on March 21, March 30 and April 30, 2007.

Directors

The biographies of our Directors and Officers are summarized below:

Pedro Sampaio Malan – Mr. Malan was elected Vice Chairman of our Board of Directors in 2003 and Chairman of our Board of Directors on April 30, 2004. Mr. Malan served as Brazil's Minister of Finance from 1995 to 2002, as Chairman of the Central Bank from 1993 to 1994, as Special Council and Chief Negotiator for External Debt Issues of the Ministry of Finance from 1991 to 1993, as an Executive Director of the World Bank from 1986 to 1990 and again from 1992 to 1993, as an Executive Director of the Inter-American Development Bank from 1990 to 1992, as an Officer of the Transnational Companies Center of the United Nations, or UN, in New York from 1983 to 1984 and as an Officer of International Department of Economy and Social Matters of the UN in New York from 1985 to 1986. He received a degree in Electrical Engineering in 1965 from the Polytechnic School of the Catholic University (Pontifícia Universidade Católica) of Rio de Janeiro and received a Ph.D. in Economics from University of Berkeley, California.

Pedro Moreira Salles – Mr. Moreira Salles joined us in 1989 and became Chairman of our Board of Directors in 1997 after serving as Vice Chairman for almost six years. On April 30, 2004, Mr. Moreira Salles was elected Chief Executive Officer and continued to serve as Vice Chairman of our Board of Directors. Mr. Moreira Salles also serves as Vice Chairman of the Board of Directors of Unibanco Holdings S.A. and Chairman of the Board of Directors of Unibanco AIG Seguros e Previdência. Mr. Moreira Salles is a member of the Group of Fifty, a Latin American business council sponsored by the Carnegie Endowment for International Peace and the Inter-American Dialogue, in Washington, D.C. and he is also a member of the Board of the Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais - IBMEC), a leading college in the fields of economics and business administration. He holds a B.A. in Economics and History from the University of California, Los Angeles, where he graduated Magna Cum Laude. He also attended the graduate program in

International Relations at Yale University and the OPM - Owners/President Management Program at Harvard University.

Armínio Fraga Neto – Mr. Fraga was elected a member of our Board of Directors in January 2004. Mr. Fraga served as President of the Central Bank of Brazil from March 1999 to December 2002. Prior to that, he worked for six years as a managing Director of Soros Fund Management LLC in New York. From 1991 to 1992 he had a passage through the Central Bank of Brazil, as Director of International Affairs; he also worked for Salomon Brothers, in New York, as Vice-President, and as chief-economist at Banco de Investimentos Garantia, in Brazil. Armínio Fraga is a partner at Gavea Investimentos, an investment management firm he founded in August, 2003, based in Rio de Janeiro, Brazil. Among other academic affiliations, Mr. Fraga teaches at the Catholic University of Rio de Janeiro, and has taught at the Graduate School of Economics at Getulio Vargas Foundation, at the School of International Affairs at Columbia University and at the Wharton School. He received his Ph.D. in Economics from Princeton University, in 1985, and his B.A. and M.A. in Economics from Catholic University of Rio de Janeiro, in 1981.

Francisco Eduardo de Almeida Pinto - Mr. Almeida Pinto was elected as a member of our Board of Directors in 2007. He started his career in the Brazilian financial markets in 1982. In 1984, he joined Banco da Bahia Investimentos (presently Banco BBM S.A.), where he acted, among other positions, as Chief Treasurer (1989-1990), CFO (1991-1993) and later, CEO (1994-1995). Mr. Almeida Pinto served as Director of Monetary Policy for the Brazilian Central Bank (1993-1994). He led the process of structuring of Unibanco Asset Management (1995) and worked as an entrepreneur at Radix Gestão de Recursos Financeiros Ltda. (1996-1998). From 1998 to 2002, he acted as CEO of BBA Capital DTVM S.A. and its successor BBA Icatu Investimentos DTVM S.A. From 2002 on, he has managed investments in financial markets. He graduated in Economics at Catholic University of Rio de Janeiro (Pontifícia Universidade Católica do Rio de Janeiro).

Guilherme Affonso Ferreira - Mr. Ferreira was elected to our Board of Directors in 2007, he has also been a member of Unibanco Holdings' Board of Directors since 1994. He began his career as an investment analyst for Banco Noroeste in 1974. He joined Bahema S/A in 1976 where he held different positions until 1987, when he became President, a position he held until 1991. Mr. Ferreira was also Officer from 1978 to 1980, and President from 1981 to 1987, of Bahema Agropecuaria S/A. He is presently President of Bahema Participações S/A, a position he has held since 1991 and board member of several Brazilian public companies, namely Santista Textil S/A, Eternit S/A and B2W S/A. He is also a member of the advisory board of Signatura Lazard, Fundo HSBC Multipatrocinado and Fundamental. He has conducted philanthropic activities as a board member for Lar Escola São Francisco e Instituto de Cidadania Empresarial. Mr. Ferreira did his undergraduate studies at the Polytechnic School at the University of São Paulo (Escola Politecnica da Universidade de São Paulo) and later took courses in Economics and Politics at Macalester College of Saint Paul and at James Cook University.

Israel Vainboim – Mr. Vainboim joined us in 1969 and has held several positions in the areas of banking investments, leasing and credit. He became a member of our Board of Directors in 1988. Mr. Vainboim also serves as Chairman of the Board of Unibanco Holdings, as a Director of Unibanco AIG Seguros, and as a member of the management of AIG-Life Cia. de Seguros, Souza Cruz S.A., E-bit Tecnologia em Marketing S.A. and Itaparica S.A. Empreendimentos Turísticos. He received a B.S. in Mechanical Engineering from the National School of Engineering, Rio de Janeiro and a MBA from Stanford University.

Joaquim Francisco de Castro Neto – Mr. Castro Neto joined us in 1973 as CEO of FINASUL and has since held several senior positions, including Marketing Officer, Vice President of the Technology, Transaction and Marketing area and Vice President of Retail Business, becoming an Executive Officer in 1980. He was appointed to serve as Executive President of our Retail business segment Group in March 1998, position occupied until July, 2004. Mr. Castro served as a member of the Boards of Credicard, Orbitall, Prever, Banco Dibens and TecBan. On April 30, 2004, he was elected to serve as a member of our Board. He also serves as a member of the Board of Unibanco Asset Management, Redecard, Fininvest, Luizacred and PontoCred. Mr. Castro Neto holds a Business Management degree from Getúlio Vargas Foundation (Fundação Getúlio Vargas) and holds a specialization in Sales Management, Marketing and Development of New Products from IMEDE - Lausanne, Switzerland.

Pedro Luiz Bodin de Moraes – Mr. Bodin de Moraes was elected to our Board of Directors in 2003. He is a Partner at Icatu Holding. He was a Partner and a Managing Director at Banco Icatu from 1993 to 2002. Before that, he served as Deputy Governor for Monetary Policy of the Brazilian Central

Bank (1991-92), as a Director at the Brazilian National Bank for Economic and Social Development - BNDES - (1990-91) and he was an Assistant Professor in the Economics Department at the Catholic University of Rio de Janeiro – PUC Rio (1985-1991). He received a B.A. and a M.A. in Economics from the Catholic University of Rio de Janeiro (PUC-Rio) and a Ph.D. in Economics from the Massachusetts Institute of Technology (MIT).

João Dionísio Amoêdo – Mr. Amoêdo joined Unibanco in May 2004 as vice president becoming responsible for Corporate and Treasury operations until March 2005, when he was elected to our Board of Directors. Mr. Amoêdo began his career at Citibank, worked as a senior Officer at Banco BBA-Creditanstalt S.A. and served as Chief Executive Officer of Fináustria CFI e Leasing. Mr. Amoêdo holds a degree in Business from the Catholic University (Pontifícia Universidade Católica) of Rio de Janeiro and a degree in Civil Engineering from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro).

Executive Officers

Pedro Moreira Salles – Please refer to the biography set forth above.

Demosthenes Madureira de Pinho Neto - Vice-President. Mr. Madureira de Pinho Neto has obtained his BA and Master of Arts in Economics from the Catholic University of Rio de Janeiro (PUC-Rio) and his Ph.D. in Economics from the University of California at Berkeley. He has more than 15 years of experience in the financial sector as a consultant and an executive. In the public sector, he was General-Coordinator of Monetary and Financial Policy at the Ministry of Finance (under Fernando Henrique Cardoso, 1993), and Director of the Central Bank of Brazil under the Fernando Henrique Cardoso administration (1997-1999). In the private sector, he was an associate (1991-1993) and latter Executive Officer of Unibanco and Unibanco Asset Management (1994-1997), CEO of Dresdner Asset Management (1999-2002) and Vice-President of National Association of Investment Banks (Associação Nacional de Bancos de Investimento – ANBID)(2000-2003). Currently, he is Vice-President of Unibanco, responsible for Wholesale and Private banking, member of our Executive Committee and also CEO of Unibanco Asset Management. He has also been a professor of economics and finance at the Catholic University (Pontifícia Universidade Católica) of Rio de Janeiro (1985-86/1999), Getulio Vargas Foundation (Fundação Getulio Vargas) of São Paulo (1991-1997), and Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais - IBMEC) of São Paulo (2000-2004).

Márcio de Andrade Schettini – Mr. Schettini was elected to serve as our Executive Vice President on April 30, 2004. He is responsible for the commercial bank and retail divisions and is a member of our Executive Committee. Mr. Schettini is also a Board Director of Redecard, Mastercard International and other companies. He has been working in the Financial Market for almost 18 years. He holds a Bachelors degree in Electrical Engineering and a Master’s in Science degree in Finance from the Catholic University (Pontifícia Universidade Católica) of Rio de Janeiro, where he specialized in Mathematical Modeling. He also attended the Owner / President Management Program at Harvard University.

Geraldo Travaglia Filho – Mr. Travaglia is Unibanco’s Chief Financial Officer (CFO) and Vice President responsible for Operations and IT, positions held since April 30, 2004. He is also a member of our Executive Committee. Previously, he served as Executive Officer (1996–2004). Mr. Travaglia joined Unibanco in 1979. From 2000 to 2002, he was in charge of the development of the Internet Banking program; from 1998 to 2000, served as the Executive Officer in charge of marketing and products for the retail banking group; from 1996 to 1997, was responsible for the integration of branches, systems and operations of Banco Nacional; from 1994 to 1995, conducted the reengineering program of Unibanco; and from 1989 to 1993, he served as the bank’s Controller. Travaglia holds a specialization in Banking from The Wharton School of the University of Pennsylvania. He also holds a Business Administration degree from the University of São Paulo (Universidade de São Paulo - USP).

José Castro Araújo Rudge – Mr. Rudge joined us in 1995, when Unibanco purchased Banco Nacional. Prior to joining us, he worked for nine years at Sul América Seguros and from 1985 to 1987 he was an Officer of Bradesco Seguros, responsible for the management of the insurance activities of the State of São Paulo and Bradesco’s international operations. He was also President of Nacional Seguros from 1987 to 1995. He was elected to serve as our VP at Unibanco on April 30, 2004. He has been leading our Insurance Company since Unibanco bought Banco Nacional and affiliated Cies. He presently also serves as member of our Executive Committee. He holds a degree in Business

Administration from the Business School of São Paulo (Faculdade de Administração de São Paulo). In 2005, he joined the board of Directors of IRB. On March, 2007, he assumed the Unibanco Human Resource and Communication Vice-Presidency.

Celso Scaramuzza – Mr. Scaramuzza joined us in 1977 and has been serving as a member of our Board of Executive Officers since 1994. Mr. Scaramuzza served as a Vice President from August 1997 to April 2004. Since January 1998, he has been responsible for our private banking business, both onshore and offshore. He received a bachelor degree in Administration from the Armando Álvares Penteado Foundation (Fundação Armando Álvares Penteado) of São Paulo.

Daniel Luiz Gleizer - Mr. Gleizer was elected to serve as an Executive Officer for the Risk Management and Macro Economic Research on April 30, 2004. He assumed responsibility for the Treasury Area in March 2005. He is also a member of our Executive Committee. Mr. Gleizer began his career with the International Monetary Fund and had taken on positions with several financial institutions, such as Deutsche Bank and Credit Suisse First Boston. During the period beginning in March 1999 and ending in February 2002, Mr. Gleizer had served as Deputy Governor at the International Area of Central Bank of Brazil. Mr. Gleizer holds a degree in Economics from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro), an M.A. in Economics from the University of Illinois, Urbana-Champaign and a Ph.D. in Economics from the University of California, Berkeley.

Ivo Luiz de Sá Freire Vieitas Junior – Mr. Vieitas joined us in December 1998 and after serving several years as an Officer for corporate finance, he currently holds the position of Executive Officer responsible for all activities related to Hipercard. Prior to joining us, he had worked at Indosuez W.I. Carr Securities (Credit Agricole). He graduated in Mechanical Engineering from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro) and holds an MBA from the J.L. Kellogg School of Management.

José Roberto Haym –Mr. Haym started at Unibanco AIG Seguros in 1992 as its Retail Sales Officer, later performing activities at the Products, Operations and Claims areas. He was appointed Unibanco AIG's Executive Vice President in 1999 and stayed with the company until June, 2004, when he was appointed Executive Officer for the middle market segment of Unibanco. He is responsible for maintaining relationships with corporate clients with annual revenues up to R$150 million. From March 2005 until March 2007, he was also responsible for Unibanco's retail business in the City of São Paulo, managing 250 branches and 126 mini-branches. He was also appointed as the general manager of Unibanco's Mortgage Business in March 2007. Before joining Unibanco, Mr. Haym worked at Citibank's consumer bank for nine years. He holds an economics degree from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro) and an MBA in Finance from Columbia University.

Marcos de Barros Lisboa – Mr. Lisboa was elected to serve as one of our Executive Officers in July 2006. He is also a member of our Executive Committee. From 2001 to 2003, he was Academic Director of the Graduate School of Economics (Escola de Pós Graduação em Economia - EPGE) of Getúlio Vargas Foundation of Rio de Janeiro (Fundação Getulio Vargas do Rio de Janeiro). He was also Secretary of Economic Policy, at Finance Ministry, from 2003 to 2005, and CEO of Brazilian Reinsurance Institute (Instituto de Resseguros do Brasil – IRB), from 2005 to 2006. He holds a Bachelor's degree and a Master's degree in Economics from Rio de Janeiro Federal University (Universidade Federal do Rio de Janeiro) and a PhD in Economics from University of Pennsylvania, United States of America. Mr. Lisboa held academic posts in the U.S. and Brazil, including at the Department of Economics at Stanford University, and at the Getulio Vargas Foundation.

Nicolau Ferreira Chacur – Mr. Chacur joined Unibanco in 2004 and is responsible for the commercial area of the wholesale bank, being in charge of companies with annual sales over R$150 million. He began his career in Banco BBA Creditanstalt S.A. He also worked for Banco Itaú BBA S.A. as a Commercial Officer. He holds a Law degree from the Law School of the University of São Paulo (Universidade de São Paulo) and a degree (Diplôme) from L'Institut d'Etudes Politiques of Paris.

Osias Santana de Brito – Mr. Brito has been an Executive Officer responsible for planning and control division, as well as investor relations. He has more than twenty years of experience in the financial markets, and has had worked for both national and international banks. His banking experience covers many areas, such as technology, operations, treasury and controlling. He holds a Ph.D. and a Masters degree in Finance from the University of São Paulo (Universidade de São Paulo).

Raphael Afonso Godinho de Carvalho – Mr. Carvalho is our Executive Officer in charge of our Consumer Division ("Empresas de Consumo") and our retail bank distribution (branches network) in the Rio de Janeiro and Espirito Santo states. He has previously worked for Nationwide Marítima Vida e Previdência, as Senior Vice President, where, besides Marketing and Sales, he coordinated the association process between Nationwide and Marítima Seguros. He was also the Officer of private pension and insurance in Canada Life Pactual Previdência e Seguros / Banco Pactual S.A. Mr. Carvalho has a degree in mathematics, with emphasis in Computer Systems, from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro), and holds an MBA in Finance from the Institute of Administration and Management of the Catholic University (Pontifícia Universidade Católica) of Rio de Janeiro.

Roberto Lamy – Mr. Lamy joined us in 1979 and was elected to serve as an Executive Officer on April 30, 2004. Prior to such appointment, Mr. Lamy held several senior positions with Unibanco and several of our subsidiaries and affiliates, and with Febraban, including Officer positions at Unibanco, Fininvest and Unicard. Since 2002, he has been a board member of Serasa S/A, appointed by us. He was a University professor and author of a book. He holds a Production Engineering degree and a degree in Mechanical Engineering from the Industrial Engineering School (Faculdade de Engenharia Industrial-FEI).

Rogério Carvalho Braga – Mr. Braga joined us in 1999 as President Officer of Unibanco Companhia de Capitalização S.A. In January of 2000, he became the head of the Human Resources area, serving in that capacity for two years. He was promoted to Executive Officer of Unibanco in February of 2002 at the same time when he was appointed head of the Product and Marketing division of our retail bank. On July 2004, Mr. Braga was nominated President of Banco Dibens and head of the auto finance division, as well as our mortgage and home finance businesses. One year later, he added the responsibility for a fourth of our branch network. During 2004, Mr. Braga also served as Director of Brazilian Bank's Association (Federação Brasileira de Bancos – FEBRABAN), appointed by Unibanco. Mr. Braga holds a Law degree from the Catholic University (Pontifícia Universidade Católica) of São Paulo and an MBA from Pepperdine University.

Officers

Álvaro Augusto Mendes Lopes – Mr. Lopes has been working as an Officer for Unibanco since July 2005, in charge of the retail branches located at Rio de Janeiro, Minas Gerais and Espirito Santo. Prior to this position, in January 2003, Mr. Lopes was CEO for Banco InvestCred Unibanco, a joint venture with Globex Group (Ponto Frio). Mr. Lopes started his career in December 1985, as Trainee for Fininvest and was elected CFO in August 1996. Mr. Lopes has a degree in Administration from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro).

André Sapoznik – Mr. Sapoznik is responsible for the Commercial Development area within the Retail Bank. He joined the Group in 2004 as head of the retail network of Fininvest and has later served as head of Products, Channels and Relationship Marketing for the Retail businesses.. Mr. Sapoznik holds a degree in Production Engineering from Polytechnic School at the University of São Paulo (Escola Politecnica da Universidade de São Paulo) and an MBA from Stanford University.

Antonio Carlos Azevedo – Mr. Azevedo joined Banco Nacional S.A. in 1979, and from 1997 to 2005 has served as an Officer responsible for the coordination of a part of our banking branch network. Presently, he is responsible for our relation with Public Authorities. He graduated in Economics from Santana University (Universidade Santana), and holds a Master's degree in Marketing from the University of São Paulo (Universidade de São Paulo).

Antonio Carlos Azzi Junior – Mr. Azzi has been working with us for 24 years. He has been serving as an Officer responsible for our banking branch network since 1995, has attended several business banking courses by Advance Program of Bank Administration (Programa Avançado de Administração Bancária - PROBANC) as well as a course on corporate strategic planning at Nine July Educative Association (Associação Educacional Nove de Julho) in São Paulo.

Bruno Padilha de Lima Costa – Mr. Padilha was elected to serve as one of our Officers in July 2006. Prior to such appointment, he worked as manager of capital markets, at Banco Bozano, from 1996 to 1999. Mr. Padilha also held several senior positions within Unibanco and its subsidiaries, including the positions of: (i) business officer, at Investshop Brasil, from 1999 to 2001, (ii) Chief Executive Officer ("CEO"), at Unibanco Investshop Corretora, from 2001 to 2003, (iii) Officer responsible for the commercial area and member of the Executive Board of Officers of Banco1.net, from 2001 to 2003, and (iv) Officer responsible for the equity area, at Unibanco Wholesale Bank, from 2003 to 2007. Mr. Padilha has a degree in Corporative Finance and Business Administration from the University of Southern California (USC). He has graduated with honors and was the winner of the Scholarship Achievement Award for 7 semesters.

Cai Alejandro von Igel – Mr. Igel joined us in January 2005 to lead the Compliance & Internal Controls area for the group. Mr. Igel started his career at Deutsche Bank, where he spent 16 years in numerous senior audit management positions in São Paulo, Singapore, New York and as Chief of Staff in Frankfurt. He also was a member of the Global Operational Risk Committee and worked on the implementation of major regulatory frameworks (SOX, Patriot Act, Basel). Mr. Igel holds a degree in Banking from the German Trade Institute (IHK).

Carlos Alberto Bezerra de Moura – With ten years of experience in financial markets, Mr. Moura has been with Unibanco for five years. He began his career as an auditor at Deloitte & Touche, and acted in several business segments. In 1997, he joined Banco Bozano, Simonsen where he participated in the structuring of financial controls of the consumer finance area. In 2001, he became Chief Financial Officer of the financial portal Investshop.com, owned by Bozano Group. In 2002, he joined Unibanco as operational and financial officer of Banco1.net and Investshop.com. In 2004, he assumed the general management of both companies. In 2005, he became the Officer responsible for the financial control of the retail business of Unibanco. He has a degree in Accounting from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro), with specialization in Financial Administration by the Getulio Vargas Foundation (Fundação Getúlio Vargas) and MBA in Administration by the Dom Cabral Foundation (Fundação Dom Cabral) in association with Kellogg School of Management (Northwestern University).

Carlos Eduardo Castro – Mr. Castro joined Unibanco in 2005 and currently is the Officer responsible for Credit for Corporate Entities Retail Trade Area. Before that Mr. Castro was Executive Officer at Interbanco S.A., from 1995 to 2005. From 1990 to 1995, he was Regional Officer of the Corporate Area of Banco Nacional S.A.. Mr. Castro has a graduate degree in Administration from the University of São Paulo (Universidade de São Paulo), with administration specialization from Getúlio Vargas Foundation (Fundação Getúlio Vargas). He also holds an MBA from Administration Institution Foundation of University of São Paulo (Fundação Instituto de Administração da Universidade de São Paulo).

Carlos Elder Maciel de Aquino – Mr. Aquino joined us in 2001 and is presently our Officer responsible for managing internal auditing for our group. He has 27 years of experience in internal audit of financial institutions (Unibanco, Bandeirantes and Banorte). He graduated in Accounting from the Federal University of Pernambuco (Universidade Federal de Pernambuco), and holds a post-graduate degree in Economics Engineering from the Catholic University of Pernambuco (Universidade Católica de Pernambuco) as well as a post-graduate degree in Business Finance from the Superior School of Pernambuco Fundation (FESP – Fundação do Ensino Superior de Pernambuco). Mr. Aquino also holds an executive MBA from the Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais) and an MBA degree at the University of São Paulo (Universidade de São Paulo).

Carlos Henrique Zanvettor – Mr. Zanvettor joined Unibanco in 1998 and was appointed as one of our Officers in 2005. Prior to joining Unibanco, Mr. Zanvettor worked during ten years at Andersen Consulting/Accenture, including two years based in its headquarters in Chicago, Illinois, focusing his consultancy career in key players from the Retail Banking business segment (Consumer Finance and Insurance) and Consumer Goods industries, in Brazil and the U.S. He holds a Bachelor Electric Engineering degree from Escola de Engenharia Mauá (1988), and has concluded the Executive Development Program at Kellog Graduate School of Management – Northwestern University in 1995. Mr. Zanvettor is currently assigned to our Auto Finance and Mortgage business unit, and prior to that was the General Manager of our credit card business unit (Unicard Unibanco).

Claudia Politanski – Ms. Politanski joined us in 1991 and presently serves as our General Counsel, being also a member of our Executive Committee. She graduated with a degree in Law from the University of São Paulo (Universidade de São Paulo) in 1992 and holds a LL.M. degree from the University of Virginia and an MBA granted by Fundação Dom Cabral.

Claudio Coracini – Mr. Coracini joined us in 1992 to work in our mergers and acquisitions sector and has been serving as an Officer responsible for the proprietary investments of the Bank since 1995. He graduated in 1978 in Production Engineering from the Polytechnic School at the

University of São Paulo (Escola Politecnica da Universidade de São Paulo) and holds a Master's degree in Industrial Engineering from Stanford University, California (1980).

Claudio José Coutinho Arromatte – Mr. Arromatte joined Unibanco in 2004 as Operation and Logistic Officer. Since September 2006, he has been in charge of Operations and IT Business Processing for branch activities. Before joining Unibanco, Mr. Arromatte was supply chain Officer at the Pão de Açúcar group and previously in the Sendas group. He also managed Logistics and distribution in Cia. Cervejaria Brahma (current AMBEV) and in Rio de Janeiro Refrescos, the Coca-Cola distributor in the states of Rio de Janeiro and Espírito Santo. He also worked in the logistic and distribution of liquid gas of White Martins industrial. He has a degree in Electric Engineering from the Catholic University of Rio de Janeiro (Pontifícia Universidade Católica do Rio de Janeiro), where he also obtained a masters degree in System's Optimization in 1995.

Edgard Borsoi Viana – Mr. Viana joined Unibanco in January, 2005 and in 2006 became the Officer responsible for Procurement, Engineering and Real State Departments. He graduated as a Principal at A. T. Kearney, from 1998 to 2005. Mr. Viana has a graduate degree in Mechanical Engineering from the Polytechnic School at the University of São Paulo (Escola Politecnica da Universidade de São Paulo), with postgraduate in administration from Getulio Vargas Foundation (Fundação Getúlio Vargas). He also holds an MBA from Harvard Business School.

Fabio Massashi Okumura – Mr. Okumura joined the Bank in July 2005 and is the Officer responsible for the Derivatives activities. Prior to Unibanco, Mr. Okumura was responsible for Brazil at Deutsche Bank where he spent 8 years as an Officer and Head of Trading Desk. Before joining Deutsche Bank, he worked for Chase Manhattan Bank for 6 years as a VP in Option Trading. Mr. Okumura has graduated in Engineering from Escola Politecnica da Universidade de São Paulo in 1987.

Francisco de Assis Crema – Mr. Crema served as our Deputy Officer responsible for onlending transactions of BNDES funds from 2000 to April 2004, when he was elected to serve as an Officer responsible for this sector. Formerly, Mr. Crema held for 20 years the position of executive Officer of Banco Credibanco S.A., being in charge of transactions and project financing. He graduated in Economics and Accounting Sciences from the Economics School of São Luiz (Faculdade de Economia São Luiz) and specialized in Finance.

Humberto Padula Filho – Mr. Padula joined Unibanco in 1982. From June, 1993, until December, 1996, he held the position of Regional Supervisor, and since 1996 he holds the position of Officer of our Rio de Janeiro net. Mr. Padula has participated in several courses of Bank Business from the Advanced Program of Bank Administration (Programa Avançado de Adm. Bancária - PROBANC), among others. Mr. Padula is certificated by ANBID CPA 10 and CPA 20.

José Ramon do Amaral Gomez – Mr. Gomez joined us in 1992 and has held several positions, such as regional manager for market expansion, operations superintendent (Banco1.net), remote banking Officer (Unibanco 30 Horas) and branches Officer in the city of São Paulo. Presently, he coordinates the new businesses operation for market expansion. Mr. Gomez studied Engineering at Mackenzie University (Universidade Mackenzie), graduated in Marketing from Alcântara Machado Integrated School (Faculdades Integradas Alcântara Machado) and holds an MBA degree from Dom Cabral Foundation (Fundação Dom Cabral).

Julio Almeida Gomes – Mr. Gomes joined us in 2002. Since then, he has served as an Officer for the planning and efficiency department, COO and is currently the CIO. Prior to joining us in 2002, Mr. Gomes served as engagement manager of Mckinsey & Company, Dallas from 1999 to 2002, and had already worked with us in the department of cash management and banking services for the wholesale and retail banking from 1997 to 1999. He graduated in Aeronautical Infra–Structure Engineering from the Aeronautical Institute of Technology (Instituto de Tecnologia Aeronáutica) - ITA, focused in operations and planning of airports. In addition, Mr. Gomes holds an M.Sc. degree in Business Administration from the Federal University of Rio Grande do Sul (Universidade Federal do Rio Grande do Sul) and is a PhD Candidate in Operations Management at the Sloan School/MIT.

Luis Tadeu Mantovani Sassi – Mr. Sassi joined us in 1982 as manager of retail banking accounts. In April 1984, Mr. Sassi took the same position at Bozano, Simonsen Bank and returned to work with us in 1985 in the middle market sector. In 2000, Mr. Sassi was nominated Deputy Officer and presently serves as an Officer responsible for the coordination of our branches network. He graduated with an Economics degree from the Catholic University (Pontifícia Universidade Católica) of Campinas in 1981, he holds an MBA from Getúlio Vargas Foundation (Fundação Getúlio Vargas) of Rio de Janeiro and an MBA in Advanced Accountancy and Treasury, from Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais - IBMEC).

Luiz Eduardo Loureiro Veloso – Mr. Veloso joined Unibanco in 1997 with the merger of Banco Nacional into Unibanco. He was Executive Officer of Unibanco AIG Seguros e Previdência from 2002 to 2005. In 2006 Mr. Veloso was elected Officer, being head of the Joint Venture with Banco VR to develop Unibanco's business in the benefit market and responsible for developing strategies for the middle market segment and Small Business Market. Mr. Veloso holds a degree in Administration and International Trading from Italian Brazilian School (Faculdade Ítalo Brasileiro), a degree in Administration for Financial Institutions from the Getulio Vargas Foundation (Fundação Getúlio Vargas) and an Executive MBA degree from the Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais - IBMEC).

Marcelo Ariel Rosenhek – He joined us in 2000 and since 2005 has been responsible for the Asset & Liability Management Group. He also worked in the Investor Relations and in the Investments area. He began his professional career as assistant officer of Brasil Warrant Administração de Bens e Empresas Ltda and later served as Marketing and Product Officer for BWU Video SA (master franchisee of Blockbuster Video in Brazil). On March 2007 Mr. Rosenhek was promoted from Deputy Officer to Officer. He graduated in Civil Engineering from Escola Politécnica at the University of São Paulo in 1990 and holds an MBA from Carnegie Mellon University (1993).

Marcelo da Silva Mitri – Mr. Mitri joined us in 1980 and serves as an Officer responsible for our branch network in the city of São Paulo. He graduated in Business Management from the Missionary Foundation of Superior Studies (Fundação Missioneira de Estudos Superiores) of the city of Santo Ângelo, State of Rio Grande do Sul. He holds a post graduate degree in Monetary Economics from the Regional Foundation of Economics (Fundação Regional de Economia) of the city of Santa Maria, State of Rio Grande do Sul, and received an MBA from Dom Cabral Foundation (Fundação Dom Cabral) of Belo Horizonte, State of Minas Gerais.

Marcelo Luis Orticelli – Mr. Orticelli has been working with us for 18 years, developing planning and controlling activities as well as human resources improvement programs. After serving as a Deputy Officer, in March 2005. Mr. Orticelli was elected to serve as an Officer for risk management area. He graduated in Business Management from the Catholic University (Pontifícia Universidade Católica) of São Paulo and holds a Master's degree from Getúlio Vargas Foundation (Fundação Getúlio Vargas) in cooperation with the University of Texas.

Marcia Maria Freitas de Aguiar – Mrs. Aguiar joined our legal department in 1986. She has been serving as our legal Officer since 1998 and is currently responsible for the Legal Consulting Department, in charge of advising the retail banking and consumer finance groups, as well as for the Litigation Department, in charge of controlling all civil litigation involving Unibanco. She graduated in Law from the University of the State of Rio de Janeiro (Universidade do Estado do Rio de Janeiro) in 1988, and holds a Master's degree in Corporate Law from New York University School of Law.

Marcos Braga Dainesi – Mr. Dainesi joined us in 2003 and serves as Chief Credit Officer – Wholesale Bank. He has been active in the financial markets for over 20 years. During this period, he has worked in five national and international financial institutions, especially in the Credit & Risk Management area. Mr. Dainesi graduated in Engineering from the University of São Paulo (Universidade de São Paulo).

Marcos Augusto Caetano da Silva Filho – Mr. Caetano joined Unibanco in 2004 with the major challenge of establishing and leading the Corporate Communications area. From 2005 to 2006 he was also responsible for Human Resources and all internal culture changes. Prior to his experience at Unibanco, he worked at PricewaterhouseCoopers, Souza Cruz, Banco Nacional, Exprinter Banco (Buenos Aires), Icatu Hartford Seguros, Lokau.com and Terra Lycos. He has bachelor degrees in Accounting Sciences and Business Administration from the Rio de Janeiro State University (UERJ), with a postgraduate degree in Marketing and Publicity by the Escola Superior de Propaganda e Marketing (ESPM) and an MBA in finance from the Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais - IBMEC). At Berkley University (CA), Mr. Caetano attended extension courses.

Moises dos Santos Jardim – Mr. Jardim joined us in 2005 as Financial Officer. He was assigned to our Auto Finance and Mortgage business unit. Mr. Jardim is currently responsible for the Credit Collection area. Before joining us, Mr. Jardim held a position of officer at Fiat Bank S.A. (Banco Fiat

S.A.) from 2003 until 2005. He holds a degree in Financial Planning from Anhembi Morumbi University (Universidade Anhembi Morumbi).

Paulo Meirelles de Oliveira Santos – Mr. Santos joined Unibanco in 2002 and currently serves as the sales Officer of Unibanco's Private Banking, responsible for the management of its commercial teams throughout Brazil. He started working with financial markets in 1983, in banks such as Chase Manhattan Bank, Delta National Bank and Trust Company of New York, Banco Bozano Simonsen S.A. and Banco Santander S.A. Mr. Santos graduated in 1981 in Civil Engineering from the Military Institute of Engineering (Instituto Militar de Engenharia) in the city of Rio de Janeiro, and holds an MBA from the American Graduate School of International Management, in Phoenix, Arizona.

Paulo Pires Vaz – Mr. Vaz was elected to serve as one of our Officers in December 2006. He began his career in 1980, at Multibanco Internacional de Investimento, where he worked as Account Officer, products and marketing manager and treasurer. From 1987 to 1988 he worked as treasury manager at Banco Norchem. In 1988, Mr. Vaz joined Banco Credibanco S.A., where he was elected managing Officer in 1994, responsible for domestic and international treasury and trade finance. From 2000 to 2002 he held the position of Executive Officer at Banco Barclays S.A., being responsible for sales and trading. In March 2003 he joined Unibanco Asset Management, as an Executive Officer and in December 2007 he became responsible for corporate treasury and international trading activities at Unibanco S.A. He was Vice President of the Brazilian National Association of Investment Banks (Associação Nacional de Bancos de Investimento - ANBID) and a board member of Custody and Settlement Chamber (Câmara de Custódia e Liquidação - CETIP-) He is presently a member of the Monetary Policy Committee of National Association of Financial Market Institutions - (Associação Nacional das Instituições do Mercado Financeiro - ANDIMA). Mr. Vaz graduated in Civil Engineering from Rio de Janeiro Engineering School (Escola de Engenharia do Rio de Janeiro) at Gama Filho University (Universidade Gama Filho).

Plínio Cardoso da Costa Patrão – Mr. Patrão joined Unibanco in 1995 as manager of Electronic Channels where he acted in several areas until he assumed the position of Financial Officer in a subsidiary of the group (Tradecom) in 2001. He returned to the bank in 2004 leading the Fraud Prevention and Security Office activities and is the Officer currently responsible for this area. Before joining Unibanco, Mr. Patrão worked in several companies such as Shell, HP and Avibrás. He graduated in Electronic Engineering by the Aeronautical Technology Institute (Instituto Tecnológico de Aeronáutica) in 1986, post-graduated in Marketing by the Catholic University of Rio de Janeiro (Pontifícia Universidade Católica do Rio de Janeiro) in 1994 and holds a masters degree in Business management by Stanford University in 1999.

Ricardo Coutinho – Mr. Coutinho joined Unibanco nine years ago. Since 2002, he has been serving as Officer responsible for retail banking branches in the city of São Paulo. He graduated in Business Management from Ipiranga Associated Schools (Faculdades Associadas Ipiranga), attended an extension course in Marketing at the Superior School of Publicity and Marketing (Escola Superior de Propaganda e Marketing), holds an MBA from Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais), and received a post-graduate degree in Marketing Management from the Methodist University of High Studies.

Rogério Vasconcelos Costa – Mr. Costa has been serving as an Officer for 7 years, responsible for our branch network in the State of São Paulo. He previously worked at Shell Brasil de Petróleo S.A. in their marketing and planning areas, before joining Banco Nacional, where he has been active in the commercial area for 13 years. Mr. Costa received a degree in Business Management, a post-graduate degree in Economics and an MBA from Dom Cabral Foundation (Fundação Dom Cabral).

Romildo Gonçalves Valente – Mr. Valente began his career in the financial market in 1997 at Banco Pactual S.A., and joined us in 1998 in the position of Officer responsible for our credit card transactions sector. Since 2005, he has been serving as middle market companies sales Officer, in charge of Sao Paulo and the southern region of Brazil. Before that he was responsible for the cash management and loans products area. Mr. Valente graduated in Electrical Engineering with a specialization in Electronics from the Military Institute of Engineering (Instituto Militar de Engenharia). He holds an MBA in Financial Engineering from MIT Sloan School of Management and a Master's degree in Computing Science from the Military Institute of Engineering (Instituto Militar de Engenharia).

Rubem Rollemberg Henriques – Mr. Henriques joined us in 1996 to be a regional Officer responsible for several branches located in the city of Rio de Janeiro. From 2002 to 2005, Mr.

Henriques has been serving as Officer responsible for the coordination of our branches network and new business development area in retail banking. Presently, he is responsible for implementation the sales strategies of liabilities in retail banking. He worked at Banco Nacional S.A. from 1986 to 1995 and was responsible for development and marketing strategies of investment products. Mr. Henriques graduated in Business Management and in Systems Analysis from Rio de Janeiro Business Management University. Mr. Henriques received a post-graduate degree in Capital Market from Getúlio Vargas Foundation (Fundação Getúlio Vargas) and MBA from PDGExec-IBMEC (Instituto Brasileiro de Mercado de Capitais).

Sérgio Ricardo Juruena da Costa Braga – Mr. Braga is the Officer responsible for middle market companies in the North Area. Mr. Braga has worked at Unibanco since December, 2003. He began his career at the investment bank BBM in 1989, where he acted as manager of the proprietary treasury at the exchange, debts and share market desks, accumulating relevant experience and knowledge in the functioning of the financial market and in national and foreign economies. In 2001, he assumed the management of BBM, being responsible for the financial company of the group, Creditec CFI, until its acquisition by Unibanco in December 2003. He has a degree in Electronic Engineering from the Federal University of Rio de Janeiro (Universidade Federal do Rio de Janeiro) and holds an MBA from Getulio Vargas Foundation (Fundação Getúlio Vargas) in Rio de Janeiro.

William McDougall Bethlem – Mr. Bethlem is the Officer responsible for International Operations and Global Distribution. In addition, he is President of Unibanco Securities Inc, our broker-dealer based in New York. Before joining Unibanco in 1999, he held the following positions: senior trader at Banco Garantia from 1983 until 1986; Vice President of Bartertrade International, Inc. from 1989 until 1990; Vice-President of Citicorp Securities Inc. responsible for fixed income trading from 1991 until 1994. He also has worked as Vice-President, trader of fixed income at Goldman Sachs & Co. from 1994 until 1997 and as Executive Officer of Goldman Sachs (London) from 1997 until 1998. Mr. Bethlem joined us in 1999 as a Executive Officer at Unibanco Securities Ltd and Representative of Unibanco Representative Office in London. In 2001, he became President of Unibanco Securities Inc. and Representative of Unibanco Representative Office in New York where he stayed until October 2005. During his tenure at Unibanco in Brazil, Mr. Bethlem has also run the Foreign Exchange and Correspondent Banking departments. Mr. Bethlem has a degree in Economics from Catholic University (Pontifícia Universidade Católica) of Rio de Janeiro and holds a MBA from Harvard Business School.

Unibanco Holdings

Unibanco Holdings is managed by its:

- Board of Directors (Conselho de Administração), consisting of three Directors; and
- Board of Officers (Diretoria), consisting of four Officers.

The Board of Directors is Unibanco Holdings' decision-making body. It determines Unibanco Holdings' general corporate guidelines and policies by:

- establishing its corporate strategy;
- reviewing its business plans; and
- supervising and monitoring the activities of its Officers.

The Board of Officers is elected by the Board of Directors, and is responsible for the management and supervision of Unibanco Holdings' corporate activities. It follows and ensures compliance with Unibanco Holdings' general corporate guidelines and policies established by the general shareholders meetings, by Unibanco Holdings' Board of Directors and pursuant to its bylaws. The members of the Board of Officers have the power to act on behalf of Unibanco Holdings pursuant to its bylaws.

As of the date of this annual report, the Directors and Officers of Unibanco Holdings are:

Directors	Position	Date of Birth
Israel Vainboim	Chairman	June 1, 1944
Pedro Moreira Salles	Vice Chairman	October 20, 1959
Guilherme Affonso Ferreira	Director	May 9, 1951

Officers	Position	Date of Birth
Pedro Moreira Salles	Chief Executive Officer	October 20, 1959
Geraldo Travaglia Filho	Officer	May 26, 1951
José Lucas Ferreira de Melo	Officer	December 30, 1956
Marcelo Orticelli	Officer	March 20, 1965

Each Director is elected for a one-year term by the general shareholders meeting and they may be re-elected to subsequent terms. If a Director resigns, they remain in office, or their position remains vacant, until the election of their successor. The current Directors of Unibanco Holdings were elected at the Ordinary Shareholders' meeting held on March 21, 2007.

In accordance with the Shareholders Agreement of Unibanco Holdings, each of its major shareholders may, at their sole discretion, select one person to serve as a member of its Board of Directors, provided that such person is elected in a general shareholders meeting. Currently, there is one Director of Unibanco Holdings who was selected by one of the major shareholders of Unibanco Holdings: Mr. Guilherme Affonso Ferreira, selected by Bahema Group. For a description of Unibanco Holdings' major shareholders see "Item 7.A. Major Shareholders."

The members of the Board of Officers of Unibanco Holdings are elected for one-year terms and they may be re-elected to subsequent terms. If an Officer resigns, they remain in office, or their position remains vacant, until the election of their successor. The most recent Unibanco Holdings' shareholders meeting was held on March 21, 2007. All members of the Board of Officers of Unibanco Holdings were elected at the Board of Directors' meeting held on March 21, 2007.

The biography of Mr. José Lucas Ferreira de Melo, sole member of the administrative body of Unibanco Holdings who is not a member of our Board of Directors or our Board of Officers, is summarized below:

Directors

José Lucas Ferreira de Melo – Mr. Ferreira de Melo joined us as an Executive Officer in 1999. From April 8, 2005 to March 15, 2007, he served as Vice President responsible for the legal, auditing, risk, compliance and institutional relationships areas. Prior to joining us, he served as a Director at the Comissão de Valores Mobiliários (Securities Commission of Brazil) in 1992 and as a partner of PricewaterhouseCoopers Auditores Independentes until 1997. He holds an Accounting degree from the University of Federal District (Universidade do Distrito Federal).

6.B Compensation

Unibanco

Compensation

Our shareholders establish the maximum annual aggregate compensation of our directors, members of the Audit Committee and officers at their annual shareholders meeting. In 2006, the maximum aggregate compensation for members of our Board of Directors, Board of Officers and Audit Committee was:

- R$23,000 thousand for all of our directors and Audit Committee members; and
- R$170,000 thousand for all of our officers.

For the year ended December 31, 2006, our directors, Audit Committee members and officers (92 persons as of such date) were collectively paid approximately R$120.03 million for their services. The directors and officers of all our companies, including Unibanco, received aggregate compensation of approximately R$155.33 million for the year ended December 31, 2006.

For 2007, the maximum aggregate compensation for our Board of Directors, Board of Officers and Audit Committee members will be:

- R$7,000 thousand for all of our directors and Audit Committee members; and

- R$170,000 thousand for all of our officers.

The compensation due to our directors, members of the Audit Committee and officers as salary is paid monthly. In addition, the maximum aggregate compensation mentioned herein includes the amounts to be paid under our bonus program. However, the criteria for granting and paying bonus compensation varies according to the activities performed by the different areas and therefore, the payment of the bonus may vary in accordance with the department and activities performed by each member.

Our directors, Audit Committee members and officers may participate in the same pension plan available to all of our employees. The total amount paid to provide pension, retirement and similar benefits for all of our employees in 2006 was R$24,953 thousand and from January 1st to until March 31, 2007 was R$8,197 thousand.

Directors and Officers Stock Option Plan

On October 31, 2001, our shareholders approved a stock option plan. Through this stock option plan we are able to offer our managers the opportunity to own shares in Unibanco and to thereby benefit from increases in the value of our stock.

On April 8, 2004, our shareholders approved an amendment to the stock option plan which provides that (i) managers may not exercise their options or sell their relevant shares when we or Unibanco Holdings are prohibited by law from selling our own shares; (ii) option exercises may be fulfilled with treasury shares or with shares issued in capital increases; and (iii) the exercise period for options may be extended under limited circumstances from five to eight years.

Under the plan, stock options are granted to select managers for a price based on the market price of our shares at the date of such grant. A special committee, composed of four to six members elected by the President of the Board of Officers of Unibanco, as well as of one member of the Board of Directors of Unibanco Holdings, is responsible for establishing the vesting period of the stock options, which shall be between two and eight years, as well as other specific characteristics of each grant, such as the beneficiaries and the number and amount of options. This committee may not grant options that in any year would represent more than 1% of our total authorized capital and there may not be outstanding options representing, in the aggregate, more than 10% of our total authorized capital at any time.

The objective of the stock option plan is to foster high performance and a long-term commitment from our management, in addition to attracting, retaining and motivating our directors and officers. We began granting stock options on January 21, 2002, with a vesting period of at least three years. As of April 30, 2007, 65 of our managers, as well as eight retired Officers and 19 former Officers had exercised their options to purchase a total of 8,838,591 Units. Approximately 1,268,090 of those Units were purchased by retired officers and 1,142,010 of the total Units were purchased by former Officers. As of the same date, 89 of our managers had still outstanding options to purchase 15,201,419 of our Units. For the year ended December 31, 2006, we recognized R$60 million of compensation expenses related to our stock option plan.

At the Shareholders' Meeting held on March 21, 2007 certain changes to the stock option plan were approved. By means of those changes, an additional form of granting options was established, which the plan calls "Bonus Options". The Bonus Options may only be granted for the executives who use part of their bonus compensation to acquire shares of Unibanco or Unibanco Holdings ("Own

Shares"), who shall be considered by the Stock Options Committee to be eligible to receive such kind of options. There will be no cash exercise price for the Bonus Option, rather the price shall be accomplished by the executive's obligation to maintain ownership of his/her Own Shares during the term set forth in the Unibanco Stock Option Regulation Plan – Performance, without any modification or encumbrance thereto

It is important to note that the original form of granting options is still in force, and it is incumbent upon the Stock Options Committee to decide under which form the options shall be granted.

Unibanco Holdings

The shareholders of Unibanco Holdings establish the annual maximum aggregate compensation of directors and officers at their annual shareholders meeting.

In 2006, the maximum aggregate compensation for Unibanco Holdings' Board of Directors and Board of Officers was:

- R$1,200 thousand per year for the members of the Board of Directors of Unibanco Holdings as a group; and
- R$1,200 thousand per year for the members of the Board of Officers of Unibanco Holdings as a group.

In 2006, the directors and officers of Unibanco Holdings (collectively 10 persons as of December 31, 2006) received, for services in all capacities to Unibanco Holdings, aggregate compensation of approximately R$60.7 thousand. This amount also includes discretionary bonuses based on the profitability of Unibanco Holdings.

For 2007, the maximum aggregate compensation for Unibanco Holdings' Board of Directors and Board of Officers shall be:

- R$480 thousand per year for the members of the Board of Directors of Unibanco Holdings as a group; and
- R$2,400 thousand per year for the members of the Board of Officers of Unibanco Holdings as a group.

6.C Board Practices

For information concerning the election of our and Unibanco Holdings' directors and senior management and their respective terms of office, please see "Item 6. Directors, Senior Management and Employees".

Our and Unibanco Holdings' directors and senior management have not entered into any service contract with us or any of our subsidiaries providing for benefits upon termination of employment.

Neither we nor Unibanco Holdings have a remuneration committee.

Pursuant to our bylaws and to the Brazilian Central Bank regulations, we have appointed an audit committee since April 30, 2004, which acts as an audit committee for all our affiliates and subsidiaries, pursuant to the applicable Brazilian regulations, except for Unibanco Holdings, which has its own audit committee. Additional information regarding the Central Bank's audit committee regulations may be found in "Item 4.B Business Overview—Regulation and Supervision."

Our bylaws require that our Audit Committee be composed of three to five members, each of whom is elected by our shareholders to a five-year maximum term of office. Our Audit Committee's Chairman is elected by our Board of Directors. The members of our Audit Committee may be replaced as follows: (i) in case of a temporary replacement, the Chairman of our Audit Committee will be replaced by another member chosen by the Chairman, and (ii) in the case of a vacancy, such position would be filled by an individual appointed by our Board of Directors. A substitute member will serve on the Audit Committee until such time as our shareholders elect a replacement member to the Audit Committee.

The following individuals were elected to five-year terms as members of our Audit Committee at our April 30, 2004 Ordinary Shareholders Meeting: *Gabriel Jorge Ferreira, Eduardo Augusto de Almeida Guimarães* and *Guy Almeida Andrade.* Additionally, at our March 21, 2007 Ordinary Shareholders' Meeting, the following individuals were elected to join our Audit Committee until the term of office of the abovementioned members has expired: Israel Vainboim and Rogério Paulo Calderón Peres. The election of these two members is still subject to the Central Bank's approval.

