PROSPECTUS

U.S.$500,000,000

UNIBANCO-UNIÃO DE BANCOS BRASILEIROS S.A.

(a company incorporated under the laws of the Federative Republic of Brazil),

acting through its Grand Cayman branch

8.70% Perpetual Non-cumulative Junior Subordinated Securities

---

We, Unibanco – União de Bancos Brasileiros S.A., acting through our Grand Cayman branch, are issuing U.S.$500,000,000 8.70% Perpetual Non-cumulative Junior Subordinated Securities, or the Securities. The Securities will be perpetual securities with no final maturity date, and will not be subject to any mandatory redemption provisions. The Securities will be subject to redemption by us, at our option, in whole, but not in part, at any time on or after July 29, 2010. Prior to that date, we may redeem the Securities, in whole, but not in part, only in the event of certain changes in Brazilian bank regulations or in the event of certain changes in Brazilian and Cayman withholding taxes, subject to the prior approval of the Central Bank of Brazil, or the Central Bank. Interest on the Securities will accrue from and including July 29, 2005 and will be payable quarterly in arrears on January 29, April 29, July 29, and October 29 of each year, commencing on October 29, 2005. The Securities will be unsecured and subordinated obligations. See "Description of the Securities".

We have the right not to pay interest on the Securities in case of certain regulatory or bankruptcy events and in the case of certain defaults. In addition, we have the option of not paying interest at any time and, in those circumstances, we will be prohibited from paying dividends on our capital stock and making certain other similar payments. In case of non-payment of interest due to certain regulatory or bankruptcy events or certain defaults, we may pay dividends and make certain other payments. If we do not pay interest in any of the foregoing cases, the non-payment will not constitute a payment default and interest will not accrue or accumulate for those periods.

We may elect to qualify the Securities as Tier I Capital and subsequent to such qualification, they will rank at least *pari passu* with our most senior ranking preferred securities. Prior to such time, the Securities will rank *pari passu* with our subordinated debt. We have the right to amend the terms of the Securities, including, without limitation, certain economic terms such as the redemption date and price, the time and manner of payment and the subordination terms, without your consent to allow the Securities to qualify as Tier I Capital.

There will be no right of acceleration in the case of a default in the performance of any of our obligations with respect to the Securities or our failure to comply with any of the covenants in the Indenture governing the Securities, including the payment of principal or interest on the Securities.

We have applied to list the Securities on the EuroMTF section of the Luxembourg Stock Exchange. The Securities sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL market.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 12 for a discussion of risks relevant to an investment in the Securities.

We are offering U.S.$500,000,000 aggregate principal amount of the Securities. The Securities will initially be sold to investors at a price equal to 100% of the principal amount thereof, plus accrued interest, if any, from July 29, 2005, the closing date.

We have not registered the Securities under the Securities Act. Accordingly, the Securities are being offered and sold only (i) in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act and (ii) outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act. Because the Securities have not been registered, they are subject to certain restrictions on resales and transfers described under "Transfer Restrictions".

It is expected that the Securities will be ready for delivery in book-entry form only through The Depository Trust Company and its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V, on or about the closing date.

This Prospectus may only be used for the purposes for which is has been published.

Merrill Lynch & Co. **UBS Investment Bank**

The date of this Prospectus is November 9, 2005.

In this Offering Memorandum, unless the context otherwise requires, (i) references to "we", "our" or to "us" or to "Unibanco" mean Unibanco–União de Bancos Brasileiros S.A. and its consolidated subsidiaries, and (ii) references to "Unibanco Cayman" or the "Issuer" mean Unibanco–União de Bancos Brasileiros S.A., acting through its Grand Cayman branch.

This Offering Memorandum has been prepared by us solely for use in connection with the proposed placement of the Securities. We and Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, together the Initial Purchasers, reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Securities offered hereby. This Offering Memorandum is personal to the prospective investor to whom it has been delivered by the Initial Purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Securities. Except as set forth in the paragraph below, distribution of this Offering Memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. Except as set forth in the paragraph below, the prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and agrees not to make any photocopies of this Offering Memorandum.

From the commencement of discussions with respect to this transaction, all parties to this transaction (and any employee, representative, or other agent of any party to this transaction) may disclose to any and all persons, without limitation of any kind, the U.S. federal tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such U.S. federal tax treatment and tax structure. Each of the parties to this transaction further acknowledges and agrees that: (i) the disclosure of the U.S. federal tax treatment or the tax structure of this transaction is not limited in any manner by an express or implied understanding or agreement, oral or written, whether or not such understanding or agreement is legally binding; and (ii) it does not know or have reason to know that its use or disclosure of the information relating to the U.S. federal tax treatment or tax structure of this transaction is limited in any other manner, such as where the transaction is claimed to be proprietary or exclusive, for the benefit of any person.

This Offering Memorandum is intended solely for the purpose of soliciting indications of interest in the Securities from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture (as hereinafter defined) and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Initial Purchasers may have conducted with respect to the information contained herein, the Initial Purchasers do not accept any liability in relation to the information contained in this Offering Memorandum or its distribution or with regard to any other information supplied by or on our behalf.

Unibanco confirms that this Offering Memorandum contains all information with respect to Unibanco and its subsidiaries and affiliates taken as a whole, the Brazilian financial system and the Securities which is material in the context of the offering and issue of the Securities; there are no untrue statements of material fact contained in this Offering Memorandum in relation to Unibanco, the Brazilian financial system or the Securities; there is no omission in this Offering Memorandum to state a material fact which is necessary in order to make the statements made in relation to Unibanco, the Brazilian financial system or the Securities, in the light of the circumstances under which they were made, not misleading; and the opinions and intentions expressed in this Offering Memorandum with regard to Unibanco are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and all reasonable inquiries have been made by Unibanco to ascertain such facts and to verify the accuracy of all such information and statements. Unibanco accepts responsibility accordingly.

This Offering Memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to prospective investors upon request to us or the Trustee (as hereinafter defined) for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

Prospective investors in the Securities should rely only on the information contained in this Offering Memorandum. Neither we, nor the Initial Purchasers, have authorized the provision of information different from that contained in this Offering Memorandum. The information contained in this Offering Memorandum is accurate in all material respects only as of the date of this Offering Memorandum, regardless of the time of delivery of this Offering Memorandum or of any sale of the Securities. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs and those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Prospective investors hereby acknowledge that (i) they have been afforded an opportunity to request from us and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have had the opportunity to review all of the documents described herein, (iii) they have not relied on either of the Initial Purchasers or any person affiliated with either of the Initial Purchasers in connection with any investigation of the accuracy of such information or their investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning us or the Securities (other than as contained herein and information given by our duly authorized officers and employees, as applicable, in connection with investors' examination of us and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

In making an investment decision, prospective investors must rely on their examination of us and the terms of this offering, including the merits and risks involved. These Securities have not been approved or recommended by any United States federal or state securities commission or any other United States, Brazilian, Cayman Islands or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Security offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of us, the Initial Purchasers, nor any of our or their respective affiliates or representatives is making any representation to any offeree or purchaser of the Securities offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Securities.

For this offering, we and the Initial Purchasers are relying upon exemptions from registration under the Securities Act for an offer and sale of securities which does not involve a public offering, including Rule 144A under the Securities Act. The Securities are subject to restrictions on transferability and resale. Purchasers of the Securities may not transfer or resell the Securities except as permitted under the Securities Act and applicable state securities laws. See "Transfer Restrictions". Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The Securities have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Securities in Brazil is not legal without such prior registration under Law 6385, of December 7, 1976, as amended. If a Brazilian resident acquires any Security, such Security can neither circulate in Brazil in bearer form nor be repaid in Brazil in a currency other than the Brazilian currency at the time such payment is made. The Initial Purchasers have agreed not to offer or sell Securities in Brazil.

The Securities will not be offered or sold to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended. The Initial Purchasers have complied and will comply with all provisions of the Financial Services and Markets Act 2000, or the FSMA, with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom. This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates shall be available only to relevant persons and will be engaged in only with relevant person.

No invitation to the public in the Cayman Islands to subscribe for the Securities is permitted to be made.

We have applied to list the Securities on the EuroMTF section of the Luxembourg Stock Exchange. This Offering Memorandum forms the prospectus for admission to the Luxembourg Stock Exchange. See "General Information".

We and the Initial Purchasers reserve the right to withdraw the offering of the Securities at any time or to reject a commitment to subscribe for the Securities in whole or in part.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains “forward-looking statements,” as defined in Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are subject to change and uncertainty which are, in many instances, beyond our control and have been made based upon management’s current expectations, estimates and projections. Words such as “believes,” “expects,” “intends,” “plans,” “projects,” “estimates,” “anticipates” and similar expressions are used to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from those expressed or implied in such forward-looking statements.

Factors that could cause actual results to differ materially include, but are not limited to, those discussed below under “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Business Description” and elsewhere in this Offering Memorandum. These factors include:

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

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Securities, for so long as any Securities remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we have agreed to furnish upon request of a holder of Securities, or of a beneficial owner of an interest therein, to such holder or beneficial owner, or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act if, at the time of such request, we are neither a reporting company under Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Such information will also be made available at the offices of the Listing Agent in Luxembourg.

CERTAIN INFORMATION

Certain industry data contained or incorporated by reference in this Offering Memorandum has been derived from sources which we believe to be reliable; however, we have not independently verified this data and we assume no responsibility for its accuracy or completeness. Those sources include:

- *Sistema de Informações do Banco Central*, a database of information provided by financial institutions to the Central Bank, or SISBACEN;
- *Federação Nacional das Empresas de Seguros Privados e de Capitalização*, the National Federation of Private Insurance and Capitalization Companies, or FENASEG;
- *Superintendência de Seguros Privados*, the Brazilian government insurance regulatory body, or SUSEP;
- *Associação Nacional de Bancos de Investimento e Distribuidoras*, the National Association of Investment Banks and Security Dealers, or ANBID;
- *Fundação Getúlio Vargas*, a leading Brazilian independent economic research organization, or FGV;
- *Associação de Empresas de Cartão de Crédito e Serviços*, the Brazilian Credit Cards Companies Association, or ABECS;
- *Agência Nacional de Saúde Suplementar*, the National Health Agency, or ANS; and
- *Associação Nacional de Planos de Previdência Privada*, the National Association of Private Pension Plans, or ANAPP.

SUMMARY

This summary highlights information contained in detail elsewhere in this Offering Memorandum. You should carefully read the entire Offering Memorandum before investing in the Securities. Unless specifically indicated otherwise, all applicable financial information presented in this Offering Memorandum has been prepared in accordance with U.S. GAAP. Our financial information as of and for the three month periods ended March 31, 2004 and 2005 has been prepared in accordance with Brazilian GAAP as herein described.

Unibanco

In 2004, we celebrated our 80th anniversary and we are currently the third largest Brazilian private financial group on the basis of total assets according to the Central Bank's ranking calculated in accordance with Brazilian GAAP.

Founded in 1924, Unibanco is Brazil's oldest private-sector bank. From our longstanding position as one of the nation's leading wholesale banks, we have expanded our operations to become a full service financial institution providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Brazil. Our businesses comprise the following segments: Retail, Wholesale, Insurance and Pension Plans and Wealth Management.

We are one of the largest private-sector financial institutions in Brazil and have grown substantially both through organic growth and acquisitions. As of December 31, 2004, on a consolidated basis, we had:

- R$77.9 billion in total assets;
- R$31.4 billion in total lending, leasing and other credits;
- R$33.8 billion in total deposits; and
- R$8.6 billion in stockholders' equity.

Our consolidated net income for the period ended December 31, 2004 was R$2,063 million, representing a return on average equity of 26.9% and a return on average assets of 2.8%.

Our equity securities have been publicly traded on the BOVESPA, since 1968. In 1997, we became the first Brazilian bank to list its equity securities on the NYSE. As of March 31, 2005, the total market value of our equity securities, based on the closing price of our global depositary shares, or GDSs, was R$12.8 billion.

As of December 31, 2004 we held the following positions in the Brazilian financial services market, based on our consolidated results for 2004 computed in accordance with Brazilian GAAP:

- third largest Brazilian private bank in terms of assets, according to data provided by the Central Bank
- one of Brazil's largest credit card issuers in terms of the number of cards issued, primarily through our subsidiaries Fininvest, Unicard and HiperCard;
- fourth largest private sector pension fund manager in Brazil in terms of assets under management, according to data provided by ANBID;
- second largest issuer of private pension plans in Brazil in terms of consolidated corporate sales, according to data provided by ANAPP; and

- fourth largest insurance and pension funds provider in Brazil in terms of total premiums for insurance and pension funds, according to data provided by SUSEP and ANS (UASEG and AIG Brasil on a combined basis).

Business Strategy

Our objective is to maintain and enhance our position as a leading Brazilian full service financial institution operating in all business segments. Our business strategy is to add economic value through continuous pursuit of scale, profitability and efficiency maximization. We seek to increase our client base through cross-selling among our different businesses and to achieve high client satisfaction in all products and services through excellence in internal procedures, such as customer relations, optimized distribution, credit quality and synergy processes. In order to achieve this, our aim is to excel in human resources, promote a cooperative culture and meritocracy and create a stimulating, challenging and pleasant work environment. The principal components of this strategy are:

Continuous Pursuit of Scale and Profitability

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

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

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

Continuous Efficiency Maximization

We focus on controlling our costs as well as our investments across all areas of our business to help maximize returns. For example:

- When we make an acquisition, we analyze opportunities for increasing revenues, reducing expenses and realizing other cost savings in connection with the integration of the newly acquired business;

- We reviewed certain of our expenses, including policies for travel reimbursements, use of telephone services, meal expenses and transportation. We believe these policies promote savings and establish a greater commitment to efficiency in our corporate environment;

- We have identified and implemented internal synergies between our businesses that we believe enable us to simplify the sale of foreclosed assets, controls, and the processing of documents;

- We have established a single credit concession and recovery unit for all retail linked units called Credit Factory (*Fábrica de Crédito*);

- We are in the process of reviewing all of our logistics, including transportation routes and suppliers;

- We have consolidated and restructured our international platforms; and

- We also outsourced our document processing services such as check processing.

We are headquartered in São Paulo, Brazil and our address in Brazil is Avenida Eusébio Matoso 891, zip code 05423-901, São Paulo, SP, Brazil. Unibanco Cayman's registered office in the Cayman Islands is P.O. Box 501, George Town, Grand Cayman, Cayman Islands, British West Indies. Our general telephone number is (5511) 3097-1980. Our web site is www.unibanco.com. None of the information on our web site is part of, or incorporated by reference in, this Offering Memorandum. We are a corporation (*sociedade anônima*) and were incorporated on May 27, 1967 in accordance with Brazilian law.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following financial data should be read in conjunction with our U.S. GAAP consolidated financial statements, "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Memorandum. Our summary historical financial data as of December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004 have been derived from, and should be read in conjunction with, our audited U.S. GAAP consolidated financial statements, including the notes thereto, which are prepared in accordance with U.S. GAAP and are included elsewhere in this Offering Memorandum. Unless otherwise stated, all financial information as of December 31, 2003 and 2004 presented in this Offering Memorandum are derived from our U.S. GAAP consolidated financial statements prepared in accordance with U.S. GAAP. **U.S. GAAP differs in significant respects from Brazilian GAAP. See "Summary of Certain Differences between Brazilian GAAP and U.S. GAAP".**

	Year ended December 31,					
	2002		2003		2004	
	(in millions of R$, except percentages)					
U.S. GAAP:						
Unibanco Consolidated Income Statement Data:						
Net interest income after provision for loan losses	R$	4,011	R$	4,143	R$	4,826
Fee and commission income		1,854		2,152		2,382
Net income		803		873		2,063
Unibanco Consolidated Balance Sheet Data:						
Total assets	R$	71,988	R$	66,047	R$	77,858
Total loans		25,254		26,039		31,377
Total deposits		26,055		25,700		33,775
Total Stockholders' equity		6,245		6,754		8,572
Selected Consolidated Ratios:						
Return on average assets (1)		1.3%		1.4%		2.8%
Return on average equity (2)		13.2		13.4		26.9
Efficiency ratio (3)		69.5		68.7		61.1
Total capital to risk weighted assets (4)		15.7		18.6		16.3

(1) Net income as a percentage of average total assets.
(2) Net income as a percentage of average stockholders' equity.
(3) Operating expenses as a percentage of the aggregate of net interest income, fee and commission income, other non-interest income and other non-interest expense.
(4) Based on Brazilian Central Bank guidelines. See "The Brazilian Banking Industry" and "Regulation and Supervision."

The following financial data should be read in conjunction with our consolidated financial statements, "Selected Financial Information" and "Results of Operations for the Three Months Ended March 31, 2005 and 2004" included elsewhere in this Offering Memorandum. Our summary historical financial data as of and for the three-month periods ended March 31, 2005 and March 31, 2004 have been derived from, and should be read in conjunction with, our unaudited interim consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum and prepared in accordance with accounting practices adopted in Brazil, consisting of the rules and regulations issued by applicable regulators, including the Central Bank, the SUSEP and the CVM, as well as the technical releases issued by the Brazilian Institute of Independent Auditors (*Instituto dos Auditores Independentes do Brasil*), all of which we refer to collectively as Brazilian GAAP. **Brazilian GAAP differs in significant respects from U.S. GAAP. See "Summary of Certain Differences between Brazilian GAAP and U.S. GAAP".** All financial information as of and for the three months ended March 31, 2005 and 2004 presented in this Offering Memorandum are derived from our unaudited interim consolidated financial statements prepared in accordance with Brazilian GAAP. Our unaudited interim consolidated financial statements may not be indicative of results that may be expected from the full year. Our consolidated financial statements as of and for the years ended December 31, 2004 and 2003, prepared in accordance with Brazilian GAAP, are not included in this Offering Memorandum.

	As of and for the Three Months ended March 31,	
	2004	**2005**
	(in millions of R$, except percentages)	
BRAZILIAN GAAP(1):		
Unibanco Consolidated Income Statement Data:		
Profit from financial intermediation	R$ 1,168	R$ 1,432
Net income	276	401
Unibanco Consolidated Balance Sheet Data:		
Total assets	R$ 71,505	R$ 82,109
Total loans	27,048	33,176
Total deposits	27,414	34,969
Total Stockholders' equity	7,358	8,363
Selected Consolidated Ratios:		
Return on average assets (2)	1.6%	2.0%
Return on average equity (3)	16.1	21.0
Efficiency ratio (4)	59.5	53.7
Total capital to risk weighted assets (5)	18.1	16.4

(1) Our Brazilian financial statements are prepared in accordance with the requirements of Brazilian Corporate Law and the regulation of the Central Bank and the CVM.
(2) Net income as a percentage of average total assets.
(3) Net income as a percentage of average stockholders' equity.
(4) Operating expenses as a percentage of the aggregate profit from financial intermediation and other income.
(5) Based on Brazilian Central Bank guidelines. See "The Brazilian Banking Industry" and "Regulation and Supervision."

THE OFFERING

This summary of certain terms and conditions of the Securities is subject to and qualified in its entirety by reference to the "Description of the Securities", contained elsewhere in this Offering Memorandum and the Indenture relating thereto. Terms which are defined in other sections of the Offering Memorandum have the same meaning when used in this summary.

