



Annual Sustainability Report 2008

Itaú Unibanco Banco Múltiplo S.A.

Welcome to Itaú Unibanco

This Report presents the first results of the merger between Itaú and Unibanco: it shows a bank with the commitment, strength, personnel and financial capability to become an increasingly important partner in Brazil's growth.

We invite you to meet Itaú Unibanco, the southern hemisphere's largest bank and one of the 20 largest banks in the world. A matter of pride for Brazil.

27 million*

Itaú clients

30.5 million*

Unibanco clients

108,000

staff members

4,600

branches and banking
services outlets

47,000

suppliers

12 countries

with an Itaú Unibanco presence

* For Itaú, includes active individual and corporate accounts. Excludes double accounts.
For Unibanco, includes the total number of active accounts or contracts. Excludes duplication.
Excludes double counting of accounts between Itaú and Unibanco.

Reading guide

Producing a sustainability report is a complex task. It involves accurate data collection, linking this data with the strategies of the reporting organization, positioning the company in its operating sector and meeting the demands of the groups with whom it interacts, all in a transparent, balanced and objective manner.

The Report now in your hands is the result of the effort to integrate the operations of Itaú and Unibanco, accomplished a few months after the announcement of the merger between these two financial institutions.

More than merely disclose the bank's performance in 2008, this publication faces the challenge of showing a new bank in formation and its prospects for the future, as well as the benefits it will bring to its stakeholders and Brazil's financial system. This Report also describes the challenges of integrating the two companies and addresses the most pressing issues in today's financial sector.

This Report provides information on Itaú Unibanco's principal operations for customers, employees, market analysts, suppliers, stockholders and other groups with whom the bank will interact. To learn more about how it was assembled, please see page 156 (About this Report).

A number of communication platforms were needed to publish the considerable amount of content involved. The issues considered most relevant to the operations of the company and to society appear in the print version of this Report. Other supplementary platforms include the website, the Audiobook and Summary versions. Additionally, the *Essence of Sustainability* booklet presents the issues and challenges which are priorities at Itaú Unibanco, based on contributions from stakeholders and internal evaluations.

Happy reading!



Annual Sustainability Report

Key information about Itaú Unibanco and its financial, social and environmental performance in 2008.



Management Discussion and Analysis, Share Price and ADR Performance, and Financial Statements.



Essence of Sustainability

Presents the eight most pressing sustainability challenges as viewed by Itaú Unibanco's specialists.



Summary versions

Designed for Itaú Unibanco employees and other stakeholders.

Audiobook

Audio version of the Report.



Online Report

Provides an interactive look at all information in the Report, as well as supplementary data. Available in English, Portuguese and Spanish.

Highlights

Presents key elements of the Report.

Summary



Message from the
Chairman of the
Board

Message from the
President

History

Profile

Panorama

Sustainability
Vision

Corporate
Governance

The Road to
Integration

Business

Commitments and
Practices

Social and Cultural
Investments

Appendices

Chairman's Message



Brazil entered the 21st century as a democratic, urbanized society, with universal access to primary education, relatively balanced public accounts and low inflation. Our mindset has also changed and the country no longer fears international competition. By opening up its borders to international trade, Brazil has gained access to global markets.

Over the past 20 years a growing number of Brazilian companies learned to look outward and no longer felt restricted to doing business in the domestic market. The first steps were naturally hesitant: a representative office here, a small subsidiary there. Gradually, however, Brazilian entrepreneurs dared to dream of truly global operations, with significant presence in key markets. Today, major Brazilian companies compete on an equal footing with international players in ways that seemed all but impossible until recently. We now have a solid global presence in the food, beverage, steel, mining, engineering services and aviation industries.

The Brazilian financial system, however, did not keep pace with these achievements. Subject to limiting capital structures, Brazilian banks looked inward, focusing on the vast and extremely competitive local market. A long consolidation process – set in motion by the Real Plan in 1994 – created, over the following decade, a small number of large, agile and efficient banks with a broad national presence. During this same period several international financial institutions entered Brazil, gaining a significant share of the domestic market.

Unlike the rest of Latin America, however, Brazilian banks continued to lead in their home market. But the consortium acquisition of ABN AMRO in late 2007 began to change this picture. For the first time the possibility of competing with an institution which had local and global scale became real. The limitations of local banks were clear: mainly, an inability to follow key customers overseas and a serious threat of losing domestic market share to foreign competition.

It was against this backdrop that Roberto Setubal and I began our initial discussions in 2007. What united us most was the dream of creating the first Brazilian financial platform with the size and the ability to look beyond national borders. To achieve this goal we first needed to build a strong position within Brazil, bringing together capital, human talent, a diversified business base and a significant presence in key markets, exactly what a combination of Itaú and Unibanco would provide: two efficient, highly competitive banks, with clear and often complementary positions in the various segments that comprise the Brazilian financial services industry. From this merger, a potential global player would arise.

Encouraged by the logic of this first but major step, we slowly developed our vision through countless meetings. However, the global context in which these conversations were held began to change significantly during this period. Deteriorating balance sheets of key global financial institutions and the macroeconomic conditions of developed countries, in a perverse feedback process, gradually worsened and reached a singular moment with the collapse of Lehman Brothers in September 2008. At the time, many saw these troubles as being limited to G-7 countries, but it soon became clear that they were also a threat to emerging

**Message from the
Chairman of the
Board**

**Message from the
President**

History

Profile

Panorama

**Sustainability
Vision**

**Corporate
Governance**

**The Road to
Integration**

Business

**Commitments and
Practices**

**Social and Cultural
Investments**

Appendices

economies. In retrospect, the transmission mechanisms were quite obvious: less funding for international trade, falling prices for commodities, pressure on exchange rates, and a growing mistrust of the banking system. The market value of banks around the world plummeted, and not even sound financial systems like that of Brazil were spared.

The worsening crisis gave us two choices for our merger plans: we either could put our discussions on hold, resuming them later after the dust had settled, or we could forge ahead to a conclusion. We decided, without hesitation, on the latter course. We knew what we would be able to build together and, more importantly, our many conversations not only reinforced our belief in the merger's logic, but also developed the mutual trust that is essential for such a deal to succeed. On November 3rd, we announced the birth of Itaú Unibanco.

At the time of writing, three months have gone by since the announcement of the merger. During this period of mutual adaptation, it is already clear that we have created a thoroughly unique financial institution: Itaú Unibanco is the market leader in virtually all of its business lines; the talent pool is unmatched, allowing us to envision the creation of a culture built on the best aspects of Itaú and Unibanco – and surpass them; our capital base will allow a substantial expansion of activity when the market returns to normal; and, on top of all that, a particularly strong balance sheet. The market recognizes the huge potential of this new organization, placing Itaú Unibanco among the world's 15 largest institutions in terms of market capitalization, the sixth largest in the Western world, and largest in Latin America and the Southern Hemisphere. This is truly an auspicious beginning in the midst of a disoriented market and a world seeking quick answers to an unprecedented crisis.

We now face the enormous challenge of successful integration. Roberto speaks about this in his message to stockholders. However, I look at this challenge with great enthusiasm, because I know that people working at the new bank understand the historic nature of this moment and the extraordinary opportunity we have before us to build a truly unique company. I do not underestimate the difficulties of the process, but every day I see new and unexpected opportunities to grow our business.

Before closing, there are a few people who I would like to thank. Let me start with the entire Unibanco team, who understood how to build a competitive, innovative, and above all, highly skilled organization. It was a pleasure being part of this wonderful experience with you. It was also fun! I also wish to thank the people at Itaú, who have welcomed us with open arms. My long-standing admiration for what you have created grows every day. To Pedro Malan, who chaired the Unibanco Board of Directors for the past five years, my gratitude for your constant support, dedication, and the trust you showed when agreeing to join us. And to Olavo Setúbal – whose absence will always be felt – who was magnanimous in stepping down from his position as Chairman of Banco Itaú to facilitate the merger of the two organizations. Becoming chairman of this new institution means following in the footsteps of great men like Pedro Malan and Olavo Setúbal, so I am fully aware of the responsibility and privilege that it represents.

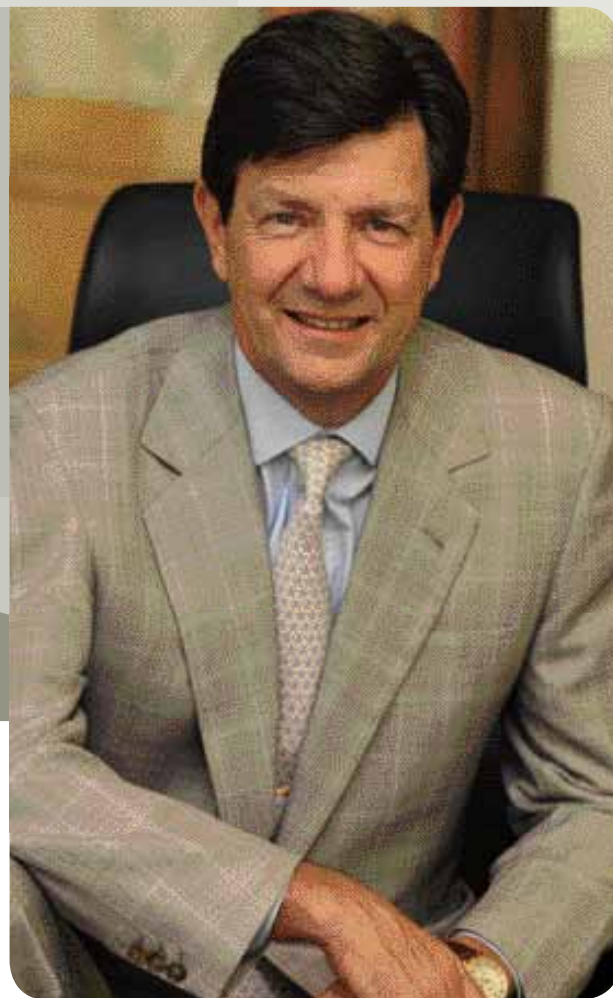
We have taken an extraordinary step and opportunities abound.
Now, let's get to work.

Sincerely,

Pedro Moreira Salles

Chairman of the Board of Directors of Itaú Unibanco

Message from the President



The merger of Itaú and Unibanco in 2008 created a milestone in the history of Brazil's financial services industry.

We have created a new and unprecedented institution which is the largest bank in the southern hemisphere, possessing the numbers and size for us to conduct business on a far greater scale than the sum of our parts.

The new bank was born with 108,000 employees, R\$632.7 billion in assets, a R\$271.9 billion credit portfolio, R\$272.2 billion in deposits and commercial banking operations in every Mercosul country.

The merger gives us, above all, gains in scale, which is a key variable for the success of our business.

It is exactly this range of possibilities that makes our project so massive and challenging. We intend to build the southern hemisphere's best bank, not its largest. We look toward a modern, strong, competitive, agile, open and transparent organization, with significant rates of growth and return, where people enjoy working in teams.

To fulfill this aspiration, our similar operating structures, equal perception of the market and, more importantly, converging cultures and values, are factors that will clearly enable us to increase our ability to generate business, offer credit and contribute to the growth of the economy, in addition to becoming more competitive for our international expansion.

We have the opportunity to change and, in particular, to evolve. The integration process is enabling us to adopt a more open stance regarding our differences and assess how much we can learn from each other. We have already seen numerous examples of Itaú and Unibanco employees sharing practices and identifying the best aspects of each bank, which underlines the value of the synergy between the teams. What is different about this merger process is its size. On the other hand, this reorganization is taking place during a period of slow economic growth, which is particularly favourable to us, as we will have to devote considerable energy to the integration process.

Message from the President

History

Profile

Panorama

Sustainability Vision

Corporate Governance

The Road to Integration

Business

Commitments and Practices

Social and Cultural Investments

Appendices

By the end of 2008 the Bank had prepared itself to face the challenges of these new times: our credit portfolios have suitable provisions and feature efficient analysis policies which are the result of measures taken since the beginning of the year; plus we have strengthened our control, risk and audit areas, as today's economy requires the highest levels of accuracy and discipline in asset allocation.

Our business grew significantly in 2008. Itaú and Unibanco's convergent focus on growing the commercial customer area brought excellent results, particularly in gaining new clients in the small and middle market company segment. We will continue investing to expand in these areas, despite current conditions, because Itaú Unibanco's presence in this market does not yet match its overall presence in the economy.

In the credit cards segment Itaú Unibanco has a solid position in issuing and sales, reflecting growth by both institutions in this market in recent years, while vehicles, real estate credit and insurance are other key operations that are now combined.

For 2009 our focus will be on integrating our operations, which should take about two years. After this stage we will again intensify our international expansion, which should coincide with the recovery of the market. At the same time we will dedicate our efforts for our customers to benefit from the best that Itaú and Unibanco have to offer in terms of service quality and product competitiveness.

By combining its values and attitudes, Itaú Unibanco is strengthening its commitment to good corporate governance, respect for human rights, socio-environmental responsibility and ethical conduct. The market recognizes these efforts in different ways: Itaú and Unibanco were both part of the São Paulo Stock Exchange Corporate Sustainability Index (ISE) in 2008, while Itaú has been on the Dow Jones Sustainability Indexes of the New York Stock Exchange since 1999. The merger also increases the bank's responsibility to lead the financial sector in promoting sustainable development through its services, processes, products and relationships.

We are living through a unique moment of major changes and repercussions in Brazil. We are also optimistic. We believe in the economy of the country, the strength and differentiated control mechanisms of our financial system, and the partnership we are forging. I wish to use this opportunity to reiterate my absolute conviction in the promising future we have ahead of us. Knowing the strength and skill of our teams, I have no doubt that the merger is only the first of many achievements that lie ahead for our organization. Now is the time for us to build this new and unparalleled bank.

Sincerely,

Roberto Setubal

President and CEO of Itaú Unibanco

History



Converging Paths

Viewed from a historical perspective, the creation of Itaú Unibanco is the culmination of convergent paths. Throughout their 63 and 84-year histories, respectively, Itaú and Unibanco have known how to anticipate the challenges of the market, consolidating in times of crisis in the Brazilian economy and expanding their business during periods of growth. The merger of these two banks in 2008 is characteristic of their collective history of mergers and acquisitions.

Itaú Unibanco is now the largest privately-controlled bank in the Southern Hemisphere and one of the 20 largest banks in the World. It was born out of the merger of two institutions that since their establishment – Unibanco began in 1924 in southern Minas Gerais, while Itaú started of-in 1945 in São Paulo – have shared certain essential characteristics. One of the most prominent in both is the ability to be close to their clients by understanding their needs, and being alert to the economic environment, providing financial support to help expand businesses through innovative services.

In 1924 when businessman João Moreira Salles obtained the banking license for what would later become Unibanco, he was running Casa Moreira Salles, a general store in the city of Poços de Caldas which sold dry goods, farming tools, kitchen utensils and clothing and which also offered banking services. At the turn of the 1920s João already had correspondent banking relationships with more than a dozen major banks and had more than two hundred customers, including coffee farmers and investors in the city's burgeoning tourism industry.

The history of Itaú and Unibanco has been one of numerous mergers and acquisitions occurring in tandem with the growth of Brazil's economy.

A short while earlier, the Brazilian government had begun reorganizing the domestic banking system. The flagship of this reform was the creation of the Banco do Brasil Rediscount Portfolio, which became a guarantor of the system's liquidity, a measure that was followed by the establishment of a cheque clearing service, another bank responsibility, and the establishment of bank supervision standards.

It was against this backdrop that for the fiscal year July 1, 1922 to June 30, 1923, the tax return of Casa Moreira Salles registered spectacular growth, due largely to its banking activities, and License No. 272, dated September 27, 1924, officially established Casa Bancária Moreira Salles as a bank.

Itaú's own origin is similar, though it occurred two decades later, and within a very different context. In 1943 when Egydio Alfredo de Souza Aranha, a textiles industrialist, established Banco Central de Crédito SA, São Paulo was a booming city with 1.3 million inhabitants and over 20,000 motor vehicles. While Unibanco was shaped during a bubbling economy by an entrepreneur from the retail sector, Itaú sprang from industry and another restructuring of the domestic banking system. The first branch opened on January 2, 1945 in downtown São Paulo, and that same year the government created the Banco do Brasil Currency and Credit Superintendency, the precursor to the Central Bank, which came about two decades later.

With the end of World War II, Brazil's industrial activity began to grow. From Mr. Souza Aranha's wide network of relationships with industrialists and textile dealers, Banco Central de Crédito

started to expand. Within ten months the bank had a branch in Campinas and another in San João da Boa Vista. The following year the bank increased its share capital in order to fund the construction of its new headquarters in downtown São Paulo, plus the opening of new branches in the interior of the São Paulo State.

The history of the Brazilian banking system is marked by consolidation cycles featuring waves of mergers and acquisitions that are generally associated with changes in the sector's institutional framework or economic crises, alongside periods of strong organic growth, with banks opening new branches in different regions of the country, and in some cases, abroad. Given their leadership positions in the market, it's not surprising that Itaú and Unibanco have been at the forefront of these movements which characterize the domestic banking sector.

In 1940, for example, the merger of Casa Bancária Moreira Salles with Casa Bancária Botelhos and Banco Machadense, both from southern Minas Gerais State, established Banco



History

Profile

Panorama

Sustainability
Vision

Corporate
Governance

The Road to
Integration

Business

Commitments and
Practices

Social and Cultural
Investments

Appendices

Moreira Salles, with a total of 34 branches and representative offices. Within five years it had grown to 63 branches, spread over the States of São Paulo, Minas Gerais and Rio de Janeiro, and soon thereafter to several cities in the State of Paraná. Between 1948 and 1952, 20 branches were opened. This investment phase to expand the number of new branches was followed in the mid-1960s by a period of growth through mergers and acquisitions.

Banco Central de Crédito, which would later become Itaú, remained in the State of São Paulo until the end of the 1950s, when it had a total of 31 branches. In the following decades its story of entrepreneurship would continue and gather strength, this time led by engineer Olavo Egydio Setubal, who, after being invited by his uncle Alfredo and Alfredo's son-in-law, Dr. Eudora Villela, took over the running of Banco Federal de Crédito. Beginning in the 1960s, the bank went through a major expansion phase, mainly through mergers and acquisitions of other banks. In 1964 it merged with Banco Itaú SA, at the time one of the 50 largest Brazilian banks. In 1966 it acquired Banco Sul Americano do Brasil SA, which belonged to the Moraes Barros family, which gave rise to Banco Federal Itaú Sul Americano. In 1969 it purchased

Banco da América, which was an innovator in providing services to higher income customers. Subsequent acquisitions included Banco Aliança SA in 1970, Banco Português do Brasil SA in 1973, and the complex but successful takeover of Banco União Comercial S.A. in 1974.

By the end of this period, the bank, which had only begun 30 years earlier with the minimum capital required by law, now held the second highest amount of deposits in the entire national banking system and was the leader, among privately owned banks, in number of branches, with nearly 500 spread across the country. At this point the institution changed its name to Banco Itaú SA.

Meanwhile, Banco Moreira Salles, which by 1967 already had over 300 branches and about one million accounts, changed its name to União de Bancos Brasileiros, following the acquisition of Rio Grande do Sul-based Banco Agrícola Mercantil, which had been active in nine States and the Federal District. Under this new name in 1970 it took over Rio de Janeiro's Banco Predial, a credit institution specializing in loans to low income clients, which gave the new bank excellent penetration into the then States of Rio de Janeiro and Guanabara.

Milestones of the institutions that merged to create Itaú Unibanco Banco Múltiplo

1924

Establishment of Casa Bancária Moreira Salles. The institution starts operating as a wholesale bank, financing city and state government projects and large hotels.

1940

Banco Moreira Salles appears in Poços de Caldas (MG), formed from the merger of three banks: Machadense, Casa Bancária de Botelhos and Casa Bancária Moreira Salles.

1945

Banco Central de Crédito, later to become Federal de Crédito, begins operations with US\$513,000 in capital, one branch, six tellers and 12 employees.

1964

Creation of Banco Federal Itaú S.A., formed from the merger of Federal de Crédito and Banco Itaú, founded in 1944. The new bank has 112 branches in six states and US\$4.2 million in share capital.

1966

Another merger, this time with Banco Sul Americano do Brasil, to meet Itaú's expansion needs. The new bank is called Banco Federal Itaú Sul Americano S.A., and starts off with 184 branches.

1969

Merger with Banco da América. The new Itaú América has a network of 274 branches

1966

Establishment of Banco de Investimento do Brasil (BIB) to operate as the Moreira Salles group's investment bank.

1967-75

União de Bancos Brasileiros changes its name to Unibanco and becomes the first bank to adopt a data processing system, the IBM 3600.

1970-74

Incorporation of Banco Aliança, Banco Português do Brasil and Banco União Comercial, and the name Banco Itaú S.A. comes into being as one of the world's 500 largest banks.

1980

A branch is opened in New York, Itaú's first outside Brazil. At the end of the year another branch opens, in Buenos Aires, Argentina.

1980

Unibanco opens its first overseas branch, in New York.

1970

Acquires Rio de Janeiro-based Banco Predial.

1981

Acquires controlling stake in Banco Mineiro.

In 1974 the group opened its first overseas branch, in Paris.

From the late 1970s to the mid-1990s, the Brazilian economy experienced a long period of low growth combined with high inflation, punctuated by foreign debt crises. During this time the leading banks, who were well positioned in every region, concentrated their investments in automated services and innovation, along with customer segmentation. At the same time, the international expansion strategy gained momentum, which led Itaú in particular to take on an active presence in Argentina by opening a street front bank (taking deposits and servicing the public) in the Buenos Aires region, and a representative office (for corporate operations) in Europe.

A new round of mergers and acquisitions took place following the Real Plan in the mid-1990s, when hyperinflation was finally wrestled to the ground. By this time Itaú and Unibanco were now operating as universal banks and their activities were targeted at various customer segments: personal banking (divided into income groups), commercial banking (divided by size of business), and services such as investment banking, insurance, finance, credit, real estate and securities brokerage, making

them leading players on this new stage in the history of Brazilian banking.

The strategy of both institutions was to acquire large scale competitors that had failed to overcome the difficult transition from a hyperinflation economy to one where prices were under control, as well as large State-owned banks through privatization. In 1995 Itaú acquired Banco Francês e Brasileiro, and in the following years bought State banks Banerj (Rio de Janeiro), BEMGE (Minas Gerais), Banestado (Paraná) and BEG (Goiás). In keeping with its market segmentation strategy, in 2002 it merged with Banco BBA-Creditanstalt, which was active in the large corporate customer segment, while in 2003 it purchased Banco Fiat SA, which specialized in vehicle financing operations. In 2006 Itaú took over the operations of BankBoston in Brazil, Chile and Uruguay.

In 1995 Unibanco had to prove its banking credentials after its rapid takeover of Banco Nacional S.A., which the Federal government had previously been forced to step in and run. In the following years a number of institutions from a variety of market segments were absorbed into the Unibanco group, including Fininvest, a leader in direct

1981

Implementation of Banco Eletrônico, which offers on-line processing system in branches.

1987

Establishment of Instituto Itaú Cultural, designed to value cultural production, generate knowledge, promote discussion and increase access to culture.

1982

Instituto Unibanco is established to coordinate the group's principal corporate social responsibility activities.

1990

Instituto Moreira Salles is established to undertake not-for-profit activities in four main areas: photography, literature, cinema and art.

1993

To expand its social actions the Bank establishes the PROAC Community Support Program to assist projects in the areas of Education and Health.

1995

A new phase of major acquisitions begins. In order to reach new markets and high income clients in particular, Itaú takes over control of Banco Francês e Brasileiro S.A. (BFB).

1995

Unibanco takes over the operations of Banco Nacional S.A.

1996

Acquisition of 50% of Fininvest, the country's leading consumer lender.

1997

The bank seeks to grow its customer base through the privatization process of State banks. Banco Banerj S.A. is acquired, bringing its network of 193 branches.

1997

Partnership with American International Group (AIG), to create Unibanco AIG Seguros e Previdência.

1998

Itaú acquires control of Banco do Estado de Minas Gerais S.A. (Bemge), significantly increasing its presence in the State of Minas Gerais from 112 to 692 branches and banking services outlets (PABs).

Internationally, Banco Buen Ayre, is acquired, increasing Itaú's share of the Argentinean market.

1999

Banco Itaú Argentina and Banco del Buen Ayre are merged, forming Banco Itaú Buen Ayre S.A.

Itaú

Unibanco

consumer credit (half the equity was acquired in 1996, the remainder in 2000), and Banco Dibens, which was strong in vehicle purchase financing (Unibanco bought half the company in 1998 and the remainder in 2005). In 2000 Unibanco acquired Credibanco, which was well positioned as a lending agent using BNDES credit lines, as well as Banco Bandeirantes. A large bank with a strong presence in Brazil's northeast, Bandeirantes was a hotly disputed takeover target among the biggest banks, and its acquisition resulted in the leading Portuguese bank Caixa Geral de Depósitos, which had controlling interest in Bandeirantes, to gain a minority stake in Unibanco. Other mergers in following years included BNL Banco do Brasil, a subsidiary of the Italian Banca Nazionale del Lavoro SpA, in 2004.

There is no end to the similarity in style of the founders, or the expansion and segmentation profile in the histories of Itaú and Unibanco. Just look no further than the two strategists who commanded these banks and took them to the top of the global banking sector. Engineer and industrialist Olavo Egydio Setubal and lawyer and businessman Walther Moreira Salles were part of a select and increasingly rare type of entrepreneur: private businessmen with a remarkable public spirit.

It's no coincidence that both men attributed the success of their business, ahead of all else, to the boldness of the innovative concepts they introduced and to the employees that carried them out. "A bank is not built only with capital," Olavo Setubal used to teach. "It is built, above all, by people and ideas." In explaining to a reporter who had asked him the secret of his great success as a banker and businessman, Walther Moreira Salles replied without hesitation: "It's very simple, yet extremely difficult: you need to know how to choose people." For Salles, Unibanco's major differential was to be "A bank of people, serving people."

For Olavo Setubal and Walther Moreira Salles breaking paradigms in business life was not enough. On several occasions they both served their country with enthusiasm and distinction. Walther was invited by Horacio Lafer, Minister of Finance in the Getúlio Vargas administration, to be the Director of Sumoc (the then central bank) in 1951, and was three times Brazilian Ambassador to the United States: in 1952, also during the Vargas administration, in 1959 under Juscelino Kubitschek, and in 1960, in an extraordinary role, as negotiator of Brazil's foreign debt for the Jânio Quadros administration. He was also Minister of Finance under President João

Itaú

2000

Itaú takes over Banco do Estado do Paraná S.A. (Banestado), becoming the market share leader in Paraná state, and in three of Brazil's five largest states. Fundação Itaú Socialis established to help provide quality schooling for all.

2001

Acquisition of Banco do Estado de Goiás S.A. (BEG) and its 264 points of sale, making Itaú the market leader in the state of Goiás.

2002

Itaú closes a deal with the controlling group of Banco BBA-Creditanstalt S.A. (BBA), resulting in the formation of Banco Itaú BBA S.A., the country's largest wholesale bank.

2004

Itaú opens its first branch in Japan.

2005

Establishment of the Itaú Corporate Ombudsman Service, a communication channel designed to represent customers by intervening on their behalf and promoting ongoing improvements in product and service delivery.

2006

Itaú acquires BankBoston's operations in Brazil, Chile and Uruguay, and buys 100% of Miami-based BankBoston International.

Unibanco

2000

Acquisition of 100% of Credibanco and Banco Bandeirantes, plus the remaining 50% of Fininvest.

2001

Strategic associations with retail chains Ponto Frio and Magazine Luiza, creating integrated logistics and financial solutions.

2003

Unification of credit card operations under the Unicard brand.

2004

Acquisition of HiperCard (the leading co-branded card in Brazil's northeast).

2006

Unibanco becomes the first Latin American bank to receive investment grade status from Moody's, for its issuance of local currency debt settled in dollars overseas.

Goulart in 1961. For his part, Olavo Setubal was a member of the National Monetary Council in 1974, Mayor of São Paulo, Brazil's largest city, from 1975 to 1979, chairman of the Partido Popular political party and leader of the Democratic Alliance, a non-partisan group that helped elect Tancredo Neves as President of the Republic and end the military regime, and also Minister of Foreign Affairs in the José Sarney administration, the first civilian government after the reestablishment of democracy in the country.

Messrs. Setubal and Moreira Salles also stamped other marks in common on their banks. Innovative in business, both were pioneers in spreading the use of computers for processing banking operations and offering customer services. Backed by large investments in automation and supported by modern and large operational centers, Itaú's Electronic Bank and Unibanco's 30 Hours are the manifestations of their leadership in this critical area of large scale banking.

Patrons of the arts, culture and promoters of social and environmental responsibility, they established independent and effective structures to spread culture and practices that drive sustainability. Instituto Cultural Itaú and Instituto Moreira Salles are innovative, pioneering organizations, as are Fundação Itaú Social and Instituto Unibanco in the social area.

All the similarities we see in the histories of Itaú and Unibanco – and in the values of their leaders – are helping us build an even stronger bank that can lead in the domestic financial sector and play a key role in the global market.

2007

Establishment of Kinea, a company specializing in managing alternative investments.

2008

In partnership with the Ministry of Education, Fundação Itaú Social implements the Portuguese Language Olympic Games, using the methodology of its Writing the Future program.

2008

Unibanco Asset Management (UAM) commits to the Principles for Responsible Investment (PRI), a set of social, environmental and corporate governance criteria for investment decision-making.

Standard & Poor's raises Unibanco's long-term rating in local and foreign currency to investment grade.

Unibanco opens its 1,000th branch.

Purchase of American International Group's (AIG) 50% stake in insurer Unibanco AIG Seguros, for US\$805 million.

Itaú Unibanco

2008

Merger between Itaú and Unibanco is announced on November 3.

2009

The Central Bank of Brazil approves the creation of Itaú Unibanco, on February 18.

Olavo Setubal as remembered by Fernando Henrique Cardoso

There are many ways in which great men leave their mark on history. Olavo Setubal did so in an unusual way: a quietly strong individual who was headed for fame as an engineer, but instead became a leading banker and distinguished himself by a commitment to make Brazil a serious and responsible country. To this end, his perseverance and dedication were exemplary.

Olavo Setubal did not share the belief of those naive optimists of just allowing things to follow their natural course and for things to work out in the end. Olavo was a Cartesian: he believed that without method, without the continued use of reason and without effort, nothing would ever really work out. "Working out", in his view, meant deliberately defining a course of action in order to achieve, if not the desired result, then at least the best possible outcome. This was his attitude throughout his professional and political life.

It could be said that being an engineer, he went in for business innovation. He sought product quality and knew, almost before anyone else, that the future lay in computers. As a banker he was distinguished by his perception and seriousness. When almost no one else saw opportunities, he anticipated them and expanded the bank; where many took the easy path of speculation, he built longer lasting roads, with his feet firmly planted in the realities of the market, attentive to the world outside and inside the country, knowing that at some point in time these two "worlds" had to end up communicating. He was prudent but not fearing; bold but not reckless.

Olavo's legacy as a public man equals that of the engineer and the businessman. Mayor of São Paulo in the long ago period 1975 to 1979, under Governor Paulo Egydio, a time when practicing political independence and preserving the integrity of one's values was difficult, his administration was marked by efficiency and respect for employees and residents, which predicated his actions for the public good. We remember the positive steps he took, and nothing can blemish his term in São Paulo City hall in the eyes of those who, like me, fought the authoritarian regime.

My personal relations with Olavo Setubal date from soon after his term as Mayor. For younger readers, what I am describing here may seem of little significance today, but for those who lived through the harsh years of authoritarianism, the gesture was significant. One afternoon, in the early 1980s, when we were debating the course of the Brazilian economy and the possible opening of our markets, who should show up at the Brazilian Center for Analysis and Planning (Cebap), that bastion of government policy critics, but banker and former Mayor Olavo Setubal himself. To the amazement of those who didn't know him – but not to mine – he expounded his views with his characteristically resounding voice and usual penetrating logic. He spoke on equal terms to the self-absorbed economists and sociologists present, who could scarcely believe that such an important personality would take the time to visit us and speak openly and sincerely in a clear demonstration that the firmness of convictions should be imposed by their own strength, and never by the prestige of those who issue them.

“Olavo Setubal was a Cartesian: he believed that without method, without the continued use of reason and without effort, nothing would ever really work out”, writes former Brazilian President Fernando Henrique Cardoso.



During the period in which Brazil was regaining its democracy, Olavo Setubal came into the public light by becoming one of the principal supporters in the campaign to elect Tancredo Neves. Once he was elected, but never inaugurated, Neves left to Olavo the task of showing the world Brazil's new democratic face, appointing him Minister of Foreign Affairs, which seemed far removed from his skills and preferences. Yet even here he left striking memories, as I witnessed when I was Minister of Foreign Affairs a few years later. As party leader, a role for which I was appointed by Tancredo Neves, I attended the first meeting of the new Foreign Affairs Ministry, under President José Sarney. The new Minister surprised us with a speech in which he warned about the dangers of drug trafficking. An issue that for many seemed unimportant was to later prove an amazing foresight.

Tempted by certain politicians to try to run for Governor of São Paulo, Olavo knew that deviating from his own path would be risky and perhaps even hazardous. He preferred to remain in a position few Brazilians held: a public person who, regardless of public office, would have a constructive influence on the country. I was a direct beneficiary of this function. How many times as Minister of Finance and subsequently as President did I listen to the advice of Olavo Setubal? How many charts did I receive from him illustrating the state of things in the world and in Brazil? How much was I influenced by his words on the importance of a stable currency or taking the right measures in turbulent times? Never, I repeat never, did I hear him request anything that could benefit him, or support for anything that could benefit his business.

Olavo Setubal always maintained the vision of a man who knew the world and was committed to Brazil's success. He was a public person, in every sense of the word.

I close by saying that in addition to these many fine characteristics there was also the human being that delighted in good conversation and displayed a polite and friendly demeanour to all, and whose good company, along with his wife, both Ruth and I felt great pleasure in sharing.

Fernando Henrique Cardoso

Sociologist and Former President of the Federative Republic of Brazil

Profile

The largest privately-controlled

- Key Indicators
- Value of the Brands
- Converging Cultures
- Competitive Environment

In this chapter

The key indicators and characteristics of Itaú Unibanco

- Net equity, assets under management, service points.
- The brands, which are among the most valuable in Latin America.
- Domestic presence.
- International presence.



bank in the Southern Hemisphere = the value of diversity

The most important economy south of the Equator, Brazil is also recognized for its cultural diversity and for having the planet's largest biodiversity.

R\$632.7 billion

in total assets

4,600

service points, including branches and banking services outlets

16.1%

Basel Ratio

Profile

Panorama

Sustainability
Vision

Corporate
Governance

The Road to
Integration

Business

Commitments and
Practices

Social and Cultural
Investments

Appendices

The largest privately-controlled bank in the Southern Hemisphere

On November 3, 2008, Itaú and Unibanco, two Brazilian financial institutions, announced to the market that they were merging their operations.

This merger created Itaú Unibanco Banco Múltiplo, the largest privately controlled bank in the Southern Hemisphere and one of the 20 largest banks in the world, by market value.

The size of the new institution, plus the potential gains from scale and existing synergies between the activities of Itaú and Unibanco, will contribute to the sustainability of its business, increase its capability to grant credit to businesses and individuals and enable it to compete globally. The main challenge is the total integration of all Itaú and Unibanco operations, while preserving service quality and both banks' leading roles in the national market. Once this step has been accomplished, the new bank will move ahead with international expansion, focusing on emerging markets.

Since the Central Bank of Brazil's approval of the merger, on February 18, 2009, Itaú and Unibanco customers are gradually being provided with access to the customer service network of both institutions in every region of Brazil, the United States and other countries in Latin America, the Caribbean, Europe and Asia. Under the terms of the merger the branch network will be retained, while staff talents from both banks will be used, allowing stockholders to become part of a more robust and profitable business.

The year 2009 marks the onset of the creation of a new corporate culture that combines the best of Itaú and Unibanco. This task is made easier by the long-standing commitment of both banks to modernization, customer and employee management standards, use of technology to gain efficiency, good corporate governance practices and a transparent relationship with all stakeholders.

Key Indicators

(in R\$ billions)

Total assets	632.7
Credit Operation ¹	271.9
Customer deposits ²	272.2
Net equity	43.7
Net income ³	10.6
Assets under management	258.3

¹ Including endorsements and sureties

² Account holders + institutional clients

³ Pro forma recurring net income



Value of the Brands

The new bank is the sum of the tradition and respectability of the Itaú and Unibanco brands. All decisions related to the organization's brand name will be undertaken after comprehensive market research with customers.

In 2008, consulting firm Interbrand named Itaú as the most valuable brand in Latin America, valuing it at R\$10.55 billion.

According to the firm, the factors that contributed most to the value of the Itaú brand included steadily growing financial results, the ongoing consolidation of its operations as a universal bank under the Itaú brand and its strong performance in sustainability-related areas. The successful incorporation of BankBoston in 2006 was also identified as a major factor in brand value growth in recent years.

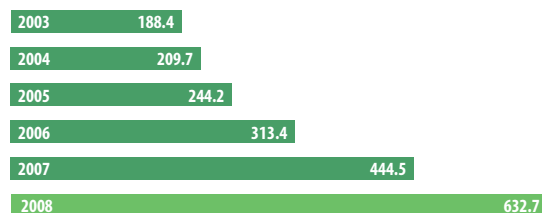
Unibanco is the ninth most valuable brand name in Latin America, valued by Interbrand at R\$4.77 billion. This represents a 640% increase over the past four years, based on the company's own criteria. A higher operating margin, the performance of Instituto Unibanco, which focuses on bringing young people into the labour market, and the bank's cultural policy contributed to this result.