Our Audit Committee is required by Brazilian legal regulations to be a statutory body created through a shareholders resolution and, therefore, it must be a separate body from our Board of Directors. Mr. Ferreira was not re-elected as a member of our Board of Directors at our March 21, 2007 Ordinary Shareholders Meeting and Mr. Vainboim is also member of our Board of Directors. In addition, under Brazilian law, the function of hiring independent auditors is reserved for the board of directors of a company. Therefore, our Board of Directors acts as our Audit Committee, as specified in Section 3(a)(58) of the Securities Exchange Act, for purposes of choosing and hiring our independent auditors for audit services provided to our subsidiaries or to us. Except in these respects, our audit committee is comparable to and performs the functions of audit committees of U.S. companies. Since our Audit Committee is not an audit committee of our Board of Directors, but, as required under Central Bank regulations, is a separate organ from our Board of Directors, we have relied on the exemption set forth in Exchange Act Rule 10A-3(c)(3) in this regard. For more information see "Item 16.D – Exemptions from the Listing Standards for Audit Committees."

Except for Mr. Ferreira, who is a director of one of our affiliates, and Mr. Vainboim, who is also a member of our Board of Director, the members of our Audit Committee are compensated by us for their post as members of the audit committee and do not receive any other compensation from our affiliates. Please note that in accordance with the Brazilian Central Bank regulations, Audit Committee members who also serve on the Board of Directors may choose to receive compensation for their service on the Audit Committee or their service on the Board of Directors, but not both.

The powers of the Audit Committee are set forth in Article 38 of our bylaws. Among other things, the Audit Committee is responsible for:

- recommending to our Board of Directors and to each of our consolidated subsidiaries' Board of Directors the appointment of and, if necessary, the replacement of, the respective independent auditors;

- overseeing the work of our independent auditors;

- reviewing our financial statements, before the publication of such documents, including the explanatory notes, management reports and independent auditors' report and the reports issued by the independent auditors of each of our consolidated subsidiaries;

- analyzing the effectiveness of our internal and independent audit procedures and the compliance by management with the audit policies and procedures established by the internal and independent auditors; and

- meeting with our management and our independent and internal auditors, as well as with the management and the independent and internal auditors of each of our consolidated subsidiaries, to verify their compliance with the audit committee's recommendations.

Our Audit Committee holds regular quarterly meetings and also meets whenever our corporate interests so require. Since its creation, the Audit Committee has held meetings at least once a month and has supervised all of our audit activities, including the activities of our affiliates and main subsidiaries as above mentioned. The decisions of the Audit Committee are taken by a majority of votes at a meeting where a majority of the elected members of the Audit Committee are present. In the event of a tie, the Chairman, in addition to his own vote, is entitled to cast the tie-breaking vote.

On November 25, 2004, the Audit Committee's charter was approved by the Board of Directors. Our Board of Directors believes that the establishment of the Audit Committee has strengthened our internal controls and corporate governance and they rely on the activities performed by the Audit Committee to assist with their oversight and administration of our business and operations.

Unibanco Holdings is not required by Brazilian Law to have its own Audit Committee. Notwithstanding the foregoing, Unibanco Holdings has an Audit Committee, which was established by Unibanco Holdings´ Board of Directors in order to comply with the requirements set forth in Rule 10A-3 of the Securities Exchange Act of 1934 and the NYSE Listed Company Manual.

Pursuant to the internal regulations of Unibanco Holdings, Unibanco Holdings' Audit Committee is composed of one member who is elected by Unibanco Holdings' Board of Directors.

Mr. Israel Vainboim, who is also a member of our Audit Committee and of our Board of Directors and the Chairman of Unibanco Holdings' Board of Directors, was elected as the sole member of Unibanco Holdings' Audit Committee at Unibanco Holdings' March 21, 2007 Board of Directors Meeting.

The responsibilities of the Unibanco Holdings' Audit Committee encompass the following activities, among others:

- recommending to Unibanco Holding's Board of Directors the appointment of and, if necessary, the replacement of, Unibanco Holdings' independent auditors;

- overseeing the work of Unibanco Holdings' independent auditors;

- reviewing Unibanco Holdings' financial statements, before the publication of such documents, including the explanatory notes, management reports and independent auditors' report and the reports issued by the independent auditors of each of Unibanco Holdings' consolidated subsidiaries;

- analyzing the effectiveness of Unibanco Holdings' internal and independent audit procedures and compliance by management with the audit policies and procedures established by the internal and independent auditors; and

- meeting with Unibanco Holdings' management, independent and internal auditors, as well as with the management and the independent and internal auditors of each of its consolidated subsidiaries, to verify management's compliance with the Audit Committee's recommendations.

As mentioned above, under Brazilian law, the function of hiring independent auditors is reserved for the board of directors of a company. As a result, the Board of Directors of Unibanco Holdings acts as Unibanco Holdings' Audit Committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of choosing and hiring Unibanco Holding's independent auditors for audit services provided to Unibanco Holdings and its subsidiaries. Except in this respect, Unibanco Holdings' Audit Committee is comparable to and performs the functions of audit committees of U.S. companies.

6.D Employees

Our human resources area, known as *"Pessoas"*(People), is committed to promoting professional growth and aligning the interests of our employees with our strategic objectives. Unibanco People develops tools for improving the process of managing our employees, focusing on professional training and development, capturing and attracting new talent, developing incentive and recognition programs and improving relations between our in-house community (employees) and the external community (government entities and unions).

As of December 31, 2006, we had 32,956 employees, an increase of 11.7% from 29,504 in December 2005.

The following table shows the number of our employees grouped by business area:

Area	Number of Employees as of December 31, 2004	2005	2006
Retail Branches	10,981	11,073	11,421
Corporate-Site Branches	1,053	1,009	1,116
Unicard	197	223	240
Hipercard	211	57	67
Wholesale	390	366	429
Insurance	1,322	1,301	1,330
Unibanco Asset Management	96	89	84
Banco Dibens	47	-	-
Fininvest (1)	2,831	3,755	4,928
Others	10,280	11,631	13,341
Total	27,408	29,504	32,956

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(1) Includes the Hipercard's sales force in 2005 and 2006.

The following tables set forth the number of Unibanco employees grouped by title and region:

Title	Number of Employees as of December 31 2004	2005	2006
Officer	150	115	109
Superintendent	358	316	302
Manager	2,087	2,300	2,521
Others (1)	24,813	26,773	30,024
Total	27,408	29,504	32,956

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(1) Includes employees in foreign offices.

Region	Number of Employees As of December 31, 2004	2005	2006
Southeast	21,866	23,235	25,889
South	2,244	2,358	2,872
Northeast	2,025	2,513	2,755
Center-East	792	892	885
Foreign Offices	353	343	387
North	128	163	168
Total	27,408	29,504	32,956

We believe that we maintain a positive relationship with our employees and their unions. Approximately 47% of our commercial bank employees are members of a union. Collective bargaining agreements with the bank employees' unions typically have 12-month terms and are subject to renewal in September of each year.

By the end of 2006, we had fully implemented a new profit sharing program for our employees. This new program embodies the goals of our corporate culture. In 2006, we distributed R$479 million to our employees under our profit sharing program.

In 2006, our personal support program Fique Ok ("Be OK") was made available to all of our employees and their families. This program assists employees facing adverse situations arising from their personal and professional life, by providing assistance through qualified professionals, available 24 hours a day, seven days a week. A full range of psychological, social, legal and nutritional support is made available under this program. In 2006, more than 21,000 people availed themselves of services offered by Fique OK.

We offer our outstanding senior managers the opportunity to become shareholders through our Stock Option Program which awards exceptional professional performance. As of December 31, 2006, we had granted 27,063,858 stock options exercisable for Units under this program. The exercise period for these options began on January 21, 2005 and will remain in effect until August 29, 2012. Options may be exercised at an average price of R$6.15 per option including the adjustment for the stock dividend that took place in July 2006. During 2006, 4,892,393 options were exercised by our senior managers.

In 2006, we invested approximately R$51 million in training and development activities for our employees, including MBA programs in Brazil and abroad. In 2006, we offered the following new in-house courses to our employees: "Qualidade no Atendimento" (Quality in Service) a "Programa Formação de Gerentes" (Management Training Program) and "Qualidade em Vendas" (Quality in Sales).

We have been undertaking employee satisfaction surveys since 1997. These surveys are conducted by external consultants and they are an important factor in our ability to assess our organizational climate, identify areas in need of improvement and take required actions to provide employees with concrete solutions to foster a healthy working environment that supports personal development. In 2006, the general satisfaction of our employees was 75, as measured on a scale from 0 to 100 and their motivation index reached a historical record of 79% according to the same study. This historical record was one of the reasons that we were selected as one of the best companies to work for in Brazil in 2006, according to the Great Place to Work consulting firm. Additionally, in 2006, we were recognized as one of top five companies in Brazil for our ability to manage more than 10,000 employees, according to Valor Econômico Newspaper, in a study conducted by the Hay Group.

Jeito Unibanco

In 2006, we created and distributed information to all of our employees about our internal culture, called *Jeito Unibanco* ("the Unibanco Way"). *Jeito Unibanco* is comprised of ten principles that we expect each of our employees to embody. Approximately 8,500 of our employees from different areas, positions and regions throughout Brazil took part in qualitative and quantitative surveys designed to define the Unibanco Way.

The Unibanco Way has also been widely disseminated through internal communication channels, training sessions and recruiting and selection procedures. All of our employees are required to sign a manual that outlines the terms of this commitment. The Unibanco Way is an integral part of our corporate culture.

UNIBANCO HOLDINGS

Unibanco Holdings, a corporation organized under the laws of Brazil, controls us through its ownership of our shares. Unibanco Holdings' assets consist exclusively of its participation in our capital. The entirety of Unibanco Holdings equity is invested in Unibanco - União de Bancos Brasileiros S.A., and therefore in 2006, all of its employees were registered in Unibanco – União de bancos Brasileiros.

As of May 31, 2007, Unibanco Holdings held 97.1% of our outstanding common shares and 12.6% of our outstanding preferred shares. Unibanco Holdings engages in no activities other than holding our shares.

6.E Share Ownership

Equity Ownership of Directors and Officers

See "Item 7.A Major Shareholders" for a description of the stock ownership of our Directors and Officers (as a group) in Unibanco and see "Item 6.B Compensation — Unibanco — Directors and Officers Stock Option Plan" for a description of our stock option plan for selected members of management.

Beginning in September 1988, we established a stock purchase plan pursuant to which our Officers and Directors, and those of our subsidiaries, could purchase preferred shares in installments from one of our subsidiaries, which was incorporated, on January 29, 2001 by E. Johnston Representação e Participações S. A., or E. Johnston, a company controlled by the Moreira Salles family.

Since the implementation of our new Directors' and Officers' stock option plan in 2001, we no longer sell shares under the E. Johnston purchase plan.

On April 15, 2004, E. Johnston's shareholders approved a reduction of capital pursuant to which preferred shareholders received Units held by E. Johnston in exchange for their preferred shares.

Units held under such stock option plan are eligible for repurchase by E. Johnston or may be traded directly in the stock market, upon the retirement, death or permanent incapacity of the participants in our stock option plan, upon completion of the terms and conditions established in such plan or upon the participants leaving Unibanco.

As of April 30, 2007, apart from their direct ownership of our capital stock, members of our Board of Directors, Officers and members of our management held Units under the E. Johnston stock purchase plan representing approximately 0.1029% of our capital and 0.1758% of Unibanco Holdings' capital.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A Major Shareholders

Unibanco

Each of our common shares entitles its holder to one vote at any shareholders meeting. Our preferred shares carry no voting rights. See also "Risk Factors—Risks Relating to the Global Depositary Shares and Units—Absence of Voting Rights for the Units". Unibanco Holdings controls us through its ownership of common shares representing 97.080% of our voting interest, as of May 31, 2007.

The following table shows the beneficial ownership of our outstanding common and preferred shares as of May 31, 2007. We believe that only those shareholders mentioned in the table below hold our shares.

	Unibanco Common Shares		Unibanco Preferred Shares	
Shareholder	**Number**	**% of Total**	**Number**	**% of Total**
Unibanco Holdings.......................	1,467,184,984	97.080	162,235,795	12.514
Float [1]	44,130,918	2.920	1,121,258,980	86.488
Directors and Executive Officers[2] .	434	0.000	8,810,223	0.680
Treasury	0	0.000	4,134,474	0.319
Total...	1,511,316,336	100.000	1,296,439,472	100.000

(1) Consisting of our floating shares in the market (Units – preferred shares), in Brazil and U.S.
(2) Comprises all of our Directors and Executive Officers.

Unibanco Holdings

Each of Unibanco Holdings' common shares entitles its holder to one vote at any shareholders meeting. The preferred shares of Unibanco Holdings grant no voting right. E. Johnston Representação e Participações S.A., or E. Johnston, a company controlled by the Moreira Salles family, controls Unibanco Holdings through its ownership of common shares representing 92.656% of its voting interest on May 31, 2007.

The following table shows the beneficial ownership of the outstanding common and preferred shares of Unibanco Holdings as of May 31, 2007. We believe that only those shareholders mentioned in the table below hold shares of Unibanco Holdings.

Shareholder	Unibanco Holdings Common Shares Number	% of Total	Unibanco Holdings Preferred Shares Number	% of Total
Moreira Salles Group, through E. Johnston Representação e Participações, S.A.	513,067,636	92.656	385,284	0.035
Bahema Group	28,337,826	5.118	0	0.000
Sul America Group	12,330,436	2.227	0	0.000
Float (1)	6	0.000	1,070,195,194	98.196
Directors and Officers(2)	0	0.000	5,104,439	0.468
Treasury	0	0.000	14,166,866	1.300
Total	553,735,904	100.00	1,089,851,783	100.000

(1) Consisting of Unibanco Holdings floating shares in the market (Units – preferred shares), in Brazil and U.S.

(2) Comprises all of the Directors and Executive Officers of Unibanco Holdings.

On May 31, 2007, we had 78,706,171 outstanding Global Depositary Shares, or GDSs, held by approximately 17 record (registered) holders. The Shareholders' Extraordinary Meeting, held by us and by Unibanco Holdings on June 29, 2006, approved a change of the ratio of the GDSs to Units to one (1) GDS per every ten (10) Units. 60.7% of our total preferred shares and 72.2% of Unibanco Holdings' total preferred shares were held in the United States in the form of GDSs. See also "Risk Factors—Risks Relating to the Global Depositary Shares and Units—Absence of Voting Rights for the Units".

Significant Changes in Ownership

In June 2004, we announced the acquisition of the entire capital of Banco BNL do Brasil S.A., or BNL Brasil, from Banca Nazionale del Lavoro S.p.A, or BNL, and its subsidiary BNL International Investments S.A., or BNL II. BNL Brasil's total capital was valued approximately at R$110 million, and BNL received 10 million of our Units in this transaction, representing, directly and indirectly, 1.43% of Unibanco's capital.

On February 4, 2005, Commerzbank and BNL sold an aggregate of approximately 46 million of our Units in a global secondary offering to (i) the public in Brazil, (ii) certain qualified institutional buyers in the United States, and (iii) institutional investors and other investors elsewhere outside Brazil and the United States. As a result of this offering, Commerzbank and BNL have liquidated their entire direct and indirect equity interests in us, which prior to the offering represented 5.2% and 1.6% of our outstanding preferred shares, respectively. However, we maintain our current commercial relationships with Commerzbank and BNL.

On September 13, 2005, Caixa Brasil, SGPS, S.A. sold an aggregate of approximately 86 million of our Units in a global secondary offering to (i) the public in Brazil, (ii) certain qualified institutional buyers in the United States, and (iii) institutional investors and other investors elsewhere outside Brazil and the United States. As a result of this offering, Caixa Brasil, SGPS, S.A. has liquidated its entire direct and indirect equity interest in us and Unibanco Holdings, which prior to the offering represented 13.19% of Unibanco and 15.57% of Unibanco Holdings preferred shares. However, we maintain our current commercial relationships with Caixa Brasil, SGPS, S.A. These are the only significant changes in the ownership of Unibanco Holdings' shares and our shares during the past three years.

7.B Related Party Transactions

Certain Relationships and Related Party Transactions

Summarized below are all of the material transactions known to us between ourselves, Unibanco Holdings or any of our subsidiaries and any of our directors, statutory officers or shareholders which hold more than 5% of any of our or Unibanco Holdings' classes of shares, or the family members of such directors, officers and shareholders, as well as any enterprises in which such parties own a substantial interest or over which they can exercise significant influence.

Under Brazilian law, financial institutions may not grant loans or advances to affiliates, statutory officers, directors or their family members, nor to any enterprises in which such parties, with few exceptions, own more than 10%. For the purposes of this law, affiliates include companies in which a financial institution holds 10% or more of the capital stock or which hold 10% or more of a financial institution's capital stock. Therefore, we have not made any loans or advances to the abovementioned persons, which include, among others, Unibanco Holdings and our non-financial subsidiaries. Without prejudice to the foregoing, this prohibition does not prevent Unibanco Holdings nor any of our non-financial subsidiaries from lending resources to the aforementioned persons, and it does not limit our ability to enter into transactions in the interbank market with our affiliates that are financial institutions (For additional information, see note 4 to the financial statements).

Distribution of Financial Products

Certain of our subsidiaries, such as Unibanco AIG Seguros S.A., Unibanco AIG Previdência S.A., Unibanco Companhia de Capitalização S.A., Unicard Banco Múltiplo S.A., Unibanco-Rodobens Administradora de Consórcios Ltda. and Cia. Hipotecária Unibanco-Rodobens, have entered into distribution agreements with us. These agreements govern the use of our branch network as a distribution channel for insurance products, pension plans, consortium quotas, credit cards, individual financing related to real estate and other products.

Service Agreements

In addition, certain of our subsidiaries, such as Banco Investcred Unibanco S.A., Cia Hipotecária Unibanco-Rodobens and Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento, have entered into service agreements with us. The purpose of such agreements is to establish the criteria under which (a) our and our subsidiaries' administrative and operational structures may be shared in order to achieve greater competitive results, assets and business, and/or (b) the proceedings relating to certain financial activities may be performed by us and our subsidiaries.

Loans in Connection with the Units Offering

To assist our employees and our subsidiaries in purchasing Units in both the February 2005 and the September 2005 secondary global offerings of Units, *Instituto Pedro di Perna*, an institution supported by us and our subsidiaries' employees, financed Units purchased by such persons in the retail offerings in Brazil, up to a limit of three times their respective monthly wage.

ITEM 8. FINANCIAL INFORMATION

8.A Consolidated Statements and Other Financial Information

LEGAL PROCEEDINGS

Overview

We are a party to numerous lawsuits and administrative proceedings that have arisen during the normal course of our business. Our financial statements only include reserves for probable and reasonably estimable losses and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. At December 31, 2006, our provisions for such contingencies were approximately R$2,968 million, which we believe would be sufficient to meet probable and reasonably estimated losses in the event we receive an unfavorable ruling in any of the legal proceedings to which we are a party. However, we cannot provide any assurance that these reserves will be sufficient to meet our potential losses. We believe that any potential liabilities related to these lawsuits and administrative proceedings will not have a material adverse effect on our financial condition or results.

Civil Litigation - General Information

We are involved in numerous civil lawsuits that have arisen during the normal course of our business. We are not able to currently predict the amounts involved in all of such claims, due to the nature of the matters involved. However, we believe that any potential liabilities related to these lawsuits will not have a material adverse effect on our financial condition or results. We are a party to (a) certain lawsuits filed by individual minority shareholders related to equity losses arising from corporate reorganizations associated with our acquisition of certain Brazilian financial institutions, (b) several class action suits that are primarily related to our banking activities and Brazilian government economic policies (we are a defendant in these lawsuits with certain other Brazilian financial institutions) and (c) various other lawsuits. We have detailed below the most significant civil lawsuits that we are currently involved in:

Citizen's Action

On November 18, 1995, the Central Bank of Brazil authorized us to acquire certain assets and liabilities of Banco Nacional S.A. ("Banco Nacional"). In view of such acquisition, we are a party to a lawsuit initiated as a citizen's action (ação popular) against Banco Nacional, the Central Bank of Brazil and us. This lawsuit claims that certain loans, totaling approximately R$2 billion in their original amount, were fraudulently granted to Banco Nacional by the Central Bank of Brazil. We are involved in this lawsuit because the plaintiffs allege that a portion of the proceedings from such loans was transferred by Banco Nacional to us under the assets and liabilities acquisition mentioned above. The citizen's action seeks a judgment declaring all such loans to be null and void and demands the repayment of the amounts disbursed by the Brazilian Treasury. In June 1997, a lower District Court of Appeals removed us from the claim. This decision was appealed by the plaintiffs. Such appeals were rejected by the Superior Court of Justice and by the Federal Supreme Court. In October 2005, the Federal Supreme Court decided that the competent court to hear the case was the Federal court and the appeal was sent to a lower Federal court. There will be opinion testimony by experts. We have not provisioned any amounts in connection with this lawsuit because we anticipate that the lower court will reject the plaintiffs' appeal and will affirm our removal from this lawsuit.

Litigation Arising from Government Economic Stabilization Plans

Between 1986 and 1994, several Government economic stabilization plans caused intense litigation against banks, including us. In addition to lawsuits brought by individual investors, we are a party to 35 lawsuits brought by consumer protection associations or public attorneys. In all such lawsuits, plaintiffs have argued that the laws which established official inflation and/or deflation indices were unconstitutional and, because such indexes did not reflect true inflation, the banks have to pay to the investors the amounts corresponding to the difference between the indexes applied and the indexes that were in force before the enactment of each plan. The banks have argued that the laws were constitutional and that the banking industry was only acting in compliance with federal laws and regulations in this regard. The Superior Justice Courts have been deciding such cases against the banks, but the Federal Supreme Court has yet to take a clear position on them. In the past months, the banking industry has experienced an increase in the number of lawsuits brought by investors and consumer protection associations, mainly because of the passage, in June 2007, of the 20 year statute of limitation term applicable to the first economic plan – the so-called "Bresser Plan". We have recorded provisions for such claims based on the number of lawsuits brought by individual investors. We believe that, since the indexes applied by the banks were determined by Federal Government Laws and Regulations, in case the Supreme Court decides the issue against the banks, they will have the right to pursue indemnification from the Government.

Tax Litigation

We are involved in several tax disputes, including judicial lawsuits and administrative proceedings, mainly relating to the constitutionality and legality of certain taxes imposed on us by the Brazilian government, among which the most relevant are claims in connection with: (i) the expansion of the calculation basis of PIS and COFINS set forth by Law 9.718, (ii) the imposition of different rates of social contribution taxes on income (CSLL) to the Financial System and its imposition on companies with no employees, and (iii) the imposition of CPMF tax on leasing companies.

As of December 31, 2006, we have provisioned approximately R$1,867 million in connection with our tax pending disputes. According to our policy, we record provisions for lawsuits only when we believe it is probable that we will incur losses as a result of such disputes or when the tax matter under discussion is expressly due by force of law or regulation, regardless of the existence of a lawsuit or a dispute in connection thereto. With respect to tax administrative proceedings, we do not record provisions when the probability of loss is remote or possible and we usually pay/settle the amounts due thereunder when there is high probability of loss. For more information concerning our record policies, please see note 30 to the financial statements.

On November 9, 2005, the Federal Supreme Court ruled that the expansion of the calculation basis used to assess PIS and COFINS taxes was unconstitutional. Although we were not a party to the dispute in question, this ruling indicates that we will be successful in our claims related to this issue. Unibanco Holdings has already received a definitive favorable decision on a lawsuit relating to this matter and, as a result, the provision related to this dispute was reverted. Notwithstanding the foregoing, we cannot state at this time when we will receive a ruling on our remaining disputes relating to this issue and, until we are granted a final decision on them, we will continue to follow the guidance of the FAS 5 "Accounting for Contingencies" and will maintain the provision of R$942 million that we have allocated as of December 31, 2006, for such disputes.

We are also a party to several judicial disputes discussing the levy of the social contribution tax on income (CSLL) in the case of companies that do not have employees. As of December 31, 2006, the corresponding accounted provision related to these disputes was of approximately R$136 million.

On February 14, 2007, the Superior Court of Justice ruled that leasing companies shall be considered financial institutions and therefore shall benefit from CPMF exemption on financial transfers related to any funding or investments made in the course of the financial business. Although we were not a party to the dispute in question, this ruling indicates that we will succeed in our claims related to this issue. As of December 31, 2006, we have provisioned approximately R$198 million in connection with these disputes.

In addition, Unibanco Holdings is involved in a tax dispute relating to the assessment of PIS and COFINS on earnings from interest on capital stock ("juros sobre capital próprio"). Unibanco Holdings has already received a favorable decision on this matter from the lower courts, but it is currently subject to appeal by the Government and to further analyses by a superior court. We have provisioned R$132 million in connection with this dispute.

We understand that we have made adequate provisions for our pending tax disputes, and we believe that an unfavorable outcome in some or all of the pending tax disputes to which we are party, or our eventual decision to make additional provisions, would not have a material adverse effect on our business.

Labor Litigation

Labor unions and former employees have filed several lawsuits against us seeking compensation for alleged violations of their labor rights. There are currently approximately 12,000 labor claims filed against us. Our individual labor lawsuits primarily relate to overtime pay and salary parity. Our collective labor lawsuits primarily relate to strikes and salary differences resulting from economic plans established by the Federal Government. For the fiscal year ended December 31, 2006, we paid approximately R$644 million in settlements with former employees and judgments imposed by the labor courts.

Pursuant to the advice of our legal counsel, we provision funds for labor lawsuits based on the average amounts we paid for similar claims during the previous twelve-month period, plus the respective social security contribution and the income tax, with such provisions reviewed monthly. Based on the criteria mentioned above, we have provisioned approximately R$600 million as of December 31, 2006. We believe this amount is sufficient to cover all the losses that we may incur from such lawsuits.

Settlements Related to Banco Nacional Acquisition

Actions Related to the Former Controlling Shareholders of Banco Nacional. In connection with the acquisition of Banco Nacional, the former controlling shareholders of Banco Nacional filed suit against the Central Bank of Brazil, Unibanco Holdings and us, alleging damages caused by such sale and demanding compensation totaling R$1.5 billion. Notwithstanding the foregoing, in July 2006, we reached an agreement with such shareholders pursuant to which they agreed to terminate all pending lawsuits and to waive all claims set forth in the lawsuits.

Dividend Distributions

Brazilian law requires corporations to pay their shareholders a dividend distribution of at least 25% of net income. For more information on our and Unibanco Holdings' dividend distribution policies, see "Item 10.B Additional Information - Memorandum and Articles of Association".

8.B Significant Changes

Since December 31, 2006, neither we nor Unibanco Holdings have experienced any significant changes that would have a material impact on our Company or results of operations.

ITEM 9. THE OFFER AND LISTING

9.A Offer and Listing Details

In July 2006, we received Central Bank and CVM approval of the increase in our capital stock by means of an issuance of new shares in the form of a stock dividend (holders received one (1) Unit for each Unit held). This stock dividend was approved by our Extraordinary Shareholders Meeting on June 29, 2006, and was accompanied by a ratio change in our and Unibanco Holdings' Global Depositary Shares Program ("GDS") from a ratio of five (5) Units per GDS to ten (10) Units per GDS.

On December 1, 2005, we were selected to join the BOVESPA ISE (Corporate Sustainability Index), along with 27 other companies. BOVESPA analyzed 121 listed companies and chose those with the best sustainability and corporate governance criteria for the BOVESPA ISE. The main purpose of BOVESPA's Corporate Sustainability Index is to create an investment environment that is compatible with societal demands for sustainable development as well as to stimulate ethical responsibility among corporations. The ISE Index reflects the return of a portfolio composed of stocks of companies committed to social responsibility and corporate sustainability, and actions that promote good practices in the Brazilian market. On December 1, 2006, we were selected to be part of the ISE Index again in 2007. In its second year, the ISE Index is composed of 43 stocks of 34 companies. The new theoretical portfolio is valid for one year, from December 2006 to November 2007. Unibanco's weighting is 5.884% of the total Index.

As of May 2, 2005, the Unit was included in the Ibovespa Index (Indice BOVESPA) of the BOVESPA. The Ibovespa Index is currently composed of 60 stocks. In order to be included in this index, a stock must (i) be included in a group of stocks in which the sum of the Negotiability Indices represents 80% of the accumulated value of the Negotiability Indices of all individual stocks; (ii) have a participation above 0.1% of the BOVESPA's total volume in the last 12 months; and (iii) trade in at least 80% of the sessions in the last 12 months. The inclusion in the Ibovespa Index was a step towards increasing the liquidity of our Units in the Brazilian market. From May 2007 to August 2007 the weight of our Units in the theoretical portfolio of the Ibovespa Index was 1.946%. Since its inclusion in the Ibovespa its weighting increased more than 98%.

As of September 1, 2004, the Unit was included in the Brazil Index-50 (*Indice Brasil-50*), or IBrX-50 Index, of the BOVESPA. The IBrX-50 Index is composed of the 50 stocks with the highest trade index on the BOVESPA and that were traded in at least 80% of the sessions in the last twelve months. From May 2007 to August 2007, the weight of our Units in the theoretical portfolio of the IBrX-50 Index was 3.464%.

On August 30, 2004, we consummated the reverse stock split of our and Unibanco Holdings' respective common and preferred shares, including shares included in the Units, at the ratio of 100 shares to one share. We believe that the reverse stock split provided more efficiency in our relationship with our shareholders and increased our stock liquidity.

Our Units are listed and traded on the BOVESPA under the symbol "UBBR11" and are also listed and traded on the NYSE, in the form of GDSs, under the symbol "UBB." Each GDS is equivalent to ten Units. For more information on this subject, see "Item 10.B. Memorandum and Articles of Association." Our common shares and preferred shares and the preferred shares of Unibanco Holdings are listed and traded on the BOVESPA. Our common shares are listed under the symbol

"UBBR3," our preferred shares are listed under the symbol "UBBR4" and the preferred shares of Unibanco Holdings are listed under the symbol "UBHD6."

9.C Markets

The table below sets forth, for the indicated period, the high and low market prices of the GDSs on the NYSE, in U.S. dollars, and the Units on the BOVESPA, in *reais*, as adjusted to reflect the reverse stock split and the stock dividend, as well as the payment of dividends or interest on own capital in subsequent periods:

	NYSE		BOVESPA	
	US$ per GDS		R$ per Unit (1)	
	High	Low	High	Low
2002	27.70	6.25	4.92	1.94
2003	25.21	9.60	6.17	2.86
2004	31.84	16.70	7.85	4.50
First quarter	27.14	21.42	6.61	5.36
Second quarter	25.95	16.70	6.42	4.50
Third quarter	24.23	19.67	6.37	5.23
Fourth quarter	31.84	24.05	7.85	6.10
2005	66.70	28.35	14.57	6.93
First quarter	39.39	28.35	9.46	6.93
Second quarter	38.90	32.38	8.57	7.44
Third quarter	52.69	34.61	11.04	7.59
Fourth quarter	66.70	47.31	14.57	9.93
2006	94.73	57.14	20.15	12.27
First quarter	90.00	64.50	18.10	13.24
Second quarter	86.49	57.14	16.92	12.42
Third quarter	76.60	58.65	15.86	12.27
Fourth quarter	94.73	73.39	20.15	15.35
2007	115.38	80.41	22.45	17.03
January	97.50	87.08	21.01	18.62
February	99.75	82.56	20.79	17.73
March	91.13	80.41	18.72	17.03
April	101.76	86.65	20.62	17.75
May	115.38	95.84	22.45	19.65

(1) The Unit prices were adjusted to reflect the reverse stock split before August 30, 2004 and the Stock Dividend, approved in June 29,2006.

ITEM 10. ADDITIONAL INFORMATION

10.B Memorandum and Articles of Association

Summary of the Bylaws of Unibanco—União de Bancos Brasileiros S.A. and of Unibanco Holdings S.A.

We are a financial institution incorporated under the laws of the Federative Republic of Brazil, duly authorized to conduct business by the Central Bank of Brazil. Our Corporate Taxpayers Enrollment Number (CNPJ) is 33.700.394/0001-40 and our Board of Trade of the State of São Paulo Enrollment Number (NIRE) is 35.300.102.771.

Unibanco Holdings is incorporated under the laws of the Federative Republic of Brazil. Its Corporate Taxpayers Enrollment Number (CNPJ) is 00.022.034/0001-87 and its Board of Trade of the State of São Paulo Enrollment Number (NIRE) is 35.300.140.443.

The information below refers to our and Unibanco Holdings' most recent bylaws, which include, as the case may be, the amendments approved by the shareholders of Unibanco Holdings and those that were approved by our shareholders on March 21, 2007. Our March 21, 2007 Shareholders Meeting is currently subject to the Central Bank's approval.

Objectives and Purposes

Unibanco

Our corporate objective and purpose, as described in article 2 of our bylaws, is to perform those operations and services that may be performed by financial institutions according to Brazilian Law. This includes conducting foreign exchange activities and participating in the share capital of other companies, pursuant to applicable legal and statutory provisions. However, we may not (i) acquire real estate not intended for our own use, with the exception of certain cases permitted by law or (ii) issue debentures or *partes beneficiárias*.

Unibanco Holdings

Unibanco Holdings' objective and purpose, as described in article 2 of its bylaws, is to participate in the share capital of other companies. Unibanco Holdings exclusively holds equity interest in Unibanco. It does not currently intend to conduct any activity other than holding Unibanco's common shares and preferred shares, on a permanent basis.

Directors and Officers

Unibanco

We are managed by: (i) a Board of Directors, and (ii) a Board of Officers.

Board of Directors

Our Board of Directors may consist of between four and nine directors at any given time. Directors are elected to a one-year term by our shareholders at the annual shareholders meeting. Pursuant to the Brazilian Corporation Law and our bylaws, only shareholders of a company are entitled to serve as directors of the company. Neither the Brazilian Corporation Law nor our bylaws specify a minimum number or class of shares that a director must own.

Our Board of Directors ordinarily meets once each quarter in additional to any time that corporate interests so require. The decisions of our Board of Directors are taken by a majority of votes with the attendance of at least half of our directors. In the event of a tie, the Chairman (or the Vice Chairman if the Chairman is not present at the relevant meeting), in addition to his own vote, is entitled to cast the tie-breaking vote. Article 15 of our bylaws specifies that the age limit for serving on our Board of Directors is 65 years old. This limit may be extended at the Board of Directors' discretion.

Article 16 of our bylaws lists the exclusive powers of our Board of Directors. Pursuant to this provision, the Board has the power, among other things, to:

- elect our Officers;
- determine the remuneration of each member of our Board of Directors, our Audit Committee and our Board of Officers, subject to the aggregate maximum amount approved for each such corporate body, by shareholders at the annual shareholders meeting;
- appoint and remove the independent auditors, taking into consideration the recommendation of the Audit Committee;
- determine the performance bonus of each member of our Board of Directors and our Board of Officers;
- establish general guidance regarding the conduct of our business and our policies;
- decide on mergers, acquisitions, increases and decreases of our equity investments in our subsidiaries, affiliates and partnerships; and

- decide on joint ventures involving Unibanco and takeover bids performed by Unibanco for other companies.

Board of Officers

Our Board of Officers may be composed of up to 150 members, including:

- one Chief Executive Officer;
- up to 10 Vice-Presidents; and
- up to 139 Executive Officers, Officers and Deputy Officers.

All members of the Board of Officers are elected to a one-year term of office by our Directors at the Board of Directors meeting. The Board of Executive Officers is responsible for the management and supervision of our corporate activities and the Board of Officers has the power to act on our behalf in accordance with our bylaws.

Article 20 of our bylaws specifies that the age limit for holding a position on our Board of Officers is 60 years old. However, as approved at the Board of Directors Meeting on April 30, 2004, our CEO may decide on the convenience of the reelection of an officer upon his/her 58^{th} birthday. The limit of 60 years old may be waived at the Board of Directors' discretion. In addition, pursuant to the Brazilian Corporation Law and our bylaws, all of our officers must reside in Brazil.

Unibanco Holdings

Unibanco Holdings is also managed by a Board of Directors and a Board of Officers.

Board of Directors

The Board of Directors may be made up of between three and eleven directors. Directors are elected to a one-year term by the shareholders at the annual shareholders meeting. Pursuant to the Brazilian Corporation Law and the bylaws of Unibanco Holdings, only shareholders of a company are entitled to serve as a director of the company. Neither the Brazilian Corporation Law nor Unibanco Holdings' bylaws specify a minimum number or class of shares that a director must own.

Unibanco Holdings' bylaws do not specify an age limit for serving on the Board of Directors.

Article 16 of Unibanco Holdings' bylaws lists the exclusive powers of its Board of Directors. Pursuant to this provision, the Board has the power, among other things, to:

- elect the Officers of the company;
- determine the remuneration of each member of the Board of Directors and the Board of Officers, subject to the maximum aggregate amount approved for each such corporate body, by shareholders at the annual shareholders meeting;
- appoint and remove the independent auditors, taking in consideration the recommendation of the Audit Committee;
- establish general guidance regarding the conduct of Unibanco Holdings' business and policies;
- decide on mergers, acquisitions, increases and decreases of equity investments in our subsidiaries, affiliates and partnerships of Unibanco Holdings; and
- decide on joint ventures involving Unibanco Holdings and takeover bids performed by Unibanco Holdings for other companies.

The Board of Directors ordinarily meets twice a year and also meets whenever corporate interests so require. The decisions of the Board of Directors are taken by a majority of votes with the attendance of at least half of the directors. The directors of Unibanco Holdings are now permitted to participate in a Board of Directors meeting through video conference or any other manner that enables the director to be seen or heard. It is also possible for the directors to participate by sending their written vote prior to the meeting. In the event of a tie, the Chairman (or the Vice Chairman if the Chairman is not present at the relevant meeting), in addition to his own vote, is entitled to cast the tie-breaking vote.

Board of Officers

The Board of Officers is made up of between three and five officers: one Chief Executive Officer and between two to four Officers. All members are elected by the Board of Directors to a one-year term. Unibanco Holdings' bylaws do not specify an age limit for membership on the Board of Officers. Pursuant to the Brazilian Corporation Law and Unibanco Holdings' bylaws, all officers must reside in Brazil.

The Board of Officers is responsible for the management and supervision of Unibanco Holdings' corporate activities and has the power to act on behalf of Unibanco Holdings in accordance with its bylaws.

Certain Provisions of Brazilian Law

Under Brazilian law, the controlling shareholders, directors and officers may not take or receive loans, pledges or advances from financial institutions in which they are shareholders, directors and/or officers. In addition, financial institutions may not grant loans or advances to their affiliates, controlling shareholders, officers, directors and their respective relatives nor to companies in which these persons hold more than 10% of the share capital or hold a managing position.

Directors and officers may not take part in any corporate transaction or deliberate with respect to any corporate transaction in which they have a conflict of interest with the company of which they are a director or officer. Any director or officer who believes he may have a conflict must inform the company's other officers and/or directors, as the case may be, of the nature and extent of his interest in the transaction.

Audit Committee

See "Item 6.C Board Practices" for information regarding our and Unibanco Holdings' Audit Committee.

Description of Capital Stock

General

Unibanco

At the April 30, 2004 Extraordinary Shareholders Meeting, our shareholders approved a reverse stock split of our common and preferred shares, including our Units, at a ratio of 100 shares to 1 share. This reverse stock split was implemented on August 30, 2004.

At our June 29, 2006 Extraordinary Shareholders Meeting, our shareholders approved an increase of R$3,000,000 thousand to our corporate capital, thereby increasing our overall corporate capital from R$5,000,000 thousand to R$8,000,000 thousand, through the capitalization of (i) all of the funds previously allocated to one of our statutory reserves account and (ii) R$2,885,732 thousand, which was previously allocated in a reserve designed to ensure that we maintain adequate operating margins. This increase in our corporate capital was effected by means of the issuance of 1,398,897,476 new shares, entitling each of our shareholders to receive, in the form of a stock dividend, one (1) new share of the same type for every share held as of the record date ("*Bonificação de Ações*"). This *Bonificação de Ações* was implemented on July 17, 2006.

At our June 29, 2006 Extraordinary Shareholders Meeting, our shareholders also approved an increase in the cap of our authorized capital. The new limit on the amount of shares that we may issue is 2,350,852,743 shares, whether common or preferred.

As of April 30, 2007, our fully subscribed and paid in capital stock was equal to R$8,000,000 thousand, represented by 2,807,755,808 registered shares with no par value. Of these:

- 1,511,316,336 were common shares, and
- 1,296,439,472 were preferred shares.

We currently have a statutory reserve for use in ensuring that we maintain adequate operating margins. Our statutory reserve is listed on our financial statements and is prepared in accordance with Accounting Practices Adopted in Brazil.

Unibanco Holdings

At the April 30, 2004 Extraordinary Shareholders Meeting, the shareholders of Unibanco Holdings approved a reverse stock split of its common and preferred shares, including our Units, at a ratio of 100 shares to 1 and amended Unibanco Holdings' bylaws to reflect the number of common and preferred shares as of that date. This reverse stock split was implemented on August 30, 2004.

Unibanco Holdings' capital stock was altered during the second quarter of 2005, as a result of (i) the cancellation of treasury shares, approved by the Extraordinary Shareholders' Meeting, held on July 19, 2005, and (ii) the conversion of common shares into preferred shares that occurred between July 19, 2005 and August 18, 2005, as approved by the shareholders meeting held on July 19, 2005. The April 12, 2006 Extraordinary Shareholders Meeting amended the bylaws of Unibanco Holdings, in order to reflect the number of common and preferred shares that represented Unibanco Holdings' capital stock as of that date.

On June 29, 2006, Unibanco Holdings' shareholders approved an increase of R$2,691,925 thousand to Unibanco Holdings' corporate capital, thereby increasing its overall corporate capital from R$1,863,449 thousand to R$4,555,375 thousand through the capitalization of the same amount that had previously been accounted for in retained earnings account. This increase was effected by means of the issuance of 813,253,815 new shares, which entitled each shareholder of Unibanco Holdings to receive, in the form of a stock dividend, one (1) new share of the same type for every share held as of the record date *("Bonificação de Ações")*.

According to a decision made by both our shareholders and those of Unibanco Holdings, shareholders who held Units received, for each Unit held, one (1) additional Unit, as a stock dividend, as a result of the *Bonificação de Ações* held by both companies. In addition, each Global Depositary Shares ("GDSs"), each of which formerly represented five (5) Units, currently represents ten (10) Units.

Additionally, Unibanco Holdings' Extraordinary Shareholders meeting of June 29, 2006 also approved an increase to the limit of its authorized capital, up to 2,613,253,815 shares, up to a maximum authorized amount of 876,867,952 common shares and 1,736,385,863 preferred shares, in addition to the total number of shares existing after the approval of the *Bonificação de Ações*. This *Bonificação de Ações* was implemented on July 17, 2006.

As of April 30, 2007, Unibanco Holdings' fully subscribed and paid in capital stock was equal to approximately R$4,555,375 thousand represented by 1,643,587,687 registered shares with no par value, of which:

- 553,735,904 were common shares; and
- 1,089,851,783 were preferred shares.

Payment for subscribed shares

Pursuant to the Brazilian Corporation Law, the liability of the shareholders of corporations (*sociedades anônimas*) is limited to the price paid for the subscribed shares. The law states further that each shareholder must pay for its shares in accordance with the terms and conditions of the respective company's bylaws or the subscription bulletin, as the case may be. If the bylaws or the subscription bulletin do not state the amounts and terms of payment, the management bodies must inform the shareholders of their duty to make the appropriate payments in the manner set forth in the law.

If a shareholder does not make the appropriate payments for the subscribed shares, the company may, at its discretion, seek payment through court proceedings or by selling the shareholder's shares on the stock exchange.

Unibanco common shares

Each common share entitles the holder to one vote at shareholders meetings and to receive the mandatory dividend, as provided by article 202 of Brazilian Corporation Law. In addition, common shareholders are entitled to participate, on the same basis as our preferred shareholders, in capital increases resulting from reserves and profits.

Unibanco preferred shares

Our preferred shares are not convertible into common shares and, except in certain circumstances, do not entitle the holder to voting rights. Our preferred shares entitle the holder to the following additional rights:

- participation in the net profits of each fiscal year, in an amount at least 10% higher than the dividend assigned to each common share;

- priority in the return of capital, without a premium, in case of our liquidation, based on the portion of the capital stock represented by these shares; and

- participation, on an equal basis with holders of our common shares, in capital increases resulting from the capitalization of reserves, profits and monetary adjustment.

Unibanco Holdings' common shares

Each common share of Unibanco Holdings entitles the holder to one vote at shareholders meetings and to receive, together with the holders of Unibanco Holdings' preferred shares, dividends equivalent to 100% of Unibanco Holdings' net profit. In addition, common shareholders are entitled to participate, on the same basis as the holders of preferred shares, in capital increases resulting from the capitalization of reserves and profits.

Unibanco Holdings' preferred shares

The preferred shares of Unibanco Holdings do not entitle the holders to voting rights, except in certain circumstances. Unibanco Holdings' preferred shares entitle the holder to the following additional rights:

- priority in the distribution of a minimum semi-annual dividend equal to the greater of (i) R$0.15 per twenty shares (adjusted for any applicable stock split or reverse stock split); or (ii) 1.5% of the net equity per share, resulting in a priority annual dividend of 3% of each share's net equity;

- participation on the same basis as the common shares in the distribution of dividends, after the common shares' rights to receive the dividend described above;

- priority in the return of capital, in the case of liquidation of Unibanco Holdings, based on the portion of the capital stock represented by this class of shares; and

- participation, on the same basis as the common shares in capital increases resulting from the capitalization of reserves and profits.

Units

Pursuant to Article 43 of the Brazilian Corporation Law, Units are defined as share deposit certificates. Each certificate, or Unit, represents one of our preferred shares and one preferred share of Unibanco Holdings.

We provide each holder of Units with a statement related to his interest position on the following basis: (i) as requested, (ii) at the end of each month in which a transaction has taken place and (iii) once a year if no transactions have occurred.

Rights of Unit Holders

Our bylaws and Unibanco Holdings' bylaws each provide, among other things, that a holder of a Unit is a holder of one of our preferred shares and one of the preferred shares of Unibanco Holdings, entitled to all the rights inherent in such shares.

The following procedures are related to the exercise of the rights conferred by the shares underlying the Units:

- the dividends and the amount of the redemption or amortization of the deposited shares shall be paid by us to the holders of the Units;
- a holder of Units is entitled to participate at our and Unibanco Holdings' shareholders meetings, and to exercise all rights conferred to the relevant shareholders with respect to the underlying shares; and
- if preemptive rights relating to the underlying shares of one or both companies are granted to shareholders, a holder of Units is entitled to subscribe for shares of one or both companies as applicable, and the shares may be issued to such holder separately or, if preemptive rights are granted and exercised with respect to both companies, as additional Units.

Special Provisions Relating to the Form and Transfer of Shares and Units

Our shares, the shares of Unibanco Holdings and the Units are registered in book-entry form and we act as registrar for these securities.

Any transfer of ownership of our shares, the shares of Unibanco Holdings, the shares deposited with us for the issuance of Units, and the Units themselves can only be effected through book entries upon the presentment of a written order of the legitimate holder of the relevant securities or the presentment of a court order or authorization, which shall be kept in our files. Such entries attribute to the transferee the shares or Units acquired and withdraw from the transferor the shares or Units sold.

The Units' underlying shares and the relevant dividends and redemption or amortization amounts may not be pledged, hypothecated or otherwise subject to any liens or other encumbrances which may jeopardize the delivery of dividends and redemption or amortization amounts to the holders of the Units.

Pledges or other liens to which Units are subject are recorded in the Units book-entry system and included in the relevant account statement.

If holders of Units wish to trade their Units on any Brazilian Stock Exchange, such holders and their broker agent must sign an Order of Transference of Shares Kept in Book Entry Form (*Ordem de Transferência de Ações Escriturais*), or OTA. After receiving the order, the broker agent must deposit the Units under the custody of the Brazilian Stock Exchange, which sends a Request of Transference of Shares kept in Book Entry Form (*Pedido de Transferência de Ações Escriturais*), or PTAE, to us after the negotiations. When such request is received, the Units are transferred to our custody and registered in the name of their new holder.

Limitations on Foreign Investors' Rights to Own Securities

Foreign investors seeking to invest in Brazilian securities are required to comply with various rules and regulations, which include rules requiring the registration of investors and their investments with the Central Bank, the Brazilian Securities Commission, and the Brazilian Registry of Legal Entities. In addition, foreign investors who wish to invest in the voting shares of Brazilian financial institutions are required to obtain the prior authorization of the Brazilian government. For a more detailed discussion on these limitations on foreign investors' rights to own securities, see "Item 10.

Additional Information—Exchange Controls—Restrictions on Foreign Investments and Overseas Remittances" and "Item 4.B Business Overview—Regulation and Supervision—Foreign Investments and the Federal Constitution—Foreign Investments in Brazilian Financial Institutions."

Cancellation of Units

In accordance with our bylaws and Unibanco Holdings' bylaws, a holder of a Unit may, at any time, cancel its Unit and become a direct holder of the underlying shares. These shares are fully transferable.

However, the Units cannot be cancelled if (i) they are subject to pledges, encumbrances or any other liens, or (ii) our and Unibanco Holdings' Board of Directors temporarily suspend the ability to cancel Units under limited circumstances indicated in the bylaws.

Shareholders meetings

Pursuant to our bylaws and Unibanco Holdings' bylaws, annual shareholders meetings are held within four months following the end of each fiscal year. At the annual meeting, shareholders, among other things:

- analyze, discuss and approve our financial statements;
- deliberate on the use of our net profits accrued during the previous fiscal year, as well as the distribution of dividends; and
- elect the members of the Board of Directors and, as the case may be, the members of the Audit Committee and Fiscal Council.

Pursuant to our bylaws and Unibanco Holdings' bylaws, Extraordinary Shareholder Meetings may be held whenever the corporate interests so require.