Issuer...	Unibanco–União de Bancos Brasileiros S.A. acting through its Grand Cayman branch, or the Bank.
The Securities................................	U.S.$500,000,000 aggregate principal amount of 8.70% Perpetual Non-cumulative Junior Subordinated Securities.
Issue Price......................................	100% of the principal amount.
Issue Date	July 29, 2005.
Indenture.......................................	The Securities will be issued under an indenture to be dated as of July 29, 2005, or the Indenture, between the Bank and The Bank of New York Trust (Cayman) Limited, as trustee, or the Trustee.
Rating	We expect that the Securities will be rated "Ba2" by Moody's Investors Service, Inc., or Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.
Interest...	The Securities will bear interest from July 29, 2005 at the rate of 8.70% per annum, payable quarterly in arrears. If required by the Central Bank in connection with the qualification of the Securities as Tier I Capital, interest payments may only be paid out of Distributable Profits of the Bank; provided, however, that this provision may be amended without the consent of the holders of Securities as further described under "—Amendments to the Terms and Conditions of the Securities." The Bank will have the right not to pay interest in certain circumstances and interest will not accrue or accumulate in respect of any period in which the Bank exercises this right. See "—Limitation on Obligation to Make Interest Payments".
Interest Payment Dates	January 29, April 29, July 29, and October 29 of each year, commencing on October 29, 2005.
Limitation on Obligation to Make Interest Payments	Interest on the Securities will not be due and payable and will not accrue or accumulate in the event that (i) the Bank determines that it is, or if such interest payment would result in it being, in non-compliance with applicable capital regulations or other operational limits set by the Central Bank of Brazil in Resolution 2,837 issued by the National Monetary Council, or CMN on May 30, 2001, as amended, and/or Resolution 2,099, issued by the CMN on August 17, 1994, as amended, or any amendment or successor thereto, (ii) the Central Bank of Brazil or certain other governmental or

	regulatory authorities otherwise determine that such interest payment shall not be made, (iii) certain bankruptcy events occur, (iv) certain defaults occur, or (v) the Bank elects to suspend the accrual and payment of interest for any other reason. In the event that any payment of interest is suspended pursuant to item (v) above, the Bank will be required to comply with the covenant set out under "—Dividend Stopper" below.
Dividend Stopper..........................	The Bank will agree in the Indenture that in the event that (i) interest that is due and payable is not paid or (ii) any payment of interest is suspended pursuant to item (v) described in "—Limitations on Obligation to Make Interest Payments" above, the Bank will not recommend to its stockholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent, any action that would constitute a Restricted Payment Event (as defined below) until payments on the Securities have been resumed in full for an equivalent period of 12 months. The failure to pay interest in accordance with items (i) through (iv) described in "—Limitation on Obligation to Make Interest Payments" shall not result in the Bank being required to prevent Restricted Payment Events, as described in the immediately preceding sentence.
Restricted Payment Event...........	Each of the following items constitutes a Restricted Payment Event: (i) the Bank declares, pays or distributes a dividend or makes a payment on, or in respect of, any of its Junior Securities or Preferred Securities, other than any distribution, dividend or payment consisting solely of Junior Securities or, unless and until the Securities rank *pari passu* with our Preferred Securities, Preferred Securities; or (ii) the Bank or any of its subsidiaries redeems, purchases or otherwise acquires for any consideration any Junior Securities or Preferred Securities, other than: (a) by conversion into, or in exchange for, Junior Securities; (b) in connection with transactions effected by or for customers of the Bank or customers of any of the Bank's subsidiaries or in connection with interest, trading or market-making activities in respect of those securities; (c) in connection with the satisfaction of the Bank's obligations or the obligations of any of the Bank's subsidiaries under any employee benefit plans or similar arrangements with, or for the benefit of, employees, officers, directors or consultants; (d) as a result of a reclassification of the Bank's capital stock or the capital stock of any of the Bank's subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or (e) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's subsidiaries pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

	In the event of a breach of the Bank's covenant not to make or cause a Restricted Payment Event or other obligation under the Securities and the Indenture (other than any breach that results in a Payment Default), a holder of securities would not be entitled to accelerate or institute bankruptcy proceedings and would only be entitled to rights and remedies provided under New York, Cayman Islands and Brazilian law.
Optional Redemption After July 29, 2010........................	With the prior approval of the Central Bank (if applicable), the Bank may at its option redeem the Securities in whole but not in part on July 29, 2010 or on any Interest Payment Date occurring thereafter, at a redemption price equal to the Base Redemption Price. See "Description of the Securities—Optional Redemption".
Early Redemption Upon the Occurrence Regulatory Event or a Tax Event	If subsequent to the time the Securities initially qualify as Tier I Capital, the Bank is notified in writing by the Central Bank of Brazil that the Securities may not be included in the consolidated Tier I Capital of the Bank, the Bank may (with the prior approval of the Central Bank of Brazil and any other applicable Governmental Authority) redeem the Securities in whole, but not in part, at any time prior to July 29, 2010 at a redemption price equal to the greater of the Base Redemption Price and the Make-Whole Amount. See "Description of the Securities—Early Redemption upon Tax Event or Regulatory Event". The Bank may (with the prior approval of the Central Bank of Brazil and any other applicable Governmental Authority) redeem the Securities in whole, but not in part, at any time prior to July 29, 2010, at a redemption price equal to the Base Redemption Price, in the event of certain changes affecting taxation of the Securities. See "Description of the Securities—Early Redemption upon Tax Event or Regulatory Event".
Subordination; Initial Ranking ...	The Securities will constitute unsecured, subordinated obligations of the Bank. Initially, in the event of the Bank's bankruptcy, liquidation, dissolution or winding up under Brazilian law, the Securities will rank: • junior in right of payment to the payment of all of the Bank's Senior Debt; (as defined in "Description of the Securities"); • *pari passu* among themselves and with the Bank's Subordinated Securities (as defined in "Description of the Securities"); and • senior in right of payment to the payment of the Bank's Preferred Securities (as defined in "Description of the Securities") and Junior Securities (as defined in "Description of the Securities").

Anticipated Ranking....................	In connection with the qualification of the Securities as Tier I Capital, the ranking of the Securities may be amended, without the prior consent of Securityholders, so that the Securities will rank; • junior in right of payment to the payment of all of the Bank's Senior Debt and Subordinated Debt; • pari passu among themselves and any other instrument that qualify as Tier I Capital; • at least pari passu with the Bank's most senior ranking Preferred Securities; and • senior in right of payment to the payment of the Bank's Junior Securities.
Use of Proceeds	The Bank will use the proceeds of the offering for general corporate purposes.
Amendments to the Terms and Conditions of the Securities	In the event that the Bank elects to qualify the Securities as Tier I Capital, the Bank may once, at any time after the adoption of the Tier I Capital regulations, without the prior consent of Securityholders, amend the terms and conditions of the Securities to reflect any requirement of the Central Bank of Brazil in effect at the time of such amendment in relation to qualification of the Securities as Tier I Capital, *provided* that we may not change the stated interest rate or interest payment dates of the Securities pursuant to this provision in a manner that reduces the yield on the Securities. There can be no assurance regarding the requirement that may be imposed by the Central Bank of Brazil, and such amendments may include, without limitation: • lowering the ranking of the Securities, provided that the Securities will rank at least *pari passu* with the Bank's most senior ranking Preferred Securities; • changing the time and manner of payment; • changing provisions relating to redemption; • changing the provisions described under "—Dividend Stopper" and "—Restricted Payment Event"; and • limiting your remedies in the event the Bank fails to satisfy its obligations under the Securities or the Indenture. Any other amendment to the terms and conditions of the Securities (other than in respect of minor amendments required to cure inconsistencies, defects, ambiguities and similar matters) is subject to the prior consent of Securityholders and (if applicable) the Central Bank. See "Description of the Securities—Amendments".

Withholding Taxes; Additional Amounts...	All payments in respect of the Securities will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil or the Cayman Islands, or, in the event that the Bank appoints additional paying agents, in the jurisdictions of those paying agents, or any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event the Bank is required to withhold or deduct amounts for any taxes or other governmental charges, the Bank will pay such additional amounts necessary to ensure that the Securityholders receive the same amount as the Securityholders would have received without such withholding or deduction, subject to certain exceptions. See "Description of the Securities—Additional Amounts".
U.S. ERISA and Certain Other Considerations	Sales of the Securities to specified types of employee benefit plans and affiliates are subject to certain conditions. See "United States ERISA and Certain Other Considerations".
Listing	The Bank will apply to list the Securities on the EuroMTF section of the Luxembourg Stock Exchange.
PORTAL	Securities sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL market.
Governing Law	The Indenture, the Securities, the Purchase Agreement and related documents will be governed by the laws of the State of New York, except that the subordination provisions of the Indenture and the Securities will be governed by Brazilian law.
Form, Denomination and Transfer...	The Securities will be issued in book-entry form through the facilities of The Depository Trust Company, or DTC, and its participants. The Securities will be in fully registered form without interest coupons attached. The Securities sold in reliance on Rule 144A under the Securities Act, or Rule 144A, will be issued in the form of a restricted global security, or the Restricted Global Security, and the Securities sold in reliance on Regulation S under the Securities Act, or Regulation S, will be issued in the form of a Regulation S global security, or the Regulation S Global Security, and together with the Restricted Global Security, the Global Securities. The Securities, will be registered in the name of Cede & Co. as nominee for, and deposited with The Bank of New York, New York as custodian for, DTC. The Securities offered and sold will be issued in minimal denominations of U.S.$2,000 and integral multiples of U.S.$1,000 in excess thereof. Holders of beneficial interests in Securities held in book-entry form will be entitled to receive physical delivery of certificated Securities only in very limited circumstances. See "Form, Denomination and Transfer". In the European Union, only "qualified investors" (as defined in Directive 2003/71/EC of the European Parliament and Council, dated November 4, 2003 may purchase the Securities.
Additional Securities	Subject to the prior approval of the Central Bank of Brazil and upon satisfaction of the conditions set forth in the Indenture, the Bank may issue additional Securities which will be treated as the same class as the Securities for all purposes under the Indenture.

RISK FACTORS

The following section describes some but not all of the risks associated with an investment in the Securities. Prospective purchasers of the Securities should consider, among other things, the risk factors set forth below with respect to us, Brazil and to the Securities not normally associated with investing in securities issued by companies in the United States or in countries with similarly developed capital markets, including those set forth below.

Risks Relating to Brazil

Our business, almost all of which is located in Brazil, may be adversely affected by actions of the Brazilian government

Historically the Brazilian government has intervened from time to time in the Brazilian economy and in the financial services industry. Such intervention has included, until 1999, currency devaluation, the imposition of wage, price and capital controls, the freezing of bank accounts and limitation on exports, and, most recently, increases in regulatory capital and reserve requirements, imposition of lending limits and other credit restrictions and the imposition of taxes on financial transactions. We are not in a position to predict if the Brazilian government will intervene in the Brazilian economy and, in such case, the nature and extent of such intervention.

The actions of the government may adversely affect our business by:

- reducing the demand for our services;
- increasing our costs;
- limiting our ability to provide services; or
- reducing the ability of our customers to repay loans.

Moreover, social instability and other political or economic developments resulting from the Brazilian government's imposition of new economic policies, or the Brazilian government's response to those developments, could also adversely affect our operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

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

The exchange rate between the *real* and the U.S. dollar has varied significantly in recent years. For example, the *real* declined in value against the U.S. dollar by 18.7% in 2001 and by 52.3% in 2002, and recovered to some extent in 2003, appreciating 18.3% against the U.S. dollar. For the year ended December 31, 2004, the *real* appreciated 8.1% against the U.S. dollar. When we refer to a specific percentage depreciation or appreciation of the *real* against the U.S. dollar in any year, we have derived such percentage by comparing the number of *reais* exchangeable for one U.S. dollar at the beginning of such year to the number of *reais* exchangeable for one U.S. dollar at the end of such year, as reported by the Central Bank.

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

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

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

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

During periods when the *real* appreciates against the currencies in which we hold our investments in our non-Brazilian subsidiaries and branches, we may experience an increase in our income tax liability. This is because losses in *real* terms on our overseas investments are not deductible for Brazilian tax purposes, whereas gains in the value of the related real-denominated hedges we maintain generally are taxable.

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

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

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

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

The Brazilian government has not prevented the remittance of proceeds to foreign investors since 1990 and has never done so in respect of securities obligations. Currently, the government does not restrict the ability of Brazilian or foreign persons or entities to convert Brazilian currency into foreign currency provided that the transactions are legal and based on the economic factors and responsibilities of each of the parties as set forth in the underlying document for each transaction that must be entered or settled through the Central Bank. Since the foreign exchange market has been recently modified, certain operational procedures are still pending regulation by the Central Bank. The Central Bank has assumed responsibility for the external obligations in connection with the formal restructuring of Brazilian sovereign debt.

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

- the extent of Brazil's foreign currency reserves;

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

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

Brazil has in the past experienced high rates of inflation, with annual rates of inflation as high as 2,708% in 1993. More recently, Brazil's rates of inflation were 9.8% in 2000, 10.4% in 2001, 26.4% in 2002, 7.7% in 2003, 12.1% in 2004, and 1.53% in the first six months of 2005, as measured by the general price index, or IGP-DI. Inflation itself and governmental measures to combat inflation have in the past had significant negative effects on the Brazilian economy. Inflation, actions taken to combat inflation, and public speculation about possible future actions have also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. Substantial inflation in the future in Brazil may increase our costs and decrease our operating and net margins, if it is not accompanied by an increase in interest rates. Inflationary pressures may curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy, which in turn could adversely affect our operations.

Developments in other emerging market economies may negatively affect the Brazilian economy and have an adverse impact on our business

Historically, adverse developments in the economies of other emerging market countries, especially those in Latin America, have had an adverse impact on the Brazilian securities markets and economy. These events have negatively affected Brazilian companies by:

- decreasing the availability of credit in the Brazilian economy, from both domestic and international sources of capital;
- resulting in considerable outflows of funds and declines in the amount of foreign investment in Brazil; and
- adversely affecting the market price of Brazilian companies' securities.

Such events have included the devaluation of the Mexican peso in December 1994, the Asian economic crisis of 1997, the Russian currency crisis of 1998 and the Argentinean economic and political crisis in 2002. In recent periods, the international financial markets have experienced significant volatility, and a large number of market indices, including those in Brazil, have at times experienced significant declines.

In the event of adverse developments in emerging market countries, the international capital markets may not remain open to Brazilian companies and prevailing interest rates in these markets may not be advantageous to us. Decreased foreign investment in Brazil could negatively affect growth and liquidity in the Brazilian economy, which in turn could have a negative impact on our business.

Recent allegations of political corruption against the Brazilian federal government, could create economic and political instability

The federal government faces its largest crisis since 2003. Several politicians have been accused of influencing other government officials in exchange for their political support. As a result, several politicians, including the President's chief of staff, have resigned. The allegations could weaken the President of Brazil and endanger his economic reforms and/or create political and economic instability. We cannot predict the outcome of the allegations or the effect it will have on the Brazilian economy.

Risks Relating to the Brazilian Banking Industry

Changes in regulation may negatively affect us

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

- minimum capital requirements;
- compulsory reserve requirements;
- lending limits and other credit restrictions; and
- accounting and statistical requirements.

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

Changes in reserve and compulsory deposit requirements may affect our profitability

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

As of June 30, 2005:

- the reserve requirement for demand deposits was 45%;
- the rate of compulsory deposit requirements on saving deposits in the form of cash deposits was 20%;
- the rate of compulsory deposit requirements on time deposits in the form of government securities in an account with the Central Bank was 15%; and
- the additional reserve requirements on time deposits, demand deposits and savings deposits were, respectively, 8%, 8% and 10%.

Our balance of demand, savings and time deposits reserve requirement was R$4,808 million as of December 31, 2004. See "Management Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2004, 2003 and 2002—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Government Regulation on Our Financial Condition and Results of Operations."

Reserve and compulsory deposit requirements reduce our liquidity and ability to make loans and other investments. In addition, compulsory deposits generally do not yield the same return as our other investments and deposits. This is a result of the following factors:

- a portion of our compulsory deposits do not bear interest;
- we are obligated to hold some of our compulsory deposits in Brazilian government securities; and
- we must use a portion of the deposits to finance both a federal housing program and the rural sector.

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

Under the banking regulation framework, we are required to use an aggregate amount not less than a specified percentage of our savings deposits for federal housing financing and a minimum percentage of demand deposits for loans to the rural sector. These limits can directly influence the profitability of our business as a result of two different factors. If we do not achieve the minimum levels required for these loans, we must keep the difference as compulsory deposits with the Central Bank, which generally do not yield the same returns as our other investments and deposits. In addition, obligatory loans to these sectors might entail more risk and/or be less profitable than other lending opportunities available.

In general, as of June 30, 2005:

- the rate of minimum loans for federal housing program was 65% of savings deposits; and

- the rate of minimum loans to rural sector was 25% of demand deposits.

Changes in tax regulation may negatively affect our operations

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

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

The Central Bank establishes the base interest rate for the Brazilian banking system, and uses changes in this rate as an instrument of monetary policy. The base interest rate is the benchmark interest rate payable to holders of some securities issued by the federal government and traded at the Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*), or SELIC. In recent years, the base interest rate has fluctuated, reaching approximately 45% per annum in March 1999 and falling to 15.25% per annum as of January 17, 2001. Since 2001, the Central Bank has frequently adjusted the base interest rate, increasing the rate numerous times in response to economic uncertainties. In response to economic developments, the Central Bank reduced the base interest rate during the second half of 2003 and the first half of 2004. Most recently, to control inflation, the Central Bank increased the base interest rate several times from 16% per annum on August 18, 2004 to 19.75% per annum on June 15, 2005.

Although typically increases in the base interest rate enable us to increase margins, such increases could adversely affect our results of operations, among other ways, by reducing demand for our credit and investment products, increasing our cost of funds and increasing the risk of customer default. Decreases in the base interest rate could also adversely affect our results of operations, among other ways, by decreasing the interest income we earn on our interest-earning assets and lowering margins. See “Management Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2004, 2003 and 2002—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Government Regulation Effects on our Financial Condition and Results or Operations—Effects of Interest Rates on Our Financial Condition and Results of Operations.”

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

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

The Brazilian banking industry experienced a consolidation period in the 1990s, when a number of Brazilian banks were liquidated and several important state-owned banks and private intermediate banks were sold. Competition increased during this period as foreign banks entered the Brazilian market through the acquisition of Brazilian financial institutions. The privatization of state-owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The acquisition of an insurance company or of a bank by one of our competitors would generally increase the acquirer's market share and scale, and as a result we may face heightened competition. This increased competition may negatively affect our business results and prospects by, among other things:

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

Risks Relating to Unibanco

The profile of our loan portfolio may change due to acquisitions we make or due to changes in Brazilian or international economic conditions

As of December 31, 2004, our loan portfolio was R$31,377 million, compared to R$26,039 million as of December 31, 2003. Our allowance for loan losses was R$1,560 million, representing 5.0% of our total loan portfolio, as of December 31, 2004, compared to R$1,317 million, representing 5.1% of our total loan portfolio, as of December 31, 2003. See "Management Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2004, 2003 and 2002—Results of Operations for Year Ended December 31, 2004 Compared to Year Ended December 31, 2003."

The quality of our loan portfolio is subject to changes in the profile of the business resulting both from organic growth or acquisitions we make and is dependent on domestic and, to a lesser extent, international economic conditions. Our acquisitions of Fininvest, in 2000, the 50% interest in each of Pontocred and LuizaCred in 2001, and Creditec and HiperCard in 2004 have affected the quality of our loan portfolio by significantly increasing our exposure to the lower income segment of the retail market. This sector generally features a higher volume of transactions, higher margins and higher default rates than other sectors. Adverse changes affecting any of the sectors to which we have significant lending exposure, political events within and external to Brazil or the variability of economic activity may have an adverse impact on us. Accordingly, our historic loan loss experience may not indicate future loss experience.

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

As of December 31, 2004, marketable securities represented R$14,875 million, or 19.1%, of our assets, and realized investment gains and losses have had and will continue to have a significant impact on our results of operations. These amounts, which we record when investments in securities are sold or are marked to market on all trading securities, may fluctuate considerably from period to period. We cannot predict the amount of realized gains or losses for any future period, and variations from period to period have no practical analytical value in helping us to make such a prediction. Gains or losses on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation or depreciation now existing in our consolidated investment portfolio or any portion thereof.

Integration of businesses in future acquisitions may increase our risks

Our business strategy includes growth through strategic acquisitions. In March 2004, we acquired HiperCard, a full independent credit card company. In May 2004, we concluded the acquisition of Creditec, a financing company which has significant presence in the Brazilian personal loans and consumer finance sector among middle and lower income consumers. We may engage in further acquisitions, as we seek to continue our growth in the consolidating Brazilian financial services industry. The integration of the businesses we have recently acquired and may acquire in the future entails significant risks, including the risks that:

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

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

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

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

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

Risks Relating to the Securities

We may stop paying interest on the Securities at any time, for any period of time, and those payments will not be subsequently paid to you

Under the terms of the Indenture, we are permitted to stop paying interest on the Securities at any time for any period of time under the following circumstances more fully described under "Description of the Securities":

- if we determine that we are, or if such interest payment would result in us being, in non-compliance with applicable capital regulations or operational limits set by the Central Bank of Brazil in Resolution 2,837 issued by the CMN on May 30, 2001, as amended, and/or Resolution 2,099*,* issued by the CMN on August 17, 1994, as amended, or any amendment or successor thereto; or

- if the Central Bank or any applicable Governmental Authority, including otherwise determines that the interest payment shall not be made; or

- in the event of our bankruptcy, liquidation, dissolution or winding up under Brazilian law (unless all principal of, and any premium or interest on, Senior Debt has been paid in full); or

- upon the occurrence of certain defaults, including (a) in the event and during the continuation of any default in the payment of principal, premium or interest on any Senior Debt beyond any applicable grace period or (b) in the event that any event of default with respect to any Senior Debt has occurred and is continuing beyond any applicable grace period, permitting the holders of that Senior Debt (or a trustee) to accelerate the maturity of that Senior Debt, whether or not the maturity is in fact accelerated (unless, in the case of (a) or (b), the payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded) or (c) in the event that any judicial proceeding is pending with respect to a payment default or event of default described in (a) or (b) (unless all principal of, and any premium or interest on, Senior Debt has been paid in full); or

- if we elect to suspend the accrual of interest for any other reason; provided that if we have elected to suspend the accrual of interest pursuant to this provision of the Indenture, we will not recommend to our shareholders and, to the fullest extent permitted by applicable law, we will otherwise act to prevent, any action that would constitute a Restricted Payment Event (as defined under "Description of the Securities—Restricted Payment Event") until payments on the Securities have been resumed in full for an equivalent period of 12 months.

Any payments of interest not made for one of the reasons above will not accrue or accumulate and will not be paid to you at any time. If we suspend interest payments on the Securities, it could adversely affect the market price of the Securities. See "Description of the Securities—Limitation on Obligation to Make Interest Payments" and "Description of the Securities—Subordination" for more information on our ability to suspend payments of interest on the Securities.

The requirements for qualification as Tier I Capital in Brazil have not been published and we may amend the terms and conditions of the Securities, including economic terms, without your prior consent to qualify the Securities as Tier I Capital

We expect that the Securities will initially qualify as Tier II Capital under existing Central Bank regulations. Central Bank regulations setting out requirements for Tier I Capital have not yet been published. Although it is expected that regulations allowing for Tier I Capital will be published, no assurance can be given as to when or if that will happen. We cannot assure you that these regulations will not contain requirements which could adversely affect your rights. In the event that such regulations are adopted, if the Securities do not qualify under the regulations, the Indenture governing the Securities will allow us to amend the terms of the Securities without your consent or approval once at any time to reflect terms, including certain economic and subordination terms, which are required for the Securities to be treated as Tier I Capital, as may be required by the Central Bank at the time of any such amendment; *provided* that we may not change the stated interest rate or interest payment dates of the Securities pursuant to this provision in a manner that reduces the annual yield on the Securities. If the new regulations are adopted, we cannot predict whether or not we will need to amend the terms of the Securities so that they qualify as Tier I Capital. Any amendment to the Securities may include, without limitation:

- lowering the ranking of the Securities, provided that the Securities will rank at least *pari passu* with the Bank's most senior ranking Preferred Securities,

- changing the time and manner of payment,

- changing provisions relating to redemption,

- changing the provisions described under "—Dividend Stopper" and "—Restricted Payment Event", and

- limiting your remedies in the event the Bank fails to satisfy its obligations under the Securities or the Indenture.

These other changes may otherwise adversely impact your rights as a Securityholder and may adversely impact the market value of the Securities.