Interbrand's research evaluates the effect of a brand on company value. In addition to financial strength and earnings potential, brand value is measured by a company's degree of internationalization, investment in sustainability and interaction with end consumers. The Interbrand survey assesses 50 companies that are either publicly traded or which regularly disclose their financial information to the market.

Itaú is also on the list of the world's 35 most valuable brands among financial institutions. According to a survey by Brand Finance, a consultancy, the Itaú brand was worth US\$5.953 billion prior to the merger with Unibanco.

Assets

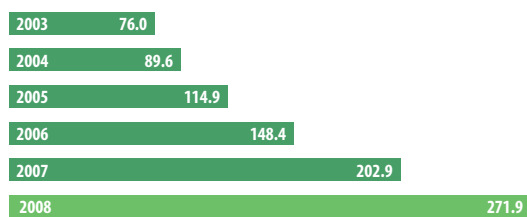
(in R\$ billions)



CAGR: 27.4%, since 2003

Credit Operations

(in R\$ billions) (*)

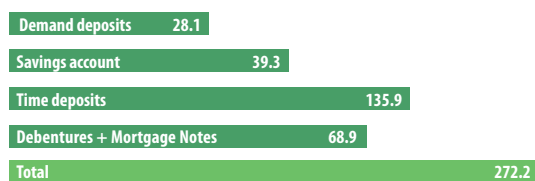


CAGR: 29%

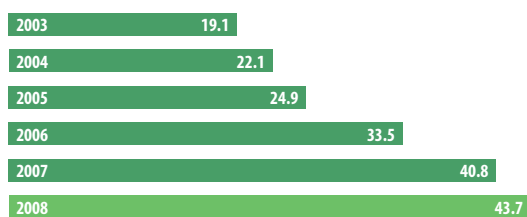
* Includes endorsements and sureties

Customer Deposits

(in R\$ billions)

**Net Equity**

(in R\$ billions)



CAGR: 18%

Converging Cultures

The institutions that comprise Itaú Unibanco feature convergent management principles and models. The compatibility between their cultures – evidenced by the Itaú Way and the Unibanco Way – are helping us build a new corporate culture.

The Itaú Way

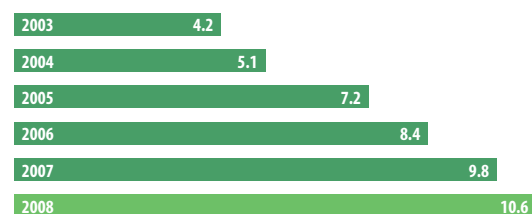
Teamwork
Performance
Human Values
Continual Improvement
Motivator
Customer Satisfaction
Feedback
Celebrate

The Unibanco Way

Teamwork is everything
What matters is the final score
Positive Ambition
Strict Meritocracy
Uncomplicated
No Fuss
Unlike all the rest
Intellectual Leadership
The best, with the best
Dream, but with both feet on the ground

Converging Cultures

Recurring Net Income (*Pro forma*) (in R\$ billions)



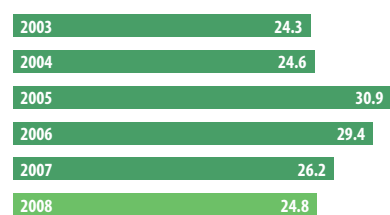
CAGR: 20.3%

Solvency (Basel) Ratio (%) (*)

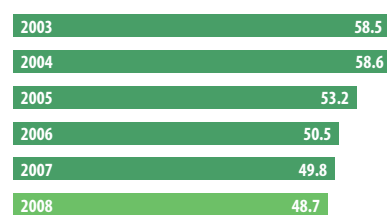


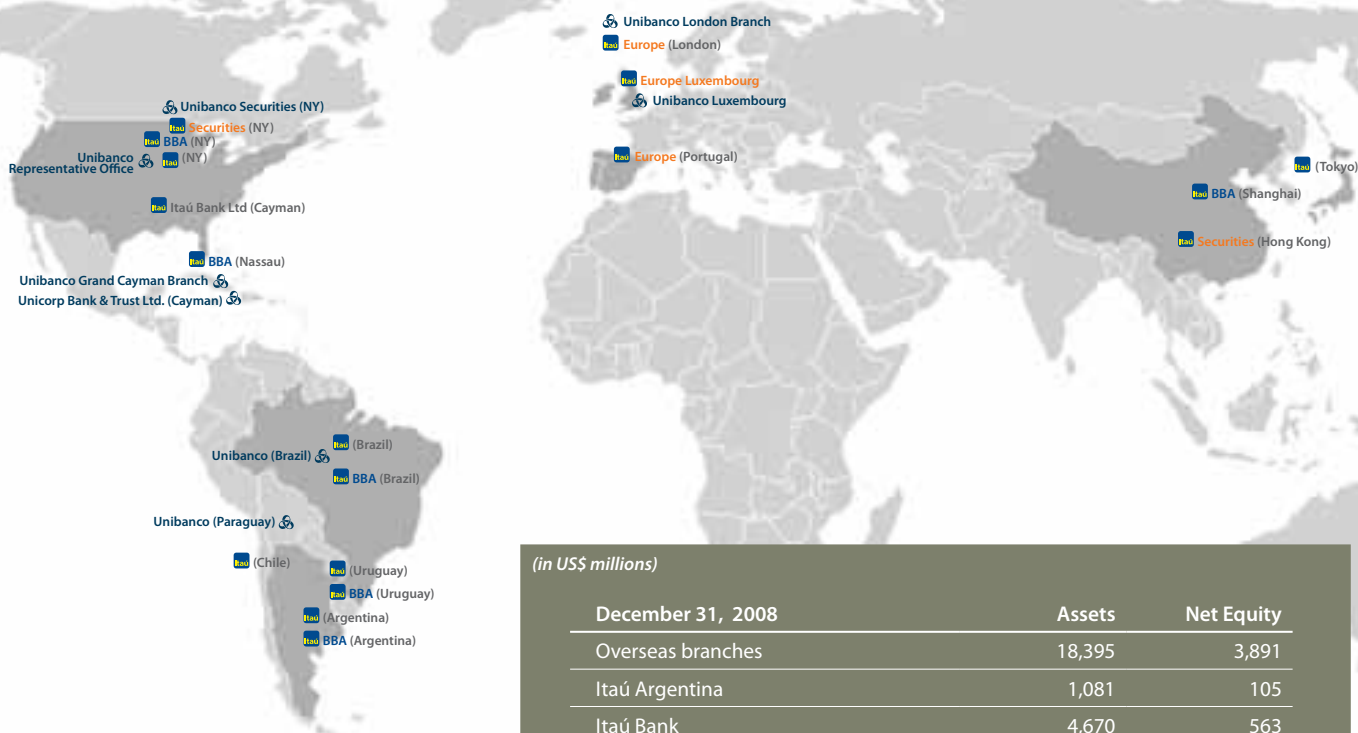
* 2003-2007, Itaú only

Return on Equity - Recurring (%)



Efficiency Ratio (%)





Competitive Environment

Itaú Unibanco was created with the vision of becoming the Southern Hemisphere's financial industry leader and a major player in the international market. At December 2008 Bloomberg ranked the bank 12th in the world by market value and first in Latin America. Bloomberg also ranked Itaú Unibanco 7th among number of ADRs traded on the New York Stock Exchange (NYSE), with daily average trades of US\$347.8 million.

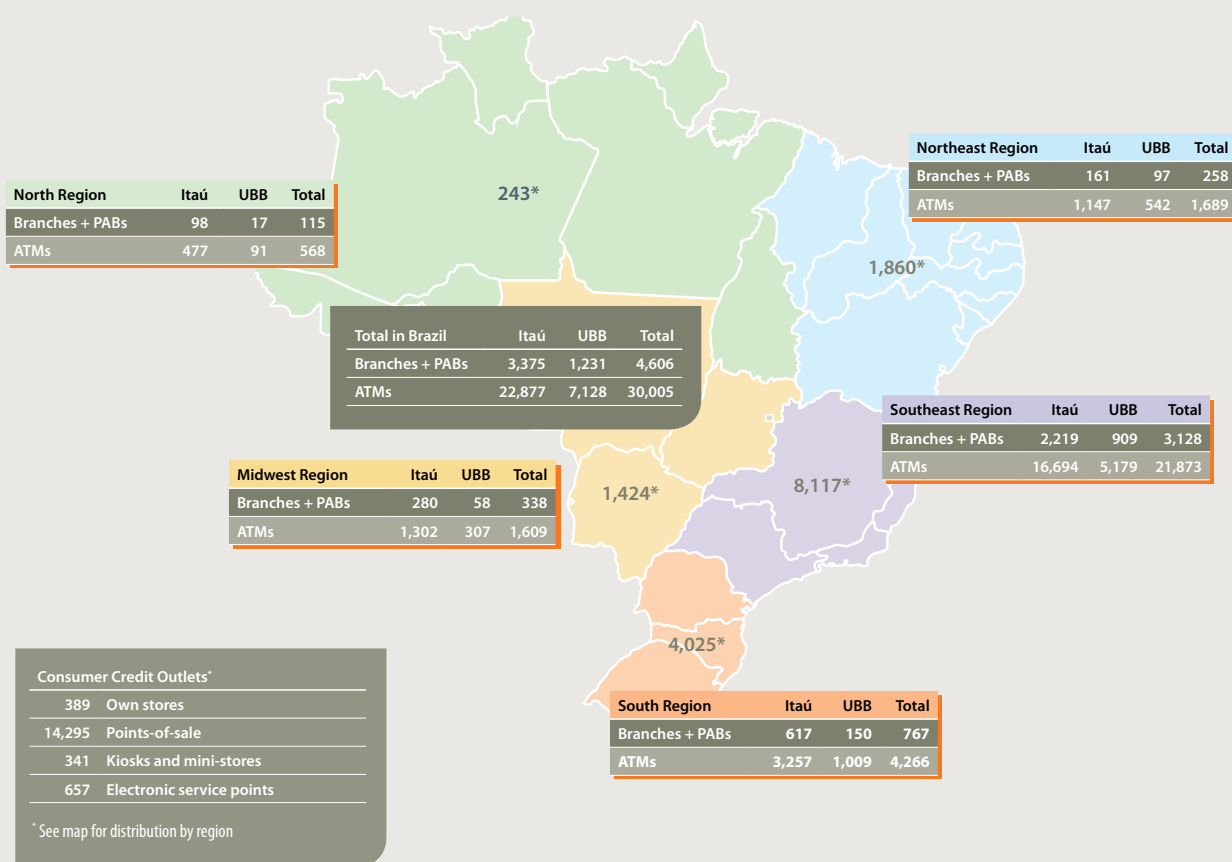
(in US\$ millions)

December 31, 2008	Assets	Net Equity
Overseas branches	18,395	3,891
Itaú Argentina	1,081	105
Itaú Bank	4,670	563
Itaú Europe	10,729	581
Itaú Chile	5,097	681
Itaú Uruguay	1,392	142
Unibanco companies	13,449	2,041
Other companies overseas	654	590
Consolidated overseas *	50,811	8,553

* Net of consolidation eliminations.

Major Global Competitor

Itaú Unibanco is active in key markets worldwide, with branches and subsidiary banks in Europe, the United States, Asia, and the Caribbean, while its Latin America operations include every Mercosur country. With the merger the new bank will offer even greater support to Brazilian companies with business abroad.



Itaú and Unibanco Seguros

16,000	Active brokers
13	Branch offices
40	Broker service outlets
21	Service outlets
30	Quick service centres

Operations in Brazil

Customers in Itaú Unibanco's many financial services segments now have access to branches, banking services outlets (PABs) and ATMs in more than 1,100 cities and towns across Brazil.

Panorama



A bank to handle the toughest competition

The November 2008 announcement of the creation of Itaú Unibanco, the largest bank merger in Brazilian history, occurred at a unique moment in the evolution of the financial sector and the World economy. The crisis triggered by the collapse of the US financial market created a favourable environment to merge the operations of these two banks. The joining of two major competing financial services institutions reflects their search for large scale operations, which has resulted in a company capable of competing globally, and prepared to ensure the solvency and supply of credit of the domestic banking system.

The highly competitive nature of the Brazilian banking market is demonstrated by the 2007 ABN AMRO Real merger with Spanish bank Santander – which had previously taken over Banespa – bringing about a major local competitor with substantial capital and national and international presence.

At the time, Brazilian banks Itaú and Unibanco were among the country's ten largest banks. Thanks to the merger, they now lead the local market and have become one of the largest financial institutions in the World, capable of competing and expanding at a global level. Following the creation of Itaú Unibanco, the federal government bank Banco do Brasil announced the takeovers of Brazilian banks Nossa Caixa and Banco Votorantim, acquisitions that have made the market even more competitive.

The first effects of the financial crisis begun in the United States reached Brazil in August of last year, causing a major devaluation of the Real against the dollar. With reduced external funding facilities, Brazilian companies with international presence sought credit in the local market. However, to preserve their liquidity and safeguard against expected loan defaults Brazil's big banks have become more hesitant to lend money.



Strategic priorities Itaú Unibanco

- Consolidate leadership in the Brazilian market
- Integrate the Itaú and Unibanco operations, seeking synergies and gains in scale
- Expand internationally, with emphasis on the Latin American market

National consolidation and global expansion

This is the financial environment in which Itaú Unibanco is taking its first steps. Despite external turmoil, the bank trusts in the maturity of the Brazilian economy and in the strength of the institution it has created. The country's sound macroeconomic position and Itaú Unibanco's robust base of over 35 million customers ensure the bank's ability to generate results in coming years.

Itaú Unibanco management expects 2009 to be a particularly difficult year, given the pronounced slowdown of the global economy, with less economic growth, rising unemployment, reduction of consumer purchasing power and a consequent drop in business investments and demand for personal and corporate credit. But economic analysts estimate that Brazil will be less impacted than the World's major economies, which in itself should open up fresh prospects.

Itaú Unibanco was created to become a performance benchmark in the international financial system. The merger of the operations, cultures and talents of the two banks will enable it to consolidate its leadership in the domestic market and compete with the World's largest companies in the sector.

In 2009, with its focus on integration (*see The Road to Integration*), Itaú Unibanco will be concentrating its efforts on the domestic market so it can later expand to other countries. The objectives are to achieve synergies between its businesses and offer the best that both banks were known for. Combining Itaú's superior skill at generating income with Unibanco's cost control efficiency, for example, points the way to good opportunities.

The full integration of the two banks is expected to take about two years. Once completed, Itaú Unibanco will work on scaling up its international operations, likely beginning with Latin America, given its geographical, cultural and economic proximity to Brazil. Management anticipates that growth will occur through mergers and associations, primarily with products such as credit cards and insurance.

Panorama

Sustainability
Vision

Corporate
Governance

The Road to
Integration

Business

Commitments and
Practices

Social and Cultural
Investments

Appendices

Sustainability Vision



Itaú helped build Praça Victor Civita, a sustainable space for the people of São Paulo.

Long-term plan

Combine Itaú and Unibanco's sustainability policies to achieve the new bank's continual creation of value

For Itaú Unibanco, sustainability means maintaining our business over the short, medium and long-term, to deliver continual value to our stakeholders.

Itaú Unibanco is building its sustainability governance structure based on the experiences of its founding institutions. Prior to the merger Itaú and Unibanco had similar sustainability strategies and visions which emphasized the ongoing creation of value, a commitment to sustainable development and transparent relationships with all groups involved with or affected by their operations.

The convergence between the banks' strategies enabled the creation, in late 2008, of the Itaú Unibanco Sustainability Policy, which establishes guidelines for all business and relationship activities. This document was ratified by the Executive Committees of Itaú and Unibanco and, after the Central Bank approved the merger on February 18, 2009,

the document was submitted for review to the Executive Committee of the new bank. The policy also proposes to ratify the commitment of the institution to sustainable development and promote innovations, reviews and adjustments in business based on best practices in sustainability.

To achieve its objectives the Sustainability Policy establishes guidelines for strategic issues in order to raise the level of employee awareness and engagement. The document provides for the inclusion of social and environmental aspects in organizational management, product development and relationships with customers and suppliers. To ensure the participation of all stakeholder groups in its activities and provide proper disclosure, the bank follows internationally recognized standards such as AA 1000 and the Global Reporting Initiative (GRI) reporting framework.



Recognition in 2008

- Itaú was included in the *Exame Sustainability Guide*, published by *Exame* magazine
- Itaú was named one of the 50 Most Sustainable Companies by *Imprensa* magazine
- Itaú was named Latin America's Most Sustainable and Ethical Bank by *Latin Finance* magazine and Management & Excellence Consultants
- Itaú received the Best Sustainability Websites distinction from *Razão Contábil* magazine, Management & Excellence Consultants and Grow Associates

Four internal groups support the strengthening of the sustainability agenda in Itaú Unibanco's decision-making process. The Sustainability Monitoring Committee, which is currently being formed, is comprised of members of the Board of Directors, and monitors the implementation of the policy and related practices, and oversees the alignment of the organization's values with the market's leading standards. The Executive Sustainability Commission is made up of members of the Executive Committee and is responsible for integrating sustainability into Itaú Unibanco's business practices and culture.

The Sustainability Committee comprises Managing directors and other directors and is responsible for setting Itaú Unibanco's operating strategies, in compliance with the policies and guidelines established by the Executive Sustainability Commission. Finally, the Sustainability Commission, which is composed of superintendents and managers, promotes the development of Itaú Unibanco's sustainability agenda, analyzes market risks and opportunities, and proposes solutions and projects.

Sustainability Governance

Sustainability Monitoring Committee Board of Directors • Half-yearly meetings <i>(in progress)</i>	Monitoring
Executive Sustainability Commission Executive Committee • Half-yearly meetings	Guidelines and Policies
Sustainability Committee Senior Managers and Directors • Quarterly meetings	Strategic
Sustainability Commission Superintendents and Managers • Bi-monthly meetings	Operational



Sustainability
Vision

Corporate
Governance

The Road to
Integration

Business

Commitments and
Practices

Social and Cultural
Investments

Appendices

Corporate Governance

- Shareholding Reorganization
- Governance Structures
- Management and Reporting Practices
- Risk Management
- Ethics Management

Latin America's



In this chapter

Itaú Unibanco's principal decision-making and monitoring structures.

- Composition of the Board of Directors and committees
- History of adopting best management and reporting practices
- Procedures to minimize operational risks
- Evolution of ethics management

most ethical bank = strength and harmony

Oscar Niemeyer, one of the designers of the Latin America Memorial, is one of the world's most renowned architects. Itaú Unibanco was named Latin America's most sustainable and ethical bank by *Latin Finance* magazine and consulting firm Management & Excellence.

14 members

comprise the Itaú Unibanco Board of Directors, three of whom are independent

1,116 companies

were assessed by Banco Itaú in 2008 under its Socio-environmental Risk Policy criteria

R\$961.8 million

was the amount financed by Unibanco under Equator Principles criteria

Corporate
Governance

The Road to
Integration

Business

Commitments and
Practices

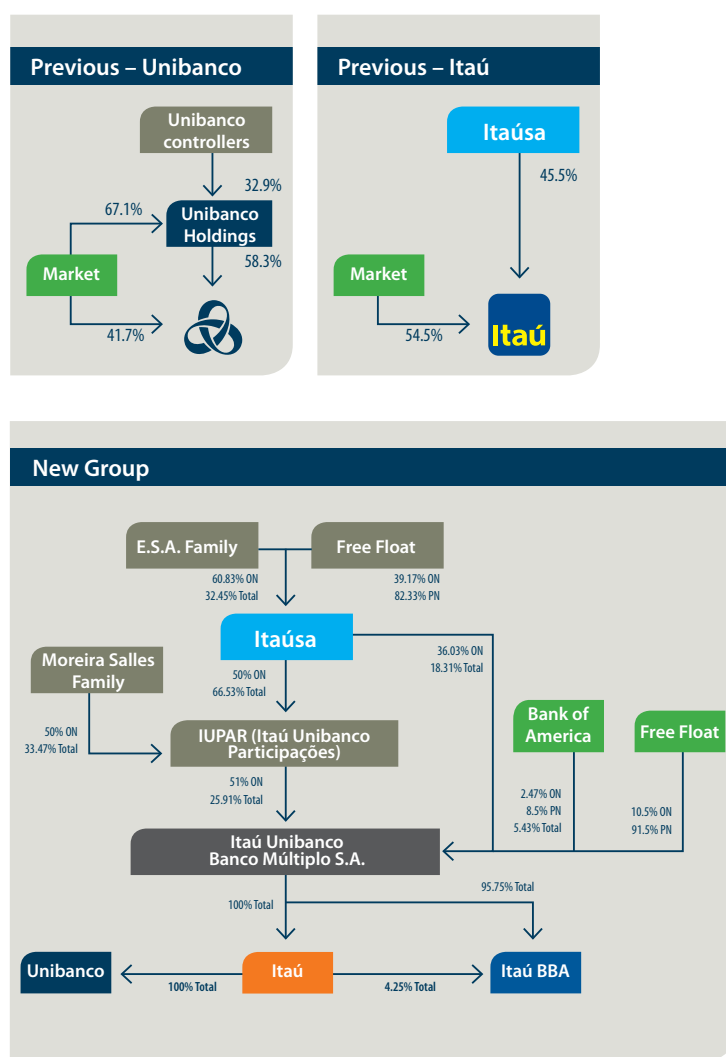
Social and Cultural
Investments

Appendices

Shareholding Reorganization

The merger between Itaú and Unibanco involves a shareholding reorganization resulting in the migration of shareholders of Unibanco Holdings S.A. and União de Bancos Brasileiros S.A. (Unibanco), through a share exchange, to the new public company Itaú Unibanco (formerly Banco Itaú Holding Financeira S.A.). The new company's controlling stake is split equally between Investimentos Itaú S.A. (Itaúsa) and the controllers of Unibanco Holdings, through Itaú Unibanco Participações S.A. (IUPAR).

On December 9, 2008, a little over one month after the merger announcement, Itaú Unibanco conducted its first Apimec meeting, held in São Paulo, which was attended by a record number of more than 640 people. At the event Chairman Pedro Moreira Salles and President Roberto Setubal presented the market with the profile of the new institution, its strategic priorities and the challenges ahead in integrating the operations of Itaú and Unibanco.



Governance Structures

Itaú Unibanco's corporate governance structure follows the same guideline used during the integration of the processes and business operations of the two founding institutions: adoption of the best practices at Itaú and Unibanco. Prior to the merger in November 2008, both banks were continually improving their levels of monitoring and relationships between shareholders, the Board of Directors, executive management and committees. Transparency and the ongoing effort to create value are legacies preserved by Itaú Unibanco. The Corporate Governance Policy is designed to reflect those company policies which protect the interests of stockholders and the market – hallmarks of the group's management. The policy is available on Itaú Unibanco's Investor Relations website under the Corporate Governance section (www.itaunibancori.com.br).

Shareholding Structure

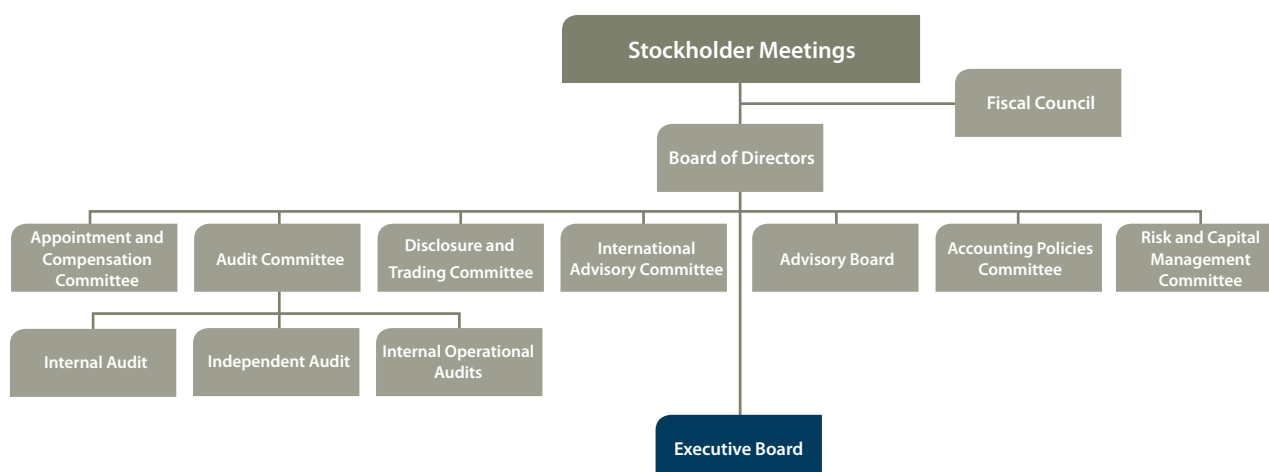
Common shares of Unibanco and Unibanco Holdings were replaced by common shares of Itaú Unibanco, using the same exchange ratio negotiated between the parties for the exchange of common shares held by the controllers of Unibanco Holdings.

For preferred shares, the exchange ratio was based on the average market price of Unibanco UBBR11 Units and Banco Itaú Holding Financeira S.A. preferred shares on the São Paulo Securities, Commodities and Futures Exchange (BM&FBOVESPA) for the 45 sessions prior to the merger announcement. The UBBR11 Units and Banco Itaú Holding Financeira S.A. preferred shares are both part of the IBX-50 and Ibovespa indices, and are traded on the New York Stock Exchange.

Share Exchange Ratios *

Share Type	Ratio
ON UNIBANCO	1.1797 = 1
ON UNIBANCO HOLDINGS	1.1797 = 1
UNIT	1.7391 = 1
PN UNIBANCO	3.4782 = 1
PN UNIBANCO HOLDINGS	3.4782 = 1
GRDs	0.17391 = 1

Note: number of Unibanco and Unibanco Holdings shares for each share of Itaú Unibanco Holding.





Board of Directors

Chairman

Pedro Moreira Salles

Vice-Chairmen

Alfredo Egydio Arruda Villela Filho

Roberto Setubal

(also President and CEO)

Directors

Alcides Lopes Tápias

Alfredo Setubal

Candido Botelho Bracher

Fernando Roberto Moreira Salles

Francisco Eduardo de Almeida Pinto

Guillermo Alejandro Cortina

Gustavo Jorge Laboissiere Loyola

Henri Penchas

Israel Vainboim

Pedro Luiz Bodin de Moraes

Ricardo Marino

Board of Directors

Itaú Unibanco's Board of Directors is comprised of 14 members.

Elected at the Stockholders Meeting on November 28, 2008, the Board members have a one-year term and were chosen based on their knowledge of macroeconomics and executive business experience.

The Board of Directors determines the general direction of the institution's business, elects and removes executive directors and establishes their responsibilities, oversees the administration of line directors and convenes Stockholder Meetings. It is also the body of responsible

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> The biographies of the members of the Board of Directors are available in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

for disclosing for management report and company financial statements, it selects and removes independent auditors, decides on the payment of interim dividends and the payment of interest on capital. The Board is also responsible for decisions on share repurchases and on the buying and/or granting of call and put options. It elects and removes members of the Advisory and International Advisory boards and for the following committees: Nominating and Compensation, Audit, Risk and Capital Management, Accounting Policies and Disclosure and Trading.

Finally, the Board of Directors approves the operating rules of the Audit Committee and monitors its activities. It also monitors the activities and authorizes the decisions of the following committees: Risk and Capital Management, Accounting Policy and Disclosure and Trading; and endorses the decisions of the Nominating and Compensation Committee.



Executive Committees

There are two executive committees responsible for company administration and representation: the Itaú Unibanco Executive Committee is responsible for all group operations except those of the wholesale bank, which are under the responsibility of the Itaú BBA Executive Committee. Both committees answer to the Itaú Unibanco Board of Directors.

Members of both committees are former directors of Itaú, Unibanco and Itaú BBA and were chosen for their skills at executing their strategies to lead the performance of the new bank.

Itaú Unibanco Executive Committee

Directors

Roberto Setubal
Alfredo Setubal

Antonio Matias
Antonio Carlos B. Oliveira
Geraldo Carbone
José Castro Araújo Rudge
Marcio Schettini
Marco Bonomi
Marcos Lisboa

Ricardo Marino
Ruy Moraes de Abreu
Sérgio Werlang

Areas

President
Wealth Management and Capital Market Services
Marketing
Technology, Legal and Compliance Branches
Insurance
Cards and Financial
Vehicles and Property Loans
Operational Risk, Efficiency and Integration Project
People and External Units
Commercial Clients
Risk and Finances

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> The biographies of the members of the Itaú Unibanco Executive Committee are available in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade



Itaú BBA Executive Committee

Directors

Candido Bracher

Alberto Fernandes

Antonio Carlos B. Oliveira

Daniel Gleizer

Jean Marc Etlin

Rodolfo Fischer

Areas

President

Sales and Products

Technology, Legal,
Controls and Operations

Institutional Treasury

Investment Bank

Institutional Treasury

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>The biographies of the members of the Itaú BBA Executive Committee are available in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

Audit Committee

The Audit Committee is comprised of five members, whose tasks are: supervision of internal controls processes, risk management and supervision of internal and independent audits.

The members of this committee are responsible for ensuring the quality and integrity of the company's financial reporting, for complying with applicable laws and regulations, for the performance and independence of outside auditing firms and for the quality of internal control systems and risk management.

Audit Committee

Chairman

Gustavo Jorge Laboissiere Loyola

Members

Alcides Lopes Tápias

Eduardo Augusto de Almeida Guimarães

Guy Almeida Andrade

Tereza Cristina Grossi Togni

Other Boards, Councils and Committees

Itaú Unibanco's other boards, councils and committees are: Fiscal Council, Advisory Board and International Advisory Board, Nominating and Compensation Committee, Risk and Capital Management Committee, Accounting Policies Committee and the Disclosure and Trading Committee. As of the date of this Report the composition of these bodies was yet to be finalized.

Related Commissions

To coordinate administrative actions the Executive Board uses the following related commissions:

Itaú Holding Senior Commission

Senior Ethics Commission

Senior Credit Commission

Senior Financial Risk Management Commission

Senior Accounting Policies Commission

Senior Tax Commission

Senior Audit Commission

Operational Risk Management.

Management and Reporting Practices

Itaú Unibanco inherits from its founding institutions the tradition of being aligned with the market's best practices in corporate governance and reporting. Throughout their history Itaú and Unibanco established corporate policies, management structures and transparency procedures designed to ensure impartiality in decision making and rapid responses to changing market conditions. The market recognizes these efforts in different ways: both institutions were part of the São Paulo Securities, Commodities and Futures Exchange (BM&FBOVESPA) Corporate Sustainability Index in 2008, while Itaú is the only Latin American bank to have been on the Dow Jones Sustainability Indexes since this metric was introduced in 1999.

Itaú Unibanco's professional management structures feature independent members of the Board of Directors and other councils and committees. Its shareholdings are widely held, thanks to its issuing of shares that trade on the São Paulo, Buenos Aires and New York stock exchanges, which underlines the institution's democratic nature.

Transparent reporting to the market is based on compliance with the BM&FBOVESPA's Level 1 corporate governance standards and the Sarbanes-Oxley Act, which require the

adoption of a number of internal control and risk management procedures. Our disclosure policy includes the publication of quarterly results and timely releases, as well as holding conferences, road-shows and periodic public meetings with analysts.

Itaú Unibanco employs internal procedures to ensure ethical conduct by its employees and partners, including policies for internal controls, investor relations, information security and prevention of money laundering, among others. Staff members regularly participate in training sessions focusing on these procedures and the ethical principles to be followed in their daily activities. In 2008, for example, about 40,000 Itaú Unibanco employees received training in anti-corruption procedures and policies.

During the year Itaú released its Corporate Anti-Corruption and Bribery Policy, which covers 100% of the group's business units. In 2009 compliance monitoring practices for the Policy will be put in place. At Unibanco, six units (bank, securities brokerage, cards companies, insurance, pensions and capitalization) underwent corruption risk assessments through monitoring by Money Laundering Prevention Compliance.

In 2008 Itaú Unibanco did not register a single case of corruption involving employees or partners. All reports are subject to in-depth investigation and, where there is compelling evidence and material proof or witness statements, employees are dismissed with just cause and commercial partner relations with the bank are terminated.

The Operating Rules Policy for the Trading of Treasury Shares establishes the parameters which Itaú Unibanco must observe when trading its own shares either on the cash or options market, for maintaining them in treasury, or for cancellation or disposal. The Policy's rules are designed to assure all stakeholders and the market of the company's commitment to the highest standards of corporate governance, transparency and integrity when conducting these transactions.

History of Governance Practices

Itaú

- 1964** Creation of first Board of Directors
- 1986** Related Commissions
- 1988** International Advisory Committee
- 1995** Stock Options Plans
- 1996** Public meeting with Apimec associates and road-shows
- 1999** Inclusion in the Dow Jones Sustainability Indexes (until present)
- 2000** Corporate Code of Ethics
Investor Relations Website
Fiscal Council
- 2001** Bovespa Level 1 Corporate Governance
Independent Board Members
- 2002** Disclosure and Trading Committee
Level II ADRs
Tag Along Rights
- 2003** Itaú Shares in Focus newsletter, quarterly information for shareholders and investors
- 2004** Audit Committee
Adoption of Equator Principles
Operating Rules for Treasury
- 2005** Nominating and Compensation Committee
Executive Socio-environmental Responsibility Committee and Commission
Bovespa BM&FBOVESPA Corporate Sustainability Index (until present)
- 2006** Certification of Sarbanes-Oxley Act – Section 404
- 2007** Adoption of Abrasca Manual for Material Information Control and Disclosure
- 2008** Executive Sustainability Commission
Development and introduction of Corporate Governance Policy
Inclusion in the Dow Jones Sustainability Indexes for the 9th consecutive time, and in the Bovespa Corporate Sustainability Index for the 4th consecutive time

Unibanco

- 1965** Establishment of the first Board of Directors
- 1968** São Paulo Stock Exchange listing
- 1987** Financial Statements are USGAAP-compliant
Shares listed on the New York Stock Exchange
- 1988** Stock Options Plan
- 1991** Corporate Ethics Code
- 1997** Level III ADRs
- 1999** Public meeting with Apimec associates
- 2000** Investor Relations Website
- 2001** Bovespa Level 1 Corporate Governance
Creation of Stock Options Plan
- 2002** Disclosure Policy Committee
- 2003** Independent Directors
- 2005** Trading Policy Committee
- 2007** Adoption of Abrasca Disclosure of Material Information Control Manual
Creation of Sustainability Committee
Certification of Sarbanes-Oxley Act – Section 404
- 2008** Unibanco Asset Management (UAM) signs the Principles for Responsible Investment (PRI), a set of social, environmental and corporate governance criteria for investment decision-making.

Itaú Unibanco

- 2008** Establishment of Itaú Unibanco Sustainability Policy, based on the combined policies of both institutions

Crises Management

Major transactions and incidents in branches are examples of situations which expose the bank's image and therefore require specific action plans. Itaú Unibanco has rapid response procedures in place for emergency situations, as well as preventive measures such as complying with new regulations. Examples of both these situations were demonstrated in 2008 by Itaú and Unibanco.

In September 2008 when news emerged about the financial difficulties faced by American International Group (AIG) – an insurance provider to banks involved in funding the U.S. housing market – Unibanco stepped forward and stated its position on the matter through the press. The objective was to clarify that the performance of its partnership with AIG in Brazil would not be affected by the events in the USA.

In terms of preventive measures the Itaú Crises Committee took part in implementing the new Customer Service Channel (SAC), helping it adapt to new rules. The Crises Management team continued to monitor preventive action strategies and the alignment of the work group responsible for the adaptation of Itaú's SAC with a view to minimize impacts to the bank's image and reputation by identifying vulnerabilities and being prepared for unfavourable scenarios. Projects carried out included a contingency plan for opening customer request files and a review of customer complaint treatment processes, focusing on reducing response times.

Throughout 2008 a number of other committees were set up at Banco Itaú, such as the Crisis Committee that went into action after an incident on July 21 in a branch in the city of Campinas. The Committee oversaw the provision of complete medical and psychological assistance to the victims involved, showing clients our ability to quickly and competently handle situations of this nature.

The business continuity plan is part of the crises management model, and was implemented in all Itaú areas in 2008. The plan organizes the processes and procedures necessary to ensure the continued operation of critical services, even in crisis situations, and preserves the integrity of people, goods, information, systems and ultimately the reputation of the institution. In addition to a specific contingency plan for branches, Itaú also has workplace contingency plans for staff members responsible for critical activities such as trading and customer service centres, plus the key aspects of treasury, back office, operations, support and development.

From a technological point of view, Itaú has an alternative (secondary) processing site, located about 100 kilometres from its central processing facility. For disaster recovery purposes the data needed to re-establish all critical services are replicated in real time. The required technology resources (computers, network and disks) are available at the alternative site, and their ability to function as designed is regularly tested.

Risk Management

Risk management is an essential tool in optimizing the use of capital and selecting the best business opportunities to provide shareholders with the best risk-return. Itaú Unibanco's risk management process uses analysis tools that allow us to safely undertake sophisticated and profitable operations.