According to the Brazilian Corporation Law, the general shareholders meetings may be called by the Board of Directors. In addition, general shareholders meetings may also be called by:

- the Fiscal Council, when established, in circumstances specified by law;
- any shareholder, in the event officers do not call the meeting within 60 (sixty) days of the required date;
- shareholders who represent at least 5% of the capital stock, if directors fail to call a meeting within 8 days of a convocation request; or
- shareholders who represent at least 5% of the voting capital stock or 5% of the shareholders with no right to vote, if Directors fail to call a meeting within eight days of the request to install the Fiscal Committee.

Our shareholders meetings, as well as those of Unibanco Holdings, are convoked by publishing, not less than fifteen calendar days prior to the scheduled meeting date and not less than three times, a notice in the Official Gazette (*Diário Oficial do Estado de São Paulo*) and in the *Valor Econômico*, both newspapers with circulation in the State of São Paulo. A notice is also filed with the CVM, BOVESPA and the SEC. This notice must contain the agenda for the meeting and, in case of an amendment to the bylaws, an indication of the subject matter.

The meetings generally take place at our and Unibanco Holdings' principal office, as the case may be. A shareholders meeting in which all the shareholders participate will be considered valid, notwithstanding failure to meet the legal requirements for the convocation.

According to our and Unibanco Holdings' bylaws, shareholders meetings shall be held and presided over by the Chairman of the Board of Directors. In his absence, the Chairman may appoint any member of the Board of Directors or of the Board of Officers to do so in his stead. The Chairman shall choose among the shareholders present one or more shareholders to serve as secretaries of the meeting.

Shareholders may be represented at shareholders meetings by a proxy that meets the conditions imposed by law. The identity of a shareholder shall be proved, if so required, by the presentation of a document evidencing his identity.

Voting rights

Each of our common shares and the common shares of Unibanco Holdings entitles the holder to one vote at our respective shareholders meetings. Except as otherwise provided by law, resolutions of a general shareholders' meeting are passed by majority of votes.

Under Brazilian Corporation Law, the holders of the preferred shares of Unibanco Holdings are entitled to vote in the event that Unibanco Holdings does not pay their minimum dividends for three consecutive fiscal years. In this event, the voting right of the preferred shares remains effective until such dividends are paid in full. Pursuant to Article 5 of our bylaws, holders of our preferred shares are not entitled to such right.

The majority of holders of our preferred shares and the preferred shares of Unibanco Holdings, voting separately as a class, in a special meeting, have the right to approve proposals of the majority of the voting shareholders that would:

- change the rights and privileges of the preferred shares; and
- create a new class of preferred shares with superior rights.

Under Brazilian Corporation Law, non-controlling holders of our preferred shares and the preferred shares of Unibanco Holdings, in any case representing at least 10% of the capital stock have the right to elect or dismiss one member of the Board of Directors, at a separate meeting, in which the controlling shareholder cannot participate and vote; provided that those shareholders hold the minimum percentage described above for at least three months immediately before the relevant shareholders' meeting. Similarly, non-controlling holders of our common stock and the common stock of Unibanco Holdings which represent at least 15% of our respective voting capital stock have the right to elect or dismiss one member of the respective Board of Directors, subject to the same terms and restrictions applied to the non-controlling holders of our and Unibanco Holdings' preferred shares.

Preemptive rights

Each shareholder of Unibanco Holdings' and our shareholders have a general preemptive right to subscribe for shares in the event of any capital increase in the proportion to his shareholding. A minimum period of 30 days following the publication of the capital increase notice must be allowed for the exercise of the right, which is transferable, either for consideration or not, during this period.

Brazilian Corporation Law allows the Board of Directors of publicly-held companies with authorized capital to exclude or shorten the preemptive right 30-day period in the following cases:

- offerings of shares through the Stock Exchanges or through public offerings; or
- exchange offers in takeover bids.

The Brazilian Federal Constitution provides that a special law shall regulate the participation of foreign investors in the capital of financial institutions in Brazil. According to the Brazilian Central Bank's regulation, until the abovementioned special law is passed, the increase of the participation of foreign investors in the voting capital of financial institutions is subject to prior authorization by the Brazilian Government.

The Brazilian Government has already decided that it has an interest in the participation of foreign investors in the capital of financial institutions in Brazil, provided that they do not have any voting rights.

However, in the event that voting shares are being offered, our foreign shareholders and the foreign shareholders of Unibanco Holdings who hold an indirect participation in our capital stock may be prevented from exercising their preemptive rights. The performance of such rights may be subject to prior authorization by the Brazilian Government, as mentioned above.

Change of Control Provisions

Under Brazilian Corporation Law, the sale of control of a publicly-held company can only be effected if the purchaser makes a public offer to purchase the voting shares of the remaining shareholders at a price equal to at least 80% of the price paid for the controlling block of shares.

Right of withdrawal and redemption

Our bylaws and the bylaws of Unibanco Holdings do not set forth any redemption provision; however, unless the bylaws state otherwise, the redemption of shares may only be effected if, in a shareholders meeting convoked specifically to deliberate upon such matter, it is approved by shareholders representing at least half of the relevant shares.

The Brazilian Corporation Law provides that, under certain circumstances, a shareholder has the right to withdraw his or her equity interest from the company and to receive payment for the portion of shareholders' equity attributable to his or her equity interest.

Capital increases

Pursuant to the resolutions of our June 29, 2006 Extraordinary Shareholders Meeting, our Board of Directors may increase our corporate capital up to additional 2,350,852,743 shares. This capital increase may be effected without amending our bylaws or obtaining shareholder approval, subject to the applicable limitations under Brazilian Corporation Law. As a financial institution, the number of our non-voting shares may not be higher than 50% of the total shares representing our capital stock. The authorized capital stock may only be changed by our shareholders at a shareholders' meeting, through an amendment to our bylaws.

Pursuant to the resolutions of the June 29, 2006 Extraordinary Shareholders Meeting of Unibanco Holdings, the Board of Directors of Unibanco Holdings may increase its corporate capital up to an additional 2,613,253,815 shares, up to a maximum authorized number of 876,867,952 common shares and 1,736,385,863 preferred shares. This capital increase may be effected without amending Unibanco Holdings' bylaws or obtaining shareholder approval, and without maintaining the existing proportion among the classes of shares, subject to applicable limitations under Brazilian Corporation Law. No more than two-thirds of the capital stock may be represented by non-voting shares.

Acquisition of our own shares

We and Unibanco Holdings may acquire our own shares in order to cancel them or to keep them in our treasury, subject to authorization by our Board of Directors and certain limitations and conditions established by the CVM and by the Brazilian Corporation Law. Among other limitations, we may only repurchase shares with available profits and reserves as reflected in our most recent balance sheet and we may only hold 10% of each class of outstanding shares in treasury.

Approval by the Central Bank

The Central Bank must approve certain amendments to our bylaws, including those related to changes on our corporate purposes and capital increases.

Stock options to officers and employees

Within the limits of our authorized capital stock, and in accordance with a plan approved at a shareholders meeting, we and Unibanco Holdings may grant options to purchase our shares to our respective officers, employees and the officers and employees of our subsidiaries. See "Item 6.B Compensation—Unibanco—Directors and Officers Stock Option Plan" for a more detailed description of our stock option plan.

Dividend policy

Our bylaws contain the following provisions with respect to dividends for each fiscal year:

- the distributable amount for each fiscal year is equal to our net profit less the legal, contingency, statutory and unrealized income reserves;

- our mandatory dividend is equal to 35% of the distributable amount, to the extent profits are available for distribution;

- for each preferred share we must pay 110% of the dividend paid with respect to each common share;

- before the annual shareholders meeting, our Board of Directors may determine the payment of interim dividends out of earnings based on (i) semiannual balance sheets or earning reserves; or (ii) balance sheets issued on shorter periods, in which case the distribution of dividends shall not exceed the amount of capital reserves. These interim payments may be offset against the annual mandatory dividend.

The Extraordinary Shareholders Meeting of Unibanco Holdings held on June 29, 2006, amended the bylaws of Unibanco Holdings in order to clarify its policies with respect to the use of profits accrued at the end of each fiscal year, including the payment of dividends for each fiscal year. As of June 29, 2006, Unibanco Holdings' bylaws set forth the following provisions in this regard:

- Unibanco Holdings shall distribute as dividends the net profits accrued in the previous fiscal year, which remain after the deduction of the legal reserve and of the contingency reserve. The net profits that will be distributed to Unibanco Holdings' shareholders as dividends are derived from the dividend payments that Unibanco Holdings receives from us in available funds.

- After the distribution of the mandatory dividends, Unibanco Holdings may distribute additional dividends with funds from the Equalization of Equity Reserve *(Reserva de Equalização de Participações)*, created by the Extraordinary Shareholders Meeting of Unibanco Holdings on June 29, 2006, in order to assure that Unibanco Holdings' profits are equal to the income that it receives from its shares in us.

- preferred shares receive a semiannual minimum dividend equal to the greater of (i) R$0.15 per twenty shares or (ii) 1.5% of the net equity of each share resulting in a priority annual dividend of 3% of each share's net equity;

- before the annual shareholders meeting, the Board of Directors may determine the payment of interim dividends out of earnings based on (i) semiannual balance sheets or earning reserves; or (ii) balance sheets issued on shorter periods, in which case the distribution of dividends shall not exceed the amount of capital reserves. These interim payments may be offset against the annual mandatory dividend.

At their respective meetings held on March 29, 2007, our and Unibanco Holdings' Board of Directors determined that the Board of Directors shall hold meetings on, at least, a quarterly basis during 2007. In addition to other matters, the agendas for such meetings shall address the payment and method of payment of dividends to our shareholders. For Brazilian law purposes, interest on capital stock may be construed as dividends.

All payments of earnings to our shareholders shall occur within 60 (sixty) days following the date of their approval at the relevant Board meeting. However, such 60 days term may be extended by the General Shareholders Meeting and, in this case, payment shall necessarily occur within the same fiscal year of the referred to Meeting. The value of the payments shall be considered as part of mandatory dividends corresponding to the relevant fiscal year. However, our and Unibanco Holdings' Board of Directors may, at their sole discretion, based on reasonable cause (i) modify the conditions precedent to the payment of the earnings to our shareholders, such as, but not limited to, value, form and dates of payment, or (ii) determine not to make such payments in certain quarters.

Our and Unibanco Holdings' Board of Directors may decide to pay interest on capital stock to the shareholders in addition to the Quarterly Payments. The conditions to such additional payments shall be established at the time of the board decision.

The dividends authorized by our and Unibanco Holdings' shareholders or by our and Unibanco Holdings' Board of Directors shall be paid within 60 (sixty) days of the date they were declared and, in any event, within the fiscal year in which they have been declared.

The legal right of action to claim dividends terminates within three years from the date the dividends were offered to the shareholder, after which we and Unibanco Holdings will be entitled to retain the unclaimed dividend.

Pursuant to Brazilian Corporation Law, we and Unibanco Holdings may suspend the mandatory distribution of dividends if the Board of Directors determines that payments of the mandatory distribution of dividend would be inadvisable in view of our financial condition. The shareholders must ratify such determination at the annual shareholders meeting. Such determination must be reported to the CVM within five days as of the relevant shareholders meeting. Under Brazilian Corporation Law, a mandatory distribution that is suspended and not offset against losses in future years must be paid as soon as our financial condition so permits. The same is applicable to Unibanco Holdings.

We and Unibanco Holdings intend to continue to distribute dividends at an annual rate equal to the mandatory dividend.

Interest on capital stock

According to our bylaws and the bylaws of Unibanco Holdings, any interest distributed to shareholders, up to the limit of the long term interest rate (*Taxa de Juros de Longo Prazo*), shall be taken into account for the purpose of calculating the amount of the mandatory distribution of dividend, as provided for in paragraph 7 of Article 9 of Law 9249 of December 26, 1995.

The payment of interest on capital stock is subject to withholding income tax at the rate of 15%. See Item “10.E Taxation” for further information.

Disclosure of Ownership Interest

Acquisition by the controlling shareholder

According to CVM regulations, in the event that (i) a controlling shareholder, (ii) a shareholder that is entitled to elect members of the board of directors or of the fiscal committee or (iii) an individual, or a group of individuals, acting together or representing only one interest, achieve a direct or indirect participation of 5% or more of a series or class of shares of a company’s capital stock, the shareholder must give notice of the increase to the company.

The company’s officer responsible for the Investor Relations Department is responsible for the transmission of this notice to the CVM, the Stock Exchanges and to the over-the-counter market in which the company has its securities negotiated. Such notice must contain the following information:

- name and qualification of the acquirer;
- objectives of the acquirer;
- quantity of stock option and subscription rights, by species and/or class of shares, already held directly or indirectly by the acquirer or by any person related to him;
- quantity of convertible debentures already held, directly or indirectly, by the acquirer or by any person related to him, establishing the quantity of shares subject to such possible conversion, by class and specie; and
- existence of any agreement which regulates voting rights or the sale and purchase of securities issued by the company.

Such obligation also applies when any individual mentioned above increases or decreases their participation by 5% or more of a specie or class of share of the company’s capital stock.

For the purpose of these regulations, the potential increase of the controlling shareholders equity participation (through option, convertible debenture, etc.) must be taken into account.

10.C Material Contracts

For information concerning our contracts, please see, "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects."

10.D Exchange Controls

Only institutions authorized by the Central Bank to operate in the foreign exchange markets may purchase or sell foreign currency in Brazil.

Restrictions on Foreign Investments and Overseas Remittances

The Central Bank may impose temporary restrictions on remittances of foreign capital abroad whenever there exists, or the Central Bank foresees, a significant imbalance in Brazil's balance of payments. There are currently no restrictions on the remittance of foreign capital abroad, but the Brazilian government has enacted such restrictions in the past and may do so again in the future.

In general, when non-Brazilians receive any distribution on their investments, they can only remit outside Brazil the amounts received if their investments are registered with the Central Bank. The Depositary's interest in the Units is registered as a foreign investment with the Central Bank. With this registration, the Custodian is able (if foreign exchange is available) to convert Brazilian currency-denominated distributions into U.S. dollars and remit them abroad to the Depositary for distribution to holders of GDSs.

GDS holders may cancel their GDSs and exchange them for Units. When holders of GDSs exchange GDSs for the underlying Units, they are entitled to:

- sell the Units on the BOVESPA and remit the proceeds abroad within five business days;
- freely convert the investment in the Units to foreign direct investment in Brazil provided that the investor registers with the CVM and the Central Bank. Registration with the Central Bank must be done within 30 days from the date they withdraw the Units from the Depositary Receipt program, establishing a representative of its investments in Brazil.

Any individual, corporation or partnership resident or domiciled abroad may register with the CVM and the Central Bank as a foreign investor. Such foreign investor is then allowed to invest in any type of investment available to Brazilian citizens in the financial and securities markets.

Holders who do not comply with the registration rules described above may still register their investment, but the registration process will be subject to detailed procedures established by the Central Bank and may take longer than five business days. Holders who do not comply with these rules may also be subject to certain monetary penalties.

In addition, a foreign entity, corporation or partnership which invests in the Brazilian financial and securities markets (except for investments in depositary certificates issued abroad, such as the GDS) must apply with the CVM for registration with the Brazilian Registry of Legal Entities, or CNPJ. The CNPJ registration is maintained by the Brazilian federal tax authorities and a tax number is granted in connection therewith. In such particular cases, the right to (i) convert into foreign currency the payment of dividends and earnings resulting from the sale of shares and securities, and (ii) remit such amounts from Brazil, is subject to registrations both with the Central Bank and the CNPJ. If the investor is a natural person, he or she will also have to apply with the CVM to obtain a register before the Ministry of Finance (CPF). The CPF works as a CNPJ for natural person and it also allows the investors to (i) convert into foreign currency the payment of dividends and earnings resulting from the sale of shares and securities, and (ii) remit such amounts from Brazil, as it is duly registered before the Brazilian Central Bank.

Investments registered with the Central Bank may still be affected by changes in Brazilian law or regulations and additional restrictions imposed in the future. These restrictions could apply to holders of GDSs in the following cases:

- the disposition of underlying Units or underlying shares;

- the repatriation of the proceeds from any such disposition;
- the remittance abroad of distributions made by us or Unibanco Holdings.

We do not know whether any restrictions are likely to be imposed and, if imposed, we cannot predict the duration or impact of the restrictions.

10.E Taxation

We describe below the main Brazilian tax consequences relating to the acquisition, ownership and disposition of GDSs or Units by a holder that is not a resident of Brazil for purposes of Brazilian taxation, or Non-Brazilian Holder, and whose investment in GDSs was made under our Depositary Receipt program and consequently is registered with the Central Bank.

We have considered the tax laws and regulations in effect in Brazil on the date of this annual report, which are subject to change. We have also considered that there is no income tax treaty between Brazil and the United States.

This description does not contain all tax considerations that may be relevant to a decision to acquire Units or GDSs. You should consult your own tax advisors as to the tax consequences relating to the acquisition, ownership and disposition of GDSs or Units that may apply to you, including the effect of any U.S. state or local or foreign tax laws.

With respect to the GDSs, we have also based this description on representations of the Depositary of our GDS program maintained in the United States and on the assumption that each obligation in the Deposit Agreement and any related documents will be performed in accordance with its terms.

Taxation of Stock and Non-stock Dividends

If we or Unibanco Holdings pay dividends and/or stock dividends with respect to profits accrued before December 31, 1995, such payment will be subject to withholding income tax.

There is no Brazilian income tax due on the payment of dividends and/or stock dividends by us or Unibanco Holdings with respect to profits accruing after December 31, 1995.

Taxation of Interest Distribution

When we or Unibanco Holdings pay interest on capital stock, holders of GDS or Units will be subject to withholding income tax, according to Brazilian law, at the rate of 15% on such payment, or 25% in case such holder is a resident of a tax haven jurisdiction, as defined below. For a detailed description, see "Item 10.B Additional Information—Memorandum and Articles of Association—Dividend Policy and—Interest on Capital Stock."

Taxation of GDS

According to Law 10,833-03 the disposition of assets located in Brazil by a Non-Brazilian Holder, whether to other Non-Brazilian Holders or Brazilian Holders, may be subject to taxation in Brazil.

We believe that the GDSs do not fall within the definition of assets located in Brazil for this purpose.

We also believe that one may question the Brazilian jurisdiction to access tax on transactions contracted by a non-Brazilian resident holder of GDS and a non-Brazilian source purchasing such GDS.

Nevertheless, it is unclear, due to the lack of legal and court practice, whether or not such rule may be applied in the future, case in which sales within the foreign stock exchange by non-tax haven investors might still be tax exempt, or otherwise taxed at a 15% rate (non-tax haven investors) or 25% rate (tax haven investors), although this tax charge is extremely controversial.

Conversion of GDS into UNITs

As a Non-Brazilian Holder of GDSs, you may cancel your GDSs and exchange them for Units, choosing registration in the form of Resolution 2,689-00 (RDE-Portfolio) or Law 4,131-62 (RDE-IED). The conversion of GDS into UNITs will not be subject to Brazilian income tax. The tax treatment thereinafter will depend on the registration choice.

Conversion of Units into GDSs

In any of the above cases, except for Non-Brazilian Holders with a portfolio investment duly registered with the Brazilian Authorities (Res. 2689/00), the deposit of Units by a Non-Brazilian Holder in exchange for GDSs may be subject to Brazilian income tax if the acquisition cost of the Units is lower than (a) the average price per Unit on a Brazilian stock exchange on which the greatest number of such Units were sold on the day of deposit; or (b) if no Units were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of Units were sold in the 15 trading sessions immediately preceding such deposit. In such case, and although there are grounds to sustain otherwise, the positive difference between the acquisition cost and the average price of the Units calculated as above will be considered to be a capital gain subject to income tax at a rate of 15%.

Foreign Investment in Portfolio under Resolution 2,689-00

To register a portfolio investment:

- you should register your investment in Brazil with the Central Bank within a specified time, in which case the foreign currency amount of your investment registered with the Central Bank will be determined based on the market value of the Units on the date you withdraw them from the program; and

- you should register your investment in Brazil with the CVM.

The capital gain arising from the sale of shares or UNITs within the Brazilian stock exchange and organized over-the-counter markets are tax exempt, except for investors resident in tax havens.

If you are tax haven investor, you are tax exempt on the sale of shares or UNITs if the total sale price on the respective month is equal to or lower than R$ 20,000.00. Otherwise, you should be taxed at a 15% rate on the difference between the sale price and the average acquisition cost of the shares or UNITs sold, computed within the variable income tax basket, together with other gains and losses in the sale of shares, options, futures, forwards.

Withholding tax will be charged at a 0,005% rate, which may be offset with the 15% variable income tax.

Foreign Direct Investment under Law 4,131-62

There is no need to register the direct foreign investment with the CVM, but you should register your investment with the Brazilian Central Bank (RDE-IED).

The capital gain arising from the sale of direct foreign investment (Law 4.131-62) shall be taxed according to general rules applicable to Brazilian residents (Law 9.249-95, article 18).

Therefore, the positive difference in between the sale price and the average acquisition cost in Reais will be taxed at a 15% capital gain tax rate.

Residents in tax havens have the rate increased to 25%, although controversial (Revenue Services Instruction 407-04, official interpretation of Law 10,833-03, article 26, and Law 9,779, article 7).

If the sale is pursuit within Brazilian stock exchange or organized over-the-counter markets, the capital gain will be subject to 0.005% withholding tax, which may be credited against the capital gain tax.

Notwithstanding this general rule, the full foreign currency amount subject to registration shall not be taxed when realized and repatriated (Decree 3,000-99, article 690).

Non-registered foreign investments in Units

If you fail to register your investments as set forth in Brazilian regulations and you sell your shares or UNITs within the Brazilian stock exchange and organized over-the-counter markets (see "Item 10.D Additional Information - Exchange Rates and Exchange Control"), you shall be tax exempt on the sale of shares or UNITs if the total sale price on the respective month is equal to or lower than R$ 20,000.00. Otherwise, you should be taxed at a 15% rate on the difference between the sale price and the average acquisition cost of the shares or UNITs sold, computed within the variable income tax basket, together with other gains and losses in the sale of shares, options, futures, forwards.

If you make a private sale of shares or UNITs, you shall tax the positive difference in between the sale price and the average acquisition cost in Reais at a 15% capital gain tax rate.

Taxation of Tax Haven Residents

In accordance with Brazil law, tax haven is defined as a country or location that does not impose tax or where the maximum income tax rate is lower than 20% or where the laws of that country or location impose restrictions on the disclosure of shareholding composition or the ownership of the investment or the identity of tax haven residents. There is a explanatory list of tax havens currently published as per Revenue Services Instruction 188-02.

Preemptive Rights

Any exercise of preemptive rights relating to the shares underlying the Units or GDSs will not be subject to Brazilian taxation. Any gain on the sale or assignment of preemptive rights relating to the shares underlying the Units or the GDSs will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposition of Units.

CPMF

Any transaction carried out in Brazil that results in the transfer of funds from a Brazilian bank account may be subject to a temporary contribution on bank accounts, or CPMF Tax, at a rate of 0.38% . The CPMF may be applicable to the ownership, acquisition or disposition of Units. If you sell Units in Brazil, you will receive proceeds in Reais and will be required to enter into a foreign currency exchange transaction to remit the proceeds abroad. Currently, the acquisitions or sale of Units on a Brazilian stock exchange are exempt from the CPMF.

The CPMF Tax is also withheld on the payment of dividends or interest on capital stock by Unibanco Holdings to holders of GDSs under our Depositary Receipt program or Units.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of Units or GDSs by a Non-Brazilian Holder except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or domiciled within the state to individuals or entities resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of Units or GDSs.

A tax on foreign exchange transactions, or IOF/Exchange Tax, may be imposed on any conversion of Brazilian currency into foreign currency or vice versa. The rate of the IOF/Exchange Tax applicable is currently zero with some specific exceptions, but the Minister of Finance has the legal power to increase the rate at any time to a maximum of 25%, but only with respect to future transactions.

A bonds and securities transactions tax, or IOF/Bonds Tax, may be imposed on several types of financial transactions, including those carried out on Brazilian stock, futures or commodities exchanges. The rate of this tax is currently zero for transactions involving Units and GDSs but the

Minister of Finance has the legal authority to increase the rate at any time to a maximum rate of 1.5% per day, but only with respect to future transactions.

Material United States Federal Income Tax Consequences

The following summary of material U.S. federal income tax consequences of the acquisition, ownership and disposition of GDSs and the Units applies to you only if you are a beneficial owner of GDSs or Units, and the dividends on them, and you are:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity classified as a corporation) created or organized under the laws of the United States or any state thereof or the District of Columbia; or
- otherwise subject to U.S. federal income taxation on a net basis with respect to the Units or the GDSs.

This summary applies only to holders who will hold GDSs and the Units as capital assets (i.e., generally, as investment property). This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and Treasury Regulations, rulings and judicial decisions, all as in effect on the date hereof. Those authorities are subject to different interpretations and may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurance that the Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences discussed herein or that a court will not sustain a challenge by the IRS in the event of litigation.

This summary is of a general nature and does not address all of the U.S. federal income or other tax consequences that may be relevant to you in light of your particular situation. For example, this summary does not apply to U.S. expatriates, insurance companies, regulated investment companies, tax-exempt organizations, financial institutions, holders subject to the alternative minimum tax, securities broker-dealers, holders that use a mark-to-market accounting method, holders who hold GDSs or the Units as part of hedging, straddle, or conversion transactions, holders who own directly, indirectly or by attribution 10% or more of the voting power of our issued share capital, or holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar. Further, this summary does not address any aspect of state, local or non-U.S. tax law.

The U.S. federal income tax treatment of a partner in a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) that holds GDSs or Units generally will depend on such partner's particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors.

You should consult your own tax advisors as to the particular tax consequences to you under U.S. federal, state, local and non-U.S. laws of the acquisition, ownership and disposition of GDSs or the Units, and the effects of possible changes in such laws.

General

For U.S. federal income tax purposes, holders of GDSs will be treated as owners of the underlying Units attributable thereto.

Distributions

The gross amount of a distribution paid on a GDS or a Unit (including distributions, if any, of notional interest on shareholder's equity) will be a dividend for U.S. federal income tax purposes to the extent paid out of the current or accumulated earnings and profits (as determined under U.S. federal income tax principles) of the applicable payor and will be includible in your gross income as ordinary dividend income in the taxable year of receipt (which generally will be the taxable year in which such dividend is received by you, in the case of the Units, or by The Bank of New York, as depositary, in the case of GDSs). The amount of any distribution will include the amount of Brazilian withholding taxes, if any, withheld on the amount distributed. To the extent that a distribution exceeds such earnings and profits, it will be treated as a nontaxable return of capital to the extent of your basis in the applicable component of the Units and thereafter as a capital gain. Dividends paid with respect to the GDSs or Units generally will be treated as foreign-source income and will not be eligible for the dividends-received deduction allowed to corporate shareholders under U.S. federal income tax law.

For taxable years beginning after December 31, 2006, such dividends will constitute "passive category income" or "general category income" for U.S. foreign tax credit purposes. If any Brazilian income taxes are withheld from such dividends, you may be entitled to claim a foreign tax credit for the amount of such Brazilian income taxes against your U.S. federal income tax liability, subject to certain limitations and restrictions that may vary depending upon your circumstances. Instead of claiming the foreign tax credit, you may, at your election, deduct the U.S. dollar value of such Brazilian income taxes in computing your U.S. taxable income (such an election would apply to all foreign income taxes during the taxable year). The rules relating to foreign tax credits are complex, and the availability of a foreign tax credit would depend on various factors. You are urged to consult your own tax advisors regarding the availability of foreign tax credits in light of your particular circumstances.

The maximum U.S. federal income tax rate for certain dividends ("qualified dividends") received by certain noncorporate taxpayers, including individuals, through taxable years beginning on or before December 31, 2010 is 15%, so long as certain holding period and other requirements are met by the holder. Dividends paid on the GDSs will be treated as qualified dividends if (i) the GDSs are readily tradable on an established securities market in the United States and (ii) neither we nor Unibanco Holdings are classified as a passive foreign investment company (a "PFIC") (see below). The GDSs are listed on the New York Stock Exchange and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. We believe that we and Unibanco Holdings were not treated as PFICs for our immediately preceding year and will not be so treated for our current or future years, as explained below.

It is unclear whether dividends paid to direct holders of our Units will be treated as qualified dividends (and therefore qualify for the 15% maximum rate), because such Units are not themselves listed on a United States exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of GDSs and intermediaries through which such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with the procedures. We urge you to consult your own tax advisor regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and your own particular circumstances.

The amount of any distribution will be measured by the fair market value in U.S. dollars of the Reais or other property on the date received by you in the case of the Units, or by The Bank of New York, as depositary, in the case of GDSs, based on the spot exchange rate on such date. If such reais are not converted into U.S. dollars on the date of receipt, it is possible that you will recognize foreign currency loss or gain, which would be ordinary loss or gain, when the Reais subsequently are converted into U.S. dollars.

A holder of GDSs that is a foreign corporation or a nonresident alien individual (a "non-U.S. holder") generally will not be subject to U.S. federal income tax or withholding tax on distributions with respect to Units or GDSs that are treated as dividend income for U.S. federal income tax purposes, unless such dividends are effectively connected with the conduct by such holder of a trade or business in the United States.

Sale, Exchange or Other Disposition of Units or GDSs

Upon the sale, exchange or other taxable disposition of a Unit or GDS, you will generally recognize a gain or a loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized (including the gross amount of the proceeds before the deduction of any Brazilian tax) and your adjusted tax basis in the Unit or GDS. Your adjusted tax basis in Units or GDSs will generally equal the amounts paid therefore. Subject to the discussion below under "Passive Foreign Investment Company Considerations", such gain or loss will be a capital gain or loss and will generally be treated as U.S.-source gain or loss. If you are an individual taxpayer, any such capital gain will generally be subject to U.S. federal income tax at a maximum rate of 15% for taxable years beginning on or before December 31, 2010 if you have held the Unit or GDS for more than one year. We do not believe that separate gain or loss computations must be made with respect to each component of a Unit (unless they are separated), but no assurance can be given that the IRS will not challenge this position. Capital losses may be deducted from taxable income, subject to certain limitations.

If you are a U.S. holder, gain or loss that you realize on the sale or disposition of Units or GDSs generally will be treated as U.S.-source gain or loss. As a result, if Brazilian income tax is imposed on the gain from such sale or disposition, you may not be able to benefit from the corresponding foreign tax credit, unless you can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, such Brazilian tax may be taken as a deduction against taxable income if you do not take a credit for any foreign income tax during the taxable year.

The surrender of GDSs in exchange for the Units and the surrender of the Units in exchange for GDSs will not be a taxable event for U.S. federal income tax purposes. Accordingly, you will not recognize any gain or loss upon such surrender.

A non-U.S. holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of a Unit or GDS, unless:

- such gain is effectively connected with the conduct by the holder of a trade or business in the United States; or

- such holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Passive Foreign Investment Company Considerations

We believe that we and Unibanco Holdings were not treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our immediately preceding year and will not be so treated for our current taxable year, or for future taxable years. However, an actual determination of PFIC status is factual in nature and generally cannot be made until the close of the applicable taxable year. A corporation will be a PFIC if either:

- 75% or more of its gross income in a taxable year is passive income, which includes dividends, interest, royalties, rents, annuities, and some types of gains; or

- the average percentage of the value of its assets that produce or are held for the production of passive income is at least 50%.

Our belief that we and Unibanco Holdings are not, and will not in the future be, a PFIC is based on certain Proposed Treasury Regulations dealing with non-U.S. banks. Such regulations are not final and are subject to modification, in which case our determination regarding PFIC status may be different.

If we or Unibanco Holdings were classified as a PFIC, you would be subject to certain adverse U.S. tax consequences, including the possible characterization of gain with respect to the Units or GDSs as ordinary income, the possible imposition of an interest charge on taxes you would be deemed to have deferred and the unavailability of the reduced 15% tax rate on dividends.

You are urged to consult your own tax advisor concerning the potential application of the PFIC rules to your acquisition, ownership and disposition of the Units or GDSs.

United States Information Reporting and Backup Withholding

Certain payments, including dividends, with respect to the Units or GDSs and proceeds from the sale, exchange or redemption of the Units or GDSs may be subject to U.S. backup withholding tax (currently at a rate of 28%), unless (i) you furnish a correct taxpayer identification number, make any other required certification and otherwise comply with applicable requirements of backup withholding rules, or (ii) you are a corporation or otherwise exempt from backup withholding and appropriately establish that exemption. If you are required to establish your exempt status you generally must provide such certification on IRS Form W-9. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules, by filing the appropriate claim for refund with the IRS and furnishing any required information on a timely basis.

You will also be subject to information reporting with respect to certain payments on the Units or GDSs and proceeds from the sale, exchange or redemption of the Units or GDSs unless you are a corporation or other exempt recipient and appropriately establish that exemption.

A non-U.S. holder generally will be exempt from these information reporting requirements and backup withholding taxes, but may be required to comply with certain certification and identification procedures in order to establish its eligibility for such exemption.

10.H Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934 applicable to foreign private issuers, as amended, and to the Brazilian rules and regulations applicable to Brazilian public companies and, in accordance with these requirements, we file reports and other information with the SEC and with the CVM. These materials, including this annual report and the exhibits hereto, may be read or copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549, and at the CVM at Rua 7 de Setembro, 111, Rio de Janeiro, RJ 20050-901. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room or the CVM at 0800-7260802. The SEC and the CVM also maintain web sites at *http://www.sec.gov* or *http://www.cvm.gov.br* that provide online access to reports, proxy statements and other information regarding registrants that file electronically with the SEC and with the CVM, respectively.

The disclosure of the significant ways our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards is posted in our website and can be accessed through the following address: http://www.ri.unibanco.com.br/ing/gov/sox/exc/index.asp.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

Risk management is an independent unit responsible for identifying, measuring and managing market, credit and operational risk on an institution-wide basis. Through the development and use of tools based on the best practices adopted in the market, we seek to optimize our risk-return relation, as well as to assure the continuous improvement of risk management in all organizational levels. Risk Management at Unibanco is based on tools and parameters associated with risk/return optimization, taking into account, among others, risk diversification and maximum exposure limits.

Credit

Credit risk is related to the ability of a borrower to meet its financial obligations and is associated with exposures that are more likely to be held to maturity, such as corporate and retail loans. Our credit policy is designed to manage risk while maintaining the flexibility required by market conditions and customer needs. We limit our credit risk exposure by avoiding concentration on single clients or particular sectors. Our credit policy establishes various approval levels for both retail and wholesale customers. Depending on the size and type of exposure and the customers' prior credit history, approval levels range from the branch general manager or account manager to the Retail or Wholesale credit committees, which are composed of members of senior management. Our centralized credit decision making process is based on strict credit limits, set by the Wholesale and Retail committees. We pre-approve credit limits to our customers based on their creditworthiness and size. We believe these limits and pre-approved credit lines, as well as a rigid hierarchical approval structure and committees, assure a robust credit risk management process.

Wholesale

Our Wholesale business encompasses economic groups with annual sales in excess of R$150 million. The risk evaluations are carried out on an individual and periodic basis, by means of a proprietary risk rating system with 14 levels of risk (from AA to H). The system comprises quantitative and qualitative elements, such as the company's economic and financial status, management capacity, financial background, relationship with us and the conditions of the market in which it operates, among others. Credit lines for corporate customers are reviewed every 60 to 360 days, depending on the borrower's rating and the economic environment. The rating system is structured as follows:

- AA and A are very stable with minimal credit risk and considered to be financially very sound;
- B and C are less stable and require close monitoring (loans to companies ranked B and C are usually short-term, require significant security and other credit support);
- D, E, F and G are higher risks or have potential problems; and
- H are poor credit risks (defaults) and fully provisioned against.

For companies ranked B and C-, we generally conduct a credit review every 180 days. With companies ranked A- to AA1, we generally conduct a credit review every 360 days. As of December 31, 2006, approximately 99% of our wholesale loan portfolio ranked between AA and C.

Retail

Credit management in our Retail banking business is characterized by the processing of a large volume of credit requests, which requires specialized systems and processes. Our Retail business includes individuals, as well as firms with annual sales of up to R$150 million. Exposures to individuals and companies with sales of up to R$10 million are managed through proprietary statistical credit scoring and behavior scoring tools, in line with the portfolio's high volume of customers. Companies with annual sales in excess of R$10 million, in turn, are evaluated through a risk rating system, similar to the one used in the Wholesale business.

Operational Risks

Operational risks are related to an institution's losses due to inadequate or failed internal processes, human or systems behaviors or from external events. Given the importance of operational risks, we maintain a dedicated Operational Risk Framework to manage operational risks. In addition, we have undertaken several initiatives to ensure compliance with the requirements of Basle II and the regulatory criteria of the Central Bank.

We have also developed a number of tools to assist us with the management of our operational risks. These tools are in various stages of implementation and include:

- Risk and Control Self Assessment is a tool we use to identify, map and assess our risk, and to improve our risk controls. This self-assessment process includes periodic evaluations whereby managers describe the main activities in their areas, identify the potential risks, implement control points and analyze the efficiency of such controls;
- The Loss Database is a tool we use to record losses due to operational risks. This database is still under construction (about 85% of the total losses have already been mapped out and classified), but it must be completed by the end of 2007, as required by the Central Bank.
- Project and Product Approval Process is a comprehensive approval process for qualitative and quantitative assessment of operational risks associated with projects or products. This process requires all involved parties to indicate their approval or disapproval of such operational risks.
- Key Risk Indicators is a quantitative tool to identify possible changes in the operational risk profile. Key risk indicators measure risk profile through trend analysis and threshold limits over time.

These tools promote the integration among our managers, establish an internal culture dedicated to identifying and analyzing operational risks, provides senior management with the tools to assess operational risks and help to provide a basis for capital allocation computations. We aim to stimulate and maintain an internal culture focused on integrated risk management. We believe that operational risk management is a fundamental tool to the decision process and to competitive differentiation.

Economic Capital

To ensure optimal capital allocation, we apply an internally developed methodology for economic capital that is based on the RAROC (Risk Adjusted Return on Capital) and EVA (Economic Value Added) models. We believe that the use of economic capital is a performance tool that helps investments decisions, optimizing the return on capital.

We have undertaken several initiatives to introduce more advanced techniques consistent with risk management best practices. We also monitor regulatory and economic capital methodology developments through participation in industry working groups (Febraban), risk management conferences and researches.

Management of Systems Risk

As banking operations diversify and the volume of transactions involving computers and telecommunication networks increases, the importance of information technology and the potential impact of system failures or electronic security breaches has grown. Accordingly, we have devoted substantial resources to ensure the reliability, stability and security of our computer and related systems. Our main computer facility is located in São Paulo, where we maintain a backup system to provide automatic coverage in the case of system failures. We also store backup files recording all banking operations and conduct periodic testing to check all the procedures and identify points of attention.

Insurance Underwriting

Since the establishment of our joint venture with AIG, underwriters from both companies have participated in a combined underwriting process. For example, UASEG uses information from our insurance applications to evaluate life insurance proposals. For certain life insurance applicants, a medical examination is required to better analyze the risk. Property and casualty insurance underwriters and engineers assess and evaluate risks prior to quotations for property and casualty coverages. The evaluations of underwriters and engineers are reviewed and underwritten at the head office of UASEG. We draw on our specialized knowledge of industry segments and catastrophe control, so that our underwriting decisions can take into consideration relevant account data and industry factors.

Market Risk

Market risk measures the potential losses derived from adverse changes in interest rate yield curves, foreign exchange rates, equity and commodity prices and other risk factors, such as volatilities and sovereign risk.

These different sources of market risk represent a macro picture of risk and require a more detailed breakdown of specific market risk factors. For example, the BRL Interest Rate Yield Curve is the main source of interest rate risk but a more in-depth analysis will require a segmentation of the yield curve in vertices, measured in business days until maturity. This approach creates a clear distinction between interest rate risk related to short-term positions and long-term positions.

Our securities portfolio consists mainly of Brazilian federal government bonds and notes, both onshore and offshore, which are very liquid assets. We did not hold a position in state or municipal bonds during 2006. We also have an Eurobond portfolio of low risk Brazilian issuers.

The duration of fixed income instruments traded in Brazil is still short when compared to international standards. Therefore, the interest rate risk of our domestic portfolio tends to be lower than our international bond portfolio. Gradually, the Central Bank is lengthening maturities of government liabilities.

We use derivatives as the main market instrument for our trading activities. By trading in derivatives, we are able to achieve a lower credit risk exposure than would be achieved with a position in the corresponding cash instruments. Another important role for derivatives is in managing asset and liability mismatches and for hedging purposes, when it is not intended to run a specific risk or situation. The most common derivatives traded are interest rate and foreign exchange futures, forwards and swaps.

A large portion of our swap portfolio has financial institutions as counterparts. Most of this portfolio is guaranteed by the Brazilian Mercantile & Future Exchange (BM&F). We also trade with non-bank counterparties, most of whom are customers of our commercial banking operations. Generally, these swaps have a time deposit as collateral.

Market Risk Management Organizational Structure

Our Market Risk Management group has an independent line of communication with senior management; the division is headed by a member of the Executive Committee, who reports directly to our CEO. As a result, the market risk exposure of our portfolio is independently supervised and controlled by our senior management.

We believe we have a conservative policy regarding market risk exposures. All financial and main non-financial subsidiaries, such as our credit cards, capitalization, private pension funds and insurance business are evaluated on a daily basis.

Market Risk Management is largely involved in the New Product Approval process. For each product launched in Business Units, our Market Risk provides a formal statement regarding the product, approving conditions and suggesting improvements in controls.

Market risk management is based on limits established by the financial and risk committees.

We limit our market risk exposure by managing our currencies, maturities, and interest rates mismatches. Securities, derivatives, loans and funding are analyzed on both a detailed and consolidated basis. Exposure limits for our treasury unit are established considering market volatilities, scenario forecasts, opportunities for profit and the funding needs of the commercial bank. Trading and positioning activities are conducted within clear limits suggested by the risk team and ratified by the financial committee. These limits and policies are reviewed monthly or when a new risk or opportunity arises.

Our financial committee, which consists of representatives from senior management, meets every 45 days. This committee establishes the position limits for our treasury unit, taking into account market volatilities, liquidity, institutional needs, and potential risks. Extraordinary meetings of the financial committee are held if unexpected changes in the macroeconomic environment arise that generate opportunities and/or risks.

Our risk committee, which consists of representatives of the board, business directors and risk management professionals, meets every month. The committee’s main objective is to review policies related to treasury, brokerage, products and custody, among other things. Limit policies are also defined in this committee, including those for the trading desk. The risk and financial committees consult one another on proposals and agree on them.

The Treasury unit’s cash committee meets daily. The cash committee discusses:

- macroeconomic environment;
- outstanding positioning and the main potential risks; and
- decides on positions and exposures in accordance with policy limits.

All arbitrage decisions are made by our Treasury Department at our headquarters in São Paulo. This segregation of duties helps to ensure the accuracy of the information about our positions, and the centralization of arbitrage decisions allows us to better appreciate and evaluate risks inherent in arbitrage transactions.

Market Risk Models

We have adopted several different sets of tools in order to manage our market risks.

Value at Risk

We employ the "value at risk," or VaR, methodology for evaluating our risks. VaR is defined as the potential loss in portfolio value, from regular adverse market movements, and is based on probability analysis. We consider a 99% confidence level (2.33 standard deviation) and a one-day holding period to calculate VaR on a daily basis.

VaR is calculated for the overall bank position and for all subportfolios such as Trading and Banking books, each one of the options' book and for each risk factor separately (BRL Interest Rates, FX, Equities and Offshore Bonds) in the Trading and Banking books.

Historical data for financial market rates and prices are used in the statistical modeling to update our risk management database for returns, volatilities and correlations of the risk factors on a daily basis. Volatilities and correlations are obtained through the well known exponential weighted moving average (EWMA) model. The main advantage of this model is to put more weight in the more recent data and here we use 0.95 as the decay factor.

When dealing with portfolios containing only linear instruments, a parametric VaR model is the chosen methodology and gives a fast calculation for value at risk. Parametric VaR assumes a probability distribution that is completely described by its parameters, which is the case of the normal distribution used in this calculation.

VaR estimates for portfolios with nonlinear instruments, such as options, are calculated by Monte Carlo method, with 10,000 simulations and 99% confidence level.

Stress testing

Stress tests are also part of our risk policy. Scenarios for deteriorating economic conditions and enhanced market conditions are conducted and revised at least every month. In addition, whenever political or economic events that may affect the financial market are foreseen, new scenarios are generated and positions reevaluated in order to understand their potential impact on our operations and financial condition. These analyses are conducted on a daily basis and are provided to our senior management for their review. Daily market risk reports provide information about the financial impact, given the occurrence of each one of the stress scenarios.

Backtesting

We use backtesting analysis to monitor the accuracy of our VaR models. Backtesting compares daily profit and loss with the VaR and verifies if the risk model predicts correctly the number of times VaR is exceeded by daily profit and loss. It is expected that the backtesting results will show a number of exceptions in line with the confidence level of the risk model (for instance, if we calculate VaR with a 99% confidence level, for every hundred days, we would expect one day of loss higher than the predicted VaR value. It is important to note that profit and loss results are theoretically calculated as intraday positions and earned fees are not considered in the daily profit and loss used in backtesting.

Double tail measurements of VaR against profit and losses can be conducted on a regular basis and work as an effective tool under normal conditions. However irregular market movements such as those seen in 2002 in the Brazilian financial markets may affect the precision of our VaR processes, therefore potential irregular market movements are incorporated into our testing scenarios.

Sensitivity Analysis

Interest rate related instruments may be affected by many different yield curves such as fixed, floating and inflation linked yield curves. For each one of the yield curves that we are exposed to, we calculate the price value of one basis-point. We apply a shock of one basis-point to the interest rate portfolios and evaluate the change in the value of these portfolios, resulting of this one basis-point change.

For our options' portfolios, a sensitivity matrix is performed and portfolio value is recalculated, given many different simultaneous combinations of spot and implied volatility change. This kind of scenario analysis is very useful to capture the nonlinearities implicit in an options book.

Non-trading activities

Both trading and non-trading activities are measured and controlled by the same tools and methodologies. Positions closed by us with clients and hedged in the market are evaluated by VaR and stress tools using the same data, the same projections and kept under rigorous monitoring.

However, recognizing the specific nature of the banking book regarding its accrual instruments, we have developed an approach to evaluate the potential impact of yield curve movements in the net interest revenues of banking book and, consequently, the potential impact in its earnings.

Currently, the model is handling market risk factors in which Unibanco faces its larger amount of potential revenues, such as Fixed Interest Rate and Floating TR indexed. Such a model is targeted for constant expansion and comprehension of the other risk factors.

The following table sets forth the VaR calculated on our overall risk portfolio for each of our fiscal years ended December 29, 2006 and December 31 2005 and 2004.

2006	**Average**	**Minimum**	**Maximum**	**12/29/2006**
(In million of R$)				
Interest rate risk on domestic positions				
Fixed	8.8	2.3	24.8	6.2
Floating - IGPM indexed	1.6	0.7	5.3	0.8
Floating - TR indexed	6.3	0.5	44.7	2.1
Floating - US$ indexed	0.6	0.1	3.5	0.7
Foreign exchange risk - US$	2.8	0.0	11.2	0.1
Stock Market	0.2	0.0	1.2	1.1
Derivatives	5.4	0.8	11.9	1.3
Interest rate risk on foreign position structured position	4.7	2.1	13.8	5.4
Equity of foreign branches	26.4	6.0	98.7	9.7
Consolidated risk	47.3	22.7	144.9	23.1

2005	**Average**	**Minimum**	**Maximum**	**As of December 31,**
(in millions of R$)				
Interest rate risk on domestic position:				
Fixed	5.94	2.99	9.54	5.52
Floating—IGPM indexed	1.55	0.58	6.40	0.99
Floating—TR indexed	4.27	2.23	7.66	7.66
Floating—US$ indexed	1.01	0.41	1.85	0.43
Foreign exchange risk—US$	2.27	0.00	9.47	2.11
Stock market	0.01	0.00	0.32	0.00
Options	3.72	0.28	10.32	5.81
Interest rate risk on foreign position	9.51	2.99	23.81	4.62
Structured position:				
Equity of foreign branches	15.85	6.32	27.85	13.76
Consolidated risk	34.64	17.02	50.78	27.93

2004 *(in millions of R$)*	**Average**	**Minimum**	**Maximum**	**As of December 31,**
Interest rate risk on domestic position:				
Fixed	9.0	3.5	22.7	7.5
Floating—IGPM indexed	0.8	0.3	1.8	1.3
Floating—TR indexed	0.9	0.0	2.7	2.4
Floating—US$ indexed	1.9	0.2	7.2	0.8
Foreign exchange risk—US$	1.5	0.0	8.0	2.1
Stock market	0.1	0.0	0.9	0.0
Interest rate risk on foreign position	4.1	0.1	11.7	4.0
Structured position:	8.4	4.6	16.0	6.8
Equity of foreign branches				
Consolidated risk	9.6	3.9	26.9	6.4
	20.0	10.2	43.4	15.2

We calculate VaR on each business day. The following table shows our VaR during 2006, 2005 and 2004, as measured by the percentage of business days during the year on which VaR fell within the specified real levels.