We may elect to qualify the Securities as Tier I Capital and may amend the Securities so that they are subordinated to all our Senior Deb and Subordinated Debt, and to some Brazilian statutory obligations

The Securities will be by their terms unsecured, deeply subordinated obligations and will rank behind claims of our depositors, other unsubordinated and subordinated creditors. Initially, the Securities will rank in priority to our preferred shares, Tier I Capital and Common Shares and *pari passu* with our Subordinated Debt. In the event that we elect to qualify the Securities as Tier I Capital, we may amend the terms of the Securities, including amending the ranking of the Securities so that they will rank at least *pari passu* with our most senior ranking preferred shares and Tier I Capital and will rank in priority only to our Common Shares. Holders of our preferred shares are entitled to mandatory dividends by operation of law and pursuant to our by-laws. As of March 31, 2005, we had R$59.9 billion of indebtedness (including deposits, funds obtained in the open market, local onlendings, BNDES funds, trade finance lines, eurobonds and commercial paper) that would be senior to the Securities as they will rank when initially issued. The Indenture does not contain any restrictions on our ability to incur additional indebtedness or obligations senior to the Securities. By reason of either the initial or anticipated subordination of the Securities, in the event of our winding up or dissolution, or similar events, our assets will be available to holders of Securities only after all of our debt and other obligations which are senior to the Securities or preferred by law or contract have been paid in full.

Under Brazilian law, our obligations under the Securities will also be subordinated to certain statutory preferences. In the event of our liquidation, certain claims, such as claims for salaries, wages and social security of our employees, claims deriving from transactions secured by collateral (i.e., mortgage, pledge), as well as taxes and court fees and expenses, will have preference over any other claim, including the Securities. See "Regulation and Supervision—Bank Failure" for a discussion of recent measures affecting the priority of repayment of creditors.

The Securities have no maturity date and are not redeemable at your option at any time

The Securities are perpetual and have no fixed maturity or mandatory redemption date, and are not redeemable at your option at any time. As a result, you will be entitled to receive a return of the principal amount of your investment only when and if we elect to redeem or repurchase the Securities. Therefore you should be aware that you may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

You will only have the limited remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Securities and there is uncertainty under current Brazilian law whether this remedy is available to you or the Trustee. Your remedies if we breach other provisions of the Securities may be even more limited

Your sole remedy against us to recover any amounts owing to you under the Securities will be to institute bankruptcy proceedings against us in any state or federal court in New York, any court in the Cayman Islands or in Brazil if there has been a Payment Default. Neither you nor the Trustee may declare the principal amount of any outstanding securities to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of sums due and unpaid on the Securities. However, under current Brazilian law, a court in Brazil will not enforce a bankruptcy ruling from a New York or Cayman Islands court so this remedy may be of limited utility to you. There is also significant uncertainty whether a court in the United States or the Cayman Islands would be able to exercise jurisdiction or be willing to accept this type of proceeding since almost all of our assets and operations are located in Brazil and we are organized in Brazil.

In addition, your ability to institute bankruptcy proceedings against us in Brazil, where almost all of our assets and operations are located, may be limited by Brazilian law. In Brazil, pursuant to Law No. 6,024/74, only the Central Bank may declare an intervention or an extra judicial liquidation of a financial institution. Intervention and extra-judicial liquidations are distinct from bankruptcy under Brazilian law. However, following the enactment of Law No. 6,024/74, there has been doubt as to whether creditors may institute bankruptcy proceedings directly against a financial institution in Brazil. Therefore, we cannot assure you that you will have the right directly or through the Trustee to institute bankruptcy proceedings against us in Brazil if we default on the Securities without the prior involvement of the Central Bank. The Central Bank has interests that differ from yours, including, among others, maintaining the stability of the Brazilian financial system, and we cannot predict whether the Central Bank would act consistently with your objectives.

In the event of a breach of our covenant not to make or cause a Restricted Payment Event or any of our other obligations under the Securities and the Indenture (other than a breach that results in a Payment Default), a holder of Securities would not be entitled to accelerate or institute bankruptcy proceedings and would only be entitled to rights and remedies provided under New York, Cayman Islands and Brazilian law. We cannot assure you what, if any, remedies you may have in those circumstances.

We will have the right to redeem the Securities upon the occurrence of a Tax Event or a Regulatory Event or at our own option after the fifth anniversary of the issue date

We will have the right, upon the occurrence of a Tax Event or a Regulatory Event (each as defined under "Description of the Securities—Early Redemption upon Tax Event or Regulatory Event"), or at our own option after the fifth anniversary of the issue date, to redeem the Securities. In the case of a Tax Event or a redemption at our own option after the fifth anniversary of the issue date, the Securities will be redeemed at amount equal to the Base Redemption Price (as defined under "Description of the Securities—Optional Redemption"). In the case of a Regulatory Event, the Securities will be redeemed at an amount equal to the greater of the Base Redemption Price and the Make-Whole Amount (as defined under "Description of the Securities—Early Redemption upon Tax Event or Regulatory Event"). We cannot assure you that you will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as your investment in the Securities.

We can issue further debt or other instruments which may rank pari passu with or senior to the Securities or additional preference shares which may effectively rank pari passu with the Securities

Subject only to the conditions described in "Description of the Securities—Subordination", there is no restriction on the amount of debt or instruments that we may issue which rank senior or *pari passu* with the Securities. The issuance of any such instruments may reduce the amount recoverable by you upon any bankruptcy or insolvency and would increase the likelihood that we may suspend the payment of interest on the Securities.

Investors will be deemed to have waived all rights of set-off

Subject to applicable law, you may not exercise or claim any right of set-off in respect of any amount we owe you arising under or in connection with the Securities and you will be deemed to have waived all such rights of set-off. See "Description of the Securities—Defaults, Limitations of Remedies—General".

We cannot assure you that the Central Bank will publish new regulations setting out the requirements for Tier I Capital or that, if published, the Securities will qualify as Tier I Capital

We expect that the Securities will initially qualify as Tier II Capital in accordance with CMN Resolution No. 2,837 of May 30, 2001. We also expect that the Central Bank will establish regulations setting forth requirements for securities, such as the Securities, to classify as Tier I Capital, however we cannot assure you as to the final content thereof or as to the date on which such regulations may come into effect. Depending on the regulations, we have a right to amend the securities, including certain economic and subordination provisions, without your consent in order to qualify them as Tier I Capital, including in ways that could adversely affect you. However, we may not amend the Securities without the consent of all of the holders in order to conform to Tier I Capital regulations if doing so would result in the Securities ranking junior to our preferred shares or by changing the Stated Rate or Interest Payment Dates in a manner that reduces the annual yield on the Securities. In that case, the Securities would not qualify for Tier I Capital treatment until we obtain your consent. See "—The requirements for qualification as Tier I Capital in Brazil have not been published and we may amend the terms and conditions of the Securities without your prior consent to qualify the Securities as Tier I Capital".

If we are unable to make payments on the Securities from the Cayman Islands and must make payments from Brazil, we may experience delays in obtaining or be unable to obtain the necessary Central Bank approvals, which would delay or prevent us from making payments on the Securities

Securities issued by Unibanco Cayman do not require approval by or registration with the Central Bank. In case payment under Securities issued by Unibanco Cayman is made directly from Brazil (whether by reason of a lack of liquidity of Unibanco Cayman acceleration, enforcement or judgment, imposition of any restriction under the laws of the Cayman Islands), a specific Central Bank approval may be required. If we are unable to obtain the required approvals, if needed for the payment of amounts owed by Unibanco Cayman through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the Securities. However, we cannot assure you that other remittance mechanisms will be available in the future, and even if they are available in the future, we cannot assure you that payment on the Securities would be possible through such mechanism. If we are unable to make payments on the Securities from Unibanco Cayman and we are prevented from making the payments from Brazil, we will be forced to suspend interest payments on the Securities, which will not be a default under the Securities, but could adversely impact the market value of the Securities. See "—Risks Relating to Brazil", "—Risks Relating to the Brazilian Banking Industry" and "—Risks Relating to Unibanco."

The rating of the Securities may be lowered or withdrawn depending on some factors, including the rating agency's assessment of our financial strength and Brazilian sovereign risk

We expect that the Securities will be rated "Ba2 " by Moody's. The rating of the Securities reflects the rating agency's assessment of our ability to make timely payment of interest on each payment date. The rating of the Securities is not a recommendation to purchase, hold or sell the Securities, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the Securities will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in the rating of the Securities will not be an event of default under the Indenture. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of our financial strength as well as its assessment of Brazilian sovereign risk generally and any change to these may affect the market price or liquidity of the Securities.

The absence of a public market for these Securities may affect your ability to sell these Securities in the future and may affect the price you would receive if such sale were to occur

The Securities are new securities for which there is currently no established market, and, although application has been made to list the Securities on the EuroMTF section of the Luxembourg Stock Exchange, there is no assurance that a market for the Securities will develop. Although the Initial Purchasers have informed us that they currently intend to make a market in the Securities, they are not obligated to do so and any such market-making activities may be discontinued at any time without notice. Accordingly, we cannot give any assurance as to the development or liquidity of any market for the Securities.

The liquidity of and trading market for the Securities may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect our liquidity and trading markets independent of our prospects of financial performance. You may not be able to sell your Securities at a particular time, and the prices that you receive when you sell may not be favorable.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our audited consolidated financial statements include the assets, liabilities, results of operations and cash flows of our subsidiaries, as well as our branches outside Brazil. Our audited consolidated balance sheets as of December 31, 2003 and 2004 and consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004, including the notes thereto, contained in this Offering Memorandum are prepared in accordance with U.S. GAAP.

Our annual report on Form 20-F is jointly filed, with the permission of the Securities and Exchange Commission, or SEC, by us and our parent company, Unibanco Holdings S.A., or Unibanco Holdings. Unibanco Holdings controls us through its ownership, as of May 31, 2005, of 96.6% of our outstanding common shares and 15.7% of our outstanding preferred shares. Unibanco Holdings engages in no activities other than holding shares in us. As a result, the financial statements of Unibanco Holdings are similar to ours in all material respects, except for the minority interest line of the balance sheet and income statement and the financing activities section of the cash flow statement. Therefore, the U.S. GAAP consolidated financial statements included herein also include the financial statements of Unibanco Holdings.

For certain purposes, such as providing reports to our Brazilian stockholders, filing financial statements with the CVM and determining dividend payments and tax liabilities in Brazil, we have prepared and will continue to be required to prepare financial statements in accordance with Brazilian GAAP. Our unaudited interim consolidated financial statements as of and for the three-month periods ended March 31, 2005 and March 31, 2004, contained in this Offering Memorandum, are prepared in accordance with Brazilian GAAP. See "Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP". Our consolidated financial statements as of and for the years ended December 31, 2004 and 2003, prepared in accordance with Brazilian GAAP are not included in this Offering Memorandum.

Unibanco Cayman's audited financial statements as of December 31, 2004 and 2003 and for each of the two years in the period ended December 31, 2004, contained in this Offering Memorandum have been prepared in accordance with the applicable requirements of the International Financial Reporting Standards, or IFRS, promulgated by the International Accounting Standards Board.

In December 2004, we sold our equity interests in Credicard Banco, or Credicard, a credit card issuer, as well as in Orbitall Serviços e Processamento de Informações Comerciais Ltda, or Orbitall, a credit card processor. We sold our 33.3% interest in Credicard to Itaú and Citigroup, each of which own 50% of Credicard's capital stock. Citigroup and us also sold our respective 33.3% interests in Orbitall to Itaú. In connection with the sale of both equity interests, we received R$1,727 million in cash at the end of December 2004, generating earnings before taxes of R$1,574 million under U.S. GAAP.

In this Offering Memorandum, unless otherwise specified, references to "U.S.$", "$", "U.S. dollars" or "dollars" are to United States dollars; references to "R$", *"Real"* or *"Reais"* are to Brazilian *Reais,* the official currency of Brazil since July 1, 1994; references to "EUR" or "euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

For the convenience of the reader, certain amounts included in this Offering Memorandum derived from our consolidated and non-consolidated financial statements as of and for the year ended December 31, 2004 and from our unaudited consolidated financial statements as of and for the three-month period ended March 31, 2005 and have been translated into U.S. dollars at the relevant period-end exchange rate, as published by the Central Bank. The translation of Brazilian currency amounts into U.S. dollars is for convenience purposes only; it should not be construed as a representation that amounts of *reais* could be converted into U.S. dollars at such rate or any other rate. Accordingly, amounts presented in U.S. dollars may be different than they would be if calculated under the current exchange rate.

On July 21, 2005, the exchange rate for *reais* into U.S. dollars was R$2.3405 to US$1.00, based on the commercial selling rate as reported by the Central Bank of Brazil. The commercial rate was R$2.6544 to US$1.00 as of December 31, 2004.

The official annual inflation rates for the years ended December 31, 2004, 2003 and 2002 as measured by the IGP-DI are presented below.

For the year ended December 31,	**IGP-DI**
2002	26.4%
2003	7.7%
2004	12.1%

The accumulated IGP-DI for the six-month period ended June 30, 2005 was 1.52%.

Certain figures included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

EXCHANGE RATES AND EXCHANGE CONTROLS

Only institutions authorized by the Central Bank to operate in the foreign exchange markets in Brazil may carry out transactions relating to the purchase or sale of foreign currency in Brazil.

The Central Bank has recently approved the unification of the commercial rate exchange market and the floating rate exchange market, the two foreign exchange markets in Brazil. In this united foreign exchange market, rates are freely negotiated but may be strongly influenced by Central Bank intervention. During 1999 and 2000 the *real* experienced high volatility and suffered a sharp decline against the U.S. dollar. Although the *real* regained some value against the U.S. dollar in the fourth quarter of 2001, the value of the *real* suffered a further decline in 2002. The *real* recovered to some extent in 2003, due to an improvement in the valuation of Brazilian country risk. The *real* declined against the U.S. dollar in the first half of 2004 as a result of the changing outlook concerning the reversal of the expansionist path of U.S. monetary policy and the reluctance by members of the international financial market to face risks in emerging markets. The *real* appreciated again from the end of 2004 through the beginning of 2005 as a result of the decline in value of the U.S. dollar against other currencies worldwide.

The following table sets forth information on the Central Bank's Commercial Exchange Rate for U.S. dollars (PTAX sale rate) for the periods and dates indicated.

The Commercial Rate for U.S. dollars
Reais per US$1.00

Low, High, Average and Period-End:

Period Ended	Low	High	Average(1)	Period-End
December 31, 2002	2.2650	3.9505	2.9316	3.5329
December 31, 2003	2.8219	3.6623	3.0723	2.8879
December 31, 2004	2.6544	3.2051	2.9217	2.6544
March 31, 2005	2.5621	2.7621	2.6692	2.6662
June 30, 2005	2.3504	2.7621	2.5727	2.3504

Source: The Central Bank
(1) Represents the average of the month-end exchange rates during the relevant period.

The Central Bank may impose temporary restrictions on remittances of foreign capital abroad whenever there exists, or the Central Bank foresees, a significant imbalance in Brazil's balance of payments. For approximately six months in 1989 and early 1990, to preserve Brazil's foreign currency reserves, the Brazilian government froze all remittances of dividends and invested capital that were owed to foreign equity investors and held by the Central Bank. The Central Bank subsequently released these amounts in accordance with Brazilian government directives. Currently, there are no restrictions for the remittances of foreign capital abroad in force, but the Brazilian government may take similar measures in the future.

USE OF PROCEEDS

The net proceeds from the sale of the Securities will be approximately U.S.$489 million (after deducting fees, commissions and expenses) and will be used by us for general corporate purposes.

CAPITALIZATION

Unibanco

Brazilian GAAP

The following table shows the consolidated capitalization of Unibanco as of March 31, 2005, calculated in accordance with Brazilian GAAP, on an actual basis and as adjusted to give effect to the sale of the Securities. The information in the table has been derived from, and should be read in conjunction with, our unaudited consolidated interim financial statements and the notes thereto appearing elsewhere in this Offering Memorandum.

	As of March 31, 2005			
	Actual		As Adjusted	
	(in millions of R$)			
Current liabilities	R$	46,139	R$	46,139
Long-term liabilities:				
Deposits		12,594		12,594
Resources from securities issued		672		672
Borrowings		543		543
Local and foreign onlendings		3,753		3,753
Subordinated debt		1,920		1,920
Securities offered by this Offering Memorandum		-		1,170
Other liabilities		7,209		7,209
Total long-term liabilities		26,691		27,861
Deferred income		136		136
Minority interest		780		780
Stockholders' equity		8,363		8,363
Total capitalization	R$	82,109	R$	83,279

Unibanco Cayman

The following table sets forth the capitalization of Unibanco Cayman at December 31, 2004, as derived from Unibanco Cayman's accounting records as of and for the year ended December 31, 2004, prepared in accordance with the IFRS. The following table should be read in conjunction with Unibanco Cayman's audited consolidated financial statements included elsewhere in this Offering Memorandum.

	As of December 31, 2004
	(in thousands of US$)
Liabilities:	
Demand Deposits	626
Time Deposits	232,122
Borrowed Funds	923,471
Interest Payable	22,706
Derivative Financial Instruments	4,294
Subordinated Debt	399,814
Securitization of Diversified Payment Rights	987,463
Other liabilities	2,295
Total liabilities	2,572,791
Due to Head Office:	
Capital Contribution Account	35,932
Derivatives Fair Market Value	(1,217)
Retained Earnings	132,263
Total Due to Head Office	166,978
Total Capitalization	U.S.$2,739,769

CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the consolidated ratio of our earnings to our fixed charges for each of the periods indicated in accordance with U.S. GAAP. For the purpose of computing the ratios of earnings to fixed charges earnings includes income before income taxes and minority interest less equity in results of unconsolidated companies plus distributed income of equity investment companies and fixed charges. Fixed charges include interest expense plus an estimate of the interest within rental expense. Our consolidated subsidiaries are not required to pay preferred dividends on outstanding preference securities.

The following table sets forth our ratio of consolidated earnings to total fixed charges for the years and the periods indicated:

	For the Year ended December 31,				
	2000	**2001**	**2002**	**2003**	**2004**(1)
Consolidated Ratio Earnings to Fixed Charges	1.20	1.15	1.07	1.31	1.46

(1) In connection with the sale of our equity interests in Credicard and Orbitall, we received R$1,727 million in cash at the end of December 2004, generating earnings before taxes of R$1,574 million under U.S. GAAP which are included in this ratio.

SELECTED FINANCIAL INFORMATION

Unibanco

U.S. GAAP

The following tables set forth certain of our selected financial information on a consolidated basis as of and for the years ended December 31, 2004, 2003, 2002, 2001 and 2000. The selected financial information has been derived from, and should be read in conjunction with, "Presentation of Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2004, 2003 and 2002" and our audited U.S. GAAP consolidated financial statements, including the notes thereto, which are prepared in accordance with U.S. GAAP and included elsewhere in this Offering Memorandum. The selected consolidated financial information as of and for the years ended December 31, 2001 and 2000 set forth below are derived from our audited U.S. GAAP consolidated financial statements prepared in accordance with U.S. GAAP not included in this Offering Memorandum. **U.S. GAAP differs in significant respects from Brazilian GAAP. See "Summary of Certain Differences between Brazilian GAAP and U.S. GAAP."**

	Year ended December 31,					
	2000	2001	2002	2003	2004	2004
	(in millions of R$)					(in millions of US$) (13)
US GAAP:						
Unibanco Consolidated Income Statement Data:						
Net interest income	R$ 2,708	R$ 4,173	R$ 5,302	R$ 5,024	R$ 5,774	US$2,467
Provision for loan losses	(676)	(1,100)	(1,291)	(881)	(948)	(405)
Net interest income after provision for loan losses	2,032	3,073	4,011	4,143	4,826	2,062
Fee and commission income	1,134	1,653	1,854	2,152	2,382	1,018
Equity in results of unconsolidated companies (1)	164	235	184	199	220	94
Other non-interest income (2)	1,669	1,873	1,178	3,152	4,239	1,811
Operating expenses (3)	(2,758)	(3,850)	(3,985)	(4,534)	(5,098)	(2,178)
Other non-interest expense (4)	(1,530)	(2,037)	(2,600)	(3,731)	(4,055)	(1,733)
Income before income taxes and minority interest	711	947	642	1,381	2,514	1,074
Income taxes	(14)	(38)	276	(354)	(295)	(126)
Minority interest	(69)	(84)	(115)	(154)	(156)	(67)
Net income	R$ 628	R$ 825	R$ 803	R$ 873	R$ 2,063	US$ 881

	Year ended December 31,					
	2000	2001	2002	2003	2004	2004
	(in R$, except per share data)					(in US$, except per share data) (13)
Unibanco Earnings and Dividends Information (12):						
Basic and diluted earnings per shares:						
Common	R$ 0.49	R$ 0.56	R$ 0.55	R$ 0.61	R$ 1.42	US$ 0.61
Preferred	0.54	0.62	0.61	0.67	1.56	0.67
Distributed earnings (dividends) per shares:						
Common	0.22	0.22	0.23	0.30	0.36	0.15
Preferred	R$ 0.25	R$ 0.24	R$ 0.26	R$ 0.33	R$ 0.39	0.17
Weighted average shares outstanding (in thousands) - Basic:						
Common	650,574	755,687	755,687	755,678	755,658	-
Preferred	579,764	643,309	629,876	622,831	631,225	-
Weighted average shares outstanding (in thousands) – Diluted:						
Common	650,574	755,687	755,687	755,678	755,658	-
Preferred	579,764	643,309	629,876	623,035	631,643	-

	As of December 31,					
	2000	2001	2002	2003	2004	2004
	(in millions of R$)					(in millions of US$) (13)
Unibanco Consolidated Balance Sheet Data:						
Assets						
Cash and due from banks	R$ 332	R$ 677	R$ 934	R$ 812	R$ 1,575	US$ 673
Interest-bearing deposits in other banks	901	1,843	2,309	2,886	3,579	1,529
Trading, available for sale and held to maturity	9,160	15,596	18,117	14,666	14,875	6,355
Loans	20,314	23,912	25,254	26,039	31,377	13,406
Allowance for loan losses	(1,005)	(1,276)	(1,389)	(1,317)	(1,560)	(667)
Investments in unconsolidated companies	445	892	574	616	536	229
Goodwill and intangibles, net	1,528	1,372	1,349	1,248	1,630	696
Total assets	48,632	53,382	71,988	66,047	77,858	33,266
Average assets	33,780	51,203	60,310	64,579	74,383	31,781
Liabilities and Stockholders' Equity						
Deposits	R$13,468	R$18,555	R$26,055	R$25,700	R$33,775	US$ 14,431
Short-term borrowings	5,846	6,240	6,305	3,113	2,677	1,144
Long-term debt	7,401	7,847	10,928	13,348	11,700	4,999
Stockholders' equity	5,552	5,955	6,245	6,754	8,572	3,662
Average liabilities	29,359	45,387	54,223	58,085	66,723	28,508
Average stockholders' equity	4,421	5,816	6,087	6,494	7,660	3,273

	As of and for the Year ended December 31,				
	2000	**2001**	**2002**	**2003**	**2004**
Selected Consolidated Ratios:					
Profitability and Performance					
Net Interest margin (5)	9.6%	10.1%	10.8%	9.4%	9.4%
Return on average assets (6)	1.9	1.6	1.3	1.4	2.8
Return on average equity (7)	14.2	14.2	13.2	13.4	26.9
Dividends payout ratio common and preferred	45.8	39.3	42.4	49.2	25.4
Efficiency ratio (8)	69.3	68.0	69.5	68.7	61.1
Liquidity					
Loans as a percentage of total deposits	150.8	128.9	96.9	101.3	92.9
Capital					
Average stockholders' equity as a percentage of average total assets	13.1	11.4	10.1	10.1	10.3
Total equity as a percentage of total assets	11.4	11.2	8.7	10.2	11.0
Total capital to risk-weighted assets (9)	16.5	13.7	15.7	18.6	16.3
Asset Quality					
Allowance for loan losses as a percentage of total loans	4.9	5.3	5.5	5.1	5.0
Nonperforming loans as a percentage of total loans (10)	4.3	4.2	3.9	4.5	4.1
Allowance for loan losses as a percentage of total nonperforming loans (10)	115.9	127.3	142.0	113.4	122.4
Net charge-offs as a percentage of average loans outstanding (11)	2.8	3.8	5.0	4.0	2.6

(1) For more information on our equity in results of unconsolidated companies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Accounting For Results of Unconsolidated Affiliates", "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2004, 2003 and 2002" and Note 11 to our U.S. GAAP consolidated financial statements.
(2) Other non-interest income consists of trading income (expenses), net gain on foreign currency transactions, net gain (losses) on securities and non-trading derivatives, insurance and private retirement plan and pension investment contracts and other non-interest income. For more information see Note 24 to our U.S. GAAP consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002."
(3) Operating expenses consist of salaries and benefits and administrative expenses.
(4) Other non-interest expense consists of amortization of goodwill until December 31, 2001, amortization of other intangibles and impairment on goodwill, insurance, private retirement plan and pension investment contracts and other non-interest expenses.
(5) Net interest income as a percentage of average interest-earning assets.
(6) Net income as a percentage of average total assets.
(7) Net income as a percentage of average stockholders' equity.
(8) Operating expenses as a percentage of the aggregate of net interest income, fee and commission income, other non-interest income and other non-interest expense.