With the merger between Itaú and Unibanco, the new bank's risk area combines the best solutions adopted by both institutions. The Risk and Capital Management Committee is the most senior body within this structure and employs corporate governance practices recommended by leading international organizations and by Basel II. It is responsible for establishing exposure limits for different risk categories and tracking the implementation of management policies and methodologies.

Two executive boards – Operational Risk, Efficiency and Project Integration, and Risk and Finance – are responsible for unifying risk management practices under a single business vision, and report to senior management on the results of this monitoring.

With this structure the risk management area supports all of the bank's operations, measuring the default risk of each loan, required guarantees, the spread to be charged and the cost of capital for allocation of resources to comply with Basel II. This allows us to price each transaction individually, which provides a fair cost to customers and greater security for shareholders.



Main Categories

Credit Risk

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit, including the principal and/or interest. It is usually the main risk faced by banks and is associated with the probability of default. It arises from every activity in which success depends on borrowers to meet their obligations.

At Itaú Unibanco credit risk management means: identifying existing and potential risks in a transaction; establishing and monitoring credit risk at levels deemed acceptable by senior management; setting a rigid structure of committees and approval standards; approving policies, procedures and methodologies consistent with the limits of previously established risk; and properly allocating sufficient capital to safeguard against potential loan losses.

Market and Liquidity Risk

Market risk is the risk that the value of assets and liabilities will decrease due to changes in stock prices, interest rates, foreign exchange rates or commodity prices.

Itaú Unibanco's strategy to manage this risk balances the bank's business objectives with its risk appetite, based on prevailing political, economic and market conditions, the bank's market risk portfolio, and its expertise at operating in specific markets. These procedures are subject to periodic review to maintain their alignment with best market practices and compliance with the bank's continual improvement process.

Liquidity risk is the risk that an institution's reserves may be temporarily insufficient to meet its timely obligations due to cash flow constraints. This can occur when payments received are less than or later than expected.

Despite the international financial crisis Itaú Unibanco maintained comfortable levels of liquidity in Brazil and abroad at the end of 2008. Its solvency (Basel) ratio was approximately 16.1%, well above the 11% minimum required by the Central Bank of Brazil. This was possible due to its solid, diversified funding bases on the interbank market and from customers, and the resizing of its securities portfolio, undertaken in 2008.

Market Risk Indicators

The Value at Risk table below consolidates Itaú Unibanco's total VaR, covering the portfolios of Unibanco, Itaú BBA, Banco Itaú Europa, Banco Itaú Argentina, Banco Itaú Chile, Banco Itaú Uruguay and Itaú's structural portfolio (loans and pre-fixed debt/equity instruments). Itaú and Itaú BBA portfolios are combined, broken down by risk factor.

On a consolidated basis Itaú Unibanco maintained its policy of operating within relatively low limits. The consolidated average and maximum risk values were affected by

Itaú Unibanco Consolidated VaR (in R\$ millions)

VaR by Risk Factor	Itaú Unibanco		Itaú	
	31/Dec/08	31/Dec/08	30/Dec/07	
Itaú (*) + Itaú BBA	Pre-fixed Interest	159.3	159.3	97.1
	TR Interest	13.8	13.8	7.6
	Inflation rates	4.6	4.6	10.0
	Exchange Coupon	16.6	16.6	14.3
	Exchange Rate Variation - US\$	17.2	17.2	6.7
	Private Issues and Sovereign Abroad	22.2	22.2	12.1
	Equities	15.5	15.5	16.4
	External Rates	7.8	7.8	4.1
	Commodities	0.0	0.0	0.4
	Forex – Other Currencies	1.0	1.0	1.0
	Others	8.6	8.6	0.9
Unibanco	161.6	-	-	
Banco Itaú Europa	5.9	5.9	1.5	
Banco Itaú Argentina	5.1	5.1	1.6	
Banco Itaú Chile	1.1	1.1	1.2	
Banco Itaú Uruguai	2.8	2.8	-	
Effect of Diversification	(97.9)	(98.1)	(56.6)	
VaR Global Total	345.3	183.7	118.2	
VaR Maximum	814.6	673.4	312.3	
VaR Average	263.0	165.5	117.3	
VaR Minimum	126.6	65.1	48.8	

(*) Excludes Proprietary Portfolio Desk. Includes effects of tax adjustments.

the volatility of the main internal and external risk factors, which varied greatly over the second half of 2008, reaching their peak in late November and early December, returning, however, to lower levels by year-end, shown in the VaR values at December 31, 2008.

The diversification of risks of the business units is significant, allowing the group to maintain a very low total exposure to market risk, compared with its capital.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Itaú Unibanco's strategy to minimize operational risk includes a set of principles, procedures and instruments which ensure the suitable ongoing management of risk with respect to the nature and complexity of its products, services, activities, processes and systems.

Itaú Unibanco employs a financial assessment management model for each business line, which uses statistical modeling to quantify the operational risks incurred. This allows the bank to provision reserves for expected losses and to allocate capital for unexpected losses. This proprietary mechanism enables greater refinement of the pricing process for our products and services, and allows the bank to meet the criteria of the New Basel Capital Accord within the timeframe set by the regulator.



Underwriting Risk

This is the risk associated with the probability of error in the price of retail products and/or in the calculation of technical reserves for insurance products, based on the value of the premiums. Similar to Basel II, the International Association of Insurance Supervisors (IAIS) guides insurance companies on employing risk management systems which supplement their minimum capital and solvency margin systems.

Itaú and Unibanco have been using models to manage their insurance activity since 2006. Itaú began allocating sufficient capital even prior to legislation introduced by Brazil's Superintendence of Private Insurance (Susep), which benefits companies that use internal risk management models. The new bank's internal models go beyond the segments addressed by the national regulator, and comprise virtually the entire range of insurance related products.

Socio-environmental Risk

Equator Principles

Unibanco and Itaú Holding became signatories to the Equator Principles in 2004, and Unibanco was the first financial institution from an emerging economy to adopt the Principles. Participating institutions commit to finance projects which are developed in a socio-environmentally responsible manner, based on the internationally recognized criteria of the International Finance Corporation's (IFC) Performance Standards. The Equator Principles are also applied when the bank simply acts as an adviser in structuring projects. The guidelines cover the analysis and socio-environmental monitoring of large projects (equal to or greater than US\$10 million in value), and which bring benefits to the bank, its customers and society as a whole.

In September 2008, Itaú, the first Brazilian bank to apply socio-environmental criteria to its project assessments, was appointed to take on the leadership position for the Equator Principles worldwide, acting as Chair of the Steering Committee for a one year term. This was the first time that a financial services institution from an emerging economy had been asked to lead this group.

Combining the responsibilities of this new role with its ongoing commitment to increase socio-environmental awareness, add value to discussions and help push the financial sector in this direction, Itaú led a partnership between the IFC and Brazilian bank signatories to the Equator Principles to organize the Regional Latin American Meeting to celebrate the fifth anniversary of the Equator Principles. Held in Rio de Janeiro in December 2008, the event attracted key players from the global socio-environmental scene, who discussed the future and challenges of the Principles.

The training of professionals is critical to properly apply the Equator Principles to granting credit. In 2008 the Itaú Unibanco team responsible for socio-environmental analysis and monitoring of project finance was fully trained by the (IFC) International Finance Corporation and the United Nations Environment Program Finance Initiative (UNEP-FI) to apply the performance standards.

In 2008 the bank spread awareness of the subject by helping oversee the translation of the Equator Principles into Portuguese, which is now available on the Principles website, and into Spanish, which will be completed in 2009.

Projects assessed by Unibanco using Equator Principles criteria (in 2008)*

Category	Projects	Total investment** (in R\$ millions)	Unibanco's share (in R\$ millions)
A	1	3,600	131.10
B	16	4,221.16	746.26
C	1	132.77	79.70
Total	18	7,953.93	957.06

* Low risk (C) medium risk (B) and high risk (A)

** Approximate values

Sector	Projects	Total investment (in R\$ millions)	Unibanco's share (in R\$ millions)
Sugar and Ethanol	8	1,440.59	236.66
Electricity	9	6,425.34	695.19
Services	1	88	25.22
Total	18	7,953.93	957.06

Projects assessed by Itaú BBA using Equator Principles criteria (in 2008)*

Category**	Projects	Total investment*** (in R\$ millions)	Itaú BBA's share (in R\$ millions)
A	-	-	-
B	8	3,341	710
C	3	210	114
Total	11	3,551	825

* Approximate values

** In 2008 Banco Itaú BBA analyzed 12 projects one of which was turned down

*** Project Finance and Corporate Finance only (investments in excess of US\$50 million)

Sector	Total investment* (in R\$ millions)	Itaú BBA's share (in R\$ millions)
Sugar and Ethanol	2,651	247
Electricity	558	400
Services	342	177
Total	3,551	825

* Approximate values

The Equator Principles Examples of issues assessed

- Protection of human rights and community health, safety and security
- Protection of cultural property and heritage
- Land acquisition and involuntary resettlement
- Impacts on indigenous peoples, and their unique cultures, systems and values
- Pollution prevention and waste minimization, pollution controls and solid and chemical waste management

Categories are based on the following International Finance Corporation (IFC) socio-environmental criteria:

Category A	Projects expected to have significant adverse social and/or environmental impacts that are diverse, irreversible or unprecedented.
Category B	Projects expected to have limited social and/or environmental impacts that can be readily addressed through mitigation measures.
Category C	Projects expected to have minimal or no adverse impacts, including certain financial intermediary projects.

Socio-Environmental Credit Risk Policy

Itaú Unibanco applies sustainability principles to its products and services, and incorporates socio-environmental criteria into its credit analysis processes to help mitigate the risks of the operation, encourage customers to adopt responsible practices and contribute to sustainable development. The bank seeks to go beyond the identification of socio-environmental risks and compliance with legal requirements. We want to build a relationship with our customers that conveys our inclusiveness, and as a multiplier and developer of best socio-environmental practices.

In keeping with its Socio-environmental Risk Policy, since December 2007 Itaú has adopted socio-environmental criteria in its analyses of loans of over R\$5 million for its commercial banking clients in Brazil. For Banco Itaú Chile S.A., Banco Itaú Uruguay S.A., Banco Itaú Buen Ayre S.A. and Banco Itaú Europa S.A., analysis tools will be developed in 2009 and 2010, based on the unique nature of each institution. Like the other policies developed separately by Itaú and Unibanco, the new bank's Socio-environmental Risk Policy for Corporate Credit will be combined in 2009 to cover all Itaú and Unibanco corporate credit operations.

Itaú's socio-environmental analysis team comprises industry specialists, and is kept abreast of key issues. This year the bank plans a greater number of socio-environmental training events for areas related to credit and commercial clients.

Socio-Environmental Risk Analysis – Examples of issues assessed:

- The harmful and/or exploitative use of child labour
- Companies on the list of employers that have kept workers in conditions similar to slavery (Decree 540 of 15.10.2004, Ministry of Labour and Employment)
- Sector Guidelines
- Public Information
- Socio-environmental questionnaire answered by the company

Companies evaluated by Banco Itaú using the Itaú Holding Financeira Socio-Environmental Risk Policy (in 2008)

Estimated Assessments	1,116
Conditional Approvals	19
Rejections	10
Visits to Clients	6

As shown below, Itaú Unibanco employs an innovative classification for the socio-environmental analysis of companies to be financed, based on their socio-environmental management capability.

Itaú Unibanco uses the Equator Principles and its own policies, documents and socio-environmental information, as well as on-site inspection and requests for public information. It also carries out audits for situations requiring the Risks Policy and the Equator Principles.



Socio-environmental analysis categories

A-	High potential for significant socio-environmental impact Low capability to manage socio-environmental risks	High
B-	Medium potential for significant socio-environmental impact Low capability to manage socio-environmental risks	
A+	High potential for significant socio-environmental impact Company has socio-environmental risk management capability	Medium
B+	Medium potential for significant socio-environmental impact Company has socio-environmental risk management capability	
C	Low potential for significant socio-environmental impact	Low

Corporate financings by Itaú BBA using the Itaú Holding Financeira Socio-environmental Risk Policy (in 2008)

Sector	Projects	Total investment (in R\$ millions)	Itaú BBA's share (in R\$ millions)	Category
Sugar and Ethanol	1	300,000.00	30,000.00	B+
Power	6	1,988,500.00	234,817.00	B+
Extraction Industry	1	94,168.00	59,635.45	B+
Manufacturing	2	246,338.00	65,631.00	B+
Services	2	200,779.00	47,000.00	B+
Total	12	2,829,785.00	437,083.45	B+

LEARN MORE

> The Socio-environmental Credit Risk Policy is available online at www.itaunibanco.com.br/relatoriodesustentabilidade

Ethics Management

The management of ethics is strategic for Itaú Unibanco and leads to the systematic adherence of its corporate values by employees, a factor that directly influences the image of the organization and the security of its operations. In recent years Itaú and Unibanco have invested in establishing policies and codes of conduct, disseminating recommendations to all areas of each bank, and developing monitoring mechanisms for such practices.

At Unibanco the Code of Professional Conduct and Ethics was established to guide relationships and activities involving employees, customers, investors, suppliers and competitors. It ensures that the interests of the institution and its employees are aligned with the interests of current and potential customers. Human rights are also protected under this document. In 2008 a working group comprised of representatives from various bank areas was formed to review the code. Their revised version is now more objective and presents new guidelines.

At Itaú the Corporate Ethics Policy was drafted in accordance with the group's corporate values, vision and external commitments, as well as the requirements of the AA1000 and SA8000 standards and the sustainability indices of the New York and São Paulo stock exchanges. The policy was designed to embed the guidelines from internal (corporate and sector) and external

(trade and professional associations) codes of ethics into the corporate culture. The Senior Ethics Commission, comprised of executives from the organization, uses two programs to monitor compliance with this policy.

The Ethical Commitments Management Program gives managers and other employees the tools and information to resolve ethical dilemmas and conflicts of interest, while the Continuing Education in Ethics Program spreads the bank's principles, values and standards of conduct to staff members.

In 2008 Itaú conducted its second external assessment of the Corporate Ethics Policy, which involved interviews with representatives of the Board of Directors and the Executive Board, as well as working with focus groups, cross-matching components of the Itaú ethics system with American and European benchmarks, and aligning corporate policies with ethics ratings requirements plus national and international principles.

The results of this assessment will be used by Itaú Unibanco to review its corporate ethics performance.

All Itaú and Unibanco employees receive a copy of the code, which is also available on the company intranet and website, while specific bodies monitor its implementation in the organization.



Inside the Itaúsa Tower
at the Itaú Conceição
Business Centre.

Objectives	Projects / Processes	Frequency
Board of Directors	Approve changes in the Corporate Ethics Code	Annually
Senior Ethics Commission	<ul style="list-style-type: none"> • Submit proposals for improving the Corporate Ethics Code to the Board of Directors • Establish and administrate the Corporate Ethics Policy and Corporate Policy to Combat Corruption and Bribery (Policies). • Monitor the ethical climate and assess the compliance of the business and operations of the holding company and its subsidiaries with the guidelines of the Policies. • Examine variances in the conduct of group companies. • Rule on interpretations of the Corporate Ethics Code, ethical dilemmas, conflicts of interest and other guidelines in the Policies. 	Half-yearly
Ethics Committees of related companies in Brazil and abroad	<ul style="list-style-type: none"> • Rule on interpretations of the Corporate Ethics Code, ethical dilemmas, conflicts of interest and other guidelines in the Policies. • Monitor the ethical climate and assess compliance of the company's business and operations with the guidelines of the Policies. • Examine variances in conduct within the companies. • Submit annual report to the Senior Ethics Commission. 	Quarterly
Sector Ethics Committees (one per executive area of Banco Itaú S.A.)	<ul style="list-style-type: none"> • Monitor the ethical climate and assess compliance of the company's business areas and their operations with the guidelines of the Policies. • Examine variances in the conduct of the business area. • Submit annual report to the company's Ethics Committee. 	Quarterly

Road to Integration

30,000 integrated

- Strategy
- Senior Integration Committee
- Transparent and timely communication



In this chapter

How Itaú Unibanco is conducting the process of integrating all companies in the group.

- Process guidelines
- Integration steps
- Work fronts to identify best practices

ATMS = one per km, in São Paulo

Itaú and Unibanco have interconnected all their automated teller machines in Brazil: if each one was in São Paulo they would cover the planet's fifth largest city, which has approximately 20,000 square kilometres of streets.

2 years

is the time estimated for the integration process

19

work fronts were created to map out the business areas

The Road to
Integration

Business

Commitments and
Practices

Social and Cultural
Investments

Appendices



Time to join forces

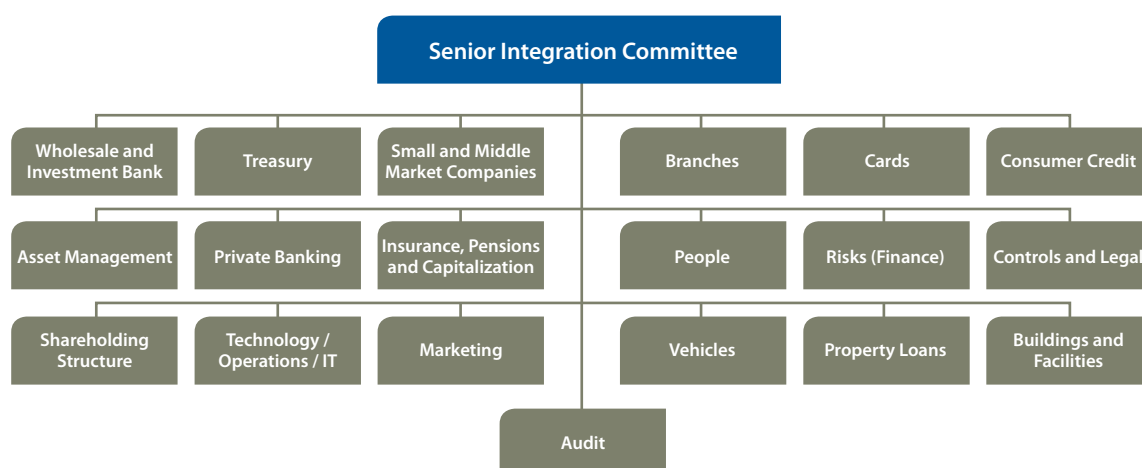
Integrate to grow. With this vision Itaú and Unibanco formalized their alliance in November 2008, after 15 months of negotiations. This is the largest merger ever undertaken in the Brazilian banking industry, and has created the first globally-sized Brazilian bank.

This merger has opened the door to gain scale and the capacity to grant credit, and contribute to growing Brazil's economy. The end goals are to offer customers the finest aspects of Itaú and Unibanco by incorporating the best practices of each institution, regardless of their origin.

The major challenge of the integration process is related to the size and nature of the project: preserving and adding value to our assets on a scale we've never attempted. Another big challenge, which should become an asset in the future, is the convergence of two cultures of success, with both banks contributing equally to the creation of a new culture that combines the best of both worlds. Itaú Unibanco brings together one of the finest groups of professionals in the Brazilian financial system, and we are sparing no effort to retain these talented individuals. Our people management policies and practices are based on respect for human beings, promotion of diversity, skills development and the alignment of employees to our corporate culture.

Strategy

In the beginning the process of integrating the two banks was headed by the Senior Integration Committee – made up of Roberto Setubal, Pedro Moreira Salles and executives from both banks – which set up guidelines for the integration. The committee oversaw the activities of 19 work fronts, which were created in November to map out processes and identify the best practices of each institution. The results of these working groups will form part of the construction of a new business model for each of Itaú Unibanco's areas of expertise.



The groups working on the integration of operations (*see diagram on previous page*) made the first presentation of their findings to the Senior Integration Committee in December 2008. Each work front demonstrated the main characteristics of their areas in both banks, pointed out the differences and highlighted opportunities and challenges in the business models. The groups have the support of two outside consultants, who act as facilitators during this stage of the transition.

Senior Integration Committee

The Senior Integration Committee has already identified complementary business models and new marketing opportunities.

In the retail segment, for example, the combination of Unibanco's differentiated service and Itaú's technology vanguard can bring benefits to clients. The new bank's activities in this segment will take on added value through their interactivity with Itaú and Unibanco's service networks.

Itaú Unibanco seeks rapid integration, specifically in corporate areas or low complexity transactions. One example is the combining of the vehicles segments. Formerly Itaú focused on individual client loans, while Unibanco's key area was commercial lending, particularly for large fleets.

Given the level of complementarity between the two banks in this area, the integration was concluded rapidly. For small and middle market companies one of Itaú Unibanco's priorities is to combine Itaú's credit reach with Unibanco's activities in these sectors to create a highly competitive credit structure.

The marketing teams of the two banks have also meshed quickly. Together they launched the television, newspaper and magazine publicity campaign that announced the merger and highlighted the benefits for customers and the country.

To expand its business, the marketing area of the new bank is now being structured to adopt the best practices of Itaú, Unibanco and the international financial sector. One of the most important tasks for the Itaú Unibanco marketing area will be to further incorporate the "voice of the customer" into the institution, conveying customer demands and market trends to the business areas, which will require increased activities such as research to monitor the competition.

The integration of all operations and business is expected to occur in approximately two years. The Technology and Operations area will take on an active role in the integration of the two banks' various systems and operational processes.

Merger stages

November 2008	December 2008	February 2009	Estimates
<p>Disclosure of Material Fact on the merger between Itaú and Unibanco</p> <p>Creation of the Transition Committee</p> <p>Election of Vice-presidents common to both banks</p> <p>Extraordinary Stockholders' Meetings of Banco Itaú Holding Financeira S.A., approving the transition</p>	<p>Announcement of the composition of the Board of Directors and Executive Committee of Itaú Unibanco, and the Executive Committee of Itaú BBA</p> <p>Presentation to the Senior Integration Committee</p>	<p>Central Bank of Brazil approval of the merger between Itaú and Unibanco</p>	<p>By the end of the first half of 2009: exchange of shares</p> <p>In approximately two years: integration of all operations and business areas</p>

Transparent and timely communication

On the morning of November 3, 2008, when Itaú and Unibanco staff members arrived at their desks they were each greeted by an e-mail sent by their respective presidents stating that everyone was now part of a global company with the ability and ambition to participate at a competitive, international level. Later that same day a press conference was held.

On November 4, 2008 the President of Itaú, Roberto Setubal, and his counterpart at Unibanco, Pedro Moreira Salles, appeared in major newspapers, magazines and on websites in Brazil and around the world as a result of the announced merger between their companies.

The interests of Itaú Unibanco's different stakeholders were on display once again when on December 9 a record number of over 640 people attended the introduction of the new bank by Roberto Setubal and Pedro Moreira Salles at the 2008 Ciclo Apimec meeting sponsored by the Association of Capital Markets Investment Analysts and Professionals.

The meeting was also attended by 15 reporters who traveled from Argentina, Chile, Paraguay and Uruguay, and was broadcast online with simultaneous translation in English and Spanish. In their comments the two presidents outlined the benefits of the merger between Itaú and Unibanco and their enthusiasm at leading the construction of a new, bigger and better bank that can put Brazil squarely on the world's financial stage.

There was also a concern to keep customers well informed about the new institution and explain the merger between Itaú and Unibanco. Customers received letters about the new bank and will be kept updated on the steps of the integration process through direct mailings, e-mail, branch communications, Itaú and Unibanco websites and by their own managers.

Following the Central Bank's approval of the merger and disclosure of the 2008 results, Itaú Unibanco took out an announcement in Brazil's leading media publications which presented the main financial, social and environmental practices of both institutions.

Timely, transparent communication to employees is also a hallmark of the two banks. To ensure that employees are continually informed about the ongoing merger, Itaú Unibanco created an Internal Communications Management Group. It also launched a dedicated intranet site for the integration of the two organizations, through which teams can ask questions, get answers and give opinions through an interactive channel and monitor all internal and external information published about the merger.

Senior executives also used Corporate video and TV to send messages to staff members.

Itaú Unibanco's professionals also received the historic edition of *Itaú News* and *Unibanco Magazine*, which covered the history of both companies and the individuals who built them, as well as a profile of the new bank, the role of its employees in the success of the merger, plus the challenges and expectations. The bank's commitment to communication led to the creation of the *Integration Bulletin*, which supplements the electronic channels and addresses issues such as the interaction between the teams and the new structures of the institution. The first edition profiled the members of Itaú Unibanco's Executive Committee.

At the end of January over 100,000 Itaú Unibanco employees were introduced to the 11 members of the new bank's Executive Committee. The presentation, structured in three blocks – strategy, challenges and final message – was presented at Unibanco via Corporate TV. At Itaú, DVDs were distributed to branches and presentation sessions were held in

the auditoriums of Itaú's Conceição Business Centre (Ceic), the Technical Operations Center (CTO) and the Tatuapé Administrative Center (CAT). The content of these materials also appeared in the Integration Bulletin and on the Integration website.

Since the merger the working environment between employees has been monitored to keep them motivated through every stage of the integration process. This monitoring is designed to identify the employees' feelings in the face of the challenges of integration and their most pressing questions about the process. The tool also helps us communicate to staff about the changes caused by the merger.

The new bank regularly uses questionnaires to determine if employees are being kept well informed about the integration process.



Business

- Branches
- Consumer Credit
- Microcredit
- Vehicles
- Property Loans
- Insurance, Pensions and Capitalization
- Small and Middle Market Companies
- Wholesale and Investment Banking
- Asset Management
- Private Banking
- International Operations

1,100 cities and towns = the

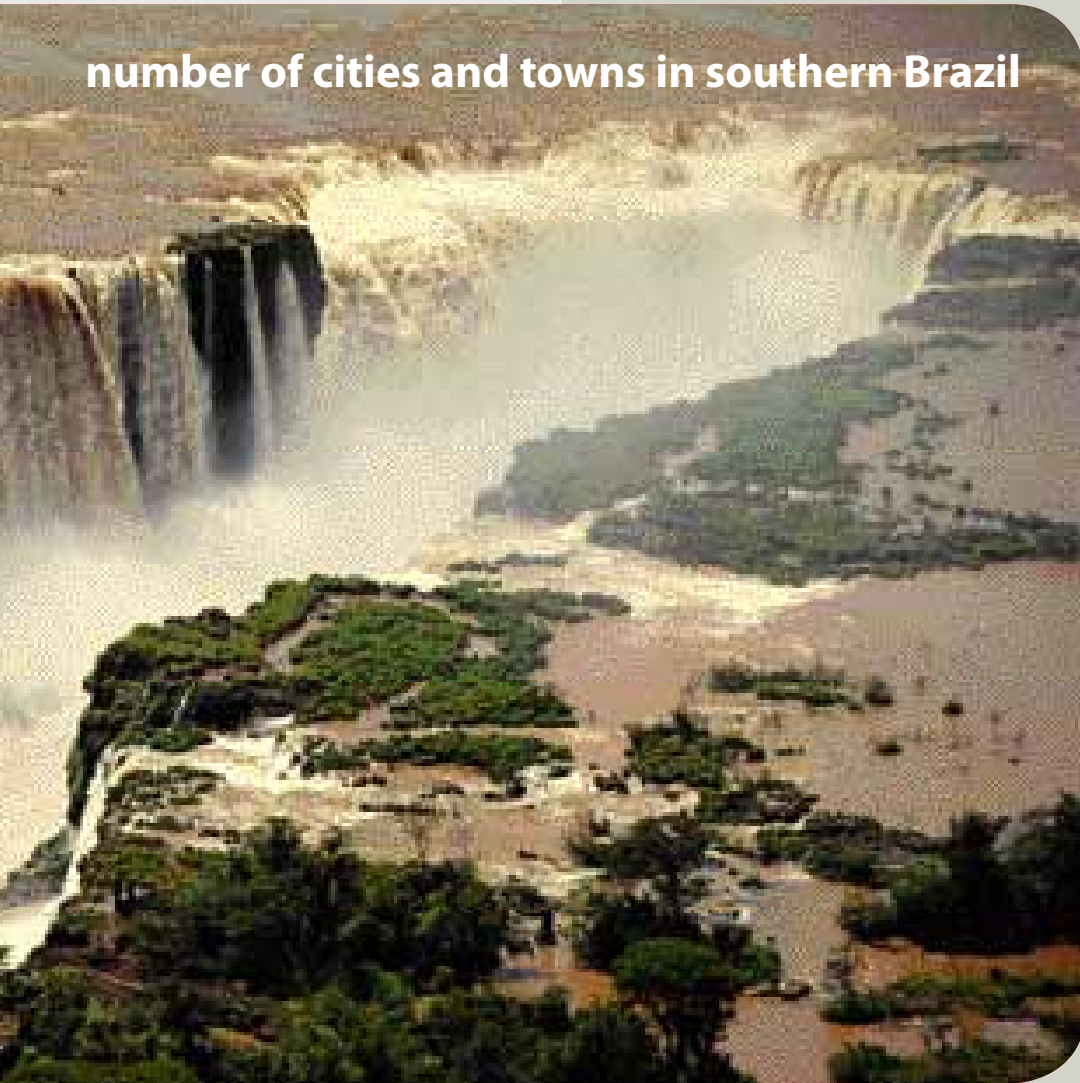


In this chapter

Itaú Unibanco's main business areas.

- Synergies between the operations of Itaú and Unibanco
- Outlook for different segments
- Differentiated and socio-environmental products and services

number of cities and towns in southern Brazil



The state of Paraná, in southern Brazil, is home to one of the world's greatest natural wonders: Iguazu Falls. Itaú Unibanco has a major presence in this region, offering 767 branches and banking services outlets.

R\$190,000

was disbursed to charitable organizations through our socio-environmental cards in 2008

R\$6.2 billion

was the size of Itaú Unibanco's real estate credit portfolio in 2008

2,000

large Brazilian corporations are Itaú Unibanco clients

Business

Commitments and Practices

Social and Cultural Investments

Appendices

Itaú and Unibanco have complementary activities in various segments, which brings benefits to the new bank's clients

Scale and Diversification

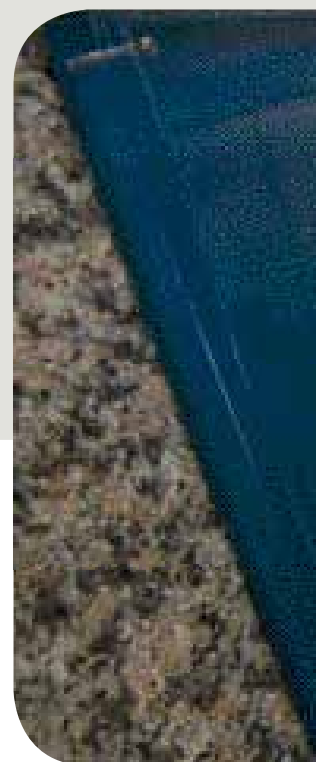
The merger of the operations of two of the largest privately-controlled banks in Brazil will bring benefits to customers of Itaú Unibanco, which will maintain the best practices, products and services of its founding institutions. The new bank will be better able to expand the supply of credit, provide extensive cooperation to the government and to its sister bank entities, value the work of its employees and help ensure the soundness of Brazil's financial system.

The main priority of Itaú Unibanco is to consolidate the integration of its various businesses, in all segments of financial activity, reinforcing the presence of the new bank in the market and maintaining a positive view to expanding its business. The goals are to expand its activities in Brazil, compete in the international market, support the growth of credit operations and generate gains of scale in all customer segments.

Branches

Itaú Unibanco begins 2009 ideally suited to face the economic slowdown forecast this year. Several measures were taken during 2008 to make the coming months a period of opportunity for its customers. The merger of the two institutions provides a superior base for preserving the good customer service and best practices of Itaú and Unibanco: the first direct benefit of the merger will be greater interconnectivity of branches and ATMs of the Itaú and Unibanco networks.

By September 2008, when the Brazilian economy gave its first signs of slowing down, the expansion of the customer service network was at the top of the agendas of both banks. In recent years Itaú and Unibanco were focused on organic growth and the attraction and retention of customers, due to fierce competition between the market's financial institutions. At the end of 2008 Itaú Unibanco was present in over 1,100 cities and towns throughout Brazil, offering 4,600 branches and Banking Services outlets (PABs) and over 30,000 ATMs.





Inside Unibanco's 1,000th branch, located in the city of São Paulo.

Itaú and Unibanco's retail approaches are very similar, as both are heavily focused on working to meet the personalized needs of their clients, and this similarity will further facilitate the integration of the two institutions.

The segmentation of customers, built up over many years by both banks, is a strategy adopted to offer differentiated products and services for each market niche. This work will also be benefited by the merger, as the joining of Itaú and Unibanco employees increases our capacity to develop innovative products and services for every customer segment.

Itaú customers are segmented by income between standard Itaú and Itaú Personnalité branches. At Unibanco the approach is very similar, with customers segmented between Exclusivo and Uniclass.

A key program developed by Unibanco in 2008 was "Passion for the Customer", which involves employees of the branch network and operations areas working to win over those clients who are the main reason for the bank's existence. The project seeks to stimulate the attitudes of internal teams so that customers see our concern for delivering everything we promise, based on uncomplicated and efficient processes that really make a difference .

One of the strategies to achieve Itaú Unibanco's objective of retaining customers over the long term is to contribute to their financial education. "The Conscientious Use of the Bank" program, introduced by Itaú in 2005 and re-launched in 2009, is one way to fulfill this role (*see Commitments and Practices*).

Interconnected ATM system

On January 29, 2009, less than three months after the announcement of the merger between Itaú and Unibanco, customers of both banks began enjoying the benefits of the transaction. The 30,000 ATMs of the two institutions became interconnected throughout the country. The Itaú Unibanco self-service network will initially offer withdrawals and statements for current and savings accounts.

The efforts to combine the systems began with technical teams from Itaú and Unibanco setting the standards to be adopted by the new network. In addition to greater convenience, the main focus of their work was security: the machines now offer the same levels of reliability as before, and can be operated with the same card and password that account holders previously used.

Consumer Credit

The Itaú Unibanco consumer credit area seeks to offer credit and financial services to consumers through a broad portfolio of products, including Itaucard and Unicard credit cards, consumer loans, private label cards, insurance and extended warranties, among others.

Account and non-account holder customers have various service channels at their disposal, including 389 stores, over 2,000 points of sale, plus the entire branch network.

Cards

Itaú Unibanco is Brazil's credit cards leader. Itaucard and Unicard offer a broad portfolio of products to 17 million account and non-account holder customers.

In 2008 this segment maintained the same rapid pace of growth seen in recent years, closing the year with a portfolio of R\$15.8 billion and revenues of R\$63.2 billion.

Orbitall, a group company, maintained its leadership in electronic payments processing, reaching 29.3 million cards processed in 2008. Orbitall is attractively positioned as a service provider for banks and retail chains, and this strategy is expected to bring more new customers in 2009 and beyond.

For 2009 Itaú Unibanco's main challenges, in addition to merging its operations, will be growing its customer base and increasing the profitability of its credit cards portfolio.

To achieve these goals we will focus on creating differentiated products and benefits and step up the search for new partnerships.

The main investment for the cards area in 2009 will be in expanding the base of chip cards. This initiative is designed to increase the safety of card operations for customers.

Partnerships

To expand the supply of credit and financial services, Itaú Unibanco has over 2,200 points of sale through joint-venture and operating agreements with major retailers, in addition to 385 commercial partnerships. These partners currently serve more than 23.2 million customers throughout Brazil.

Own Stores

In the consumer credit segment, the Taíi and Fininvest brands provide service to more than 5.2 million customers through 389 dedicated outlets around the country, offering the finest in financial products and services through personal credit, payroll deduction credit, cards, insurance and capitalization (an annuity-like product unique to Brazil), plus the convenience of paying bills and receiving INSS social insurance service.

Socio-environmental Credit Cards

Based on its commitment to socio-environmental issues, Itaú Unibanco offers a range of cards that allow customers to contribute regularly to institutions related to environmental preservation, child and adolescents rights and providing help to special needs individuals.



Socio-environmental Credit Cards*

Name	Theme	Differential
Aqualung Unica Card	Environmental Heritage	Customers make a monthly donation to Instituto Ecológico Aqualung, which promotes environmental education and preservation.
Greenpeace Unica Card	Environmental Heritage	Allows each customer to make a monthly donation to the activities of Greenpeace, an NGO active in environmental preservation.
Fundação Abrinq Unica Card	Child and Adolescent Rights	Customers make a monthly donation to Fundação Abrinq, which works to improve the quality of life of children and adolescents.
Lions Unica Card	Blindness and Cataracts	A contribution of 0.8% of customer spending is provided to Lions Club programs which help people with cataracts and blindness.

* A total of R\$190,000.59 was disbursed by Itaú Unibanco's socio-environmental cards in 2008.

University Student Credit

One of the most effective ways to contribute to the sustainable development of the country is to assist with the education and professional training of young Brazilians. To play its part Unibanco created University Student Credit, which provides funding for studies at subsidized rates, in partnership with post-secondary educational institutions.

With this special line of credit, university students pay only about half the monthly fee, in up to twice the time. With this product Unibanco seeks to facilitate access to higher education and help young people be prepared for the job market.

Payroll Advance Loans

Itaú and Unibanco each had a very strong presence in the payroll advance loan segment prior to the merger, and the new bank will continue to act strongly in this growing market. At the end of 2008 the segment accounted for R\$79 billion, or 55% of total personal credit granted in the domestic financial system.

Both banks had previously created special areas just for this segment, but used different strategies to originate their operations. While Itaú conducted the loans through its branches and electronic channels, Unibanco focused on partnerships and correspondent banking.