	% of business days on which VAR fell within specified levels
(in millions of R$)	**2006**
up to R$10	0.0
over R$10 to R$20	0.0
over R$20 to R$30	5.6
over R$30 to R$40	36.1
over R$40 to R$50	39.8
over R$50 to R$60	6.8
over R$60 to R$70	2.0
over R$70 to R$80	1.2
over R$80 to R$90	1.2
over R$90 to R$100	1.6
Over R$100	5.6
	100.0%

	% of business days on which VAR fell within specified levels
(in millions of R$)	**2005**
up to R$5	0.00%
over R$5 to R$10	0.00
over R$10 to R$15	0.00
over R$15 to R$20	2.79
over R$20 to R$25	5.98
over R$25 to R$30	19.12
over R$30 to R$35	25.10
over R$35 to R$40	20.72
over R$40 to R$45	17.53
over R$45 to R$50	8.37
over R$50 to R$55	0.40
Over R$55	0.00
	100.00%

(in millions of R$)	% of business days on which VAR fell within specified levels 2004
up to R$20	48.8%
over R$20 to R$40	50.8
over R$40 to R$60	0.4
over R$60 to R$80	0.0
over R$80 to R$100	0.0
over R$100 to R$120	0.0
over R$120 to R$140	0.0
over R$140 to R$160	0.0
over R$160 to R$180	0.0
over R$180 to R$200	0.0
over R$200	0.0
	100%

Liquidity Risk

Liquidity Risk Management involves the utilization of a set of best practices in order to avoid cash shortfall and inability to meet payments when due. Liquidity management is performed through the:

- Monitoring of short-term cash flow for the next 90 days for Onshore and Offshore Treasury on a consolidated basis;

- Monitoring of medium and long-term cash flow due to budgeting process and the funding needs from all business units. The budgetary process is deeply related to liquidity management as it requires coordination between treasury and business units throughout the bank to provide enough funding to support business growth and, at the same time, to avoid cash mismatches;

- Evaluation of the cash invested rate of return, cost of funding and alternative funding sources;

- Funding diversification through an ongoing control of sources of funding considering investor type, maturities and other factors; and

- Periodic revaluation of liquidity policies to the current market conditions.

The activity of managing liquidity risk is accomplished and reviewed by the following committees:

- Treasury Cash Committee
  - Frequency: Daily
  - Members: Traders (including people involved in Treasury Cash Management), Macroeconomic Research, and Risk Management

- Liquidity Management Committee
  - Frequency: Weekly
  - Members: Head of Banking Book and staff, Risk Management and Controlling

- Assets and Liabilities Committee (ALCO) - a senior level committee that plays the primary role in setting guidelines, following and monitoring liquidity across the bank in accordance with approved liquidity policies
  - Frequency: Monthly
  - Members:
    - Executive Committee
    - Risk Management Director
    - Planning and Controlling Director

- Risk Management senior staff
- Treasury senior staff
- Planning and Controlling

A contingency plan establishes all the procedures and sources of cash to be used in case of a deterioration in liquidity market condition.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Financial Responsibility, Disclosure Controls and Procedures, and Report on Internal Control Over Financial Reporting

(a) Disclosure Controls and Procedures

During the fiscal year ended December 31, 2006, evaluations of the effectiveness of our and Unibanco Holdings' disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were carried out under the supervision of our respective management, including our Chief Executive Officer and Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon the evaluation referred to above, our and Unibanco Holdings' Chief Executive Officer and Chief Financial Officer concluded, subject to the limitations noted above, that for the period covered by this annual report, our and Unibanco Holdings' disclosure controls and procedures were adequate and effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our and Unibanco Holdings' managements are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. Our internal control was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Our and Unibanco Holdings' managements assessed the effectiveness of our internal controls over financial reporting as of December 31, 2006. In making this assessment, it used the criteria established in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation and those criteria, our and Unibanco Holdings' managements have concluded that our internal control over financial reporting was effective as of December 31, 2006.

See discussion of the scope of this report in section (c), “Scope of Management's Report on Internal Control over Financial Reporting”, below.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, was audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report beginning on page F-1 of the financial statements to this Form 20-F.

(c) Scope of Management's Report on Internal Control over Financial Reporting

Since the second half of 2004 our and Unibanco Holdings' managements have been developing a comprehensive plan in order to achieve compliance with Section 404 within the then prescribed period. The comprehensive compliance plan includes documentation and an assessment of the adequacy of our internal controls over financial reporting; remediation of control deficiencies; validation through testing that controls are functioning as documented; and implementation of a continuous reporting and improvement process for internal controls over financial reporting. In making the assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in Internal Control – Integrated Framework, internationally accepted standard.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in our and Unibanco Holdings' internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal year ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our or Unibanco Holdings' internal control over financial reporting.

(e) New Developments on Internal Controls Over Financial Reporting

At this time, given our and Unibanco Holdings' management s' conclusion that our internal controls over financial reporting were effective as of December 31, 2006, we and Unibanco Holdings are not planning to institute any significant changes to our internal controls over financial reporting in 2007.

16.A Audit Committee Financial Expert

Our Board of Directors has determined that one of the members of our Audit Committee, Guy Almeida Andrade, meets the requirements set forth by the SEC, and he, along with the other members of our Audit Committee, is independent. Mr. Andrade is an expert in U.S. GAAP, which is the GAAP used by us in our primary financial statements filed with the SEC. One or more members of our Audit Committee are experts in accounting practice adopted in Brazil and we believe the skills, experience and education of our Audit Committee members qualifies them to carry out all of their duties as members of the Audit Committee, including overseeing the preparation of our U.S. GAAP financial statements. In addition, our Audit Committee has the ability to retain independent accountants, financial advisors or other consultants, advisors and experts whenever it deems appropriate.

Unibanco Holdings' Board of Directors has determined that it does not have an “audit committee financial expert” (as defined under the rules and regulations of the SEC) serving on its Audit Committee because the member of its Audit Committee is not an expert in U.S. GAAP. The member of Unibanco Holdings' Audit Committee is an expert in accounting practice adopted in Brazil and Unibanco Holdings believes the skills, experience and education of its Audit Committee member qualifies him to carry out all of its duties as member of the Audit Committee, including overseeing the preparation of Unibanco Holdings' U.S. GAAP financial statements. In addition, Unibanco Holdings' Audit Committee has the ability to retain independent accountants, financial advisors or other consultants, advisors and experts whenever it deems appropriate.

16.B Code of Ethics

We and Unibanco Holdings have adopted a Code of Ethics that applies to all employees, including directors, principal executive officers, principal financial officers, principal controllers, other officers, trainees and temporary staff within our Economic Group.

The full text of our Code of Ethics is published on our website, at the following address: *http://www.ri.unibanco.com.br/ing/gov/man/eti/index.asp*. Copies of our Code of Ethics are also available, without charge, upon written request addressed to Avenida Eusébio Matoso, 891—15th Floor—São Paulo, SP—Brazil; 05423-901; Attn. Mr. Osias Santana de Brito. Amendments to our Code of Ethics, if any, will be promptly disclosed on our website.

16.C Principal Accountants' Fees And Services

According to Brazilian law, financial institutions must replace their independent registered public accounting firm at least every five consecutive fiscal years and former accountants can be rehired only after three complete fiscal years have passed since their prior service. For further information regarding these requirements, see "Item 4.B Business Overview – Independent Accountants and Audit Committee".

In order to comply with these regulations, in 2001, we hired Deloitte Touche Tohmatsu Auditores Independentes, or Deloitte, as our independent auditor. Deloitte served as our independent auditor for fiscal years 2001, 2002 and 2003. Deloitte was also Unibanco Holdings' independent auditor during the same period.

In 2004, we hired PricewaterhouseCoopers Auditores Independentes, or PwC, as our and Unibanco Holdings independent registered public accounting firm, and they have been performing this function ever since.

Before we hire PwC to provide any non-audit services, our senior management considers whether those services would be inconsistent with the independence guidelines established by the SEC, the Central Bank, the Brazilian Securities Commission and the Brazilian Federal Accounting Council. The initial analysis of the hire request is conducted by our Internal Audit Department, following the criteria determined by our Audit Committee, which are based on the rules and regulations applicable to us. If no issues are identified by senior management, the proposed service is submitted for approval by the Audit Committee. Our Audit Committee's policy for approving services provided by PwC is described below.

The following table presents fees for professional audit services rendered by PwC for the audit of our annual financial statements for the years ended December 31, 2004, December 31, 2005, and December 31, 2006, respectively, and fees billed for other permitted services rendered by PwC during those periods.

	2004	2005	2006
		(in thousands of *Reais*)	
Audit Fees [1]	R$3,647	R$5,380	R$8,851
Audit-Related Fees [2]	2,518	2,616	1,870
Tax Fees[3]	169	42	204
All Other Fees	-	-	0
Total	R$6,334	R$8,038	R$10,925

(1) Audit services consisted principally of audit work performed on the consolidated financial statements, as well as work generally only the independent registered public accounting firm can reasonably be expected to provide, such as statutory audits and comfort letters.

(2) Audit-related services consisted primarily of accounting consultations and audit in connection with reviews of internal controls and due diligence process. In 2006, R$1,059 thousand was paid for a diagnostic review of our certification process initiated in 2005 in connection with our Sarbanes-Oxley compliance (Section 404).

(3) Tax services consist of services rendered for tax compliance.

Audit Committee's Pre-approval Policies

On April 30, 2004, we established an Audit Committee to comply with Central Bank requirements.

According to Brazilian legislation and our bylaws, the function of hiring independent auditors is reserved for the board of directors of the companies. In this sense, our and Unibanco Holdings' Board of Directors acts as our respective audit committees, as specified in Section 3(a)(58) of the Exchange Act, for purposes of approving, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services provided to us and Unibanco Holdings. Our and Unibanco Holdings' Audit Committee is responsible for advising our respective Boards of Directors on the appointment, retention and oversight of any auditing firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us or Unibanco Holdings.

On December 23, 2004, our Audit Committee approved a policy with respect to the engagement of independent registered public accounting firms to provide any audit or permitted non-audit services to us or our subsidiaries. This policy was ratified by our Board of Directors on February 1, 2005.

This policy establishes that we cannot hire an independent registered public accounting firm to provide services that involve (i) the auditing of its own work, (ii) the exercise of any management functions and (iii) the promotion of the audited company's interests. Our Audit Committee approved a list of services that may not be provided by our independent registered public accounting firm, because they may infringe these principles, such as the assistance with corporate reorganizations and the reevaluation of assets.

This policy also provides that under certain circumstances, management may engage the independent registered public accounting firm to provide certain pre-approved services without the Audit Committee's prior approval.

The engagement of the independent registered public accounting firm to provide any services not outlined above must be pre-approved by our Audit Committee.

Since the establishment of our Audit Committee on April 30, 2004, all audit-related services, tax services and other services provided by PwC have been approved by the Audit Committee.

16.D Exemptions From the Listing Standards for Audit Committees

Under the listed company audit committee rules of the NYSE and the SEC, effective July 31, 2005, we and Unibanco Holdings must comply with the Securities Exchange Act Rule 10A-3, which requires that we and Unibanco Holdings either establish an audit committee composed of members of the board of directors that meets specified requirements, or designate and empower a board of auditors or similar body to perform the role of the audit committee in reliance on the exemption set forth in the Securities Exchange Act Rule 10A-3(c)(3). We are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Securities Exchange Act, because our Audit Committee complies with all the conditions required under such exemption.

In accordance with Central Bank regulations, we have established a body similar to the audit committee of the board of directors of a U.S. company and which we are required to call an "audit committee." At our March 21, 2007 Shareholders Meeting, two new members of our Audit Committee were elected, increasing the prior number of members from three to five. Such elections are still pending Central Bank approval.

Our Audit Committee performs nearly all of the functions of an audit committee of the board of directors of a U.S. company. Our Audit Committee is required by Brazilian legal requirements to be a statutory body created through a shareholders resolution and, therefore, it must be a separate body from our Board of Directors. As a result, one of the five members of our Audit Committee is a member of our Board of Directors. Under Brazilian law, the function of hiring independent auditors is a power reserved for the board of directors. Therefore, our Board of Directors acts as our audit committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of choosing and hiring our independent auditors for audit services provided to our subsidiaries or to us. Except in these respects, our Audit Committee is comparable to and performs the functions of an audit committee of the board of directors of a U.S. company.

Since our Audit Committee is not a committee of our Board of Directors, but is a separate body required under Brazilian law to perform the role of an audit committee, we believe that our Audit Committee satisfies the requirements of Exchange Act Rule 10(a)(3). However, we have relied on the exemption set forth in the Securities Exchange Act Rule 10A-3(c)(3) because, under Central Bank regulations, our Audit Committee is a separate organ from our Board of Directors. We believe that our Audit Committee is able to act independently in performing the responsibilities of an audit committee under the Sarbanes-Oxley Act and to satisfy the other requirements of Exchange Act Rule 10A-3.

Unibanco Holdings' Audit Committee does not rely on any specific exemption, as it has an Audit Committee that fully complies with all the requirements of Securities Exchange Act Rule 10A-3. Notwithstanding the foregoing, as Brazilian law requires that the hiring of the independent auditors be approved by the board of directors, Unibanco Holdings' Board of Directors acts as the entity's audit committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of choosing and hiring the independent auditors of Unibanco Holdings for the provision of audit services.

16.E Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2006, we repurchased Units by exercising our repurchase rights under the Unibanco Stock Option Plan – Performance ("Plano de Opções de Compra de Ações – Performance"). The Unibanco Stock Option Plan is available to our executives and to our employees only. The total amounts and average prices of Units repurchased by us in 2006 are indicated in the table below:

Period	**(a) Total Number of Shares (Or Units) purchased:**	**(b) Average Price paid per Share (or Unit)**	**(c) Total Number of shares (or Units) purchased as part of publicly announced plans or programs**	**(d) Maximum Number (or approximate dollar value) of shares (or Units) that may yet be purchased under the plans or programs**
January 2006	950,584	17.12	--	--
February 2006	139,580	18.26	--	--
March 2006	169,358	18.41	--	--
April 2006	88,294	16.64	--	--
May 2006	20,788	15.36	--	--
June 2006	6,532	14.40	--	--
July 2006	2,817	13.80	--	--
August 2006	66,357	15.39	--	--
September 2006	547,794	16.00	--	--
October 2006	122,003	17.03	--	--
November 2006	73,142	18.00	--	--
December 2006	204,770	19.09	--	--
Total	2,392,019	17.12	--	--

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The audited consolidated financial statements of Unibanco Holdings S.A. and subsidiary, Unibanco-União de Bancos Brasileiros S.A. and subsidiaries together with the reports of PricewaterhouseCoopers Auditores Independentes as of December 31, 2006 and for the three years then ended, filed as part of this annual reports are as follows:

ITEM 19. EXHIBITS

1.1 Articles of Association of Unibanco – União de Bancos Brasileiros S.A., as amended and consolidated on March 21, 2007 (English-language version).

1.2 Articles of Association of Unibanco Holdings S.A., as amended and consolidated on March 21, 2007 (English-language version).

6.1 Please refer to Note 2 (x) to our consolidated financial statements.

8.1 List of our Subsidiaries.

12.1 Certifications of the Chief Executive Officers of Unibanco and Unibanco Holdings pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.

12.2 Certifications of the Chief Financial Officers of Unibanco and Unibanco Holdings pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.

13.1 Certifications required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Certain instruments with respect to our long-term debt and that of our subsidiaries have not been filed as an exhibit to this annual report on Form 20-F because the total amount of debt authorized under any such instrument does not exceed 10% of our total assets and those of our subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument upon request of the Securities and Exchange Commission.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

UNIBANCO-UNIÃO DE BANCOS BRASILEIROS S.A.

By: /s/ Pedro Moreira Salles
Name: Pedro Moreira Salles
Title: Chief Executive Officer

By: /s/ Geraldo Travaglia Filho
Name: Geraldo Travaglia Filho
Title: Vice-President (principal financial officer)

UNIBANCO HOLDINGS S.A.

By: /s/ Pedro Moreira Salles
Name: Pedro Moreira Salles
Title: Chief Executive Officer

By: /s/ Geraldo Travaglia Filho
Name: Geraldo Travaglia Filho
Title: Officer (principal financial officer)

Date: June 15, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Unibanco Holdings S.A.

We have completed an integrated audit of Unibanco Holdings S.A.'s December 31, 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 and audits of its 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Unibanco Holdings S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As presented in notes 2(x) and 25 to the consolidated financial statements, on January 1, 2006 the Company changed its method of accounting for share-based compensation by adopting Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-Based Payment".

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

São Paulo, June 15, 2007

PricewaterhouseCoopers
Auditores Independentes

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Unibanco - União de Bancos Brasileiros S.A.

We have completed an integrated audit of Unibanco – União de Bancos Brasileiros S.A.'s December 31, 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 and audits of its 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Unibanco – União de Bancos Brasileiros S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As presented in notes 2(x) and 25 to the consolidated financial statements, on January 1, 2006 the Bank changed its method of accounting for share-based compensation by adopting Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-Based Payment".

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that the Bank maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Bank's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

São Paulo, June 15, 2007

PricewaterhouseCoopers
Auditores Independentes

Unibanco Holdings S.A. and Subsidiary

Consolidated Balance Sheets

(Expressed in millions of Brazilian *reais*)

	As of December 31,			
	2005		2006	
Assets				
Cash and due from banks	R$	1.158	R$	1.304
Interest-bearing deposits in other banks		1.756		2.407
Federal funds sold and securities purchased under resale agreements		1.541		7.928
Cash and cash equivalents		4.455		11.639
Interest-bearing deposits in other banks		3.351		5.225
Federal funds sold and securities purchased under resale agreements		8.473		6.585
Central Bank compulsory deposits		5.150		5.177
Trading assets, at fair value		11.623		9.904
Securities available for sale, at fair value		5.471		7.286
Securities held to maturity, at amortized cost		2.486		1.576
Loans		39.237		44.654
Allowance for loan losses		(2.107)		(2.577)
Net loans		37.130		42.077
Investments in unconsolidated companies		623		802
Premises and equipment, net		1.422		1.435
Goodwill		1.233		1.471
Intangibles, net		387		552
Other assets		8.082		8.904
Total Assets	R$	89.886	R$	102.633
Liabilities				
Deposits from customers:				
Demand deposits – non interest bearing	R$	3.787	R$	4.099
Time deposits		25.924		24.307
Savings deposits		6.115		7.274
Deposits from banks		23		435
Total deposits		35.849		36.115
Federal funds purchased and securities sold under repurchase agreements		10.721		16.939
Short-term borrowings		3.239		3.045
Long-term debt		12.850		14.638
Other liabilities		16.802		20.556
Total Liabilities		79.461		91.293
Commitments and contingent liabilities (Note 30)		-		-
Minority interest in consolidated subsidiaries		4.846		5.221
Shareholders' Equity				
Preferred share (Note 19)		1.237		3.015
Common share (Note 19)		695		1.609
Additional paid in capital		21		26
Treasury share, at cost		(114)		(102)
Capital reserves		435		435
Appropriated retained earnings		3.399		1.141
Accumulated other comprehensive gains (losses)		25		(60)
Unappropriated retained (deficit) earning		(119)		55
Total Shareholders' Equity		5.579		6.119
Total Liabilities and Shareholders' Equity	R$	89.886	R$	102.633

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

Unibanco Holdings S.A. and Subsidiary

Consolidated Statement of Income

(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2004	2005	2006
Interest Income			
Interest and fees on loans	R$ 6.495	R$ 9.343	R$ 10.060
Interest on federal funds sold and securities purchased under agreements to resell	1.538	2.069	1.809
Interest on securities:			
Trading	1.385	1.176	2.295
Available for sale	588	1.128	898
Held to maturity	449	386	229
Interest on deposits in other banks	249	436	644
Interest on Central Bank compulsory deposits	404	569	486
Interest on other assets	6	4	4
Total interest income	11.114	15.111	16.425
Interest Expense			
Interest on deposits:			
From banks	34	19	41
From customers:			
Savings deposits	383	416	346
Time deposits	2.839	4.208	3.652
Interest on federal funds purchased and securities sold under agreements to repurchase	1.167	1.037	1.711
Interest on short-term borrowings	(36)	(116)	9
Interest on long-term debt	949	969	1.119
Total interest expense	5.336	6.533	6.878
Net Interest Income	5.778	8.578	9.547
Provision for loan losses	948	1.870	2.030
Net Interest Income After Provision for Loan Losses	4.830	6.708	7.517
Non Interest Income			
Fee and commission income	2.382	2.814	3.140
Trading income, net	221	111	225
Net gains (losses) on securities and non-trading derivatives	(150)	83	132
Net gains (losses) on foreign currency transactions	108	(100)	(43)
Equity in results of unconsolidated companies	220	158	195
Insurance, private retirement plan and pension investment contracts	1.775	2.616	3.220
Other non-interest income	2.285	1.002	878
Total non-interest income	6.841	6.684	7.747
Non Interest Expense			
Salaries and benefits	2.549	3.039	3.056
Administrative expenses	2.549	2.812	3.197
Amortization of intangibles and impairment on goodwill	152	130	58
Insurance, private retirement plan and pension investment contracts	1.898	2.830	3.548
Other non-interest expense	2.054	2.351	2.780
Total non-interest expense	9.202	11.162	12.639
Income Before Income Taxes and Minority Interest	2.469	2.230	2.625
Income Taxes			
Current tax expense	(200)	(319)	(469)
Deferred tax expense	(95)	(136)	(70)
Total income taxes	(295)	(455)	(539)
Income Before Minority Interest	2.174	1.775	2.086
Minority Interest	(1.003)	(855)	(1.008)
Change in accounting principle (note 2(x))	-	-	(10)
Net Income	R$ 1.171	R$ 920	R$ 1.068

(continue...)

Unibanco Holdings S.A. and Subsidiary

Consolidated Statement of Income

(Expressed in millions of Brazilian *reais*, except otherwise indicated)

(...continuation)

	For the Year Ended December 31,		
	2004	2005	2006
Net income applicable to common shares	R$ 447	R$ 335	R$ 358
Net income applicable to preferred shares	R$ 724	R$ 585	R$ 710
Earnings per shares – in Brazilian reais (1)(2)			
Distributed earnings (dividends)			
. Common	R$ 0,16	R$ 0,21	R$ 0,28
. Preferred	0,16	0,21	0,28
Undistributed earnings			
. Common	0,55	0,35	0,37
. Preferred	0,55	0,35	0,37
Basic and diluted earnings per share			
. Common	0,71	0,56	0,65
. Preferred	0,71	0,56	0,65
Weighted average shares outstanding (in thousands) – Basic			
. Common	630.292	600.846	553.736
. Preferred	1.020.200	1.046.090	1.080.865
Weighted average shares outstanding (in thousands) – Diluted			
. Common	630.292	600.846	553.736
. Preferred	1.021.036	1.048.134	1.084.847

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(1) Earnings per share have been adjusted for 2004 to reflect the new number of shares that resulted from the reverse share split (1:100 shares), approved on April 30, 2004, in accordance with SFAS 128 "Earnings per share" (note 19).

(2) Earnings per share have been adjusted for 2004 and 2005 to reflect the share bonus (2:1 shares) occurred on July 17, 2006, in accordance with SFAS 128 "Earnings per share" (note 19).

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

Unibanco Holdings S.A. and Subsidiary

Consolidated Statement of Changes in Shareholders' Equity

(Expressed in millions of Brazilian *reais*, except for number of shares)

	Number of shares	For the Year Ended December 31, 2004	2005	2006
Capital				
Preferred shares - balance beginning of year	553.465.920	R$ 1.237	R$ 1.237	R$ 1.237
Transfer from unappropriated retained earnings	536.385.863	-	-	1.778
Balance end of year	1.089.851.783	1.237	1.237	3.015
Common shares - balance beginning of year	276.867.952	695	695	695
Transfer from unappropriated retained earnings	276.867.952	-	-	914
Balance end of year	553.735.904	695	695	1.609
Additional paid in capital – balance beginning of year		12	18	21
Cumulative effect of a change in accounting principle		-	-	(4)
Share option plan		6	3	9
Balance end of year		18	21	26
Treasury share, at cost - balance beginning of year	17.732.566	(110)	(69)	(114)
Acquisition of treasury share	-	-	(114)	-
Shares canceled	-	-	68	-
Share exchange with Unibanco	(1.849.986)	40	1	12
Share exchange related to the Exchange Offer	-	1	-	-
Balance end of year	15.882.580	(69)	(114)	(102)
Capital reserves - balance beginning of year		479	503	435
Additional share premium		24	-	-
Treasury share canceled		-	(68)	-
Balance end of year		503	435	435
Appropriated retained earnings				
Legal reserve – balance beginning of year		165	200	251
Transfer from unappropriated retained earnings		35	51	48
Balance end of year		200	251	299
Unrealized income reserve – balance beginning of year		2.062	2.472	3.111
Transfer from unappropriated retained earnings		410	639	(2.306)
Balance end of year		2.472	3.111	805
Special dividends reserve – balance beginning and end of year		37	37	37
Total appropriated retained earnings		2.709	3.399	1.141
Accumulated other comprehensive				
Securities available for sale – balance beginning of year		(35)	7	38
Securities available for sale, net of applicable taxes (1)		42	31	(48)
Balance end of year		7	38	(10)
Cash flow hedges – balance beginning of year		(48)	-	(13)
Cash flow hedges, net of applicable taxes (1)		48	(13)	(37)
Balance end of year		-	(13)	(50)
Total accumulated other comprehensive (losses) gains		7	25	(60)
Unappropriated retained earnings – balance beginning of year		(468)	(4)	(119)
Net income for the year		1.171	920	1.068
Dividends/Interest on shareholders' equity - Preferred shares		(162)	(219)	(308)
Dividends/Interest on shareholders' equity - Common shares		(100)	(126)	(152)
Transfer to reserves		(445)	(690)	(434)
Balance end of year		(4)	(119)	55
Total Shareholders' Equity		R$ 5.096	R$ 5.579	R$ 6.119
Comprehensive income (Note 26)				
Net income		R$ 1.171	R$ 920	R$ 1.068
Other comprehensive income, net of reclassification adjustment		90	18	(85)
Comprehensive income		R$ 1.261	R$ 938	R$ 983

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(1) Includes a deferred income tax and social contribution of R$(46), R$(9) and R$44 at December 31, 2004, 2005 and 2006, respectively.

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

Unibanco Holdings S.A. and Subsidiary

Consolidated Statement of Cash Flows

(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2004	**2005**	**2006**
Operating activities			
Net income	R$ 1.171	R$ 920	R$ 1.068
Adjustment to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	948	1.870	2.030
Provision for insurance and private retirement plans	87	864	915
Depreciation	309	337	316
Amortization of intangibles and impairment on goodwill	152	130	58
Gain on sale of unconsolidated companies	(1.565)	-	-
Loss on sale of foreclosed assets	18	38	22
Loss (gain) on securities and non-trading derivatives	150	(83)	(132)
Gain on sale of premises and equipment	(5)	(15)	(9)
Deferred tax expense	95	136	70
Equity in results of unconsolidated companies	(220)	(158)	(195)
Share option expenses	10	4	60
Minority interest of consolidated subsidiaries	1.003	854	1.008
Dividends received from unconsolidated companies	181	106	196
Changes in assets and liabilities			
Trading assets (increase) decrease	(1.147)	(3.316)	1.150
Other assets (increase) decrease	(2.594)	(1.622)	55
Other liabilities increase	2.812	2.933	4.338
Net cash provided by operating activities	1.405	2.998	10.950
Investing activities			
Net increase in deposits in other banks	(252)	(2.590)	(1.636)
Net increase in Central Bank compulsory deposits	(686)	(341)	(16)
Net (increase) decrease in federal funds sold and securities purchased under resale agreements	(207)	(8.695)	1.557
Purchases of available for sale securities	(2.298)	(5.669)	(15.826)
Proceeds from sale of available for sale securities	3.490	3.244	13.637
Purchases of securities held to maturity	(1.885)	-	(3)
Proceeds from matured and called securities held to maturity	3.140	2.497	831
Net increase in loans	(4.054)	(8.591)	(6.925)
Net cash paid on acquisition of companies (Note 3)	(567)	(4)	(268)
Acquisition of intangible assets (Note 3)	(22)	(111)	(223)
Purchases of premises and equipment	(318)	(395)	(368)
Proceeds from sale of premises and equipment	130	70	94
Proceeds from sale of foreclosed assets	96	4	86
Purchases of unconsolidated companies	(7)	(69)	(216)
Proceeds from sale of unconsolidated companies	1.727	-	15
Net cash used in investing activities	(1.713)	(20.650)	(9.261)
Financing activities			
Net increase in deposits	7.507	1.538	148
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	(92)	3.846	5.733
Net increase (decrease) in short-term borrowings	(651)	536	(147)
Borrowings under long-term debt arrangements	3.550	4.793	4.139
Repayment of long-term debt	(5.466)	(3.553)	(3.441)
Acquisition of own shares/Units	-	(114)	-
Proceeds from exercise of share options	-	7	-
Cash dividends/Interest on shareholders' equity paid	(240)	(336)	(407)
Minority interest of consolidated subsidiaries	(498)	(309)	(530)
Net cash provided by financing activities	4.110	6.408	5.495
Net increase (decrease) in cash and cash equivalents	3.802	(11.244)	7.184
Cash and cash equivalents at beginning of year	11.897	15.699	4.455
Cash and cash equivalents at end of year	R$ 15.699	R$ 4.455	R$ 11.639
Supplemental:			
Cash paid for interest	R$ 5,511	R$ 5,880	R$ 5.151
Cash paid for income taxes	268	251	322
Loans transferred to foreclosed assets	51	104	196
Dividends/Interest on shareholders' equity declared but not yet paid	144	153	206
Premises and equipment acquired through capital lease	29	18	46
Treasury shares exchanged in connection with the acquisition of Banco BNL do Brasil	40	-	-

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries

Consolidated Balance Sheets

(Expressed in millions of Brazilian *reais*)

	As of December 31,	
	2005	2006
Assets		
Cash and due from banks	R$ 1.158	R$ 1.304
Interest-bearing deposits in other banks	1.756	2.407
Federal funds sold and securities purchased under resale agreements	1.541	7.928
Cash and cash equivalents	4.455	11.639
Interest-bearing deposits in other banks	3.351	5.225
Federal funds sold and securities purchased under resale agreements	8.473	6.585
Central Bank compulsory deposits	5.150	5.177
Trading assets, at fair value	11.623	9.904
Securities available for sale, at fair value	5.471	7.286
Securities held to maturity, at amortized cost	2.486	1.576
Loans	39.237	44.654
Allowance for loan losses	(2.107)	(2.577)
Net loans	37.130	42.077
Investments in unconsolidated companies	623	802
Premises and equipment, net	1.422	1.435
Goodwill	1.233	1.471
Intangibles, net	387	552
Other assets	8.014	8.834
Total Assets	R$ 89.818	R$ 102.563
Liabilities		
Deposits from customers:		
Demand deposits – non interest bearing	R$ 3.787	R$ 4.099
Time deposits	26.011	24.393
Savings deposits	6.115	7.274
Deposits from banks	23	435
Total deposits	35.936	36.201
Federal funds purchased and securities sold under repurchase agreements	10.721	16.991
Short-term borrowings	3.239	3.045
Long-term debt	12.850	14.638
Other liabilities	16.683	20.399
Total Liabilities	79.429	91.274
Commitments and contingent liabilities (Note 30)	-	-
Minority interest in consolidated subsidiaries	855	850
Shareholders' Equity		
Preferred share (Note 19)	2.098	3.478
Common share (Note 19)	2.902	4.522
Additional paid in capital	35	44
Treasury share, at cost	(53)	(45)
Capital reserves	338	338
Appropriated retained earnings	547	634
Accumulated other comprehensive gains (losses)	43	(104)
Unappropriated retained earnings	3.624	1.572
Total Shareholders' Equity	9.534	10.439
Total Liabilities and Shareholders' Equity	R$ 89.818	R$ 102.563

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries

Consolidated Statement of Income

(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2004	2005	2006
Interest Income			
Interest and fees on loans..	R$ 6.495	R$ 9.343	R$ 10.060
Interest on federal funds sold and securities purchased under			
agreements to resell..	1.538	2.069	1.809
Interest on securities:			
Trading..	1.385	1.176	2.295
Available for sale..	588	1.128	898
Held to maturity...	449	386	229
Interest on deposits in other banks..	249	436	644
Interest on Central Bank compulsory deposits...........................	404	569	486
Interest on other assets..	6	4	4
Total interest income...	11.114	15.111	16.425
Interest Expense			
Interest on deposits:			
From banks..	34	19	41
From customers:			
Savings deposits..	383	416	346
Time deposits...	2.843	4.220	3.666
Interest on federal funds purchased and securities			
sold under agreements to repurchase....................................	1.167	1.037	1.714
Interest on short-term borrowings..	(36)	(116)	9
Interest on long-term debt..	949	969	1.119
Total interest expense...	5.340	6.545	6.895
Net Interest Income..	5.774	8.566	9.530
Provision for loan losses...	948	1.870	2.030
Net Interest Income After Provision for Loan Losses...........	4.826	6.696	7.500
Non Interest Income			
Fee and commission income..	2.382	2.814	3.140
Trading income, net..	221	111	225
Net gains (losses) on securities and non-trading derivatives..........	(150)	83	132
Net gains (losses) on foreign currency transactions......................	108	(100)	(43)
Equity in results of unconsolidated companies.............................	220	158	195
Insurance, private retirement plan and pension investment contrac	1.775	2.616	3.220
Other non-interest income...	2.285	1.002	850
Total non-interest income...	6.841	6.684	7.719
Non Interest Expense			
Salaries and benefits..	2.549	3.039	3.056
Administrative expenses...	2.549	2.812	3.195
Amortization of intangibles and impairment on goodwill................	152	130	58
Insurance, private retirement plan and pension investment contrac	1.898	2.830	3.548
Other non-interest expense...	2.005	2.301	2.720
Total non-interest expense..	9.153	11.112	12.577
Income Before Income Taxes and Minority Interest.............	2.514	2.268	2.642
Income Taxes			
Current tax expense..	(200)	(292)	(449)
Deferred tax expense..	(95)	(168)	(83)
Total income taxes...	(295)	(460)	(532)
Income Before Minority Interest..	2.219	1.808	2.110
Minority Interest...	(156)	(158)	(149)
Change in accounting principle (note 2(x))..........................	-	-	(10)
Net Income...	R$ 2.063	R$ 1.650	R$ 1.951

(continue...)

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries

Consolidated Statement of Income

(Expressed in millions of Brazilian *reais*, except otherwise indicated)

(...continuation)

	For the Year Ended December 31,		
	2004	**2005**	**2006**
Net income applicable to common shares	R$ 1.074	R$ 855	R$ 1.003
Net income applicable to preferred shares	R$ 989	R$ 795	R$ 948
Earnings per shares – in Brazilian reais (1)(2)			
Distributed earnings (dividends)			
. Common	R$ 0,18	R$ 0,25	R$ 0,30
. Preferred	0,20	0,27	0,33
Undistributed earnings			
. Common	0,53	0,32	0,36
. Preferred	0,59	0,35	0,40
Basic and Diluted earnings per share			
. Common	0,71	0,57	0,66
. Preferred	0,78	0,62	0,73
Weighted average shares outstanding (in thousands) – Basic			
. Common	1.511.316	1.511.316	1.511.316
. Preferred	1.262.448	1.282.354	1.291.496
Weighted average shares outstanding (in thousands) – Diluted			
. Common	1.511.316	1.511.316	1.511.316
. Preferred	1.263.286	1.284.400	1.295.478

(1) Earnings per share have been adjusted for 2004 to reflect the new number of shares that resulted from the reverse share split (1:100 shares), approved on April 30, 2004, in accordance with SFAS 128 "Earnings per share" (note 19).

(2) Earnings per share have been adjusted for 2004 and 2005 to reflect the share bonus (2:1 shares) occurred on July 17, 2006, in accordance with SFAS 128 "Earnings per share" (note 19).

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

(Expressed in millions of Brazilian *reais*, except for number of shares)

	Number of shares	For the Year Ended December 31, 2004	2005	2006
Capital				
Preferred shares - balance beginning of year	653.200.164	R$ 1.549	R$ 2.098	R$ 2.098
Transfer from unappropriated retained earnings	643.239.308	549	-	1.380
Balance end of year	1.296.439.472	2.098	2.098	3.478
Common shares - balance beginning of year	755.658.168	2.142	2.902	2.902
Transfer from unappropriated retained earnings	755.658.168	760	-	1.620
Balance end of year	1.511.316.336	2.902	2.902	4.522
Additional paid in capital – balance beginning of year		19	29	35
Cumulative effect of a change in accounting principle		-	-	(7)
Difference between cash received and average cost of treasury share sold		-	1	1
Share option plan		10	4	15
Additional share premium		-	1	-
Balance end of year		29	35	44
Treasury share, at cost				
Preferred shares - balance beginning of year	11.265.874	(133)	(53)	(53)
Acquisition of treasury share	1.726.450	-	(7)	(20)
Share purchased by grantees of owner share option plan (Note 25)	(3.576.436)	-	6	18
Share exchange with Unibanco Holdings S.A.	(1.849.986)	40	1	10
Share exchange with Banca Nazionale del Lavoro SpA	-	40	-	-
Balance end of year	7.565.902	(53)	(53)	(45)
Capital reserves				
Share premium – balance beginning of year		261	301	302
Additional share premium		40	1	-
Balance end of year		301	302	302
Treasury share sold – balance beginning and end of year		13	13	13
Fiscal incentive investment reserve – balance beginning of year		21	22	23
Adjustment reserve		1	1	-
Balance end of year		22	23	23
Total capital reserves		336	338	338
Appropriated retained earnings				
Legal reserve - balance beginning of year		327	391	483
Transfer from unappropriated retained earnings		64	92	87
Balance end of year		391	483	570
Special dividends reserve – balance beginning and end of year		64	64	64
Total appropriated retained earnings		455	547	634
Accumulated other comprehensive				
Securities available for sale – balance beginning of year		(57)	12	65
Securities available for sale, net of applicable taxes (1)		69	53	(84)
Balance end of year		12	65	(19)
Cash flow hedges – balance beginning of year		(82)	-	(22)
Cash flow hedges, net of applicable taxes (1)		82	(22)	(63)
Balance end of year		-	(22)	(85)
Total accumulated other comprehensive (losses) gains		12	43	(104)
Unappropriated retained earnings – balance beginning of year		2.630	2.793	3.624
Net income for the year		2.063	1.650	1.951
Dividends/Interest on shareholders' equity - Preferred shares		(253)	(349)	(457)
Dividends/Interest on shareholders' equity - Common shares		(274)	(377)	(434)
Transfer to capital		(1.309)	-	(3.000)
Transfer to reserves		(64)	(93)	(112)
Balance end of year		2.793	3.624	1.572
Total Shareholders' Equity		R$ 8.572	R$ 9.534	R$ 10.439
Comprehensive income (Note 26)				
Net income		R$ 2.063	R$ 1.650	R$ 1.951
Other comprehensive income, net of reclassification adjustment		151	31	(147)
Comprehensive income		R$ 2.214	R$ 1.681	R$ 1.804

(1) Includes a deferred income tax and social contribution of R$(78), R$(16) and R$76 at December 31, 2004, 2005 and 2006, respectively.

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries

Consolidated Statement of Cash Flows

(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2004	2005	2006
Operating activities			
Net income	R$ 2.063	R$ 1.650	R$ 1.951
Adjustment to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	948	1.870	2.030
Provision for insurance and private retirement plans	87	864	915
Depreciation	309	337	316
Amortization of intangibles and impairment on goodwill	152	130	58
Gain on sale of unconsolidated companies	(1.565)	-	-
Loss on sale of foreclosed assets	18	38	22
Loss (gain) on securities and non-trading derivatives	150	(83)	(132)
Gain on sale of premises and equipment	(5)	(15)	(9)
Deferred tax expense	95	168	83
Equity in results of unconsolidated companies	(220)	(158)	(195)
Share-based compensation expenses	10	4	60
Minority interest of consolidated subsidiaries	156	158	149
Dividends received from unconsolidated companies	181	106	196
Changes in assets and liabilities			
Trading assets (increase) decrease	(1.147)	(3.316)	1.150
Other assets (increase) decrease	(2.591)	(1.609)	46
Other liabilities increase	2.742	2.845	4.331
Net cash provided by operating activities	1.383	2.989	10.971
Investing activities			
Net increase in deposits in other banks	(252)	(2.590)	(1.636)
Net increase in Central Bank compulsory deposits	(686)	(341)	(16)
Net (increase) decrease in federal funds sold and securities purchased under resale agreements	(207)	(8.695)	1.557
Purchases of available for sale securities	(2.298)	(5.669)	(15.826)
Proceeds from sale of available for sale securities	3.490	3.244	13.637
Purchases of securities held to maturity	(1.885)	-	(3)
Proceeds from matured and called securities held to maturity	3.140	2.497	831
Net increase in loans	(4.054)	(8.591)	(6.925)
Net cash paid on acquisition of companies (Note 3)	(567)	(4)	(268)
Acquisition of intangible assets (Note 3)	(22)	(111)	(223)
Purchases of premises and equipment	(318)	(395)	(368)
Proceeds from sale of premises and equipment	130	70	94
Proceeds from sale of foreclosed assets	96	4	86
Purchases of unconsolidated companies	(7)	(69)	(216)
Proceeds from sale of unconsolidated companies	1.727	-	15
Net cash used in investing activities	(1.713)	(20.650)	(9.261)
Financing activities			
Net increase in deposits	7.538	1.585	148
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	(92)	3.846	5.784
Net increase (decrease) in short-term borrowings	(651)	536	(147)
Borrowings under long-term debt arrangements	3.550	4.793	4.139
Repayment of long-term debt	(5.466)	(3.553)	(3.441)
Acquisition of own shares/Units	-	(7)	(42)
Proceeds from exercise of share options	-	7	19
Cash dividends/Interest on shareholders' equity paid	(470)	(676)	(869)
Minority interest of consolidated subsidiaries	(277)	(114)	(117)
Net cash provided by financing activities	4.132	6.417	5.474
Net increase (decrease) in cash and cash equivalents	3.802	(11.244)	7.184
Cash and cash equivalents at beginning of year	11.897	15.699	4.455
Cash and cash equivalents at end of year	R$ 15.699	R$ 4.455	R$ 11.639
Supplemental:			

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

Note 1 - Basis of Presentation

Unibanco Holdings S.A. ("Holdings") is a corporation formed under Federative Republic of Brazil law. Activities of Holdings are conducted exclusively through its subsidiary Unibanco - União de Bancos Brasileiros S.A. ("Unibanco" or the "Bank"), which is a multiple service bank under Brazilian banking regulations, headquartered in São Paulo, Brazil. At December 31, 2005 and 2006, Holdings held 97.10% of Unibanco's common (voting) and 12.10% and 12.38% of Unibanco's preferred (nonvoting) shares, respectively. The preferred shares of Unibanco confer dividend rights 10% greater than those of the common shares.

Unibanco is a full-service financial institution providing, directly and indirectly through its subsidiaries, a wide variety of credit and non-credit products and services to all segments of the Brazilian domestic market and to a lesser extent to Brazilian customers for its operations outside Brazil through its offices, branches and subsidiaries in Grand Cayman (Cayman Islands); New York (USA); Asuncion (Paraguay); Luxembourg (Luxembourg); and Geneva (Switzerland).

The notes to the consolidated financial statements cover both Unibanco and Holdings, and generally are applicable to both companies; however, when a particular Note is only applicable to Unibanco or Holdings individually (such as note 19 which deals with shareholders' equity and matters relating to the by laws) we have highlighted this fact.

We are organized under four main lines of business: retail, wholesale, insurance and wealth management (comprising asset management and private banking). Our retail products and services are designed to service individuals, small and middle businesses and include a wide variety of credit and non-credit products and services, such as overdraft loans, consumer finance, credit cards and deposit accounts. Our wholesale business involves a variety of credit products and, increasingly, the provision of fee-based non-credit products and services to large companies in Brazil, such as cash management, investment banking and receivables collection. We conduct our insurance and savings-related products business through our subsidiaries providing life, auto, property and casualty insurance coverage to individuals and businesses, as well as pension retirement plans, savings and annuities products. Our subsidiary Unibanco Asset Management - Banco de Investimento S.A., offers, manages and administers a wide variety of investment funds and assets of corporations, private bank customers, foreign investors and individuals (note 32 for segment information).

The consolidated financial statements of Holdings include the accounts of Holdings and its majority-owned subsidiary, Unibanco. The consolidated financial statements of Unibanco include the accounts of Unibanco and its majority-owned subsidiaries and entities where we have a controlling financial interest through arrangements that do not involve voting interests. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). All material intercompany accounts and transactions have been eliminated in consolidation.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

The most significant subsidiaries of Unibanco as of December 31, 2006 are:

Direct and indirect consolidated companies	Activity	Country	Ownership interest Total	Ownership interest Voting
. Unibanco AIG Seguros S.A.	Insurance	Brazil	49,902%	52,970%
Unibanco AIG Vida e Previdência S.A. (1)	Pension and retirement plans	Brazil	49,902	52,970
Unibanco AIG Saúde Seguradora S.A. (2)	Insurance	Brazil	49,902	52,970
. Unibanco Companhia de Capitalização	Savings and annuities products	Brazil	99,999	99,999
. Unicard Banco Múltiplo S.A.	Credit card	Brazil	100,000	100,000
. Hipercard Banco Múltiplo S.A.	Credit card	Brazil	100,000	100,000
. Banco Único S.A.	Bank	Brazil	100,000	100,000
. Banco Fininvest S.A.	bank and credit card	Brazil	100,000	100,000
. Banco Dibens S.A. (3)	Bank	Brazil	100,000	100,000
. Dibens Leasing S.A. - Arrendamento Mercantil (4)	Leasing	Brazil	99,999	99,999
. Unibanco Investshop Corretora de Valores Mobiliários e Câmbio S.A.	Security broker	Brazil	100,000	100,000
. Interbanco S.A. (5)	Bank	Paraguay	99,999	99,999
. Unipart Participações Internacionais Ltd.	Holding	Cayman Island	100,000	100,000
Unibanco - União de Bancos Brasileiros (Luxemburg) S.A.	Bank	Luxembourg	99,999	99,999
Unibanco Cayman Bank Ltd.	Bank	Cayman Island	100,000	100,000
Unicorp Bank & Trust Ltd.	Private bank	Cayman Island	100,000	100,000
Unibanco Securities Inc.	Security broker	USA	100,000	100,000

(1) The total and voting ownership interest in 2005 was 49.709 and 52.758%, respectively.
(2) The total and voting ownership interest in 2005 was 49.709 and 52.758%, respectively.
(3) The total and voting ownership interest in 2005 was 99.999 and 99.999%, respectively.
(4) The voting ownership interest in 2005 was 99.998%. Dibens Leasing S.A. merged Unibanco Leasing S.A. – Arrendamento Mercantil in 2005.
(5) The total and voting ownership interest in 2005 was 99.996 and 99.995%, respectively.

For a description of Unibanco's investments in unconsolidated companies, see Notes 2 (j) and 11.

Note 2 - Significant Accounting Policies

In preparing our consolidated financial statements, we use estimates and assumptions to account for certain assets, liabilities, revenues, expenses and other transactions in accordance with U.S. GAAP. The consolidated financial statements include various estimates and assumptions, including, but not limited to the adequacy of allowance for loan losses, estimates of fair value of certain financial instruments, carrying amount of goodwill, amount of valuation allowances on deferred tax assets, amount of insurance and private retirement plan reserves, selection of useful lives of certain assets, determination of the need for and amount of impairment charges on long-lived assets, determination of probability and estimate of contingent losses and valuation of employee stock option. Actual results in future periods could differ from those estimates.

These consolidated financial statements differ from our statutory consolidated financial statements as filed with the applicable Brazilian authorities as a result of preparing these consolidated financial statements in accordance with U.S. GAAP.

(a) Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks and federal funds sold and securities purchased under resale agreements with original maturities of three months or less at the time of purchase.

(b) Presentation of interest-bearing assets and interest-bearing liabilities

Interest-bearing assets and interest-bearing liabilities are presented in the consolidated balance sheet at the principal amount outstanding plus accrued interest and monetary correction adjustments. Such presentation is required since accrued interest and monetary correction adjustments are added to the outstanding principal each period for substantially all of such assets and liabilities.

The accrual of interest on Brazilian financial assets and liabilities usually include nominal interest rates and a monetary correction component. Such monetary correction may be related to an inflation index, changes in foreign exchange rates (usually U.S. dollar) or other floating interest rate. The interest rate and monetary correction are applied at the end of each month to the principal balance of each operation. The updated value becomes the new basis for the accrual of the next month's interest and monetary correction, and so forth, until settled. As a result, it is not practical (and it would not reflect the actual return on our investments) to segregate only the interest rate component.

Total interest and monetary correction accrued on the outstanding principal of assets and liabilities was R$5,000 and R$3,170 at December 31, 2005 and R$4,222 and R$4,914 at December 31, 2006, respectively.

(c) Securities purchased under resale agreements and securities sold under repurchase agreements

We enter into purchases of securities under resale agreements and sales of securities under repurchase agreements of substantially identical securities (mainly represented by government debt securities). The amounts advanced under resale agreements and the amounts borrowed under repurchase agreements are accounted as short-term secured borrowings and are carried on the balance sheet together with accrued interest. Generally, our policy is to obtain the use or take possession of the securities purchased under resale agreements and we do not account for the securities underlying such agreements as securities in the consolidated balance sheets because the control remains with the counterparty. On the other hand, the securities underlying the repurchase agreements remain accounted as our securities because we retain the control of the securities. We closely monitor the market value of the underlying securities collateralizing the resale agreements in order to limit our risk with counterparties.

(d) Trading assets

Securities classified as trading in accordance with Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for Investments in Debt and Equity Securities", are carried at fair value and recorded in trading assets as of their trade date. Realized and unrealized gains (losses) on trading securities are recognized currently in "Non-interest income - trading income".