(9) Based on Brazilian Central Bank guidelines. See “The Brazilian Banking Industry” and “Regulation and Supervision.”
(10) Nonperforming loans consist of loans 60 days or more overdue.
(11) Charge-offs net of loan recoveries during the period as a percentage of average loans outstanding.
(12) Earnings per share have been adjusted for all periods presented to reflect the new number of shares that will resulted from the reverse stock split (100:1 shares), on August 30, 2004, in accordance with SFAS 128 “Earnings per share.” See Note 19 to our U.S. GAAP consolidated financial statements.
(13) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$2.3405 per U.S.$1.00, the Central Bank closing commercial selling exchange rate on July 21, 2005. The translation of Brazilian currency amounts into U.S. dollars is for convenience purposes only; it should not be construed as a representation that amounts of *reais* could be converted into U.S. dollars at such rate or any other rate. Accordingly, amounts presented in U.S. dollars may be different than they would be if calculated under the current exchange rate.

__Brazilian GAAP__

The following tables set forth certain of our selected financial information on a consolidated basis as of and for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 and as of and for the three-month periods ended March 31, 2005 and March 31, 2004. The selected financial information as of and for the three-month periods ended March 31, 2005 and March 31, 2004 should be read in conjunction with the "Selected Financial Information", "Results of Operations for the Three Months Ended March 31, 2005 and 2004" and our unaudited interim consolidated financial statements as of and for the three-month periods ended March 31, 2005 and March 31, 2004, including the notes thereto, included elsewhere in this Offering Memorandum and prepared in accordance with Brazilian GAAP. Our unaudited interim consolidated financial statements may not be indicative of results that may be expected from the full year. Our selected financial information as of and for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 set forth below are derived from our audited consolidated financial statements prepared in accordance with Brazilian GAAP not included in this Offering Memorandum. **Brazilian GAAP differs in significant respects from U.S. GAAP. See "Summary of Certain Differences between Brazilian GAAP and U.S. GAAP."**

	Year ended December 31,						As of and for the Three Months ended March 31,		
	2000	2001	2002	2003	2004	2004	2004	2005	2005
	(in millions of R$, except percentages)					(in millions of US$, except percentages) (6)	(in millions of R$, except percentages)		(in millions of US$, except percentages) (6)
BRAZILIAN GAAP (1):									
Consolidated Income Statement Data:									
Profit from financial intermediation	R$ 2,642	R$ 3,736	R$ 2,672	R$ 5,198	R$ 5,194	US$ 2,219	R$ 1,168	R$ 1,432	US$ 612
Net income	739	972	1,010	1,052	1,283	548	276	401	171
Consolidated Balance Sheet Data:									
Total assets	R$ 51,496	R$ 55,616	R$ 75,375	R$ 69,632	R$ 79,350	US$33,903	R$ 71,505	R$ 82,109	US$35,082
Total loans	21,615	25,358	26,557	27,678	31,796	13,585	27,048	33,176	14,175
Total deposits	13,350	18,932	25,988	25,357	33,530	14,326	27,414	34,969	14,941
Stockholders' equity	5,504	6,072	6,559	7,156	8,106	3,463	7,358	8,363	3,573
Selected Consolidated Ratios:									
Return on average assets (2)	1.8%	1.8%	1.5%	1.5%	1.7%		1.6%	2.0%	
Return on average equity (3)	17.5	16.8	16.0	15.3	16.8		16.1	21.0	
Efficiency ratio (4)	60.0	58.0	59.1	57.7	60.9		59.5	53.7	
Total capital to risk weighted assets (5)	16.5	13.7	15.7	18.6	16.3		18.1	16.4	

(1) Our Brazilian financial statements are prepared in accordance with the requirements of Brazilian Corporate Law and the regulation of the Central Bank and the CVM.
(2) Net income as a percentage of average total assets.
(3) Net income as a percentage of average stockholders' equity.
(4) Operating expenses as a percentage of the aggregate profit from financial intermediation and other income.

(5) Based on Brazilian Central Bank guidelines. See “The Brazilian Banking Industry” and “Regulation and Supervision.”

(6) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$2.3405 per U.S.$1.00, the Central Bank closing commercial selling exchange rate on July 21, 2005. The translation of Brazilian currency amounts into U.S. dollars is for convenience purposes only; it should not be construed as a representation that amounts of *reais* could be converted into U.S. dollars at such rate or any other rate. Accordingly, amounts presented in U.S. dollars may be different than they would be if calculated under the current exchange rate.

Unibanco Cayman

The following tables set forth certain selected financial information for Unibanco Cayman as of and for the years ended December 31, 2004 and 2003. The selected historical financial information has been derived from, and should be read in conjunction with, the audited financial statements of Unibanco Cayman, including the notes thereto, for the years ended December 31, 2004 and 2003, included elsewhere in this Offering Memorandum. Unibanco Cayman's financial statements as of and for the years ended December 31, 2004 and 2003 have been prepared in accordance with IFRS.

	Year ended December 31,	
Balance Sheet Data	**2003**	**2004**
	(in thousands of US$)	
Assets		
Cash and due from banks		
Other	US$ 7,936	US$ 51,056
Overnight funds sold		
Related parties	848,000	242,163
Others	-	540,000
Trading Securities		
Other	-	23,504
Time deposits		
Other	33,124	34,316
Loans		
Related parties	305,816	292,400
Other	426,785	408,476
Investments		
Related parties	1,015,949	946,724
Other	20,000	92,786
Interest receivable		
Related parties	33,520	37,490
Other	5,120	10,022
Other assets		
Related Parties	2,111	-
Other	31,201	36,202
Derivative financial instruments	16,949	24,630
Total assets	2,746,511	2,739,769

	Year ended December 31,	
Liabilities And Due To Head Office	**2003**	**2004**
	(in thousands of US$)	
Liabilities		
Demand deposits		
Related parties	US$ 868	US$ 74
Other	667	552
Time deposits		
Related parties	2,500	98,414
Other	-	133,708
Borrowed funds	1,286,671	923,471
Subordinated Debt	399,793	399,814
Securitization of diversified payments rights	849,105	987,463

Interest payable		
Related parties	22	235
Other	23,704	22,471
Other liabilities	14,459	2,295
Derivative financial instruments	–	4,294
Total liabilities	2,577,789	2,572,791
Due to Head Office		
Capital contribution account	35,932	35,932
Derivatives fair market value	(10,273)	(1,217)
Retained earnings	143,063	132,263
Total due to head office	168,722	166,978
Total liabilities and due to head office	2,746,511	2,739,769

Income Statement Data	**Year Ended December 31,**	
	2003	**2004**
	(in thousands of US$)	
Interest Income		
Cash	US$ -	US$ 32
Overnight funds sold		
Related parties	6,697	2,770
Other	-	6,176
Time Deposits		
Other	1,553	3,132
Loans		
Related parties	13,611	2,717
Other	14,100	22,162
Investments		
Related parties	130,979	116,092
Other	-	11,378
Total interest income	166,940	164,459
Interest expense		
Demand deposits		
Others	5	5
Time deposits		
Related parties	22	73
Borrowed funds		
Others	109,348	90,206
Total interest expense	109,375	90,284
Net interest income	57,565	74,175
Other income (expenses):		
Net realized and unrealized gain on derivatives	2,457	10,010
Net loss on investments	-	(6,930)
Fees and other income and expenses, net	(18,278)	(44,526)
Amortization of discount on purchase of loans	17,289	7,669
Recovery (provision) for loan losses	(13,205)	2,857
Administrative expenses and other income	(8,412)	2,502
Total other income expenses, net	(20,149)	(28,418)
Net income	37,416	45,757

RECENT DEVELOPMENTS

Ibovespa Index

On May 2, 2005, our Units, which each consist of one of our preferred shares and one preferred share of Unibanco Holdings, were included in the Ibovespa Index (*Índice Bovespa*), or Ibovespa Index, of the BOVESPA. The Ibovespa Index is currently composed of 55 stocks. In order to be included in this index, a stock must (i) be included in a group of stocks in which the sum of the negotiability indexes represents 80% of the accumulated value of the negotiability indexes of all individual stocks; (ii) have a participation above 0.1% of the BOVESPA's total volume in the last 12 months; and (iii) trade in at least in 80% of the sessions in the last 12 months. We expect that the inclusion in the Ibovespa Index should increase the liquidity of our Units in the Brazilian market.

Proposed Offering of Units by Caixa Brasil

On July 15, 2005, we filed a registration statement with the SEC and a prospectus with the CVM relating to a global secondary offering by our shareholder Caixa Brasil SGPS, S.A., or Caixa Brasil, a wholly-owned subsidiary of Caixa Geral de Depósitos, S.A., or CGD, of up to 86,149,216 Units (including Units subject to the underwriters over-allotment option), including Units in the form of GDSs. As a result of such offering, assuming the underwriters exercise their over-allotment option in full, it is anticipated that Caixa Brasil will no longer have an equity interest in Unibanco or Unibanco Holdings. However, we expect that we will maintain our historical business relationship with CGD. In connection with the global secondary offering, we and Unibanco Holdings will take certain steps necessary to permit Caixa Brasil and other holders to convert their common and preferred shares of Unibanco and Unibanco Holdings into Units.

Wal-Mart

In February 2005, Unibanco and Wal-Mart announced that they will make the HiperCard credit card available for use in all Wal-Mart stores in Brazil. Customers who live in the states of São Paulo, Minas Gerais, Rio de Janeiro and Paraná will also have access to the HiperCard credit card, which was created in 1982 and is accepted in over 70,000 commercial establishments in the northeast of Brazil. Wal-Mart's approximately 500,000 credit cards will be gradually replaced by HiperCard credit cards.

Unibanco's New Brand

On March 21, 2005, we launched our new brand which includes new official colors and a new logo. The new brand has blue as the main color and green as the supporting color, replacing our former official colors, black and white. The Unibanco logo, which was created in the 1960s, has also been redesigned.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004 (BRAZILIAN GAAP)

Brazilian GAAP differs in several significant respects from U.S. GAAP, including differences in line item classifications. For this reason, the unaudited interim consolidated financial information discussed below is not directly comparable to the summary and selected consolidated U.S. GAAP financial information as of and for the years ended December 31, 2004, 2003 and 2002 presented in this Offering Memorandum nor to the consolidated U.S. GAAP financial information, financial statements as of and for the years ended December 31, 2004 and 2003 and related Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002 included in this Offering Memorandum. For more information on differences between Brazilian GAAP and U.S. GAAP see "Summary of Certain Differences between Brazilian GAAP and U.S. GAAP".

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements as of and for the three-month periods ended March 31, 2004 and 2005 and the notes thereto which have been prepared in accordance with Brazilian GAAP and are included elsewhere in this Offering Memorandum.

Performance Overview

The following table shows our financial performance highlights for the three-month periods ended March 31, 2004 and 2005:

	As of and for the three-months ended March 31,	
	2004	2005
	(in millions of R$, except percentages)	
Net income	R$ 276	R$ 401
Return on average equity[(1)]	16.1%	21.0%
Return on average assets[(1)]	1.6%	2.0%
Basel Capital Ratio	18.1%	16.4%
Total Assets	R$ 71,505	R$ 82,109
Total Credit Portfolio (including off-balance sheet items)	27,343	33,176
Total Deposits	27,414	34,969
Shareholders' equity	7,358	8,363

(1) Three-month data are annualized.

Despite a slowdown in the rate of economic growth, the Brazilian economy continued to post solid fundamentals in the first six months of 2005. The primary surplus in the public accounts remained strong at 7.3% of GDP, the trade balance surplus grew 31.3% compared to the same period in 2004 and the *real* experienced a further appreciation of 12.2% against the U.S. dollar. In June, there were some negative indicators, such as lower growth in industrial production and GDP, which were reflected in a higher perceived sovereign risk, as measured by JP Morgan's Emerging Market Bond Index, or EMBI, which closed at 411 basis points as of June 30, 2005, up from 383 basis points on December 31, 2004. In addition, the political party of the Brazilian president is facing corruption charges and we have no assurances as to the outcome of these developments.

Our income before taxes and minority interest increased 53.4% in the three-month period ended March 31, 2005 when compared to the three-month period ended March 31, 2004, mainly due to our organic growth in our lending businesses, better quality of our credit portfolio, and lower administrative and personnel expenses. This growth led to a strong improvement of nearly 500 basis points in our annualized return on average equity, from 16.1% in the three-month period ended March 31, 2004 to 21.0% in the comparable period in 2005. Each of our business areas contributed to this improvement by consolidating our organizational reorganization process that was launched in 2004.

Our capital adequacy ratio, which uses guidelines and regulations issued by the Central Bank and similar those of the Basel Accord, increased from 16.3% on December 31, 2004 to 16.4% on March 31, 2005. In February 2005, we issued a *real*-denominated note in the amount equivalent to US$125 million, with a 5-year term and half-yearly interest payments. The note offers a coupon pegged to a local interest rate plus a fixed rate of 8.9%, and was the first of its kind issued by a Brazilian bank.

In the first quarter of 2005, we introduced *Crédito Merecido*, a type of loan for retirees and beneficiaries of the National Institute of Social Security, or INSS, in which installments are deducted directly from the monthly benefit. Unibanco was the first large Brazilian bank to offer this kind of product.

In our consumer and credit card business lines, our credit card company Unicard's loan portfolio reached R$1,577 million as of March 31, 2005, an increase of 25.0% compared to March 31, 2004, with 5.0 million cards issued. Hipercard posted a loan portfolio of R$1,053 million as of March 31, 2005 and had 2.8 million cards issued. Fininvest posted a loan portfolio of R$1,770 million as of March 31, 2005. During 2004, 142 new Fininvest stores were opened. In the three-month period ended in March 31, 2005, we opened two new stores which increased Fininvest distribution network to 255 stores and reaching over 11,500 points of sale.

Unicard Unibanco launched the *Unicard Desconto em Folha* card, a product which was originally developed by BNL Brasil, which was acquired by Unibanco in 2004. Customers who use this card have the card's minimum payment deducted directly from their monthly paycheck.

On March 31, 2005 we had a balance of US$1.7 billion in foreign trade finance transactions, up 6,25% in the quarter, resulting from import, export and international financing warranties. We disbursed R$217 million for BNDES export and/or import transactions, giving us the leading position in BNDES-exim ranking with a market share of 46%. We disbursed R$392 million as a financial agent fort the BNDES and ranked third in the general BNDES ranking, with a market share of 8.4%.

We were the second most active bank in Central Office for Private Securities (*Central de Liquidação e Custódia de Títulos Privados*), or CETIP, in the derivative instruments market, with a portfolio of R$1,331 million, strengthening its position among the most active banks in swap transactions.

Our Wholesale capital markets, project finance, and financial advisory businesses were active in the first quarter of 2005, participating in the following major transactions as:

- leading coordinator of the secondary public offering of 45.9 million Unibanco Units, owned by Commerzbank and BNL, in the amount of approximately R$718 million.

- coordinator in the offering of ALL (*América Latina Logística*) Units, in the amount of approximately R$573 million;

- coordinator in three bond offerings (Cadip, Ampla and Sabesp), which amounted to R$450 million; and

- advisor to Embraer in the acquisition of Ogma S/A, an aircraft component maintenance and repair company controlled by the Portuguese government.

In our Insurance and Pension Plans business segment, UASEG and Unibanco AIG Vida e Previdência ranked fourth in consolidated terms, according to SUSEP, ANAPP and ANS, with an 8.8% market share, including extended warranty, according to ANS data as of March 2005. We also maintained our leadership in the property risks, D&O (Directors & Officers), aviation, petrochemical risks and extended warranty products.

Unibanco AIG Vida e Previdência ranked fourth in pension plan revenues, with a 10.3% market share, according to ANAPP, and reached the second position in accumulated sales on corporate pension plans, with total premiums of R$338 million in 2005.

In our Wealth Management business segment, our subsidiary UAM ended the first quarter of 2005 with R$34,206 million in assets under management and custody, 16.7% higher than March 31, 2004. In this period, we observed positive flows mainly from corporate and institutional clients. UAM held the sixth position in ANBID ranking of assets under management for third parties, achieving a market share of 4.8% on March 31, 2005. For the third consecutive year, Unibanco Asset Management received the "*Top Gestão de Renda Variável*", an award created in Brazil by Standard & Poor's for *Valor Investe* magazine, and published by the *Valor Econômico* newspaper.

In the three-month period ended March 31, 2005, our Private Banking segment posted a 3.7% increase in its assets under management compared to December 2004, leading it to the second highest position in the ANBID's ranking and reaching a market share of 9.5%.

Brazilian Economic Environment for the First Quarter of 2005

The following table shows, for the periods indicated, the main Brazilian macroeconomic indicators:

	As of December 31,		For the three-months ended March 31,	
	2003	**2004**	**2004**	**2005**
Real GDP growth[(1)]	0.5%	4.9%	1.8%	0.3%
Inflation rate[(2)]	7.7%	12.1%	2.84%	1.73%
Inflation rate[(3)]	9.3%	7.6%	1.85%	1.79%
Currency exchange rate(R$ / US$)[(4)]	2.88	2.65	2.89	2.67
SELIC interest rate[(4)]	16.5%	17.8%	16.19%	18.42%
Average interbank deposit interest rate [(5)]	23.3%	16.2%	16.02%	16.21%

(1) *Source:* Brazilian Institute of Geography and Statistics, or IBGE.
(2) *Source:* IGP-DI, as published by the Fundação Getúlio Vargas, or FGV.
(3) *Source:* IPCA, the Consumer Price Index published by IBGE.
(4) *Source:* Central Bank of Brazil. As of December 31 and as of March 31 for each year presented.
(5) *Source:* Central de Liquidação e Custódia de Títulos Privados, or CETIP.

Depreciation or Appreciation of the *real*

During the three-month period ended March 31, 2005, the *real* depreciated by 0.4% against the U.S. dollar, compared to a 0.7% depreciation against the U.S. dollar during the three-month period ended March 31, 2004.

Operating Results for the Three-Month Period Ended March 31, 2005 Compared to the Three-Month Period Ended March 31, 2004

Consolidated Financial Results

The following table shows the principal components of our consolidated net income for the three-month periods ended March 31, 2004 and 2005:

	For the three-months ended March 31, 2004	For the three-months ended March 31, 2005	% Change
	(in millions of R$)		
Gross profit from financial intermediation	R$ 1,168	R$ 1,432	22.6%
Other operating income (expense)	(697)	(721)	3.4
Operating income	471	711	51.0
Non-operating income (expense)	(12)	(7)	(41.7)
Income before taxes and profit sharing	459	704	53.4
Income tax and social contribution	(79)	(166)	110.1
Profit sharing	(69)	(100)	44.9
Net income before minority interest	311	438	40.8
Minority interest	(35)	(37)	5.7
Net income	R$ 276	R$ 401	45.3%

Net income for the three-month period ended March 31, 2005 was R$401 million, an increase of 45.3% when compared to the same period in 2004. This increase was driven by a number of factors, which can be summarized as follows:

- organic growth in our businesses, especially our lending business, which was complemented by strategic acquisitions, such as Hipercard. Our credit portfolio grew by 21.3% between March 31, 2004 and March 31, 2005, which, combined with higher average interest rates during the period, led to a 23.4% growth in revenues for financial intermediation;

- improved quality of our credit portfolio, which led to a smaller provision for loan losses, despite strong growth in the credit portfolio; and

- improved operational efficiency, reflecting the results of our internal restructuring and the consolidation of our operational processes started in 2004.