In 2008 Itaú's portfolio grew 59% to reach R\$1.4 billion, while Unibanco's portfolio grew 16.6%, reaching R\$1.9 billion.

While still operating separately in October, Itaú and Unibanco both made several acquisitions of portfolios of smaller banks to improve the liquidity of the financial system, under the rights established by Central Bank Circulars 3407, 3411 and 3414.

Microcredit

Itaú Unibanco operates in the microcredit segment to offer credit with special conditions to micro-entrepreneurs throughout the country. These customers typically face difficult access to traditional financing lines.

Itaú and Unibanco employed different strategies for this segment: Itaú established partnerships with civil society organizations of public interest (Oscips) to identify projects to be supported, in addition to providing loans to clients through the branch network, while Unibanco provided credit directly to non-account holders in low income communities. These three approaches are now part of the new bank, and form the basis of considerable growth potential for Itaú Unibanco's operations in this segment.

Itaú began its activities in partnership with social organizations in disadvantaged communities in 2005, and since 2007 has maintained an area dedicated solely to the segment. The current strategy is to establish partnerships with Oscips that act as microcredit institutions in poorer communities within larger cities (*see photo below*). These partners are responsible for evaluating requests for credit and choosing the projects to be benefited. In 2008 alone micro-entrepreneurs received about R\$8.3 million in financing.



The team from Acreditar, an Oscip from Chã de Alegria in the State of Pernambuco.

At the end of the year Itaú had five Oscip partners. To increase that number and help promote the segment in Brazil, in September 2008 the bank launched the *Guide for the Creation of Microcredit Institutions*.

Microcredit for account holders is marketed in Itaú branches, eliminating the need for these customers to show how the loan will be used. This is a low interest personal loan provided in instalments of up to R\$1,000 to customers with limited financial resources. In 2008, 53,000 loans were made, totalling R\$48.6 million.

Unibanco was the first privately-controlled bank in Brazil to operate in the manufacturing microcredit segment, offering financing to low-income formal and informal entrepreneurs since 2003 through Microinvest. The IFC (International Finance Corporation), the World Bank's arm that finances private projects, has a 19.9% equity stake in Microinvest. In 2008 Microinvest completed the first technical cooperation project for the development of a technological credit analysis platform and model. This project was undertaken in conjunction with CGAP, a world leader in promoting access to financial services for the base of the social pyramid. In December a new agreement was signed with the Inter-American Development Bank to strengthen the management structure and support the use of the sector's best practices.



Microinvest agent at work in Heliópolis in São Paulo.

Microinvest began operating in the city of Rio de Janeiro, and its success allowed it to expand to the rest of the State, and then on to the metropolitan regions of São Paulo and Porto Alegre. It later extended its operations throughout all of São Paulo State, as well as into the States of Minas Gerais and Espírito Santo, and areas in Rio Grande do Sul State.

In December 2008 Microinvest had about 70 lending agents, twice that of the previous year, and was operating in over 150 locations, including the communities of Rocinha in Rio de Janeiro and Paraisópolis in São Paulo.

Another Microinvest initiative is the training of entrepreneurs. In April 2008 approximately 600 people received training in basic accounting, business management and the conscientious use of credit. The training is given in two modules: the first lasts three days while the second runs for six months.

Since beginning its operations in 2003, Microinvest has provided more than 20,000 loans, totalling R\$58.5 million, at a minimum rate of 2.88% interest per month and a maximum of 4%.

Vehicles

Itaú Unibanco's motor vehicle finance segment enjoyed considerable success in 2008, due to major growth in its portfolio, and cross-selling related products.

In 2008 Itaú's vehicle finance and leasing credit rose 17% year-on-year to reach R\$27.3 billion, while the market itself grew just 8%. The credit portfolio was R\$41.2 billion at year-end, up 37% from 2007.

Unibanco's vehicle loans totalled R\$7.5 billion in 2008, 6% better than in 2007. Its credit portfolio at year-end was R\$8.1 billion, up 35% year-on-year.

This performance maintained Itaú Unibanco as the vehicle financing market leader.

Itaú's structure for heavy vehicles further established itself at the national level, and represented approximately 7.3% of Banco Itaú's new financing and leasing contracts, while the corresponding figure for Unibanco in 2008 was 13.4%.

Banco Itaú also consolidated its nationwide motorcycle financing activities during the year, and reached a financing agreement with motorcycle manufacturer Dafra. Total loans in this segment reached R\$1 billion in 2008.

Jointly, Itaú and Unibanco closed the year with 3.3 million clients with financing.

Of the 2.9 clients in the Itaú portfolio, 1.2 million already had Itaú insurance while about 700,000 had Itaucard or Fiat Itaucard credit cards.

Currently, Itaú Unibanco offers consumer loans through 15,200 light automobile, truck and motorcycle retailers and dealerships nationwide. All credit requests are submitted and processed via Internet, which offers greater security and faster approval times for dealers and customers.

The two banks' operations will be integrated during the first quarter of 2009, resulting in a platform offering Itaú's distribution innovations and Unibanco's credit control structure.

Property Loans

The merger between Itaú and Unibanco strengthens the positioning of the new bank in property loans. The two institutions each had a different focus, but will now have complementary business operations. The new combined real estate financing portfolio totalled R\$6.2 billion in 2008, a 41.2% year-on-year increase.

During the year Itaú Unibanco created socio-environmental risk identification tools for financing prospective real estate projects. The methodology is in the pilot phase and should be fully implemented in 2009.

This action is in keeping with the bank's current sustainability policies, and is designed to encourage sustainable corporate credit practices.

Insurance, Pensions and Capitalization

The insurance, pensions and capitalization area has taken on an added dimension with the merger of Itaú and Unibanco, and is structured to meet the various market segments, focusing on customer satisfaction and risk management.

Itaú Seguros and Unibanco Seguros (the insurance arms of both institutions) are present in every region of Brazil through 16,000 active insurance brokers, 61 Broker Service outlets and 30 Quick Service Centres. They also operate via remote channels, direct distribution and through partnerships with retailers, credit cards and many of the financial areas of Itaú Unibanco.



In 2008 Itaú Unibanco insurance operations generated R\$7.1 billion in premiums earned (excluding Health), making it the industry leader, with a 16% market share.

The two banks have invested heavily in recent years to improve their operations, products and services. Itaú Unibanco intends to maintain its insurance leadership in 2009 and consolidate its participation in pensions, employing a differentiated sales process that emphasizes the value proposition of its products, which are designed to prevent losses in asset value and ensure a more secure future for its customers. The bank's portfolio of individual pension plans closed the year with R\$3.9 billion in technical reserves, up 18% from 2007.

Brokers Club events bring our insurance teams and key partners together.

In November 2008 Unibanco paid US\$805 million to purchase American International Group's (AIG) 50% share of Unibanco Seguros, ending 11 years of one of the most successful partnership stories in the domestic insurance market.

This partnership with the world's largest insurer also brought the knowledge to allow Unibanco to operate in Brazil's recently opened reinsurance market, which had been a monopoly for close to 70 years. This acquisition makes the new bank a market share leader in sales and expertise in insurance for large companies. It also further strengthens its leadership in extended warranty policies, which lengthens the guarantee given by manufacturers of white and brown goods such as refrigerators, freezers, stoves and other appliances. In 2008 Unibanco maintained its leadership in this area, garnering a 76% market share in Brazil's extended warranty segment, through retail chains.

In the corporate private pension plan segment Itaú and Unibanco had revenues of \$1.9 billion in 2008. To continue offering the finest products Itaú and Unibanco will be consolidating their efforts through pre- and post-sales consultations. This will allow customers to always have products which best suit their needs, plus a steady supply of new services.

In 2007 Unibanco became partners with AACD (Disabled Children's Assistance Association), and since then part of the revenues coming from its capitalization plans has been given to AACD to help it treat children with disabilities. In 2008 the AACD received over R\$4.7 million from Unibanco, which allowed over 106,000 children to be helped.

The combined capitalization operations of Itaú and Unibanco generated total revenues of R\$1.7 billion in 2008, representing a market share of 16%. Technical provisions for insurance, pensions and capitalization reached R\$42.7 billion at December 31, 2008, up 22.7% from 2007.

Differentiated Products

In 2009 Itaú and Unibanco will continue to develop innovative products in the insurance, pensions and capitalization areas. Following are some of the latest innovations in these products:

- Company pension plans, including Consumer Client Easy, and family plans like Flex Prev Itaú Business and Stages of Life;
- Itaú Vehicle Assistance, with monthly fees of R\$19.90, designed for people who cannot buy car insurance but who need services like towing and electrical and mechanical help for breakdowns, plus a locksmith and life protection;

- Residential insurance policy costing less than R\$68 per month, targeted to low-income people and providing home care services such as a locksmith, electrician, plumber and appliance repair; and
- Various Personal Accident, Home, Life and Credit Life insurance products at a lower price for customers with less purchasing power (Fininvest and Hipercard).

Corporate Insurance Solutions

The Itaú Unibanco structure is dedicated to serving major industrial and commercial customers in the construction, chemical and petrochemical, power generation and infrastructure industries, among others, and the bank is very active in this segment. Unibanco and Itaú's insurance arms have been key players in recent years and together lead the sector in premiums earned and retained.

The high risk policies written by Unibanco Seguros are often done through domestic and foreign reinsurers. This allows Unibanco to offer differentiated conditions to each client, based on their operational and production needs.

Established in 2006, Itaú XL is a partnership between Itaú Holding and the XL Capital group. Thanks to its success at closing domestic clients, Itaú XL has consolidated a leading position in premiums retained in the high risk segment for companies with annual revenues over R\$70 million, or insured values over R\$30 million.

The implementation of a new management tool allows the commercial area to identify each client's overall relationship with the bank. This allows us to offer the products and services best suited to their needs and aspirations, ensuring greater customer satisfaction while also helping us gain new clients.

Itaú also played an important role in the reconstruction of areas damaged by the floods in Santa Catarina State, covering the majority of client losses. Despite the large amount of money paid out, it had little effect on the results of Itaú Seguros, as the loss to the group was within expected calculations. Since 1987 it has been Itaú's policy to purchase reinsurance to protect the assets of the company against disasters.



Seguro Auto Itaú event.

Environmental Insurance

In 2005 Unibanco pioneered the introduction of Civil Liability for Environmental Pollution Damages. This product was developed to meet the needs of companies who are concerned about their impacts not only in the communities where they operate, but also on the environment.

In this highly select market the product increased its client portfolio by 27% in 2008, covering an insured amount of \$530 million, representing R\$13.3 million in premiums issued.

International Expansion

Itaú Unibanco has already begun expanding its insurance and pensions operations in Latin America. In April 2008 Itaú acquired 100% of the equity of Union Capital, a Uruguay-based pension management company with 175,000 customers and about R\$440 million in assets under administration at December 31, 2008, which represents approximately 17% of all pension fund assets in that country. In Chile, an important private pension plan and life insurance market, Itaú opened a life insurer in December 2008, whose initial focus is to serve the bank's customers.

Climate Change

Itaú Seguros and Unibanco Seguros are part of the Climate Change Committee of the National Confederation of Private Insurance, Private Pension and Capitalization (CNSeg). The committee's objectives are to discuss and propose research on the impacts of climate change on the insurance industry and to assess measures to mitigate risks for governments, businesses and society.

Insurance companies worldwide treat climate change as a factor in increased risk for their operations because of potential losses due to events such as hurricanes, floods, droughts, earthquakes and other weather events.

Small and Medium Enterprises

Small and middle market companies (SMEs) are a priority segment for Itaú Unibanco in 2009, offering the bank considerable room for expansion to provide loans and other services to this group.

In addition to the goal of better positioning itself to offer credit within this market, Itaú Unibanco estimates that in 2009 the segment will achieve superior financial results. Given the global economic slowdown, small and middle market companies in the domestic market have greater potential for taking up banking products and services. Accordingly, the new bank expects to maintain its investment in this area in 2009.

The focus on growing the commercial client business at both Itaú and Unibanco generated excellent results in 2008, primarily in gaining new small and middle market clients. Itaú's active client portfolio rose from

Innovations

Several new features were added to the commercial client segment by Itaú Unibanco in 2008, including:

- A mobile service allowing transactions to be conducted via cellular phone, including transferring funds, authorizing payments and purchasing products;
- The Express Collection service allows the on-line issue of procurement and collection forms;
- Online Exchange helps cut bureaucratic red tape for foreign exchange and other international trade services.

506,000 companies in 2007 to 743,000 in 2008, an 80% increase in assets representing R\$29 billion. Coverage rose 33% to reach R\$30 billion. At Unibanco, with a client portfolio of 660,000 companies, credit operations rose to over R\$13 billion in assets.

A variety of efforts contributed to these good results. The main factors were segmenting companies by sales, which placed greater attention on customer needs, and increased points of service in companies around the country.

One of the goals for 2009 is to continue introducing products that prioritize ease of access, enabling companies to use the internet even more without having to go to a bank branch. The main challenge for the managers of our client companies is finding tools that facilitate the daily running of their operations, including services, pricing, customer service and access to financial information. The products for very small, small and middle market companies consist of transactions with guaranteed receivables, overdraft, guaranteed account, plus working capital and BNDES/Finame loans, among others. These products enable cross-selling actions such as payroll, store affiliations and credit card company partners.

Wholesale and Investment bank

The wholesale and investment bank segments, for companies with average annual revenues exceeding R\$150 million, has become more competitive with the merger between Itaú and Unibanco.

The major benefit for the bank's 2,000 client companies is an increased ability to grant credit to each client and the complementary nature of products offered, which increases its ability to meet the specific needs of its customers.

Itaú and Unibanco's wholesale and investment bank operations are directed through Itaú BBA, which has remained independent within the new structure of Itaú Unibanco. This investment bank has international coverage and industry sector expertise, focused on long-term client relationships and institutional investors. In 2008 the wholesale bank posted good results in its differentiated products and services such as cash management solutions and structured transactions while growing its asset portfolio.

During the year Itaú BBA maintained very steady growth with corporate, treasury, international and investment banking clients.



In 2008 Itaú Unibanco's Corporate area participated in R\$20.1 billion worth of debenture and promissory note issues and R\$2 billion worth of securitization deals. In equities it was coordinator and bookrunner for initial and secondary public offerings totalling R\$31.8 billion.

In July 2008 Itaú BBA was named Best Investment Bank in Brazil by *Global Finance* magazine, an American publication which covers financial institutions worldwide.

In 2008 Unibanco's wholesale division offered differentiated services in credit, cash management and structured deals (using derivatives) through its commercial structure of six offices in five states.

The worsening global economic situation in the third quarter of the year slowed the rate of development of external operations, due to a lack of liquidity in the markets.

Faced with this economic slowdown, a key element of the bank's performance in 2009 will be to step up its relationships with customers, offering them the finest specialists in the market to help companies meet their needs in managing the financial crisis.

In the capital markets in 2009 the main opportunities will be in mergers and acquisitions. During the second half we envision more companies electing to go public, though this number will fall short of the 76 share offerings in 2007, which was an atypical year.

Itaú BBA will be focused on the merger with Unibanco and the implementation of centralized treasury operations to serve the entire group. This will reduce operational and financial risks by bringing gains in efficiency and better control of treasury operations.

Itaú Corretora

Itaú Corretora (Itaú's securities brokerage arm) traded R\$124 billion worth of securities on the São Paulo Stock Exchange in 2008, up 14% year-on-year. It also traded 11 million contracts on the BM&F futures exchange.

In concert with Banco Itaú BBA, Itaú Corretora participated in placing six equity issues totalling R\$8.5 billion, while home broker Itautrade ended the year with total trades worth R\$13.1 billion, a 52% increase from 2007.

Itaú Corretora is consolidating its strategic position as the leading specialist on Brazil, with highly trained research teams and a presence in key global markets such as New York (Itaú USA Securities) and Hong Kong (Itaú Asia Securities). Brokerage offices were also opened in Dubai (Middle East Itaú Securities) and Tokyo (Itaú Asia Securities - Tokyo Branch), increasing its placement and sourcing capabilities.

Innovations introduced to clients in 2008 include Itaú Mobile Broker and 3G content, a pioneering entrant in the Brazilian market which allows customers to buy and sell shares and get reports via their cellular phone.

Through the support of the foreign customer channel, Itaú secured various partnerships in 2008. Japanese investors now have access to various fixed income funds and securities through partnerships with Nikko Asset Management and Daiwa Securities, while other funds were launched in Scandinavia (Nordea Bank) and Canada (Excel Funds).

Derivatives

Itaú Unibanco has a team of professionals that specialize in selling structured notes (Credit Linked Notes) and derivative-based instruments which can be linked to any type of financial asset. These products enable investors to have the benefits and risks of a particular asset, without having to buy it in the outside market. These products include interest rate swaps, which allow the exchange of one type of interest rate by another, such as swapping a fixed rate for a floating rate. A currency swap allows the indexing of one currency to another that may be more attractive, allowing foreign exchange hedge operations.

The latter product, the foreign exchange swap, despite being an efficient tool to protect a company, generated losses for a group of our commercial clients that was confronted with the sudden and considerable strengthening of the American dollar against the Real in the last quarter of 2008.

Despite the losses, these companies adjusted to the situation with the help of bank professionals. This experience served to increase the transparency level of information regarding exotic derivatives. When buying this product, clients must sign a document showing they are aware of its inherent risks, and informing us if they have this same product at any other bank.

Special Lines of Credit

Itaú Unibanco offers financing lines that encourage client companies to employ good sustainability practices. On April 4, 2008 Unibanco and the International Finance Corporation (IFC), the private sector financing arm of the World Bank, signed an agreement for a line of credit designed to finance projects and activities related to good practices such as cleaner production, renewable energy and sustainable construction. This R\$75 million credit line is the fourth project between the IFC and Unibanco, and the first with a focus on sustainability. At the time of writing the new bank had signed two onlending contracts – which include clauses relating to human rights – using a total of R\$40 million of IFC monies.

Unibanco is committed to promoting technologies and projects that help combat global warming, and in 2007 secured the first agreement between Japan and Brazil to finance Clean Development Mechanism (CDM) projects under the Kyoto Protocol. The result of this agreement was the establishment of a US\$50 million financing line for up to 12 years for the carbon credits market. Funding can be used for the development of greenfield ventures or to implement a CDM in existing projects.

In April 2008 Itaú signed a contract with BNDES (Brazil's Development Bank) to distribute funds through its Proesco (Support Program for Energy Efficiency Projects) line, becoming Brazil's first privately owned bank able to make shared-risk loans with BNDES.

Proesco focuses on encouraging energy efficiency in projects that contribute to reduced consumption and rational use of energy, through the financing of studies, works, facilities, equipment and specialized technical services.

Investshop

In 2008 Unibanco's brokerage arm Investshop traded a total of R\$40.4 billion in equities.

Investshop's equity research is recognized as one of the best in the market, covering a large number of industries and companies. Continual investments in people and technological infrastructure help Unibanco Investshop to provide consistent quality to its customers.

In addition to the main sectors traditionally found on the stock market, whose companies are followed by numerous analysts, Investshop professionals cover new sectors such as logistics, agribusiness, healthcare and financial services, and provide comprehensive reports of each to clients.

Alternative Investments

Kinea is a differentiated alternative investment company belonging to Itaú Unibanco, independently managed and run by a team of aggressive, dynamic and innovative professionals.

Founded in 2007, the company is committed to generating superior returns and bases its decisions and actions on business ethics, strategic consistency and transparent operations. In 2008 Kinea operated in two distinct fund classes:

Hedge Funds (multi market) and Real Estate Equity (property acquisition). In 2008 it launched Kinea Systematic, a multi-market fund which uses quantitative strategies to grow its portfolio.

Asset management

Funds and portfolios managed by Itaú Unibanco in this segment totalled R\$290 billion at the end of 2008. An international presence is part of Itaú Unibanco's strategy to position itself overseas as the largest specialist Latin American asset manager.

In 2008 Itaú and Unibanco also maintained the socio-environmental funds in its combined portfolio (see table), which allocated monies for social and environmental projects or invested in companies with good corporate governance and corporate social responsibility practices.



Socio-environmental Funds

Name	Differentials	Portfolio Value* (in R\$ millions)
Itaú Social Excellence Fund	Invests in companies that have differentiated social responsibility practices. Allocates 50% of management fees to social projects.	242.9
Corporate Governance Fund	Invests in companies that have differentiated corporate governance practices.	278.9
Eco-change Fund	Allocates 30% of management fees to support actions which reduce carbon emissions.	135.3
Unibanco Private Social Fund and Unibanco Multigestor Social II	Donates part of its earnings to educational and vocational-related social projects.	5.8
UAM Sustainability Fund	Invests in companies that are part of the São Paulo Stock Exchange Corporate Sustainability Index.	3.4
Unibanco AIG Corporate Social Responsibility Fund	Invests in companies that are part of the São Paulo Stock Exchange Corporate Sustainability Index.	1.3
Unibanco AIG ARPA Fund	Solely for the management of monies provided to ARPA (Amazon Protected Areas Program).	2.8

*At December 31, 2008

Banco Itaú is now responsible for selecting the assets of the Latin America fund managed by Nordea Investment Funds, Scandinavia's largest fund manager, with more than 10 million customers. The asset management division will determine the securities that will be in the fund's portfolio, which were worth approximately R\$62.5 million in November 2008. This is the fourth such fund managed or advised by Itaú, which has set up an analysis team in Mexico.

In addition to the partnership with Nordea, which will distribute the fund in 16 European countries, Itaú Unibanco will be the adviser for Brazilian and Latin American fixed income and equity funds in Japan, South Korea, Portugal, Argentina and Chile.

Unibanco Asset Management (UAM) was the first institution in Brazil to specialize in third-party asset management. UAM finished 2008 with a 3.2% increase in assets under management and administration, reaching R\$56.7 billion.

Since July 2001 Standard & Poor's has classified UAM as "AMP-1" (very strong). This classification is the rating agency's opinion on UAM's quality of its practices and procedures for managing third-party assets, which range from AMP-1 to AMP-5 (very weak).

The funds managed by UAM have won numerous awards from industry publications including *Exame Guide to Personal Investments*, Valor Invest (Top Management of Fixed Income and Equities), *Gazeta Investe* and *Investidor Institucional*.

In September 2008 three UAM Funds (two multi-market and one equity) received the seal of excellence in a ranking conducted by PPS Consulting for *Investidor Institucional* magazine.

During the year UAM was also the first large Brazilian manager to adopt the United Nations Principles for Responsible Investment (PRI). This initiative is designed to incorporate social, environmental and corporate governance in investment decision making. As a representative of investment funds under its management and by signing the PRI, UAM employs criteria for assessing the sustainability of the companies in which it invests, and shares experiences with other PRI participants worldwide with respect to these three pillars of sustainability.

In June 2008 UAM disclosed its voting policy, which establishes the principles, rules and procedures that govern the company when voting at shareholders' meetings as a representative of the investment funds under its management.

The fund managers believe that the sustainability of a business is built on three pillars: environmental preservation, social development and good corporate governance. Accordingly, they must view their investments from this perspective when exercising their right to vote on behalf of others, approving motions which in their view add value to the assets in their portfolios, and against those motions that destroy the value of these assets. The managers must also act in defence of issues related to the sustainability of a business when deciding to exercise their right to vote.

Private Banking

The merger between the largest and second largest privately controlled banks in Brazil created the biggest administrative structure in the country, by assets. In addition to being the undisputed leader in Brazil, the new bank seeks to become the leader in Latin America and forge a prominent position among global competitors.

In Brazil the new Private Bank has extensive service coverage in São Paulo, Rio de Janeiro, Belo Horizonte, Recife, Porto Alegre, Curitiba and Goiânia. Worldwide it is present in Luxembourg, London, Miami, Grand Cayman and the Bahamas, and in 2009 will open a new bank in Zurich. In Latin America it operates in Chile, Argentina, Uruguay and Paraguay, and plans to enter Mexico.

To improve the service to its customers – individuals with assets of over R\$2 million – the structures were separated into Brazilian and foreign clients, including the management of international subsidiaries.

As the products and services offered are highly complementary, the new Private Bank will provide customers with substantial support in determining investment policies, through a diverse portfolio of its own and third-party products and services consisting of fixed income and equity funds plus derivatives, as well as asset planning and management, international credit card operations and structured transactions.

Itaú Unibanco Private Bank is the sum of its talents. Its professionals are CFP (Certified Financial Planner) certified, which is the internationally recognized standard of excellence for personal financial planning.

Throughout 2009 the Private Bank will focus on offering more complete services to maintain its position as its clients' preferred bank, and strengthen its efforts to secure new customers.

International Operations

Be a global bank. This is Itaú Unibanco's long-term goal. As the largest privately-controlled bank in the Southern Hemisphere it is well-placed for international expansion in coming years. Prior to the creation of the new bank in November 2008, Itaú and Unibanco had operated independently abroad.

Itaú has built its international presence based on strategically positioned units in the Americas, Europe and Asia, allowing significant synergies in foreign trade finance, the placement of Eurobonds, offering more sophisticated financial operations (Structured Notes), and private banking operations through Banco Itaú Europa Luxembourg. Itaú operates in New York (Itaú branch, Broker Dealer and Itaú BBA representative office), Grand Cayman (branch and Itaubank Ltd., a subsidiary bank), Nassau (Itaú branch and Itaú BBA branch), Lisbon, Madeira, London, Luxembourg and Miami (Banco Itaú Europa), Argentina (Banco Itaú Argentina - 81 branches), Chile (Banco Itaú Chile - 67 branches), Uruguay (Banco Itaú Uruguay - 17 branches), Tokyo and Toyohashi (branches in Japan), Hong Kong (Broker Dealer) and Shanghai (representative office).

Unibanco owns one of the largest retail banks in Paraguay, Interbanco, which operates in the international market to serve foreign customers interested in Brazil and offer its customer base access to financial resources available in the international market. Its overseas structure includes securities brokerage, a representative office in New York and a banking subsidiary in Luxembourg.

Europe

Banco Itaú Europa (BIE), based in Lisbon, has branches in London and Madeira, permanent representative offices in Madrid, Paris and Frankfurt, plus subsidiaries in the Cayman Islands, Luxembourg, Miami and Nassau. It enjoyed superior results in 2008 due to its strategy of supporting European company investments in Brazil.

BIE's strategic focus in this increasingly internationalized economy is to capitalize on the advantages of being a European bank with the knowledge of Latin American markets, especially Brazil. BIE has been successful in the key business segments where it operates: allocation and distribution of structured finance to corporate clients, capital markets, treasury and international private banking.

The provision of structured finance products to foreign trade and capital markets generated consolidated assets of €5 billion in 2008, up 11.7% from 2007. Corporate credit operations reached €2.4 billion, consisting of structured loans primarily associated with the financing of Brazilian exports.

BIE's consolidated net income reached €19.6 million in 2008. The banking product generated €120.4 million, a 6.5% increase over 2007, demonstrating, apart from the stable contribution of the financial margin, increased performance from the capital markets, treasury and international private banking areas.

BIE's international private banking activity, developed through the company's subsidiaries, finished the year with US\$6.1 billion in assets under management and about US\$2.5 billion in deposits received from clients.

BIE's investment grade status (Baa1 from Moody's and BBB+ from Fitch Ratings) has been an important support factor for its diversified funding sources.

Americas

Argentina

Banco Itaú Argentina (BIA) ended the year with 81 branches, including two new branches in the interior (Neuquén and Salta), plus others located in Federal capital and the provinces of Buenos Aires, Santa Fé, Mendoza, Córdoba and Tucumán. It also opened 19 new commercial platforms in the corporate segment in 2008. During the year the customer base increased 17%, reaching a total of 236,000 individual customers and 5,800 commercial clients.

Total assets at the end of 2008 were \$2.5 billion, representing 30% year-on-year growth. The loan portfolio grew 24% to R\$1.6 billion, while deposits reached R\$2 billion, up 22% from a year earlier. Net income from operations was R\$13 million.



Banco Itaú Europa's office in Luxembourg.

Banco BPI

Itaú holds an indirect equity stake of 18.9% in Banco BPI SA, the fourth largest privately controlled financial group in Portugal. At December 31, 2008 Banco BPI had consolidated assets of €43 billion, shareholders' equity of €1.49 billion and net income of €150.3 million.

These results reflect the negative impact of its €184.4 million financial stake in Banco Comercial Português, early retirement costs of €27.7 million, plus €130.6 million in gains through the sale of its 49.9% share of Banco de Fomento Angola (BFA).

The effect of this equity ownership on the consolidated profit of Itaúsa was €14.5 million, a drop of approximately 56.3% from €33.1 million in 2007.

Chile

In 2008 Itaú continued to expand, opening seven new branches to bring its total to 67 branches in the country, and created Itaú Chile Compañía de Seguros de Vida. During the year its organic growth was supported by a focus on quality customer service in the ABC1 segment, and the bank now has a 16% share of this market. The number of consumers individual rose 11% to reach 81,000 at year-end – putting the bank in 4th place in the accounts ranking among privately controlled banks – up from 66,000 accounts in 2006.

Consolidated assets increased by 45% and now total R\$11.9 billion, thanks to growth in the foreign trade, leasing and mortgage portfolios. The loan portfolio increased 32%, finishing the year at R\$8.4 billion, while deposits reached R\$7.7 billion, up 48% year-on-year. During the period the bank issued US\$64 million in subordinated bonds and undertook a capital increase of US\$47 million.

Net income from operations was R\$140 million, due in part to increased revenues from the credit portfolio and foreign exchange gains, though these were offset somewhat by increased provisions for doubtful loans and increased staffing costs. At December 31, 2008 the bank's solvency ratio was 12.8%, one of the highest in the domestic system.

Paraguay

Unibanco is active in Paraguay through Interbanco, one of the country's largest banks, which operates in all segments of the financial market. Interbanco was acquired by Unibanco in 1995, and now has 22 services points, including representative offices, branches and three banking services outlets. Interbanco is the domestic leader in offering products and services: it operates in a variety of segments and has the largest customer base in the country. It is also recognized as one of the 25 best banks in South America, and for two consecutive years was named Best Bank in Paraguay by *Global Finance* magazine.

Uruguay

In 2008 Banco Itaú Uruguay acquired 100% of Unión Capital AFAP, a Uruguayan private pension plan company with 175,000 customers and assets under management of R\$483 million, which represents approximately 17% of all pension fund assets in Uruguay.

Banco Itaú Uruguay (*see photo on facing page*) grew its domestic assets by 64% in 2008, reaching R\$3.3 billion. The credit portfolio rose 47% to R\$1.6 billion, while its customer base increased 18%, totalling 107,000 clients in the ABC1 segment and 8,000 commercial clients. The bank now has 17 branches with the 2008 opening of a branch in Salto (one of the country's largest cities), and has a strong presence in the agriculture and agribusiness sectors.

Net income from operations reached R\$83 million in 2008, up 69% from 2007. This result was due principally to foreign exchange gains, increased revenue from credit cards and the merger with Unión Capital Afap.

Asia

Itaú is active in Japan and China through Itaú Corretora in Hong Kong and an Itaú BBA representative office in Shanghai. Its largest operation is in Japan, which is home to hundreds of thousands of Brazilians of Japanese descent.

The Tokyo branch team has 21 staff members. Customers can also perform transactions through JP Bank, which has 233 branches in Japan. In 2008 Itaú's customers in Japan sent US\$221 billion in remittances to Latin America.

In May 2008 Itaú opened a sub-branch in Aichi, in the city of Toyohashi, where some 35,000 Brazilians reside. It also expanded its activities in treasury and sourcing funds in the domestic Japanese market.



Itaú branch in Montevideo, Uruguay.

Commitments and Practices

- Commitments
- Employees
- Clients
- Stockholders
- Suppliers
- Media and Public Relations
- The Community
- The Environment

108,000 employees =



In this chapter

Information about Itaú Unibanco's participation in external initiatives for sustainable development, as well as its principal relationship practices with stakeholders.

- People management tools
- Benefits of the merger for customers
- Communication channels and relationship directives for stockholders, suppliers, the media and the community
- Investments in eco-efficiency and environmental education

Maracanã stadium filled beyond capacity

If all our employees were put together in Maracanã, Brazil's most famous soccer stadium, many would have to use the field, as the seating capacity is only 87,101.

57%

of Itaú Unibanco's employees are women

3,000

Itaú Unibanco branches have been adapted to serve special needs customers

46,000

companies form the supplier base of the new bank

Commitments and Practices

Social and Cultural Investments

Appendices

The responsibility of leadership

Itaú Unibanco combines the values and attitudes of each institution to strengthen its commitments to respect human rights, social responsibility and ethical conduct. The merger also increases the responsibility of the largest privately-controlled bank in the Southern Hemisphere to lead the global financial sector in promoting sustainable development through its services, processes, products and relationships.

The bank employs monitoring and accounting instruments consistent with internationally recognized commitments such as the Global Compact, Equator Principles, Global Reporting Initiative (GRI) guidelines and AA1000 and SA8000 standards.

Its business practices comply with financial sector codes of ethics and meet the practices requirements of the Dow Jones Sustainability Index (NYSE) and the São Paulo Stock Exchange Corporate Sustainability Index (Bovespa ISE), as well as other market standards.

Voluntary commitments and representation

• **Equator Principles** – Itaú and Unibanco have been signatories to the Equator Principles since 2004 (*read more on page 44*).

• **Global Compact** – As part of the group of companies that have joined the Global Compact, Itaú and Unibanco have committed to adopt the business practices of its ten principles in the areas of human rights, labour relations, protecting the environment and combating corruption.

• **Carbon Disclosure Project (CDP)** – The CDP is a global initiative designed to report to investors on the greenhouse gas emission inventories of large corporations, and inform them of the risks and opportunities caused by climate change. Itaú and Unibanco are signatories to the CDP and respondents in Brazil. In 2008 Itaú became a sponsor of the CDP's expansion in Latin America.

• **Greenhouse Gas Protocol (GHG Protocol)** – The GHG Protocol is the international standard for managing emissions of greenhouse gases (GHGs). Itaú and Unibanco use the GHG Protocol methodology in their inventories, and Itaú is a founding member of the initiative in Brazil.

• **Forum on Latin American Sustainable Finance (LASFF)** – Itaú and Unibanco take part in the activities of the Forum, which are coordinated by Fundação Getúlio Vargas and designed to promote sustainable finance in Latin America.

• **UNEP - Finance Initiative** – Itaú is a signatory to the UNEP-FI, a global partnership between the United Nations Program for the Environment and the financial sector. They are also part of the Latin America Task Force, which helps spread the content and practices of Sustainable Finance to other financial institutions.

• **Institute of Social and Ethical Accountability** – By joining this UK-based institute, Itaú Unibanco has become part of a global network of companies committed to sustainability.

- **Education for All** – Fundação Itaú Social is part of the governance board and is one of the organizations which maintain this group's actions. Education for All is an alliance of various companies, organizations and institutes, including Instituto Unibanco, that share the goal of ensuring quality primary schooling for all Brazilians by the year 2022.

- **National Pact for the Eradication of Slave Labour** – Itaú became a signatory to the pact in 2008, and requires its value chain to comply with this initiative.

- **Principles for Responsible Investment (PRI)** – Unibanco Asset Management (UAM) began adopting the PRI in July 2008, becoming the first major investment fund manager in Brazil to do so. Launched in 2006, the initiative seeks to incorporate social, environmental and corporate governance aspects in investment decision-making.

- **Sustainability Strategy Reference Group** – Since 2007 Itaú has been part of the Sustainability Strategy Reference Group, which was formed by the Ethos Institute of Business and Social Responsibility. The companies participating in the group seek to structure a cooperative program to share knowledge and learning related to sustainable management goals and processes.

- **Sustainability Reference Centre** – Itaú and Unibanco are part of the **Sustainability Reference Centre at Fundação Dom Cabral**, which promotes studies and discussion on sustainable development. Unibanco is also a member of Fundação Dom Cabral's **Centre for Responsible Retail Development**, which works to generate knowledge for retail companies and their supply chain components.

- **National Forum on the Prevention and Eradication of Child Labour (FNPETI)** – Fundação Itaú Social is part of FNPETI, a non-governmental approach to coordinate, mobilize and educate Brazilian society on the prevention and eradication of child labour exploitation.

- **Brazilian Business Council for Sustainable Development (CEBDS)** – Itaú and Unibanco are part of the Technical Chamber of Sustainable Finance (CTFIN) of CEBDS, whose mission is to help financial institutions take an active role in promoting the principles of sustainable development.

- **São Paulo Social Network** – Fundação Itaú Social is on the Management Committee of the São Paulo Social Network, an alliance of over 100 civil society organizations plus the private and public sector, which address social issues that affect the daily lives of the population. The first challenge is to increase its role in strengthening networks that protect children and adolescents.

- **Sustainable Amazon Forum** – Banco Itaú joined the Forum in 2008, becoming part of a dialogue between companies, governments and civil society organizations to create alternatives for sustainable development for the Amazon.

Evolution of the implementation of SA8000

In 2008 Banco Itaú began collecting data and examining its level of compliance as part of the SA8000 certification process. SA8000 is an international standard designed to improve employee welfare and working conditions.

To obtain the certification, the organization is subjected to a thorough and regular external audit, conducted by an accredited independent certifier. In addition to demonstrating the commitment of the organization and management to Social Responsibility, the certification provides opportunities for continuous improvement of processes such as health and safety, diversity, availability of communication channels and training, among others.