(e) Derivative instruments and hedging activities

We use a variety of derivatives, such as forwards, futures, swaps and options, as part of our overall asset and liability risk management. As required by SFAS 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS 137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS 133", SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", we recognize all derivatives on the balance sheet as either assets or liabilities, at fair value, based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted prices for instruments with similar characteristics.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. We manage these risks as part of our asset and liability management process and through credit policies and procedures. We seek to minimize counterparty credit risk by entering into transactions with only a select number of high-quality institutions. A large part of our derivatives are negotiated on the Brazilian Futures and Commodities Exchange ("BM&F"). Exchange-traded instruments conform to standard terms and are subject to policies set by the BM&F, including counterpart approval, daily margin requirements and security deposit requirements. The credit risk associated with these types of instruments is disclosed in Note 28. For swap contracts, which are negotiated in a Clearing House for Custody and Financial Settlement of Securities or in an over-the-counter transaction, we analyze the credit risk and record provisions for probable losses, as necessary.

The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. Derivatives not designated as hedges are recorded as trading assets or liabilities and the gain or loss is recognized in current earnings in "trading income (expenses) in non-interest income".

For those derivatives that are designated and qualify as hedging instruments, we formally document the relationships between the hedging instruments and the hedged items, as well as the risk management objective and strategy before undertaking the hedge. We assess at the inception of the hedge and thereafter, whether the derivative used in our hedging transaction is expected to be or has been highly effective in offsetting changes in the fair value or estimated cash flows of the hedged items. We discontinue hedge accounting prospectively when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, the derivative expires or is sold, or management discontinues the derivative's hedge designation. In those circumstances, amounts included in accumulated other comprehensive losses or gains regarding a cash flow hedge are recognized in "Net gains (losses) on securities and non-trading derivatives" to match the earnings recognition pattern of the hedged item.

For derivatives that are designated as fair value hedges, the gain or loss on derivatives as well as the loss or gain on the hedged items are recognized in "Net gains (losses) on securities and non-trading derivatives" in current earnings. For derivatives designated as cash flow hedges, the effective portions of the gain or loss on derivatives are reported as a component of "Accumulated other comprehensive losses or gains" and recognized in "Net gains (losses) on securities and non-trading derivatives" in the same period or periods during which the hedged transaction affects earnings. Net losses on non-trading derivatives was R$1 for the years ended at December 31, 2005 and 2006. Any ineffective gain or loss on these derivatives is recognized in "Net gains (losses) on securities and non-trading derivatives" in current earnings. A highly effective hedging relationship (a range between 0.8 and 1.25) is one in which we achieve offsetting changes in fair value or cash flows for the risk being hedged (note 28).

(f) Available for sale and held to maturity securities

We classify securities in accordance with SFAS 115. These classifications are determined based on our intent with respect to the securities on the date of purchase (trade date). Gains and losses on the sale of securities are recognized through average cost method on the applicable trade date.

Generally, we classify debt and equity securities as available for sale based on current economic conditions, including interest rates. Securities available for sale are recorded at fair value with unrealized gains and losses recorded as a separate component of shareholders' equity, net of applicable taxes gains (losses) of R$65 and R$(19) at December 31, 2005 and 2006, respectively in Unibanco, and gains of R$38 and R$(10) at December 31, 2005 and 2006, respectively in Holdings). Securities available for sale are used as part of our overall interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment risk and other factors.

Debt securities for which we have the intent and ability to hold them to maturity are classified as held to maturity and recorded at amortized cost.

Declines in the fair value of available for sale and held to maturity securities below their cost that are deemed to be other-than-temporary are recorded in "Net gains (losses) on securities and non-trading derivatives" as realized losses in accordance with SFAS 115 and the application of the additional qualitative and quantitative disclosures of marketable securities and debt securities impairment established by EITF 03-01 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments", which was replaced by FASB Staff Position (FSP) 115-1 and SFAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments".

(g) Loans

Loans are stated at principal plus accrued interest receivable and monetary correction (as explained in Note 2 (b)). Interest income is recorded on an accrual basis using the effective interest method. All loans 60 days or more past due as to principal or interest are discontinued the accrual (non-accrual) of interest income and monetary correction and are classified as nonperforming loans. Interest collections including, indexation readjustments, received in each period on non-accrual loans are included in interest income on loans.

Credit card fee operations are deferred and recognized on a straight-line basis over the period that the fee entitles the cardholder to use of the card.

Direct lease financing is carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Lease financing income is recognized over the term of the lease.

(h) Allowance for loan losses

The allowance for loan losses is the amount that has been provided for probable losses in the loan portfolio. The allowance is increased by provisions for loan losses and recoveries of loans previously charged-off and reduced by charged-off loans deemed uncollectible.

Loans are charged-off against the allowance when the loan is not collected or is considered permanently impaired. Charge-off normally occurs if no payment is received within 360 days from its due date. The allowance is adjusted in future periods for changes in the estimated probable losses inherent in the portfolio.

We assess the creditworthiness of our loan portfolio and establish allowances for probable credit losses on a regular basis. The process used to determine these reserves involves estimates and judgments. We determine an allowance for probable losses within each client's rating. Loss forecast models are utilized for this purpose considering, among other things, recent loss experience, current economic conditions, the risk characteristics of the various classifications of loans, the fair value of the underlying collateral, the probability of default in making this evaluation, as well as the size and diversity of individual credits. Changes in these estimates and judgments have a direct impact on the allowances.

Our wholesale loans have distinctive characteristics and therefore are not evaluated as a homogeneous portfolio. Instead, the allowances are currently calculated based on the risk profile of each individual borrower, which accounts for, among other factors, financial history, cash flows, quality of management, relationship history, market conditions and other factors relating to credit risk. We consider certain loans as charge-offs when in our judgment all amounts due, including accrued interest and indexation, are no longer considered collectible in accordance with the loans' contractual terms. For instance, we usually made all the efforts to recover a loan within 360 days of past due, and after that period, we considered it no longer collectible. We consider all larger balance nonperforming loans subject to specific review for impairment. Once a loan has been identified as impaired, we measure impairment in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan", as amended by SFAS 118 "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures". The measurement of impairment on an impaired loan is based on (i) the present value of the loan's expected cash flows; or (ii) the realizable value of the underlying collateral for collateral-dependent loans. If carrying value of the impaired loan exceeds the measure of estimated fair value, a specific allowance is established as a component of the allowance for loan losses.

Small-balance homogeneous loans such as overdrafts, credit card loans, mortgage loans and consumer finance loans have similar characteristics and are managed using specialized systems and processes. We use a wide range of statistical tools to evaluate loans requests and client's performance, which include credit and behavior scoring models. Charge-off normally occurs if no payment is received within 360 days from its due date. We usually consider loans that are past due 360 days no longer collectible, given all of the our efforts to recover the payments take place within 360 days from the date that the loans had first become past due. In our experience, if collection efforts are not successful within a 360 day period, we are unlikely to recover the amount.

The allowance for loan losses is maintained at a level that we believe to be sufficient to absorb estimated probable credit losses inherent in the loan portfolio. The initial allowance amounts are set based on our forecast models to estimate probable losses of our portfolios in the future, which will impact the level of provisions required for the period. The calculating methodology for the allowances for expected credit losses is based on forecast models involves significant judgment. The charge-offs reflect the risk profile and behavior of the nonperforming loan portfolio constituted in the past, usually before at least 360 days.

Also, we have followed the policies prescribed by SOP 03-3: "Accounting for Certain Loans or Debt Securities Acquired in a Transfer", which provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality and other guidances.

(i) Impaired loans and nonperforming

We consider certain loans as impaired (except for smaller homogeneous loans which we evaluated under SFAS 5 "Accounting for Contingencies") when in our judgment all amounts due, including accrued interest and indexation, are no longer considered collectible in accordance with the loans' contractual terms, as defined in SFAS 114, "Accounting by Creditors for Impairment of a Loan", as amended by SFAS 118 "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures". We consider all loans 60 days or more overdue as nonperforming and those of larger balance nature are subject to specific review for impairment (note 2 (h)). A valuation allowance is established through the allowance for loan losses for the difference between the carrying value of the impaired loan and its value determined as described above.

(j) Investments in unconsolidated companies

Investments in unconsolidated companies, where we own between 20% and 50% of voting capital and have the ability to exercise significant influence over the operation of the investee are accounted for using the equity method of accounting. Under this method our share of results of the investee, as reported under U.S. GAAP, is recognized in the statements of income in one amount as "Equity in results of unconsolidated companies", and dividends are credited when declared to the "Investments in unconsolidated companies" account in the balance sheets.

Investments in companies of less than 20% with no readily determinable market value are recorded at cost (unless we have the ability to exercise significant influence over the operations of the investee in which case we use the equity method) and dividends are recognized in income when received (note 11).

(k) Premises and equipment

Premises and equipment are recorded at cost. Depreciation is computed on the straight-line method at the following annual rates: buildings - 4%, furniture and equipment - 10% and data processing equipment and vehicles - 20%. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the maturity of the lease contract, generally between 5 and 10 years. Expenditures for maintenance and repairs are charged to non-interest expense as incurred.

We assess impairment in accordance with the requirements of SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" when events and circumstances indicate that such impairment may exist. No such impairment has been identified through December 31, 2004, 2005 and 2006.

Fixed assets, mainly comprising certain bank branches, which were sold and subsequently leased by us for the purposes of continuing our operations, were recorded pursuant to SFAS 13, SFAS 98, "Accounting for Leases", and SFAS 28 "Accounting for Sales with Leasebacks".

For transactions classified as operating leases, relating to property sold for cash, only the portion corresponding to: (i) the positive difference between revenue determined at the time of the sale and the present value of the future lease to be paid is recognized immediately in income for the period, whereas (ii) the remaining portion is deferred over the corresponding rental contract terms, and (iii) exclusively in cases of loss, the amounts are recognized immediately. In cases where the sale is financed, income will be determined only as from the final maturity of the corresponding financing (note 12) and subsequently recorded in accordance with the criteria described above. Gain or loss on the cash sales not subject to lease contracts was recognized immediately in income for the year as "Other non-interest income".

(l) Costs of software developed or obtained for internal use

We adopt Statement of Position ("SOP") 98-1 "Accounting for the Cost of Software Developed or Obtained for Internal Use" and accordingly we capitalize certain costs associated with internally developed internal-use software. Amortization is computed on the straight-line method over no more than five years. Also, we capitalize all costs related with software developed or obtained for internal use, except the costs related with the planning and production stage, which are expensed.

(m) Goodwill and intangibles

We recorded goodwill and intangibles in accordance with SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets" as amended by SFAS 147 "Acquisitions of Certain Financial Institutions" which clarified that, only if certain criteria are met, an acquisition of a less-than-whole financial institution should be accounted as a business combination. In addition, SFAS 147 amends SFAS 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor-and-borrower-relationship intangible assets. As a result, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS 144 requires for other long-lived assets that are held and used by a company. The net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition. The historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on an appropriate systematic method, over the period which the asset is expected to contribute directly or indirectly to the future cash flows. Goodwill is not amortized but is reviewed for potential impairment at least on annual basis at the reporting unit level. The impairment test compares the fair value of the reporting unit with the carrying amount of the net assets (including goodwill). If the fair value of the reporting unit exceeds the carrying amount of the net assets (including goodwill), the goodwill is considered not impaired; however, if the carrying amount of the net assets exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. At December 31, 2004, we recorded an impairment in the amount of R$35. Impairment adjustment was not required for December 31, 2005 and December 31, 2006.

Intangible assets are evaluated for impairment if events and circumstances indicate a possible impairment. There are no events and circumstances indicating any impairment for 2004, 2005 and 2006.

(n) Foreclosed assets, including real estate

For loan accounting purpose, we consider any balance that is 60 days or more overdue as nonperforming, and it is subject to specific review for charge off. We charge off a loan when, in our judgment, all amounts due are no longer considered collectible in accordance with the contractual terms of the loan. Generally, this condition is reached at approximately 360 days overdue, for both wholesale and retail portfolios. The procedures set forth below are normally followed after 180 days, overdue:

- Legal analysis of the enforceability of the respective guarantee;
- Judicial filing of the recovery claim;
- Assessment of market value of the guarantee by an expert;
- Two judicial auctions (In the first auction, the purchase price must be at least equal to the market value assessed by the expert assigned by the competent judge; in the second (and last) auction, the guarantee may be sold at any price);
- If there are third party purchasers, we receive the payment with 24 hours;
- If no third party purchasers, adjudication of the guarantee takes place;
- In case the value of the guarantee is insufficient to fully repay the loan, we continue with the judicial claim, aiming for free assets of the debtor;
- When the adjudication takes place, we record, as a foreclosed asset, the lower of fair value minus estimated costs to sell or the carrying value of the loan.

Assets received upon foreclosure of loans or in lieu of foreclosure, including real estate, are initially recorded at the lower of (a) fair value minus estimated costs to sell, or (b) the carrying value of the loan; with initial differences recorded as a charge to the allowance for loan losses. Subsequent decreases in the fair value of the asset are recorded as a valuation allowance with a corresponding charge to non-interest expense. Net costs of maintaining such assets are expensed as incurred. In accordance with Brazilian banking regulations, we are required to dispose of such assets within one year of foreclosure.

(o) Transfers of financial assets

Transfers of financial assets are accounted as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from us (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) we do not maintain effective control over the transferred assets through agreements to repurchase or redeem them before their maturity or ability to unilaterally cause the holder to return specific assets.

(p) Perpetual bond

We classify our perpetual bond as a liability, since such financial instrument also meets the definition of a liability under FASB Concepts no. 6 "Elements of Financial Statements" and SFAS 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”.

(q) Litigation

According to SFAS 5 “Accounting for Contingencies” and Interpretation Nº 14 (“FIN14”) “Reasonable Estimation of the Amount of a Loss”, we recognize accruals in determining loss contingencies when the conditions known before the issuance of the financial statements show that: (i) it is probable that losses had been incurred at the date of the financial statement; and (ii) the amount of such losses can be reasonably estimated. We accrue our best estimate of probable losses.

We constantly monitor litigation in progress to evaluate, among other things: (i) it nature and complexity; (ii) the evolution of the proceedings: (iii) the views of our legal advisors; and (iv) our experience with similar proceedings. We also consider in determining whether a loss is probable and in estimating its amount:

a. The probability of loss from claims or events that have occurred on or before the date of the financial statement, but with come to our attention only after the date of the financial statements, but before the financial statements are issued;

b. The need to disclose claims or events occurring after the date of the financial statements but before they are issued.

(r) Consolidation of Variable Interest Entities (VIE)

In December 2003, the FASB issued interpretation No. 46R (FIN 46R), “Consolidation of Variable Interest Entities”, an interpretation of Accounting Research Bulletin No. 51. FIN 46R is a revision to the original FIN 46 that addresses the consolidation of certain variable interest entities. The revision clarifies and provides a framework for identifying and evaluating VIEs for consolidation purposes and was required to be fully implemented no later than the end of the first reporting period that ends after March 15, 2004.

Adoption of FIN 46R did not impact the consolidation of our existing VIEs, which have already been consolidated based on the relevant accounting literature prior to FIN 46R considering situations where we control more than 50% of ownership or are the primary beneficiary of the entity taking into account qualitative and quantitative analysis of VIEs (Topic No. D-14 “Transactions involving Special-Purpose Entities”, nullified by FIN 46R).

(s) Income taxes

We account income taxes in accordance with SFAS 109 “Accounting for Income Taxes”. SFAS 109 prescribes an asset and liability approach, which requires the recognition of deferred tax assets and liabilities for temporary differences between the amounts included in the financial statements and tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates. Changes in tax law and rates are reflected in the period in which they are enacted. If, after considering future tax consequences, we believe that the carrying value of any deferred tax asset is “more likely than not” unrealizable, then we establish a valuation allowance equal to that amount.

(t) Insurance premiums, deferred acquisition costs, reserves for insurance claims, private retirement plan benefits and pension investment contracts

Insurance Premiums – Substantially all our insurance contracts are considered short-duration insurance contracts. Premiums from short duration insurance contracts are recognized over the related contracts period. Insurance premiums are included as “Non interest income - insurance, private retirement plan and pension investment contracts”.

Deferred acquisition costs - The costs that vary with and are related to the production of new insurance business are deferred to the extent that such costs are deemed recoverable from future profits. Such costs include mainly commissions, costs of policy insurance and variable back-office expenses and are amortized over the expected life of the contracts in proportion to the premium income. Deferred acquisition costs are subject to recoverability testing at the end of each accounting period and, if not recoverable, are fully expensed.

Insurance policy and claims reserves - Reserves for insurance claims are established based on historical experience, claims in process of payment, estimated amounts of claims incurred but not yet reported, and other factors relevant to the levels of reserves required. Reserves are adjusted regularly based upon experience with the effects of changes in such estimated reserves included in the results of operations in the period in which the estimated changes occurred and include estimated reserves for reported and unreported claims incurred, recorded in “Other liabilities”.

Pension investment contracts - Certain products offered by us, such as pension investment contracts where the investment risk is for the account of policyholders, are considered investment contracts in accordance with the requirements of SFAS 97, “Accounting and Reporting by Insurance Enterprises for Certain Long Duration Contracts and for Realized Gains and Losses from the Sale of Investments” and SOP 03-1 “Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts”. During the accumulation phase of the pension investment contracts where the investment risk is for the account of policyholder, in which the policyholders have agreed to the insurance terms of the plan, the contracts are treated as an investment contract. During the annuity phase the contract is treated as an insurance contract with mortality risk. Account values are not actuarially determined during the accumulation phase. Rather, account values are increased by the deposits received and interest credited (based on contract provisions) and are reduced by withdrawals and administrative expenses charged to the policyholders.

Reserves for private retirement plan benefits are established based on actuarial calculations.

An additional liability for the contract feature is established if the present value of expected annuitization payment at the expected annuitization date exceeds the expected account balance at the annuitization date, in accordance with SOP 03-1 and also requires, among other things, a liability valuation for certain long-duration insurance and investments contracts that are subject to SFAS 97 (note 17).

The interest credited is included in changes in “Non interest expense – Insurance, private retirement plan and pension investment contracts”. The securities related to these pension investment contracts are classified as “trading assets” and “securities available for sale” in the Consolidated Financial Statements.

(u) Provision for guarantees

We record provision for guarantees in accordance with FASB Interpretation 45 “Guarantor’s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others” (FIN 45). FIN 45 expands on the accounting guidance of SFAS 5, SFAS 57 “Related Party Disclosures” and SFAS 107 “Disclosures about Fair Value of Financial Instruments” and incorporates without change the provision of SFAS 34 “Capitalization of Interest Cost”, which is being superseded. FIN 45 requires that a liability be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee (note 29).

(v) Fee income

We earn fee income from investment management, credit card, investment banking and certain commercial banking services. Such fees are typically recognized when the service is performed (investment and commercial banking) or deferred and recognized over the life of the contract (investment management and credit card).

(w) Translation of foreign currency operations into *reais*

The functional currency used for foreign operations is the Brazilian *reais*. Assets and liabilities of foreign operations, substantially all of which are monetary in nature, are translated into Brazilian *reais* at the respective period-end exchange rates and revenues and expenses are translated at a weighted average of exchange rates during the period. Transactions denominated in foreign currencies are translated into Brazilian *reais* at the transaction date. Foreign exchange transaction gains and losses on foreign operations are recognized currently in interest income and interest expense, respectively.

(x) Employee benefits

(i) Pension plan

We do not maintain defined-benefit private pension plans or other postretirement benefit plans for our employees in December 2006 and 2005. However, we are required to make employer contributions to the Brazilian Government pension, welfare benefit and redundancy plans which are expensed as incurred. Such contributions totaled R$444, R$484 and R$503 in 2004, 2005 and 2006, respectively.

We and part of our employees have sponsored a “Free Benefits Generation Program” (PGBL) a system whereby the participant accumulates financial resources during his/her career, through contributions paid by the employee and the company where he/she works. These contributions were invested in an Exclusive Financial Investment Fund (FIFE). The program was based on defined contributions by both Unibanco and the employees until October 2004. After this date only the employees have been sponsoring this program.

Also in July 1, 2004, the employee’s PGBL was redesigned in order to offer to employees of Unibanco a new defined – contribution plan. The new plan is managed by a closed private entity through Trevo – Instituto Bandeirantes de Seguridade Social. This new plan is sponsored by Unibanco and employees.

During 2005 and 2006, the sponsor contribution totaled R$15 and R$25, respectively.

(ii) Share option plan

We established a share option employee plan in 2001 which is described more fully in Note 25. From 2001 to 2005, we account for this plan in accordance with SFAS 123 “Accounting for Stock Based Compensation”. Under SFAS 123 as amended by SFAS 148 “Accounting for Stock Based Compensation–Transition and Disclosure”, the stock options were recorded as expense over the vesting period based on the fair value calculated using a Black-Scholes model.

We adopted at January 1, 2006 the modified prospective method of SFAS 123 (Revised) – "Share-based payment". This statement requires a public entity to measure the cost of employee services received in exchange of a share based on grant-date fair value of the share and for shares classified as liabilities the amount compensation should be remeasured at the end of each reporting period as the excess of the market price of the shares at the end of the period over the exercises price at the same date.

That cost will be recognized over the period during which an employee is required to provide services in exchange for the shares (vesting period). The fair value of employee stock options and similar instruments is estimated using option-pricing models adjusted to the unique characteristics of those instruments. As result of having applied the modified prospective method to account for the implementation of SFAS 123R, expenses recorded in previous years for stock options plans have not been restated. Under this transition method, compensation cost for stock options plans as from January 1, 2006, include the applicable amount of compensation for all equity share based instruments based on the grant date fair value in accordance with the provisions of SFAS 123R and for all share based instruments that had been classified as equity but now is classified as a liability under SFAS 123R, a liability at its fair value was recognized for the reporting date. The fair value of the liability was recognized (i) by reducing equity to the extent of such previously recognized cost and (ii) by recognizing the difference in the income statement as the cumulative effect of a change in accounting principle.

(y) Restructuring charges

Generally, the liability for a cost associated with restructuring plans is recognized and measured initially at fair value only when the liability is incurred. However, we accounted a liability for post employment benefits when it is probable that a liability has been incurred or the amount can be reasonably estimated and payment of the severance benefits is probable. Restructuring charges typically include employee-related costs and incremental costs for which no future benefit can be derived as a direct result of the restructuring activities.

(z) Earnings per share (EPS)

In calculating EPS, Unibanco and Holdings have adopted the two class method. This method is an earnings allocation formula that determines earnings per share for each class of common shares and preferred shares according to dividends declared and participation rights to undistributed earnings. Under this method, net income is first reduced by the amount of dividends declared in the current period for each class of share, the remaining earnings are then allocated to common share and preferred share to the extent each security may share in earnings. The total earnings allocated to each share (i.e. actual dividends declared and the amount allocated for the participation feature) is then divided by the number of weighted average shares outstanding.

Diluted earnings per share is based on the same adjusted net income as in the basic EPS and the weighted average number of shares outstanding is increased by the number of shares that would be issued assuming the exercise of share options. In 2004, 2005 and 2006 we issued share options and calculated the diluted earnings (see Consolidated Statement of Income).

We have implemented the provisions of EITF 03-6 "Participating Securities and the Two-Class Method" under SFAS 128 "Earnings per Share" and concluded that no change should be required in the calculation of EPS.

HOLDINGS

Earnings per share are presented based on the two classes of share issued by Holdings. Both classes, common and preferred, participate in dividends on substantially the same basis (note 19). Earnings per share are computed based on the distributed (dividends) and undistributed earnings of Holdings after giving effect to the 10% preference, without regard to whether the earnings will ultimately be fully distributed. Weighted average shares are computed based on the periods for which the shares are outstanding.

UNIBANCO

Earnings per share are presented based on the two classes of share issued by Unibanco. Both classes, common and preferred, participate in dividends on substantially the same basis, except that preferred shareholders are entitled to dividends per share ten percent (10%) higher than common shareholders (note 19). Earnings per share are computed based on the distributed (dividends) and undistributed earnings of Unibanco after giving effect to the 10% preference, without regard to whether the earnings will ultimately be fully distributed. Weighted average shares are computed based on the periods for which the shares are outstanding.

(aa) Recently issued accounting standards

In February 2006, the FASB issued SFAS 155, “Accounting for Certain Hybrid Financial Instruments”. SFAS 155 nullifies the guidance from the FASB’s Derivatives Implementation Group (“DIG”) in Issue D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets, which deferred the application of the bifurcation requirements of SFAS 133 for certain beneficial interests until the FASB considered whether beneficial interests in securitized financial assets (1) met the definition of a derivative under SFAS 133, (2) contain an embedded derivative, or (3) were eligible for the scope exception described in paragraph 14 of SFAS 133 related to interest-only or principal-only strips. We are evaluating the impact of adoption of SFAS 155. However, at this time we do not expect the impact of SFAS 155 to have a significant effect on our consolidated financial statement.

In June, 2006, FASB issued Interpretation no 48 “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement no. 109” This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement no 109, Accounting for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 becomes effective in fiscal years beginning after December 15, 2006. We are evaluating the impact of adoption of FIN 48. However, at this time we do not expect the impact of FIN48 to have a significant effect on our consolidated financial statement.

In September, 2006, FASB issued SFAS no 157, “Fair Value Measurements”. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, that fair value is the relevant measurement attribute. SFAS 157 becomes effective in fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are evaluating the impact of adoption of SFAS 157. However, at this time we do not expect the impact of SFAS 157 to have a significant effect on our consolidated financial statement.

In September, 2006, SEC issued Staff Accounting Bulletin no. 108: Summarizes the views regarding the process of quantifying financial statement misstatements and provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment.

In February, 2007, FASB issued SFAS no 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We are evaluating the impact of adoption of SFAS 159, which depends on the nature and content of the item elected to be measured at fair value, upon initial application in 2008.

Note 3 – Acquisitions, Goodwill and Intangible Assets

During 2004, 2005 and 2006 we expanded our retail (consumer business), wholesale and insurance business through the following acquisitions:

Retail

Creditec

In May 2004, we acquired through our subsidiary Banco Fininvest S.A., from Grupo BBM Creditec Crédito, Financiamento e Investimento S.A. The purchase price of the transaction was R$50, including goodwill of R$38 at date of the acquisition. The acquisition was accounted for following the purchase method.

HiperCard

In March 2004, we acquired HiperCard Administradora de Cartão de Crédito Ltda., or HiperCard, from the Dutch group Koninklijke Ahold N.V. The purchase price of the transaction was R$630, including goodwill of R$105 at date of the acquisition. The acquisition was accounted for following the purchase method.

Banco1. net

During the third quarter of 2004, we acquired 17,607 thousand common and preferred shares of Banco1.net S.A. increasing our ownership to 99.999% of the total equity. The purchase price of the transaction was R$38, including goodwill of R$22. The acquisition was accounted following the purchase method. In December 2004, we decided to discontinue the Banco1.net business and, as a consequence, the R$22 of goodwill associated with Banco1.net business was recorded as impairment in the reporting unit level.

Banco Dibens

In June 3, 2005, we acquired the remaining 49% of the capital of Banco Dibens, a commercial banking operation, which focuses on the financing and leasing of automobiles and trucks, from Grupo Verdi. The new acquisition was valued at fair value approximately R$128, including goodwill of R$5.

Hipercard Investimentos Ltda

In January 2006, we acquired from Sonae Distribuição Brasil S.A. the total capital of Modelo Investimentos Financeiros Ltda for R$202, including goodwill of R$179 at the date of the acquisition. The acquisition was accounted following the purchase method.

Additionally, the name of this company was changed to HiperCard Investimentos Ltda.

Wholesale

Banco BNL

In June 2004, we acquired the total capital of Banco BNL do Brasil ("BNL Brasil"), from Banca Nazionale Del Lavoro S.p.A. ("BNL"). On September 29, 2004, BNL Brasil's acquisition was concluded and approved by the Central Bank.

We acquired BNL Brasil in exchange for 10,000,000 Units (comprising 10,000,000 preferred shares of Unibanco and 10,000,000 preferred shares of Holdings, considering the reverse share split of 2004) previously accounted as treasury share valued at R$120, including goodwill of R$11. In connection with the exchange of shares we recorded an additional share premium in the amount of R$40 based on the difference between the average quoted market prices of our Units during the two weeks before the date of the exchange and the carrying amount at the acquisition date. The acquisition was accounted following the purchase method.

Insurance

Phenix

In October 2003, our subsidiary Unibanco AIG Seguros S.A. entered into an agreement to acquire the insurance company Phenix Seguradora S.A. from Toro Targa Assicurazioni S.p.A. and Fiat do Brasil S.A. At January 16, 2004, the transaction was concluded and approved by the Brazilian antitrust regulatory authority.

The purchase price of the transaction was R$13, including goodwill of R$2 at date of the acquisition. Phenix's acquisition was accounted for following the purchase method.

Unibanco AIG Warranty (UAW)

In November 2004, we acquired from Multibrás S.A. Eletrodomésticos 20% interest of the total capital of Unibanco AIG Warranty S.A. (UAW) for R$27, including goodwill of R$23 at the date of the acquisition. In June 2006, we acquired from Whirlpool the remaining 30% of interest of the total capital of Unibanco AIG Warranty (UAW) for R$66, including goodwill of R$65 at the date of acquisition. The acquisition was accounted for following the purchase method.

Intangible assets

During 2004, 2005 and 2006, Unibanco through its subsidiaries acquired significant intangible assets related to customer relationship. These transactions have been amortizing over the period in which it is expected to contribute to the future cash flows and were accounted following the purchase method.

In March 2004, we acquired from HiperCard Administradora de Cartão de Crédito Ltda., or HiperCard, an identifiable intangible asset related to customer relationship. The purchase price was R$315 and will be amortized over 10 years.

In August 2004, the Banco Fininvest S.A. and Sonae established a partnership agreement for the creation of a financing company that will offer financial products to Sonae's customers. The purchase price of the transaction was R$21 corresponding to an identifiable intangible asset related to customer relationships at date of the partnership agreement and will be amortized over 10 years. At this time, we also acquired Lev Cred Serviços de Crédito e Cobrança S.A. The purchase price was R$5 at the date of the acquisition and will be amortized over 5 years.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

In October 2004, we acquired from Credicerto an identifiable intangible asset related to the existing customer database. The purchase price of the transaction was R$1 and will be amortized over 3 years.

In April 2005, we acquired from Banco GE Capital S.A. an identifiable intangible asset related to the existing customer portfolio of Wal-Mart cards. The purchase price was R$69 and will be amortized over 10 years.

During 2005, we also acquired other non individual significant intangible assets related to customer relationship. These transactions totalized R$42.

In January, 2006, we acquired from Wal Mart an identifiable intangible asset related to the existing customer database. The purchase price of the transaction was R$66 and will be amortized over 10 years.

In April 2006, we acquired from Renasce – Rede Nacional de Shopping Centers Ltda an identifiable intangible asset related to the existing customer database. The purchase price of the transaction was R$29 and will be amortized over 8 years.

In June 2006, we acquired from TAM Linhas Aéreas S.A. and Droga Raia S.A an identifiable intangible asset related to the existing customer database. The purchase price of these transactions were R$15 and R$2, respectively, and will be amortized over 10 years.

During 2006 we acquired from Eletrodireto, Sonaecred and Savegnago Supermercados Ltda. an identifiable intangible asset related to the existing customer database. The purchase price of those transactions was R$22, R$35 and R$11, respectively and will be amortized over 5, 15 and 10 years. We also acquired other non individual significant intangible assets related to customer relationship in amount of R$43.

(iv) Goodwill and intangible assets

The following tables present our goodwill and intangibles allocated for each business segment at December 31, 2005 and 2006:

	As of December 31,			
	2005		2006	
Goodwill				
Retail	R$	1.150	R$	1.301
Wholesale		11		33
Wealth management		45		45
Insurance		27		92
Total	R$	1.233	R$	1.471
Intangible Assets (mainly, existing customer relationships)				
Retail				
Acquisition cost	R$	903	R$	1.126
Accumulated amortization		(516)		(574)
Total	R$	387	R$	552

The amortization of intangible assets in 2005 and in 2006 was R$130and R$58, respectively.

During 2006 we recognized tax benefit amounting R$7 on the deductibility, for tax purpose, of goodwill.

The estimated aggregate amortization expense will be:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

For the year ended December 31,	Amortization expense	
2007	R$	71
2008		71
2009		70
2010		68
2011		67

Statement of 2006 Acquisitions

The purchases are set forth below:

	Retail				Insurance			
	Hipercard Investimentos		Customer relationship		Unibanco AIG Warranty		Total	
Net assets acquired	R$	23	R$	-	R$	1	R$	24
Goodwill		179		-		65		244
Customer relationship intangible		-		223		-		223
Cash paid for the purchase	R$	202	R$	223	R$	66	R$	491

During 2004, 2005 and 2006, as a result of our purchases, the net cash paid was R$589, R$115 and R$491, respectively.

Note 4 - Related Party Transactions

The Moreira Salles Group through E.Johnston Representação e Participações S.A. owned 92.51% and 92.66 % of Holdings common voting share at December 31, 2005 and 2006, respectively and therefore indirectly controlled 97.10% of the Unibanco's voting share at December 31, 2005 and 2006, respectively. Transactions with companies within the Moreira Salles Group and our own affiliates are limited to banking transactions in the normal course of business at prevailing market terms for similar transactions.

At December 31, 2006 Bahema owned 1.74% of the capital of Holdings; and the Sul America owned 0.76% of capital of Holdings.

We have made certain transactions with unconsolidated related parties that we believe were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, applicable to those prevailing at the time in the market for comparable transactions and did not involve more than the normal risk of collectibility.

As of December 31, 2005 and 2006, we had the following transactions with these related parties:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,	
Company	**2005**	**2006**
Assets		
Interest-bearing deposits in other banks		
Cibrasec – Companhia Brasileira de Securitização	R$ 32	R$ 23
Banco Investcred Unibanco S.A.	761	1.106
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	524	586
Total	R$ 1.317	1.715
Trading assets, at fair value		
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	1	1
Banco Investcred Unibanco S.A.	1	-
Total	2	1
Other assets	127	126
Total assets	R$ 1.446	R$ 1.842
Liabilities		
Deposits		
Demand deposits	R$ 1	R$ 2
Time deposits		
Consórcio Nacional Ford	51	61
Unibanco Rodobens Administradora de Consórcios Ltda	41	40
Companhia Hipotecária Unibanco Rodobens	-	42
Banco Investcred Unibanco S.A.	-	352
Other	15	11
Total	108	508
Federal funds purchased and securities sold under repurchase agreements		
Banco Investcred Unibanco S.A.	45	26
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	3	-
Maxfácil Participações S.A.	-	170
Others	19	19
Total	67	215
Other liabilities		
Other	6	4
Total	6	4
Total liabilities	R$ 181	R$ 727

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Company	For the year ended December 31, 2004	2005	2006
Interest income			
Interest on deposits with banks			
Banco Investcred Unibanco S.A.	R$ 47	R$ 112	R$ 149
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	46	77	79
Interest income on securities			
Trading income			
Banco Investcred Unibanco S.A.	14	3	1
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	3	1	2
Cibrasec Cia Brasileira de Securitização	-	-	3
Other	-	2	-
Fee and commission income			
Unibanco Rodobens Administradora de Consórcios Ltda	6	1	-
Other income			
Credicard S.A. – Administradora de Cartões de Crédito	15	-	-
Banco Investcred Unibanco S.A.	-	16	-
Cibrasec Cia Brasileira de Securitização	-	-	5
Serasa	-	-	12
Other	-	7	-
Interest expense			
Time deposits			
Consórcio Nacional Ford	7	7	8
Unibanco Rodobens Administradora de Consórcios Ltda	3	5	4
Companhia Hipotecária Unibanco Rodobens	-	-	5
Banco Investcred	-	-	19
Other	2	4	1
Federal Funds purchased and Securities sold under agreements to repurchase			
Maxfácil Participações S.A.	-	-	8
Banco Investcred Unibanco S.A.	-	-	16
Derivatives			
Banco Investcred Unibanco S.A.	20	7	1
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	1	3	1
Other	-	4	-
Other interest expenses	2	-	-
Non interest expense			
Administrative expenses			
Tecnologia Bancária S.A.	17	21	17
Interchange	-	-	3
Other	7	3	-
Other non-interest expenses	102	40	55

We contribute on a regular basis to Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto João Moreira Salles and Instituto Moreira Salles, trusts created by the Bank for the benefit of its employees and to further our desire to contribute to cultural and civic activities. Contributions made by Unibanco to these trusts totaled R$7, R$7 and R$6 in 2004, 2005 and 2006, respectively.

Unibanco has made no loans to the executive officers and directors of Holdings or Unibanco since this practice is prohibited for all Brazilian banks by the Central Bank of Brazil (the "Central Bank").

Note 5 - Central Bank Compulsory Deposits

The Central Bank requires financial institutions, including Unibanco, to deposit certain funds with the Central Bank. The following table presents a summary of the current compulsory deposit requirements by type and the amounts of such deposits:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Type of deposits	As of December 31, 2005	2006
Non-interest earning	R$ 1.087	R$ 987
Interest-earning	4.063	4.190
Total	R$ 5.150	R$ 5.177

At December 31, 2005 and 2006 we had also R$621 and R$3,161 of federal government securities, linked to the Central Bank in the form of compulsory deposits, recorded as trading assets in the amount of R$592 in 2005 (note 6), securities held to maturity in the amount of R$29 in 2005 (note 8), and securities available for sale in the amount of R$27 in 2006 (note 7), and federal funds sold and securities purchased under resale agreements in the amount of R$ 3,134 in 2006.

Note 6 - Trading Assets

Trading assets, stated at fair value, are presented in the following table:

	As of December 31, 2005	2006
Federal government securities (a)	R$ 9.465	R$ 6.948
Brazilian sovereign bonds	79	594
Securities of foreign governments	236	389
Corporate debt securities	396	363
Bank debt securities	107	97
Mutual funds (b)	398	514
Shares	97	229
Derivative financial instruments:		
Swaps	435	471
Forward and future	71	111
Option contracts	339	188
Total	R$ 11.623	R$ 9.904

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(a) Includes R$223 in 2005 and R$126 in 2006 pledged to margin guarantees, mainly to the Brazilian Futures and Commodities Exchange ("BM&F"); R$592 in 2005 linked to Central Bank as compulsory deposits (note 5) and R$1,564 in 2005 and R$850 in 2006 subject to repurchase agreements.

(b) The portfolios of mutual funds held by our insurance, capitalization and private retirement companies are represented mainly by federal government securities. Includes R$36 in 2006 pledged to margin guarantees.

Net trading income in 2004, 2005 and 2006, included in non interest income was as follows:

	For the year ended December 31, 2004	2005	2006
Realized gains on securities	R$ 54	R$ 100	R$ 105
Realized losses on securities	(39)	(123)	(57)
Realized gains on derivatives	308	139	220
Net unrealized losses on securities and derivatives	(102)	(5)	(43)
Net	R$ 221	R$ 111	R$ 225

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 7 - Securities Available for Sale

The amortized cost and fair value of securities available for sale were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2005				
Federal government securities (a)	R$ 506	R$ 1	R$ 18	R$ 489
Brazilian sovereign bonds (b)	2.239	135	-	2.374
Corporate debt securities	2.227	39	36	2.230
Bank debt securities	282	2	1	283
Shares	116	1	25	92
Mutual funds	3	-	-	3
Total	R$ 5.373	R$ 178	R$ 80	R$ 5.471

	Amortized cost	Gross unrealized gains	Gross unrealized Losses	Fair value
December 31, 2006				
Federal government securities (a)	R$ 2.696	R$ 33	R$ 13	R$ 2.716
Brazilian sovereign bonds (b)	2.219	29	86	2.162
Corporate debt securities	1.820	66	17	1.869
Securities of foreign governments	271	1	-	272
Bank debt securities	124	1	4	121
Shares	173	1	34	140
Mutual funds	7	-	1	6
Total	R$ 7.310	R$ 131	R$ 155	R$ 7.286

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(a) Includes R$82 in 2005 and R$359 in 2006 pledged to margin guarantees; R$27 in 2006 linked to Central Bank as compulsory deposits (note 5) and R$581 in 2006 subject to repurchase agreements.
(b) Includes R$1,899 in 2005 and R$1,996 in 2006 subject to repurchase agreement and R$49 in 2006 pledged to margin guarantees

The following table represents the aging of our unrealized losses at December 31, 2005 and 2006 as follows:

	As of December 31, 2005					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair Value	Gross unrealized losses
Federal government securities	R$ 1	R$ 1	R$ 147	R$ 17	R$ 148	R$ 18
Bank debt securities	99	1	4	-	103	1
Corporate debt securities	310	16	904	20	1.214	36
Shares	68	25	-	-	68	25
Total	R$ 478	R$ 43	R$ 1.055	R$ 37	R$ 1.533	R$ 80

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31, 2006					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair Value	Gross unrealized losses
Federal government securities..	R$ 375	R$ 13	R$ 1	R$ -	R$ 376	R$ 13
Brazilian sovereign bonds.........	1.443	86	-	-	1.443	86
Bank debt securities...............	105	4	-	-	105	4
Corporate debt securities.........	746	15	123	2	869	17
Shares................................	39	11	24	23	63	34
Mutual funds.........................	6	1	-	-	6	1
Total..............................	R$ 2.714	R$ 130	R$ 148	R$ 25	R$ 2.862	R$ 155

We have evaluated the unrealized losses of our securities available for sale at December 31, 2004 and 2006, and we determined there were no other-than-temporary losses except for the amount of R$ 105 and R$110 of impairment written off and recorded as "Non interest income–net gains (losses) on securities and non-trading derivatives". No impairment was recognized at December 31, 2005.

We conduct a monthly review to identify and evaluate investments that have indications of possible impairment, considering the financial condition and near-term prospects of the issuer and our ability and intention to hold the investment for a period of time sufficient to allow for any anticipated recovery.

At December 31, 2005 and 2006 we held no securities of a single issuer or related group of companies whose fair value exceeded 10% of our shareholders' equity.

Proceeds from sales of investment securities available for sale were R$3,490, R$3,244 and R$13,637 in 2004, 2005 and 2006, respectively.

Gross gains and losses realized on the sale of securities available for sale were as follows:

	For the year ended December 31,		
	2004	2005	2006
Gains..	R$ 48	R$ 84	R$ 251
Losses..	23	-	8
Net..	R$ 25	R$ 84	R$ 243

The amortized cost and fair value of available for sale securities, by contractual maturity, were as follows:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,			
	2005		2006	
	Amortized cost	Fair Value	Amortized cost	Fair Value
Due in one year or less........................	R$ 1.079	R$ 1.073	R$ 1.659	R$ 1.649
Due after one year through five years......	1.751	1.769	2.996	3.032
Due after five years through ten years.....	1.122	1.148	754	743
Due after ten years..............................	1.303	1.386	1.721	1.716
No stated maturity..............................	118	95	180	146
Total..	R$ 5.373	R$ 5.471	R$ 7.310	R$ 7.286

Note 8 - Securities Held to Maturity

The amortized cost and fair value of securities held to maturity were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
December 31, 2005				
Federal government securities (a)...............	R$ 1.091	R$ 44	R$ 7	R$ 1.128
Brazilian sovereign bonds (b)......................	1.240	129	-	1.369
Corporate debt securities...........................	74	3	-	77
Bank debt securities..................................	81	1	-	82
Total...	R$ 2.486	R$ 177	R$ 7	R$ 2.656

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2006				
Federal government securities (a)...............	R$ 469	R$ 57	R$ -	R$ 526
Brazilian sovereign bonds (b)......................	993	114	-	1.107
Corporate debt securities (b)......................	57	2	-	59
Bank debt securities..................................	57	-	-	57
Total	R$ 1.576	R$ 173	R$ -	R$ 1.749

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(a) Includes R$394 in 2005 pledged to margin guarantees, mainly to the BM&F; R$29 in 2005 linked to Central Bank as compulsory deposits (note 5).
(b) In 2005 includes R$1,083 of Brazilian sovereign bonds and R$10 of Corporate debt securities, all of them subject to repurchase agreements. In 2006 in includes R$801 of Brazilian sovereign bonds subject to repurchase agreements and R$129 pledged to margin guarantees.

At December 31, 2005 the aging of unrealized losses was less than twelve months.

We have evaluated the unrealized losses of our securities held to maturity at December 31, 2005 and we considered there were no other-than-temporary losses. We conduct a monthly review to identify and evaluate investments that have indications of possible impairment, considering the financial condition and near-term prospects of the issuer and our ability and intention to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The amortized cost and fair value of securities held to maturity, by contractual maturity, were as follows:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,							
	2005				2006			
	Amortized cost		Fair value		Amortized cost		Fair value	
Due in one year or less	R$	880	R$	869	R$	281	R$	284
Due after one year through five years		659		771		530		589
Due after five years through ten years		334		370		158		176
Due after ten years		613		646		607		700
Total	R$	2.486	R$	2.656	R$	1.576	R$	1.749

At December 31, 2005 and 2006 we held no securities of a single issuer or related group of companies whose amortized cost or fair value exceeded 10% of our shareholders' equity.

At October 15, 2005, Brazilian Central Bank exercised a call option and repurchased R$767 of our held to maturity.

Note 9 - Loans

	As of December 31,			
	2005		2006	
Commercial:				
Industrial and other	R$	19.049	R$	22.549
Import financing		1.369		1.503
Export financing		2.076		1.548
Real estate loans, primarily residential housing loans		1.284		1.404
Direct lease financing (a)		826		1.907
Individuals:				
Overdraft		779		660
Financing		6.009		5.533
Credit card		5.031		5.957
Agricultural		1.120		1.315
Nonperforming loans		1.694		2.278
Total loans	R$	39.237	R$	44.654

Most of our business activities are with customers located in Brazil. The Bank has a diversified loan portfolio with concentration no higher than 10% in any economic sector.

Net Investments in Direct Leasing Financing

The following lists the components of the net investment in direct leasing financing:

	As of December 31,			
	2005		2006	
Total minimum lease payments to be received	R$	1.061	R$	2.567
Less: Unearned income		(206)		(608)
Net investments in direct leasing financing (b)	R$	855	R$	1.959

(a) Includes residual value.
(b) Includes nonperforming leases.

The following is a schedule by years of total minimum lease payments to be received:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,			
	2005		2006	
Overdue Payments	R$	117	R$	28
2006		480		-
2007		293		1.167
2008		126		748
2009		38		401
2010		6		169
2011		1		54
Total	R$	1.061	R$	2.567

Our nonperforming loans were classified as follows:

	As of December 31,							
	2005				2006			
	Nonperforming loans		Allowance for nonperforming loans		Nonperforming loans		Allowance for nonperforming loans	
Industrial and other	R$	349	R$	252	R$	665	R$	445
Import and export financing		2		2		8		6
Real estate loans, primarily residential housing loans		87		30		102		37
Direct lease financing		29		16		52		27
Individuals		1.224		732		1.445		1.013
Agricultural		3		2		6		5
Total	R$	1.694	R$	1.034	R$	2.278	R$	1.533

At December 31, 2005 and 2006, nonperforming loans included R$50 and R$103, respectively, of large non- homogenous balance loans that were considered individually impaired in accordance with SFAS 114. The allowance for impaired loans is R$45 and R$30 at December 31, 2005 and 2006, respectively.

The impact on interest income as a result of nonperforming loans subject to impairment was not material for any of the periods presented. We do not have any material commitments to advance additional funds to these borrowers.

The average balances of nonperforming loans subject to impairment were as follows:

	For the year ended December 31,		
	2004	2005	2006
Average balance of nonperforming loans subject to impairment	1.122	1.382	2.012

We did not recognize any interest income during the period that the above loans were nonperforming and subject to impairment.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 10 - Allowance for Loan Losses

The following represents an analysis of changes in the allowance for loan losses:

	For the year ended December 31, 2004	2005	2006
Balance, beginning of year	R$ 1.317	R$ 1.560	R$ 2.107
Provision for loan losses	948	1.870	2.030
Loan charge-offs	(1.117)	(1.442)	(1.842)
Loan recoveries	412	119	282
Net charge-offs	(705)	(1.323)	(1.560)
Balance, end of year	R$ 1.560	R$ 2.107	R$ 2.577

Note 11 - Investments in Unconsolidated Companies

	As of or for the year ended December 31, 2006				Investment		Equity income (loss)		
	Participation (%)		Share-holders´	Net income for	As of December 31,		For the year ended December 31,		
	Total	Voting	equity(a)	the year(a)	2005	2006	2004	2005	2006
Retail									
Redecard S.A.	31,943%	31,942%	91	321	R$ 19	R$ 29	R$ 48	R$ 60	R$ 103
Orbitall Serviços e Processamento de Informações Comerciais Ltda (c)	-	-	-	-	-	-	14	-	-
Serasa S.A. (b).	19,174%	16,503%	206	103	36	40	12	16	20
Cibrasec – Companhia Brasileira de Securitização (b)	9,090%	9,090%	71	9	6	6	1	1	1
Tecnologia Bancária S.A.	20,300%	20,300%	147	23	28	30	2	3	4
Unibanco Rodobens Administradora de Consórcios Ltda	50,000%	50,000%	52	29	25	26	6	15	14
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	49,998%	49,996%	35	24	26	18	11	15	12
Banco Investcred Unibanco S.A.	49,997%	49,997%	141	55	71	70	26	32	27
Companhia Hipotecária Unibanco – Rodobens	50,000%	50,000%	17	5	6	9	-	1	3
UniVR Sociedade de Crédito, Financiamento e Investimento (d)	49,000%	49,000%	41	1	-	20	-	-	-
Maxfácil Participações S.A. (e)	49,986%	49,986%	175	5	-	87	-	-	2
Credicard S.A.-Administradora de Cartões de Crédito (c)	-	-	-	-	-	-	87	-	-
Goodwill paid on acquisition of investments (f)					91	196	-	-	-
Others			2	-	27	-	-	-	-
Total					335	531	207	143	186
Wholesale									
Interchange Serviços S.A.	25,000%	25,000%	58	21	10	15	1	2	5
Others			8	-	4	4	(1)	2	-
Total					14	19	-	4	5
Insurance									
AIG Brasil Companhia de Seguros	49,999%	49,999%	80	8	55	40	8	11	4
Others			-	-	-	-	5	-	-
Total					55	40	13	11	4
Total of investments in unconsolidated companies					**404**	**590**	**220**	**158**	**195**
Non-marketable equity investments					**219**	**212**	**-**	**-**	**-**
Total					**R$ 623**	**R$ 802**	**R$ 220**	**R$ 158**	**R$ 195**

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(Expressed in millions of Brazilian reais, unless otherwise indicated)

(a) Amounts derived from the Accounting Practices Adopted in Brazil financial statements adjusted to U.S. GAAP, when applicable. There are no material restrictions upon the ability of such companies to remit funds to Unibanco. Additionally, there are no significant differences between our investment and our proportionate share of the investee's equity.
(b) Companies in which we own less than 20% of voting shares but exercise significant influence over their operations.
(c) On December 29, 2004, we sold the total of our participation in Credicard and Orbitall for R$1,727. The gross gain on sale of the mentioned participation was R$1,574 (note 24). The total gross gain of R$1,574 includes R$855 of taxable income and R$719 of non-taxable income (note 18).
(d) During the third quarter of 2006, we acquired 49% of the company's voting share.
(e) During the third quarter of 2006, we acquired 49.986% of the company's voting shares.
(f) During 2006 we (i) acquired UniVR Sociedade de Crédito, Financiamento e Investimento for R$ 40, including goodwill of R$ 20 and (ii) Maxfácil Participações S.A. for R$ 171, including goodwill of R$ 85.