Gross Profit from Financial Intermediation

The following table shows the principal components of our consolidated gross profit from financial intermediation, including provisions for lending, leasing and other credits losses, for the three-month periods ended March 31, 2004 and 2005:

	For the three-months ended March 31, 2004	For the three-months ended March 31, 2005	% Change
	(in millions of R$)		
Revenues from financial intermediation	R$ 2,883	R$ 3,557	23.4%
Expenses on financial intermediation (excluding provision for lending, leasing and other credits losses)	(1,403)	(1,815)	29.4
Provision for lending, leasing and other credits losses	(312)	(310)	(0.6)
Gross profit from financial intermediation	R$ 1,168	R$ 1,432	22.6%

Revenues from Financial Intermediation

The following table shows the principal components of our consolidated revenues from financial intermediation for the three-month periods ended March 31, 2004 and 2005:

	For the three-months ended March 31,		
	2004	**2005**	**% Change**
	(in millions of R$)		
Lending and leasing operations	R$ 1,825	R$ 2,255	23.6%
Marketable securities and derivative financial instruments	742	922	24.3
Financial results from insurance, pension plans and annuity products	208	243	16.8
Foreign exchange transactions	17	6	(64.7)
Compulsory deposits	91	131	44.0
Revenues from financial intermediation	R$ 2,883	R$ 3,557	23.4%

The increase in revenues from financial intermediation of R$674 million in the three-month period ended March 31, 2005 compared to the same period of 2004 was principally a result of:

- an increase of R$430 million from lending and leasing operations;
- an increase of R$180 million from marketable securities and derivative financial instruments;
- an increase of R$35 million from financial results from insurance, pension plans and annuity products;
- an increase of R$40 million from compulsory deposits; and
- a slightly offsetting decrease of R$11 million from foreign exchange transactions.

Lending and leasing operations. The 23.6% increase in lending and leasing operations, from R$1,825 million in the three-month period ended March 31, 2004 to R$2,255 million in the three-month period ended March 31, 2005, was a result of the 21.3% growth in our credit portfolio between March 31, 2004 and March 31,2005, especially in the individuals segment, which posted an increase of 28.0%. This growth was in part driven by our strategic acquisitions, such as Hipercard, which was partially offset by the sale of our interests in Credicard and Orbitall.

Marketable securities and derivative financial instruments. Interest income from our marketable securities, including the securities classified as trading, available for sale and held to maturity, and our derivative financial instruments, including future and swap transactions, increased 24.3%, from R$742 million in the three-month period ended March 31, 2004 to R$922 million in the same period of 2005. This increase is attributable to higher average interest rates during the three-month period ended March 31, 2005 compared to the same period in 2004, and to a larger balance of tradable securities.

Financial results from insurance, pension plans and annuity products. Revenues from financial intermediation of insurance, pension plans and annuity products in the three-month period ended March 31, 2005, posted a growth of 16.8% compared to the same period in 2004. This increase was caused by higher reserves for insurance and pension plans, as a result of organic growth in our insurance and pension plan businesses, and to higher average interest rates during three-month period ended March 31, 2005 compared to the same period in 2004.

Foreign exchange transactions. Revenues from foreign exchange transactions consist mainly of import and export financings and interbank transactions. Revenues from these transactions decreased by R$11 million, or 64.7%, in the three-month period ended March 31, 2005 compared to the same period of 2004, primarily due to the decrease of the average balance of the foreign exchange portfolio.

Compulsory deposits. The 44.0% increase in interest income from our interest-earning compulsory deposits with the Central Bank, from R$91 million in the three-month period ended March 31, 2004 to R$131 million in the same period of 2005, was a result of higher demand deposit and time deposit balances and higher average interest rates in the three-month period in 2005 compared to the same period 2004.

Expenses on Financial Intermediation

The following table shows the principal components of our consolidated expenses on financial intermediation for the three-month periods ended March 31, 2004 and 2005:

	For the three-months ended March 31,		
	2004	**2005**	**% Change**
	(in millions of R$)		
Deposits and securities sold under repurchase agreements	R$ 1,111	R$ 1,455	31.0%
Borrowings and onlendings	200	207	3.5
Interest and price-level restatement on technical provision for insurance, pension plans and annuity products	92	153	66.3
Expenses from financial intermediation	R$ 1,403	R$ 1,815	29.4%

Expenses on financial intermediation increased by R$412 million, or 29.4%, in the three-month period ended March 31, 2005 compared to the same period of 2004. This growth is the result of an increase in liabilities in general, especially time deposits, which increased by 36.3% during the period with the launch of *Superpoupe,* a certificate of deposit first offered in May 2004 with a cost of funding that is lower than the cost of a traditional time deposit certificate, and higher average interest rates in the three-month period ended March 31, 2004 compared to the same period in 2003. The growth in expenses can be attributed to:

- an increase of R$344 million in expenses from deposits and securities sold under repurchase agreements;
- an increase of R$61 million in expenses from interest and price-level restatement on technical provisions for insurance, pension plans and annuity products; and
- an increase of R$7 million in expenses from borrowings and onlendings.

Deposits and securities sold under repurchase agreements. The 31.0% growth in expenses from deposits, securities sold under repurchase agreements and resources from securities issued observed in the three-month period ended March 31, 2005 compared to the same period of 2004, can be largely explained by:

- higher average interest rates;
- the launch of *Superpoupe* in May 2004, which posted a balance of R$1,962 million in time deposits as of March 31, 2005; and
- an increase of 25.9% from time deposits, excluding *Superpoupe*.

Interest and price-level restatement on technical provisions for insurance, pension plans and annuity products. Expenses from technical provisions for insurance, pension plans and annuity products increased by R$61 million, or 66.3%, in the three-month period ended March 31, 2005 compared to the same period of 2004. This change is explained by organic growth in our pension plan and annuity businesses and higher average interest rates in the three-month period ended March 31, 2005 compared to the same period in 2004.

Borrowings and Onlendings. Expenses from borrowings and onlendings increased by R$7 million, or 3.5%, in the three-month period ended March 31, 2005 compared to the same period of 2004. Despite the decrease of 8.9% of borrowings and onlendings balance from March 31, 2004 to March 31, 2005, expenses increased as a result of higher average interest rates, both domestically and abroad, in the three-month period ended March 31, 2005 compared to the same period in 2004, as well as a change in the profile of our indebtedness to third parties, with certain debts maturing and new debt being issued between March 31, 2004 and March 31, 2005.

Provision for Lending, Leasing and Other Credits Losses

The following table shows the loan portfolio and provision for loan losses by segment for the three months ending March 31, 2005 and March 31, 2004:

(in millions of R$, except for percentages)	Commercial Bank and Other Companies(1)		Consumer Credit Companies		"CDC" and Leasing		Unibanco	
For the three months ended March 31,	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
Total credit portfolio (A)	20,470	24,128	3,891	5,148	2,982	3,900	27,343	33,176
Average credit portfolio (B)	20,760	23,571	3,975	5,124	2,894	3,791	27,629	32,486
Allowance for credit losses (C)	975	1,247	360	333	61	105	1,396	1,685
(C) / (A)	4.8%	5.2%	9.3%	6.5%	2.0%	2.7%	5.1%	5.1%
Additional provision for credit losses(D)	164	317	51	26	-	-	215	343
(D) / (C)	16.8%	25.4%	14.2%	7.8%	0.0%	0.0%	15.4%	20.4%
Loan charge-offs (E)	(194)	(74)	(234)	(196)	(41)	(24)	(469)	(294)
(E) / (A)	-0.9%	-0.3%	-6.0%	-3.8%	-1.4%	-0.6%	-1.7%	-0.9%
Provision for loan losses (F)	121	89	170	183	22	38	313	310
(F) / (A)	0.6%	0.4%	4.4%	3.6%	0.7%	1.0%	1.1%	0.9%
Non-performing credits (G)	789	827	450	503	46	88	1,285	1,418
(G) / (A)	3.9%	3.4%	11.6%	9.8%	1.5%	2.3%	4.7%	4.3%
(C) / (G)	123.6%	150.8%	80.0%	66.2%	132.6%	119.3%	108.6%	118.8%
Credit recoveries (H)	27	16	29	25	6	5	62	46
Net charge-offs (E+H)	(167)	(58)	(205)	(171)	(35)	(19)	(407)	(248)

(1) Phênix Seguradora, which we acquired in January 2004, carried an allowance for loan loss balance of R$3 million.

Our credit portfolio grew 21.3% growth between March 31, 2005 and March 31, 2004, mostly driven by the 28.0% expansion in our loans to individuals. Our provision for loan losses for the three-month period ended March 31, 2005 declined by R$3 million compared to the same period in 2004. This was a result of the improvement in the quality of our credit portfolio during the period, as evidenced by the improvement in our balance of loans classified as AA-A from 74.5% of total loan portfolio on March 31, 2004 to 77.4% on March 31, 2005, while the balance of loans classified as D-H remained steady at 8.1%. The allowance for loan losses remained steady at 5.1%, the same as on March 31, 2004. The allowance for loan losses over the balance of loans with principal or interest past due for 60 days or longer (non-performing portfolio) reached 118.8% on March 31, 2005, up from 108.6% on March 31, 2004.

The provision for loan losses declined by 1.0%, posting a reduction of R$3 million in the three-month period ended March 31, 2005 compared to the same period in 2004. The ratio between the provision for loan losses and our total loan portfolio decreased from 1.1% for the three-month period ended March 31, 2004 to 0.9% in the same period in 2005.

- a decrease of R$32 million, or 26.4%, in the commercial bank and other companies, despite an increase of R$3,658 million, or 17.9%, in the corresponding loan portfolio;

- an increase of R$13 million, or 7.6%%, in the consumer credit companies, despite an increase of R$1,257 million, or 32.3%, in the corresponding loan portfolio; and

- an increase of R$16 million, or 72.7%, in the CDC and leasing companies, following an increase of R$918 million, or 30.8%, in the corresponding loan portfolio.

Loan charge-offs declined across all divisions in the three-month period ended March 31, 2005 compared to the same period in 2004, falling by R$175 million. This change, which can partially be traced back to the improvement in our collection practices, led to a decrease in the proportion between charge-offs and the total credit portfolio from 1.7% in the three-month period ended March 31, 2004 to 0.9% in the same period in 2005. The 37.3% decrease in loan charge-offs can be broken down as follows:

- a decrease of R$120 million, or 61.9%, in the commercial bank and other companies;
- a decrease of R$38 million, or 16.2%, in the consumer credit companies; and
- a decrease of R$17 million, or 41.5%, in the CDC and leasing companies.

The loan loss allowance grew by R$289 million, or 20.7%, between March 31, 2004 and March 31, 2005, reaching 5.1% of the total loan portfolio at R$1,685 million. On a division by division basis, the growth can be broken down as follows:

- an increase of R$272 million, or 27.9%, in the commercial bank and other companies;
- a decrease of R$27 million, or 7.5%, in the consumer credit companies; and
- an increase of R$44 million, or 72.1%, in the CDC and leasing companies.

Our non-performing loans increased by R$133 million, or 10.4%, between March 31, 2004 and March 31, 2005. However, the percentage of non-performing loans within our loan portfolio declined from 4.7% to 4.3% within the same period. The increase in non-performing loans can be explained by:

- an increase of R$38 million, or 4.8%, in the commercial bank and other companies;
- an increase of R$53 million, or 11.8%, in the consumer credit companies; and
- an increase of R$42 million, or 91.3%, in the CDC and leasing companies.

Other Operating Income (Expense)

The following table shows the principal components of our consolidated other operating income (expense) for the three-month periods ended March 31, 2004 and 2005:

	For the three-months ended March 31,		%
	2004	2005	Change
	(in millions of R$)		
Services rendered	R$ 741	R$ 766	3.4%
Insurance, annuity products and retirement plans premiums	834	995	19.3
Changes in technical provisions for insurance, annuity products and retirement plans	(294)	(385)	31.0
Insurance claims	(220)	(224)	1.8
Private retirement plans benefits expenses	(150)	(185)	23.3
Selling, other insurance and private retirement plans expenses	(61)	(58)	(4.9)
Credit card selling expenses	(70)	(66)	(5.7)
Salaries, benefits, training and social security	(459)	(446)	(2.8)
Other administrative expenses	(684)	(740)	8.2
Financial transactions and other taxes	(157)	(232)	47.8
Equity in the results of associated companies	6	(1)	–
Other operating income	61	117	91.8
Other operating expenses	(244)	(262)	7.4
Other operating income (expense), net	R$ (697)	R$ (721)	3.4%

Services Rendered. Income for services rendered increased by 3.4% in the three-month period ended March 31, 2005 compared to the same period of 2004. This change was influenced mostly by our organic growth and the sale of our equity interests in Credicard and Orbitall.

The following table shows the principal components of our consolidated revenues from services rendered for the three-month periods ended March 31, 2004 and 2005:

	For the three-months ended March 31,		%
	2004	**2005**	**Change**
	(in millions of R$)		
Banking tariffs and other fees and commissions	R$ 406	R$ 436	7.4%
Credit card fees...	244	230	(5.7)
Assets under management fees.......................................	91	100	9.9%
Services rendered..	R$ 741	R$ 766	3.4%

Changes to our income for services rendered between the three-month period ended March 31, 2005 and the same period of 2004 can be explained as follows:

- a 7.4% increase in banking tariffs and other fees and commissions, from R$406 million in the three-month period ended March 31, 2004 to R$436 million in the same period of 2005, as a result of the organic growth of our Retail segment client base, partially offset by lower fees resulting from our *Tarifa Zero* product;
- a 5.7% decrease in credit card fees, which can be broken down as follows:
    - an increase of R$43 million due to organic growth of our credit card portfolio, excluding the transactions involving Credicard, Orbitall and Hipercard;
    - a decrease of R$85 million related to the sale of our interests in Credicard and Orbitall; and
    - an increase of R$28 million related to the acquisition of Hipercard; and
- a 9.9% increase in fees for assets under management, from R$91 million in the three-month period ended March 31, 2004 to R$100 million in the same period of 2005, mainly as a result of growth of total assets under management, which increased 16.7% in the same period.

Insurance, annuity products and retirement plans premiums. Revenues from insurance, annuity products and retirement plan premiums increased by 19.3% in the three-month period ended March 31, 2005 compared to the same period of 2004. This increase was due to the addition of important clients in retirement plans and to holding a leading market position in property, energy, D&O and aviation insurance, in addition to strong marketing campaigns and the renewal of important products, such as insurance targeted at women.

Changes in technical provision for insurance, annuity products and retirement plans. Expenses from insurance, annuity products and retirement plans increased by 31.0% in the three-month period ended March 31, 2005, compared to the same period in 2004, mainly due to an increase of reserves as a result of retirement plans contributions and increase of insurance sales.

Insurance claims. Expenses from insurance claims increased 1.8% in the three-month period ended March 31, 2005 compared to the same period of 2004. Comparing this performance to the growth of premiums of 19.3%, we experienced a relative reduction of claims, demonstrating an improvement of operational efficiency.

Private retirement plans benefits expenses. Expenses from private retirement plans benefits increased 23.3% in the three-month period ended March 31, 2005 compared to the same period of 2004, as a result of growth on sales.

Selling, other insurance and private retirement plans expenses. Expenses from selling, other insurance and private retirement plans declined by 4.9% in the three-month period ended March 31, 2005 compared to the same period of 2004.

Credit card selling expenses. Expenses from credit card selling decreased 5.7% in the three-month period ended March 31, 2005 compared to the same period of 2004. Lower credit card selling expenses associated with the sale of Credicard and Orbital offset the effect of the consolidation of Hipercard.

Salaries, benefits, training and social security. Expenses from salaries, benefits, training and social security decreased by 2.8% in the three-month period ended March 31, 2005 compared to the same period of 2004. However, if the figures are adjusted to reflect the sale of our interests in Credicard and Orbitall, expenses with salaries, benefits, training and social security actually posted a growth of 3.2% in the three-month period ended March 31, 2005 when compared to the same period in 2004. The changes can be largely explained by:

- increases in salaries pursuant to collective bargaining agreements with unions of 8.5% in September 2004;

- savings associated with the operational restructuring process; and

- increases from recent acquisitions (mainly Hipercard, Creditec and BNL).

Other Administrative Expenses. Other administrative expenses increased by 8.2% in the three-month period ended March 31, 2005 compared to the same period of 2004. However, if the figures are adjusted to reflect the sale of our interests in Credicard and Orbitall, the growth in other administrative expenses increased to 15.0%. This increase is the product of:

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

- higher third-party service, data processing, and marketing campaign expenses due to organic growth;

- organic growth driving additional expenses in Fininvest;

- higher expenses with legal counsel involved in loan collection; and

- recent acquisitions (mainly Hipercard, Creditec and BNL).

Other Operating Income. Other operating income increased 91.8%, from R$61 million in the three-month period ended March 31, 2004 to R$117 million in same period of 2005.

Other Operating Expenses. Other operating expenses increased by 7.4% in the three-month period ended March 31, 2005 compared to the same period in 2004, from R$244 million to R$262 million.

Income Tax

Our income taxes and social contributions increased by R$87 million, or 110.1%, in the three-month period ended March 31, 2005 compared to same period of 2004, primarily due to a 53.4% increase in our taxable income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002 (U.S. GAAP)

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2002, 2003, and 2004 and the related notes thereto included in this Offering Memorandum, on which we have based this discussion and analysis. Our U.S. GAAP consolidated financial statements for the year ended December 31, 2004 have been audited by PricewaterhouseCoopers Auditores Independentes and for the years ended December 31, 2003 and 2002 have been audited by Deloitte Touche Tohmatsu, as described in their reports included herein. All information contained in this analysis, unless otherwise expressly stated, was prepared in accordance with U.S. GAAP.

Overview

We are a full service financial institution with assets of R$77,858 million as of December 31, 2004, providing a wide range of financial products and services to more than 18 million individual and corporate clients primarily throughout Brazil and also in foreign countries. Our mission is to actively contribute to Brazil's economic development, fulfilling in a balanced manner the expectations, needs and interests of our clients, employees and shareholders. Our objective is to be a leading provider of services in each segment in which we operate, focusing on continuous pursuit of scale, profitability, efficiency maximization and excellence in human resources.

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

Our primary sources of revenues and expenses are:

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

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

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

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

- *Non-interest expense* from personnel and administrative expenses, insurance premiums, private retirement plan and pension investment contracts, contingent provisions and other taxes.

In 2004, we continued to grow organically and also engaged in new strategic transactions to expand our businesses.

In our Retail business segment, in May 2004, we acquired Crédito Financiamento e Investimento S.A., or Creditec, a consumer finance company with a significant presence in the Brazilian personal loans and consumer finance sector among middle and lower income customers, and with approximately 600,000 active clients at the time of the acquisition. By the end of 2004, we had converted all of the former 64 Creditec points of sale into Fininvest stores, increasing Fininvest's distribution network. In March 2004, we acquired HiperCard Administradora de Cartão de Crédito Ltda, or Hipercard, a credit card company created in 1982 to extend private label credit services to Supermercados Bompreço. In August 2004, we established a partnership agreement with Sonae Distribuição Brasil

S.A., or Sonae, a supermarket chain, for the creation of a financing company that will offer financial services to Sonae customers. In the same month, we acquired Lev Cred Serviços de Crédito e Cobrança S.A. and two months later, in October 2004, we acquired a customer database from Credicerto, both related to the consumer finance business. In November 2004, we increased our ownership of Banco1.net to 99.999% of the total equity and a month later we decided to merge the business, bringing approximately 72,000 clients of former Banco1.net to Unibanco.

In December 2004, we sold our equity interests in Credicard, a credit card issuer, as well as in Orbitall, a credit card processor. We sold our 33.3% interest in Credicard to Itaú and Citigroup, which each currently own 50% of Credicard's capital stock. Citigroup and us also sold our respective 33.3% interests in Orbitall to Itaú. In connection with the sale of both equity interests, we received R$1,727 million in cash at the end of December 2004, generating earnings before taxes of R$1,574 million. After the transaction, we maintained our strong position in the credit card market with 17.5 million cards issued, including 8 million issued by our wholly-owned subsidiaries and 9.5 million private label cards. We also maintained our 31.9% equity interest in Redecard, a credit and processing company which contributed R$48 million to our net income in 2004.

In February 2005, we entered into an agreement with Wal-Mart to make Hipercard credit cards available for use in all Wal-Mart stores in Brazil.

In our Wholesale business segment, we announced, in June 2004, the acquisition of 99.98% of Banco BNL do Brasil, or BNL Brasil, from Banca Nazionale del Lavoro S.p.A., or BNL. At that time, BNL held a R$715.9 million credit portfolio and had 107,000 individual clients, 96,000 credit cards and 400 corporate clients. This transaction improved our ability to offer business opportunities and services to Italian companies in Brazil.

In our Insurance and Pension Plans business segment, in January 2004, we concluded the acquisition of Phenix Seguradora S.A., or Phenix, the insurance business of Fiat do Brasil S.A. In addition, in November 2004, we increased our indirect interest in Unibanco AIG Warranty S.A., or Unibanco AIG Warranty, to 70% by acquiring the 20% interest held by Multibrás S.A. Eletrodomésticos. Unibanco AIG Warranty offers extended warranty contracts for household appliances, among other things.

In addition to the acquisitions and partnerships mentioned above, since the second quarter of 2004 we have implemented important changes to our internal structure in order to enhance our business model. These changes include the election of a single CEO, the establishment of an Audit Committee, the creation of a Corporate Communications area, the installation of an independent Risk Management and Treasury department, the addition of new members to the Board of Directors, the restructuring of our Retail business (which now includes the middle market and cash management areas), and the assignment of new responsibilities to the CFO, such as operational back office and information technology.