The administrative centres and branch network should be certified by 2012. The first building to be certified, occurring in 2009, is the Alfredo Egydio Tower in São Paulo.

Evolution of the AA1000 implementation

In 2006 Itaú began to implement AccountAbility 1000 (AA1000), an international standard of management recognized as a corporate excellence practice. It establishes criteria for procedures in information collecting, auditing and reporting to improve corporate communication with strategic relationship groups.

This project is expected to last five years, from 2006 to 2010, and is being implemented in three phases: the first is for learning the standard, while the

second and third are related to incorporating it into communication with our strategic relationship groups.

Itaú has already completed the first two phases of the AA1000 implementation: in 2007 it finished the learning cycle, while the first cycle of incorporating the standard ended in February 2009. The bank has now disseminated the standard to more employees, managers and representatives of its strategic relationship groups, and increased the number of engagement and dialogue interactions.

The general purposes were divided into six goals, to be achieved through the following projects or processes:

Goals	Projects/Processes
Build the infrastructure to manage the AA1000 process	<ul style="list-style-type: none"> • Itaú Materiality Matrix. • System to map strategic relationship groups. • Wheels of Dialogue. • Strategic relationship groups indicators.
Improve corporate policies	<ul style="list-style-type: none"> • Sustainability Policy. • Itaú Integrity and Alignment System. • Socio-environmental Risk policy for Commercial credit. • Dialogue and Engagement Policy for strategic relationship groups. • External Evaluation of the Corporate Ethics Policy. • Corporate Policy to Combat Corruption and Bribery.
Develop engagement and dialogue practices	<ul style="list-style-type: none"> • Supplier Relationships program. • Media Relations program. • Compliance with PROBARE (Brazilian Program for Self-Regulation) Code of Ethics. • Compliance with SA8000 Social Responsibility standard. • Security staff training program. • AA1000 Standard dissemination program.
Bring some communication channels within the AA1000 framework	<ul style="list-style-type: none"> • Assessment of the 2005 – 2008 Annual and Social Reports. • Speak Frankly Survey: Organizational Climate. • General Stockholders' Meeting. • Meetings with APIMEC (Capital Market Investment Analysts and Professionals). • Conference Calls with Investors. • Media Monitoring (press clippings).
Document Itaú's main relationship routines	<ul style="list-style-type: none"> • Document Itaú's relationship routines.
Plan Phase 3	<ul style="list-style-type: none"> • Planning Phase 3 of the AA1000 Implementation project.

Itaú Unibanco's actions to meet the Millennium Development Goals

Itaú Unibanco seeks to help Brazil meet the Millennium Development Goals (see table), a United Nations initiative ratified by 189 countries who have pledged to reach the minimum conditions for sustainable development by 2015.

Itaú Unibanco

	1 Eradicate extreme poverty and hunger	Itaú: Fundação Itaú Social, Banco Itaú and Banco Itaú BBA social investments, Itaú Child Program. Unibanco: Instituto Unibanco.
	2 Achieve universal primary education	Itaú: Fundação Itaú Social, Banco Itaú and Banco Itaú BBA social investments, Itaú Child Program. Unibanco: Instituto Unibanco (own projects: Future Youth, Among Youth, Young Apprentices and Tomas Zinner Studies Centre).
	3 Promote gender equality and empower women	Itaú: People Management Policy, Corporate Diversity Program. Unibanco: Diversity policies.
	4 Reduce child mortality	Itaú: Itaú Child Program.
	5 Improve maternal health	Itaú: Women's Health Program. Unibanco: Pregnant Women's program.
	6 Combat HIV / AIDS, malaria and other diseases	Itaú: Program for Prevention of Sexually Transmitted Diseases / AIDS, Health Time Program. Unibanco: Employee health campaigns.
	7 Ensure environmental sustainability	Itaú: Health Time Program, Spring Planting Campaign, Campaigns focused on the rational use of natural resources, Socio-environmental criteria for granting credit. Unibanco: Be OK Program, Partners for Nature Network- CEAs.
	8 Develop a global partnership for development	Itaú: Adoption of the Equator Principles, Socio-environmental criteria for granting credit, Microcredit Support Program, and Marketing socially responsible products. Unibanco: Education for All commitment, Equator Principles, Microcredit and Marketing socially responsible products.

Employees



A Merger of Talents

Itaú Unibanco is in a unique position, facing tremendous opportunities for business growth thanks to the continuing success its employees have generated through their responsibility and hard work over the past years.

Huge challenges lie ahead, but with skill, dedication, respect for ethical values, superior decision-making procedures, efficiency and agility, we can grow far beyond the sum of Itaú and Unibanco's combined work force, which is increasingly reflected in the spirit of a highly integrated and high performance team.

At the time of writing, the bank has mobilized its team by getting them fully involved with mapping out and comparing the people management policies, practices, processes and systems of the two institutions. By identifying the best practices and our combined skills, a new people management model will be built for Itaú Unibanco.

The teams have become a work force with multi-faceted potential, which is fundamental to consolidate the integration process. Together they will further strengthen our business leadership strategy, making the organization a focus for the attraction, development and retention of talent.

Employee Category, by Function*

Itaú Unibanco 2008	
Statutory Directors	198
Management	14,781
Administration	50,111
Production	42,647
Interns**	1,350
Overseas Employees***	488
Trainees**	178
Apprentices	2,371

* Includes all Holding Company subsidiaries

** Banco Itaú, Itaúcor, Itaúcred, Itaúprev, Itaú Leasing, Orbitall, Fic, Fai, Facilita, Trishop, Itaúseg, Icarros, DTVM, Kinea, Itaú Adm. Consórcio, Itaúseg Saúde, Itaú XL, Finaustria Assess., Fina. Prom., Total Serviços, Financeira Itaú, Itaú Holding, BIC, Banco Itaúcard, Banco Fiat and the Unibanco group

*** Staff abroad employed as Senior Executives, and in Administration and Production.

Itaú Unibanco Staff

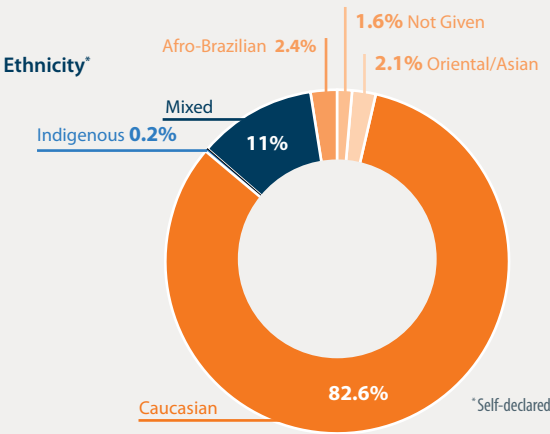
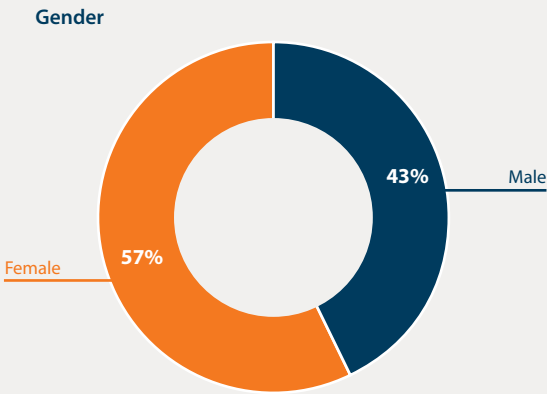
Itaú Unibanco employs 108,027 people in Brazil, of which 71,354 are from Itaú and 36,673 from Unibanco, comprising a group capable of generating more value than simply the sum of its individual skills.

Regional Staff Distribution in Brazil*

Itaú Unibanco 2008	
South	9,301
Southeast	82,025
Midwest	3,911
Northeast	6,228
North	1,188

* Includes 36,185 employees from Unibanco and 66,468 from Itaú. Excludes foundations staff members

Locally-recruited Senior Executives	10,872
Total Senior Executives	13,523
%	80.40





Careers

Attraction and retention

Itaú Unibanco values and encourages diversity, attracting professionals from different disciplines, races, opinions and cultures to contribute to the continuing development of the organization. Our teams are made up of experts in a wide variety of fields, and operate in an environment offering real prospects for professional and personal growth.

We spare no effort to retain talented individuals. During the integration process our employees will help us reorganize our many operating areas to help us better carry out our business strategy.

In 2008 the two banks conducted similar programs to attract employees and young talent.

Following are some of the best practices developed by Itaú and Unibanco during 2008 for internal and external recruiting and valuing employees.

Development actions

- **Career Opportunities Program (POC) –**

This program focuses on choosing the right people to fill employment opportunities at Itaú. The main objectives are to strengthen our work force, offer professional growth and development, retain talented employees and let them play an active role in developing their careers. On average, 3,250 applications are received every month for 800 posted vacancies, including 273 transfers.

• **Training Programs** – Designed for specific business areas at Itaú, these training programs have more than 90 participants. The goals are to attract and develop high potential professionals and turn them into area specialists. The professionals we hire are young, recent graduates who receive training in Information Technology, Capital Markets, Sales and Insurance and Pensions. During the year 74 people were hired for these programs. In 2008 Unibanco trained 119 general managers, split evenly between existing staff members and newcomers from a broad range of backgrounds. Unibanco also trained 193 customer service managers, all of whom were internal promotions. Unibanco's programs are designed to empower employees to excel in their position, and work in areas that help them expand their business vision.

• **Summer Job Internship Program** – Both banks have a program for students who cannot do their training during the school year. Since 2005, when the program was created by Itaú, 116 students have been hired – including 62 in 2008. Unibanco attracted students from leading schools in Brazil and abroad, and in 2008 brought on board trainees who have developed projects in the areas of risks, research and asset management.

• **Young Talents** – In 2008 Itaú held 18 events at Brazilian universities, attracting over 60,000 visitors. For the first time the bank also promoted eight events at American universities, in an effort to attract differentiated talents.

In 2008 Unibanco maintained its strong ties with major universities to attract talented young people. The bank held a total of 13 recruitment fairs at Brazilian universities and sponsored related events at other learning institutions and at schools in the USA.

• **Trainee Program** – Currently this program offers general technical and behavioural training to over 100 trainees in various business areas. In 2008, 50 people were hired through the Itaú program. Unibanco hired 88 trainees in various business and support areas. During the year the trainees participated in talks with executives and guided visits, as well as technical and behavioural training. Each trainee was also given mentors – group executives that help monitor their careers and guide them in their academic studies.

• **Internship Program** – Lasting up to two years, this program allows students to learn the values and practices of both companies. Itaú's regular training program enables students to learn the culture, values and practices of the organization, while helping out with various processes and projects in the business areas. On average, 60% of the interns end up being hired.

In 2008 Itaú took on 669 new interns. Unibanco's internship program offers presence and distance training. Interns develop a project to completion and then present it to a bank examiner. In 2008 the number of interns hired increased over the year before. From 351 total interns, 169 were here hired in 2008, or 48%. In 2007 Unibanco had 355 interns, 42% of whom, or 150 candidates, were brought into the company.

- **Talents Acceleration Program** – This Unibanco training program is designed to map out, select and prepare managers identified as potential talent so they can take on new challenges in the group. There are currently 77 participants. In 2008 behavioural training modules were held which focused on the following leadership skills: “strategic vision”, “effective communication”, “training and inspiring teams” and “lead yourself”.

Itaú Unibanco terminations and turnover rate in 2008, by gender and age

	Terminations	Turnover
Overall	6,840	8%

Gender	Terminations	Turnover
Men	3,361	9%
Women	3,479	8%

Age Group	Terminations	Turnover
under 29	3,387	10.92%
30-49	2,986	6.58%
over 49	467	8.49%

Note: Includes Banco Itaú, Itaucor, DTVM, Pro-Imóvel, Kinea, Itaú Holding, Itaú BBA, Icarros, Orbitall, Itaú Adm. Consórcio, Banco Itaucard, Banco Fiat, Banco Itaucard, SFR, BIC, Unibanco – União de Bancos Brasileiros, S.A., UAM – Assessoria de Gestão de Invest. Ltda., Hipercard Banco Múltiplo S.A., Unicaud Banco Múltiplo S.A., Investshop Corret. Val. Mob. C/S.A., Megabonus, Unibanco Asset Management S/A DTVM, Unibanco Consultoria de Invest. Ltda., Unibanco Serviços de Invest. Ltda. and Unibanco Proj. e Consult de Invest. Ltda.



Recognition Actions

- **Walther Moreira Salles Award –**

Recognizes the best initiatives from Unibanco employees and is divided into seven categories: Innovation, Synergy, Quality, Efficiency, Generation of Business, People Management and Sustainability, the latter of which was created in 2008. Winners in each category receive Unibanco stock and have their practices publicized throughout the company.

- **Partners Program –** Allows top-performing executives to purchase bank stock and receive free shares from the bank. Half of these shares may be sold in three years, and the rest in five years. There were 65 executives in the program at the end of 2008.

- **Attitude Value Program –** Rewards employees who generate improvements in processes for customers or measurable results for the bank. The program has already received more than 5,700 entries and awarded 813 employees, 36 of whom have received a scholarship worth R\$10,000.

- **Star Service Program –** Designed to recognize individual and Itaú team initiatives with good service performance and to encourage the implementation of improvements that prevent the recurrence of problems. In 2008 we analyzed more than 2,839 cases in the Administrative Centre and the branch network, and rewarded 2,600 employees and 35 branches. Demonstrating the substantial motivation and involvement of the teams, 97 employees won a trip within Brazil for themselves and a companion.

Training and capacity building

In 2008 Itaú and Unibanco jointly invested about R\$130 million in employee education, training and development programs.

The Itaú Business School is being developed to serve as a centre of excellence in people development, to ensure leadership in performance and business continuity. The school helps maintain the bank's ISO 9001 certification, which was awarded in 2006. Currently, 452 presence and distance courses are offered to employees from all levels and areas of the organization.

The many challenges in 2009 include the School's key support of the development strategy, with emphasis on special skills and future needs of Itaú Unibanco's business operations. At Itaú, 1,543 managers and specialists also took part in Leadership Development Paths, which focuses on skills and preparation for career advancement. Participants also had access to Improvement Solutions to help broaden their knowledge on issues important to the organization.

The Knowledge Curriculum, launched in 2007 by Unibanco, identifies skills, lists the knowledge necessary to perform different roles and, based on a diagnostic analysis, prepares a series of training sessions. Currently every business area and unit has developed a curriculum.

The knowledge necessary to carry out each function is listed through interviews with directors, superintendents and managers to identify the main short and long-term challenges, and through discussion groups with representatives from several areas.

The two banks each have programs for managers to study abroad. The Unibanco Executive MBA Program allowed employees to register as prospective candidates, with final selection based on performance evaluation and time spent with the organization. The program's second class saw 22 executives graduate in 2008. During the year the third class, comprised of 35 executives, began its studies.



Unibanco also chose staff members to enter MBA programs at some of the world's leading universities. Itaú's A Program fully supports staff members with high development potential to earn a Masters degree and take post-graduate training at major schools and universities overseas. Since the program began in 1983, 152 employees have completed their studies.

The G Program was created in 1999 to fully support staff members with high development potential in business or people management to earn an MBA or take other Masters training at schools in Brazil. Since the beginning of the program 72 people have received their degree.

In-company MBA training conducted by Itaú seeks to supplement and enhance the training of professionals engaged in areas or processes that require considerable knowledge, skills and techniques related to specific topics. In 2008 the bank graduated 91 people in three groups, and started two other classes, totalling 59 participants.

Average hours of training per Itaú Unibanco employee in 2008

Position	
Senior Executive*	9.33
Management	20.97
Administration	21.37
Production	15.62

* in 2008 Itaú's statutory directors did not undertake any training

Distance learning

The Knowledge Click project had 551,000 Unibanco employees registering visits in 2008, who were seeking distance training for their career development, while 365,000 Itaú staff members signed up for 419 in programs throughout the year.

To continue providing training for those with disabilities, an e-learning program was developed in 2008 for all employees of Orbitall, in partnership with Febraban (Brazilian Banks Federation), which in 2007 had helped create a program for 17,900 Itaú staff members. These programs are designed to provide knowledge about how to manage a team with people with disabilities, to develop relationships with customers with disabilities, and provide related information on applicable Brazilian legislation.

Performance and Feedback

Itaú Unibanco uses tools that allow employees and managers to set personal goals which are in keeping with company strategy.

In 2008 Itaú continued to employ the 360° model to measure performance and potential for superintendents, managers and supervisors. It sets guidelines on targets to be achieved by employees and can be used to determine salaries. The Dialogue Development program includes all employees not covered by the Integrated

Management Performance and Potential (GIPP) model. Through dialogue, managers give their employees opportunities for improvement and together they determine development actions such as training and courses. In 2008 about 17,400 employees were evaluated by GIPP, while 40,200 employees were assessed under Dialogue Development.

Itaú also has other development programs and tools, including: Assessment Center, a grading tool based on corporate skills; Coaching, which focuses on developing leaders; and Leadership Review, to evaluate bank Directors.

Unibanco's development tools and programs are designed to help build an internal environment which can improve and reward its employees, and focus on continual growth of organizational and individual performance, based on corporate and personal needs. These tools seek to analyze the career path of the group's leading executives, based on their potential and the performance of their employees. The main programs and development tools are: Strategic People Planning (PEP) and Mentoring.

Unibanco's evaluation system includes employees setting their own goals, performance evaluation and regular feedback.

LEARN MORE

> about Itaú's salary structure in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

Each quarter, employees and their immediate managers set goals to be reached during the period. At the end of the quarter a committee meets to review the performance of each employee. In 2008 approximately 36,000 employees had their performance assessed. This performance analysis is tied to bonuses and post-graduate bursaries, among other benefits. Those employees which score highest have priority in receiving bonuses.

In total, 99% of Itaú Unibanco's employees have undergone performance assessment (companies included: Banco Itaú, Itaucor, Itaucred, Itauprev, Itaú Leasing, Orbitall, FIC, Fai, Facilita, Trishop, Itauseg, DTVM, Kinea, Itaú Adm. Consórcio, Itauseg Saúde, Itaú XL, Finaustria Assess, Fina, Total Serviços, Financeira Itaú, Itaú Holding, BIC, Banco Itaucard and the Unibanco group, except subsidiaries abroad).

Remuneration

To determine the pay of its employees, Itaú Unibanco uses various management and research tools and follows the market's best practices. Total pay is comprised of a fixed salary, i.e. the set value based on a contract which meets all applicable legal regulations and labour union agreements, plus variable pay, or incentives related to achieving goals.



Itaú's remuneration strategy is focused on variable pay, which allows its Performance Culture to increasingly permeate all levels of the organization. This means pay can be adapted for each segment of the bank, to support the growth strategy and remain competitive in specific markets.

Variable pay at Unibanco was tied to the performance of each employee, measured by the performance evaluation. The company had five variable pay models for different positions and areas in 2008.

Ratio between lowest salary and legal minimum wage in 2008 - Itaú Unibanco

Lowest salary	476.86
Legal minimum wage	415
%	1.15

Note: The lowest paid position among Itaú and Unibanco is a sales representative

Employee welfare

Benefits

Itaú Unibanco, through a substantial benefits package, supports a healthy work environment where employees enjoy ideal conditions to fully develop their professional activities. The various social benefits provided to employees and their dependents totalled R\$1.4 billion in 2008.

In addition to the Itaú and Unibanco integration process, since December 2008 some benefits have been made available to employees of both companies. Itaú staff members began receiving discounts at Unibanco movie theatres, while Unibanco employees began enjoying Fundação Itaúclube facilities and activities.

Some benefits are negotiated in the collective bargaining agreement, such as daycare and babysitting, funeral assistance, plus meals and food vouchers. Several other benefits were created exclusively by the organization, including: additional pension and accident illness assistance, preferential rate loans, differentiated vehicle financing, social service guidance, family medical and dental plan, supplementary private pension plans, staff loan policy, and personal life and accident insurance.

LEARN MORE

> details about the main benefits offered by both banks in 2008 in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

Quality of life

Following are some of the quality of life programs offered by Itaú and Unibanco in 2008.

• **Health Time Program:** the flagship program for educating employees about their health, through various Itaú information channels. It has five products: a booklet distributed monthly to employees, which in 2008, reached 700,000 staff members; CD – 615 copies of the audio version of the booklet were sent to the visually impaired; Intranet – the Quality of Life site had over 100,000 visits during the year and publishes four reports per month; Mural - the intranet content is summarized and sent out each month to branches and banking services outlets which received 37,000 summaries in 2008; Events – fun, interactive quarterly events are held at the São Paulo administrative centre, and annually in Belo Horizonte, Rio de Janeiro and Curitiba, with about 2,000 people taking part.

• **Be OK Program and ConTactProgram:** developed by Unibanco and Itaú Holding, respectively, these programs provide service to employees and their dependents to help them confront adverse personal or career situations. Be OK provides advice on retirement and procedures in case of accident or death. Through an accredited network, it offers psychological, social service, legal, nutritional, speech therapy, occupational therapy and physiotherapy assistance, as well as information on physical fitness, sporting activities, personal hygiene and financial advice. The program also supports staff members on leave. In 2008, 40,559 people were served by Unibanco's ConTact program, which offers help from psychologists, nutritionists, physiotherapists, physical

education teachers, psycho-pedagogical specialists, lawyers, occupational therapists, speech therapists and psychiatrists, who provide free advice through a toll-free number and by a network of accredited professionals. In 2008 over 38,000 calls were made and received, with psychological assistance being the most requested service. The branch network represented 66.17% of total use, against 33.83% for the administrative centre.

• **Preventive examinations programs:**

in 2008 Unibanco's Live Better program introduced the hiring of a medical consultant to map the health profile of employees. The intention is to help the early diagnosis of cardiovascular diseases, diabetes, breast and prostate cancer and work-related bone and muscular problems (repetitive strain injuries), among others. Itaú's Executive Check-up program offers executives an annual check-up which is 100% subsidized by the company. This is a complete check-up offering a thorough medical evaluation plus clinical image examinations performed at leading facilities.

• **Vocational Rehabilitation Program:**

this program is designed to decrease loss of productivity typically caused by repetitive strain injuries. Itaú's program also seeks to reintegrate returning employees who had taken time off to recuperate from these injuries. Employees away on leave dropped from 4.1% at December 31, 2004 to 2.42% at December 31, 2008, which represents a 35% decrease in real terms and a 1.66% increase in workers on the job. Based on the number of employees at July 2007, this percentage means 780 more employees on the job, which has a clear impact on

productivity. Adapting the methodology used in studies by the International Social Security Association, the criteria for a successful case was an employee not having to take Social Assistance leave due to sickness (illness or accident assistance) after 12 months of monitoring, from the time the employee joined the program. The current success rate is 80%, which is comparable to the best results obtained worldwide.



LEARN MORE

> about other quality of life programs offered by Itaú and Unibanco in 2008 in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

Workplace Health and safety

Itaú Unibanco is committed to ensuring suitable working conditions and the welfare of its employees through occupational health and safety standards.

In 2008, 56,438 Itaú Holding and Unibanco staff members were vaccinated against colds. At Unibanco, 2,010 employees were vaccinated against rubella, while Itaú supported the public rubella vaccination campaign.

During 2008 Unibanco invested approximately R\$250,000 in renovating its medical in clinic Unibanco's Administrative Centre (CAU), including new furniture and stretchers.

In terms of security Unibanco made eight presentations to more than 10,000 employees during Accident Prevention Week. Topics covered included posture education, prevention of occupational accidents, defensive driving and relaxation techniques.

Workplace environment

Organizational climate

To guarantee a good working environment for its staff, Itaú Unibanco invests in Organizational Climate Management. One of the tools adopted by Itaú is the Speak Frankly survey. Conducted every two years, it lets us know how employees feel about their daily work. Last done in 2007, the survey will be conducted again in 2009.

The Itaú Way compliance survey is designed to bring feedback to evaluated employees and help create actions for their development. This annual survey lets us measure and monitor the level of compliance with the eight principles of the Itaú Way: Performance, Human Values, Feedback, Motivator, Teamwork, Continual Improvement, Customer Satisfaction and Celebrate. In 2008 the survey covered leaders of Banco Itaú and its affiliates abroad (NY Branch, NY Securities, BIE, Biel, Japan, Argentina, Uruguay and Chile).

Employees represented on Itaú Unibanco health and safety commissions in 2008

Commissions	Itaú Unibanco
Employees	101,614
Representatives	38,368
%	37.76

Unibanco's annual organizational climate survey has helped promote solid initiatives for its teams. The survey questionnaire was sent out in June 2008 to 32,857 staff members, all of whom had been with Unibanco a minimum of three months. We received 27,636 completed forms, representing an 84% response rate. According to the results, 76% of our employees said they were satisfied with Unibanco, 71% with their work area, and 72% were motivated by the bank. Of respondents, 86% would recommend Unibanco as a company to work for. The most important attributes for job satisfaction and employee motivation were understanding the bank's mission and goals, the company's image in the market, the benefits offered, and seeing managers act in keeping with the bank's directives.

Since the merger between Itaú and Unibanco, the workplace environment has been monitored to keep employees motivated throughout the integration process.

Investing in women's health

Itaú staff members have at their disposal a breastfeeding room as well as books about baby care. The institution also promotes courses for pregnant women, which in 2008 benefited 744 women and their partners. During the year 952 employees took preventive exams and check-ups. Brazil recently launched the use of a vaccine against the human papillomavirus (HPV), which is very effective in preventing cervical cancer. Itaú was a pioneer in providing substantial financial support to this campaign, which vaccinated employees aged 26 and under. In total, 2,947 employees and apprentices, or 27% of all those eligible, received the vaccination.

Best places to work

In 2008 Itaú and Unibanco joined the list of best companies to work for. The *Guia FIA Você S/A Exame* survey found that 83.9% of Unibanco's employees identified with the company, while 75.8% were motivated and 81.8% approved of their leaders.

At Banco Itaú 85.9% of all employees said they identified with the company, 77% were motivated and 80.6% approved of their leaders.

At Itaúcred Veículos, Itaú's auto financing arm, 89.9% of employees said they identified with the company, 81.7% were satisfied and motivated, and 84.4% approved of their leaders, while the figures for Itaí were 85.9%, 80.9% and 85.1%, respectively.

Occupational health and safety indicators

	Injuries	
	Itaú	Unibanco
Total injuries	531	629
Hours worked	163,464,771	104,869,200
Injury rate	0.65	1.20

Unibanco: includes all absenteeism due to workplace accidents (typical, work-related illness and in-transit) greater than 15 days. Total hours worked includes all group employees. Death due to workplace accidents not included. **Itaú:** leave due to work-related illness, typical/in-transit accidents and other work-related illnesses. Includes all group companies. Leave ending between January 1, 2008 and December 31, 2008, or return date unknown (still absent)

	Work-related Illness	
	Itaú	Unibanco
Total cases	421	519
Hours worked	163,464,771	104,869,200
Illness rate	0.52	0.99

Unibanco: includes all absenteeism due to workplace accidents and for work-related illness greater than 15 days. Total hours worked includes all group employees. Death due to workplace accidents not included. **Itaú:** leave due to work-related illness, typical/in-transit accidents and other work-related illnesses. Includes all group companies. Leave beginning on or before December 31, 2008. Leave ending between January 1, 2008 and December 31, 2008, or return date unknown (still absent)

	Work days lost	
	Itaú	Unibanco
Total days	200,312	120,605
Hours worked	163,464,771	104,869,200
Days lost rate	245.08	230.02

Unibanco: includes a year of 365 days and all absenteeism due to workplace accidents (typical, work-related illness and in-transit) greater than 15 days, in all group companies. **Itaú:** leave due to work-related illness, typical/in-transit accidents and other work-related illnesses. Includes all group companies. Leave ending between January 1, 2008 and December 31, 2008, or return date unknown (still absent)

	Absenteeism	
	Itaú	Unibanco*
Work days lost	103,153	n/a
Hours worked	12,535,638	n/a
Absenteeism rate	0.82	n/a

Note: includes all absences from work for any incapacity, not only resulting from work-related injury or illness, and for days worked, for all group employees. **Companies covered:** Banco Itaú, Itaúcard, Itaúcred, Itaúprev, Itaú Leasing, Orbitall, FIC, Fai, Facilita, Trishop, Itaúseg, Icarros, DTVM, Kinea, Itaú Bus. Consórcio, Itaúseg Saúde, Itaú XL, Finaustria Assess, Fina, Total Serviços, Financeira Itaú, Itaú Holding, BIC, Banco Itaúcard.

* As Unibanco's monitoring does not record instances of less than 15 days lost under hours/days lost due to medical and dental appointments, which causes a skewing of absenteeism rates, these numbers are not reported.

Labour relations

Itaú Unibanco's relationship with all its trade union representatives is developed in a structured and transparent manner. The bank operates in compliance with Conventions 87 and 98 of the International Labour Organization (ILO), which ensures freedom of association, protection of the right to organize and the right to collective bargaining without interference from authorities.

The bank guarantees that unionized employees will not suffer acts of discrimination through their union affiliation. It adheres to the collective bargaining agreement, which allows union groups to conduct unionization campaigns in all group units. It also recognizes the rights of employees who are elected leaders of their unions.

The collective labour agreements signed annually by all parties cover 100% of the company's employees.

In 2008 Itaú held 68 meetings with various trade union groups, the staff commission and retiree associations representing the employees of the Brazilian operations.

In November 2008 Unibanco introduced its Freedom of Association policy and also strengthened its relationship with the Bank Workers' Union, establishing a productive relationship to better resolve functional issues involving its employees.

Unionized Itaú Unibanco employees in 2008

Unionized employees	36,836
Union leaders	1,288

Internal communication

Maintaining active and transparent communication is one of the cornerstones of Itaú Unibanco's relationship with its employees. To establish a continuous flow of communication the bank provides a number of electronic and printed communication vehicles, including corporate portals and a wide range of periodic newsletters, as well as our phone service centres.

Over the years Itaú has continually invested in the development and expansion of corporate portals by segment and company area. One of the vehicles with the widest reach is *Itaú Notícias*, a monthly magazine distributed to all group employees. There are also specific supplements for business areas (branches, companies, finance, insurance and cards).

One of Unibanco's main internal communication vehicles is TV Unibanco, Brazil's largest in-house corporate television network, which has over 1,000 installed outlets, and features the participation of key company executives. In addition to corporate TV, *Revista Unibanco* magazine and the Unibanco Portal are very popular with staff. The magazine is distributed monthly to all group professionals, while the Unibanco Portal is the organization's principal electronic channel, with about five million visits per month.

Total independence

The Itaú Ombudsman has its own independent structure to welcome criticisms, suggestions and complaints from employees. This service has been gradually implemented, and in 2008 was extended to the Administrative Centre's 18,000 employees. For the branch network the same implementation strategy is being adopted, which began in November 2008 and will continue throughout 2009. To help the communication process with employees we launched the Ombudsman Blog.

Unibanco operates Active Voice, the main communication channel for employees to interact. Active Voice receives questions, criticisms, suggestions and opinions from employees. In 2008 it received about 23,000 voice messages.



Society

Diversity

Itaú Unibanco's Sustainability Policy demonstrates the group's commitment to promote an inclusive working environment that values diversity and equality by attracting professionals from different backgrounds, races, views and cultures.

In 2008, in partnership with the Brazilian Federation of Banks (Febraban), both institutions developed a pilot program for professional training and inclusion for people with disabilities. Itaú recruited 108 people who will be trained as banking assistants, while Unibanco hired 79 people under the same conditions. Participants became legally registered workers, entitling them to all category benefits under the collective labour agreement.

Even before the merger, both banks shared the same belief: unique background and life experiences of team members contribute directly to the continuous development of people and organizations. In 2008 Itaú took on 858 apprentices. By year-end 31% of the apprentices who had completed the program were hired. At Unibanco 502 apprentices enrolled in the program. In partnership with Instituto Unibanco the bank also developed the People with Disabilities pilot project in Rio de Janeiro. Twenty people are taking part, and will complete their training in 2009.

Itaú participated in the Serasa Employability of the Disabled Program by sponsoring ten students from a group of 107 professionals.

Participants were evaluated at the end of the four-month course in February 2009 for possible hiring.

Itaú's Persons with Disabilities Committee seeks to encourage the participation of different areas and the involvement of employees. The group is also responsible for proposing improvement actions related to the inclusion, integration and development of disabled employees, and primarily, providing them with access.

To enhance its diversity Itaú has also developed the Afro-Brazilian Training Program for black university students. This initiative, in partnership with the Zumbi dos Palmares Citizenship School at Campinas State University (UNICAMP) and NGOs Afrobras and Educafro, helps train professionals and develop citizenship

among young black people. About 80% of the trainees who completed the program in 2008 have subsequently been hired.

In 2008 Unibanco created its Valuing and Promoting Diversity Policy, which establishes ethical principles to ensure equal opportunities and the professional development of employees, regardless of their gender, ethnicity, beliefs, opinions, age or disabilities. One focus of the policy is including the disabled in the institution's work force. To increase accessibility for these people, access ramps have been installed in certain areas, corridors between workstations have been widened, and suitable furniture has been installed, among other measures. There was also a 99% increase in the hiring of disabled personnel in comparison to 2007. Another action to promote diversity was the extension of benefits such as medical assistance and shared property loans for same sex partners.

Composition of Itaú Unibanco corporate governance bodies

Directors*		
Directors - Women	20	7.09%
Directors - Men	262	92.91%

*Statutory Directors

Leadership positions - Women (directors / superintendents / managers / coordinators)	5,833	39.46%
Leadership positions - Men (directors / superintendents / managers / coordinators)	8,948	60.54%

Employees aged over 45 in leadership positions		
Men	2,280	66.51%
Women	1,148	33.49%

Leadership positions, by race	
Blacks	751

Composition of Itaú Unibanco corporate governance bodies

Employee Gender	Men	Women
Board	46	2
Statutory Directors	176	10
Management	8,791	5,990
Administrative	21,161	28,950
Production	15,659	26,988
Apprentices	833	1,538
Trainees	124	54
Interns	703	647

Note: Unibanco Production apprentices and Administrative trainees excluded

Age group		
Under 30	46,010	43%
30 - 49	55,003	51%
50+	6,526	6%
TOTAL	107,539	100%

Black Employees	Men	Women
Board	0	0
Statutory Directors	0	0
Management	451	300
Administrative	2,281	3,529
Production	3,238	4,670
Apprentices	121	247
Trainees	9	5
Interns	53	64

Disabled employees	Men	Women
Board	1	0
Statutory Directors	0	0
Management	26	6
Administrative	426	413
Production	1,250	1,242
Apprentices*	0	0
Trainees*	0	0

* Includes Banco Itaú, Itaúcor, Itaúcred, Itaúprev, Itaú Leasing, Orbitall, FIC, Fai, Facilita, Trishop, Itaúseg, Icarros, DTVM, Kinea, Itaú Adm. Consórcio, Itaúseg Saúde, Itaú XL, Finautria Assess., Fina., Total Serviços, Financeira Itaú, Itaú Holding, BIC, Banco Itaúcard and the Unibanco group.

LEARN MORE

> about the programs which value diversity developed by Itaú and Unibanco in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

Volunteering

Another feature shared by Itaú and Unibanco is to encourage employees to engage in social causes. In 2008 both banks participated in the founding of the Brazilian Council of Business Volunteers (CBVE), a network of companies, foundations and institutes that promote volunteer work. Itaú is also dedicated to creating and strengthening a cooperative volunteer network throughout Brazil. The Itaú Volunteer program, run by Fundação Itaú Social and Banco Itaú with technical coordination from the São Paulo Volunteer Centre, organized 12 regional meetings for more than 940 branch employees.

To encourage volunteer work among its employees, Itaú operates the Itaú Volunteer Portal (www.ivoluntarios.org.br), created in partnership with the Volunteer Portal, a project of Comunitas, an NGO. The portal provides information on events, communication networks and interviews with specialists and volunteers. The site ended the year with 3,491 registered users, representing an increase of approximately 39% from 2007. To encourage the involvement of its employees in actions which defend the rights of children and adolescents, in 2008 Itaú created the Itaú Child Rally. This pilot action involved 3,243 employee volunteers who adopted 41 schools, conducted 130 activities and collected 56,014 books.



Selective waste collection program in action at the Itaúsa Business Centre.

Instituto Unibanco coordinates the volunteer work of Unibanco's employees, which encourages employees to get involved in community activities. Our professionals are engaged in various social initiatives nationwide, facilitated by an online volunteer training program through the bank's intranet system.

One of the program's actions is Youth Mentoring, whose goal is to help the personal and professional development of public high school students: each participant in the program receives a mentor, selected from among those bank employees who display leadership or voluntary participation in Instituto Unibanco activities. In 2008 about 140 high school students aged 15 to 24 participated in the program, along with 70 volunteer mentors. During the year the mentors seek to effect a positive change in the attitude and behaviour of the young people in their care, broadening their horizons of knowledge and increasing their chances of social and professional inclusion.



Group employees also actively participate on the Junior Achievement volunteer program team, which uses school as a means to help integrate the business world with society. The project organizes group professionals to teach business basics to public school students in 14 major cities.

Mobilization for sustainable development

Itaú Unibanco seeks to educate its managers and employees on, and increase their awareness of, issues related to sustainable development.