Note 12 - Premises and Equipment

	Estimated useful life (years)	As of December 31, 2005	2006
Land	-	R$ 203	R$ 205
Buildings	25	498	492
Furniture and equipment	10	423	484
Leasehold improvements	5-10	505	375
Data processing equipment	5	779	873
Costs of software developed or obtained for internal use	5	597	639
Vehicles	5	6	6
Others	-	77	76
Total		R$ 3.088	R$ 3.150
Less: Accumulated depreciation		1.666	1.715
Premises and equipment, net		R$ 1.422	R$ 1.435

Depreciation expense was R$309, R$337 and R$316 in 2004, 2005 and 2006, respectively, including R$17, R$19 and R$ 28 related to depreciation expense on assets under capital leases in 2004, 2005 and 2006, respectively.

We have entered into leasing agreements, mainly related to data processing equipment, which is accounted for as capital leases. Under this accounting method both an asset and an obligation are recorded in the financial statements and the asset is depreciated in a manner consistent with our normal depreciation policy for owned assets.

As from 2002, we sold many properties used as branches and, subsequently, we rented them for the purpose of continuing our operations. These sales were recorded pursuant to SFAS 13 and SFAS 98, "Accounting for leases" and SFAS 28 "Accounting for Sales with Leasebacks". We have not sold any of our branches during 2005 and 2006. From 2002 to December 31, 2006, we sold 185 properties used as our operational branches.

Transactions accounted for under the financing method, where we have a continuing involvement based on our provision of recourse financing in which the only recourse is to the leased asset, included 27 properties in the amount of R$57 (cost of R$33), all of which were sold in 2004. At December 31, 2006, the proceeds from sale of the branches and interest earned from the financed contracts, net of the leases paid in the amount of R$31, will be recorded as income only as from the final maturity of the corresponding financing period (usually 10 years). However, the corresponding fixed assets are still recorded in our balance sheet, and thus subject to depreciation. For the years ended December 31, 2004, 2005 and 2006, the corresponding depreciation amount of those assets were R$1, R$1 and R$1 respectively.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Transactions accounted for as sale-leasebacks included 158 properties (110 properties in 2002 and 48 properties in 2004). The proceeds from sale of these properties were R$141 (2002 - R$71 (at a cost of R$36) and 2004 - R$70 (at a cost of R$41)). Therefore, based on the accounting practices disclosed in note 2(k) to our financial statements, the impacts on our statement of income for the five years ended December 31, 2006, are as follows:

a. Deferring of the net gain on sale of properties - 2002 - R$14, 2003 - R$5, 2004 - R$7, 2005 - R$7 and 2006 – R$ 7;
b. Rental expenses on the leased properties - 2002 - R$3, 2003 - R$5, 2004 - R$ 6, 2005 - R$11 and 2006 – R$12 .

All transactions that qualified as sale-leasebacks involving operating leases and therefore we recorded the sale, removing all property from the balance sheet. The transactions that did not qualify for sale leaseback accounting because of any form of continuing involvement were accounted by the financing method.

Gains on the sales were recognized depending on whether or not we provided an extended minimum lease period guarantee to the buyer, which was not considered to be under regular market conditions (usually such contracts guarantee a minimum period of 10 years). For those contracts that we considered not to be under regular conditions due to the extended minimum lease period guarantee, during 2004 we deferred gains in the amount of R$26 in proportion to the related gross rental charges to expense over the lease terms for the next 10 years. Minimum lease payments for these contracts are disclosed in Note 30.

Note 13 - Other Assets

	As of December 31,	
	2005	2006
Deferred tax assets, net (note 18)	R$ 1.991	R$ 2.009
Restricted escrow deposits for contingencies (note 30)	2.297	2.063
Prepaid taxes	1.237	1.352
Notes and credits receivable	256	291
Prepaid expenses	686	923
Negotiation and intermediation of securities	238	127
Income receivable	126	158
Insurance premiums receivable	88	189
Foreclosed assets, net	71	168
Foreign exchange portfolio, net	-	852
Others	1.024	702
Total	R$ 8.014	R$ 8.834

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 14 – Time Deposits

The following table shows the maturity of outstanding deposits with balances issued by us.

	As of December 31, 2005	As of December 31, 2006
Maturity within 3 months	R$ 3.834	R$ 3.825
Maturity after 3 months but within 6 months	3.499	3.839
Maturity after 6 months but within 12 months	3.555	2.123
Maturity after 12 months	15.123	14.606
Total deposits	R$ 26.011	R$ 24.393

Note 15 - Federal Funds Purchased, Securities Sold under Repurchase Agreements and Short-term Borrowings

Financial data of our federal funds purchased, securities sold under repurchase agreements and short-term borrowings, were as follows:

	As of December 31, 2005	As of December 31, 2006
Federal funds purchased, securities sold under repurchase agreements	R$ 10.721	R$ 16.991
Short-term borrowings		
Import and export financings	2.932	2.420
Other interbank borrowings	235	533
Others	72	92
Total	R$ 13.960	R$ 20.036

Import and export financings represent credit lines open for financing imports and exports of Brazilian companies, typically denominated in foreign currency. We then make corresponding extensions of credit to exporters/importers denominated in Brazilian *reais* with payments made to us (in the case of exports) or paid by us (in the case of imports) in foreign currency.

The following table presents the federal funds purchased, securities sold under repurchase agreements and short-term borrowings by maturities.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,			
	2005		2006	
Federal funds purchased and securities sold under repurchase agreements:				
Overnight	R$	4.482	R$	4.117
Due 1 month or less		1.012		1.207
Due between 1 and 3 months		888		1.033
Due between 3 and 6 months		1.158		1.138
Due after 6 months		3.181		9.496
Total		10.721		16.991
Short-term borrowings:				
Due 1 month or less		579		358
Due between 1 and 3 months		353		382
Due between 3 and 6 months		953		613
Due after 6 months		1.354		1.692
Total		3.239		3.045
Total	R$	13.960	R$	20.036

The following table presents a summary of the primary short-term borrowings.

	As of or for the Year Ended			
	2005		2006	
Federal funds purchased and securities sold under repurchase agreements:				
Amount outstanding	R$	10.721	R$	16.991
Maximum amount outstanding during the period		10.721		17.939
Weighted average interest rate at period-end		18,0%		13,2%
Average amount outstanding during period		7.194		14.459
Weighted average interest rate		14,40%		11,9%
Import and export financing:				
Amount outstanding	R$	2.932	R$	2.420
Maximum amount outstanding during the period		2.932		2.932
Weighted average interest rate at period-end		4,6%		6,7%
Average amount outstanding during period		2.378		2.440
Weighted average interest rate		(5.3)%		(0.3)%
Other interbank borrowings:				
Amount outstanding	R$	235	R$	533
Maximum amount outstanding during the period		340		803
Weighted average interest rate at period-end		4,0%		5,5%
Average amount outstanding during period		273		363
Weighted average interest rate		1,7%		4,6%
Other	R$	72	R$	92
Total	R$	13.960	R$	20.036

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 16 - Long-term Debt

The composition of long-term debt is as follows:

	As of December 31, 2005	As of December 31, 2006
Local onlendings	R$ 6.012	R$ 6.535
Subordinated debt	2.964	3.240
Notes issued under securitization arrangements	2.137	1.644
Mortgage indebtedness	514	1.272
Euronotes	989	1.029
Debentures	-	765
Foreign onlendings	143	64
Obligations under capital leases	58	63
Others	33	26
Total	R$ 12.850	R$ 14.638

Local onlendings

Local onlendings represent amounts borrowed from Brazilian agencies for loans to Brazilian entities to invest primarily in premises and equipment. These amounts are due in monthly installments through 2025 and bear fixed interest between 1% per annum and 2.5% per annum, in 2005 and 2006, plus variable interest based on the TJLP (Long-term interest rate determined by the Central Bank on a quarterly basis, not inflation-adjusted), U.S. dollar or the BNDES (National Economic and Social Development Bank) basket of currencies. The borrowings are primarily from BNDES and FINAME (National Industrial Finance Authority) in the form of credit lines.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Euronotes

Maturity date (a)	Original term in years (a)	Currency	Coupon	Carrying amount (net of repurchases) as of December 31, 2005	2006
January 02, 2006	1	US$	17.00%	12	-
February 03, 2006	0.5	US$	-	60	-
March 29, 2006	0.5	US$	-	28	-
June 14, 2006	2	R$	17.90%	87	-
August 11, 2006	1	US$	-	28	-
June 11, 2007	2	US$	5.35%	23	20
July 15, 2009	5	US$	9.62%	26	11
July 15, 2009	5	US$	7.87%	49	31
December 09, 2009	6	US$	5.35%	23	22
February 11, 2010	5	R$	8,70%	285	231
December 30, 2013	10	US$	7,25%	4	4
January 02, 2014	10	US$	7,25%	6	6
April 15, 2014	13	US$	8,00%	51	(4)
December 12, 2008	2.3	YEN	1,00%	-	318
March 26, 2007	0.3	US$	-	-	24
June 30, 2015	10.7	US$	12,75%	-	20
October 15, 2010	4.8	US$	6,85%	-	19
March 19, 2007	0.3	US$	12,35%	-	16
May 25, 2007	1	US$	14,75%	-	13
March 6, 2007	0.3	US$	-	-	12
March 29, 2007	0.3	US$	-	-	11
Others				307	275
Total				R$ 989	R$ 1.029

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(a) Maturity date and original term in years, consider, when applicable, the investor put rights.

Notes issued under securitization arrangements

The Branch has entered into a series of securitization transactions involving future flows of US dollar denominated electronic remittance payment orders ("DPRs"), pursuant to which the Head Office through the Branch, sold DPRs to UBB Diversified Payment Rights Finance Company (UBB),with the purpose of acquiring US dollar payment orders received and processed by the Head Office through its correspondent banks and using them as an underlying asset that guarantees note issuances in the international capital markets. A variable interest entity in which we are the primary beneficiary as under FIN 46R.

UBB pays for the DPRs purchased with funds received from notes issued that are collateralized by the DPRs. Upon the occurrence of certain events which have a material adverse effect on the existence of future flows of DPRs, the Branch is required to repurchase the DPRs from UBB so that it may redeem any outstanding notes.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	Original principal amount issued	Issue	Maturity	Coupon	As of December 31, 2005	2006
Series 2002-1	US$105 million	May 2002	January 2016 (1)	3-month LIBOR (4) + 1,20%	701	221
Series 2003-2	US$105 million	June 2003	July 2009 (1)	0,065	187	138
Series 2003-3	US$227 million	November 2003	October 2013 (2)	3-month LIBOR +1,35%	538	517
Series 2004-1	US$200 million	May 2004	April 2011	3-month LIBOR (4) + 0,50%	474	441
Series 2004-5	US$150 million	September 2004	October 2012 (3)	3-month LIBOR (4) + 0,45%	237	327
					R$ 2.137	R$ 1.644

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(1) Renegotiated in January 2006
(2) Renegotiated in November 2005
(3) Renegotiated in July 2006
(4) London InterBank Offered Rates.

Subordinated debt

	Issue	Maturity	Remuneration per annum	Carrying amount 2005	2006
Step-up subordinated callable notes (1)......................	April 2002	April 2012	9,38%	453	412
Step-up subordinated callable notes (2)......................	December 2003	December 2013	7,38%	462	414
Step-up subordinated callable notes (3)......................	April 2001	April 2006	3,45%	71	-
Floating subordinated notes (4).......	December 2004	December 2009	4,74%	352	321
Subordinated time deposits (5)........	December 2002	December 2012	102% of CDI (8)	439	508
Subordinated time deposits (6)........	December 2006	December 2016	104% of CDI (8)	-	500
Perpetual Non-cumulative Junior Subordinated Securities (7)..........	July 2005	No stated	8,70%	1.187	1.085
Total..................................				R$ 2.964	R$ 3.240

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(1) Redeemed in April 2007
(2) The debt can be integrally redeemed in December 2008 or upon each subsequent interest payment. The interest rate from the fifth year will be 9.375% per annum.
(3) The debt was assumed through the acquisition of BNL Brasil in 2004 and the interest rate is calculated based on semi-annual LIBOR plus 1.20%.
(4) The debt can not be redeemed prior to contractual maturity. The interest rate is calculated based on semi-annual LIBOR plus 2%.
(5) Subordinated time deposits can be redeemed from December 2007.
(6) Subordinated time deposits can be redeemed from December 2011.
(7) The debt can be fully redeemed, only at the option of the issuer, after July 29, 2010 or in each subsequent interest payment date.
(8) Brazilian benchmark interbank interest rate.

Mortgage indebtedness

Mortgage indebtedness represents borrowings with original terms generally between 15 and 33 months and bears interest of TRF-R (Floating Reference Rate established daily by the Central Bank) plus 12% per annum to 15% per annum in 2005 and 11.5% per annum to 14.5% per annum in 2006. These instruments are regularly rolled forward for periods of more than one year, and are entirely collateralized by housing loans.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Foreign onlendings

Foreign onlendings, consisting of long-term credit lines for project and trade finances, are payable up to December 15, 2011, with an average interest rate of 5.42% per annum (2005 – 4.62% per annum).

Maturity of long-term debt

	As of December 31, 2005	As of December 31, 2006
2006	R$ 3.472	R$ -
2007	1.904	4.787
2008	1.935	2.291
2009	1.223	1.647
2010	1.019	2.120
2011	-	595
Thereafter [(1)]	3.297	3.198
Total	R$ 12.850	R$ 14.638

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(1) Includes R$1,170 and R$1,069 in 2005 and 2006 of Perpetual Bond with no stated maturity, respectively.

Note 17 - Other Liabilities

	As of December 31, 2005	As of December 31, 2006
Pension investment contracts	R$ 5.199	R$ 6.328
Provision for litigations (note 30)	2.707	2.968
Payable to merchants - credit card	1.718	3.202
Insurance claims reserve	1.058	1.672
Income taxes and other taxes payable	624	831
Social and statutory	466	647
Accounts pending settlement	393	310
Retirement plan reserve	430	461
Collection of third-party taxes, social contributions and other	421	623
Derivatives liability (note 28):		
Swaps	243	226
Forward contracts	183	197
Option contracts	271	329
Non deliverable forward	-	12
Employee related liabilities	169	238
Others	2.801	2.355
Total	R$ 16.683	R$ 20.399

Note 18 - Income Taxes

Under the Brazilian Income Tax Law, Holdings, Unibanco and our subsidiaries are treated as separate taxable entities and are required to file a separate tax return.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

HOLDINGS

Dividends received and equity in Unibanco's undistributed earnings are not subject to Brazilian federal income tax and social contribution.

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Income taxes in Brazil comprise federal income tax of 25% and social contribution of 9%, which is an additional federal tax, resulting in a statutory tax rate of 34%.

The amounts reported as income tax expense in the consolidated financial statements are reconciled to the statutory rates as follows:

	For the year ended December 31,		
	2004	2005	2006
Income before income taxes	R$ 2.514	R$ 2.268	R$ 2.642
Less: Equity in results of unconsolidated companies	220	158	195
Tax basis	2.294	2.110	2.447
Tax expense at statutory rates	(780)	(717)	(832)
Adjustments to derive effective tax rate:			
Tax benefit on interest attributed to shareholders' equity paid, net	198	260	325
Non-taxable capital gains	13	13	6
Non-deductible losses on foreign assets	(28)	(51)	(33)
Non-taxable income from equity results	245	-	-
Other permanent differences, net	57	35	2
Income tax expense	R$ (295)	R$ (460)	R$ (532)

The payment of tax-deductible interest on equity was introduced as from January 1, 1996 as an option for profit distributions, which were previously permitted only in the form of non-tax-deductible dividends.

The major components of the deferred tax accounts in the consolidated balance sheet are as follows:

	As of December 31,	
	2005	2006
Provision for loan losses	R$ 585	R$ 689
Other provisions not currently deductible (mainly provision for litigations)	707	867
Tax benefit from equity of subsidiaries	8	62
Tax losses carryforwards	707	581
Fair value adjustments on securities and derivatives financial instruments	(53)	25
Other temporary differences	211	222
Deferred tax assets	2.165	2.446
Effect of differences between indexes used for price-level restatement purposes for tax and U.S. GAAP purposes, mainly relating to premises and equipment	10	7
Temporary differences relative to leasing depreciation	49	88
Other temporary differences	109	330
Others	6	12
Deferred tax liabilities	174	437
Net deferred tax asset, included in other assets	R$ 1.991	R$ 2.009

The tax loss carryforwards have no expiration date, but are subject to a limitation of 30% of taxable income for the year. No valuation allowances have been created for these tax losses carryforwards, since we currently believe the realization of these future tax benefits to be more likely than not.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 19 - Shareholders' Equity, Shareholders' and Board of Directors' Meetings

HOLDINGS

On December 31, 2004, 2005 and 2006, the capital of Holdings comprised the following shares, without par value:

	As of December 31,		
	2004 (1) (2)	2005 (2)	2006 (2)
Voting common shares.............................	630,291,750	553,735,904	553,735,904
Non-voting preferred shares.....................	1,056,317,774	1,106,931,840	1,089,851,783
Total shares...	1,686,609,524	1,660,667,744	1,643,587,687

(1) The information above has been adjusted to reflect the 2004 reverse share split (1:100).

(2) The information above has been adjusted to reflect the 2006 share bonus (2:1).

On December 31, 2006, the market value of Units was R$ 20.20.

The preferred shares have no voting rights, but are entitled to receive (i) priority in the distribution of a semi-annual minimum dividend equal to the greater of (a) R$0.15 (fifteen cents) per twenty shares (adjusted for any applicable share split or reserve share split) or (b) 1.5% per share, at book value resulting in an annual priority dividend of 3% (three percent) per share, at book value; (ii) participation on the same basis as the common shares in the distribution of dividends, after the common share rights to receive its respective dividends; (iii) priority in the reimbursement of capital in the case of the Holdings´ liquidation up to the amount of capital represented by such preferred shares and (iv) participation in equal conditions with common shareholders in capital increases resulting from the capitalization of reserves and profits and monetary adjustments.

The preferred shares of Holdings and Unibanco are traded also in the form of Share Deposit Certificates (Units) or Global Depositary Shares (GDS). Each GDS represents 10 Units and is traded in the international market. Each Unit, or certificate, represents one preferred share of Unibanco and one preferred share of Holdings.

On April 30, 2004, the Extraordinary Shareholders Meeting of Holdings approved the reverse share split of Holdings' common and preferred shares, including Units, at a ratio of 100 shares to 1. This reverse share split was implemented on August 30, 2004. The information regarding the year of 2004 retroactively reflects this reverse share split.

On April 30, 2004, the Extraordinary Shareholders Meeting, based on the fact that there were no outstanding class "A" preferred shares, and, therefore, it was no longer necessary to keep the denomination of such classes in the by-laws of Holdings, approved the exclusion of the denomination of "class A" preferred shares and "class B", and the consequent amendment of the denomination of "class B" preferred shares to "preferred shares".

(Expressed in millions of Brazilian reais, unless otherwise indicated)

At the Extraordinary Shareholders Meeting held on June 29, 2006, it was approved the increase of Holdings´ capital in the amount of R$2,692 through the capitalization of retained earnings, with the issuance of 813,253,815 new shares to the shareholders, in 100% proportion, and the record date on July 17, 2006.

On July 17, 2006, the amounts and prices of Units were adjusted in accordance with the issuance of shares bonus. This issuance entitled every shareholder of the companies to receive one new share of the same type for each share currently held share bonus. Treasury shares were not affected by this action. At the same time, the price of each Unit was reduced by half. For accounting purposes, the share bonus was considered to be a stock split. Therefore, the disclosed quantity of common and preferred shares regarding the years of 2006, 2005 and 2004 and calculations of earnings per share for those years were adjusted to reflect the share bonus occurred in 2006. According to the provisions of the Brazilian Federal Revenue Secretariat, the unit cost that will be ascribed to the new shares is R$3.31 for Holdings' shares.

Appropriated retained earnings - Brazilian law and the Holdings' by-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserves are described below:

Legal reserve - this reserve is required for all Brazilian corporations and represents the appropriation of 5% of the net income in the statutory accounting records up to a limit of 20% of capital share.

Contingency Reserve – according to Holdings' by-laws, portion of the profits may be allocated to the constitution of this reserve.

Equalization of Equity Reserve – this reserve shall have the purpose to assure the equalization of Holdings' profits with the incomes coming from the investments on its controlled company and shall contemplate the remaining balance of the net profit, after distribution of the mandatory dividends, up to the limit of the capital.

Special dividends reserves - represents the amount of profits verified in Holdings' subsidiaries during the fiscal years from 1989 to 1993 and based upon the fiscal regime set forth in Article 35 of law No. 7,713 of Dec. 22, 1988 and Article 75 of Law 8,383, of Dec. 30, 1991 and in the CST Declaratory Act n° 49 of Sep. 23, 1994

There are no unappropriated retained earnings in Holdings' statutory accounts on December 31, 2005 and 2006.

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On December 31, 2004 and 2005 and 2006, the capital of the Bank comprised the following shares, without par value:

	As of December 31,		
	2004 (1) (2)	2005 (2)	2006 (2)
Voting common shares............................	1,511,316,336	1,511,316,336	1,511,316,336
Non-voting preferred shares....................	1,306,400,328	1,306,400,328	1,296,439,472
Total shares.......................................	2,817,716,664	2,817,716,664	2,807,755,808

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(1) The information above has been adjusted to reflect the 2004 reverse share split (1:100).

(2) The information above has been adjusted to reflect the 2006 share bonus (2:1).

On December 31, 2006, the fair value of Units was R$20.20.

"The preferred shares of Unibanco carry no voting rights but have priority over common shareholders in the return of capital in the case of liquidation, up to the amount of capital represented by such preferred shares, and the right to receive a priority dividend per share 10% greater than that distributed per share to common shareholders. All shareholders are entitled to receive, in total, a mandatory dividend of at least 35% of the Bank's annual net income as stated in the statutory accounting records, adjusted for transfers to and from reserves. In addition, the holders of preferred shares of Unibanco are entitled to participate, on an equal basis with holders of the common shares of Unibanco, in capital increases resulting from the capitalization of reserves, profits and monetary adjustments."

On April 30, 2004, the Extraordinary Shareholders Meeting of Unibanco approved the reverse share split of Unibanco´s common and preferred shares, including Units, which are share deposit certificates representing, each, one preferred share of Unibanco and one preferred share of Holdings, at a ratio of 100 shares to 1. This reverse share split was implemented on August 30, 2004. The information regarding the year 2004 retroactively reflects this reverse share split.

At the Extraordinary Shareholders Meeting held on June 29, 2006 approval was given to the increase of the corporate capital in the amount of R$3,000 through the partial capitalization of statutory reserves, with the issuance of 1,398,897,476 new shares to the shareholders, in 100% proportion, approved by the Brazilian Central Bank on July 7, 2006 and, with record date of July 17, 2006.

On July 17, 2006, the amounts and prices of Units were adjusted in accordance with the issuance of shares bonus. This issuance entitled every shareholder of the companies to receive one new share of the same type for each share currently held share bonus. Treasury shares were not affected by this action. At the same time, the price of each Unit was reduced by half. For accounting purposes, the share bonus was considered to be a stock split. Therefore, the disclosed quantity of common and preferred shares regarding the years of 2006, 2005 and 2004 and the calculations of earnings per share for those years were adjusted to reflect share bonus occurred in 2006. According to the provisions of the Brazilian Federal Revenue Secretariat, the unit cost that will be ascribed to the new shares is R$2.14 for Unibanco's shares.

Appropriated retained earnings - Brazilian law and the Bank's by-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserves are described below:

Legal reserve - this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of the net income in the statutory accounting records up to a limit of 20% of capital share.

Contingency Reserve – according to Unibanco's-laws, portion of the profits shall be allocated to the constitution of this reserve.

Reserves for Unrealized Profits – this reserve may be established in those fiscal years in which the amount of the mandatory dividends exceeds the effected portion of the fiscal year's net profit.

Reserves for Operating Margin - the balance shall be allocated for a reserve designed to ensure that Unibanco maintains adequate operating margin, up to one hundred percent of the capital.

Special dividends reserves - represents the amount of profits verified during the fiscal years of 1989 to 1993 and based upon the tax regimen set forth in Article 35 of Law No.7,713 of Dec. 22, 1988 and Article 75 of Law 8,383, of Dec. 30, 1991 and in the CST Declaratory Act n° 49 of Sep. 23, 1994

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Unappropriated retained earnings in the Bank's statutory accounts at December 31, 2005 and 2006 were R$3,635 and R$1,282, respectively.

Exchange Offer

We and Holdings offered to the holders of preferred shares in the Brazilian market the opportunity to exchange pairs of preferred shares for Units.

As from November 2003, a Conversion Program was launched, which allowed holders of our preferred shares and holders of Holdings preferred shares as of the date of the Exchange Offer Announcement to convert their pairs of preferred shares into Units. On August 11,2005, the Brazilian Securities Commission, issued Oficio/CVM/SEP/GEA-1/No 440/05, whereby it approved the inclusion of a new data base in the Conversion Program. The Conversion Program was effective for 2 years, and expired on November 4, 2005. During the Conversion Program, 2,619 thousand preferred shares were converted into Units.

Global Offer

In 2005, we placed two well-received secondary offerings of Unit and GDS. At the first offering, in February, two shareholders, Commerzbank and BNL, sold 45,897,387 Units, for a total amount of R$718, at R$15.65 per Unit.

The second offering, with Units held by Caixa Geral de Depósitos, was completed in September. This transaction was one of the largest in the local market in the last few years and involved approximately R$1.8 billion. The final price was R$20.49 per Unit and R$44.00 per GDS for a discount of less than 0.3% of closing price at the pricing date. It is worth mentioning that 1,415 investors participated in the offering's Brazilian tranche, of which over 900 were individual investors.

Note 20 – Restructuring Charges

Restructuring charges directly related to our organizational restructuring. The cumulative amount incurred to date refers to post employment benefits of our organization restructuring related to severance benefits which includes prior notice, government severance indemnity fund and indemnity of union agreement, recorded as "Other liabilities" and "Other non-interest expense" in 2004 totaled R$45, representing the total amount to be incurred. During 2005 and 2006 this amount was fully realized. In 2005 and 2006 no restructuring charges was recorded.

Note 21 - Fee and Commission Income

	For the year ended December 31,		
	2004	2005	2006
Banking tariffs and other fees and commissions......	R$ 1.441	R$ 1.671	R$ 1.924
Credit card fees...	527	627	738
Asset management fees..................................	272	268	259
Collection fees...	142	248	219
Total..	R$ 2.382	R$ 2.814	R$ 3.140

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 22 – Insurance, Private Retirement Plan and Pension Investment Contracts

(a) Income

	For the year ended December 31,		
	2004	2005	2006
Insurance premiums	R$ 1.673	R$ 2.474	R$ 2.859
Pension investment contracts fee	10	17	16
Private retirement plan fee	92	125	345
Total	R$ 1.775	R$ 2.616	R$ 3.220

(b) Expenses

	For the year ended December 31,		
	2004	2005	2006
Adjustment to insurance and private reserves for claims	R$ 87	R$ 864	R$ 915
Investment income credited to pension investment contracts	506	614	788
Insurance claims incurred	865	887	1.012
Private retirement plans benefits expenses	52	108	264
Commission expenses	388	357	569
Total	R$ 1.898	R$ 2.830	R$ 3.548

Note 23 - Administrative Expenses

	For the year ended December 31,		
	2004	2005	2006
Net occupancy expenses for premises and equipment	766	833	833
Communication expenses	446	547	614
Technology expenses	312	293	327
External administrative services	329	436	548
Banking and brokerage fees	210	214	245
Advertising and publicity	211	258	283
Supplies	42	40	38
Other	233	191	307
Total	R$ 2.549	R$ 2.812	R$ 3.195

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 24 - Other Non-interest Income and Expense

	For the year ended December 31,		
	2004	2005	2006
Other non-interest income:			
Premium bond income	R$ 126	R$ 128	R$ 133
Gain on sale of foreclosed assets, investments and premises and equipment	25	93	54
Gain on sale of unconsolidated companies (note 11)	1.574	-	-
Monetary correction of restricted escrow deposits	-	19	16
Indemnity received (b)	-	238	-
Provision for losses on foreclosed assets no longer required	11	-	3
Others	549	524	644
Total	R$ 2.285	R$ 1.002	R$ 850

	For the year ended December 31,		
	2004	2005	2006
Other non-interest expense:			
Service, revenue and other taxes	R$ 473	R$ 442	R$ 602
Tax litigation expenses	480	513	540
Credit card selling expenses	154	222	252
Civil litigation expenses	135	154	249
Expenses related to checks and billing, net	111	65	100
Exchange loss on foreign investments (a)	83	150	98
National financing system contributions	83	105	95
Uninsured losses of branch network	15	17	49
Statutory profit sharing	5	5	40
Loss on sale of foreclosed assets, unconsolidated investments and premises and equipment	47	24	41
Others	419	604	654
Total	R$ 2.005	R$ 2.301	R$ 2.720

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(a) During 2004, 2005 and 2006, the *real* appreciated against the U.S. dollar 8.1%, 11.8% and 8.7%, respectively (R$2.6544=US$1.00 at December 31, 2004, R$2.3407=US$1.00 at December 31, 2005 and R$2.138 =US$1.00 at December 31, 2006).

(b) In May 2005, Caixa Geral de Depósitos, as the former majority shareholders' of Banco Bandeirantes, paid us an the indemnity due under the Association Agreement executed, among others, between us and Caixa Geral de Depósitos, in the amount of approximately R$238. This amount includes (i) R$200 of settlement and full release of contingencies related to Banorte, and (ii) R$38 for the settlement and full release of contingencies related to Banco Bandeirantes.

Note 25 – Share option plan

The Extraordinary Shareholders' Meeting held on October 31, 2001, approved the share option program, denominated "Performance". The objective of "Performance" is to foster the executives' long-term commitment to the highest performance standards, as well as attract, retain and motivate new talents. Pursuant to the "Performance" program, our executives can be granted share or Unit options that can be exercised between 2 to 8 years from issuance. The option rights are limited to 1%

of the authorized capital per year and the amount granted is limited to 10% of the authorized capital, as a whole.

On January 1, 2006, we adopted SFAS 123R under modified-prospective method application and recognized an expense of R$10 related to change in accounting principle.

Under SFAS 123R, we have to measure the fair value on the reporting date and classify as liability all share option indexed to the IPCA (consumer price index). All share option granted after July 19, 2004 were indexed to the IPCA and classified as liability.

Prior to January 1, 2006, we measured the fair value of share option plans on grant-date using the Black-Scholes option-pricing model. On January 1, 2006, we began using a binomial option-pricing model to measure the fair value of all share options granted after that date and for all share options classified as liability after adoption of SFAS 123R.

The table below presents the assumptions used to measure the fair value on grant date of share options classified as equity using the Black-Scholes option-price model and the assumptions at reporting date for share options classified as liability using the binomial option-pricing model.

	Equity		2006	
	2004	2005	Equity	Liability
Expected volatility..	50,6%	45,7%	49,1%	28,1%
Risk-free interest rate..................................	23,8%	21,3%	23,4%	11,6%
Expected annual dividends per Unit..................	5,4%	5,2%	5,7%	3,6%
Expected annual forfeited..............................	13,6%	13,2%	11,2%	11,2%
Expected option life......................................	4.5 years	4.5 years	4.5 years	4.5 years

We recognized compensation cost expense of R$10, R$4 and R$50 during the year ended December 31, 2004, 2005 and 2006, respectively. At December 31, 2006 the compensation cost expense is represented by R$35 share options classified as liability at fair value on reporting date and R$15 share options plan classified as equity instrument at fair value on grant date.

The following table summarizes the changes in share option plans during the years ended December 31, 2004, 2005 and 2006. For 2006, the first table presents the changes in share options classified as equity with fair value calculated on grant-date and the second presents the changes in share option classified as liability with fair value remeasured at reporting date.

	2004 (1) (2)		2005 (2)	
	Options (in thousands of Units)	Weighted average exercise price	Options (in thousands of Units)	Weighted average exercise price
Balance at beginning of year....................	22.478.000	R$ 4,65	22.607.240	R$ 4,88
Granted...	3.172.240	6,29	8.610.000	7,87
Forfeited...	(3.043.000)	4,65	(3.716.002)	5,14
Exercised (3)..	-	-	(2.865.778)	4,60
Balance at the end of year......................	22.607.240	R$ 4,88	24.635.460	R$ 5,92
Options exercisable at end of year............	-	-	483.224	4,24

	2006 (2)					
	Equity			Liability		
	Options (in thousands of Units)	Weighted average exercise price		Options (in thousands of Units)	Weighted average exercise price	
Balance at beginning of year	14.955.460	R$	4,86	9.680.000	R$	7,56
Granted	-		-	630.000		14,44
Forfeited	(387.382)		4,83	(680.000)		8,55
Exercised (3)	(4.892.393)		4,62	-		-
Balance at the end of year	9.675.685	R$	4,98	9.630.000	R$	8,55
Options exercisable at end of year	799.613		4,51	-		-

Range of exercise prices (2)	Options (in thousands of Units) (2)	Weighted average remaining contractual life	Weighted average exercise price
R$3,45 - R$4,00	266.666	1,2	3,62
R$4,01 - R$4,50	1.928.608	1,0	4,27
R$4,51 - R$5,00	5.925.507	1,1	4,80
R$5,01 - R$5,50	102.666	1,3	5,22
R$5,51 - R$6,00	680.000	3,0	5,62
R$6,01 - R$7,00	2.099.999	1,9	6,84
R$7,01 - R$8,00	212.239	1,8	7,01
R$8,01 - R$11,00	7.460.000	2,6	8,52
R$11,01 - R$15,72	630.000	4,0	14,44
	19.305.685	1,9	6,76

(1) The information above has been adjusted to reflect the 2004 reverse share split (1:100).
(2) The amounts and unit prices were adjusted to reflect the share bonus (2:1 shares) occurred on July 17, 2006. For more information see note 19.
(3) The difference between the total of 4,892,393 shares exercised and the total of 3,576,136 treasury shares sold to option holders, as shown in the consolidated statement of changes in shareholders' equity, was due to the share bonus on July 17, 2006, which did not impact shares held in treasury up to that date.

As of December 31, 2006, there was R$58 (2005 - R$31) of total unrecognized compensation cost. This amount is represented by R$54 share-options classified as liability and R$4 share options classified as equity, which cost is expected to be recognized over a weighted average period of 2.3 years.

At 2005 and 2006,the total amount received from grantees by the exercise of options was R$7 and R$19, respectively.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 26 - Comprehensive Income

HOLDINGS

	For the year ended December 31, 2004	2005	2006
Net income reported in statement of income	R$ 1.171	R$ 920	R$ 1.068
Unrealized gains (losses) on securities available for sale:			
Unrealized holding gains arising during the period	15	95	4
Reclassification adjustment for (gains) losses on available for sale securities included in net income	48	(49)	(77)
Unrealized gains (losses) on cash flow hedging instruments:			
Unrealized gains (losses) arising during the period	32	(19)	(56)
Reclassification adjustment for losses on cash flow hedging instruments included in net income	41	-	-
Other comprehensive income before tax	136	27	(129)
Income tax related to items of other comprehensive income (loss)	(46)	(9)	44
Other comprehensive income, net of tax	90	18	(85)
Comprehensive income	R$ 1.261	R$ 938	R$ 983

Accumulated other comprehensive income (loss) is as follows:

	For the year ended December 31, 2004	2005	2006
Beginning balance	R$ (83)	R$ 7	R$ 25
Current period change	90	18	(85)
Securities available for sale	42	31	(48)
Cash flow hedging instruments	48	(13)	(37)
Ending balance	R$ 7	R$ 25	R$ (60)

The total accumulated other comprehensive (losses) gains includes R$7 in 2004, R$38 in 2005 and R$(10) in 2006 of securities available for sale and R$(13) in 2005 and R$(50) in 2006 of cash flow hedging instruments.

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	For the year ended December 31, 2004	2005	2006
Net income reported in statement of income	R$ 2.063	R$ 1.650	R$ 1.951
Unrealized gains (losses) on securities available for sale:			
Unrealized holding gains arising during the period	25	164	7
Reclassification adjustment included in net income for (i) (gains) losses on available for sale securities and (ii) other than temporary losses	80	(84)	(134)
Unrealized gains (losses) on cash flow hedging instruments:			
Unrealized gains (losses) arising during the period	54	(34)	(97)
Reclassification adjustment for losses on cash flow hedging instruments included in net income	70	1	1
Other comprehensive income before tax	229	47	(223)
Income tax related to items of other comprehensive income (loss)	(78)	(16)	76
Other comprehensive income, net of tax	151	31	(147)
Comprehensive income	R$ 2.214	R$ 1.681	R$ 1.804

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Accumulated other comprehensive income (loss) is as follows:

	For the year ended December 31, 2004	2005	2006
Beginning balance	R$ (139)	R$ 12	R$ 43
Current period change	151	31	(147)
Securities available for sale	69	53	(84)
Cash flow hedging instruments	82	(22)	(63)
Ending balance	R$ 12	R$ 43	R$ (104)

The total accumulated other comprehensive (losses) gains includes R$12 in 2004, R$65 in 2005 and R$(19) in 2006 of securities available for sale and R$(22) in 2005 and R$(85) in 2006 of cash flow hedging instruments.

Note 27 - Fair Value of Financial Instruments

SFAS 107 “Disclosures about Fair Value of Financial Instruments” requires disclosure of fair value information about financial instruments, whether or not required to be recognized in the consolidated balance sheet, for which it is practicable to estimate such fair value. SFAS 107 defines a financial instrument as cash, evidence of ownership interest in an entity or a contractual obligation or right that will be settled with another financial instrument.

In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Fair value estimates derived through those techniques cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all non-financial instruments, including intangibles, from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

The following table summarizes the carrying amount and fair value estimates for our financial instruments:

	As of December 31, 2005		2006	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets				
Cash, due from banks, federal funds sold and securities purchased under resale agreements and interest bearing deposits in other banks	R$ 16.279	R$ 16.302	R$ 23.449	R$ 23.533
Central Bank compulsory deposits	5.150	5.151	5.177	5.177
Trading assets, including derivatives	11.623	11.623	9.904	9.904
Securities available for sale	5.471	5.471	7.286	7.286
Securities held to maturity	2.486	2.656	1.576	1.749
Gross loans, excluding leases	38.411	37.789	42.747	41.453
Liabilities				
Deposits	35.936	35.922	36.201	36.241
Federal funds purchased and securities sold under repurchase agreements	10.721	10.721	16.991	16.991
Short-term borrowings	3.239	3.239	3.045	3.045
Long-term debt	12.850	13.009	14.638	14.712
Derivatives liabilities (a)	697	697	764	764

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(a) Recorded as other liabilities (note 17).

We have reviewed the outstanding portion of commitments to extend credit as well as standby and other letters of credit, and have determined the difference between the amounts committed and the fair value of such financial instruments (note 29).

Fair value estimates, methods and assumptions are set forth below for our financial instruments.

Financial assets

Cash and cash equivalents, Interest-bearing deposits in other banks and Central Bank compulsory deposits

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, Interest-bearing deposits in other banks, Federal funds sold and securities purchased under resale agreements and Central Bank compulsory deposits approximate their fair values. Cash and cash equivalents include: interest-bearing deposits in other banks, federal funds sold and securities purchased under resale agreements, all of which generally have original maturities of less than three months, except for R$3,351 in 2005 and R$5,225 in 2006 of interest-bearing deposits in other banks and R$8,473 in 2005 and R$6,585 in 2006 of federal funds sold and securities purchased under resale agreements, with original maturities higher than three months.

Trading assets, including derivatives

Fair values for trading assets, which also are the amounts recognized in the consolidated balance sheet, are based on quoted market prices when available or quoted market prices of comparable instruments (note 6). The fair value of derivatives are based on the average rate in effect on the market on the last business day of the year for operations with similar maturities and indices, as informed by BM&F and trade associations, including the derivatives recorded as “Other liabilities”.

Securities available for sale

Fair values for securities available for sale, which also are the amounts recognized in the consolidated balance sheet, are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities. See Note 7 for further details regarding the amortized cost and fair values of securities available for sale.

Securities held to maturity

Held to maturity securities are carried at amortized cost. Fair values are based on quoted market prices of comparable securities. See Note 8 for further details regarding the amortized cost and fair values of held to maturity securities.

Loans

Fair values for loans are estimated by groups of loans with similar financial and risk characteristics. Loans are segregated by type, including commercial and industrial, real estate, credit card and other consumer loans, agricultural, import and export financing and international. Each loan type is further segmented into fixed and variable rate interest terms and by corresponding credit categories in order to estimate their fair value.

The fair values for performing loans are calculated by discounting scheduled principal and interest cash flows through maturity using market discount rates and yield curves that reflect the credit and interest rate risk inherent in the loan type at each reporting date. The fair values for impaired loans are based on discounting estimated cash flows using a rate commensurate with the risk associated with the estimated cash flows, the loan’s quoted rate, if available, or the value of any underlying collateral. Assumptions regarding cash flows and discount rates are determined using available market information and specific borrower information.

Financial liabilities

Deposits

The carrying amounts reported in the consolidated balance sheet for deposits from banks (interbank deposits) approximate their fair values.

The fair values disclosed for demand deposits (non-interest bearing checking accounts and savings accounts) are, by SFAS 107 definition, equal to the amount payable on demand at the reporting date (i.e. their carrying amounts).

Fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates offered by us on certificates at each reporting date to an estimate of aggregate expected maturities for those deposits.

Short-term borrowings

The carrying amounts of federal funds purchased and securities sold under repurchase agreements, import and export financing and other short-term borrowings approximate their fair values.

The fair value for variable-rate and fixed-rate commercial paper is estimated using a discounted cash flow calculation based on market interest rates for similar instruments.

Long-term debt

The fair value for variable-rate and fixed-rate Euronotes and subordinated debt was based on the average quoted prices in effect on the correspondent markets on the last business day of the year, for similar instruments.

The fair value for mortgage indebtedness is estimated using a discounted cash flow calculation based on market interest rates for similar instruments.

The fair value of Notes issued under securitization arrangements was computed considering the value that could be obtained in the corresponding market.

The carrying amounts of other long-term debt instruments approximate their fair values since these bear floating rates comparable to those being currently practiced in the market.

Derivatives

The fair value of derivatives is included in trading assets and other liabilities as described in note 2(d) and (e) and as presented in notes 6 and 17 (see note 28 for the notional value of our derivative financial instruments).

Off-balance sheet financial instruments

The fair value of commitments to extend credit is estimated based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit quality of the counterparties. The fair value of standby and commercial letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate the agreements or otherwise settle the obligations with the counterparties (note 29).

Note 28 – Derivatives and Risk Management

(a) Purposes and Use Policies

We use derivative financial instruments to manage our own overall exposures or to assist our clients, in managing market risks, foreign exchange rates risk and interest rate risk. We also enter into derivative contracts for trading purposes to take advantage of market opportunities in order to aggregate value in our results.

We manage financial derivative risks as part of our asset and liability management process and through credit policies and procedures. The counterparty credit risks are minimized by entering into transactions with only a select number of high-quality institutions.

A large part of the derivatives are negotiated on the Brazilian Futures and Commodities Exchange ("BM&F"). Exchange-traded instruments conform to standard terms and are subject to policies set by the BM&F, including counterpart approval, daily margin requirements and security deposit requirements. For the remaining derivative financial instruments, which are negotiated in a Clearing House for Custody and Financial Settlement of Securities ("CETIP") or in an over-the-counter transaction, the counterparty credit risks are analyzed.

(b) Hedging Policies

The use of the derivative financial instruments as part of our asset and liability risk management process can be made as an overall position related to our net position undertaken in a certain market or related to a specific assets and liabilities attributed to a particular risk.

The derivative financial instruments that are designated and qualified as hedging instruments of specific assets and liabilities have been highly correlated with respect to changes in the fair value of the hedged items, allowing an assessment of the high effectiveness of the hedge risk during the period that the hedge is designated.

The derivative financial instruments designated to hedge may: (i) fix an expected future cash flow attributed to a particular asset or liability (cash flow hedge) or (ii) reduce the exposure to changes in the fair value of an asset or liability (fair value hedge).

(c) Risk Management

We continuously strive to improve our risk management practices, which are integrated into the various levels of the organization. A separate division is responsible for identifying, measuring and managing market, credit and operational risk on an institutional-wide basis. In addition, each business division has dedicated risk management staff.

Credit Risk

The credit policy is designed to manage risk while maintaining flexibility required by market conditions and the needs of customers. The credit limits exposure goals are to avoid the concentration in clients and particular sectors that we believe have high risk factors. The credit policy has various approval levels for both retail and wholesale customers. Depending on the size and type of exposure and the customer's prior credit history, approval levels range from the branch general manager or account manager to the retail or wholesale credit committees, which are composed of members of senior management. The centralized credit decision-making process is based on strict credit limits that are set by the wholesale and retail committees. The pre-approved credit limit to customers for different types of credit lines is based on their creditworthiness and size.

Corporate Credit: The decision on each credit is based on the following factors: financial history, cash flows, quality of management, relationship history, market conditions and other factors relating to credit risk. An internal credit rating system is employed, which ranks companies in categories based on quantitative criteria and qualitative aspects. The lines of credit are reviewed every 60 to 180 days, depending on the borrower's rating and the external credit environment.

Retail Credit: Credit management in the retail banking business is characterized by the processing of a large volume of credit requests, which requires specialized systems and processes. A wide range of statistical tools to evaluate retail credit requests is utilized. These tools, which include credit behavior scoring, are backed by dedicated systems. The automated credit system is a special software program that services loans at all stages from their inception. The collections' scoring is used for determination of which collection method or combination of collection methods is the most efficient. Stricter standards for originating and managing this loan portfolio are imposed, including restrictions on increases in credit limits and restrictions on renewals of overdraft facilities.

Market Risk

The policy regarding market risk exposure is in our belief conservative, independently supervised and controlled, and based on limits established by the financial and risk committees. Trading and positioning activities are conducted within clear limits by the risk committee and ratified by the financial committee. The market risk exposure is limited by managing the currency, maturity and interest rate mismatches. Exposure limits for the treasury unit are established considering market volatility, scenario forecasts, opportunity for profit and the funding needs of our banking activities. Securities, derivative financial instruments, loans and funding are analyzed on a consolidated basis. Derivative financial instruments play an important role in managing asset and liability mismatches. These limits and policies are reviewed monthly or when a new threat or opportunity arises.

The value at risk methodology is used to evaluate the market risk. Stress tests are also applied using historical and macroeconomic scenarios simulated by our risk management and macroeconomic team, in order to minimize the risk of loss in the portfolio and to analyze the effects of changes in the financial market of portfolio.

We manage our risk exposure on a centralized basis by transferring all risks and mismatches to the treasury unit. All treasury activities, including those for foreign branches, are closely monitored from the offices in São Paulo. Trading limits and strategies are defined by head office, and all trading positions are consolidated in centralized databases.

Liquidity Risk

The liquidity risk is related to the management of the gap in assets and liabilities financial cash flow which results in the financial capacity of the institution by taking additional funds and honor positions.

The liquidity contingency and planning policies are defined by the financial committee and are reported to the decision makers and are controlled by independent areas on a daily basis. The liquidity risk is evaluated by a similar methodology as the market risk, considering the different impacts of the exchange rates and macroeconomic scenarios and stress tests to simulate changes in the availability and costs of funds in the financial market. Maturity, exchange rates, financial instruments and different markets are analyzed daily in order to assure compliance with the established limits. Those limits and policies are periodically reviewed and the strategies are defined in order to assure a conservative monitoring of the liquidity risk.

Operating risks

Operating risks are related to an institution's unexpected losses, due to its systems, practices and control measures being incapable of withstanding human error, damaged support infrastructure, faulty modeling, services or products, and to business environment changes or other adverse market conditions.

To meet the requirements of international market practices and the internal regulations of the Brazilian financial market, we created an internal control structure. This features a listing of risks and controls to standardize language and facilitate risk and control understanding by all staff members. It also includes an internal control system, which is accessible from all group areas. Periodic evaluations are held where area managers and their staff identify their main activities and inherent risks, and assess the effectiveness of current controls. This process allows controls to be improved, resulting in reduced risk exposure.

The collected data provide support for the monitoring and performance evaluation of the Units, identifying those areas with greater risk potential. This structure is the basis for the identification of indicators and the implementation of a database to quantify operating risk exposure.