On August 30, 2004, we effected a 100-to-1 reverse stock split of our common and preferred shares, including the preferred shares that comprise the Units. We believe that the reverse stock split will reduce operational costs and increase stock liquidity.

On March 21, 2005, we revitalized our brand with new colors and a new logo. Our logo, created in the 1960s, was redesigned to provide more movement and lightness to the brand. The new logo is primarily blue with some green, replacing our former official colors, black and white.

The following table shows our financial performance highlights for the years ended 2002, 2003 and 2004:

	Year ended December 31,		
	2002	**2003**	**2004**
	(in millions of R$, except percentages)		
Income before income taxes and minority interest	642	1,381	2,514
Net Income	803	873	2,063
Return on average equity	13.2%	13.4%	26.9%
Return on average assets	1.3%	1.4%	2.8%
Basel Capital Ratio	15.7%	18.6%	16.3%
Total Assets	71,988	66,047	77,858
Total Loans	25,254	26,039	31,377
Total Deposits	26,055	25,700	33,775
Shareholders' equity	6,245	6,754	8,572

The year of 2004 had two distinct phases. During the first half of the year, the Brazilian economy demonstrated signs of recovery and the downward spiral in interest rates was interrupted. The base interest rate for the Brazilian banking system established by the Central Bank, or SELIC base interest rate, was stabilized at 16.00%. The base interest rate is the benchmark interest rate payable to holders of certain securities issued by the federal government and traded at the SELIC. However, during the second half of the year, despite the consolidation of the economic recovery, particularly in industrial activity, concerns with increasing inflation initiated a new cycle of increases in the SELIC base interest rate, which reached 17.75% in December 2004. Over the year, the *real* appreciated by 8.1% against the U.S. dollar, closing at R$ 2.6544 per U.S. dollar on December 31, 2004. Inflation measured by the Consumer Price Index, or IPCA, and published by the Brazilian Institute of Geography and Statistics, or IBGE, in the twelve-month period ended December 31, 2004 was 7.6%, lower than the 9.3% posted in the previous year. Industrial production, as measured by the IBGE, was 8.3% higher in the twelve months of 2004 compared to the same period of 2003. Brazil's indicative cost of sovereign borrowing, as measured by JP Morgan's Emerging Market Bond Index, or EMBI Brazil index, closed December 2004 at 383 basis points, 80 basis points down from the end of December 2003, reflecting an improvement of the Brazil sovereign risk.

Our income before taxes and minority interest increased 82% in 2004 compared to 2003, mainly due to the sale of our equity interests in Credicard and Orbitall, which generated earnings of R$1,574 million before taxes, partially offset by higher level of non-interest expenses. Consequently, our net income grew by 136% in 2004 compared to 2003, also as a result of tax benefits and a lower tax impact, primarily attributable to different tax treatment of our gains (losses) from exchange variations on our investments in branches and subsidiaries offshore denominated in foreign currencies, or investments abroad, in which gains are not taxable and losses are non tax-deductible.

In 2004, each of our business segments contributed to our net income as follows: 80% from Retail, 8% from Wholesale, 7% from Insurance and Pension Plans and 5% from Wealth Management.

In July 2004, the Retail business segment joined the corporate restructuring, and began to implement a new business model intended to create greater synergy amongst different activities and businesses, covering products, distribution network, and consumers in the segment's many sub-segments. Middle-market companies with sales of between R$40 million and R$150 million, which previously had been assigned to the Wholesale business segment, were added to the Retail's portfolio of clients. In addition to synergy objectives, focusing on higher profitability and efficiency, the new business model aims to maintain the growth of various business lines including:

- commercial bank transactions made by individuals;
- commercial bank transactions made by companies with annual sales of up to R$150 million;
- credit card businesses; and
- consumer and auto finance transactions.

As part of the new business model, we introduced four significant Retail products in 2004: Tarifa Zero, in which service fee discounts are given depending on clients' historical affiliation; Plano Único, a product combining the advantages of a traditional mortgage and the flexibility of a purchasing pool; consignment credit offerings to private or government employees with credit card usage and personal credit lines; and Superpoupe, a certificate of deposit first offered in May 2004 with a cost of funding that is lower than the cost of a traditional time deposit certificate. Our Superpoupe portfolio amounted to R$1,625 million as of December 31, 2004.

In our consumer and credit card business lines, our credit card company Unicard achieved a loan portfolio of R$1,708 million as of December 31, 2004, an increase of 60.4% compared to December 31, 2003, and 4.8 million cards issued, an increase of 9.1% compared to 2003. Hipercard posted a loan portfolio of R$1,100 million as of December 31, 2004 and had 2.7 million cards issued. Fininvest posted a loan portfolio of R$1,565 million as of December 31, 2004. During 2004, 142 new stores were opened, increasing the Fininvest distribution network to 253 stores and reaching over 11,000 points of sale.

Our auto financing business had R$3,682 million in its loan portfolio as of December 31, 2004. In addition to auto financing, we offer, in our branch network, vehicle purchasing pools managed by Unibanco-Rodobens and Consórcio Nacional Ford. In 2004, we sold over R$700 million of these purchasing pools.

Our Wholesale business segment continued to handle the business of large corporate clients with annual sales greater than R$150 million. In 2004, we integrated some branches of our domestic Wholesale network in order to optimize our distribution and better serve our clients, offering a higher level of customization and regionalization without interrupting the integration of our new products offerings, such as derivative products.

On December 31, 2004 we had a balance of US$1.6 billion in foreign trade finance transactions, resulting from import, export and international financing warranties. R$857 million was disbursed for BNDES export and/or import transactions, giving us the leading position in BNDES-exim ranking.

Our Wholesale capital markets, project finance, and financial advisory businesses were very active in 2004 and participated in the following major transactions as:

- lead coordinator of a R$878 million global offering of preferred stock of Gol Linhas Aéreas Inteligentes S.A., or Gol;

- coordinator of a R$1.2 billion issuance of Braskem S.A. debentures, one of the Brazilian market's main debt capital market transactions in 2004 and a US$150 million debt issuance maturing in 2009 for Odebrecht Overseas Ltd., guaranteed by its controlling company Construtora Norberto Odebrecht S.A., or CNO;

- advisor to Companhia de Concessões Rodoviárias, or CCR, in connection with the acquisition of Viaoeste S.A., a road concession, for R$726 million. In another transaction, we advised Companhia Energética de Minas Gerais, or Cemig, in the capital increase of US$144 million of Gasmig S.A., originally controlled by Cemig;

- lead coordinator of a R$437 million public offering to Diagnosticos da America S/A, or DASA, the largest private diagnostic medicine company and the first healthcare company to be traded in Latin America;

- lead coordinator of the first shelf registered securities program in the Brazilian market, totaling R$1.5 billion; and

- lead coordinator of the second issue of promissory notes for the State of São Paulo Sanitation Company, or SABESP, totaling R$200 million, as well as of the securities program structured for SABESP and of the first tranche of this program, totaling R$600 million.

In our Insurance and Pension Plans business segment, UASEG and Unibanco AIG Previdência ranked fourth in consolidated terms, according to SUSEP, ANAPP and ANS, with a 7.8% market share, including extended warranty, according to ANS data as of December 2004. We also maintained our leadership in the property risks, D&O (Directors & Officers), aviation, petrochemical risks and extended warranty products.

Unibanco AIG Previdência ranked fourth in pension plan revenues, with a 8.1% market share, according to ANAPP, and reached the second highest position in accumulated sales on corporate pension plans, with total premiums of R$1,262 million in 2004.

In our Wealth Management business segment, our subsidiary UAM ended December 2004 with R$27,765 million in assets under management and custody, 19.8% higher than in 2003. The year accounted for positive flow mainly from corporate, institutional and private clients. As of December 31, 2004, UAM held the sixth position in ANBID's ranking of assets under management for third parties with a market share of 4.0%.

In December 2004, our Private Banking segment posted a 9.9% increase in its assets under management compared to December 2003, leading it to the second highest position in the ANBID's ranking and reaching a market share of 9.3%.

In 2005, we expect a positive outlook for Brazil with economic growth which could generate larger credit operations. Net interest spreads in banking operations tend to fall in this type of environment, since sustained economic growth leads to higher payment capacity of borrowers and lower credit risk for creditors. However, we believe the diversification of our products and services, as well as the growth of our individual and corporate client base, particularly in the consumer finance and middle market segments, should enable us to increase economies of scale and cross-selling opportunities among our different business segments, and thus enhance our profitability in the future.

Macroeconomic Factors Affecting Our Financial Condition and Results of Operations

Our earnings and businesses are affected by general economic conditions, performance of financial markets, interest rates, currency exchange rates, changes in laws, regulations and policies of the Central Bank, and competitive factors on a global, national and regional basis. Since the majority of our customers are Brazilian, our financial condition and results of operations are mainly dependent on Brazilian economic conditions. For example, changes in the Brazilian economy, which adversely affect the ability of customers to repay their credits, such as high levels of inflation and consequently interest rates, may affect our financial condition and results of operations. Moreover, we are also affected by changes in the value of the *real* relative to the U.S. dollar and other foreign currencies, since we have assets and liabilities denominated in or indexed to foreign currencies, primarily the U.S. dollar. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Depreciation or Appreciation of the *real* on Our Financial Condition and Results of Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Effects of Interest Rates on Our Financial Condition and Results of Operations".

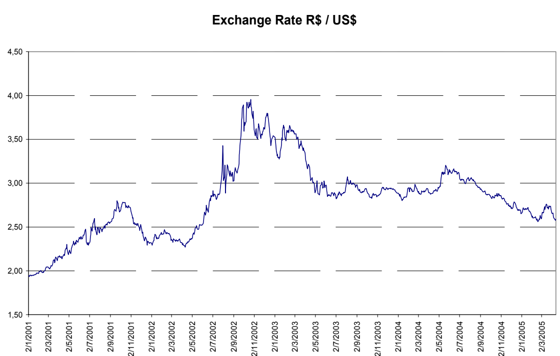
Brazilian Economic Environment

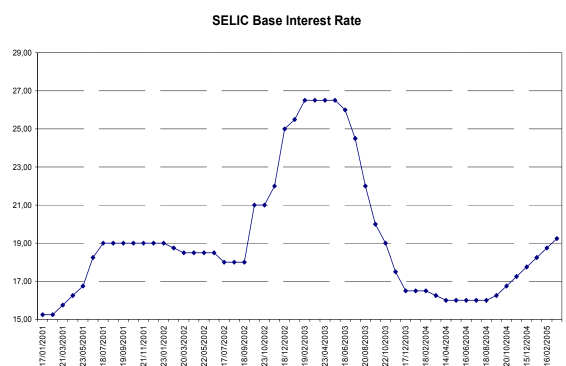
The following table shows, for the periods indicated, the main Brazilian macroeconomic indicators:

	For the Year Ended December 31,		
	2002	**2003**	**2004**
Real GDP growth (1)	1.5%	0.5%	5.2%
Inflation rate (2)	26.4%	7.7%	12.1%
Inflation rate (3)	12.5%	9.3%	7.6%
Currency exchange rate (R$/US$) (4)	3.5333	2.8892	2.6544
SELIC interest rate (4)	25.0%	16.5%	17.8%
Average interbank deposit interest rate (5)	19.1%	23.3%	16.2%

(1) *Source*: Brazilian Institute of Geography and Statistics (IBGE)
(2) *Source*: IGP-DI, as published by the Fundação Getúlio Vargas (FGV)
(3) *Source*: IPCA, the Consumer Price Index published by IBGE
(4) *Source*: Central Bank of Brazil
(5) *Source*: Central de Liquidação e Custódia de Títulos Privados (CETIP)

The following charts show, for the periods indicated, the real/U.S. dollar currency rate and the SELIC base interest rate:





2002. The Brazilian economy deteriorated in 2002, primarily due to the political uncertainty relating to the Brazilian presidential election. During 2002, the real/U.S. dollar exchange rate fluctuated between a high of R$3.8949 per U.S. dollar and a low of R$2.2709 per U.S. dollar. In October 2002, the Central Bank began to increase the SELIC base interest rate from 18% in September 2002 to a high of 25% in December 2002. After the new government elections in November 2002, signs that the economic policy guidelines of the previous government would be maintained led to a decrease in the perception of Brazilian country risk as indicated by the drop in Brazil's indicative cost of sovereign borrowing, according to JP Morgan's Emerging Market Bond Index, or EMBI, from a high of approximately 2,400 basis points in October 2002 to approximately 1,500 basis points in December 2002. Inflation for 2002 was 26.4% and 12.5%, as measured by the IGP-DI and IPCA, respectively. GDP growth for 2002 was 1.5%. At December 31, 2002, the exchange rate was R$3.533 per U.S. dollar.

2003. Following the new government's taking office in January 2003, the Brazilian economy stabilized as it became more certain that the new government would maintain the primary economic policy guidelines of the previous government.

The stabilization of the economy was partly due to the government's decision to shift the primary surplus from 3.75% of GDP in 2002 to 4.25% in 2003, alleviating concerns about fiscal irresponsibility, as well as the Central Bank's decision to temporarily increase interest rates. The Central Bank increased the SELIC base interest rate to a high of 26.5% in February 2003 and subsequently reduced the SELIC base interest rate eight times to 16.5% in December 2003.

During 2003, the government advanced proposals to reform the tax and social security systems, contributing to a decrease in the perception of Brazilian country risk. The Brazilian EMBI decreased from 1,500 basis points in December 2002 to 463 basis points at December 31, 2003. The Brazilian inflation rate, as measured by the IPCA, dropped from 12.5% in 2002 to 9.3% in 2003. Also measured by the IGP-DI, the Brazilian inflation rate declined from 26.4% in 2002 to 7.7% in 2003. The *real* appreciated against the U.S. dollar by 18.2% for the year ended December 31, 2003, compared to a depreciation of the *real* by 52.3% in 2002. At December 31, 2003, the exchange rate was R$2.8892 per U.S. dollar.

2004. The year of 2004 had two distinct phases. During the first half of the year, the downward cycle in interest rates ceased and the SELIC base interest rate stabilized at 16.00%. During the second half of the year, there was a new cycle of increases in the SELIC base interest rate.

The risk of increasing inflation again became a concern in the first half of the year, due to the supply shock generated by the upward trend in international commodity prices. There was also the impact of foreign exchange pressure on expectations of inflation. The foreign accounts of the Brazilian economy, boosted by the very strong trade balance, helped maintain strong liquidity in the foreign exchange market.

The trend in the second half of 2004 was the consolidation of the economic recovery, especially in industrial activity. At the same time, inflation concerns continued to grow, leading the Central Bank to increase the SELIC base interest rate gradually, from 16.00% in September 2004 to 17.75% in the December 2004 meeting of the Monetary Policy Committee, or COPOM.

In September 2004 the government announced an increase in the consolidated primary surplus target, from 4.25% to 4.5% of GDP, and the Central Bank adjusted the 2005 IPCA inflation target from 4.5% to 5.1%. The primary surplus is the difference between government revenue and government spending excluding the payment of interest on public debt.

The internal situation created by the ongoing external adjustment was intensified by the powerful fiscal result for the first ten months of the year, with a primary surplus of 5.59% of GDP, strengthening the credibility of Brazil's fiscal policy. These results in the public accounts were sufficient to keep the debt/GDP ratio declining over the course of the year, reaching 51.8% on December 31, 2004, compared with 57.2% on December 31, 2003.

Exports produced growing monthly trade surpluses. In the twelve-month period ending in December 2004, Brazil posted a trade surplus of US$33.7 billion.

The combination of vigorous exports, the continuously increasing credibility of fiscal policy and improvements in external and domestic solvency indicators helped reduce the perception of Brazilian sovereign risk: the EMBI Brazil index closed December 2004 at 383 basis points, a decrease of 80 basis points from the end of December 2003.

In spite of this, rollovers of private sector external debt remained at modest levels as companies voluntarily reduced their external liabilities. The accompanying outflow of foreign currency did not adversely affect the liquidity of the foreign exchange market, with foreign exchange trade flows keeping their strength over the whole year. During 2004, the *real* appreciated by 8.1% against the U.S. dollar, closing at R$2.6544 per U.S. dollar on December 31, 2004.

IPCA inflation in the twelve-month period ended December 31, 2004 was 7.6%, lower than the 9.3% posted in 2003.

Industrial production, as measured by the IBGE, was 8.3% higher in the twelve-month period ended December 31, 2004 compared to 2003.

2005 through the end of May. The Central Bank continued to increase the SELIC base interest rate from 17.75% at the end of 2004 to 19.75% in May 2005. The IPCA index posted inflation of 2.7% through May of 2005, compared with 2.2% in the same period of 2004. Industrial production in the first quarter of 2005 was 6.26% lower than in the first quarter of 2004. The public accounts continued to post a primary surplus, totaling 7.26% of GDP from January to May of 2005. At the end of May 2005, the *real* had depreciated by 9.44% from the end of 2004. The trade balance continued to be strong, with a surplus of US$8.3 billion over the first quarter of 2005 compared to a surplus of US$6.2 billion during the same period of 2004. In addition, perception of Brazil's sovereign risk deteriorated slightly: the EMBI Brazil index at the end of June of 2005 was 411 basis points, or 28 basis points higher than at the end of 2004.

In spite of the increase of the SELIC base interest rate by 325 basis points from September 2004 through March 2005, we believe the outlook for the Brazilian economy is positive, with continuing economic growth, which will generate an attractive environment for new investments and improvements in the payment capacity of economic agents, consequently reducing risk for creditors, which we expect will provide a favorable environment to expand credit volume, albeit with lower spreads. In recent years, we have made several acquisitions and investments to expand our client base and develop a strong distribution network throughout the country, which has helped us consolidate our competitive position in the Brazilian market and prepare to face future challenges.

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

The depreciation or appreciation of the *real* affects our net income, since substantial portions of our assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar.

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

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

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

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

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

Effects of Inflation on Our Financial Condition and Results of Operations

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

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

Compulsory Deposit Requirements

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

Percentages of compulsory requirements are applied over the amount of our deposits and the funds resulted are deposited in the Central Bank. As of December 31, 2002, 2003 and 2004, respectively, the compulsory deposit requirements were as follows:

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

The Central Bank applied the following changes on the compulsory deposit requirements over the last three years:

- In June 2002, compulsory deposit requirements relating to savings deposits increased from 15% to 20% and time deposits increased from 10% to 15%;
- In August 2002, additional requirements of 3% on time and demand deposits and 5% on savings deposits were imposed;
- In October 2002, additional requirements on time, demand and savings deposits increased by 5%;
- In February 2003, compulsory deposit requirements relating to demand deposits increased from 45% to 60%; and
- In August 2003, compulsory deposit requirements relating to demand deposits decreased from 60% to 45%.

The compulsory deposits earn interest, except for the one required on demand deposits. On December 31, 2004, our reserve requirement on time deposits in the form of Brazilian government securities deposited with the Central Bank totaled R$108 million, our reserve requirement on demand deposits totaled R$955 million, our reserve requirement on savings deposits totaled R$1,258 million and our additional reserve requirements on demand, savings and time deposits totaled R$2,487 million.

Capital Adequacy

The Central Bank requires banks to comply with its regulations, which currently are similar to the Basel Accord with respect to capital adequacy, with a requirement of a minimum capital adequacy ratio of 11% of total capital to total risk-adjusted assets. The Central Bank also applies capital requirements on foreign currency exposure, on interest rate market risk and on credit swap risk, which are part of the determination of our capital adequacy ratio, or Basel ratio.

In October 2002, the Central Bank imposed higher capital requirements for banks' foreign currency exposure, which is the net position of assets, liabilities and derivatives denominated in or indexed to foreign currency as a percentage of the bank's adjusted capital. This regulation required us to allocate 100% of our capital for foreign currency exposure exceeding 5% of adjusted capital. Furthermore, the Central Bank reduced the maximum allowed foreign currency exposure from 60% to 30% of adjusted capital. In July 2003, the allocation of capital for foreign currency exposure was reduced from 100% to 50%. In summary, there is no requirement to allocate capital for exposure from 0% to 5% of adjusted capital; 50% of capital must be allocated for exposure between 5% and 30% of adjusted capital; and an exposure above 30% is not permitted and is subject to penalties imposed by the Central Bank.

In June 2004, the Bank for International Settlements Committee on Banking Supervision, or BIS, endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework, commonly known as Basel II. On December 9, 2004, the Central Bank, in Communication No. 12,746, expressed its intention on how to adopt Basel II in Brazil. The Communication indicates that the Central Bank intends to adopt Basel II gradually, with caution and appropriate adaptation to Brazilian needs in the coming years.

Loan Charge-offs

Our practice has been to charge off loans 360 days after the due date. As a result, our allowance for loan losses related to any loan remains on our books for that period until the loan is charged off.

Income Taxes

Our income taxes expenses consist of two components: the federal income tax and the social contribution. For the years of 2002, 2003 and 2004, the federal income tax was assessed at a rate of 25% and the social contribution at a rate of 9%.

Other Taxes

Since February 1999, the rate of contribution to the *Programa de Integração Social*, or PIS, relating to the promotion of the integration of employees in companies' life and development, has been 0.65% of gross revenues. From February 1999 to September 2003, the rate of the *Contribuição para Financiamento de Seguridade Social*, or COFINS, relating to tax for social security financing, was 3% of gross revenues. In September 2003, the COFINS rate was increased to 4% of gross revenues for the financial services sector.

For non-financial companies and pursuant to Law No. 10,637, of December 30, 2002, the PIS rate increased from 0.65% to 1.65%. In addition, pursuant to Law No. 10,833 of December 29, 2003, in February 2004, the COFINS rate for non-financial companies increased from 3.0% to 7.6% and became non-cumulative. These increases affected a few of our consumer finance subsidiaries that are considered non-financial companies.

The *Contribuição Provisória sobre Movimentações Financeiras*, or CPMF, has been charged at the rate of 0.38% on certain financial transactions since June 1999.