In 2008 Itaú presented staff with two editions of the Itaú Sustainability Dialogues event, which are designed to spread and encourage the adoption of sustainable development ideas. The theme was "Different Ways of Looking at Recycling". The events featured the participation of Volunteer Role, an NGO, and Business Commitment to Recycling (Cempre), as well as reports from other companies on their experiences with recycling. Over 300 employees from the Itaúsa Business Centre and Technical Operational Centre took part, and the event was also broadcast for professionals in the Tatuapé Administrative Centre (CAT).

Itaú employees are also a target of the Conscientious Use of Credit campaign. This project, which was extended to staff in 2007, seeks to maintain the welfare of the team, prevent staff members from going into debt, and provide advice when debts affect their performance and quality of life. Managers are informed when employees are in arrears, allowing them to help resolve the problem.

Unibanco has created Sustainability Leaders, a group comprising 35 employees from different areas which seeks to publicize sustainability by organizing and implementing projects in their respective sectors. Leaders were divided into 12 working groups and a study group, coordinated by the Sustainability area. Each working group developed an action plan that ranged from the design of strategies and formulation of policies to small changes in daily activities.

The groups' tasks included placing socio-environmental criteria in analyses conducted by the credit and risks areas, spreading financial education and conscientious consumption to bank customers, and inserting initiatives raised by the sustainability indicators that contribute to transparent communication with investors. To develop action plans to meet these goals, the leaders participated in meetings and training sessions, including Sustainable Finance Training, which was sponsored by Unibanco and conducted by Fundação Getúlio Vargas and Fábrica Ética.

Recognition in 2008

- The 10 Dream Companies of University Students, presented to Banco Itaú by Companhia de Talentos, a consulting company which specializes in programs for trainees and interns in Brazil and Latin America.
- One of the Best Companies to Work For, awarded to Banco Itaú and its subsidiaries Taií and Itaucred Veículos by *Época* magazine and the Great Place to Work Institute.
- Best Companies to Work For, presented to Taií, Itaucred Veículos and Banco Itaú, by *Você SA* and *Exame* magazines and by Fundação Instituto de Administração (FIA).
- Best Companies to Work For, awarded to Banco Itaú by *Valor Carreira* magazine and consulting firm Hewitt Associates.
- 2008 Oswaldo Checchia Human Being award, Business category - People Management, presented to Itaú by ABRH Nacional.
- Best in People Management, for Education and Training at Taií, awarded by *Melhor Gestão de Pessoas* magazine.
- Unibanco was presented with the 2008/2009 E-Learning Brasil Award, for its use of technological resources for the continuous learning of its employees.

Clients



Relationship of trust

With a massive domestic presence, Itaú Unibanco combines approximately 30.5 million Unibanco clients and 27 million Itaú clients among the bank's wide range of businesses. Itaú Unibanco customers in 1,100 cities and towns in Brazil will have at their disposal a highly interconnected network of 4,600 branches and banking services outlets plus 30,000 ATMs. Internet services will also be expanded to offer over 300 operations through this channel. Additionally, the increased customer base will bring greater efficiency to our processes.

This greater number of customers will lead to the use of more refined mathematical models to assess client needs, allowing us to offer the products and services best suited to their profile.

Respect for consumers

At Itaú Unibanco a long-term partnership with customers is based on relationships of trust, transparency and respect. Both institutions have always been based on providing quality service and continually improving the relationship with their clients. Satisfaction indicates a measure of the awareness of the institution to the needs

of its customers, which is essential for a bank's long-term success. With respect to sustainability, customer satisfaction also provides an understanding of how an organization develops links with one of its strategic relationship groups.

The new bank will always share the best practices and services each organization is known for, so that it continues to offer the best products and most efficient services to its customers.

In 2008 Itaú and Unibanco moved their programs forward. Itaú, which had already evaluated monthly customer satisfaction at each bank branch, has now begun studies to determine customer satisfaction at every call centre. The Ombudsman Tracking project, for example, is designed to monitor customer satisfaction with how well their problems are resolved by our Ombudsman service, Bacen (Brazil's Central Bank) and Procon (Brazil's Consumer Protection Agency). Satisfaction with the help provided by the Ombudsman jumped from 5.33 to 7.48. The Mystery Shopping Program allows better control by managers and greater uniformity in the performance of the service centres, and these initiatives will be extended in 2009.



Unibanco implemented its Troubleshooting in the 30 Horas Central and Consumer Client Internet Banking project. After analyzing customer impressions about the bank's efficiency in solving problems through these channels, a multidisciplinary team mapped out and identified the issues that most influence customer satisfaction. The key measurement indicator was the research item "Satisfaction Tracking - Ease at solving problems". Unibanco has now adopted a series of measures to increase customer satisfaction, such as the Councils of General Managers and Guardians of Quality, who are trained by branch managers throughout the country. The Councils are intended to identify tangible suggestions and criticisms as an ongoing means to provide better service. Some of the actions suggested by the Councils have been implemented, such as the creation of a corporate credit card.

Another tool employed is the General Satisfaction Index, which reveals the approval rating for bank products and services. This index is derived from the main items of a satisfaction survey conducted with 12,000 bank customers,

and is monitored by the bank's senior administration and all executives and managers. It represents one of the quality indicators that directly affect the evaluation of results of the bank's main areas, and management's individual evaluation.

Itaú created a Competitiveness area, which is responsible for monitoring customer satisfaction levels to better understand the factors behind reasons for satisfaction and dissatisfaction, thereby mobilizing the various areas of the institution to seek out improvements. This new methodology, already deployed in key business areas of the bank, provides regular satisfaction studies every six months for middle market companies, for example, and every month for consumer and high-income clients.

The new bank will combine the best services of Itaú and Unibanco to benefit its customer base.

The voice of the customer inside the bank

Ombudsman

The Ombudsman is an avenue of recourse for Itaú and Unibanco customers, and is focused solely on solving problems. Itaú pioneered the creation of a Corporate Ombudsman service long before it became required by Brazil's National Monetary Council. It was introduced through the "Itaú Wants to Hear Your Opinion" campaign, which reinforced the bank's commitment to listen to its customers and learn from them.

In 2008 thousands of customers were served by Ombudsman personnel in all companies of the two institutions. Both Ombudsman departments gained a broader scope and were included in the corporate governance model of the organizations. In addition to handling customers, they also serve as a catalyst for corrective actions, improvements and spreading a culture of respect for consumer rights. A concern for continuing growth led Itaú and Unibanco to differentiated actions in 2008.

To increase everyone's commitment to quality and reduce the time to resolve problems, Itaú prioritized operational efficiency projects involving every area of the institution. The Ombudsman area was also restructured, and now features service by business segment to improve the relationship between the specialist ombudsman in each Itaú area, allowing

the Corporate Ombudsman to resolve an average of 75% of the cases brought before it each year. An innovative initiative was the establishment of the Client Agent, a professional who helps make the customer's position more evident in each business area.

The Unibanco Ombudsman made innovative efforts to prevent complaints and customer dissatisfaction. Its participation as an effective member of the bank's risk analysis and management process sought to show the customer's view and the need to improve products or processes, even before their introduction.

Of the customers who used the Ombudsman at Unibanco or Itaú, 99% did not resort to outside consumer protection agencies such as Procon or the Central Bank, demonstrating our effectiveness at finding the best solution for the client and the institution.

In 2008 the Unibanco Ombudsman handled approximately 52,000 calls from Unibanco group customers, and acted directly in 21% of eligible instances where customers complained they were not satisfied with the solution offered by the Customer Service Centre (SAC). The principal motives for the complaints included bank fees, cancellation of a purchase, discrepancy with product rules and not receiving documents.

Customer Council and Forum

Both organizations have channels which proactively strengthen the dialogue with their customers: the Unibanco Customer Council and the Itaú Customer Forum.

Unibanco was the first Brazilian financial institution to establish a Customer Council. Created in March 2005, it meets quarterly with "Uniclass" and "Exclusivo" customers to hear suggestions and comments on how to improve the institution's quality of service. The Council is composed of clients selected from the customer service centre user base who have made proactive suggestions or criticisms. Members sit on the Council for one year.

Some customer suggestions have already been adopted by the institution, such as extending the time period that bills may be paid by phone through 30 Horas, changes in Internet Banking to include search and security information features, and quick access by account segment. ATMs also now print out information about bank notes when withdrawals are made.



Customer Council meeting.

In September 2005 Itaú created its "Discussion Forum with Clients", which included customers who had submitted complaints to the Ombudsman. In November 2008 the model was altered to a set group of customers in each market invited to take part in four meetings during the year. In these meetings customers can explain their views directly to the executives responsible for those segments, and the bank commits to respond to all questions submitted by the customers. The experience undertaken in the two corporate client segments will be expanded in 2009 to other business areas.

Ombudsman complaints ranking

	Ombudsman	
	Itaú	Unibanco
	Quantity	Quantity
Bank	5,029	3,185
Cards	1,747	5,263
Insurance	846	338
Finance	251	2,032
Vehicles	1,270	763
TOTAL	9,143	11,581

Note: total cases handled, by ombudsman, by segment.



Many of these satisfaction indicators are used to help determine the remuneration paid to commercial and central administration teams throughout the bank's operating areas.

Itaú and Unibanco use every tool at their disposal to listen to and learn from their clients. Itaú uses all its service and relationship channels such as ATMs, Internet Banking and call centre to listen to the opinions of its customers. Itaú and Unibanco also make use of specialized research institutes such as Ibope, IPSOS, TNS Interscience and GFK Indicator to freely collect information on customer satisfaction. Through these initiatives both banks listen to over 1.3 million consumer clients and more than 100,000 commercial clients each year.

The survey results can lead to changes in products and services. As well, the positive points identified can be used in communications with customers. An example of this was the campaign for the conscientious use of credit and its related cost-benefit.

Procon

Itaú and Unibanco have always placed great importance on their relations with consumer protection agencies, and provide a toll-free number to serve agencies around Brazil, allowing them to come up with rapid solutions. In 2008 an agreement was reached with the Procon Consumer Protection agency in Belo Horizonte which allows Itaú to be one of the first companies in the country to use the electronic CLPs system, which is an electronic preliminary investigation document.

The top six complaints registered about Itaú were related to credit cards, finance, debt renegotiation and collection, motor vehicle finance and loans and financing.

The top four complaints registered about Unibanco were for debt renegotiation, the cancellation of products and services, non-recognized use of credit cards and difficulties in closing a current account.

Bacen

In 2008 Itaú and Unibanco used the Central Bank of Brazil complaints index as a key indicator for quality of services.

Banco Itaú did not appear in ten editions of the Bacen complaints ranking, while Unibanco was absent from four editions.

Among their competitors Itaú and Unibanco have the two best indices of baseless complaints.

Valuable opinion

The participation of customers is fundamental in building the new bank. Some months after the merger an Ibope market study was conducted to hear and understand the views of Itaú and Unibanco account holders.

The survey covered expectations, value added, trouble spots and aspects such as customer service and products and services. The results will help us develop suitable management and service models.

Procon Complaints

	Procon São Paulo Complaints Ranking*				Overall demand for Procon Brazil**	
	Itaú		Unibanco		Itaú	Unibanco
	Quantity	Handled (%)	Quantity	Handled (%)	Quantity	Handled (%)
Bank***	321	41%	166	36%	11,364	3,795
Cards	611	62%	179	72%	32,268	12,907
Insurance	10	30%	146	55%	712	451
Finance	321	68%	286	63%	9,072	13,208
Vehicles	323	30%			4,024	827
TOTAL	1,586	52%	777	58%	57,440	31,188

* Total complaints submitted to Procon São Paulo

** Total complaints handled

*** Unibanco vehicle occurrences appear under "Bank" due to CNPJ registration consolidation used by Procon São Paulo

Complaints ranking

	Bacen			
	Itaú		Unibanco	
	Quantity	Source (%)	Quantity	Source (%)
Bank	306	56%	163	67%
Cards	70	76%	39	75%
Insurance	12	76%	22	76%
Finance	9	73%	19	75%
Vehicles	43	62%	2	74%
TOTAL	440	61%	245	69%

Note: monthly average complaints classified by the Central Bank plus complaints from institutions with more than one million clients

Itaú Sustainability Dialogues

Disseminating the experiences of various companies and providing a forum for discussions on best national and international sustainability practices are the goals behind Itaú Sustainability Dialogues. In 2008 four editions were held for outside groups – which also sought to involve Itaú commercial clients – to discuss the carbon credit market, business sustainability and energy efficiency.

The meetings were attended by about 700 people, including representatives from Klabin, Usina Santa Elisa, Vonpar, Braskem, CPFL, Elektro, Neonergeria, the Brazilian Foundation for Sustainable Development, the Brazilian Association of Companies for Energy Conservation and Unicamp. Through these meetings Itaú stimulates dialogue and spreads the concepts of socio-environmental responsibility to commercial clients, middle market companies, opinion formers, executives and the media.

Extreme Makeover

In 2008 Itaú held the third edition of the Extreme Makeover Program, in partnership with Itaútec, Microsoft and *Small Companies*, *Big Business* magazine. The project has been transforming very small and small enterprises through changes in the areas of technology and financial management.

The first step was to diagnose problems, a task delegated to the project's consultants. When visiting companies they listed the main difficulties encountered and came up with solutions. The third edition of the program also included socio-environmental consulting offered by Itaú. The bank sought to show that it is possible to adopt socio-environmental practices in companies of every size and area, and that simple actions can result in cost savings and competitive differentials, in addition to better use of natural resources. Issues covered included recycling, reducing the use of paper and energy efficiency.

Conscientious Use of Money

Itaú Unibanco has a commitment to its customers and society to educate and guide them on the responsible use of financial services. Itaú's Conscientious Use of Money Program publicizes the best ways to use money, set up structured household budgets, borrow money and plan investments, while Unibanco's Credit Card Guidance shows how to use cards sensibly. As companies focused on sustainability and social responsibility, Itaú and Unibanco have the duty to provide this service and share their knowledge of the financial sector with society.

To increase the scope of the Conscientious Use of Credit and Current Account program in 2008, Itaú put out four new booklets which were distributed to clients in the branches and made available for download on the bank's website. Bank employees are another target group of this action (*see Employees for more details*).

The *Family Budget* booklet addresses how to organize household finances, while *Time to invest* provides explanations on safe, conscientious investments. The *Getting out of the red* booklet offers tips on how to tackle, from a financial perspective, unexpected situations such as loss of employment. Finally, *Talking about money with your children* looks at ways to convey the concept of conscientious money use to future generations. Booklets previously released on the conscientious use of credit are being reissued in versions for individuals and companies.

Throughout 2008 Unibanco increased its investments in financial education for its customers. Microinvest trained 569 micro-entrepreneurs in basic accounting, business management and the conscientious use of credit.

More access to financial services

Itaú Unibanco believes that tomorrow was made for everyone, without exception. That's why it has strengthened its commitment to citizenship and social responsibility by adapting its branches, ATMs and telephone and internet service to comprehensively serve disabled customers.

The bank provides disabled people with access to its facilities. Over 3,000 branches – 98% of Itaú and 78% of Unibanco – have access ramps, tactile flooring, bathrooms and ATMs specially adapted for this group.

Recognition in 2008

- For the second consecutive year Fininvest won the annual survey of "Companies that most respect the consumer in Brazil" – in the Finance/ Personal Credit category, conducted by international consultants TNS Interscience in partnership with *Consumidor Moderno* magazine.
- Itaú was the winner of the annual survey "Companies that most respect the consumer in Brazil" in the retail bank category. The survey, conducted for the 6th consecutive year, is an initiative of *Consumidor Moderno* magazine and TNS Interscience.
- Itaú won the Consumidor Moderno Award for Excellence in Customer Services.
- Unicard received the Probare seal of ethics for its telemarketing sales operations.
- Unibanco Asset Management won the Overall Top 10 from Agência Estado Projeções.
- Unibanco was awarded by E-finance 2008.
- Unibanco Insurance & Pensions received the 2008 Coverage Performance award, in the Best Performance in the Specified Risk Portfolio category.
- The Gazeta Investe Award 2008 was presented by *Gazeta Mercantil* to Unibanco Asset Management for having the best fixed-income fund.
- Itaú received the 2008 Intangibles Brazil Award and the 2008 Top Intangibles Brazil, in the banks sector, from *Consumidor Moderno* magazine and DOM Strategy Partners.
- Itaú won Best Investment Funds Manager from *Exame Guide to Personal Investments*.
- Itaú won the Quality in Banks Award from *Banco Hoje* magazine.

COMMITMENTS AND PRACTICES

Stockholders



Flexibility and transparency

Itaú has approximately 75,000 stockholders and investors, while Unibanco has 156,827 stockholders. The Investor Relations area was the first to be integrated after the merger announcement, and maintains constant communication with stockholders, investors and opinion-formers about the activities and results of the group. As with the other areas of the new bank, Investor Relations has also adopted the best practices of Itaú and Unibanco.

The basic guideline of this relationship is to be transparent at all times. Communications are conducted through events, meetings, publications, the internet and various other means. The commitment is to give the market clear, accurate, accessible and comprehensive information with respect to group strategies, operations and results.

On December 9, 2008 the first Apimec (Capital Markets Investment Professionals and Analysts) meeting after the merger, held in São Paulo, was attended by a record number of 640 participants, many of whom were journalists, including 15 who came from Argentina, Chile, Paraguay and Uruguay.

The meeting was broadcast on-line, with simultaneous English and Spanish translation. During 2008 Itaú and Unibanco independently held 16 and 5 Apimec meetings, respectively.

All actions undertaken by the area are in keeping with Investor Relations policy, and are reported to the Disclosure and Trading Committee. The role of this committee is to organize and add value to the connection with the bank's relationship groups, based on structured strategic planning that guides actions such as implementation measures, monitoring, evaluation and feedback.

An important communication channel maintained by this area is the Investor Relations website, which features financial statements, managerial discussions and analyses, press releases, material facts, dividend payments history, presentations, teleconferences and other information, all provided in three languages. The portal also offers users the possibility to choose page content and create pages with content specific to their interest.



Relationship groups

- For the 8th consecutive time the Unibanco Investor Relations website (www.ri.unibanco.com.br) was named one of the Top 5 Investor Relations Websites in Latin America. This is Brazil's most important on-line investor relations award, given for providing clear, flexible and effective information channels, and is organized by MZ Consult, KPMG, Linklaters and JPMorgan.
- For the second consecutive year Unibanco was chosen by *Capital Aberto* magazine as one of the Best Companies for Stockholders, and was the only bank among the winning companies and the only company selected in both 2007 and 2008. The magazine evaluated 86 companies listed on the São Paulo Stock Exchange whose market value exceeded R\$15 billion.

Communication channels

- Itaú and Unibanco Investor Relations websites
- Public meetings
- Meetings with groups of investors in Brazil and abroad
- Conference Calls
- Stocks in Focus Newsletter
- Annual Report
- Chats (individual investors)
- E-mail alert
- Contact Us
- Telephone service

Relationship groups

- Stockholder
- Individual and institutional investors
- Market analysts
- Regulatory bodies
- National and international capital markets entities
- Financial press
- Academics who study the financial and capital markets

Suppliers



Value chain

Itaú Unibanco had a base of 47,000 active suppliers at the end of 2008. Most of these partners are Brazilian companies that, to provide products and services to the bank, must demonstrate their alignment with our corporate values, the adoption of good employment practices, respect for human rights and the environment, and meet quality and delivery time criteria. In 2008 the commercial transactions between Itaú Unibanco and its suppliers were worth R\$9 billion.

The main guidelines common to the selection and hiring of suppliers by the two institutions are equal access to different companies and a strict monitoring and alignment with the ethical conduct required by Itaú Unibanco. Itaú's supplier website, for example, was launched in 2006 and is improving every year. It allows better, more structured communication with suppliers, as it discloses our Purchasing and Hiring Policy and strengthens the interaction with existing partners. The use of this tool also allows registered suppliers to participate in competitive bidding, offering equal opportunities to companies regardless of their size or location in

Brazil. In the case of new suppliers, the qualifications are assessed and approved within 30 days. The registration process meets the Itaú Holding Corporate Code of Ethics and is in keeping with the values and principles of the Organization. The contract specifies restrictions and penalties regarding the use of child labour, forced labour and discrimination of any kind. The implementation of the site was based on the requirements of AA1000, an international standard of ethics and social reporting for corporate transparency and accountability.

When choosing suppliers Itaú takes into account more than technical skills: it also monitors compliance with labour and environmental laws. All suppliers classed as critical come under special scrutiny. These include companies offering security, call centre, construction, cleaning and building maintenance services that offer the potential for operational and image risks and labour problems. The evaluation is not dependent on the value of the contract. A visit is made by the hiring manager, who attests to the company's technical ability to comply with bank standards. Every procedure is formalized in internal circulars.

The process of evaluating suppliers is ISO 9001 certified for quality. Through close and daily contact the bank can identify any changes in supplier compliance. Underlining its commitment to the cause of human rights, Itaú has signed the National Pact for the Eradication of Slave Labour, a voluntary agreement sponsored by the Ethos Institute for Social Responsibility.

A commitment to respect human rights and the environment is also a requirement for suppliers of the Unibanco group. All existing contracts of over R\$1 million per year have clauses prohibiting slave or child labour and stipulate appropriate conditions for worker health and safety. No Unibanco supplier employs slave labour.

The other criteria for selecting suppliers are quality of products and services, technical training, local support, flexibility, financial health, position in the market, geographical area of performance and costs. The institution also carries out technical on-site visits to attest to the company's ability to supply the product or service, based on quality and infrastructure. These visits are important because operations that require the intensive use of unskilled labour can run the risk of using child or forced labour.

Despite taking all appropriate measures to convey clear guidelines to its suppliers, Unibanco was surprised in 2008 by a report that one of its suppliers was using child labour. After investigating, the company in question was warned and then dropped from the bank's list of suppliers. As a result of this report, Unibanco held a series of workshops designed to reinforce with its suppliers their responsibility and commitment to sustainable development and to not use child or slave labour, to ensure this type of occurrence is not repeated.

The value of diversity

In 2008 Unibanco became associated with NGO Integrare, reaffirming its commitment to valuing diversity in business and society. Integrare identifies, classifies and provides its associates with a base of potential suppliers whose ownership is made up of minorities – including blacks, descendants of indigenous peoples, and/or the disabled.

Integrare enables these providers to be able to compete as an equal (in terms of price and quality) with larger suppliers.

As an associate, Itaú Unibanco now has at its disposal a database of providers owned by minority groups.

This initiative brings benefits to all parties involved to promote diversity, strengthen the image of the partners and provide real opportunities for groups which have traditionally been disadvantaged and discriminated against.

Training in human rights watch

The surveillance and security teams working at Itaú Unibanco branches and administrative centres come from outsourced service providers. All workers participate in training sponsored by their employers - which includes areas such as human relations and human rights - to prepare them for their relationship with the public.

Among the topics covered in training and refresher events are appropriate treatment and priority given to people with disabilities, basics of private safety, applicable laws, the public safety system, criminology, prevention and fighting of fires, first aid, self defence, security of the facilities and monitoring.

To supplement the training events the bank provides its security teams with brochures and the "Eyes on Safety and Good Service" video. These materials, developed by Itaú in keeping with its security policy, guide professionals on correct treatment of customers and users of banking services without losing the focus on safety, and cover issues such as education, courtesy, respect, discrimination and treatment of people with disabilities.

LEARN MORE

> about other practices and investments for local suppliers of Itaú and Unibanco in the online version of this Report at www.itaunibanco.com.br/relatoriodesustentabilidade

Media and Public Relations



Staying close to the news

For Itaú Unibanco the media is a strategic target group, and our relationship actions are designed to contribute to the conscientious use of information.

At Itaú in 2008 approximately 800 opinion formers attended meetings, chat sessions, workshops, press conferences and conference calls arranged by Itaú Holding. Three hundred press releases and notes were sent out to the media, while the Media Relations website – a channel to research information and receive requests, received 174,253 visits. All this work is monitored each day by outside partners who collect daily clippings and audit our image.

Among the main achievements in 2008 was the launch of the Itaú Sustainable Finance Award for journalists and academics. This award seeks to encourage the writing of academic papers and journalism pieces on Sustainable Finance, covering issues such as the integration

of social and environmental aspects into financial activities. The first edition of the award, with support from consulting firm SustainAbility and the Ethos Institute for Social Responsibility, received 79 entries from around the country.

During 2008 the Media Relations office handled about 1,800 requests for information from journalists, and sent out 50 press releases related to the institution's activities. The results of these actions are monitored each day by outside partners who collect and send daily clippings to hundreds of employees, and carry out an image audit which is expressed through MEQI (Media Exposure Quality Index).

Transparency underlined the bank's actions in 2008. One of the most striking cases was the crisis at the American Company AIG, a former partner of Unibanco's insurance arm.

Holding S.A.



Through press releases and conference calls designed to answer the many questions from journalists, we were able to keep an open dialogue with the public and reassure customers about the strength of the Brazilian company, the continuation of its normal activities and its ability to serve customers. After the most pressing moment of the crisis, Unibanco announced it had made an offer to purchase part of AIG, and as soon as this transaction was completed the news was widely distributed to ensure unrestricted access to information.

Another example of transparency playing a key role occurred at the end of October, with the advance release of our third quarter results. During those moments of crisis we lifted the quiet period so our senior executives could provide the information being demanded from our many stakeholders, particularly the media.

Other highlights of Itaú's activities in 2008

- **Launching the Corporate Crisis Management Program**, in partnership with our Business Continuity area. This involved more than one hundred key staff members situated in strategic areas at Itaú, whose objectives are to monitor and prevent reputational, image and business risk situations to the bank.
- **Disclosure of all stages of the Portuguese Language Olympics – Writing the Future**, a unique partnership between the Ministry of Education and Fundação Itaú Social, with an increased presence in the disclosure for each regional event, as well as the semi-final and final stage in Brasília (DF), involving journalists from media outlets nationwide.
- **Disclosure of nine special studies of the credit card market**, and monthly indicators with data on the growth of this industry.
- **Implementation of five workshops** with opinion formers and two chat sessions about credit cards and products for corporate clients.
- **Conducting the first two international editions of Sustainability on the Agenda**: one involving sustainable finance with the participation of SustainAbility, and the other involving sustainability reports with the participation of the Global Reporting Initiative. About 90 people attended the events. Sustainability on the Agenda is a cycle of quarterly meetings with discussions on sustainability-related issues.
- **Apimec** – For the third consecutive year Itaú has brought journalists from Argentina, Chile and Uruguay to attend the Apimec (Capital Markets Investment Professionals and Analysts) meeting, as well as presentations by bank executives. In 2008 Itaú also took the step of bringing three journalists from Paraguay.
- **Newsletter** – Since 2007 Itaú has been sending out the *Itaú Socio-environmental* electronic newsletter to approximately 5,000 people each month, including employees, customers, journalists, students and others who sign up through the bank's sustainability website at www.itaú.com.br/social. The newsletter includes outside interviews, analyses and views on the subject, plus information on the organization's sustainability actions.
- **Providing information on the Itaúbrasil project**, which emphasizes Itaú's cultural activities, involving a relationship action with invitations to opinion formers to participate in shows and exhibitions. To present the project and its programming to journalists covering culture, the economy and marketing, our Media Relations office held a launch event in June 2008. During the programming the press received notes, releases, photos and other media materials.

The Community



Stimulating Local Development

Itaú Unibanco encourages its teams to get involved in social actions. The branch network and the many bank foundations and institutions – which cover every region of Brazil – are the front line in our contact with the communities where we operate. Employees are trained to go beyond the traditional role of banks and identify the needs of these locations and assess how we can help out. This process is fundamental for the bank to meet its commitment to the sustainable development of society.

In 2008 Itaú and Unibanco united to mobilize their employees, customers and society to support rain and flood victims in the State of Santa Catarina. To strengthen efforts to provide immediate care to those in need, Itaú opened a bank account to receive cash donations, in conjunction with the State Office of Civil Defence. With this action the two institutions collected over R\$4.3 million, while Unibanco's Volunteer Program collected food, clothes, books and toys.

At that same time, the number of participants in Itaú Solidarity, a program which seeks donations and allocates taxes paid by bank employees to projects for protecting the rights of children and adolescents, grew 63%, reaching almost 7,000 professionals. Monies collected by the program rose 49% over the previous year, from R\$431,000 to R\$641,000. Under Brazil's tax incentive laws, everyone who declares income tax under the full model can allocate up to 6% of the tax payable to these projects through the Funds for Children and Adolescents. These funds are administered by Councils for Child and Adolescent Rights, which organize and control actions to assist Brazil's young people.

In 2008 companies in the Itaú group passed on a total of R\$3.5 million to the Funds for Children and Adolescents, including three at the state and municipal level, which benefited 70 projects. Tax incentive laws allow companies to allocate 1% of their income tax payable to these funds.

The Itaú Solidarity Program is partnered with 28 Municipal Councils for Child and Adolescent Rights (CMDCA's), covering all five Brazilian regions. In each partner city the Itaú Solidarity Committee has a group of 8 to 12 volunteer staff members who are trained to monitor the projects identified by the CMDCA's through their diagnostic and local action plan. In its annual campaign Itaú Solidarity offers all staff members the chance to allocate funds to these projects. In 2008 the Itaú Solidarity Committee had 250 members, who contributed to 29 projects nationwide.

The bank institutionalized the Itaú Solidarity Network in an effort to link up key players in support of ensuring the rights of children and adolescents. The Network's first action in 2008 was to hold five Itaú Solidarity Committee training sessions in the centres of São Paulo, Fortaleza, Curitiba, Belo Horizonte and Brasília, with more than 200 volunteer employees taking part, as well as the Committee members and representatives of the Municipal Councils for Child and Adolescent Rights.

Another important community support program is Itaú Child, which acts to mobilize the defence of child and adolescent rights through Itaú and Itaú Personnalité branches and Taí outlets. The program promotes strategies for employees, customers and partners to participate in supporting the community. As in the previous year, in 2008 each branch was asked to adopt a public school in their area.

This action is designed to improve the quality of public schooling by offering brochures with tips on how parents can assist in the learning process of their children, and encouraging customers and the community to donate books to school libraries. To supplement the actions undertaken at the branches, Fundação Itaú Social, in partnership with publishers, donated kits of children's books that were delivered to the adopted schools to increase their library collections. In partnership with Itaú's logistics and transportation service providers, staff volunteers prepared the kits sent to the schools along with the Active Library guide, a publication provided by Instituto Gerda, which explains the best ways to use libraries.

Through the Present! community program, the bank supports projects related to public schooling such as the training of educators, digital inclusion, training young people from lower income suburban areas and complementary school activities like sports, music and remedial classes. The program is designed to help branch network employees adopt a structured process to handle, assess and refer requests to support social projects that are sent to the branches by companies or groups which represent local communities. As a basic qualification, projects must be aligned with the values, principles and guidelines of Fundação Itaú Social (*read more about employee participation in social actions under Volunteering, in the Employees section of this Report*).

Recognition in 2008

Itaú received the Citizen Company certificate from the Rio de Janeiro Regional Council of Accountants.

The Environment



Eco-efficiency and mobilization

Itaú Unibanco is aware of the environmental impacts of its activities. Financial institutions generate impacts that are primarily linked to the consumption of natural resources such as water and electricity, as well as daily supplies. The generation of greenhouse gases in the transport of people, goods and money is also a material impact of the institution. Accordingly, before Itaú and Unibanco merged into a single institution they already had similar practices to mitigate the direct environmental impacts of their operations.

Since 2007 Itaú has relied on its Eco-efficiency Working Group to help the organization identify actions which can produce more efficient uses of natural resources. This working group meets every two weeks and comprises representatives from various areas of the bank, who analyze market practices and suggestions submitted by employees. Among the activities undertaken by the Group in 2008 was the implementation of staff-directed selective waste collection, and mobilizing building management to set up bike racks.

In 2008 Unibanco created a specific area to oversee managing the environmental impacts of its activities. The Eco-efficiency Unit was created to centralize all information on the subject in a single area, and establish an integrated strategy for the entire institution. The Eco-efficiency Unit's roles are to implement and monitor the results of actions and programs for the efficient use of resources such as water, energy and materials in general, as well as programs to reduce the institution's Greenhouse Gas (GHG) emissions.

The two banks also undertook initiatives to reduce the environmental impacts of their products and services. Itaú implemented the Green IT program (*see table on page 133*) and reduced the number of documents it sent to customers by substituting this paper with the use of electronic services. Unibanco developed the Greenpeace card, made from a type of chlorine-free plastic which, when thrown away causes less harm to the environment and people's health. Unibanco also encourages sending statements by e-mail, which helps reduce the amount of paper sent to customers.

Together, Itaú and Unibanco invested R\$18.9 million on environmental protection actions.

Aerial photo of the Bandeirantes Thermoelectric Plant in São Paulo (SP).

Environmental Investments (in R\$)	2008
Unibanco	
"Espaço Vida"	191,151.50
Eco-efficiency Team	138,000.00
Consulting for Greenhouse Gases Inventory	91,000.00
Bandeirantes Thermoelectric Plant	16,000,000.00
Itaú	
Disposal and treatment of waste from office buildings and branches	1,804,607.23
Maintenance and security of Lina and Paulo Raia Park	428,810.35
Implementation of selective waste collection at Ceic, CAT and CTO centres	245,000.00
Total Itaú Unibanco	18,898,569.08

Polluting emissions

Most of the direct emissions of GHGs from Itaú Unibanco occur through the transport of people and materials, the leakage of coolant gas in air conditioners and when its own generators need to be operated to produce electricity. Indirect emissions come from the subcontracted armoured car fleet which transports money between the institution's various branches and ATMs throughout Brazil.

To monitor its GHG emissions, Itaú and Unibanco conducted inventories based on the GHG Protocol methodology (*see table on page 128*). The two banks also have several initiatives to reduce these emissions. Following are the main measures adopted in 2008:

- Itaú and Unibanco undertook actions to optimize the logistics of cash transport, with a consequent reduction in indirect CO₂ emissions by the armoured cars. Work is also being done on better inventory control and on avoiding unnecessary trips to deliver material.
- Itaú is prioritizing the use of videoconferencing and distance learning courses, which reduces the need for staff travel.
- In its administrative buildings Itaú adopts Ibama (Brazil's Environmental Protection Agency) regulations for the collection and storage of contaminated coolant gases.
- Unibanco's ride program minimizes emissions of greenhouse gases. Access to this program is available to all Itaú Unibanco staff members through the bank's web portal, where interested employees can register their route and offer rides.

- Unibanco promotes the use of chartered buses to transport its employees to work. These expenses are reimbursed to the employees. The bank also encourages and promotes the use of public transit, which increases the efficiency of emissions of greenhouse gases per employee/kilometre. About one thousand people have already joined the program.
- The treatment of domestic sewage at Unibanco's sewage treatment station, located at its head office facilities, reduces emissions of greenhouse gases (particularly methane). In 2008 the initiative enabled the bank to reduce its emissions by 128.8 metric tons of CO₂ through improved waste treatment.

Greenhouse Gas Emissions 2008 – Itaú Unibanco

		Estimated Emission (t CO _{2e})	Consumption
Itaú + Unibanco Level I	Own motor vehicles	1,653	708,276 l (gasoline)
	Generators	4,192	1,561,565 l (diesel)
	Total	5,845	
Electricity Consumption		Estimated Emission (t CO _{2e})	Consumption
Itaú + Unibanco Level II	Administration buildings	9,249	191,560 MWh
	Points of sale	16,714	344,621 MWh
	Total	25,963	536,181 MWh
		Estimated Emission (t CO _{2e})	Consumption
Itaú + Unibanco Level III	Staff use of public transit	873	1,557,638 km
	Cash transport	25,345	9,453,583 l (diesel)
	Cargo transport	9,802	4,664,466.4 l (diesel)
	Taxis	2,302	12,753,857 km
	Mileage reimbursement + fuel	43,311	20,374,619.48 l (gasoline)
	Air travel	15,920	125,429,800 km
	Total	97,553	

Emission of substances harmful to the ozone layer in 2008 – Unibanco*

Type of gas	Consumption (Kg)	ODP	Estimated Emission (Kg CFC11 eq.)
R-22	6,084	0.055	334.62
141- b	355.5	0,11	39.105
R-134 a	272.4	< 1,5,10 ⁻⁵	0.0041
Total	6,711.90	-	373.725

The types of air conditioner gas used in administrative buildings are listed in the table above: R-22 (chlorodifluoromethane), 141-b (1,1 - dichloro-1 - fluoroethanol), R 134-a (1,1,1,2 - tetrafluoroethanol). HFCs are colorless and almost odourless and have zero ozone depleting potential (ODP = 0), while the gas used in air conditioners at the branches is R-22 (chlorodifluoromethane).

* Coolant gases used in air-conditioning in administrative buildings.

** ODP is defined as the relative amount of degradation to the ozone layer caused by a chemical compound, per unit mass of CFC-11 emitted. (Source: The Ozone Layer - DETR, UK. 1998).

Emission of NOx and SOx in 2008

Itaú Unibanco	Estimated Emission Kg NOx*	Estimated Emission Kg SOx**
Staff use of public transit	18,199.2	619.58
Cash transport	59,286.13	5,271.45
Cargo transport	22,282.86	2,172.39
Taxis	21,952.1	520.87
Generators	39,039.09	13,104.49
Total	160,759.41	21,688.78

Inventory

In 2008 Unibanco conducted its first greenhouse gas emissions inventory. Unibanco has participated in the Carbon Disclosure Project (CDP) since 2006, answering the questionnaire about the impact of its operations on climate change. To this end, we employed the Greenhouse Gas Protocol methodology – the most commonly used international standard to assess, quantify and manage greenhouse gas emissions.