In order to provide a better risk analysis, a structured and automated model of risk evaluation for new products and operations was implanted, facilitating the culture dissemination and the increase of the results for an effective process of risk management at Unibanco. This simple and agile process generates greater efficiency in the processes and business management, allowing the reduction of losses through prompt actions.

As banking operations diversify and the volume of transactions involving computers and telecommunications networks increases, the importance of information technology and the potential impact of systems failures have grown. Accordingly, the bank has devoted substantial resources to ensure the reliability and stability of its computer and related systems. The principal computer facility is located in São Paulo and a backup system is maintained. This backup system is designed to operate automatically if the main system malfunctions. Additionally, backup procedures and files are monitored periodically.

(d) Derivatives

We use a variety of derivatives, such as forwards, futures, swaps and options, as part of our overall asset and liability risk management. As required by SFAS 133, all these transactions are recorded at fair value as either assets or liabilities and are designated as hedging or non-hedging transactions.

The following table presents the notional and credit risk amounts at December 31, 2005 and 2006 of derivative positions held for trading and hedging purposes.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,			
	2005		2006	
	Notional	Credit risk	Notional	Credit risk
Interest rates:				
Swap contracts - Non Hedge	R$ 7.705	R$ 557	R$ 10.552	R$ 569
Future contracts - purchased position:				
Hedge	720	-	1.935	-
Non Hedge	8.060	-	29.310	-
Future contracts - sold position:				
Hedge	(10.598)	-	(13.680)	-
Non-Hedge	(17.483)	-	(9.187)	-
Forward contracts - Non Hedge	359	71	498	101
Option contracts - purchase option - Non Hedge	-	-	79.087	123
Option contracts - sale option - Non Hedge	-	-	67.728	-
Foreign currency:				
Swap contracts - Non Hedge	2.516	36	2.210	47
Future contracts - purchased position - Non Hedge	365	-	1.083	-
Future contracts - sold position - Non Hedge	(3.079)	-	(1.895)	-
Forward contracts - Non Hedge	2.094	-	2.785	10
Option contracts - purchase option - Non Hedge	21.055	339	17.375	47
Option contracts - sale option - Non Hedge	20.944	-	9.187	-
Exchange coupon:				
Future contracts - purchased position - Non Hedge	1.191	-	-	-
Future contracts - sold position - Non Hedge	(345)	-	-	-
Equity Securities				
Future contracts - purchased position - Non Hegde	-	-	44	-
Future contracts - sold position - Non Hedge	-	-	(57)	-
Option contracts - purchase option - Non Hedge	-	-	56	18
Option contracts - sale option - Non Hedge	R$ -	R$ -	R$ 21	R$ -
Total credit risk		R$ 1.003		R$ 915

Non-hedging transactions

Interest rate and currency swaps are contracts in which a series of interest rate cash flows of a single currency or interest or principal payments in two different currencies are exchanged for a contractual period. The notional amount represents the basis on which the cash flows are determined. The original maturity on these contracts at December 31, 2006 ranges from one day to nine years. The risks associated with swaps relate to the potential inability or unwillingness of the counterparties to perform according to the contractual terms and the risk associated with changes in market conditions, due to movements in interest rates and the exchange rate of currencies. We have liabilities related to other interest rate and currency swaps in the amounts of R$243 and R$226 that are classified as "Other liabilities" at December 31, 2005 and 2006, respectively.

Interest rate and currency futures and forwards contracts are contracts for the delayed delivery of an instrument at a specified price or yield. The notional amounts represent the face value of the underlying instrument for which daily cash settlements of the price movements are made for the future contracts. Maturities of these contracts at December 31, 2006 range from two days to eight years. The credit risk associated with future and forwards contracts is minimized due to daily or monthly cash settlements and by entering into transactions with a select number of high-quality institutions.

Options are contracts which (i) transfer, modify, or reduce interest rate risk, or (ii) allow us to purchase or sell a currency in exchange for the payment of a premium at inception of the contract. As a purchaser of options, we pay a premium and as the writer of options, receive a premium in exchange for bearing the risk of unfavorable movements in future interest rates and market prices for the underlying currency.

Hedging transactions

Prior to entering a hedge transaction, we formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions along with a formal assessment at both inception of the hedge and on an ongoing basis as to the effectiveness of the derivative instrument in offsetting changes in fair values or cash flows of the hedged item. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting is discontinued and the adjustment to fair value of the derivative instrument is recorded in net income.

Fair value hedge: We do not hold any derivative financial instruments designated as fair value hedge as of December 31, 2005 and 2006.

During 2005 and 2006, any of our cash flow hedge was discontinued.

Cash flow hedge: At December 31, 2005 and 2006, there were future operations with notional amounts of R$11,318 and R$15,615, respectively. In 2005, R$10,598 was classified as hedge of the variability in forecasted cash flows associated with the Brazilian benchmark inter bank interest rate (CDI) relating to certain time deposits, in 2006 this amount was R$13,680. Also in 2005 and 2006 we have recorded R$451and R$561 as hedge of the variability of debentures indexed to CDI and R$268 and R$1,374 as hedge of the variability of loans indexed to CDI, respectively. During the next twelve months we expect to reclassify to earnings R$129 of pretax net losses, or R$85 after tax, on cash flow hedge derivatives currently reported in “Accumulated other comprehensive losses”. The maximum length of time over which we are hedging exposure to the variability in future cash flow is through January 2012.

If at any time, we determine that these derivatives are not expected to be or have ceased to be highly effective as a hedge, the derivative expires or is sold, or we discontinue the derivative’s hedge designation, we will discontinue the hedge accounting. In those circumstances, the net gain or loss remain in “Accumulated other comprehensive losses” and will be recognized in earnings in the same period or periods during which the hedged transaction affects earnings. Otherwise, the amounts included in “Accumulated other comprehensive losses” will be recognized in earnings as changes in the expected cash flows from the hedged interest expenses on time deposits and marketable securities occur.

For the years ended December 31, 2004, 2005, and 2006 we recognized no gain or loss regarding the ineffectiveness of our cash flow or fair value hedges.

The carrying value, represented by fair value, of all derivatives described above are included in trading account assets and in other liabilities – derivative liability, as summarized in Notes 6 and 17.

Note 29 – Off-balance Sheet Financial Arrangements

Financial guarantees

As part of our lending operations, we enter into various off-balance sheet credit instruments with our customers which are summarized as follows:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	Contractual amounts As of December 31,						
	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years	No stated maturity	2006	2005
Co-obligation for credit assignment........................	R$ 127	R$ 4	R$ 15	R$ 4	R$ -	R$ 150	R$ 34
Guarantees............................	1.576	4.401	276	2.284	423	8.960	7.155
Standby letters of credit and other letter of credit............	9	-	-	-	-	9	125

At December 31, 2005 and 2006, the carrying value of financial guarantees is recorded in “Other liabilities” in the amount of R$34 and R$60, including the provision for probable losses in the amount of R$23 and R$39, respectively.

Co-obligation for credit assignment are assignments of credit in which we continue to have a co-payment obligation in the event of default by borrower.

Standby letters of credit and guarantees are our conditional commitments to guarantee the performance of a customer to a third party in borrowing arrangements. Other letters of credit are issued to support transactions on behalf of customers.

Additionally, at December 31, 2005 and 2006 we have contractual amounts of R$22,381 and R$27,263, respectively, of unfunded commitments to extend credit for a specified time period to lend to customers who have complied with predetermined contractual conditions. These contracts have maturities of less than one year and can be renewed.

The maximum potential credit risk of these contracts is equal to the contractual amounts shown above if the counterparty does not perform under the respective contract. Generally, these contracts expire without being drawn upon; therefore, the contractual amounts are not indicative of the actual credit exposure or future cash flow requirements for such commitments. To mitigate credit risk, we may require the counterparty to pledge collateral in the form of cash, securities or other assets to support the extension of credit similar to the collateral required for our lending operations.

Note 30 - Commitments and Contingent Liabilities

Assets under management

We manage a number of investment funds which are available to institutional investors and the general public. These assets in the amount of R$30,962 and R$35,893 at December 31, 2005 and 2006, respectively, are not included in our consolidated balance sheet. Fees are generally charged monthly, at average rates of 1.1% for 2004, 0.9% for 2005 and 0.8% for 2006 of the market value of the assets under management. We do not guarantee minimum returns or the principal amount invested on such funds.

Litigation

We and our subsidiaries are defendants in several legal actions, mainly relating to income taxes, indirect taxes and civil and labor claims. Based on the advice of our legal counsels, we believe that an unfavorable outcome in any or all of these actions will not have a material effect on our financial condition or results of operations.

The changes in the provision for probable losses in 2004, 2005 and 2006 were as follows:

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,		
	2004	2005	2006
Balance, beginning of year	R$ 1.856	R$ 2.378	R$ 2.707
Provision charged	1.097	1.252	1.552
Provision of acquired companies	91	-	-
Payments [1]	(545)	(923)	(1.015)
Reversal of provisions no longer required	(121)	-	(276)
Balance, end of year (note 17)	R$ 2.378	R$ 2.707	R$ 2.968

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(1) Includes R$714 and R$644 of payments in Labor Litigation at December 31, 2005 and 2006.

The related restricted escrow deposits for contingencies are shown in Note 13.

Tax litigation

We are involved in several tax disputes, including judicial lawsuits and administrative proceedings, mainly relating to the constitutionality and legality of certain taxes imposed on us by the Brazilian government.

According to our policy, we record provisions for lawsuits only when we believe it is probable that we will incur losses as a result of such disputes or when the tax matter under discussion is considered a liability, i.e., when it is expressly due by force of law or regulation, regardless of the existence of a lawsuit or a dispute in connection thereto. With respect to tax administrative proceedings, we do not record provisions when the probability of loss is remote or possible and we usually pay/settle the amounts due thereunder when there is high probability of loss.

As of December 31, 2006, we have provisioned approximately R$1,867 in connection with our tax pending disputes, among which the most relevant are claims in connection with: (i) the increase of the basis of PIS and COFINS set forth by Law 9.718, representing R$942, (ii) the imposition of CPMF tax on leasing companies, representing R$198, and (iii) the imposition of social contribution taxes on income (CSLL) on companies with no employees, representing R$136. We believe, based on the opinion of our legal counsel, that it is possible or remote that we will incur losses in connection with the tax pending disputes involving tax matters expressly due by force of law or regulation.

In addition to the foregoing, we have off record tax disputes in which we believe, based on the opinion of our legal counsel, that it is possible that we will incur losses. As of December 31, 2006, such lawsuits represented R$1,044 net of tax effects, and the main discussions thereunder are the following:

(i) Deductibility of taxes and interests thereon which collection is restrained – R$280;
(ii) Deductibility of goodwill on purchased investments – R$210;
(iii) Deductibility of losses on credit portfolio – R$141;
(iv) Profit from foreign country taxation criteria – R$95;
(v) Social security contribution levy on non-wage income – R$75; and
(vi) ISS taxation on leasing operations – R$21.

Labor litigation

Labor unions and former employees have filed several lawsuits against Unibanco and its subsidiaries to seek compensation for labor rights. The contingency amount for probable losses is recorded as provision, based on the historic average of payments made.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Civil litigation

Unibanco and its subsidiaries are party to other actions and claims including certain claims together with other Brazilian financial institutions relating, mainly, to (i) past economic plans of the Brazilian government; (ii) the application of compound interest rates for periods less than one year in their operations; (iii) losses related to lease contracts involving foreign exchange variations; and (iv) personal and moral injury. Those actions and claims are recorded in accordance with the probability of loss in each type of claim.

Other commitments

We lease many properties under standard real estate leases that can be canceled at our option and include renewal options and escalation clauses for adjusting rentals to reflect changes in price indices. During 2004, we sold many properties used as branches and, subsequently, we rented them for the purpose of continuing our operations. Expenses of real estate leases were R$189, R$225 and R$229, in 2004, 2005 and 2006, respectively.

Future liabilities for the payment of leases related to financing through 2009 are as follows:

2007	R$	2
2008		1
2009		1
Total	R$	4

Note 31 - Regulatory Matters

We are subject to regulation by the Central Bank, which promulgates various regulations regarding currency and credit policies for financial institutions operating in Brazil. Additionally, the Central Bank determines minimum capital requirements, lending limits, accounting practices and compulsory deposit requirements (note 5). Failure to meet these requirements is subject to penalties imposed by the Central Bank.

The Central Bank requires banks to comply with regulations, which currently are similar to the Basle Accord as regards capital adequacy, except for the 11% capital minimum requirement.

In accordance with the Central Bank rules, banks are required to calculate compliance with the minimum requirement on either a partial consolidated basis (considering only the institutions regulated by the Central Bank, including investments and branches abroad) or full consolidated basis (considering all institutions owned by the banks, including insurance, savings and annuities products, private retirement and credit card companies). The minimum capital ratio requirement in Brazil is 11%. The following table sets forth the capital ratios:

	As of December 31,			
	Partial consolidation [(a)]		Full consolidation [(b)]	
	2005	2006	2005	2006
In accordance with the Central Bank requirement				
Tier I Capital	13,3 %	12,2 %	13,9 %	12,9 %
Tier II Capital	2,3	3,8	2,2	3,7
Total Capital	15,6 %	16,0 %	16,1 %	16,6 %

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(a) Partial consolidation excludes non-financial subsidiaries.
(b) Full consolidation includes both financial and non-financial subsidiaries.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Currently, the Central Bank does not limit the amount of dividends which may be paid subject to the capital requirements set forth above. As of each reporting date, we were in compliance with all capital requirements imposed by the Central Bank.

In June 2004, after five years of debates and revisions, the Bank for International Settlements Committee on Banking Supervision, or BIS, endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework, commonly known as Basle II. On December 9, 2004, the Central Bank, in Communication 12,746, expressed its intention to adopt Basle II in Brazil. The Communication indicates that the Central Bank intends to adopt Basle II gradually, with caution and appropriate adaptation to Brazilian needs.

Additionally, the Central Bank limits the amount of investments in consolidated subsidiaries not engaged in banking, leasing or securities activities and in unconsolidated companies, premises and equipment to 50% of shareholders' equity on a consolidated basis. The Central Bank also limits unconsolidated investments, premises and equipment to 50% of shareholders' equity on a full consolidated basis. At December 31, 2005 and 2006 our total investment in such assets was less than the Central Bank limit.

Note 32 - Segment Information

We operate as a full service financial institution providing a wide range of financial products and services to a diversified individual and corporate customer base. Our businesses comprise retail, wholesale, insurance and wealth management industries. See further details in Note 1.

The following tables present a summary of our operations for the years ended December 31, 2004, 2005 and June 30, 2006, by segment, in accordance with SFAS 131 "Disclosures about Segments of an Enterprise and Related Information".

	For the year ended December 31, 2004					
	Retail	Wholesale	Insurance	Wealth management	Eliminations	Total
Net interest income	R$ 4.313	R$ 451	R$ 970	R$ 41	R$ 1	R$ 5.774
Provision for loan losses	(807)	(139)	(1)	(1)	-	(948)
Non interest income						
Insurance, private retirement plan and pension investment contracts	-	-	1.775	-	-	1.775
Equity in results of unconsolidated companies	207	-	13	-	-	220
Fee and commission income	1.858	282	16	321	95	2.382
Other	1.965	492	12	8	13	2.464
Non interest expense						
Salaries and benefits and administrative expense	(4.156)	(399)	(343)	(222)	(22)	(5.098)
Insurance, private retirement plan and pension investment contracts	-	-	(1.978)	-	(80)	(1.898)
Other	(1.556)	(389)	(207)	(11)	(6)	(2.157)
Income before taxes and minority interest	1.824	298	257	136	1	2.514
Income taxes	(116)	(136)	(11)	(32)	-	(295)
Minority interest	(63)	-	(93)	-	-	(156)
Net income	R$ 1.645	R$ 162	R$ 153	R$ 104	R$ 1	R$ 2.063
Identifiable assets	R$ 28.003	R$ 42.067	R$ 7.660	R$ 1.447	R$ 1.319	R$ 77.858

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	For the year ended December 31, 2005					
	Retail	Wholesale	Insurance	Wealth management	Eliminations	Total
Net interest income	R$ 6.633	R$ 667	R$ 1.205	R$ 63	R$ (2)	R$ 8.566
Provision for loan losses	(1.872)	3	(4)	3	-	(1.870)
Non interest income						
Insurance, private retirement plan and pension investment contracts	-	-	2.616	-	-	2.616
Equity in results of unconsolidated companies	143	4	11	-	-	158
Fee and commission income	2.185	373	46	335	(125)	2.814
Other	851	201	45	10	(11)	1.096
Non interest expense						
Salaries and benefits and administrative expense	(4.943)	(406)	(284)	(243)	25	(5.851)
Insurance, private retirement plan and pension investment contracts	-	-	(2.929)	-	99	(2.830)
Other	(1.817)	(313)	(306)	(8)	13	(2.431)
Income before taxes and minority interest	1.180	529	400	160	(1)	2.268
Income taxes	(118)	(251)	(52)	(39)	-	(460)
Minority interest	18	-	(176)	-	-	(158)
Net income	R$ 1.080	R$ 278	R$ 172	R$ 121	R$ (1)	R$ 1.650
Identifiable assets	R$ 32.218	R$ 47.575	R$ 8.870	R$ 1.607	R$ (452)	R$ 89.818

	For the year ended December 31, 2006					
	Retail	Wholesale	Insurance	Wealth management	Eliminations	Total
Net interest income	R$ 7.411	R$ 748	R$ 1.295	R$ 76	R$ -	R$ 9.530
Provision for loan losses	(2.107)	69	8	-	-	(2.030)
Non interest income						
Insurance, private retirement plan and pension investment contracts	-	-	3.220	-	-	3.220
Equity in results of unconsolidated companies	186	5	4	-	-	195
Fee and commission income	2.490	380	51	325	(106)	3.140
Other	774	356	43	4	(13)	1.164
Non interest expense						
Salaries and benefits and administrative expense	(5.214)	(471)	(339)	(234)	7	(6.251)
Insurance, private retirement plan and pension investment contracts	-	-	(3.651)	-	103	(3.548)
Other	(2.226)	(346)	(221)	(4)	9	(2.788)
Income before taxes and minority interest	1.314	741	410	167	-	2.632
Income taxes	(64)	(324)	(89)	(55)	-	(532)
Minority interest	(33)	-	(116)	(0)	-	(149)
Net income	R$ 1.217	R$ 417	R$ 205	R$ 112	R$ (0)	R$ 1.951
Identifiable assets	R$ 39.498	R$ 51.187	R$ 10.211	R$ 1.667	R$ -	R$ 102.563

Our operations are primarily carried out in Brazil; however, we have operations in the United States, the United Kingdom, the Bahamas, Grand Cayman, Luxembourg and Paraguay, none of which are individually material to Unibanco and its subsidiaries as a whole.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 33 - Parent Company Financial Information

Condensed financial information of Holdings, the Parent Company, is presented below:

Balance sheet:	**As of December 31, 2005**	**2006**
Interbank investments	R$ 87	R$ 138
Investment in Unibanco	5.543	6.068
Dividends receivable	161	202
Other assets	69	70
Total assets	R$ 5.860	R$ 6.478
Dividends payable	R$ 153	R$ 206
Other liabilities	128	153
Shareholders' equity	5.579	6.119
Total liabilities and shareholders' equity	R$ 5.860	R$ 6.478

Statement of income:	**For the year ended December 31, 2004**	**2005**	**2006**
Interest on deposits in other banks	R$ 4	R$ 12	R$ 17
Dividends from Unibanco	305	412	500
Equity in undistributed earnings of Unibanco	911	539	592
Non-interest expense	49	43	41
Net income	R$ 1.171	R$ 920	R$ 1.068
Statement of cash flows:			
Operating activities:			
Net income	R$ 1.171	R$ 920	R$ 1.068
Less – Equity and dividends in earnings of Unibanco	1.216	951	1.092
Change in assets and liabilities			
Other assets	(3)	(42)	(1)
Other liabilities	43	61	24
Net cash used in operating activities	(5)	(12)	(1)
Investing activities:			
Cash dividends received	275	394	459
Cash dividends paid	(240)	(336)	(407)
Net cash provided by investing activities	35	58	52
Financing activities:			
Net increase in cash and cash equivalents	30	46	51
Cash and cash equivalents at beginning of year	11	41	87
Cash and cash equivalents at end of year	R$ 41	R$ 87	R$ 138

Note 34 – Subsequent Events

On January 24, 2007, we entered into an agreement with Lojas Americanas S.A. for the sale of 99.99% of the corporate capital of our subsidiary BWU Comércio e Entretenimento S.A. The total sale price was R$185.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.

CORPORATE BY-LAWS

CHAPTER I

Name, Head Office, Purpose and Term

Article 1: UNIBANCO-UNIÃO DE BANCOS BRASILEIROS S.A., with head offices and legal venue in the City of São Paulo, State of São Paulo, hereinafter referred to as UNIBANCO, shall be governed by these corporate By-laws and by the applicable legal provisions.

Article 2: UNIBANCO is incorporated for the purpose of engaging in any lawful activity or service, including currency exchange transactions, in which commercial banks may engage. UNIBANCO may also participate in other companies, pursuant to the applicable legal and statutory provisions.

Sole Paragraph: UNIBANCO shall not:

a) acquire real property not intended for its own use, except in the cases permitted by law or regulations.

b) issue debentures or founder shares (*partes beneficiárias*).

Article 3: UNIBANCO shall exist for an indefinite period of time.

CHAPTER II

Capital Stock and Shares

Article 4: The capital stock of UNIBANCO is R$ 8,000,000,000.00 (eight billion Reais) divided into 2,807,755,808 (two billion, eight hundred and seven million, seven hundred and fifty five thousand and eight hundred and eight) registered shares, with no par value, of which 1,511,316.336 (one billion, five hundred and eleven million, three hundred and sixteen thousand and three hundred and thirty six) are common shares and 1,296,439,472 (one billion, two hundred and ninety six million, four hundred and thirty nine thousands, four hundred and seventy two) are preferred shares.

First Paragraph: UNIBANCO may issue, without amendment to these By-laws, up to 2,350,852,743 (two billion, three hundred and fifty million, eight hundred and fifty two thousand and seven hundred and forty three) additional common or preferred shares, subject to the following rules:

a) the Board of Directors shall have the power to determine the issuance of shares and/or subscription warrants and on conditions thereof;

b) the issuance of common or preferred shares may be conducted without maintaining proportion between those two types of shares; and

c) the issuance of preferred shares shall be subject to the limits established by law.

Second Paragraph: – The issuance of shares or subscription warrants to be sold in the Stock Exchanges or for public subscription, as well as for the acquisition of control through the swap of shares in a public offer, if previously authorized by the competent authorities, may be carried out with a reduction of the term for the exercise of preemptive rights, or with the exclusion of such rights, at the discretion of the Board of Directors, which may, furthermore, grant to the shareholders priority in the subscription of shares of one or both types.

Third Paragraph: UNIBANCO may, upon authorization by the Board of Directors, purchase its own shares to be cancelled or maintained in treasury for subsequent sale, in accordance with the applicable legal and statutory provisions.

Fourth Paragraph: Without any impairment of rights and restrictions set forth in this Article, all the shares of UNIBANCO shall be in book-entry form and shall remain in deposit accounts in the name of their holders, without the issuance of share certificates, in accordance with Articles 34 and 35 of Law No. 6,404, of December 15, 1976, and the shareholders may be required to pay the fees mentioned in Article 35, Third Paragraph, of the aforementioned law.

Fifth Paragraph: Within the limits of the authorized capital and in accordance with a plan approved by the General Shareholders Meeting, UNIBANCO may grant stock options to its managers and employees, as well as to the managers and employees of the companies controlled by it.

Article 5: The preferred shares are not entitled to voting rights, are not convertible into common shares, and are not subject to Article 111, First Paragraph, of Law No. 6,404 of December 15, 1976 and shall be entitled to the following advantages:

a) participation in the net profits of each fiscal year, in an amount that shall ensure to each preferred share an yearly dividend 10% (ten percent) higher than the one distributed to each common share;

b) priority in the reimbursement of capital, in case the company is liquidated, up to the amount represented by such shares in the capital stock; and

c) participation, under the same conditions as the common shares, in capital increases resulting from the capitalization of monetary restatement, reserves and profits.

Article 6: UNIBANCO may, upon notice to the Stock Exchanges where its shares are traded and upon publication of announcements, suspend the transfer of shares for periods not longer than 15 (fifteen) days each, and not to exceed 90 days in the aggregate during a year.

Article 7: UNIBANCO may, pursuant to these By-laws and in accordance with the applicable regulations, issue Share Deposit Certificates, hereinafter referred to as UNITS, which represent preferred shares with no voting rights, deposited at UNIBANCO, and issued by:

a) UNIBANCO; and

b) UNIBANCO HOLDINGS S.A., a publicly held company, with head offices in the City of São Paulo, capital of the State of São Paulo, registered under Corporate Taxpayers Enrollment ("CNPJ") under No. 00.022.034/0001-87, hereinafter referred to as HOLDINGS.

First Paragraph: For the purposes of this article, each deposited preferred share issued by UNIBANCO shall correspond to a concomitant deposit of one class "B" preferred share issued by HOLDINGS.

Second Paragraph: Only shares which are free of any burdens, liens or any type of encumbrance that may preclude the free delivery thereof to the holders of the UNITS may be deposited for conversion into UNITS.

Article 8: The shareholders of UNIBANCO may, pursuant to Articles 9, 10 and 11 of these By-laws, convert their shares into UNITS, according to the terms and conditions established by its Board of Directors, set forth in a notice to the shareholders which shall inform the shareholders about the conversion procedures.

Article 9: From the issue date of the Units, the shares represented by such UNITS:

a) shall be registered in a deposit account linked to the UNITS, and their ownership may only be transferred upon the transfer of the corresponding UNITS, by written authorization from the holder thereof;

b) shall have the related income, as well as any amount received in the case of redemption or amortization delivered only to the holder of the UNITS;

c) shall not have their income and their respective redemption or amortization values pledged, encumbered or given as collateral under any other guise by holders of UNITS, nor shall be object of a pledge, attachment, confiscation, search or seizure or any other encumbrance that may preclude their delivery to the holders of the UNITS.

Article 10: UNITS shall be in book-entry form and shall be kept by UNIBANCO in an account maintained in the name of their holder; and:

a) the transfer of UNITS shall be performed by a record in UNIBANCO's registry, to the debit of the transferor's UNITS account and to the credit of the transferee's UNITS account, upon receipt of a written order from the transferor, or upon a court authorization or order, in an appropriate document that shall remain with UNIBANCO;

b) the pledging, usufruct, trust, chattel mortgage and any other provisions, burdens, liens or charges that may encumber UNITS shall be recorded in UNIBANCO's books and shall be stated in the UNITS' account statements;

c) whenever so requested, UNIBANCO shall supply the holders of the UNITS with a statement of their UNITS' account at the end of each month in which such account has any activity and, even if no activity occurs, a statement shall be provided at least once a year;

d) the statement shall include the place and the date of issuance, UNIBANCO's name, an indication that it is a statement of a UNITS' (Registered Share Deposit Certificate) account, the specification of the shares deposited, a statement that the shares deposited, their income and the amount received in the case of redemption or amortization shall only be delivered to the holder of the UNITS' account or upon an order in writing from said holder, the name and identification of the holder of the UNITS' account, the price charged by UNIBANCO for the deposit, if applicable, and the places where the holders of the UNITS can obtain assistance;

e) upon a written order by the holder of the UNIT´s account to the Stock Exchange broker by which the UNITS are negotiated, UNIBANCO shall block the UNITS specified in the order, being thus authorized to transfer them to the purchaser as soon as the Stock Exchange informs it that the UNITS have been sold;

f) notwithstanding the provisions of items "g" and "h" below, the holders of UNITS shall be entitled, at any time, to request their cancellation to UNIBANCO and the delivery of the registered shares that they represent, by means of the transfer of said shares to the share deposit accounts maintained by UNIBANCO in the holder's name;

g) the Board of Directors of UNIBANCO may, at any time, suspend the cancellation of the UNITS for a specified period of time, subject to the following circumstances:

I – an announcement by HOLDINGS or by UNIBANCO stating that they intend to grant UNIBANCO' shareholders the option of converting their shares into UNITS, in which case the suspension period shall not exceed 90 (ninety) days;

II - the beginning of a public offering for the primary or secondary distribution of the UNITS, either in the international or in the domestic market, in which case the suspension period shall not exceed 30 (thirty) days.

h) UNITS with burdens, liens, or encumbrances upon them, as per item "b" of this article, may not be the object of a cancellation request;

i) once the UNITS are cancelled, the holder of the shares they represent may dispose of those shares and the restrictions mentioned in items "a" and "c" of Article 9 shall not apply.

Article 11: In the exercise of the rights conferred by the shares represented by UNITS, the following rules shall be complied with:

a) the dividends and the redemption or amortization proceeds from shares issued by UNIBANCO shall be paid by UNIBANCO to the holder of the UNITS;

b) the dividends and the redemption or amortization proceeds from shares issued by HOLDINGS delivered to UNIBANCO as depositary of the shares, shall be paid by UNIBANCO to the holder of the UNITS;

c) only the holder of the UNITS shall exercise the right to participate in the Shareholders' Meetings of UNIBANCO and HOLDINGS and therein exercise all rights attributed to the shareholders of such companies by the property of the shares represented by the UNITS;

d) If the shares of UNIBANCO or HOLDINGS are split, cancelled or combined or if new shares of UNIBANCO or HOLDINGS are issued while the UNITS are in existence, the following rules shall apply:

I - In the event that there is a change in the number of shares represented by UNITS, as a result of share splits or through the capitalization of profits or reserves carried out by UNIBANCO and by HOLDINGS, UNIBANCO shall register the deposit of the new shares issued and shall issue new UNITS registering them in the account of the respective holders, in such a way as to reflect the new number of shares held by the holders of the UNITS, always maintaining the proportion of one (01) UNIBANCO preferred share to one (01) HOLDINGS class "B" preferred share, represented by UNITS. In the event that there is a share split carried out exclusively by either UNIBANCO or HOLDINGS, or if the share split is carried out by both companies using different ratios, then UNIBANCO shall register, in the name of the holder of the split shares, the deposit of as many shares as can form UNITS, with due regard to the ratio mentioned in First Paragraph of Article 7, and shall deliver the remaining shares issued to the holder of the UNITS represented by the split shares.

II - In the event that there is an alteration in the number of shares represented by UNITS, as a result of share combination or cancellation, carried out by UNIBANCO and by UNIBANCO HOLDINGS, then UNIBANCO shall debit the UNITS deposit accounts of the holders of the cancelled shares, automatically canceling the UNITS, in a number sufficient to reflect the new number of shares held by the holders of the UNITS, always keeping the proportion of 1 (one) UNIBANCO preferred share to 1 (one) HOLDINGS preferred share represented by a UNIT. In the event of a combination or cancellation of shares carried out exclusively by either UNIBANCO or HOLDINGS, or if the combination or cancellation is carried out by both companies using different ratios, then UNIBANCO shall cancel the UNITS representing the cancelled shares, delivering the UNIBANCO or the HOLDINGS shares that have not been cancelled to the respective holders, as the case may be.

III – in the capital increases resulting from share subscription, in which preemptive rights have been granted, the following procedures shall apply:

1st) if UNIBANCO and HOLDINGS simultaneously carry out a capital increase by issuing shares that may be converted into new UNITS, holders of UNITS may exercise the preemptive rights to which the shares represented by the UNITS are entitled, in which case:

I – if the shareholder subscribes the shares of both companies, then new UNITS shall be issued to him, corresponding to the shares subscribed, in accordance with the proportion mentioned in First Paragraph of Article 7, unless such shareholder provides instructions to the contrary, as provided for in item II below;

II – if the shareholder chooses to subscribe shares of both companies without the formation of UNITS, or only shares from one of the companies, he may do so by informing such intention to the issuers in the share subscription form;

2nd) if only one of the companies increases its capital, UNIT holders may exercise the preemptive right conferred by one of the shares represented by the UNITS directly, and in such case no new UNITS will be issued .

CHAPTER III

General Shareholders Meeting

Article 12: The general shareholders´ meeting shall be held ordinarily within the four (4) months immediately following the end of the fiscal year, for the purposes established in law, and extraordinarily, whenever corporate interests so require.

First Paragraph – A shareholder may be represented at a Shareholders Meetings by an attorney-in-fact which fulfills the conditions prescribed by law. The filing of the respective power of attorney with UNIBANCO may be required.

Second Paragraph: The status of shareholder must be proven, if so requested, by presentation of a proper identity document.

Article 13: The Shareholders Meetings, called at least fifteen (15) days in advance, according to the law, shall be installed and chaired by the Chairman of the Board of Directors, who may appoint in his stead any member of the Board of Director or of the Board of Officers, which shall choose, among the shareholders present, one or more secretaries.

First Paragraph: Each common share is entitled to one vote in the Shareholders Meetings.

Second Paragraph: In order to be binding upon UNIBANCO, shareholders agreements regarding the purchase and sale of shares, the preference on the acquisition of shares, and the exercise of voting rights or the control of UNIBANCO must be previously approved by the Central Bank of Brazil and filed at UNIBANCO's head office, in accordance with the applicable rules established by the Board of Directors. UNIBANCO may request the shareholders clarifications in order to properly fulfill its obligations.

CHAPTER IV

Management

Article 14: UNIBANCO shall be managed by the following bodies:

a) the Board of Directors;

b) the Board of Officers.

SECTION I

The Board of Directors

Article 15: The Board of Directors shall have a minimum of four (4) and a maximum of nine (9) Directors, all of them shareholders of UNIBANCO, elected by the Shareholders Meeting for a one (1) year term.

First Paragraph: The Board of Directors shall have one Chairman and one Vice-Chairman, chosen by the Board of Directors, as described in Second Paragraph of Article 18.

Second Paragraph: The age limit for a member of the Board of Directors shall be sixty-five (65) years of age. Such limit may, however, be extended by the Board of Directors.

Article 16: It is incumbent upon the Board of Directors on an exclusive basis to:

a) determine the general directions for the conduct of business and to establish the basic policies and guidelines for UNIBANCO;

b) call Shareholders Meetings;

c) submit to the Shareholders Meetings proposals for:

I - capital increase or reduction;

II - mergers, amalgamations or spin-offs;

III – amendments to the By-laws;

d) decide upon the following matters:

I - partnerships or joint ventures involving UNIBANCO, including participation in shareholders agreements;

II - acquisition, disposal, increase or reduction of its participation in controlled or affiliated companies;

III - acquisition of controlling interests in other companies, in accordance with applicable legal provisions;

IV- results and investment budgets and the respective action plans submitted pursuant to sub-item II of the First Paragraph of Article 23;

e) upon proposal by the Board of Executive Officers:

I - examine and deliberate on the semiannual balance sheets and decide upon the distribution and investment of profits, in accordance with Article 44;

II – decide upon the annual report to shareholders, the Board of Officers' accounts and the Financial Statements of each fiscal year to be submitted to the Shareholders' Meeting;

f) establish the compensation of each of the members of the Board of Directors, the Board of Officers and of the Audit Committee, within the global amount approved by the Shareholders' Meeting;

g) establish the bonus of each of the members of the Board of Directors and of the Board of Officers, subject to the provisions of item "c" of the First Paragraph of Article 44;

h) appoint a replacement for the President, for the members of the Board of Officers, the Board of Directors and the Audit Committee, in the cases established on this By-laws;

i) authorize, whenever it deems necessary, on the cases not established on this By-laws, the representation of UNIBANCO by a sole member of the Board of Officers or by an attorney-in-fact, provided that such resolution specifies the powers granted.

j) elect and remove the members of the Board of Officers as well as to determine their duties and responsibilities in accordance with their respective areas of work;

k) supervise the management by the Board of Executive Officers, examine, at any time, UNIBANCO's books and documents, request information on agreements executed or about to be executed, as well as about any other acts;

l) supervise and provide guidance to the performance of the Board of Executive Officers;

m) appoint and remove the independent auditors, taking in consideration the recommendation of the Audit Committee, under the terms of item (b), Article 38;

n) decide upon the purchase of shares issued by UNIBANCO, subject to the Third Paragraph of Article 4;

o) decide upon the creation of committees to deal with specific matters within the authority of the Board of Directors and/or of the Board of Officers;

p) decide upon the acts provided for in the First and Second Paragraphs of Article 4;

q) bring under its authority specific matters of interest to UNIBANCO and decide upon the cases not provided for herein;

r) establish the term and other conditions for the conversion of UNIBANCO's shares into UNITS, as per Article 8 of these By-laws;

s) establish rules for the filing of shareholders agreements, in accordance with the Second Paragraph of Article 13 of these By-laws.

t) deliberate upon the promotion of the defense, in judicial and administrative actions proposed by third parties against the management of UNIBANCO, the members of the Audit Committee, the members of the Audit Board, if on duty, and employees that legally act by delegation of the management, during or after the term of their respective mandates, arising from the legal acts of management practiced in the exercise of their attributions, being entitled to contract insurance to cover the procedural expenses, attorney's fees and damages awarded due to such claims.

Sole Paragraph: The Board of Directors may assign special functions, on a permanent or transitory basis, to any of its members or to the members of the Board of Officers, under the denomination it deems appropriate, provided that such functions do not conflict with the exclusive duties established herein.

Article 17: It is incumbent upon the Chairman of the Board of Directors to:

a) chair the meetings of the Board of Directors, with authority to appoint any of the members of said Board to do so in his stead;

b) appoint, under the circumstances provided for in sub-item II of Article 19, the replacements for the Vice-Chairman of the Board of Directors;

c) chair the Shareholders Meetings, with authority to appoint any of the members of the Board of Directors or of the Board of Executive Officers to do so in his stead.

Sole Paragraph: It is incumbent upon the Vice-Chairman of the Board of Directors to replace the Chairman in his absences, vacations, leaves, occasional impediments or in the event of a vacancy.

Article 18: The Board of Directors shall meet ordinarily on a quarterly basis and, extraordinarily, whenever corporate interests so require.

First Paragraph: The meetings of the Board of Directors may be called by the Chairman or by the Vice-Chairman, individually, or by any two members of the Board of Directors jointly.

Second Paragraph The decisions of the Board of Directors shall be taken by a majority of votes in the presence of at least half of its elected members. The Chairman shall be entitled, in addition to his own vote, to the casting vote in case of a tie.

Third Paragraph Shall be considered present on the meetings of the Board of Directors the Director that (i) participates through tele or video conference or any other vehicle that allows the other members to hear and/or see him, or (ii) previously sent its written vote.

Fourth Paragraph The minutes of the meetings shall be recorded in the appropriate Book of Minutes of Meetings of the Board of Directors.

Article 19: Except in the cases to which the law establishes special procedures, the replacement of the members of the Board of Directors shall be as follows:

I – the Chairman of the Board of Directors shall be replaced by the Vice-Chairman;

II – the Vice-Chairman shall be replaced by any other Director appointed by the Chairman of the Board of Directors;

III– all other Directors by a replacement appointed by the Board of Directors;

IV - if a majority or all positions on the Board of Directors are vacant, a Shareholders Meeting shall be called to hold a new election.

Sole Paragraph - The replacement appointed in accordance with sub-item III of this article shall remain in office until the next Shareholders Meeting, which shall elect a new member to fill the vacant position for the remainder of the term of office of the replaced member.

SECTION II

The Board of Officers

Article 20: The Board of Officers shall comprise a maximum of 150 (one hundred and fifty) members, resident in the Country, shareholders or not, elected by the Board of Directors, with a term of office of 1 (one) year, eligible for reelection, being:

a) 1 (one) President;

b) up to 10 (ten) Vice Presidents;

c) up to 139 (one hundred thirty nine) Executive Officers, Officers and Deputy Officers;

First Paragraph: - The President, the Vice Presidents and the Executive Officers shall compose the Board of Executive Officers

Second Paragraph: - The age limit for holding a position in the Board of Officers shall be sixty (60) years of age. The Board of Directors may extend such limit, according to the nature of the relevant area of work.

Article 21: It is incumbent upon the Board of Executive Officers the management and administration of the company's business. The Board of Executive Officers may carry out all transactions and perform all acts related to UNIBANCO's objectives, and their responsibilities are:

a) to order the preparation of semiannual balance sheets and propose their approval to the Board of Directors, together with the proposal for the distribution and application of profits, subject to Article 44;

b) to submit to the Board of Directors for approval the Annual Report to the Shareholders and the Financial Statements of each fiscal year, for further presentation to the Shareholders Meeting;

c) to authorize the opening, change of address and closing of branches or facilities, including those abroad;

d) to comply with and ensure compliance with the resolutions of the Shareholders Meeting, of the Board of Directors and with the By-laws;

e) the overseeing, supervision and guidance of the Officers and of the Deputy Officers, as the case may be;

f) to care for the improvement of the members of management, following up on their professional performance and development;

g) investment of resources resulting from tax incentives.

Article 22: It is incumbent upon the President:

I - to guide the management of the social business, supervising the works of the other members of the Board of Executive Officers, in order to assure the full implementation and execution of the policies and guidelines set by the Board of Directors;

II - coordinating the activities of the Vice Presidents, and follow-up their respective performance;

III - reaching decisions within his authority;

IV - reaching decisions with urgent character, within the competence of the Board of Executive Directors, "ad referendum" of such Board.

Article 23: It is incumbent upon the Vice-Presidents:

I – the management and supervision of the areas assigned as set forth in item "j" or in the sole paragraph of the Article 16;

II – the supervision and coordination of the performance of the Executive Officers, Officers and Deputy Officers which are under their direct supervision and the following-up of their respective performance;

III - reaching decisions within his authority;

First Paragraph: In accordance with the policies, directives and parameters established by the Board of Directors, it is jointly incumbent upon the President and the Vice-Presidents, jointly:

I - to approve and change UNIBANCO's administrative structure and internal rules;

II - to submit to the approval of the Board of Directors the results and investment budgets and the respective business plans as well as to implement the decisions taken;

III - to establish operational and administrative limits of authority;

IV - to care for the improvement of the members of management, following up on their professional performance and development.

Second Paragraph The jointly decisions of the President and the Vice-Presidents shall be taken by a majority of votes in the presence of at least half of its elected members. The President shall be entitled, in addition to his own vote, to the casting vote in case of a tie.

Article 24: It is incumbent upon the Executive Officers:

I – the management and supervision of the areas which shall be assigned to them by the provisions of sub-item II of Article 23 of this By-laws; and

II – the supervision and coordination of the performance of the Officers and Deputy Officers which are under their direct supervision.

Article 25: It is incumbent upon Officers and Deputy Officers the management and supervision of the areas which shall be assigned to them by the Executive Board of Officers.

Article 26: The replacement of the members of the Board of Officers shall be carried out as follows:

a) in the cases of temporary replacement:

I - the replacement of the President shall be appointed by the Board of Directors, as set forth in item "h" of Article 16;

II - the duties of the Vice Presidents shall be performed by a replacement appointed, from among the elected Executive Officers, by the President;

III - the duties of the Executive Officers shall be performed by a replacement appointed, from among the elected Officers, by the President jointly with the Vice President responsible of the supervision of the Executive Officer replaced, depending on the case.

IV - the duties of the Officers and the Deputy Officers shall be performed by a replacement appointed, from among the elected Officers, by Executive Officer responsible of the supervision of the Officer or of the Deputy Officer replaced, as from the case.

b) in cases of replacement due to a vacancy concerning any of the Officers, the replacement shall be appointed by the Board of Directors, as specified in item "h" of Article 16.

Article 27: The meetings of the Board of Officers shall be called and chaired by the President or by any of the Vice-Presidents. In case of any impossibility, any of two of them may, jointly, appoint to chair it in their stead any member of the Board of Executive Officers.

First Paragraph: The members of the Board of Directors may attend the meetings of the Board of Officers.

Second Paragraph: The decisions of the Board of Executive Officers shall be taken by the majority of votes of the members of the Board of Executive Officers, with the presence of at least half of its members, except with respect to the issues specified in item "c" of Article 21, which may be decided upon with the presence of at least three (3) members. The Chairman of the meeting shall be entitled, in addition to its own vote, to the casting vote in case of a tie.

Article 28: UNIBANCO shall be represented by the members of the Board of Officers as stated in this Article, except as established in item "i" of Article 16.

First Paragraph: The following shall require the joint signatures of two members of the Board of Officers, one of them being necessarily an Executive Officer:

a) acts resulting in the encumbrance or disposal of real property or other assets, the placement of collateral or guarantees, the settlement or waiver of rights, the undertaking of obligations, the execution of agreements, as well as those acts which result in liability for UNIBANCO or release third parties from liabilities towards him;

b) the appointment of attorneys-in-fact, except as provided in item "i" of Article 16.

Second Paragraph: UNIBANCO may be represented severally by any of the members of the Board of Officers, or by an attorney-in-fact with specific powers, in acts related to:

a) receipt of summonses or rendering of personal depositions in court;

b) receipt of subpoenas and delivery of statements out of court;

c)UNIBANCO's participation in auction processes;

d) UNIBANCO'S representation in Shareholders Meetings of Companies in which UNIBANCO holds share participation; and

e) UNIBANCO's representation before public bodies, provided that no assumption of responsibilities or obligations by the Company is implied.

Third Paragraph: The acts mentioned in item "a" of the First Paragraph of this article may also be performed by (i) any member of the Board of Executive Officers jointly with an attorney-in-fact, (ii) jointly by two attorneys-in-fact, or even (iii) by a sole attorney-in-fact or an Officer, provided that it is previously, specifically and expressly authorized by the Board of Directors. In every case, the power of attorney must specify in the respective instrument the limits and extension of the powers granted as well as the term for the appointment.

Fourth Paragraph: UNIBANCO may appoint attorneys-in-fact to represent it severally as follows:

a) by executing powers of attorney with an "ad judicia" clause, without term, including the powers to perform acts of resignation, waiver, settlement, receipt and acquittal;

b) in acts specifically determined in the applicable power of attorney, except for those mentioned in item "a" of the First Paragraph of this article; and

c) cases in which the attorney-in-fact is a legal entity.

SECTION III

Provisions Applying to the Board of Directors, to the Board of Officers and to the Audit Committee

Article 29: The Shareholders Meeting and the Board of Directors may, respectively, abstain from electing Directors, members of the Audit Committee and of the Board of Officers, whenever the lower limits set forth in this By-laws in law have been fulfilled.

Article 30: The holding a position on the Board of Directors, on the Board of Officers and on the Audit Committee shall not require the placement of bond.

Article 31:- As soon as their election is approved by the Central Bank of Brazil, the members of the Board of Directors, the Board of Officers and the Audit Committee shall be invested in their positions by having their respective terms of office recorded in the Book of Minutes of the Meetings of the Board of Directors, of the Board of Officers and of the Audit Committee, respectively, which terms of office shall also be recorded in the cases of replacement specified in Articles 19, 26 and 37.

Sole Paragraph:- If the term of office is not executed within thirty (30) days of the date of approval by the Central Bank of Brazil, the appointment shall become void, except if a justification is accepted by the administrative body for which the individual was elected.

Article 32: The members of the Board of Directors, of the Board of Officers and of the Audit Committee shall remain in their positions, after the expiration of their term, until their successors are vested in office.

Article 33: The Shareholders Meeting shall establish the compensation for the Board of Directors, for the Board of Officers and for the Audit Committee, in accordance with item “f” of Article 16.

CHAPTER V

Audit Committee

Article 34:- The Audit Committee shall have a minimum of 3 (three) and a maximum of 5 (five) effective members, elected by the Shareholders Meeting for a maximum of a 5 (five) year term.

First Paragraph:- The Audit Committee shall have one Chairman chosen by the Board of Directors.

Second Paragraph:- At least one member of the Audit Committee must have proved accounting or related financial management expertise, that qualifies him as an audit committee financial expert.

Third Paragraph:- The members of the Audit Committee may be Directors.

Fourth Paragraph:- This Audit Committee shall be a single committee for the entire Conglomerate Unibanco, as set forth in law.

Article 35: For holding the position of member of the Audit Committee, the basic requirements for holding such position shall be observed, as well as the legal bars applicable.

Sole Paragraph:- The duty of the member of the Audit Committee may not be delegated.

Article 36: The Shareholders Meeting shall establish the global compensation for the Audit Committee, and the compensation for each of its members shall be established in accordance with the provisions of item “f” of Article 16.

First Paragraph:- The member of the Audit Committee is not allowed to receive any other kind of compensation from the Conglomerate's companies or from its affiliated companies, except for those to which he is entitled to as member of the Audit Committee.

Second Paragraph: In case the member of the Audit Committee is also a Director of any of the companies of the Conglomerate Unibanco or of its affiliated companies, he shall choose for which of those positions compensation he wishes to receive.

Article 37: Exception made to the cases to which the law establishes special procedures, the replacement of the members of the Audit Committee shall be made as follows:

a) in case of temporary replacement, the Chairman of the Audit Committee shall be replaced by the member appointed by him;

b) in case of replacement due to a vacancy, the Chairman and the members shall be replaced by the member appointed by the Board of Directors.

Sole Paragraph:- The replacement appointed shall remain in office until the next Shareholders Meeting, which shall elect a new member to fill the vacant position for the remainder of the term of office of the replaced member.