Critical Accounting Estimates

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

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

Allowance for Loan Losses

We establish allowances for expected credit losses on a monthly basis by determining reserves through estimates and judgments. For each client rating, we determine a minimum allowance for corresponding expected losses using forecast models that consider, among other things, recent loss experience, current economic conditions, the risk characteristics of the various classifications of loans, the fair value of the underlying collateral, the probability of default and the loss given default rates in making this evaluation, as well as the size and diversity of individual credits.

Our Wholesale loans have distinctive characteristics and therefore are not evaluated as a homogeneous portfolio. Instead, the allowances are currently calculated based on the risk profile of each individual borrower, including, among other factors, financial history, cash flows, quality of management, relationship history, market conditions and other factors relating to credit risk.

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

The volatility of the Brazilian economy may lead to greater uncertainty in our models than would be expected in more stable macroeconomic environments. Consequently, the actual loan losses could differ from our forecast models results or the allowance for loan losses may not be indicative of future charge-offs. The methodology for calculating the allowances for expected credit losses based on forecast models involves significant judgment and is dependent on the quality of the information available.

Our forecast models results are influenced by the risk profile of each credit operation that is classified within nine different levels of risk. For hypothetical sensitivity purposes, if our performing loans would be classified one level below in our forecast models, our allowance for loan losses would be increased by, approximately, R$76 million as of December 31, 2004. The analysis should not be considered as a reflection of our expectations for future determinations of risk classification or for future changes in the severity of losses.

Fair Value of Financial Instruments

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

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

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

Insurance Reserves

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

Income Taxes

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

Our carrying value of net deferred tax assets assumes that we will be able to generate sufficient future taxable income based on an internal forecast model that uses estimates and assumptions. We evaluate the reliability of the deferred tax assets frequently. If these estimates and assumptions change in the future, we may be required to record valuation allowances against our deferred tax assets resulting in additional income tax expense in the consolidated statements. During the year ended December 31, 2002, 2003 and 2004, we recorded no valuation allowances related to our net deferred tax assets. For additional information concerning income taxes, see Notes 2(q) and 18 to our U.S. GAAP consolidated financial statements.

Impairment of Long-lived Assets, Goodwill and Intangible Assets

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

Statement of Financial Accounting Standards 142 "Goodwill and Other Intangible Assets", or SFAS 142, provides that goodwill and identified intangible assets with indefinite useful lives shall not be amortized but shall be tested for impairment at least on an annual basis. In assessing the recoverability of goodwill and other intangible assets we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets not previously recorded based on the difference between the fair value and the book value. Goodwill was tested for impairment at December 31, 2002, 2003 and 2004, and no impairment charges were recorded in 2002 and 2003 under U.S. GAAP. In 2004, however, we recorded an impairment of R$35 million, mainly as a consequence of our decision to discontinue the reporting business unit of Banco1.net. In addition, we evaluated the useful lives of intangible assets at December 31, 2002, 2003, and 2004, and no impairment was recognized under U.S. GAAP.

We assess impairment of our long-lived assets and intangible assets with finite useful lives in accordance with the requirements of SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" when events and circumstances indicate that such impairment may exist. No impairment was recognized in 2002, 2003 or 2004 under U.S. GAAP.

Provisions for Litigation

We are subject to proceedings, lawsuits and other claims related to tax, labor and civil matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual matter (in the case of tax and civil matters) or is based on average amounts paid during the immediately preceding 36 months (in the case of labor matters), in accordance with advice of counsel. We record provisions for contingencies only when we believe that it is likely that we will incur a loss in connection with the matter in dispute. Our policy is not to record a provision for litigation for administrative proceedings other than lawsuits in which our evaluation of loss is considered remote or possible. For administrative proceedings in which a loss is considered probable, our policy is to pay or, where we have opted to defend the claim, record a provision. The required reserves for these contingencies may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. These changes could result in a negative impact on future results and cash flows.

Accounting for Results of Unconsolidated Affiliates

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

Our most significant unconsolidated companies during 2004 were:

- a 31.9% equity interest in Redecard S.A., one of the largest processors of debit and credit card transactions in Brazil;

- a 50.0% equity interest in Banco Investcred Unibanco, a consumer finance company; and

- a 50.0% equity interest in Luizacred, a consumer finance company.

For additional information concerning the contributions to our net income generated by unconsolidated companies, see "—Results of Operations for the Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003—Non-Interest Income" and "—Results of Operations for the Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002—Non-Interest Income" and Notes 2(j) and 11 to our U.S. GAAP consolidated financial statements.

Unibanco Holdings

Unibanco Holdings S.A., or Unibanco Holdings, a corporation organized under Brazilian laws, controls Unibanco through its ownership of Unibanco shares. As of December 31, 2004, Unibanco Holdings held 96.6% of Unibanco outstanding common shares and 15.6% of Unibanco outstanding preferred shares, owning 59.4% of Unibanco's total outstanding equity. Unibanco Holdings engages in no activities other than holding shares in Unibanco.

Depreciation or Appreciation of the *real*

In our discussion of our operating results for 2004 compared to 2003 and 2003 compared to 2002 below, when we refer to changes from year to year being due to the "appreciation of the real", we are referring primarily to the effects of the appreciation of the *real* described under "—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Depreciation or Appreciation of the *real* on Our Financial Condition and Results of Operations", as applicable. When we refer to changes from year to year being due to the "lower appreciation of the real", we are referring to the fact that although we experienced in 2004 effects of appreciation that were similar to those we experienced in 2003, such effects were less pronounced because the percentage appreciation was lower in 2004.

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

During the years ended December 31, 2002, 2003 and 2004, respectively, the *real* depreciated by approximately 52.3%, appreciated by approximately 18.2% and appreciated by approximately 8.1%, against the U.S. dollar. When we refer to a specific percentage depreciation or appreciation of the *real* against the U.S. dollar in any year, we have derived such percentage by comparing the number of *reais* exchangeable for one U.S. dollar at the end of the given year to the number of *reais* exchangeable for one U.S. dollar at the end of the previous year, as reported by the Central Bank.

Results of Operations for Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

The following table shows the principal components of our consolidated net income for 2003 and 2004:

	For the Year Ended December 31,		
	2003	2004	% Change
	(in millions of R$)		
Net interest income	R$ 5,024	R$ 5,774	14.9%
Provision for loan losses	(881)	(948)	7.6
Non-interest income	5,503	6,841	24.3
Non-interest expense	(8,265)	(9,153)	10.7
Income before taxes and minority interest	1,381	2,514	82.0
Income tax	(354)	(295)	(16.7)
Income before minority interest	1,027	2,219	116.1
Minority interest	(154)	(156)	1.3
Net income	R$ 873	R$ 2,063	136.3%

Our income before taxes and minority interest increased 82.0% in 2004 compared to 2003, mainly due to the sale of our equity interests in Credicard and Orbitall, which generated an income before taxes of R$1,574 million, partially offset by higher level of non-interest expenses.

Our net interest income increased 14.9% mainly due to a better credit portfolio mix, with growth in loans to individuals and SMEs, which generate higher interest income. We also reached a better funding mix with the growth of the volume of deposits through Superpoupe. Our fee and commission income also increased mainly from banking tariffs and credit card fees. In addition, we implemented efficiency improvement actions to better control costs.

Our net income increase of 136.3% was a result of the effect of growth in income before taxes and minority interest, as mentioned above, which did not generate an increase in income tax expenses in 2004 due to Brazilian tax laws. Our income tax expenses decreased R$59 million or 16.7% in 2004 compared to 2003, mainly due to non-deductible foreign exchange losses on our investments abroad in 2003 and tax benefits.

Our Retail business segment net income increased 250% in 2004 compared to 2003, mainly as a result of the sale of our equity interests in Credicard and Orbitall, which generated earnings of R$1,574 million before taxes, partially offset by higher level of non-interest expenses. Net interest income increased mainly due to the 57% growth in our loan portfolio, which was mostly driven by the acquisition of Hipercard and the growth of our loan portfolio to small companies, individuals and consumer finance. Fee and commission income increased, mainly as a result of the acquisition of Hipercard, which contributed to the total credit card fees increase of 29%. Our Retail provision for loan losses was lower than the increase of our loan portfolio, which indicates an improvement in the credit quality of our borrowers. Personnel and administrative expenses increased 13.9%, mainly due to acquisitions, provisions for labor claims, bargaining agreements, annual adjustments of utilities expenses, and the expansion of our branches and Fininvest stores.

Our Wholesale business segment net income amounted to R$162 million, posting a decrease of 5.8% in 2004 compared to 2003, mainly as a result of additional provision for loan losses due to the increased credit risk of certain communication and media sector clients.

Our Insurance and Pension Plans business segment net income increased 22% in 2004 compared to 2003, mainly as a result of changes in our portfolio mix due to the launching of and focusing on higher profitability products, and also as a result of increased tax benefits. The insurance, private retirement plans and pension investment contracts income amounted to R$1,775 million in 2004 compared to R$1,468 million in 2003, representing a 21% growth. Insurance and Pension Plans business segment expenses grew by 15.5% as a result of higher business activity. Insurance claims grew by 6% in 2004 compared to 2003, however the claims ratio (insurance claims over insurance, private retirement plan and pension investment contract income) decreased from 56% in 2003 to 49% in 2004, due to better underwriting practices and a more rigorous expense control.

Our Wealth Management business segment net income amounted to R$104 million in 2004, maintaining the same level as 2003. The 19.8% increase of assets under management, from R$23,168 million in 2003 to R$27,765 million in 2004, compensated the reduction of fee income average rate from 1.3% in 2003 to 1.1% in 2004.

Net Interest Income

The following table shows the principal components of our net interest income for 2003 and 2004:

	For the Year Ended December 31,		
	2003	2004	% Change
	(in millions of R$)		
Interest income (1)	R$ 9,355	R$ 11,114	18.8%
Interest expense (2)	(4,331)	(5,340)	23.3
Net interest income	R$ 5,024	R$ 5,774	14.9%

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

Interest Income

The following table shows the principal components of our average interest-earning assets and the average interest rate earned in 2003 and 2004:

	For the Year Ended December 31,		
	2003	2004	% Change
	(in millions of R$)		
Average interest-earning assets			
Interest-bearing deposits in other banks	R$ 2,678	R$ 3,780	41.2%
Federal funds sold and securities purchased under resale agreements	7,953	10,518	32.3
Central Bank compulsory deposits	3,063	3,378	10.3
Trading assets	5,690	7,643	34.3
Securities available for sale	4,900	3,121	(36.3)
Securities held to maturity	5,532	5,742	3.8
Loans	23,749	27,080	14.0
Other interest-earning assets	65	45	(30.8)
Total	R$ 53,630	R$ 61,307	14.3
Average interest rate earned:	17.4%	18.1%	0.7%

The following table shows how much of the increase in our interest income was attributable to changes in the average volume of interest-earning assets and how much was attributable to changes in the average interest earned, including the effects of the appreciation of the real*, for 2004 as compared to 2003:*

	2004/2003 Increase/(Decrease) (in millions of R$)
Due to changes in average volume of interest-earning assets	R$ 1,369
Due to changes in average interest earned	390
Net change	R$ 1,759

In summary, interest income for 2004 increased R$1,759 million, or 18.8%, compared to 2003, principally due to:

- an increase in total average interest earning assets of 14.3% which resulted in a R$1,369 million interest income increase; and

- an increase in average interest earned of 70 basis points that generated a R$390 million interest income increase.

The increase in interest income was composed of the following primary components:

- a R$1,447 million increase in interest on securities;

- a R$357 million increase in interest and fees on loans;

- a R$83 million increase in interest on deposits in other banks;

- a R$108 million decrease in interest on Central Bank compulsory deposits;

- a R$16 million decrease in interest income on federal funds sold and securities purchased under resale agreements; and

- a R$4 million decrease in interest on other assets.

Interest on Securities. Interest income on securities (including trading, available for sale and held to maturity securities) increased from R$975 million in 2003 to R$2,422 million in 2004. During 2004, our average volume of securities was R$16,506 million, or 22.2% of total average assets, maintaining approximately the same level of 2003. On December 31, 2004, 32.8% of our securities portfolio was denominated in or indexed to foreign currencies, primarily the U.S. dollar, compared to 43.7% on December 31, 2003. As a result of lower appreciation of the *real* in 2004 compared to 2003, average interest earned changed as follows:

- trading assets average interest earned increased from 15.6% in 2003 to 18.1% in 2004;

- securities available for sale average interest earned increased from 12.0% in 2003 to 18.8% in 2004; and

- securities held to maturity average interest earned increased from negative 9.0% in 2003 to a positive 7.8% in 2004.

Interest and Fees on Loans. Interest income and fees on loans increased 5.8%, from R$6,138 million in 2003 to R$6,495 million in 2004, primarily as a result of an increase in the volume of our credit portfolio of R$5,338 million, or 20.5%, mainly from increases in our Retail business as a result of organic growth and strategic acquisitions in the consumer finance segment. This increase, combined with a lower volume of loans denominated in or indexed to foreign currencies, offset the effect of the appreciation of the *real* on average interest earned. Average interest earned decreased from 25.8% in 2003 to 24% in 2004. On December 31, 2004, 19.3% of our loan portfolio was denominated in or indexed to foreign currencies, primarily the U.S. dollar, compared to 22.9% on December 31, 2003.

Interest on Deposits in Other Banks. Despite the slight growth of 40 basis points on the average interest rate earned, interest income on deposits in other banks increased 50% from R$166 million in 2003 to R$249 million in 2004, as a result of a growth of 41.2% in the average volume of deposits in 2004.

Interest on Central Bank Compulsory Deposits. Despite an increase of 10.3% in the average volume of compulsory deposits in 2004, interest income decreased from R$512 million in 2003 to R$404 million in 2004, or 21.1%, primarily as a result of the lower average interest rate earned in 2004 compared to 2003. The average interest rate earned declined from 16.7% in 2003 to 12.0% in 2004, mainly due to the correlation with the SELIC base interest rate, which on average also declined in 2004.

Interest on Federal Funds Sold and Securities Purchased under Resale Agreements. Although the average volume of federal funds sold and securities purchased under resale agreements increased by 32.3% in 2004, interest income decreased from R$1,554 million in 2003 to R$1,538 million in 2004. This was a result of a decrease in the average interest rate earned from 19.5% to 14.6% respectively, mainly due to the correlation with the SELIC base interest rate, which on average also declined in 2004.

Interest Expense

The following table shows the principal components of our average interest-bearing liabilities and the average interest rate paid on those liabilities in 2003 and 2004:

	For the Year Ended December 31,		
	2003	**2004**	**% Change**
	(in millions of R$)		
Average interest-bearing liabilities			
Time deposits	R$ 16,752	R$ 20,068	19.8%
Savings deposits	5,735	6,168	7.6
Deposits from banks	150	231	54.0
Federal funds purchased and securities sold under repurchase agreements	6,426	8,874	38.1
Short-term borrowings	4,553	3,419	(24.9)
Long-term debt	12,067	12,584	4.3
Total	R$ 45,683	R$ 51,344	12.4%
Average interest rate paid:	9.5%	10.4%	0.9%

The following table shows how much of the increase in our interest expense in 2004 was attributable to changes in the average volume of interest-bearing liabilities and how much was attributable to changes in average interest paid, including the appreciation of the real*, in each case for 2004 as compared to 2003:*

	2004/2003 Increase/(Decrease)
	(in millions of R$)
Due to changes in average volume of interest-bearing liabilities	R$ 858
Due to changes in average interest paid	151
Net change	R$ 1,009

In summary, interest expense for 2004 increased R$1,009 million, or 23.3%, compared to 2003, principally as a result of:

- an increase in total average interest-bearing liabilities of 12.4% which resulted in an increase of R$858 million in interest expense; and

- an increase in average interest rate paid of 90 basis points, generating an increase of R$151 million interest expense.

The increase in interest expense was composed of the following primary components:

- a R$1,251 million increase in interest on long-term debt;

- a R$408 million increase in interest on short-term borrowings;

- a R$25 million increase in interest on federal funds purchased and securities sold under repurchase agreement; and

- a R$675 million decrease in interest on time and savings deposits.

Interest on Long-term Debt. Interest expense on our long-term debt increased from R$(302) million in 2003 to R$949 million in 2004, mainly due to the lower appreciation of the *real* in 2004 compared to 2003. As a result of the lower appreciation of the real, the average interest rate paid in 2004 on our long-term debt was a positive 7.5%, compared to a negative 2.5% in 2003. Additionally, the average volume of our long-term debt increased by 4.3% in 2004, with approximately 50% denominated in or indexed to foreign currencies. Lower gains on a portion of our long-term debt denominated in or indexed to foreign currency that acted as a global hedge to our investments abroad also contributed to the increase in interest expense. On these hedges we realized gains of R$154 million in 2004 compared to R$397 million in 2003.

Interest on Short-term Borrowings. Interest expense on our short-term borrowings increased from R$(444) million in 2003 to R$(36) million in 2004, despite a decrease in the average volume of short-term borrowings of 24.9% in 2004. The decrease in short-term borrowings was mainly due to the lower appreciation of the *real* in 2004 compared to 2003, which increased average interest paid from negative 9.8% in 2003 to negative 1.1% in 2004. The absence of gains on short-term borrowings, which acted as a global hedge to our investments abroad, compared to gains of R$101 million in 2003, also contributed to the interest expense increase.

Interest on Federal Funds Purchased and Securities Sold under Repurchase Agreements. The average volume of these liabilities increased R$2,448 million and the interest expense increased R$25 million in 2004. The increase in interest expense, resulting from the increase in volume of liabilities, was partially offset by a decrease in average interest rates paid, from 17.8% in 2003 to 13.2% in 2004, mainly due to the correlation with the SELIC base interest rate, which on average also declined in 2004.

Interest on Time and Savings Deposits. Interest expense on time and savings deposits decreased as follows:

- Despite the R$3,316 million average volume increase on time deposits, interest expense decreased R$542 million due to the decrease of average interest rate paid from 20.2% in 2003 to 14.2% in 2004. The lower interest rates are primarily attributable to the introduction in May 2004 of Superpoupe, a one-time deposit with low funding costs, and to the lower market average interest rates in 2004; and

- While the average volume of savings deposits increased by R$433 million in 2004, the average interest rate paid on these deposits decreased from 9.0% in 2003 to 6.2% in 2004, resulting in a R$133 million decrease in interest expense on savings deposits.

Provision for Loan Losses

The following table shows the loan portfolio and provision for loan losses by segment for 2003 and 2004:

In millions of R$ For the Year Ended December 31,	**Retail**		**Wholesale**		**Wealth Management**		**Insurance**		**Unibanco**	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
Total Loans (A)....................	9,963	15,653	15,443	15,027	275	327	358	370	26,039	31,377
Average Total Loans (B)	9,739	12,884	14,503	14,628	281	298	358	392	24,881	28,202
Provision for Loan Losses (C).......................................	839	807	52	139	(8)	1	(2)	1	881	948
(C) / (B)................................	8.6%	6.3%	0.4%	1.0%	-2.8%	0.3%	-0.6%	0.3%	3.5%	3.4%
Loan Charge Offs (D)..........	(1,259)	(1,065)	(67)	(47)	(4)	(5)	0	0	(1,330)	(1,117)
(D) / (B)	12.9%	8.3%	0.5%	0.3%	1.4%	1.7%	0,0%	0.0%	5.3%	4.0%
Allowance at the end of the year (E)	734	783	551	745	31	30	1	2	1,317	1,560
(E) / (A)	7.4%	5.0%	3.6%	5.0%	11.3%	9.2%	0.3%	0.5%	5.1%	5.0%
Non-performing Loans (F)...	890	1,008	253	247	17	17	1	2	1,161	1,274
(F) / (A)................................	8.9%	6.4%	1.6%	1.6%	6.2%	5.2%	0.3%	0.5%	4.5%	4.1%
Loan Recoveries (G)............	334	307	43	102	0	3	0	0	377	412
Net Charge-Offs (D+G).......	(925)	(758)	(24)	55	(4)	(2)	0	0	(953)	(705)

Despite an increase in our provision for loan loss expenses in 2004, the credit quality of our portfolio improved in 2004, with a ratio non-performing loans/total loans of 4.1% compared to 4.5% in 2003. This decrease was primarily a result of the recovery of the Brazilian economy, and improvements in our policies and procedures of credit and collection.

The increase of R$67 million, or 7.6%, of our provision for loan loss expenses was primarily a result of the following:

- Wholesale provision for loan loss expenses increased R$87 million mainly due to the increased credit risk of certain communication and media sector clients; and

- Retail provision for loan loss expenses decreased R$32 million compared to 2003 as follows:

  - Unicard's provisions increased R$23 million with a R$643 million increase of its credit portfolio;

  - Fininvest's provisions decreased R$7 million with a R$366 million increase of its credit portfolio; and

  - Commercial bank and other retail provisions decreased R$48 million, although their credit portfolio posted an increase of R$4,681 million. This increase also resulted from the acquisition of Hipercard, which had a superior credit quality in its portfolio.

In 2004, loan charge-offs decreased R$213 million, or 16.0%, due primarily to the improvement in the Brazilian macroeconomic environment and to the administration of improved loan collection practices. Wholesale's loan charge-offs decreased R$20 million, or 29.9%. In Retail, Fininvest's loan charge-offs increased R$12 million, or 3.7%, and Unicard loan charge-offs increased R$26 million, or 13.6%. Commercial bank and other retail loan charge-offs were reduced by R$232 million, or 31.3%, compared to 2003.

Allowances increased R$243 million, or 18.5%, compared to 2003. Wholesale allowances increased R$194 million, or 35.2%, mainly due to provision for loan loss expenses of R$139 million in 2004, which was 167.3% higher than 2003. Unicard's allowance decreased R$9 million, or 7.4%, and Fininvest's allowance decreased R$8 million, or 7.1%. Commercial bank and other retail allowances posted an increase of R$66 million, or 13.3%.

Non-performing loans increased R$113 million, or 9.7%, compared to 2003. Wholesale non-performing loans decreased R$6 million, or 2.4%. Fininvest reduced its non-performing loans by R$27 million, or 13.8%. Unicard's non-performing loans increased R$13 million, or 9.8%. Commercial bank and other retail non-performing loans posted an increase of R$132 million, or 23.5%, also due to administration of collection practices.