Itaú has been part of the CDP since 2005, helping this independent global initiative to meet its goal of informing investors and customers about the risks and opportunities caused by climate change. In addition to being a signatory and respondent, as a publicly held company Itaú also sponsors the Carbon Disclosure Project's Latin America Report. Events were held in Chile, Mexico and Argentina to present the Carbon Disclosure Project to businesses in those countries and invite them to participate in the Report.

Materials used and waste disposal

The consumption of materials by Itaú Unibanco is primarily paper for cheques and administrative use, as well as furniture and plastic for credit cards and debit cards (*see table at bottom of page*).

Each month Unibanco recycles about 39% of all recyclable waste (paper, metal and plastic) from its facilities. In 2008 the processes were expanded to include the biggest waste generation centres. Crushed documents, plastics, glass and aluminium are now properly disposed of, with less impact to the environment.

In 2008, 14% of the paper used was recycled. In the same year a recycling program was implemented for banners, which are donated to Arrastão, an NGO, to be turned into bags and holders. Monies earned from the processing of waste materials are sent to the Instituto Unibanco to be applied to selective waste collection and recycling projects.

In 2008 Itaú implemented selective waste collection at its administrative buildings in São Paulo. Before the creation of the program, recyclable waste had been collected underground to be separated and sold. With the new program the separation is done by employees at the moment of disposal.

Throughout 2008, 1,935 metric tons of waste was collected, which generated \$190,000 from the sale of materials. This revenue was then distributed to NGO partners of Fundação Itaú Social.

Itaú also began collecting organic waste in 2008, generated in the kitchens and restaurants at its three administrative centers in São Paulo. Each month it collects 12 tonnes to be processed into three tonnes of fertilizer. The bank also collects 600 litres of oil which it donates to NGOs that use the material to manufacture soap.

Itaú was also active in 2008 with the removal of boxes of inactive files from its branches, which had been handled by third-party suppliers. A total of 574 tonnes of white paper and 30 tonnes of cardboard were sent for recycling. The sale of this waste generated R\$91,000 for Fundação Itaú Social.

Consumption of materials in 2008 Itaú Unibanco (in tonnes)

Paper (office)	Paper (cheques)	Cards
4,104.5	687.0	343.8
Recycled paper		Wooden furniture FSC (tonnes)
14%		1,040.8

Energy

The energy consumed by Itaú Unibanco is used for transportation (gasoline), the operation of generators (diesel), and the operation of its administrative centres and points of sale (electricity). Itaú and Unibanco both monitor their energy consumption and implement initiatives to reduce the use of electricity and fuels.

In 2008 a new procedure for collecting energy use data from the branches allowed the institution to take initiatives for reducing energy consumption. Unibanco branches throughout Brazil sent in their electricity bills during the year for consumption analysis. The 230 branches that used the most electricity (about 75% of the network) are now being monitored.

The bank also began using more efficient, less energy consuming equipment. It exchanged air-conditioners at 54 branches and substituted 4,441 conventional work stations (monitors and CPUs) with more modern units that consume less energy.



Inside the Bandeirantes Thermoelectric Plant.

Waste disposal in 2008 Itaú Unibanco

Cheques received, after processing, are sent to kaper, a company which recycles confidential documents and cheques.

WASTE	OVERALL TOTAL	
	Tonnes	Recycled
Paper/Cardboard	2,977.3	YES
Plastic	190.4	YES
Glass	2.6	YES
Metal	18.1	YES
Organic waste (landfill)	1,828.8	NO
Organic waste (compost)	33.7	YES
Light bulbs (metric tons)	3.2	YES
Batteries	1.3	YES
Printer cartridges	15,174	YES
ATMs – bank machines	78.4	YES
PCs – computer monitors	69.1	YES

In 2008 Itaú sought to reduce its electricity consumption through more efficient products and solutions. The monthly monitoring of electricity bills is reviewed by the Commission of Rationalization of Processes and Costs (CRPC). The bank also addresses the subject through a group of representatives from the organization's engineering departments. To spread good practices on lowering consumption, a manual was created to help branch managers with savings procedures.

Among the many measures already in place are the switching of 40 W light bulbs to 32 W in the branches, and the use of electronic reactors, which generates a 20% saving. The bank's Retrofit Program replaced the air conditioning system in the Cambuci administrative centre (CTO) for better performing centrifuges, and Itaú also implemented the use of surveillance systems for automatic control and lighting in the Ceic and CTO centres.

Main achievements – 2008:

- Replacement of the air conditioning system in the Rudge Ramos building, and improving the insulation of the air conditioning system ducts for better equipment efficiency in the CAT centre. Automated temperature controls were also installed in the CAT centre.
- Replacement of the elevators in the CAT centre with more efficient models, resulting in a 40% reduction in the electricity they consume, and modernization of the elevators in the Ceic centre (Alfredo Egydio, Conceição and Itauseg towers, and the kitchen), the CTO centre (dispatch and kitchen), and at the Jardim Paulista, Pinheiros and Santana facilities. Industrial equipment used for food production was also substituted by more energy efficient models, some of which are gas powered.
- Replacement of hall lighting in the Egydio Alfredo, Conceição and Itauseg towers in the Ceic centre, resulting in 20% less energy consumption than the previous system.

Direct Energy Consumption in 2008, by source (in GJ)

Itaú Unibanco	
Source	GJ
Generators	
Buildings	
Branches	56,872.4
Fininvest	
Hipercard	
Vehicle fleet	23,167.3

Conversion factor: 1 l = 0.2641 Gal., 1 gallon 0.138 GJ (diesel); 0.125 GJ (gasoline)

2008		
Electricity Consumption	MWh	MWh per employee
Administrative Buildings	191,561	
Points of sale	344,622	
Total	536,182	5.55

Green IT

In 2008 Itaú invested R\$2.3 billion in technology to support 3.37 billion transactions in its various self-service channels. But this technology also has an impact, so since 2004 Itaú has been investing in environmental programs and initiatives that include research, projects and benchmarking with several companies to identify and develop sustainable practices in this area.

One of the major impacts of banking technology is the consumption of electricity, so most of the practices developed by the program are related to energy efficiency. Actions undertaken include substituting the central cooling system of the Technical Operations Center (CTO), which since 2004 has been using ecologically correct gas for cooling, resulting in 40% less energy use. Additionally, areas that were previously lit 24 hours a day now only trigger the lights when a person is present.

The exchange of certain machines for larger and more efficient units is another strategy of the Green IT program. In 2008 alone 450 servers were exchanged, while tube monitors are gradually being replaced by more economical LCD technology.

In addition to electricity, Green IT initiatives also focus on the disposal of materials such as batteries used in uninterrupted power supply devices in branches, banking service outlets, Taí locations and ATMs, which are now discarded at the end of their useful life in accordance with environmental policies. The goal for 2009 is to extend this policy to the disposal and recycling of machinery.

A sustainable energy source

The Bandeirantes Thermoelectric Plant (Uteb), situated in the Bandeirantes Sanitary Landfill in São Paulo Brazil, was the first biogas-powered plant in the country and the largest in the world at the time of its construction in 2003. The plant, which is managed by Unibanco, generates electricity from the burning of methane gas from organic waste, which is extracted from the landfill.

The plant's electricity generating capacity is 20 MW, enough to supply a city of 400,000 inhabitants. Unibanco uses part of that electricity at five administrative buildings in São Paulo and one in Rio Janeiro, an initiative that has reduced its electricity expenses.

Since the merger with Itaú, a study is underway on expanding electricity production in 2009 to also supply Itaú's administrative buildings. The benefits are not just financial. The use of methane helps reduce the amount of greenhouse gases in the atmosphere, which are linked to global warming.

In 2008 over 590 tonnes of CO₂ in carbon credits were issued. Over 470 tonnes of CO₂ have already been certified while approximately 120 tonnes of carbon dioxide are undergoing certification.

Through an agreement between Unibanco, the City of São Paulo and Biogás, half the carbon credits will be held by the City of São Paulo, under the auspices of the Secretariat of Green Areas and the Environment for subsequent investment in the Municipal Environment Fund. The other half is shared between Unibanco and Biogás, with the bank being entitled to receive 7.5% of the carbon credits generated by Uteb.

By 2015 the project will reduce the equivalent of 7.3 million tonnes of CO₂, making it eligible to obtain carbon credits through the Clean Development Mechanism under the Kyoto Protocol.

The running of the Bandeirantes plant has improved the quality of life of some 120,000 residents in the neighbouring Perus district of São Paulo, by eliminating sources of contamination, odour problems caused by waste deposited in the landfill, and insect-borne disease transmission. The project also includes a recreation area for the community surrounding the plant. These improvements also have also led to increased property values in the area.

Benefits of Uteb

Itaú Unibanco benefits, as it uses Uteb's electricity to supply six administration buildings.

The environment benefits through reduced emissions of methane, a polluting gas which is linked to global warming.

The nearby residents benefit, as the income collected through the auction of Uteb carbon credits on the Brazilian Futures Exchange will be used by the City of São Paulo for projects to improve the quality of life of the community surrounding the plant.

How Uteb operates:

- Each tonne of waste deposited in a sanitary landfill generates an average of 150 m³ of biogas. The generation of biogas begins a few months after a landfill opens and continues up to 15 years after the closure of the facility.
- At the Uteb plant over 12,000 m³/h of gas feeds 24 sets of motor-driven generators, through a 60 km network of pipes connected to more than 200 vertical pressure relief drains.
- After collection the gas passes through the cleaning and drying process.
- When the gas is sent to the power plant it is used as fuel to produce electricity.

Water

Itaú Unibanco uses water to meet the requirements of its points of sale and administrative centres. Most of the water used comes from public utilities, though it also uses some water from artesian wells (*see table at bottom of page*). In 2008 water re-use was 2.1%, equivalent to 51,236 m³.

Unibanco Holding also uses water to meet its administrative needs. This water comes through the concession-holder distribution network, with the exception of the Unibanco Administrative Centre and the call centre, which use artesian well water.

At Unibanco's Administrative Centre (CAU), a water treatment station also eliminates the waste generated and re-uses this water for gardens, cleaning of common areas and in toilets. This action resulted in saving 23,388 m³ of water in 2007, while the amount of water re-used in 2008 rose to 32,986 m³.

Since 2004 Itaú has increased the number of actions designed to reduce water consumption in its buildings and branches. Water use increased from 14.57 m³ per employee in 2007 to 26.4 m³ in 2008, due in part to modified criteria for measuring consumption, and the opening of 235 new branches in 2008.

The measures taken over the years by Itaú to reduce consumption include the collection and treatment of water from the washrooms in the Eudora Villela tower (Ceic centre).

After being collected the water is treated and used in toilets. Since 2006 this measure has saved 50,000 litres of water a day.

The actions also include investments in more economical technologies and infrastructure systems for water re-use and using rainwater.

The new branches are receiving more efficient toilets which use less water. These branches have also installed air-cooled air conditioning, which is more efficient than the previous water-cooled system. Changes were also made in the washrooms in the Ceic centre (Alfredo Egydio, Conceição and Itauseg towers), as well as in the Pinheiros, Santana and Vila Mariana buildings in São Paulo, which now have sinks and flushing that require 50% less water per use.

A pilot project to capture and use rainwater was begun in nine new branches. After being collected, the water is treated and re-used in toilets, gardens and for cleaning outside areas. The design of the project was based on rainfall amounts in different regions of the country. The collection of rainwater was also implemented at the CAT centre in São Paulo, which now collects water from the roof for re-use in toilets.

Water consumption in 2008 (in m³)*

	Itaú Unibanco	per employee
Administrative buildings	677,177	-
Points of sale	1,191,627	-
Groundwater (artesian wells)	114,536	-
Total	1,983,340	25.2

* Flushing of water is solely from domestic utilities and collected rainwater.



Green Overpass
(Passarela Verde),
in São Paulo (SP).

Mobilization

Each year Itaú holds its Spring Planting project, which is designed to strengthen the relationship between branches, clients and the community, and to raise ecological awareness. In the 21st edition of the program, held in 2008, 10,500 seedlings were distributed, which will be planted in environmental conservation areas. The program involved staff members from our administrative centres in São Paulo, Rio de Janeiro, Curitiba, Belo Horizonte, Salvador and Goiânia.

The seeds planted in the State of São Paulo were sent to a nursery located in the city of Nazaré Paulista. The nursery is run by Arvorar, a consultancy associated with the Ipê Ecological Research Institute, which specializes in promoting the integration of forest restoration with social involvement and biodiversity conservation. The growing site is monitored and when the seeds become seedlings they will be planted in environmental preserves connected with Arvorar. In Nazaré Paulista seedlings were also provided for a special reforestation area, an action conducted by 1,500 public and private school children, chosen by branch managers in São Paulo.

Inserted in the city

Itaú Unibanco seeks to promote environmental development in the cities where it operates. In 2008 Unibanco helped conserve eight bridges located along the Marginal Pinheiros highway in São Paulo. This sponsorship included painting and cleaning the bridges, as well as landscaping the access ways.

Through the Passarela Verde (Green Overpass) project, in partnership with the City of São Paulo, Unibanco benefited everyone who crosses the bridge over Avenida Eusébio Matoso and those who use the squares nearby. The overpass underwent the following improvements:

- The floor was coated with rubber recycled from used tires.
- Part of the roof was designed with bamboo to absorb 30% more carbon than other vegetation of the same size.
- Use of moulded wood, produced from recycled packaging.

- Native tree species were planted in the nearby squares, which attract birds and help preserve soil moisture.
- Use of high efficiency solar energy lamps.
- Two elevators which provide access for the disabled.

In 2008 Banco Itaú, Itaú BBA, Itaú Cultural and Itaú Social joined forces with Instituto Abril, Editora Abril and the City of São Paulo on the Praça Victor Civita – Open Sustainability Museum project. More than just a meeting place, the facility seeks to become a benchmark on environmental issues by offering a variety of activities offered to the public. The property had previously been contaminated by domestic and hospital waste, but was fully adapted for the construction of the facility.

Itaú also supported the community in 2008 by investing R\$428,810 in the maintenance of Lina and Paulo Raia Park in São Paulo. The bank also allocated R\$200,000, raised through ticket sales from the Bossa Nova exposition at Oca, to the revitalization of some of the greenhouses at the Manequinho Lopes nursery, located in São Paulo's Ibirapuera Park. This project is a partnership between Itaú and the São Paulo State Secretariat of Green Spaces and the Environment.

Recognition in 2008

- Unibanco was the winner of the 4th Brazilian Environmental Award – Clean Development Mechanism – presented by the American Chamber of Commerce of Rio de Janeiro, for the bank's reporting of its financial, social and environmental results from the Bandeirantes Thermoelectric Plant.
- Itaú was honoured with the Época Climate Change Award, sponsored by *Época* magazine and Editora Globo.

Investments in infrastructure and services (in R\$)	2008
Unibanco	
Espaço Vida	191,151.50
Green Overpass	1,441,402.31
Studies Centre	6,382,654.84
Bandeirantes Thermoelectric Plant	16,000,000.00
Itaú	
Maintenance of Lina and Paulo Raia Park	428,810.35
Selective waste collection at Ceic, CAT and CTO centres	245,000.00
Total Itaú Unibanco	24,689,019.00

Social and Cultural Investments

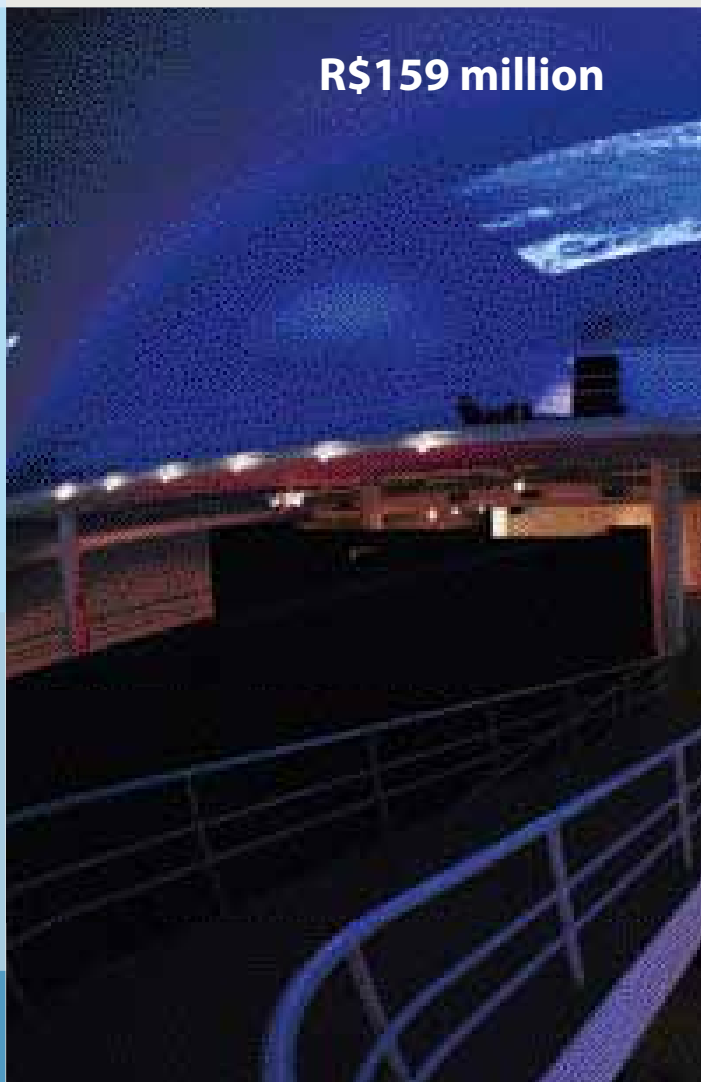
Social

Fundação Itaú Social
Instituto Unibanco
Other Social Investments

Cultural

Instituto Itaú Cultural
Instituto Moreira Salles
Other Cultural Investments

R\$159 million



In this chapter

Guidelines for the activities of Itaú Unibanco's institutes and foundations.

- Contribution to creating public policies
- Actions that support Brazilian culture
- Practices for managing programs developed to benefit society



invested = benefits for millions of Brazilians

With events like the exposition for the 50th anniversary of Bossa Nova, held at Oca in Ibirapuera Park in São Paulo, the bank helped celebrate Brazil's most widely recognized musical form.

R\$159 million

was invested in social and cultural projects by Itaú and Unibanco in 2008

98%

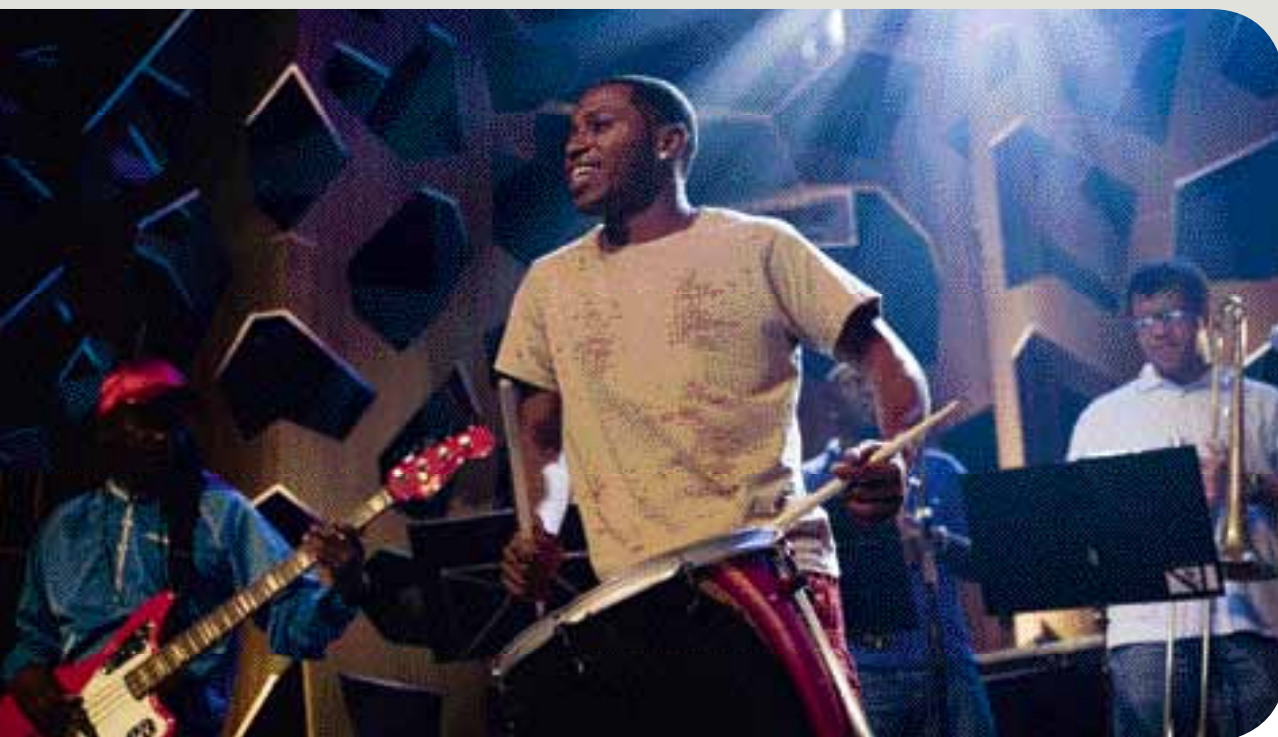
of Brazil's cities and towns take part in the Brazilian Olympics of the Portuguese Language, a Fundação Itaú Social project in partnership with the federal government

60 movie theatres

make up the Espaços Unibanco de Cinema network

Social and Cultural
Investments

Appendices



Antídoto event in 2008, presented by Instituto Itaú Cultural.

A Commitment to Society

At Itaú and Unibanco our private social investment strategies prioritize the improvement of education and access to culture

The social and cultural investments undertaken by the main institutes and foundations at Itaú Unibanco embody the commitment of the institution to the major challenges of the sustainable development of society. Both institutions have a long history of support for social and cultural projects, and together they will bring considerable benefit to society, given their complementary activities. In the social area, Instituto Unibanco and Fundação Itaú Social invest in education – the primary tool for the training of citizens and the sustainable development of Brazil, while the mission of Itaú Cultural Institute and Instituto Moreira Salles is

to democratize access to culture through various cultural actions.

These four organizations operate independently, but have similar strategies, as they seek to establish partnerships with governments and civil society organizations to broaden the scope of their initiatives.

Itaú and Unibanco invested approximately R\$159 million in social and cultural investments in 2008.

The following pages have more details about the activities of Itaú Unibanco in these fields, as well as its main achievements in 2008.

Fundação Itaú Social

A focus on education

Education is the pathway to Brazil's sustainable development. Fundação Itaú Social (the "Foundation"), created by Itaú in 2000, is designed to create, implement and spread methodologies which improve public policies in education and the evaluation of social projects.

The Foundation operates throughout Brazil in partnership with all government levels (federal, state and municipal), the private sector and civil society organizations. The establishment of strategic alliances brings together various outlooks and approaches, which contributes to the joint development of solutions for the demands of the Brazilian people. It is also a way to ensure the durability of its actions and to gain scale, resulting in a broad scope of activities.

Fundação Itaú Social has also invested in the growth of inter-sectoral policies, focusing its efforts on areas such as education, culture, sports, welfare and health to help provide comprehensive education for children and adolescents.

Sharing projects with the public sector and other partners ensures support and brings an identity to local projects, in addition to providing a wider range of actions which meet local demand and influence public policy. Partners in education include the United Nations Fund for Children (UNICEF), the National Union of Municipal Education Administrators (Undime) and Canal Futura TV, while the Center for Studies and Research in Education, Culture and Community Action (Cenpec) performs the technical coordination of various projects.

In addition to outside partners, the Foundation is also supported by the bank's business operations, as various areas help to grow its social programs. The branch and consumer finance outlets network also plays an important role in publicizing programs, which helps bring them closer to local communities. These internal alliances are strengthened by the conceptual, strategic and operational alignment between the Foundation and the bank's internal areas.

The group of actions and programs that the Foundation develops and supports is focused on comprehensive schooling, education management, the development of reading and writing skills, better opportunities for the social insertion of young people and spreading the culture of the economic evaluation of social projects. These areas of work are implemented through different programs:

Reading and Writing: the Writing the Future program has been exemplary in the transformation of public schooling policy, turning Writing the Future into the Olympics of the Portuguese language. In 2008 it became part of the Education Development Plan of the Ministry of Education, allowing these Olympics to reach 5,445 cities, representing 98% of Brazilian municipalities. The 2008 edition was attended by approximately six million elementary school students, 55,000 schools and 130,000 teachers. In 2007, 15,000 schools took part.

Comprehensive Education: in 2008 the implementation of regional workshops and a major national seminar strengthened the discussion of the implementation of comprehensive education in Brazil.

Education Management: Managing schools is a major challenge for schooling performance and includes micro aspects of daily life at school and teaching-related work, through supervisory and school administration bases, up to the macro levels of public schooling management and policy departments.

To strengthen education administration skills at various levels of the public school system and to enrich and broaden the debate on the subject, the Foundation runs two programs in this area: Municipal Education Improvement and Excellence in Education Management.

Municipal Education Improvement: as part of its efforts to provide ongoing training for municipal managers, Regional Education Plan meetings were held for training and monitoring the implementation of Educational Action Plans in 26 municipalities in Piauí State, 25 in Goiás State and 14 municipalities in the interior of São Paulo State. There were also 30 training workshops using the Brazil Today application, which prepares administrators to diagnose local conditions.

Excellence in Education Management: this project includes three initiatives, two studies and a pilot project implemented in ten schools in São Paulo in partnership with the São Paulo State Department of Education. The studies, which deal with educational reform in New York and its applicability to Brazil and charter schools, will be published. Over a three-year period, ten public schools in São Paulo State will be used to develop two elements of reform implemented in New York: leveraging educational management by training teaching coordinators and the practice of coaching, and the approach and involvement of families in everyday school life. The content and didactics of Portuguese Language and Mathematics courses will receive specific training through technical coordination provided by the Fernand Braudel Institute.

Youth: throughout 2008 we systemized the methodology of social intervention for young people from low-income suburban areas which resulted in the publication of *Urban Youth – a Systemized Methodology*, which was presented and discussed at a seminar on public policies for young people.

Economic Assessment of Social Projects: the assessing of social projects and public policies is a subject that is becoming increasingly important in the quest to improve social actions and investments. In this context, the economic assessment aspect has become an important tool to support project management and improvements, and optimize the allocation of resources and facilitate the provision of reports to donors, participants and the general public.

Economic assessment combines two complementary steps: the impact and the calculation of income. The first main goal is to show causality between the completed project and the results, while the financial return on investment compares the project with the benefits generated over the life of its participants.

Fundação Itaú Social directed efforts at spreading the knowledge of assessment and promoted seven courses and four workshops for 400 people who received electronic guides with information on the subject. Thanks to its major involvement with the issue, the Foundation has received invitations from groups such as Fundação João Pinheiro, the Minas Gerais State Government, the Rio Grande do Sul State Department of Justice, Labour and Social Development and steel company Arcelor Mittal, based in the State of Espírito Santo, to give courses and share knowledge on the subject.

Key Challenges and Achievements in 2008

- Increase teaching skills and understanding in reading and writing through the implementation of the Portuguese Language Olympics – Writing the Future.
- Encourage the establishment of comprehensive education through the Monitoring Plan for social organizations – the Itaú-Unicef Award and a national discussion on the policy of comprehensive education for children and adolescents.
- Expansion of opportunities for the social insertion of young people, with the systematic methodology of working with the young and the implementation of a National Seminar on youth policies.
- Spreading the culture of the economic assessment of social projects, with courses, seminars and evaluations.
- Strengthening skills in public school administration by spreading the use of the local conditions diagnostic tool and creating new projects in the area of educational management.
- Mobilizing and encouraging employees to become involved with a social cause through programs such as Itaú Volunteer, Itaú Solidarity, Itaú Child and Community Today.



Fundação Itaú Social maintains partnerships with organizations that develop important projects aligned with its own operating principles, such as the City Apprentice School Association, Fundação Dorina Nowill, Canal Futura TV and the Solidarity Literacy Program, which in turn helps improve the performance of these groups themselves.

2008 highlights:

- **Integrated School Program:** this project from the city of Belo Horizonte expands the educational journey in the municipal network, through partnerships with NGOs and universities, plus public and private services available around the school. The Foundation has been a project partner since 2004, helping train Education and Social Services departmental technicians, which contributes to this important element of comprehensive education.
- **Reorientation of the Goiás Curriculum:** through a participatory process involving the entire network, a central curriculum was developed for Grade Two. Through the partnership the curriculum extends in didactic sequences across all subjects.
- **School Volunteer Award:** a Radio Bandeirantes project that has been supported by the Foundation since 2002. It recognizes, encourages, publicizes and awards teaching in public schools and individuals that encourage volunteer work among their students.
- **Vitae Partners:** the Vitae Partners Support Program for Technical and Agrotechnical Teaching, a series of annual competitions for project awards, was established in 1996 by Vitae - Support for Culture, Education and Social Promotion, whose goal is to contribute to the improvement of professional education at the technical level. The Foundation joined the partnership in 2008, bringing together the Technology Support Foundation, program management, Fundação Lemann and other institutions.

LEARN MORE

> about Fundação Itaú Social's programs in this Report's online version at www.itaunibanco.com.br/relatoriodesustentabilidade

Instituto Unibanco

Supporting Youth

O Instituto Unibanco (the “Institute”) believes that to contribute to the sustainable development of the country it is essential to invest in youth and address Brazil’s educational shortcoming: less than 16% of the economically active population has 11 years of schooling. Created in 1982, the Institute develops actions in partnership with governments and civil society organizations, whose goal is to create conditions that allow vulnerable young people to finish their studies armed with sufficient knowledge and course content to qualify them for the job market, for their personal life and as a citizen.

In 2008 the Institute focused its social investments on the expansion of social projects of its own design, such as Future Young and Among Youth, and almost doubled the number of beneficiaries from the previous year, going from 84,595 kids helped in 2007 to 150,000 in 2008. These projects are implemented through public-private partnerships with state governments responsible for high school education.

The Institute also establishes partnerships with non-governmental organizations throughout the country, which helps qualify their high school-related projects.

All initiatives supported and developed by the bank are constantly evaluated for their results and impacts and meet three main guidelines: Efficiency, as the projects must provide excellent value for money; Efficacy, as the initiatives must reach the targets they set; and Effectiveness, because the actions chosen must have the desired positive impact on the lives of the beneficiaries.

Instituto Unibanco's projects

The Institute’s main projects are Future Young and Among Youth.

Through these projects, investments are made in improving the quality of high school education, resulting in better school performance and lower dropout rates.

Future Young offers technical and financial conditions so the school community can carry out projects to improve performance and reduce dropouts.

In achieving these goals, the project has a positive effect on the personal and professional futures of young people and their families, as it increases the number of employment opportunities and improves the participants' educational and cultural skills.

Future Young was implemented in 2007 in 4 schools in São Paulo. In 2008 it was extended to 48 schools: 25 in Porto Alegre (RS), 20 in Belo Horizonte (MG) and 3 in São Paulo (SP) – and involves 77,000 students.

The Among Youth program, in partnership with State Secretariats of Education, universities and institutions connected with education, seeks to address the challenge of providing high school students with primary school education skills, without which their performance at this level of education is adversely affected. The strategy is to provide additional educational assistance to public school students from grade one to high school through a mentoring program developed by undergraduate university students. The goals are to improve student performance and help reduce dropout rates, as well as help improve the training of future teachers.

In 2008 Among Youth involved 78 schools in Rio de Janeiro (RJ), Vitória (ES) and Juiz de Fora (MG), reaching 13,000 students and 396 university students. In 2009 the project will reach 205 schools in Rio de Janeiro, São Paulo, Minas Gerais, Espírito Santo and the Federal District. As a low cost and easily disseminated technology, the Government of Espírito Santo is studying to adopt it as a policy in 2009.

The Institute's Young Apprentice Project promotes the training of high school students to be apprentices for the formal job market. Non-profit groups receive technical and financial support to prepare public high school boys and girls aged 16-24 for employment, primarily in schools which benefit from the Future Youth and Among Youth programs.

The Institute also has the Tomas Zinner Center for Studies – a facility to validate educational principles and technologies to be applied to projects which seek to reduce school dropouts and improve the quality of education and employability of young people, particularly under Brazil's Law of Learning.

Project support and sponsorship

Instituto Unibanco supports groups that develop social actions focused on the human development of youth, including formal education, professional training, education and social responsibility. This support transcends the financial investment to become a true partnership.

Projects supported include the Environmental Education Centres, created to make young people aware of environmental preservation and the use of natural resources, and to provide subsidies to teachers to be used for the school.

The Institute and the Unibanco group

In addition to the Volunteer Program, the Institute runs selective waste collection in the group's buildings and conducts the selection and management of social projects which receive financial support from Unibanco Private Bank's Social Investment Funds, which allocate part of their earnings to social actions in supplementary education, allowing investors to generate returns by helping provide opportunities for children and adolescents to receive training.

Other Social Investments

Itaú Holding

São Paulo Social and Environmental Stock Exchange: for the fifth consecutive year Banco Itaú Holding Financeira S.A. donated 5% of its listing fees to social projects, allowing funding to be provided to 14 projects around Brazil.

Unibanco

- **Caravan of Sport:** run by TV sports channel ESPN Brasil, this social project serves as an educational tool for children and adolescents in the interior of Brazil. The project was sponsored by the bank in 2008, and funds were invested in 11 cities in the States of Bahia, Sergipe, Pernambuco, Alagoas, Mato Grosso do Sul and Amazonas.
- **Clube A:** since 2003 the bank has been offering retired customers or employees of any of the group's companies the opportunity to join Clube A, which offers recreation and entertainment for the elderly. Clube A uses social, cultural and leisure activities, and the development of employee solidarity to improve the lives of retirees.

Itaú BBA

Education Projects

- **"Vitae Partners" Support Program for Technical and Agrotechnical Teaching:** created by Vitae - Support for Culture, Education and Social Promotion, the program is designed to disseminate and implement modernization and technology courses in technical teaching and Agrotechnical schools. In 2008 Itaú BBA financially supported this program. Vitae Partners consists of Itaú BBA, Vitae, Instituto Itaú Social, Fundação Lemann, Instituto Unibanco and FAT.

LEARN MORE

> about Instituto Unibanco's programs in this Report's online version at www.itaunibanco.com.br/relatoriodesustentabilidade

- **Solidarity in Literacy:** a program which gives adults and young people access to regular terms of primary schooling. In 2008 Itaú BBA allocated funds that contributed to the teaching of 1,000 students and 40 teachers in four cities in North Eastern Brazil. The figure also includes the Seeing project, which performs eye exams and distributes glasses to students.

- **Acaia Sagarana:** supports and encourages young people from low income homes who have good school grades. In 2008 the program gave lessons in English, mathematics, history, geography, physics, chemistry and biology, thanks to a donation from Itaú BBA. This year 12 students passed the exam to give them full scholarships for the Anglo College entrance exam preparation course.

- **Fundação Getúlio Vargas Scholarship:** with financial help from the bank, this schooling credit program helps Business Administration students pay for their studies. In 2008 Itaú BBA allocated monies to the FGV Scholarship Fund.

- **Vera Cruz Educational Institution Assistance:** Itaú BBA allocated funds for projects for 350 pre-school children and 430 kids up to grade four (780 in total), 92 teachers (80 from pre-school and 12 from elementary school), plus eight teaching coordinators and directors.

- **ARCO – Benevolent Association:** provides education for children and young people aged up to 22 from the outskirts of São Paulo. In 2008 Itaú BBA donated money to this organization, which helped support two projects: “Digital Inclusion” and “Art in Wood”.

- **Partners in Education Program:** a partnership between businesses and schools which helps benefit students and educators by improving the quality of teaching. Itaú BBA became involved in this program in late 2008, when it signed a protocol of intent with the Parent Teacher Associations of two state schools in São Paulo: Romeu de Moraes and Professor Manoel Ciridião Buarque. In 2008 money was provided to assess the infrastructure and teaching needs of these schools.

Supporting the Community

- **Association for Assistance to Children with Heart Disease and Heart Transplants (ACTC):** helps children with serious heart disease from all over Brazil and neighbouring countries, accompanied by family members, to receive treatment at the Heart Institute in São Paulo. In 2008 Itaú BBA provided funds to ACTC, which allowed the organization to assist over 1,000 children and their accompanying family members.

- **São Paulo Institute Against Violence:** in 2008 Itaú BBA donated R\$120,000 to the Institute. One of the key improvements made was the implementation of a new digital Crime Report Phone Line, used by people to help prevent crimes. This digital service allowed it to handle, assess and refer an average of 14,000 reports in six months, against 9,000 in the six months prior to going digital.

Antídoto event in 2008,
presented by Instituto
Itaú Cultural.

- **Instituto Brasil Solidário:** a non-profit organization which develops social programs in disadvantaged and low human development index communities. In 2008 Itaú BBA provided funds for Instituto Brasil Solidário to conduct social and environmental actions in needy communities situated along the route of the Rally dos Sertões car race.

- **Praça Victor Civita:** Itaú BBA contributed funds for the construction of this square in São Paulo city's western zone. The land had been contaminated by heavy metals and other toxic substances from the burning of household and hospital waste on this site for 40 years. The Abril media group and various government agencies worked together to find an economically viable and environmentally sustainable solution to rehabilitate the area for public use, without posing any risk to visitors. In November 2008 the city of São Paulo officially opened the Praça Victor Civita - Open Space of Sustainability.