Article 38: It is incumbent upon the Committee of Audit:

a) To establish and, whenever deemed necessary, to change its administrative structure and internal rules, and submit it to the approval of UNIBANCO's Board of Directors;

b) To appoint, "ad referendum" of the Board of Directors of each company of the Conglomerate Unibanco, when applicable, the Company to be hired to render independent auditing services, as well as, if it deems necessary, the replacement of such render;

c) To review, previously to its publication, the semiannual financial statements, including the explanatory notes, the management reports and the independent auditor's technical report of each one of the companies of The Conglomerate Unibanco;

d) To analyze the effectiveness of the internal and the independent audit;

e) To analyze the compliance, by the management of each of the companies of the Conglomerate Unibanco, when applicable, of the recommendations made by the internal or by the independent auditor;

f) To establish and to disclose procedures to the reception and treatment of information regarding the non compliance with laws and regulations applicable to the Conglomerate Unibanco, in addition to the internal rules and codes, including the ones which sets forth specific procedures for the protection of the provider and of the confidentiality of the information, as well as the procedures for the reception and treatment of information regarding to the accounting reports;

g) To meet ordinarily on a quarterly basis with the Board of Officers, with the independent audit and with the internal audit of each company of The Conglomerate Unibanco, in order to verify the compliance with its recommendations or queries, including those regarding the planning of the respective audit works. Such meetings shall be recorded in minutes.

h) To meet with the Audit Board, if in duty, and with the Board of Directors of the companies of The Conglomerate Unibanco, by their request, to discuss the policies, practices and procedures identified upon matters within their incumbency;

i) To recommend, to the Board of Officers of the companies of The Conglomerate Unibanco, when applicable, corrections or improvements of policies, practices and procedures identified upon matters within their incumbency;

j) Other attributions necessary for the compliance with law and regulation, in addition to those that the Audit Committee itself understands to be relevant to ensure:

(i) the independence of the external auditors;

(ii) the adequacy and effectiveness of the internal controls; or

(iii) the accuracy of the financial statements.

Article 39: It is incumbent upon the Chairman of the Audit Committee:

I - chair the meetings of the Audit Committee, with authority to appoint any of the members of said Committee to do so in his stead;

II - appoint any of the members of the Audit Committee to replace him in his absences, vacations, leaves or occasional impediments;

III - determine the agenda of the Committee's meetings.

Article 40: The Audit Committee shall meet ordinarily on a quarterly basis and, extraordinarily, whenever corporate interests so require.

First Paragraph:- The meetings of the Audit Committee may be called by any member of the Audit Committee.

Second Paragraph:- The decisions of the Audit Committee shall be taken by a majority of votes in the presence of at least half of its members. The Chairman shall be entitled, in addition to his own vote, to the casting vote in case of a tie.

Third Paragraph:- The minutes of the meetings shall be recorded in the appropriate Book of Minutes of Meetings of the Audit Committee.

Article 41: The members may be dismissed at any time by decision taken by the Shareholders Meetings.

CHAPTER VI

The Audit Board

Article 42: UNIBANCO shall have an Audit Board that shall be comprised of at least three (3) and at most five (5) permanent members and an equal number of alternates, with duties as set forth in law.

First Paragraph: The Audit Board shall only operate in those fiscal years in which the shareholders, in accordance with the provisions of law, request its institution.

Second Paragraph: The Shareholders Meeting at which the institution of the Audit Board is requested shall elect its members and determine their compensation.

Third Paragraph: The term of office of the members of the Audit Board shall end at the Annual Shareholders Meeting following its institution.

CHAPTER VII

Fiscal Year, Financial Statements, Reserves and Dividends

Article 43: The fiscal year shall begin on the 1st day of January and shall end on December 31st of each year.

Article 44: On the last day of each calendar semester the following financial statements shall be prepared, in accordance with the applicable legal provisions:

a) balance sheet;

b) statement of accumulated losses and profits;

c) income statement for the fiscal year;

d) statement of origin and investment of funds.

First Paragraph: The following shall be deducted from the results of the fiscal year:

a) accumulated losses, if any, in the form set forth at law;

b) the provision for income taxes and the Social Contribution on Net Profit;

c) up to 10% (ten percent) of the result remaining after the deductions referred to in items “a” and “b” of this paragraph, as profit sharing for the Board of Directors and the Board of Officers, in compliance with legal limitations, and in accordance with the Second Paragraph of this article.

Second Paragraph: - The compensation provided in item “c” of the First Paragraph of this article shall be determined and paid to the administrators by decision of the Board of Directors, subject to ratification by the Shareholders Meeting and in accordance with the relevant legal provisions.

Third Paragraph: UNIBANCO’s results, after the deductions referred to in the First Paragraph of this article, comprise the net profit of the fiscal year that, by decision of the Board of Directors, having heard the Audit Board, if in operation, shall be allocated as follows, subject to ratification by the Shareholders Meeting:

a) 5% (five percent) for the creation of a Legal Reserve, which shall not exceed 20% (twenty percent) of the corporate capital;

b) establishment of Reserves for Contingencies, as permitted by law;

c) 35% (thirty-five percent) of the remaining net profit, after constitution of the reserves set forth in the above items “a” and “b” as mandatory dividend;

d) establishment of the Reserves for Unrealized Profits in those fiscal years in which the amount of the mandatory dividends exceeds the effected portion of the fiscal year’s net profit, pursuant to the provisions of Articles 197 and 202, III, of Law no. 6,404, of Dec. 15, 1976, as modified by Law no. 10,303, of Oct. 31, 2001;

e) the balance shall be allocated for a reserve designed to ensure that UNIBANCO maintains adequate operating margin, up to one hundred percent (100%) of the corporate capital;

f) the eventual remaining balance shall be disposed of in accordance with the resolutions of the Shareholders Meeting, being observed the applicable legal provisions.

Fourth Paragraph: It shall be attributed to each preferred share an amount at least 10% (ten percent) higher than the amount attributed to each common share in the distribution of dividends mentioned in item “c” of Third Paragraph of this Article.

Fifth Paragraph: The payment of dividends which are authorized by the Shareholders Meeting or by the Board of Directors shall occur within sixty (60) days of the date on which they were declared and, in any event, within the same fiscal year in which they are declared.

Sixth Paragraph: The company may declare, by decision of the Board of Directors, after the Audit Board, if in operation, is heard, during the fiscal year and before the subsequent Annual Shareholders Meeting, interim dividends, which may constitute a partial or full advance of the mandatory dividends, to be taken from:

a) profits ascertained in a semiannual balance sheet, and

b) retained profits or Profit Reserves verified in the former annual or semiannual balance sheet.

Seventh Paragraph:- The company may further declare, by decision of the Board of Directors, pursuant to item "e" of Article 16 of the By-laws, to prepare extraordinary balance sheets and distribute dividends in shorter terms, as part of the annual dividend, provided that the total amount of dividends distributed at each semester of the financial year does not exceed the amount of the Capital Reserves.

Eighth Paragraph: For the purpose of calculating the amount of the mandatory dividends to be distributed, any interest distributed to the shareholders shall be considered, up to the limit of the LONG TERM INTEREST RATE (TAXA DE JUROS DE LONGO PRAZO - TJLP), as provided in the Seventh Paragraph of Article 9 of Law no. 9,249 of December 26, 1995, including those paid to the account of profits or reserves mentioned in the Sixth Paragraph of this article.

CHAPTER VIII

Liquidation

Article 45: UNIBANCO shall enter into liquidation in the cases determined by law or by decision of the Shareholders Meeting, which shall establish the form of liquidation and shall appoint the liquidators and the Audit Board, if the institution thereof is requested, to operate during the liquidation period.

CHAPTER IX

General Provisions

Article 46: Any shareholder who does not pay the amounts due for subscribed shares, in accordance with the conditions set out in the subscription form or, if any of them remains negligent, when called upon to do so by the Board of Executive Officers, shall be considered in arrears and shall be subject to the payment of interest at the rate of 1% (one percent) per month in addition to monetary restatement calculated in accordance with the prevailing official rates, notwithstanding the utilization by UNIBANCO of all remedies available at law for the satisfaction of its credit**.**

Article 47: The reimbursement amount for the shares in the cases in which it is assured by law shall be equal to the net worth of the shares, ascertained on the basis of the balance sheet prepared in the manner prescribed in law.

CHAPTER X

Transitory Provisions

Article 48: The company shall keep in its accounting records, as a Special Dividends Reserve, the amount of R$63.897.529,90 (sixty-three million, eight hundred and ninety-seven thousand, five hundred and twenty-nine *reais* and ninety *centavos*), which, on Dec. 31, 1996, corresponded to 77,105,743.8181 UFIRs (Fiscal Reference Unit), to be transferred from the Legal Reserve referred to in sub-item II of item “e” of the Third Paragraph of Article 36, said amount being constituted of the profits ascertained in the fiscal years of 1989 to 1993 and based upon the tax regimen set forth in Article 35 of Law No.7,713 of Dec. 22, 1988 and Article 75 of Law 8,383, of Dec. 30, 1991.

Sole Paragraph: The Special Dividends Reserve mentioned in this article shall be reduced by an amount equal to the dividends distributed by UNIBANCO from this Reserve or as a result of its capitalization.”

UNIBANCO HOLDINGS S.A.

CORPORATE BY-LAWS

CHAPTER I

Name, Head Office, Purpose and Term

Article 1: UNIBANCO HOLDINGS S.A., hereinafter referred to as HOLDINGS, shall be governed by these corporate by-laws and by the applicable legal provisions.

Article 2: HOLDINGS is incorporated for the purpose of holding share participation in other companies.

Article 3: HOLDINGS has its head offices and legal venue in the City of São Paulo, State of São Paulo.

Article 4: HOLDINGS shall exist for an indefinite period of time.

CHAPTER II

Capital Stock and Shares

Article 5: - The capital stock is R$4,555,375,681.04 (four billion, five hundred and fifty five million, three hundred and seventy five thousand, six hundred and eighty one Reais and four cents) divided into 1,643,587,687 (one billion, six hundred and forty three million, five hundred and eighty seven thousand and six hundred and eighty seven) registered shares, with no par value, of which 553,735,904 (five hundred and fifty three million, seven hundred and thirty five thousand and nine hundred and four) are common shares, and 1,089,851,783 (one billion, eighty nine million, eight hundred and fifty one thousand and seven hundred and eighty three) are preferred shares.

First Paragraph: - HOLDINGS may issue, without amendments to these By-laws, up to 2,613,253,815 (two billion, six hundred and thirteen million, two hundred and fifty three thousand and eight hundred and fifteen) additional shares, considering that up to 876,867,952 (eight hundred and seventy six million, eight hundred and sixty seven thousand and nine hundred and fifty two) shall be common shares, and up to 1,736,385,863 (one billion, seven hundred and thirty six million, three hundred and eighty five thousand and eight hundred and sixty three) shall be preferred shares. The issuance of new shares may be conducted without maintaining the existing proportion between the types and classes of shares.

Second Paragraph: It shall be incumbent upon the Board of Directors, within the limits of the authorized capital, to decide on the issuance of new shares and to set forth the conditions said shares shall be subject to.

Third Paragraph: HOLDINGS may issue subscription warrants ("*bônus de subscrição*") within the limits of the authorized capital and upon decision of the Board of Directors, but it shall not issue founder shares ("partes beneficiárias").

Fourth Paragraph: The issuance of shares or the issuance of subscription warrants for stock exchange trading, for public subscription or for exchange for shares in a public offer for control acquisition, may be carried out with a reduction of the deadline for exercising preemptive rights, or with the exclusion of such rights, at the discretion of the Board of Directors, which may, furthermore, grant the shareholders priority in the subscription of shares of one or more kinds or classes.

Fifth Paragraph: Within the limits of the authorized capital and in accordance with a plan approved by the General Shareholders' Meeting, HOLDINGS may grant the option to purchase shares to its own officers or employees or to individuals rendering services to the company, as well as to people who perform these activities at UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.;

Sixth Paragraph: - Preferred shares are not entitled to voting rights and shall be entitled to participate of the dividend to be distributed, which shall be equivalent to 100% (one hundred percent) of the net profits of the fiscal year, accrued in cash, calculated pursuant to Article 202 of Law 6.404, of 15.12.1976, with the wording given by Law 10.303, of 31.10.2001, and the Article 35 of these By-laws, in accordance with the following criteria:

a. (i) priority in the distribution of the semi-annual minimum dividend of R$0.15 (fifteen cents) for each lot of twenty (20) shares; or (ii) semi-annual priority dividends of 1.5% of the equity value of the share, resulting in a annual priority dividend of three percent (3%) of the equity value of the share, whichever is greater;

b. in case of splitting or combination of preferred shares, the dividend set forth in item “a” (i) above, shall be settled in accordance with the new number of shares of this class;

c. - priority in the reimbursement of capital, in case the company is liquidated, up to the amount represented by such share class in the capital stock;

d. - participation, under the same conditions as the common shares, in capital increases resulting from the capitalization of monetary restatement, reserves and profits, as well as in the distribution of dividends, provided that distribution of dividends as set forth in item “a” be guaranteed to common shares.

Seventh Paragraph: Preferred shares with no voting rights or subject to restrictions regarding such rights shall observe the limit of 2/3 (two thirds) of the total number of shares issued.

Eighth Paragraph: HOLDINGS shall be allowed to maintain all its shares, or one or more classes of shares, in deposit accounts, on behalf of their holders, in an authorized Financial Institution it may appoint, upon the submission and cancellation of outstanding certificates, due consideration having been given to the rules in force at the time. In this case, HOLDINGS is allowed to charge shareholders for the cost of services, subject to the limits established by the Securities and Exchange Commission.

Ninth Paragraph: HOLDINGS may, upon notice to the Stock Exchanges where its shares are traded and publication of notices, suspend the transfer of shares for periods of no longer than fifteen (15) days each; furthermore, the sum of said periods shall not exceed ninety (90) days per year.

Article 6: UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A., a publicly-held company, with head offices and legal venue in the City of São Paulo, State of São Paulo, enrolled with the Brazilian Registry of Legal Entities (CNPJ) under No. 33.700.394/0001-40, hereby referred to as “UNIBANCO” may, pursuant to these by-laws and in accordance with the applicable regulations, issue Share Deposit Certificates, hereinafter referred to as UNITS, which represent preferred shares with no voting rights, deposited at UNIBANCO, and issued by:

a) HOLDINGS; and

b) UNIBANCO.

First Paragraph: - For the purposes of this Article, each deposited preferred share issued by UNIBANCO, shall correspond to a concomitant deposit of one preferred share issued by HOLDINGS, in such a way that each UNIT shall always be backed by an equal number of preferred shares of both issuers.

Second Paragraph: Only shares which as are free of any burdens, liens or any type of encumbrance that may preclude the free delivery thereof to the holders of the UNITS may be deposited for the conversion into UNITS.

Article 7: The shareholders of UNIBANCO may, pursuant to Articles 8, 9, 10 and 11 of these by-laws, convert their shares into UNITS, according to the terms and conditions established by its Board of Directors, set forth in a notice to the shareholders which shall inform the shareholders about the conversion procedures.

Article 8: From the issue date of the UNITS, the shares represented by such UNITS:

a) shall be registered in a deposit account linked to the UNITS, and their ownership may only be transferred upon the transfer of the corresponding UNITS by written authorization from the holder thereof;

b) shall have the related income, as well as any amount received in the case of redemption or amortization delivered to the holder of the UNITS;

c) shall not have their income and their respective redemption or amortization values pledged, encumbered or given as collateral under any other guise by holders of UNITS, nor shall be object of a pledge, attachment, confiscation, search or seizure or any other encumbrance that may preclude their delivery to the holders of the UNITS.

Article 9: UNITS shall be in book-entry form and shall be kept by UNIBANCO in an account maintained in the name of their holder, and:

a) the transfer of UNITS shall be performed by a record in UNIBANCO´s registry, to the debit of the transferor's UNITS account and to the credit of the transferee's UNITS account, upon receipt of a written order from the transferor, or upon a court authorization or order, in an appropriate document that shall remain with UNIBANCO;

b) the pledging, usufruct, trust, chattel mortgage and any other provisions, burdens, liens or charges that may encumber UNITS shall be recorded in UNIBANCO's books and shall be stated in the UNITS' account statements;

c) whenever so requested, UNIBANCO shall supply holders of UNITS with a statement of their UNITS account at the end of each month in which such account has any activity and, even if no activity occurs, a statement shall be provided at least once a year;

d) the statement shall include the place and the date of issuance, UNIBANCO's name, an indication that it is a statement of UNITS (Registered Share Deposit Certificate) account, the specification of the shares deposited, a statement declaring that the shares deposited, their income and the amount received in the case of redemption or amortization shall only be delivered to the holder of the UNITS account or upon an order in writing from said holder, the name and identification of the holder of the UNITS account, the price charged by UNIBANCO for the deposit, if applicable, and the places where the holders of the UNITS can obtain assistance;

e) upon a written order by the holder of the UNIT´s account to the Stock Exchange broker by which the UNITS are negotiated, UNIBANCO shall block the UNITS specified in the order, being thus authorized to transfer them to the purchaser as soon as the Stock Exchange informs it that the UNITS have been sold;

f) notwithstanding the provisions of items "g" and "h" below, the holder of UNITS shall be entitled, at any time, to request their cancellation to UNIBANCO and the delivery of the registered shares that they represent, by means of transfer of said shares to the shares deposit accounts maintained by UNIBANCO in the holders name;

g) the Board of Directors of UNIBANCO may, at any time, suspend the cancellation of UNITS for a specified period of time, subject to the following circumstances:

I An announcement by HOLDINGS or by UNIBANCO stating that they intend to grant UNIBANCO´s shareholders the option of converting their shares into UNITS, in which case the suspension period shall not exceed ninety (90) days;

II – the beginning of a public offering for the primary or secondary distribution of UNITS, either in the national market, or in the international market, provided that in these case the suspension period shall not exceed thirty (30) days.

h) UNITS subject to burdens, liens, or encumbrances as per item "b" of this Article, may not be the object of a cancellation request;

i) once UNITS have been cancelled, the holder of the shares they represent may freely dispose of said shares, and the restrictions mentioned in item “c” of Article 8 shall cease to apply.

Article 10: In the exercise of the rights conferred by the shares represented by UNITS, the following rules shall be complied with:

a) the dividends and the redemption value or amortization proceeds from shares issued by UNIBANCO shall be paid by UNIBANCO to the holder of the UNITS;

b) the dividends and the redemption value or amortization proceeds from shares issued by HOLDINGS delivered to UNIBANCO as depositary of the shares, shall be paid by UNIBANCO to the holder of the UNITS;

c) only the holder of the UNITS shall exercise the right to participate in Shareholders’ Meetings of UNIBANCO and HOLDINGS and therein exercise all rights attributed to the shareholders of such companies by the shares represented by the UNITS;

d) if the shares of UNIBANCO or HOLDINGS are split, cancelled or combined, or if new shares of UNIBANCO or HOLDINGS are issued while the UNITS are in existence, the following rules shall apply:

I In the event that there is a change in the number of shares represented by the UNITS, as a result of share splits or through the capitalization of profits or reserves, carried out by UNIBANCO and by HOLDINGS, UNIBANCO shall register the deposit of the new shares issued and shall register the new UNITS in the account of the respective holders, in such a way as to reflect the new number of shares held by the holders of the UNITS, always maintaining the proportion of one (01) UNIBANCO preferred share to one (01) HOLDINGS preferred share, represented by UNITS. In the event that there is a share split carried out exclusively by UNIBANCO or HOLDINGS, or if the share split is carried out by both companies using different ratios, then UNIBANCO shall register, in the name of the holders of the split shares, the deposit of as many shares as can form UNITS, with due regard to the ratio mentioned in First Paragraph of Article 6, and shall deliver the remaining shares issued to the holders of the UNITS represented by the split shares.

II In the event that there is an alteration in the number of shares represented by UNITS, as a result of share combination or cancellation, carried out by UNIBANCO and by HOLDINGS, then UNIBANCO shall debit the UNITS deposit accounts of the holders of the cancelled shares, automatically canceling the UNITS, in a number sufficient to reflect the new number of shares held by the holders of the UNITS, always keeping the proportion of one (1) UNIBANCO preferred share to one (1) HOLDINGS preferred share represented by a UNIT. In the event of a combination or cancellation of shares carried out exclusively by UNIBANCO or HOLDINGS, or if the combination or cancellation is carried out by both companies using different ratios, then UNIBANCO shall cancel the UNITS representing the cancelled shares, delivering the UNIBANCO or the HOLDINGS shares that have not been cancelled to the respective holders, as the case may be.

III In capital increases resulting from share subscription, in which preemptive rights have been granted, the following procedures shall apply:

1) if HOLDINGS and UNIBANCO simultaneously carry out a capital increase by issuing shares that may be converted into new UNITS, holders of UNITS may exercise the preemptive rights to which the shares represented by the UNITS are entitled, in which case:

I – if the shareholder subscribes the shares of both companies, then new UNITS shall be issued to him, corresponding to the shares subscribed, in accordance with the proportion mentioned in First Paragraph of Article 6, unless such shareholder provides instruction to the contrary, as provided for in item II below;

II – if the shareholder chooses to subscribe shares of both companies without the creation of UNITS, or only shares from one of the companies, he may do so by informing such intention to the issuers in the share subscription form;

2) if only one of the companies increase its capital, UNIT holders may exercise the preemptive right conferred by one of the shares represented by the UNITS directly, and in such case no new UNITS will be issued.

Article 11: - Requests for conversion, insofar as they apply to HOLDINGS, shall be fulfilled through the subscription of preferred shares, to be paid up upon the delivery of the preferred or common UNIBANCO shares, with due regard to the provisions of First Paragraph of this Article.

First Paragraph: - In the event of conversion of UNIBANCO common shares, HOLDINGS shall deliver to the interested part, in addition to the preferred shares issued by HOLDINGS, preferred shares issued by UNIBANCO, which are a part of HOLDINGS' assets, in a number sufficient to form UNITS; furthermore, the Board of Directors may establish criteria for a partial fulfillment of the requests made by the shareholders, by creating waiting lists, through pro-rata distributions, or both, the conversion of common shares into UNITS being contingent upon the total number of preferred shares issued by UNIBANCO and received by HOLDINGS as a result of the conversion into UNITS of preferred shares issued by UNIBANCO.

Second Paragraph: The subscription price of the shares issued by HOLDINGS for the purpose of complying with requests for conversion shall be equivalent to the book value of the shares issued by UNIBANCO.

CHAPTER III

General Shareholders Meeting

Article 12: The General Shareholders Meeting shall be held ordinarily within the four (4) months immediately following the end of the fiscal year, for the purposes established in law, and extraordinarily, whenever corporate interests so require.

First Paragraph: A shareholder may be represented at a General Shareholder Meeting by an attorney-in-fact which fulfills the conditions prescribed by law. The filing of the respective power of attorney with HOLDINGS may be required.

Second Paragraph: The status of shareholder must be proven, if so requested, by presentation of a proper identity document.

Article 13: The Shareholders Meeting, called at least fifteen (15) days in advance, according to the law, shall be installed and chaired by the Chairman of the Board of Directors, who may appoint in his stead any member of the Board of Directors or of the Board of Officers, which shall choose, among the shareholders present, one or more secretaries.

First Paragraph: Each common share is entitled to one vote in the Shareholders’ Meetings.

Second Paragraph: In order to be binding upon HOLDINGS, shareholders’ agreements regarding the purchase and sale of shares, the preference on the acquisition of shares, and the exercise of voting rights or the control of HOLDINGS must be previously filed at HOLDINGS head office, in accordance with the applicable rules established by the Board of Directors. HOLDINGS may request the shareholders clarifications in order to properly fulfill their obligations.

Third Paragraph: It is incumbent upon the Chairman of the General Shareholders' Meeting, upon a request submitted by interested shareholders, to declare the nullity of a vote given against an express provision of a shareholders' agreement filed at HOLDINGS' head office, whenever said vote establishes this penalty in relation to non-compliance of commitments undertaken or to ensure the specific execution of said commitments.

CHAPTER IV

Management

Article 14: HOLDINGS shall be managed by the following bodies:

a) a Board of Directors;

b) a Board of Officers.

SECTION I

The Board of Directors

Article 15: The Board of Directors shall be composed of a minimum of three (3) and a maximum of eleven (11) Directors, shareholders of HOLDINGS, elected by the General Shareholders Meeting, with a one (1) year term of office.

Sole Paragraph: The Board of Directors shall have a Chairman and a Vice-Chairman, chosen by the Board in the form set forth in the Second Paragraph of Article 18.

Article 16: It is incumbent upon the Board of Directors on an exclusive basis to:

a) determine the general directions for the conduct of business and to establish the basic policies and guidelines for HOLDINGS and its subsidiaries;

b) call Shareholders' Meetings;

c) submit to the General Shareholders Meetings proposals for:

I capital increase or reduction;

II mergers, amalgamations or spin-offs;

III amendment to the by-laws;

d) decide upon the following matters:

I partnerships or jointventures involving HOLDINGS, including participation in shareholders' agreements;

II acquisition, disposal, increase or reduction in controlled or affiliated companies, as well as their merger, amalgamation or spin-off;

III acquisition of controlling interests in other companies, in accordance with applicable legal provisions;

IV to examine semiannual balance sheets and decide upon the distribution and investment of profits, in compliance with the provisions of Article 35;

V to decide upon the annual report to the shareholders, the Board of Officers' accounts and the Financial Statements of each fiscal year to be submitted to the Shareholders' Meeting;

e) determine the remuneration of each of the members of the Board of Directors and of the Board of Officers, up to the global amount approved by the Shareholders' Meeting;

f) appoint substitutes for the members of the Board of Directors and for any of the members of the Board of Officers in the cases provided for herein;

g) authorize, whenever deemed necessary, the representation of HOLDINGS by a sole member of the Board of Officers or by an attorney, provided that the respective power of attorney indicates the acts that shall be practiced;

h) to elect and remove from office the members of the Board of Officers as well as to determine their duties;

i) supervise the actions of the Board of Officers; to examine, at any time, HOLDINGS' books and documents; to request information on contracts entered into or about to be entered into with HOLDINGS, as well as any other acts;

j) supervise and provide guidance to the Board of Officers;

l) appoint and dismiss independent auditors;

m) decide upon the purchase of shares issued by HOLDINGS;

n) bring under its authority specific matters of interest to HOLDINGS and decide upon the cases not provided for herein;

o) decide upon the creation of committees to deal with specific matters within the authority of the Board of Directors and/or of the Board of Officers.

Article 17: It is incumbent upon the Chairman of the Board of Directors to:

a) chair the meetings of the Board of Directors;

b) appoint, in the cases provided for by these by-laws, a substitute for the Vice-Chairman of the Board of Directors;

c) chair the Shareholders' Meetings, with authority to appoint any member of the Board of Directors or of the Board of Officers to do so in his stead;

d) provide guidance to the Corporate President regarding the rights of partner as provided for in Fifth Paragraph of Article 26.

Sole Paragraph: It is incumbent on the Vice-Chairman of the Board of Director to replace the Chairman in his absences, vacations, leaves, occasional impediments or in the event of a vacancy.

Article 18: The Board of Directors shall meet ordinarily once every six months and, extraordinarily, whenever corporate interests so require.

First Paragraph: The Board of Directors' meetings may be called by the Chairman or by the Vice-Chairman, severally, or by any two members of said Board jointly.

Second Paragraph: The decisions of the Board of Directors shall be taken by majority of votes with the presence of at least half of its elected members. The Chairman shall be entitled, in addition to his own vote, to the casting vote in case of a tie.

Third Paragraph: Shall be considered present on the meetings of the Board of Directors the Director that (i) participates through tele or video conference or any other vehicle that allows the other members to hear and/or see him, or (ii) previously sent its written vote.

Fourth Paragraph: The minutes of the meetings shall be recorded in the appropriate Book of Minutes of the Board of Directors' Meetings.

Article 19: Except in the cases where the law calls for a special procedure, the replacement of the members of the Board of Directors shall be carried out as follows:

a) in the cases of temporary replacement:

I – the Chairman of the Board of Directors shall be replaced by the Vice-Chairman;

II – the Vice-Chairman shall be replaced by any other board member appointed by the Chairman of the Board of Directors;

b) in the case of replacement due to a vacancy:

I – the Chairman of the Board of Directors shall be replaced by the Vice-Chairman;

II – the Vice-Chairman shall be replaced by any other board member appointed by the Chairman of the Board of Directors;

III – all other Board members shall be replaced by a substitute appointed by the Board of Directors;

c) If a majority or all positions on the Board of Directors become vacant, a Shareholders' Meeting shall be called to hold a new election;

Sole Paragraph: The person replaced as per item "b", sub-section III of this Article shall remain in office until the next Shareholders' Meeting, which shall fill the vacant position for the remainder of the term of office of the replaced Board of Directors member.

SECTION II

The Board of Officers

Article 20: The Board of Officers shall comprise a minimum of three (3) and a maximum of five (5) members, residents in Brazil, shareholders or not, elected by the Board of Directors, with a one (1) year term of office, reelection being permitted, composed by:

a) One (1) Corporate President;

b) From two (2) up to four (4) Officers.

Article 21: It is incumbent upon the Board of Officers the management and administration of the company's busines, The Board of Officers they may carry out all transactions and perform all acts related to HOLDINGS' objectives, and their responsibilities are:

a) to cause semiannual balance sheets to be prepared and to propose their approval by the Board of Directors together with a proposal for the distribution and utilization of profits, subject to the provisions of Article 34;

b) to submit to the approval of the Board of Directors the Annual Report to Shareholders and the Financial Statements of each fiscal year, so that they may then be presented to the Shareholders' Meeting;

c) to comply with and ensure compliance with the deliberations of the Shareholders Meeting, of the Board of Directors and of these by-laws;

Article 22: It is incumbent upon HOLDINGS' Corporate President to:

I - call and chair the meetings of the Board of Officers;

II - provide guidance to the management and operation of the company's businesses, supervising the work of the Board of Officers;

III - coordinate the actions of the Officers;

IV - appoint the substitutes of the Officers in those cases provided for in these by-laws.

Article 23: It is incumbent on the Board of Officers to manage and to direct the company's business according to the duties specifically assigned to them by the Board of Directors.

Article 24: The replacement of the members of the Board of Officers shall be carried out as follows:

a) in the cases of temporary replacement, the substitute of the HOLDINGS Corporate President shall be appointed by the Board of Directors;

b) in the cases of replacement due to a vacancy in relation to any of the members of the Board of Officers, the substitute shall be elected by the Board of Directors.

Article 25: The Board of Officers shall meet whenever called to do so by the HOLDINGS Corporate President.

First Paragraph: The members of the Board of Directors may attend the meetings of the Board of Officers.

Second Paragraph: The decisions of the Board of Directors shall be taken by a majority of votes with the presence of at least half of its elected members. The Corporate President shall be entitled, in addition to his own vote, to the casting vote in case of a tie.

Third Paragraph: The minutes of the meetings shall be drawn up in the appropriate Book of Minutes of the Board of Officers' Meetings.

Article 26: The active and passive representation of HOLDINGS shall be exercised by the members of the Board of Officers.

First Paragraph: The following shall require the joint signatures of two members of the Board of Officers:

a) acts resulting in encumbrance or disposal of real property or of goods and chattels, the provision of collateral or "fide jussio" guarantees, settlement or waiver of rights, the assumption of obligations, and the execution of agreements, as well as those acts that create responsibilities for HOLDINGS or release third parties from liabilities in relation to it;

b) the appointment of proxies, due consideration being given to the provisions of item "g" of Article 16.

Second Paragraph: HOLDINGS may be represented severally by any of the members of the Board of Officers or by proxies with specific powers in acts related to:

a) receipt of initial summonses or rendering of personal depositions in court;

b) receipt of legal notices and rendering of statements out of court.

Third Paragraph: The acts mentioned in item "a" of the First Paragraph of this article may also be performed by (i) any member of the Board of Executive Officers jointly with an attorney-in-fact, (ii) jointly by two attorneys-in-fact, or even (iii) by a sole attorney-in-fact or an Officer, provided that it is previously, specifically and expressly authorized by the Board of Directors. In every case, the power of attorney must specify in the respective instrument the limits and extension of the powers granted as well as the term for the appointment.

Fourth Paragraph: The Board of Officers shall constitute attorneys to solely represent the Company in the following events:

a) powers of attorney with "ad judicia" clause for an undetermined term, including the acts of waiving, renouncing, settlements, receiving and acquittal; and

b) when the Grantee is a Corporation.

Fifth Paragraph: HOLDINGS shall be represented in the General Shareholders' Meetings, Partners Meetings and in the statutory bodies of the corporate entities in which it holds a stake or is a partner by the Corporate President, who may appoint any of the HOLDINGS Officers or a proxy to do so in his stead, to act jointly in pairs or severally, as provided for in the respective proxy letter.

SECTION III

Provisions Applying to Both the Board of Directors and the Board of Officers

Article 27: The Shareholders' Meeting and the Board of Directors may abstain from electing Directors and members of the Board of Officers, whenever the minimum limits established herein have been fulfilled.

Article 28: Holding an office on the Board of Directors and on the Board of Officers shall not require the pledging of a bond.

Article 29: The members of the Board of Directors and of the Board of Officers shall be vested in their offices upon signing an instrument of investiture drawn up in the Book of Minutes of the Meetings of the Board of Directors and of the Board of Officers.

Article 30: The members of the Board of Directors and of the Board of Officers shall remain in office after the end of their terms until their substitutes take office.

Article 31: The General Shareholders' Meeting shall determine the remuneration of the Board of Directors and of the Board of Officers.

CHAPTER V

The Audit Board

Article 32: HOLDINGS shall have an Audit Board made up of at least three (3) and at most five (5) permanent members and an equal number of alternates, with duties as set forth in the law.

First Paragraph: The Audit Board shall only function in those fiscal years in which the shareholders request the installation of said committee, due consideration being given to legal provisions.

Second Paragraph: The Shareholders' Meeting at which the installation of the Audit Board is requested shall elect its members and determine their remuneration.

Third Paragraph: The term of office of the members of the Audit Board shall end at the Annual Shareholders' Meeting following their investiture.

CHAPTER VI

The Fiscal Year, Financial Statements and Use of Profit

Article 33: The fiscal year shall end on December 31st of each year and the respective Financial Statements shall be submitted to the Annual Shareholders' Meeting.

Article 34: On the last day of each calendar half-year the period's Financial Statements shall be prepared, due consideration being given to legal provisions.

First Paragraph: From the results of the fiscal year, five percent (5%) shall mandatory be allocated to a legal reserve, which shall not exceed twenty percent (20%) of the registered capital, due consideration being given to the provisions of First Paragraph of Article 193 of Law 6,404, of Dec. 15, 1976.

Second Paragraph: Besides, in the terms of Article 195 of Law 6,404, of Dec. 15, 1976, portion of the profits may be allocated to the constitution of the Contingency Reserve, provided such allocation is rationale.

Article 35: The remaining profit after the constitution of the reserves established on Article 34 will be assigned as follows:

a) dividend distribution, in each fiscal year, of one hundred percent (100%) of the portion of the remaining net profit that has been effected in cash, being such amount portion of the net profit that corresponds to mandatory dividend that were distributed and paid by Unibanco to the Company; and

b) the remaining balance of the net profit, after distribution of the mandatory dividends mentioned on item “a”, shall be transferred to a statutory reserve named Equalization of Equity Reserve “Reserva de Equalização de Participações”, up to the limit of the corporate capital, which will have the purpose to assure the equalization of HOLDINGS’ profits with the incomes coming from the investments on its controlled company UNIBANCO and which funds shall be designated for (i) distribution of complementary dividends whenever UNIBANCO pays dividends to its reserves and retained profits accounts or (ii) increase of Company’s corporate capital as regulated by paragraph first below, whenever Unibanco capitalizes profits or reserves.

First Paragraph: In the event of profits or reserves capitalization by UNIBANCO, HOLDINGS shall revert equal portion of the Equalization of Equity Reserve and shall immediately capitalize this amount. In any event of profit or reserves capitalization by UNIBANCO, by means of issuance of shares, HOLDINGS shall also issue to its shareholders new shares due to the capitalization of the reverted portion of such reserve.

Second Paragraph: In compliance with paragraph first above, whenever there is any call notice for Extraordinary Shareholders Meeting of UNIBANCO to decide upon the capitalization of profits and reserves, the Board of Director of HOLDINGS shall call notice Extraordinary Shareholders Meeting, to be held (if possible) on the same day, in order to decide upon capitalization of reverted portion of the Equalization of Equity Reserve, by means or not of issuance of new shares, depending on there have being or not issuance of shares by UNIBANCO.

Article 36: In order to calculate the amount of dividends distributed, in the terms of items “a” and “b” of Article 35, any interest distributed to the shareholders, up to the limit of the LONG TERM INTEREST RATE (TAXA DE JUROS DE LONGO PRAZO - TJLP) shall be taken into account, as provided for in Seventh Paragraph of Article 9 of law 9,249 of Dec. 26, 1995.

Transitory Provision

Article 36-A: Regarding the amounts registered on Reserves for Unrealized Profits on December 31st, 2005, HOLDINGS shall revert to retained profits account portion corresponding to profits or reserves already capitalized by UNIBANCO and at the first opportunity shall proceed the capitalization of the reverted amounts by means of issuance of shares or not, as occurred or not issuance of shares by UNIBANCO.

Sole Paragraph – HOLDINGS shall proceed in the form established on Article 35 (if applicable), whenever Unibanco (i) distributes dividends on the account of its reserves and retained profits accounts or (ii) capitalizes profits or reserves that are reflected on the amounts registered on Reserves for Unrealized Profits on December 31st, 2005.

Article 37: HOLDINGS may, through a decision of the Board of Directors, draw up quarterly or monthly balance sheets and, during the fiscal year and before the next Annual Shareholders’ Meeting, having heard the Audit Board, if installed, declare interim dividends, among other reasons as a partial or total advance on the mandatory dividend, to be taken from**:**

a) profit ascertained in a semi-annual balance sheet, and

b) retained profits or from Profit Reserves that were to be found in the last annual or semi-annual balance sheet.

Sole Paragraph: - Moreover, HOLDINGS may, through a decision of the Board of Directors, draw up extraordinary balance sheets and distribute interim dividends in shorter periods, on account of the annual dividend, provided that the total amount of dividends paid in each semester of the fiscal year do not exceed the capital reserves amount.

CHAPTER VII

Liquidation

Article 38: HOLDINGS shall enter into liquidation in the cases determined by law or by decision of the Shareholders' Meeting, which shall establish the form of liquidation and shall elect the liquidators and the Audit Board, if the installation thereof has been requested, to operate during the liquidation period.

CHAPTER VIII

General Provisions

Article 39: Shareholders failing to pay up installments on shares subscribed, as per the conditions set out in the subscription bulletin or, should said bulletin omit this information, when called upon to do so by the Board of Officers, shall be considered in arrears and shall be subject to the payment of interest at the rate of one percent (1%) per month in addition to monetary correction calculated in accordance with the indices established by the Board of Directors, without prejudice to the utilization by HOLDINGS of all legal remedies available for it to recover its credit.

Article 40: The reimbursement value of shares, in the cases that it is ensured by law, shall be equal to the equity value of shares, calculated on the basis of the balance sheet drawn up in accordance with the form set forth by law.

CHAPTER IX

Transitory Provisions

Article 41: HOLDINGS shall keep in its accounting records, as a Special Reserve for Dividends, the amount of R$36,603,225.60 (thirty-six million, six hundred and three thousand, two hundred and twenty-five reais and sixty cents), which on December 31, 1996 corresponded to 44,169,452.8780 (forty-four million, one hundred and sixty-nine thousand, four hundred and fifty-two and eight hundred and seventy-eight thousandths) UFIRs (Fiscal Reference Units), said quantity being made up of the profits ascertained in HOLDINGS' subsidiaries during the fiscal years from 1989 to 1993 and based upon the fiscal regime set forth in Article 35 of law No. 7,713 of Dec. 22, 1988 and Article 75 of law 8,383, of Dec. 30, 1991 and in the CST Declaratory Act n° 49 of Sep. 23, 1994.

Sole Paragraph: The Special Reserve for Dividends referred to in this Article shall be reduced by the dividends distributed by the company from the account of said Reserve or by virtue of their capitalization.

Exhibit 8.1

List of Subsidiaries

UNIBANCO – UNIÃO DE BANCOS BRASILEIROS S.A.

ADMINISTRADORA E CORRETORA DE SEGUROS UNIBANCO LTDA.[1]	Brazil
BANCO DIBENS S.A.	Brazil
BANCO FININVEST S.A.	Brazil
BANCO ÚNICO S.A.	Brazil
BANDEIRANTES PROCESSAMENTO DE DADOS LTDA. [2]	Brazil
CONABINU PARTICIPAÇÕES LTDA.[3]	Brazil
CORRETORA DE SEGUROS E CAPITALIZAÇÃO UBB LTDA.	Brazil
DIBENS LEASING S.A. – ARRENDAMENTO MERCANTIL	Brazil
EMPRESA BRASILEIRA DE CAPTURA DE TRANSAÇÕES ELETRÔNICAS LTDA.	Brazil
ESTREL ADMINISTRAÇÃO E PARTICIPAÇÕES S.A.	Brazil
ESTREL ADMINISTRAÇÃO S.A.	Brazil
ESTREL ADMINISTRADORA E CORRETAGEM DE SEGUROS LTDA.[4]	Brazil
ESTREL ESTUDOS, REPRESENTAÇÕES E ADMINISTRAÇÃO LTDA.	Brazil
ESTREL SERVIÇOS ADMINISTRATIVOS S.A.	Brazil
FININVEST – NEGÓCIOS DE VAREJO LTDA.	Brazil
HIPERCARD BANCO MÚLTIPLO S.A.	Brazil
HIPERCARD INVESTIMENTOS LTDA.	Brazil
HIPERCARD PROMOTORA DE VENDAS LTDA.[5]	Brazil
INTERBANCO S.A.	Paraguay
MARCEP CORRETAGEM DE SEGUROS LTDA.	Brazil
MEGBENS ADMINISTRAÇÃO DE BENS LTDA.	Brazil
MICROINVEST S.A. – SOCIEDADE DE CRÉDITO AO MICROEMPREENDEDOR	Brazil
NET ONE ADMINISTRADORA E CORRETORA DE SEGUROS LTDA.	Brazil
ORQUÍDEA PARTICIPAÇÕES E EMPREENDIMENTOS LTDA.[6]	Brazil
PHENIX PARTICIPAÇÕES LTDA.[7]	Brazil
PROREVENDA PROMOTORA DE VENDAS E PRESTAÇÃO DE SERVIÇOS LTDA.	Brazil
SAFECARD - CORRETORA DE SEGUROS LTDA.[8]	Brazil
TRADECOM INTERNATIONAL N.V.[9]	The Netherlands
TULIPA ADMINISTRAÇÃO S.A.	Brazil
TULIPA ESTUDOS E PARTICIPAÇÕES S.A.	Brazil
TULIPA S.A.	Brazil
TULIPA SERVIÇOS ADMINISTRATIVOS S.A.	Brazil
UAM – ASSESSORIA E GESTÃO DE INVESTIMENTOS LTDA.[10]	Brazil
UASEG SEGUROS S.A.[11]	Brazil
UBB HOLDING LTDA.[12]	Brazil
UBB HOLDING COMPANY, INC.	USA

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[1] This company was totally spin-off on October 29, 2004, but such spin-off is still pending filing with the Registrar of Companies in Brazil.
[2] This company was merged into Administradora e Corretora de Seguros Unibanco Ltda. on January 31, 2003, but such merger is still pending filing with the Registrar of Companies in Brazil.
[3] This company was merged into Hipercard Banco Múltiplo S.A. on July 29, 2005, but such merger is still pending filing with the Registrar of Companies in Brazil.
[4] This company was merged into Administradora e Corretora de Seguros Unibanco Ltda. on September 30, 2002, but such merger is still pending filing with the Registrar of Companies in Brazil.
[5] This company was merged into Fininvest Negócios de Varejo Ltda. on August 31, 2006, but such merger is still pending filing with the Registrar of Companies in Brazil.
[6] This company was constituted on December 1st, 2006.
[7] This company was merged into Phenix Seguradora S.A. on June 30, 2004, but such merger is still pending filing with the Registrar of Companies in Brazil.
[8] This company was constituted on September 5, 2006.
[9] We currently held, indirectly, 100% of the share capital of this company.
[10] UAM – Assessoria e Gestão de Investimentos Ltda. is the current corporate name of Unibanco Asset Management – Banco de Investimentos S.A.
[11] This company was constituted on April 7, 2006, but such constitution is still pending the approval of SUSEP.
[12] UBB Holding Ltda. is the current corporate name of Proudfoot Brasil Ltda., but such amendment is still pending filing with the Registrar of Companies in Brazil.

UBT FIDUCIARY LTD.	Cayman Islands
UBT FINANCE S.A.	Switzerland
UBT INVESTMENTS LTD.	Cayman Islands
UNIBANCO AIG CONSULTORIA DE INVESTIMENTOS LTDA.	Brazil
UNIBANCO AIG PREVIDÊNCIA S.A.[13]	Brazil
UNIBANCO AIG SAÚDE SEGURADORA S.A.	Brazil
UNIBANCO AIG SEGUROS S.A	Brazil
UNIBANCO AIG VIDA E PREVIDÊNCIA S.A.[14]	Brazil
UNIBANCO AIG WARRANTY S.A. [15]	Brazil
UNIBANCO ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS [16]	Brazil
UNIBANCO CAYMAN BANK LTD.	Cayman Islands
UNIBANCO COMPANHIA DE CAPITALIZAÇÃO	Brazil
UNIBANCO CONSULTORIA DE INVESTIMENTOS LTDA.[17]	Brazil
UNIBANCO EMPREENDIMENTOS E PARTICIPAÇÕES S.A.[18]	Brazil
UNIBANCO EMPREENDIMENTOS LTDA.	Brazil
UNIBANCO INVESTIMENTOS E PARTICIPAÇÕES S.A.[19]	Brazil
UNIBANCO INVESTSHOP - CORRETORA DE VALORES MOBILIÁRIOS E CÂMBIO S.A.	Brazil
UNIBANCO NEGÓCIOS IMOBILIÁRIOS LTDA.	Brazil
UNIBANCO PROJETO E CONSULTORIA DE INVESTIMENTOS LTDA.	Brazil
UNIBANCO SECURITIES INC.	USA
UNIBANCO SERVIÇOS DE INVESTIMENTO LTDA.	Brazil
UNIBANCO UNIÃO DE BANCOS BRASILEIROS (LUXEMBOURG) S.A.	Luxembourg
UNICAP HOLDINGS S.A.[20]	Brazil
UNICARD BANCO MÚLTIPLO S.A.	Brazil
ÚNICO DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA. [21]	Brazil
UNICORP BANK & TRUST LTD.	Cayman Islands
UNI-INVESTMENT INTERNATIONAL CORP.	Cayman Islands
UNIPART B2B INVESTMENTS, S.L.	Spain
UNIPART PARTICIPAÇÕES INTERNACIONAIS LTD.	Cayman Islands
VIDA NETWORK SAÚDE LTDA. [22]	Brazil

[13] This company was merged into Phenix Seguradora S.A. on July 30, 2004, but such merger is still pending the approval of SUSEP.

[14] Unibanco AIG Vida e Previdência S.A. is the current name of Phenix Seguradora S.A., but such amendment is still pending the approval of SUSEP.

[15] This company was merged into Unibanco AIG Seguros S.A. on June 30, 2006, but such merger is still pending the approval of SUSEP.

[16] As of April 28, 2006, Unibanco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários is the current corporate name of Wale S.A. Distribuidora de Títulos e Valores Mobiliários.

[17] This company was constituted on March 1st, 2006.

[18] As of November 8, 2006, Unibanco Empreendimentos e Participações S.A. is the current corporate name of Unibanco Empreendimentos e Participações Ltda.

[19] Unibanco Investimentos e Participações S.A. is the current corporate name of Iniesta Participações S.A., which was acquired by our group on August 3, 2006.

[20] Unicap Holding S.A. is the current corporate name of Tradecom Brasil S.A., which has 100% of its share capital currently held by companies of our group.

[21] The corporate name of Único Distribuidora de Títulos e Valores Mobiliários S.A. was amended to Hipercard Sociedade de Crédito, Financiamento e Investimento S.A. on January 27, 2006, but such amendment is still pending the approval of the Central Bank of Brazil.

[22] Vida Network Saúde Ltda. was merged into Unibanco AIG Seguros S.A on February 27, 2004, but such merger is still pending filing with the Civil Registrar of Companies in Brazil.

Exhibit 12.1

Certification

I, Pedro Moreira Salles, certify that:

1. I have reviewed this annual report on Form 20-F of Unibanco-União de Bancos Brasileiros S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 15, 2007

/s/ Pedro Moreira Salles
Pedro Moreira Salles
Chief Executive Officer
Unibanco-União de Bancos Brasileiros S.A.

Exhibit 12.1

Certification

I, Pedro Moreira Salles, certify that:

1. I have reviewed this annual report on Form 20-F of Unibanco Holdings S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 15, 2007

/s/ Pedro Moreira Salles
Pedro Moreira Salles
Chief Executive Officer
Unibanco Holdings S.A.

Exhibit 12.2

Certification

I, Geraldo Travaglia Filho, certify that:

1. I have reviewed this annual report on Form 20-F of Unibanco-União de Bancos Brasileiros S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 15, 2007

/s/ Geraldo Travaglia Filho
Geraldo Travaglia Filho
Vice-President (principal financial officer)
Unibanco-União de Bancos Brasileiros S.A.

Exhibit 12.2

Certification

I, Geraldo Travaglia Filho, certify that:

1. I have reviewed this annual report on Form 20-F of Unibanco Holdings S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 15, 2007

/s/ Geraldo Travaglia Filho

Geraldo Travaglia Filho
Officer (principal financial officer)
Unibanco Holdings S.A.

Exhibit 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Unibanco-União de Bancos Brasileiros S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2006 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 15, 2007

/s/ Pedro Moreira Salles
Pedro Moreira Salles
Chief Executive Officer

Dated: June 15, 2007

/s/ Geraldo Travaglia Filho
Geraldo Travaglia Filho
Vice-President (principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Unibanco Holdings S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2006 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 15, 2007

/s/ Pedro Moreira Salles
Pedro Moreira Salles
Chief Executive Officer

Dated: June 15, 2007

/s/ Geraldo Travaglia Filho
Geraldo Travaglia Filho
Officer (principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.