Instituto Itaú Cultural

Promoting Brazilian Art

Founded in 1987, Itaú Cultural Institute (the "Institute") seeks to develop and organize processes which help create and spread knowledge of Brazilian arts and broaden access to culture in all regions of Brazil. In its two decades of operation the Institute has become a benchmark for addressing, promoting and spreading Brazilian art and culture.



Throughout 2008 the Institute organized approximately 300 cultural events all over Brazil, as well as 40 international events undertaken in Argentina, Chile, China, Mexico and Uruguay. Offering free and unrestricted access, these activities attracted a wide range of people, from students to critics, curators, artists, journalists and third sector representatives. The activities offered at the Institute's headquarters in São Paulo were attended by about 273,000 people in 2008.

The activities are presented by different areas of the cultural sphere and are designed to run for several years. The Institute is also responsible for managing the entire collection of Itaú Holding's approximately 3,500 works of art and offering various programs on research, content production, mapping, promotion and dissemination of intellectual-artistic events in Brazil and abroad.

All Instituto Itaú Cultural activities are free, which allows more people to experience its products and projects. The Institute does not limit its activities to urban areas. It also invests in distance activities to give its content even greater reach.

Itaú Cultural areas of activity

- Development and organization of cultural processes and generation of knowledge about the Brazilian arts.
- Understanding of cultural practices through broadening access to culture.
- Promotion of social participation.
- Encouraging research and production of art and technology.
- Encouragement of emerging talent through Itaú Cultural Directions, a long-running nationwide program.
- Virtual activities through its website to help expand the reach, research and discussion on art and culture in Brazil.

Main achievements in 2008

- Fourth Itaú Cultural Biennial of Art and Technology.
- Distribution of 42,028 products, including books, magazines and DVDs, to cultural and educational institutions throughout the country.
- 20 Bossa Nova programs distributed to 668 broadcasters in 526 Brazilian cities.
- *Itaú Modern - Art in Brazil 1911-1980*, an art book featuring 273 works of modern art from the Itaú collection.
- Re-launching on DVD of the 15 documentaries in the Brazilian Historic Panorama series.
- *Strategies for Entering and Exiting Modernity: Art in Brazil 1911-1980* - an exposition of the Itaú collection at MASP, attended by 110,417 visitors.
- *Visionaries - Audiovisual in Latin America* - a display held in La Paz (Bolivia) and Buenos Aires (Argentina).
- Public launching of the Itaú Cultural Directions program in the Visual Arts and Education, Culture and Art categories.
- The Itaú Cultural website had approximately 8.6 million visits, while the online encyclopedia of visual arts, theatre and literature had over five million visits.

LEARN MORE

> about the actions of Instituto Moreira Salles in the online version of this Report and at www.ims.com.br

Instituto Moreira Salles

Guardian of national history

Instituto Moreira Salles (IMS) was created in 1990 to promote and develop cultural programs and activities focused on safeguarding, preserving and making available collections of Brazilian arts and history, allowing Brazilian culture to be more accessible to the general public through four areas of art.

IMS designs, implements and runs its own projects independently from the bank. Priority is given to medium and long-term activities, including regular programs which allow the public to broaden their cultural knowledge.

Instituto Moreira Salles Areas of Activity

- Photography
- Literature
- Fine Art
- Brazilian Music

Instituto Moreira Salles
facility in Higienópolis.



In 2008 thousands of people attended IMS's 817 events in its cultural center, including exhibitions, courses, workshops, children's programming and the launching of publications. IMS has centres located in three Brazilian States: one in Rio de Janeiro, which also houses a Technical Photography and Music Archive; two in Minas Gerais (Belo Horizonte and Poços de Caldas); and one in São Paulo.

IMS is best known for its work with photography. It houses over 550,000 images and dozens of photography collections, and has an extensive collection of photographs of Brazil in the 19th century, plus music recordings and literature and works of art including drawings, ink and watercolours.

Instituto Moreira Salles Main achievements in 2008

- Acquisition of the Martha and Érico Stickel collection, featuring images of the 19th century.
- Presentation of dozens of exhibits.
- Over 1,000 film screenings.
- Launch of book about writer Machado de Assis, commemorating 100 years since his death.

Other Cultural Investments

Music

In 2008 Itaú launched the ItaúBrasil events platform, whose goal is to promote Brazilian culture and its most famous figures. The program's first edition, which celebrated the 50th anniversary of Bossa Nova, began with a concert for 50,000 people on Ipanema Beach in Rio de Janeiro, and featured artists such as Milton Nascimento and the Jobim Trio, who later took the show to São Paulo and Belo Horizonte. An exposition of the 50th Anniversary of Bossa Nova was also held at the Oca facility in Ibirapuera Park in São Paulo, which had over 82,000 visitors.



Itaú Unibanco supports the spread of classical musical by sponsoring the São Paulo State Symphony Orchestra (Osesp).

The program also included the sponsorship of concerts designed especially for the occasion, which brought singers Roberto Carlos and Caetano Veloso together for the first time to honour Tom Jobim, as well as young artists who paid tribute to João Donato; the pairing of Miúcha with Os Cariocas; and four shows by João Gilberto, his first in Brazil for five years.

Itaúbrasil will run programs annually with a variety of themes and formats for each edition. The event is multi-faceted and can embrace music, visual arts, performing arts, film or any other significant form of Brazilian culture.

In addition to music, Itaú and Unibanco supported the spread of classical music by sponsoring the São Paulo State Symphony Orchestra (Osesp). Itaú Personnalité sponsored a series of four concerts by the Orchestra, totalling 24 presentations, 22 of which were in the Sala São Paulo, and two in the Municipal Theatre of

Rio de Janeiro. The target audience of these events was Personnalité customers in São Paulo and Rio de Janeiro. The bank has been supporting the São Paulo State Symphony Orchestra since 2003. In 2008 the bank sponsored a series of concerts at Sala São Paulo, and the Orchestra's Brazil Tour, which visited 11 cities around the country.

Films

The Espaço Unibanco de Cinema and Unibanco Arteplex facilities comprise a network of movie theatres, located in several cities and dedicated to high-quality programming. In 2008 two new Espaço Unibanco de Cinema movie houses were opened: one in São Paulo (ten screens), and the other in Salvador (four screens). The network has 13 separate facilities featuring approximately 60 screens in Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Fortaleza, Santos, Curitiba and Salvador.

Currently, all customers and employees of Itaú and Unibanco have a 50% discount at any Espaço Unibanco de Cinema and Unibanco Arteplex.

Literature

For the fifth consecutive year Unibanco was the main sponsor of the International Literary Festival of Paraty (Flip). Through its involvement the bank seeks to encourage reading and bring readers and writers closer together.

Recognized for the quality of the authors invited, the enthusiasm of the audience and the hospitality of the city, the Festival has

been growing in popularity. In 2008 it honoured Machado de Assis, an event that brought together 40 authors and attracted about 20,000 people to the city of Paraty.

Other Sponsorships

Other sponsorships were undertaken in 2008 to support the expression of popular culture throughout Brazil. The objectives are to enhance the initiative of the communities where the bank operates and encourage social and cultural development in these regions.

In February three important events enjoyed Itaú's support: the Festival of Nossa Senhora dos Navegantes, in Rio Grande do Sul, which is the country's third largest religious festival and has been supported by Itaú for the past 28 years; the Salvador Carnival, which is the world's largest street carnival according to the Guinness Book of Records; and in March it sponsored, for the eighth consecutive year, the Curitiba Theatre Festival. This was the 17th edition of the Festival, which is Brazil's largest performing arts event.

Unibanco sponsored the first University Communication Festival, and continued its financial support to maintain the Criar Institute of TV, Film and New Media, which helps integrate young people from low income backgrounds into the employment market through a technical and socio-cultural training program. Unibanco also sponsored the São Paulo Museum of Art (MASP), as well as the São Paulo International Art Fair and the "Nicolas Antoine Taunay in Brazil" exhibit, both held at the National Museum of Fine Arts of Rio de Janeiro.

Itaú BBA

Itaú BBA makes independent investments in cultural and social projects. Following are its sponsorships for the year:

- **Itaú BBA Photography Contest.** Using the categories "Trees in Bloom," "Nature in Bloom" and "Crops in Bloom", this long-running Itaú BBA contest awarded prizes to amateur and professional photographers from all over Brazil.
- **Itaú BBA Avistar Photography Contest.** Under the "Brazilian Birds" category, the competition awarded Brazil's best images of birds photographed in the wild. The event was designed to stimulate the recording and conservation of birds in Brazil.

Projects undertaken through the Rouanet Law:

- **Jewish Cultural Centre.** This institution helps promote and strengthen cultural ties between the Jewish community and Brazilian society.
- **Living History of Brazil.** In this book historian Jorge Caldeira collected the stories of people who lived through key moments in Brazilian history, such as the Jesuit priest who documented the first mass held in São Paulo, and the letter from Brazil's governor general, describing the arrival of the Dutch in Salvador. In 2008 Itaú BBA took on full sponsorship of the book, which was released the same year.
- **São Paulo Museum of Modern Art.** To celebrate the 60th anniversary of one of Brazil's leading modern art museums, Itaú BBA sponsored Marcel Duchamp's first solo exhibit in Latin America, which featured 120 works by the French-American artist.
- **Acadêmicos do Grande Rio.** Itaú BBA provided funds for this Samba School, which in the 2009 Carnival parade honoured the year of France in Brazil.

Appendices

Principal Social and Environmental, Economic Performance Indicators

Ibase Table – December 2008

(values in R\$ thousands)

1 – Calculation Base

Net Income (NI)	10,442,018
Operating Income (OI)	(692,119)
Gross Payroll (GP)	8,579,157

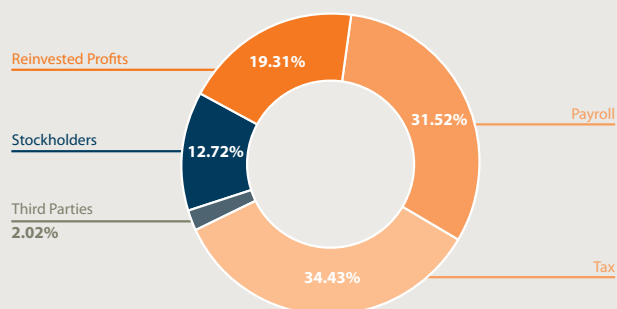
2 – Internal Social Indicators

	Value	% of GP	% of NI
Meals	513,945	5.99%	4.92%
Mandatory Social Payments	1,396,817	16.28%	13.38%
Private Pension Plans	93,532	1.09%	0.90%
Health Care	215,689	2.51%	2.07%
Workers' Health and Safety	58,446	0.68%	0.56%
Education	22,343	0.26%	0.21%
Transportation	45,974	0.54%	0.44%
Professional Development and Training	102,688	1.20%	0.98%
Daycare and Childcare Assistance	25,241	0.29%	0.24%
Profit Sharing	1,427,581	16.64%	13.67%
Other Benefits	87,883	1.02%	0.84%
Total	3,990,139	46.51%	38.21%

3 – External Social Indicators

	Value	% of OR	% of NI
Education	52,276	7.55%	0.50%
Culture	35,747	5.16%	0.34%
Health and Sanitation	2,418	0.35%	0.02%
Sports	3,155	0.46%	0.00%
Daycare	-	0.00%	0.00%
Meals	-	0.00%	0.00%
Other	63,220	9.13%	0.61%
Total Contributions to Society	156,817	22.66%	1.50%
Taxes (not including social security charges)	7,638,870	1,103.69%	73.16%
Total	7,795,687	1,126.35%	74.66%

Distribution of Value-Added



4 – Environmental Indicators	Value	% of OI	% of NI
Related to operations	18,279	2.64%	0.18%
In programs and/or outside projects	8,444	1.22%	0.08%
Total	26,723	3.86%	0.26%

5 – Personnel Indicators	
Nr. Employees at end of period	108,027
Nr. Employees hired during the period	24,899
Nr. Outsourced workers	n/a
Nr. Interns	1,350
Nr. Employees aged over 45	13,834
Nr. Female employees	61,326
% Managerial posts held by women	39.46%
Nr. African-Brazilian employees	14,968
% Managerial posts held by blacks	5.08%
Nr. Special needs employees	2,736

6 – Selected Measures of Corporate Social Responsibility	2008	Goals 2009
Ratio of highest to lowest salary	n/a	n/a
Work-related accidents	n/a	n/a
Social and environmental projects were established by:	Executive Directors and Managers	Executive Directors and Managers
Standards of occupational safety and health were set by:	Executive Directors and Managers	Executive Directors and Managers
Regarding freedom to unionize, collective bargaining and internal worker representation among workers, the Company:	Follows ILO rules	Follows ILO rules
Private pension plans for:	All employees	All employees
Profit-sharing plans for:	All employees	All employees
Requirement that suppliers share Itaú's ethical and social/environmental responsibility standards:	Mandatory	Mandatory
For staff members to perform volunteer work, the company:	Organizes and encourages	Organizes and encourages
Value-added statement (DVA)		2008
Value added to be distributed (in R\$) thousands		25,191,808
	%	in R\$ thousands
Distribution of value-added		
Taxes	34.43%	8,672,917
Payroll	31.52%	7,941,480
Stockholders	12.72%	3,205,181
Reinvested Profits	19.31%	4,598,302
Third Parties	2.02%	507,539

About this report | Global Reporting Initiative Cross Index and Correlation with the Global Compact

About this Report

The 2008 Annual Sustainability Report of Itaú Unibanco follows the guidelines of the Global Reporting Initiative (GRI) and the Brazilian Association of Public Companies (Abrasca). This requires the reporting of its social, environmental and financial performance. This Report also presents initiatives related to the 10 Principles of the Global Compact (see table on page 157). All actions undertaken in 2008 to promote the Compact are listed in the GRI cross-index on pages 157 to 161.

The principles most important to the quality of a sustainability report are the inclusion of stakeholders and materiality, i.e. the discussion of topics and issues essential to the operation of the company and to society. The Itaú Unibanco Annual Sustainability Report undertook key procedures to meet these conditions.

In October 2008 Itaú held two consultative sessions with a total of 62 representatives of strategic groups within the bank. In the first of these, a group of employees pointed out what they saw as the most important issues to be addressed in the report. The second stage was a panel of stakeholders which included the participation of employees from various areas of the organization, as well as customers, suppliers and representatives of NGOs and other financial sector institutions. This group was asked to provide a qualitative and quantitative assessment of the bank's report from the previous year, emphasizing its best aspects. The results of these sessions were assembled by specialist firm BSD Consulting, which

presented Itaú with a materiality matrix, showing the main topics which ought to be covered.

Three other studies helped determine the priorities for this Report. UK firm SustainAbility, in partnership with the Brazilian Foundation for Sustainable Development, performed the first assessment of sustainability reports produced in Brazil. At the same time, Unibanco conducted a benchmarking study on the reporting practices of the financial industry in Brazil and abroad.

The comparison of the results of the stakeholder meetings with the findings from the sustainability reports studies was consolidated and subsequently sent to a group of experts from the market, academia, and from social and environmental organizations. This group named which subjects, among the initial group, should be given priority for publication.

This process of developing the content has resulted in the publication of *Essence of Sustainability*, which outlines Itaú Unibanco's main challenges and priorities in the area of sustainability. The printed Report also seeks to address these issues in its many chapters, relating the bank's performance to those issues identified as material.

Comments on this Report can be sent to sustentabilidade@itau.com.br or to sustentabilidade@unibanco.com.br.

		2002 "in agreement with"	C	C+	B	B+	A	A+
Mandatory	Self-declared							
	Assessment by third-parties		External verification		External verification			
	Reported in GRI							

10 Principles of the Global Compact

Human Rights

1. Support and respect proclaimed human rights
2. Make sure that they are not complicit in human rights abuses

Labour Standards

3. Uphold the freedom of association
4. Elimination of all forms of forced and compulsory labour
5. Abolition of child labour
6. Elimination of discrimination in respect of employment and occupation

Environment

7. Support a precautionary approach to environmental challenges
8. Promote greater environmental responsibility
9. Diffuse environmentally friendly technologies

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery

Global Reporting Initiative Cross Index and Correlation with the Global Compact

General Indicators	Global Compact Principle	Page
Strategy and analysis		
1.1. Message from the President and Chairman of the Board		2-9
1.2. Impacts, risks and opportunities		26-29
Organizational Profile		
2.1. Name of reporting organization		20
2.2. Primary brands, products, and/or services		60
2.3. Operational Structure		32
2.4. Location of organization headquarters		166
2.5. Countries where the organization operates		24-25
2.6. Nature of ownership and legal form		32
2.7. Markets served		24-25
2.8. Scale of the reporting organization		24-25
2.9. Changes during the reporting period		30-33
2.10. Awards received in the reporting period		106, 115, 117
Report Parameters		
Report Profile		
3.1. Reporting period		156
3.2. Date of most recent previous report		156
3.3. Reporting cycle		156
3.4. Contact point for questions regarding the report or its contents		156
Report Scope and Boundary		
3.5. Process for defining report content		156
3.6. Boundary of the report		156
3.7. Limitations on the scope or boundary of the report		156
3.8. Basis for reporting		156
3.9. Data measurement techniques and the bases of calculations of Itaú and Unibanco	Consolidated quantitative Itaú and Unibanco indicators January to December, 2008	
3.10. Explanation of the effect of any re-statements of information provided in earlier reports		In their own tables
3.11. Significant changes from previous reporting periods		156

About this report | Global Reporting Initiative Cross Index and Correlation with the Global Compact

	Global Compact Principle	Page
GRI Content Index		
3.12. GRI Summary		157-161
Assurance		
3.13. External assurance	Independent auditor's limited assurance report, p. 162, AA1000 Assurance Statement, p. 163	
Governance, Commitments, and Engagement		
Governance		
4.1. Governance structure of the organization		33-35
4.2. Executive officers		34
4.3. Independent and/or non-executive Directors		31
4.4. Mechanisms for shareholders and employees to provide recommendations or direction to Board		33, 118-119
4.5. Linkage between compensation for Board members, senior managers and executives and the organization's performance	Note 16 to the Financial Statements –Volume 2, pp. 100-101	
4.6. Processes in place for Board to ensure conflicts of interest are avoided		48-49
4.7. Process for determining the qualifications and expertise of Directors		34-35
4.8. Statements of mission, values, codes of conduct and principles relevant to economic, environmental and social performance plus status of their implementation	The Itaú Unibanco Vision and Mission are in progress	48-49
4.9. Procedures of the Board of Directors		32, 34
4.10. Processes for evaluating Board performance	Based on best corporate governance practices recommended by the Brazilian Corporate Governance Institute (IBGC) and by the Brazilian Securities Commission (CVM), three years ago the Board of Directors implemented its annual self-evaluation	
Commitments to External Initiatives		
4.11. Whether and how the precautionary approach or principle is addressed		41-47
4.12. Externally developed economic, environmental and social charters, principles or other initiatives		84-87
4.13. Memberships in associations		84-85
Stakeholder Engagement		
4.14. List of stakeholder groups engaged by the organization		82
4.15. Basis for identification and selection of stakeholders with whom to engage		86
4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		156
4.17. Key topics and concerns that have been raised through stakeholder engagement	110-111, 157, <i>Essence of Sustainability</i>	
Economic Performance Indicators		
ECONOMIC PERFORMANCE		
Form of management		60
EC1. Direct economic value generated and distributed		Ibase Table
EC2. Financial risks and opportunities related to climate change	7	70, 127
EC3. Pension Plan		Note 16 to the Financial Statements 16
EC4. Financial assistance received from the government		Note 16 to the Financial Statements 15
Market Presence		
EC5. Ratio between lowest salary and local minimum salary		97
EC6. Policy, practices and spending on locally-based suppliers		Online Report
EC7. Procedures for local hiring		89
Indirect Economic Impacts		
EC8. Development and impact of infrastructure investments		137
EC9. Indirect economic impacts	Itaú Unibanco has no studies to measure these impacts	

	Global Compact Principle	Page
ENVIRONMENTAL PERFORMANCE		
Form of management		124
Materials		
EN1. Materials	8	130
EN2. Percentage of materials used that are recycled	8 and 9	130
Energy		
EN3. Direct energy consumption	8	133
EN4. Indirect energy consumption	8	133
EN5. Energy saved due to conservation and efficiency improvements	8 and 9	131-133
EN6. Energy efficient or renewable energy based products and services	8 and 9	131-133
EN7. Initiatives to reduce indirect energy consumption and reductions achieved	8 and 9	131-133
Water		
EN8. Total water withdrawal by source	8	135
EN9. Water sources affected by withdrawal of water	8	None
EN10. Water recycled and reused	8 and 9	135
Biodiversity		
EN11. Protected and high biodiversity areas	8	None, as the bank's operations are centred in urban areas
EN12. Impacts on biodiversity	8	None, as the bank's operations are centred in urban areas
EN13. Habitats protected or restored	8	None, as the bank's operations are centred in urban areas
EN14. Management of impacts on biodiversity	8	None, as the bank's operations are centred in urban areas
EN15. IUCN Red List species	8	None, as the bank's operations are centred in urban areas
Emissions, effluents, and Wast	8	126
EN16. Direct and indirect emissions of greenhouse gases	8	128
EN17. Other indirect emissions of greenhouse gases		128
EN18. Initiatives to reduce emissions of greenhouse gases	7, 8 and 9	127-129
EN19. Emissions of substances harmful to the ozone layer	8	129
EN20. NOx, SOx and other emissions	8	129
EN21. Total water discharge	8	Discharged water is only from domestic utility and collected rainwater
EN22. Total weight of waste by type and disposal method	8	131
EN23. Total weight and volume of significant spills	8	None, as Itaú Unibanco's activities have no significant use of chemical, oil or flammable substances
EN24. Hazardous waste transported	8	Waste generated by Itaú Unibanco is properly removed and handled by third-parties. Quantities appear in EN22. Systems do not record weights
EN25. Water bodies and habitats affected	8	Itaú Unibanco does not significantly affect water bodies or habitats through discharge or drainage by generating only domestic effluents
Products and Services		
EN26. Mitigation of impacts of products and services	7, 8 and 9	126 and 133
EN27. Percentage of products sold and their packaging materials reclaimed	8 and 9	131
Compliance		
EN28. Monetary value of significant fines	8	None
Transport		
EN29. Impacts of transporting products and other goods and materials	8	128
Overall		
EN30. Total environmental protection expenditures and investments	7, 8 and 9	127
SOCIAL PERFORMANCE – LABOUR PRACTICES AND DECENT WORK		
Form of management		88
Employment		
LA1. Total workforce by employment type and region		88-89
LA2. Total number and rate of employee turnover	6	92
LA3. Benefits provided to full-time employees		Online Report

About this report | Global Reporting Initiative Cross Index and Correlation with the Global Compact

	Global Compact Principle	Page
Labour/Management Relations		
LA4. Percentage of employees covered by collective bargaining agreements	1 and 3	100
LA5. Minimum period for notification in advance of operational changes	3	Itaú and Unibanco collective agreements with staff have no minimum period for announcing significant operational changes
Occupational Health and Safety		
LA6. Percentage of total workforce represented in joint management/worker health and safety committees	1 and 3	100
LA7. Rates of injury, occupational diseases, lost days and absenteeism, and work-related fatalities	1	No deaths in 2008
LA8. Programs regarding serious diseases	1	96, 97, 99
LA9. Health and safety topics in agreements with unions	1	Online Report
Training and education		
LA10. Hours of training	6	94
LA11. Programs for skills management and continuous learning		93-94
LA12. Percentage of employees receiving regular performance and career development reviews		94-95
Diversity and equal opportunities		
LA13. Composition of governance bodies and workforce	1 and 6	103-104
LA14. Ratio of basic salary of men to women by employee category	1 and 6	Online Report
SOCIAL PERFORMANCE - HUMAN RIGHTS		
Form of Management		100
Investment and Procurement Practices		
HR1. Percentage and total number of investment agreements with human rights clauses/screening	1, 2, 3, 4, 5 and 6	Unibanco signed 22 BNDES on-lending contracts and two IFC on-lending contracts that have human rights clauses
HR2. Percentage of suppliers evaluated for human rights and actions taken	1, 2, 3, 4, 5 and 6	118-119
HR3. Hours of human rights training for employees on human rights	1, 2, 3, 4, 5 and 6	Online Report
Non-discrimination		
HR4. Cases of discrimination	1, 2 and 6	Nine discrimination cases were filed in 2008
Freedom of Association and Collective Bargaining		
HR5. Operations where freedom of association and collective bargaining may be at risk	1, 2 and 3	100
Child Labour		
HR6. Operations with risk of child labour	1, 2 and 5	119
Compulsory and Slave Labour		
HR7. Operations with risk of forced or compulsory labour	1, 2 and 4	118-119
Security Practices		
HR8. Security personnel trained in human rights	1 and 2	121
Indigenous rights		
HR9. Violations of indigenous rights	1 and 2	None
SOCIAL PERFORMANCE – SOCIETY		
Form of management		122-123, 139-146
Community		
S01. Managing impacts of operations on communities		Although it has no studies to manage its impact on communities, Itaú Unibanco has developed community-focused practices
Corruption		
S02. Assessments of risks related to corruption	10	38
S03. Training in anti-corruption policies	10	38
S04. Measures taken in response to cases of corruption	10	39
Public Policies		
S05. Participation in public policy development and lobbying	1 and 5	139-141
S06. Contributions to political parties	10	Meetings and donations provided by Itaú and Unibanco in 2008 are available at www.tse.gov.br

	Global Compact Principle	Page
Anti-Competitive Behaviour		
S07. Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		None
Compliance		
S08. Fines and penalties for non-monetary non-compliance with laws and regulations		R\$ 2,687,762
SOCIAL PERFORMANCE – PRODUCT RESPONSIBILITY		
Form of management		38, 40, 110, 114
Customer Health and Safety		
PR1. Assessment of impacts		38, 40, 114
PR2. Non-compliance with the voluntary codes		n/a
Product and Service Labelling		
PR3. Procedures for products and services labelling		114
PR4. Non-compliance		n/a
PR5. Practices related to customer satisfaction		110
Communication and Marketing		
PR6. Adherence to laws, standards and codes		The bank follows the Corporate Ethics Code, ISO manuals plus Conar, Abemd and CDC rules. Direct marketing and merchandising materials developed by Unibanco are subject to applicable rules from Bacen, Anbid and other financial sector regulatory bodies
PR7. Non-compliance		None
Customer Privacy		
PR8. Violation of customer privacy	1	n/a
Compliance		
PR9. Fines for non-compliance with laws and regulations concerning provision and use of products and services		R\$ 2,385,738

Financial Services Sector Performance Indicators

Product Portfolio	FS1. Socio-environmental policies	28, 46
	FS2. Socio-environmental risk assessment	44-47
	FS3. Socio-environmental monitoring of client	44-47
	FS4. Training in socio-environmental policies	106-107
	FS5. Interactions on socio-environmental risks/opportunities	114
Financial Services		
Product Portfolio	FS6. Percentage of portfolio of business lines	Note 8 to the Financial Statements – pp. 66-69
	FS7. Products and services for social benefit	64, 74-75
	FS8. Products and services for environmental benefit	64, 74-75
Financial Services	FS9. Socio-environmental policies audits	Online Report
Product Portfolio	FS10. Interaction with companies on socio-environmental issues	116
	FS11. Assets subject to socio-environmental screening	Online Report
	FS12. Voting policies applied to socio-environmental issues	Online Report
Society		
Community	FS13. Access in areas of economic disadvantage	64
Community	FS14. Access for people with disabilities	115
Products		
Labelling of products and services	FS15. Development and sale of products and services	48
Labelling of products and services	FS16. Financial education	114

Independent Auditor's Limited Assurance Report

To the Management of
Itaú Unibanco Banco Múltiplo S.A.

Introduction

We were retained to conduct a limited assurance report of the 2008 Itaú Unibanco Sustainability Report of **Itaú Unibanco Banco Múltiplo S.A.**, which was prepared under the responsibility of Bank management, following the criteria appearing in paragraph 3. This work included the design, implementation and maintenance of internal controls for the suitable creation and presentation of the 2008 Sustainability Report and the appropriate application of this criteria. Our responsibility is to issue a limited assurance of the information presented in the Itaú Unibanco Sustainability Report of **Itaú Unibanco Banco Múltiplo S.A.** for the year 2008.

Procedures used

Our limited assurance work was carried out pursuant to Assurance Procedures and Rules – NPO-01, as issued by the Brazilian Institute of Independent Auditors (Ibracon), and included: (i) the planning of the work, based on the relevance and amount of information presented in the Itaú Unibanco Sustainability Report of **Itaú Unibanco Banco Múltiplo S.A.**; (ii) gaining an understanding of the internal controls; (iii) the demonstration, based on tests, of the evidence supporting the quantitative and qualitative data of the Sustainability Report; (iv) interviewing the managers responsible; and (v) comparing information of a financial nature with the accounting books. This allowed the procedures applied to be considered sufficient to provide a level of limited assurance, and consequently, did not require the issuance of a broader report under the Assurance Procedures and Rules – NPO-01.

Scope and limits

The goals of our work were to check and assess the data contained in the Bank's Sustainability Report, which included obtaining qualitative information, measuring and calculating quantitative data, and presenting this in compliance with the following criteria: (i) Brazilian Accounting Standard NBC T 15 - Information of a Social and Environmental Nature; and (ii) Global Reporting Initiative (GRI G3) reporting guidelines for sustainability reports. Opinions and historic and descriptive information were not subject to subjective evaluation are not within the scope of the work carried out.

Conclusion

Based on our review, we have no knowledge of any material change arising from the information contained in the Sustainability Report of **Itaú Unibanco Banco Múltiplo S.A.**, relative to the year ended December 31, 2008. The information herein is presented appropriately in all material respects in compliance with the criteria described in paragraph 3.

São Paulo, March 31, 2009

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

AA1000 Assurance Statement

1. Objective

Banco Itaú Holding Financeira S/A retained BSD Consulting to independently audit the process of creating its 2008 Sustainability Report and the process of engaging its stakeholders. BSD conducted its work in compliance with the AA1000 Assurance Standard 2008. The objective of the process is to check and provide Itaú stakeholders with an independent opinion on the quality of the report, the underlying sustainability management processes and compliance with the AA1000 principles.

2. Independence

BSD is a company which specializes in sustainability. We operate independently, and no BSD employee has any professional consulting relationship with Itaú Holding or any of its related companies, in addition to work involving material information with internal and external stakeholders. Our work was overseen by a qualified professional under Rule AA1000AS of the International Register of Certified Auditors, under registration number 1189266.

3. Scope and limits

The scope of this Assurance Statement includes the operations of Banco Itaú, its respective business areas and the operations of Banco Itaú BBA, and covers the activities from March 2008 to February 2009, with the bank's second engagement cycle. The scope does not include the operations of Unibanco, whose information appears in the report. The level of assurance is moderated based on the definition of AA1000AS. BSD did not carry out any assessment of the reliability of the data.

4. Methodology

The process of evaluating the management process and the report was based on two main tools, which reflect the models applied by the company:

A) To measure **the progress of the company's sustainability report** we used the Relata® tools, developed by BSD, which have allowed us to make ongoing assessments of the Itaú Holding Financeira S.A. Annual and Social Reports since 2005. The three tools in the Relata® family comprise three analytical pillars of this report:

- The "Relata®" tool allows a team of BSD specialists to assess the performance of the report.
- The "Relata GRI®" tool makes a qualitative and quantitative analysis of the report by using software developed by BSD, resulting in a GRI Indicators compliance ratio, in the G3 version.
- The "Relata Stakeholders" tool analyzes the Bank's report by representatives of the strategic relationship groups.

Declaration of AA1000 Guarantee

B) Our analysis of the process of sustainability management follows AA1000AS 2008 guidelines (AccountAbility 1000 Assurance Standard 2008) type 1, which covers the evaluation of the compliance with the three Principals of AA1000AS: Inclusion, Materiality and Response Capacity. The execution of this task is continual and consists of the monitoring and implementation of the AA1000 management process together with the team responsible, in checking the internal documents and in creating sample tests of the material issues addressed in the engagement process through interviews with different stakeholders.

Main Conclusions

A) Progress in the sustainability report process

Since the 2006 report BSD has measured compliance with the new GRI version, G3. With the 2006 and 2007 reports, Banco Itaú Holding Financeira S.A. showed significant progress in complying with GRI criteria, as shown in the Relata G3® indices.

	Compliance with essential GRI criteria (RelataG3®)	Compliance with essential and additional GRI criteria (RelataG3®)	Evaluation with Relata®, maximum 200 points	Evaluation with Relata Stakeholder®, with stakeholders
AR/SR 2006	52%	43%	157	159 (out of 200)
AR/SR 2007	76%	69%	151	170 (out of 200)

Based on the analysis of BSD's specialist team, the bank has made major strides in its ability to respond to the demands of the leading international model for sustainability reports, responding gradually to a larger number of indicators and demonstrating greater compliance with the principles established by the GRI. However, the note below from the evaluation of the 2007 report, using Relata®, reflects a lack of clarity and presentation of information, as well as a lack of environmental data, which has been corrected in this version of the report.

B) Monitoring the AA1000 dialogue process with stakeholders

In the opinion of BSD, Banco Itaú improved its process of sustainability management and engagement of stakeholders, demonstrating the achievement of actions and a commitment to consolidate the process and evolve continuously. The main findings of the monitoring of the implementation of the AA1000 standard are grouped in relation to prevailing principles of AA1000S: Inclusion, Materiality and Response Capacity.

Inclusion

This principle addresses the organization's commitment to enable the participation of stakeholders in identifying critical issues and the search for viable solutions within the context of sustainability, such as the inclusion of sustainability impacts arising from the business of the company.

In 2008, the reporting period, the bank was in the second cycle of incorporating the AA1000 standard, implementing a number of engagement practices. The main result of this period was the establishment of an engagement structure with forms of engagement with all priority stakeholders and an improved measurement and control system. The main processes observed by the auditor during the period were:

- compliance with the SA8000 standard at Ceic (Itaú Conceição Business Centre);
- selection and engagement of suppliers;
- evaluation process and implementation of the Ethics Policy;
- compliance with the new customer service rules at the call centres;
- implementation of socio-environmental policy for credit;
- engagement process for security service providers;
- Speak Frankly; and
- meetings with shareholders.

We found that the goals and commitments made by Itaú were achieved, and that processes were carefully conducted, improving the skills needed to perform the management tasks. The activities are in line with Itaú Unibanco's new Sustainability Policy, prepared at the end of 2008. All processes will be accompanied by an integrated array of indicators. We recommend that stakeholders have a greater say in the formulation of indicators, strengthening the forms of engagement with external parties that go beyond relationship events, migrating to more strategic forms of inclusion.

Materiality

The concept of materiality, within the context of reporting non-financial indicators, defined by GRI and AA1000AS, focuses on management issues that have socio-environmental and financial impacts, (internal factors) and on the views of stakeholders on the performance of the organization. Any particular material issue can influence the decision-making, actions and performance of an organization or of its stakeholders.

In 2008 Itaú incorporated an evaluation of material issues into the creation of the sustainability report. This process was based on mapping stakeholders as a result of the AA1000 implementation process. The result of the test substantially influenced the preparation of this report and confirmed that the main issues considered priorities by the stakeholders and by the company's sustainability strategy are included in the management processes. Compliance with leading standards and commitments such as the Equator Principles, Dow Jones Sustainability Index, Bovespa Corporate Sustainability Index, the Carbon Disclosure Project and the recent adoption of SA8000, provide an advanced management structure that – combined with the processes of engagement with customers, suppliers and staff - ensures broad coverage of a financial institution's key sustainability issues.

However, important issues for the general public, such as rates and fees, are still dealt with reactively. A first initiative to meet this demand is booklets about the conscientious use of credit, but there is a greater demand for positioning in today's economic environment, which is overshadowed by the global financial crisis.

Response capacity

The principle of response capacity covers the organization's actions, decisions and communications with stakeholders, carried out according to their specific demands. The principle points to the existence of decision-making processes that provide timely, valid answers, which is the company's response capacity to sustainability challenges.

The bank has demonstrated the ability to meet goals and commitments identified in its engagement process with stakeholders. The subject of training security personnel in human rights, raised in previous audits, was treated substantially, with an awareness campaign provided to all service providers. The adherence of the call centres to the new service law was carried out on time and accompanied by internal monitoring. Accessibility improvements, such as energy management in buildings, showed progress. In the area of socio-environmental policies for credit the company is still on target. We recommend they place further emphasis on including other risk sectors and projects for socio-environmental analysis.

Summary

In the reporting period the process of engagement with Banco Itaú Holding Financeira S.A.'s stakeholders showed progress in its implementation. The achievement level of commitments and targets was very high, and the response level to critical issues and transparency of the report increased significantly. Based on the new Sustainability Policy and on a more consolidated engagement process, Itaú Unibanco has the opportunity to raise its level of managerial excellence in sustainability, including a more comprehensive and inclusive approach to the principal demands of its stakeholders.

São Paulo, March 24, 2009.

BSD Consulting

Beat Grüninger, Associate Sustainability Assurance Practitioner

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If you have any questions, comments or suggestions, or would like more copies of the Report, please e-mail us at sustentabilidade@itau.com.br or sustentabilidade@unibanco.com.br

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