Non-Interest Income

The following table shows the principal components of our non-interest income for 2003 and 2004:

	For the Year Ended December 31,		
	2003	2004	% Change
	(in millions of R$)		
Fee and commission income	R$ 2,152	R$ 2,382	10.7%
Trading income	691	221	(68.0)
Net gains (losses) on securities and non-trading derivatives	191	(150)	(178.5)
Net gains on foreign currency transactions	93	108	16.1
Equity in results of unconsolidated companies	199	220	10.6
Insurance, private retirement plan and pension investment contracts	1,468	1,775	20.9
Other non-interest income	709	2,285	222.3
Total	R$ 5,503	R$ 6,841	24.3%

Fee and Commission Income. Fee and commission income increased R$230 million, or 10.7%, in 2004 compared to 2003. In 2004, 60.5% of this source of income was originated from banking tariffs and other fees and commissions, 22.1% from credit card fees mainly attributable to the acquisition of Hipercard, 11.4% from asset management fees and 6% from collection fees, with income variations of 7%, 29.5%, 7.9% and (2.7%) respectively, compared to 2003.

Trading Income (Expenses). Trading income decreased from R$691 million in 2003 to R$221 million in 2004 as a result of lower appreciation of the *real* in 2004 compared to 2003. In 2004, we recognized net earnings of R$15 million from realized gains on securities, R$308 million from realized gains on derivatives, and R$102 million from unrealized losses on securities and derivatives. In 2003, we recognized net earnings of R$205 million from realized gains on securities, R$408 million from realized gains on derivatives, and R$78 million from unrealized gains on securities and derivatives. In general, we use derivatives to hedge our treasury and commercial client portfolios, as well as our investments abroad. In 2004, we recognized R$117 million in earnings from our global hedges of investments abroad, compared to R$138 million in 2003.

Net Gains (Losses) on Securities and Non-trading Derivatives. The net gain on securities decreased from an income of R$191 million in 2003 to an expense of R$150 million in 2004, mainly as a result of:

- a decrease in realized gains on securities available for sale from R$210 million in 2003 to R$25 million in 2004; and

- an increase in unrealized losses considered other than temporary on securities available for sale from R$17 million in 2003 to R$105 million in 2004.

Net Gains on Foreign Currency Transactions. The net gain on foreign currency transactions increased from R$93 million in 2003 to R$108 million in 2004, mainly as a result of our continued participation in foreign currency operations.

Equity in Results of Unconsolidated Companies. The equity in results of unconsolidated companies increased from R$199 million in 2003 to R$220 million in 2004, mainly due to:

- *Banco Investcred Unibanco* (consumer finance company): increased R$7 million, as a result of increases in points of sale, its client base and the size of its loan portfolio;

- *Luizacred* (consumer finance company): increased R$5 million, or 83.3%, as a result of client base and loan portfolio growth;

- *Credicard Group* (formed by Redecard and Credicard/Orbitall): decreased R$5 million, as a result of the sale of all of our equity interests in Credicard and Orbitall at the end of 2004; and

- *Other Companies*: increased R$14 million.

Insurance, Private Retirement Plan and Pension Investment Contracts. In 2004, insurance premiums increased R$229 million, or 16.2%, compared to 2003. The growth in insurance premiums was primarily a result of the consolidation of our leadership, as measured by SUSEP as of December 2004, in the corporate segment of the insurance industry, which includes segments such as: Property, Aviation, D&O, Commercial Lines and Energy. This was driven by our partnership with AIG, which has significant experience as insurer and reinsurer in the international market. In the retail segment, customers demanded greater protection against credit card theft and fraud, further contributing to increases in our retained premiums. In addition, our product marketing TV campaigns and launch of new products, such as environmental insurance, and the re-launch a specialized insurance product targeting women contributed to the improved performance in 2004.

In 2004, private retirement plan and pensions investment contracts fees increased R$51 million compared to 2003, as a result of new corporate plan contracts and strong sales on individual pension investment contracts, such as *Vida Gerador de Beneficio Livre*, or VGBL plans, which combine life insurance with investment, enabling the insured party to redeem the invested amount at any time, while still offering coverage in case of death, accident or disability and *Plano Gerador de Beneficios Livres*, or PGBL plans, which enables customers to save for retirement with a tax-deductible feature and may include insurance coverage for death, accident or disability.

Other Non-Interest Income. Other non-interest income increased from R$709 million in 2003 to R$2,285 million in 2004, mainly due to earnings before taxes of R$1,574 million originated by the sale of our equity interests in Credicard and Orbitall.

Non-Interest Expense

The following table shows the principal components of our non-interest expense for 2003 and 2004:

	For the Year Ended December 31,		
	2003	**2004**	**% Change**
	(in millions of R$)		
Salaries and benefits	R$ 2,224	R$ 2,549	14.6%
Administrative expenses	2,310	2,549	10.3
Amortization of intangibles and impairment on goodwill	91	152	67.0
Insurance, private retirement plan and pension investment contracts	1,666	1,898	13.9
Other non-interest expense	1,974	2,005	1.6
Total	R$ 8,265	R$ 9,153	10.7%

Salaries and Benefits. Salaries and benefits increased 14.6% in 2004 compared to 2003 principally due to:

- increases in salaries pursuant to collective bargaining agreements with Unions of 8.5% in September 2004 and 12.6% in September 2003;

- higher severance costs as a result of organizational restructuring;
- increases in labor claims; and
- recent acquisitions (mainly Hipercard, Creditec and BNL).

We had 27,408 employees on December 31, 2004 compared to 27,625 employees on December 31, 2003. The decrease in employees due to our internal restructuring was partially offset by an increase of approximately 1,400 employees as a result of our strategic acquisitions and addition of new sales force employees to support the expansion of branches and Fininvest stores.

Administrative Expenses. Administrative expenses increased 10.3% in 2004 compared to 2003, primarily due to:

- annual price adjustments on public utilities tariffs, rental, and software maintenance contracts;
- higher third-party service, data processing, and marketing campaign expenses due to organic growth;
- non-recurring expenses related to major projects, such as the institutional communication and the celebration events of our 80th anniversary, the expansion of the retail branch network and the corresponding needs of infrastructure, the implementation of the new central call center structure, and the replacement of installations in administrative buildings; and
- recent acquisitions (mainly Hipercard, Creditec and BNL).

Amortization of Intangibles and Impairment of Goodwill. The amortization of intangibles and impairment on goodwill increased R$61 million, or 67%, in 2004. This increase was driven by a R$35 million increase in the impairment of goodwill, mostly resulting from the discontinuation of the reporting business unit of Banco1.net, and a R$26 million increase in the amortization of intangible assets, mainly as a result of recent acquisitions, such as Hipercard.

Insurance, Private Retirement Plan and Pension Investment Contracts. Insurance reserves for claims increased R$48 million in 2004, while claims incurred increased R$46 million in the same period. Both expenses were higher due to increases in our underwritten portfolio during the year of 2004. Pension investment contracts expenses increased R$70 million in 2004 as a result of sales growth. Selling expenses increased R$74 million in 2004 also in conjunction with the sales growth. Good underwriting practices contributed to the reduction in the loss ratio in 2004.

Other Non-Interest Expenses. Our other non-interest expenses are mainly composed of the negative exchange variation on investments abroad, contingent provisions and taxes related to services, revenues and others. The increase of R$31 million, or 1.6%, in other non-interest expenses from R$1,974 million in 2003 to R$2,005 million in 2004 was primarily due to:

- an increase in tax litigation expenses of R$445 million, mainly due to administrative claims and Brazilian Law 8,200;
- an increase in credit card selling expenses of R$65 million due to sales growth;
- restructuring charges in the amount of R$45 million, as a result of our plan to improve the overall efficiency; and
- anticipation of retirement plan benefits in the amount of R$20 million.

The increase of non-interest expenses was partially offset by a decrease in exchange losses on investments abroad of R$548 million in 2004, as a result of a lower appreciation of the *real* compared to 2003. In 2004, we incurred exchange losses of R$83 million, compared to R$631 million in 2003.

Income Tax

Income taxes and social contribution decreased from R$354 million in 2003 to R$295 million in 2004. At the statutory rate, tax expenses would have increased R$378 million in 2004 compared to 2003, as a result of income increase for tax basis in 2004. However, the increase in tax expenses was offset by tax benefits on interest attributed to stockholders' equity, by tax on non deductible exchange losses on our investments abroad, and by tax benefits on non-taxable income from sale of investments in unconsolidated companies. According to Brazilian tax laws, the exchange variation gains on investments abroad are not taxable and the exchange variation losses on investments abroad are not tax-deductible for income tax purposes. In 2004, we had losses of R$83 million from exchange variations on our investments abroad, which created a tax effect of R$28 million. In 2003, we had losses of R$631 million from exchange variations on our investments abroad, which created a tax effect of R$215 million. Both years were influenced by the appreciation of the real.

Results of Operations for Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

The following table shows the principal components of our consolidated net income for 2002 and 2003:

	For the Year Ended December 31,		
	2002	2003	% Change
	(in millions of R$)		
Net interest income	R$ 5,302	R$ 5,024	(5.2)%
Provision for loan losses	(1,291)	(881)	(31.8)
Non-interest income	3,216	5,503	71.1
Non-interest expense	(6,585)	(8,265)	25.5
Income before taxes and minority interest	642	1,381	115.1
Income tax	276	(354)	
Income before minority interest	918	1,027	11.9
Minority interest	(115)	(154)	33.9
Net income	R$ 803	R$ 873	8.7%

A highlight of 2003 is the 115.1% growth in income before taxes and minority interest in 2003 compared to 2002. This increase is mainly due to better performance in trading income attributable to more favorable market conditions, reduction of provision for loan losses due to the improvement in the credit quality of our borrowers and growth of fee and commission income, consisting principally of banking tariffs and advisory fees.

The net income increase of 8.7% is a result of the growth in income before taxes and minority interest, as mentioned above, offset by a R$630 million increase in income tax expense in 2003. The increase in income tax expense resulted principally from the effect of the appreciation of the *real* on our economic hedging of our investments abroad. During 2003, we fully hedged our investments abroad, incurring a loss of R$631 million as a result of the appreciation of the *real* on our investments abroad that was offset by gains of R$636 million on our economic hedges. Since under Brazilian tax law, gains or losses on economic hedges are taxable, whereas foreign exchange losses on our investments abroad are not deductible and gains are not taxable, we incurred higher income tax expense of R$216 million. By contrast, in 2002, when the *real* depreciated by 52.3%, we partially hedged our investments abroad and experienced foreign exchange gains of R$1,187 million on our investments abroad and losses of R$794 million on the economic hedge, which contributed to an income tax benefit of R$270 million.

Each of our four business segments posted pre-tax growth in 2003 compared to 2002 as follows:

The Retail business segment income before taxes and minority interest increased 40.0% in 2003 compared to 2002. The net interest income increased primarily due to the growth of 10.3% in the loan portfolio. This growth was particularly due to our small companies and consumer finance segments maintaining net interest spreads. The fee and commission income increased 21.3%. This resulted mainly from an increase in banking tariffs, due to our increased client base, which grew from approximately 5.6 million at December 31, 2002 to approximately 6.0 million clients at December 31, 2003. The provision for loan losses in this segment decreased 18.5%, demonstrating the improvement in the credit quality of our borrowers, especially those in the consumer finance segment. Fininvest posted a significant decrease in the provision for loan losses as a result of a stricter credit policy. Our personnel and administrative expenses in this segment increased 12.8%, principally, as a result of growth in our sales force headcount, which grew by approximately 1,000 employees, in accordance with our organic growth plans. In addition, these expenses grew due to an increase in our provisions for labor claims, for collective bargaining agreements with bank employees, for annual adjustments of occupancy expenses and for marketing campaigns to promote our products.

The Wholesale business segment income before taxes and minority interest increased, from a negative to a positive result, in 2003 compared to 2002, due to unfavorable market conditions that occurred in 2002. This increase is mainly attributable to growth in trading income, as a consequence of the favorable market conditions in 2003. Fees and commissions increased 12.7%, principally in the capital markets, investment banking and mergers and acquisitions sectors. The provision for loan losses decreased 80.7% demonstrating the improvement in the risk rating profile of our loan portfolio and the positive impact of *real* appreciation. Personnel and administrative expenses in this segment increased 16.2% for essentially the same reasons described in the Retail business segment paragraph above, other than the reserve for labor claims and sales force.

The Insurance and Pension Plans business segment income before taxes and minority interest increased 30.7% in 2003 compared to 2002. The net interest income increased 31.3% mainly due to financial results, as a consequence of higher interest rates. The insurance premiums amounted to R$1,468 million in 2003 compared to R$1,291 million in 2002, representing a 13.7% growth. We closed the year with a 7.1% market share for total premiums as per the official data of SUSEP compared to a 6.3% market share in 2002. The insurance, private retirement plan and pension investment contract expenses grew 31.1% due to an increase in insurance claims and changes in the provisions of pension investment contracts. Despite an increase of 9.4% in insurance claims in 2003 compared to 2002, the ratio (insurance claims over insurance premiums) fell from 58.0% in 2002 to 55.8% in 2003 due to the increase in insurance premiums in 2003.

The Wealth Management business segment income before taxes and minority interest increased 4.1% in 2003 compared to 2002. In 2002, the volume of assets under management was negatively affected by the new rules for marking assets to market and by the challenging economic environment created by the presidential elections. During 2003, we showed a significant volume growth of assets under management from R$18,384 million to R$23,168 million, although fee income and average volume remained at approximately the same levels in 2003 compared to 2002.

Net Interest Income

The following table shows the principal components of our net interest income for 2002 and 2003:

	For the Year Ended December 31,		
	2002	**2003**	**% Change**
	(in millions of R$)		
Interest income [1]	R$ 15,045	R$ 9,355	(37.8)%
Interest expense [2]	(9,743)	(4,331)	(55.5)
Net interest income	R$ 5,302	R$ 5,024	(5.2)%

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

Interest income declined by R$5,690 million, or 37.8%, interest expense declined by R$5,412 million, or 55.5%, and net interest income declined by R$278 million, or 5.2% in 2003 compared to 2002. These changes are principally attributable to a decrease on average interest rates on U.S. dollar-denominated or indexed interest-earning assets and interest-bearing liabilities due to the appreciation of the real.

Interest Income

Interest income for 2003 decreased R$5,690 million or 37.8%, principally due to a decrease in average interest rates earned on assets denominated in or indexed to foreign currencies as a result of the appreciation of the real. This decrease was offset slightly by the additional interest earned as a result of the increase of 8.8% in our average interest-earning assets.

The following table shows the principal components of our average interest-earning assets and the average interest rate earned in 2002 and 2003:

	For the Year Ended December 31,		
	2002	**2003**	**% Change**
	(in millions of R$)		
Average interest-earning assets			
Interest-bearing deposits in other banks	R$ 2,280	R$ 2,678	17.5%
Federal funds sold and securities purchased under resale agreements	3,771	7,953	110.9
Central Bank compulsory deposits	871	3,063	251.7
Trading assets	8,001	5,690	(28.9)
Securities available for sale	5,535	4,900	(11.5)
Securities held to maturity	5,079	5,532	8.9
Loans	23,708	23,749	0.2
Other interest-earning assets	62	65	4.8
Total	R$ 49,307	R$ 53,630	8.8
Average interest rate earned:	30.5%	17.4%	(13.1)%

The following table shows how much of the R$5,690 million decrease in our interest income was attributable to changes in the average volume of interest-earning assets and how much was attributable to changes in the average interest earned, including the effects of the appreciation of the real*, in each case for 2003 as compared to 2002:*

	2003/2002 Increase/Decrease
	(in millions of R$)
Due to changes in average volume of interest-earning assets	R$ 1,006
Due to changes in average interest rates	(6,696)
Net change	R$ (5,690)

The interest income decrease of R$5,690 million in 2003 was principally a result of:

- a decrease of R$2,376 million in interest and fees on loans;
- a decrease of R$4,544 million in interest on securities;
- an increase of R$339 million in interest on Central Bank compulsory deposits; and
- an increase of R$902 million in interest income on federal funds sold and securities purchased under resale agreements.

Interest and Fees on Loans. The interest income from loan operations decreased 27.9% from R$8,514 million in 2002 to R$6,138 million in 2003. This decrease was primarily due to the appreciation of the real. At December 31, 2003, 22.9% of our loan portfolio was denominated in or indexed to foreign currencies, primarily the U.S. dollar, compared with 27.7% at December 31, 2002. The effect of the appreciation of the *real* was partly offset by the increase in revenues attributable to the period of high interest rates in the first nine months of 2003 and the increase of 3.1% in our loan portfolio as a result of organic growth. The increase of our loan portfolio occurred mainly in the Retail business segment.

Interest on Securities. The interest income on securities (including trading, available for sale and held to maturity securities) declined from R$5,519 million in 2002 to R$975 million in 2003. The 82.3% decrease was primarily due to the appreciation of the real. At December 31, 2003, 43.7% of our securities portfolio was denominated in or indexed to foreign currencies, primarily the U.S. dollar, compared to 60.6% at December 31, 2002.

Interest on Central Bank Compulsory Deposits. The interest income from our compulsory deposits with the Central Bank, which earn interest increased from R$173 million for the comparable period in 2002 to R$512 million in 2003. This R$339 million increase was mainly due to the increase in the compulsory deposit requirements imposed since the second half of 2002, the increase in the average volume of deposits, as well as the period of higher interest rates in the first nine months of 2003.

Interest on Federal Funds Sold and Securities Purchased under Resale Agreements. The interest income from federal funds sold and securities purchased under resale agreements increased from R$652 million in 2002 to R$1,554 million in 2003. This increase was a result of a 110.9% higher average volume of federal funds sold and securities purchased under resale agreements in 2003 compared to 2002. In addition, the average interest rate, as measured by the SELIC base interest rate, was higher in 2003 than in 2002 and the yield in most of these transactions is correlated to the SELIC base interest rate.

Interest Expense

Interest expense for 2003 decreased R$5,412 million or 55.5%, principally due to a decrease in average interest rates paid on liabilities denominated in or indexed to foreign currencies as a result of the appreciation of the real. This decrease was offset slightly by the additional interest paid as a result of the increase of 5.5% in our average interest-bearing liabilities.

The following table shows the principal components of our average interest-bearing liabilities and the average interest rate paid on those liabilities in 2002 and 2003:

	For the Year Ended December 31,		
	2002	**2003**	**% Change**
	(in millions of R$)		
Average interest-bearing liabilities			
Time deposits	R$ 13,799	R$ 16,752	21.4%
Savings deposits	5,284	5,735	8.5
Deposits from banks	296	150	(49.3)
Federal funds purchased and securities sold under repurchase agreements	8,251	6,426	(22.1)
Short-term borrowings	6,133	4,553	(25.8)
Long-term debt	9,551	12,067	26.3
Total	R$ 43,314	R$ 45,683	5.5
Average interest rate paid:	22.5%	9.5%	(13.0)%

The following table shows how much of the R$5,412 million decrease in our interest expense in 2003 was attributable to changes in the average volume of interest-bearing liabilities and how much was attributable to changes in average interest paid, including the appreciation of the real*, in each case for 2003 as compared to 2002:*

	2003/2002 Increase/Decrease
	(in millions of R$)
Due to changes in average volume of interest-bearing liabilities	R$ 796
Due to changes in average interest rates	(6,208)
Net change	R$ (5,412)

The interest expense decrease of R$5,412 million in 2003 was principally a result of:

- a decrease of R$3,859 in interest on long-term debt;
- a decrease of R$2,508 million in interest on short-term borrowings; and
- an increase of R$974 million and R$112 million, respectively, in interest on time deposits and savings deposits.

Interest on Long-term Debt. The interest expense from our long-term debt declined from R$3,557 million in 2002 to R$(302) million in 2003, mainly due to the appreciation of the real. As a result of the appreciation of the real, the average interest paid in 2003 on our international long-term debt was a negative 17.9%, compared to a positive 64.2% in 2002. The gains on economic hedges of our investments abroad of R$397 million in 2003 also contributed to the interest expense decline. This effect was partially offset by the increase in average balances of our long-term debt from R$9,551 million in 2002 to R$12,067 million in 2003.

Interest on Short-term Borrowings. The interest expense on our short-term borrowings declined from R$2,064 million in 2002 to R$(444) million in 2003, mainly due to the appreciation of the real. As a result of the appreciation of the real, the average interest paid in 2003 on our international short-term borrowings was a negative 10.0% in 2003, compared to positive 33.6% in 2002. The decrease of our average balance of short-term borrowings, from R$6,133 million in 2002 to R$4,553 million in 2003, as well as the gains on economic hedges of our investments abroad of R$101 million in 2003 also contributed to the interest expense decline.

Interest on Time and Savings Deposits. The interest expense on time and savings deposits increased R$1,086 million in 2003 due to the increase in the average balance and average interest paid. The average balances of time and savings deposits increased from R$13,799 million and R$5,284 million in 2002 to R$16,752 million and R$5,735 million, in 2003, respectively. The average interest paid on time deposits increased from 17.5% per annum in 2002 to 20.2% per annum in 2003 and average interest paid on savings deposits increased from 7.6% per annum in 2002 to 9.0% per annum in 2003 due to the increase in the average interest rates, as measured by the SELIC base interest rate, in 2003.

Provision for Loan Losses

The provision for loan losses in 2003 decreased from R$1,291 million in 2002 to R$881 million in 2003, posting a 31.8% change on the year-ended comparison. In addition, the provision to average loans ratio improved from 5.2% in 2002 to 3.5% in 2003. These results indicate the credit quality of our loan portfolio. However, these results were also influenced by fluctuations in volumes and in currency exchange rates related to our foreign currency denominated or indexed portfolio. In 2002, the Brazilian economy deteriorated, primarily due to political uncertainty relating to presidential elections. As a consequence, the interest rates increased and the *real* depreciated, affecting negatively our Retail and Wholesale business segments clients' risk of default and increasing our balances and provisions denominated or indexed to foreign currencies, principally affecting our Wholesale business segment portfolio. In 2003, the Brazilian economy stabilized, the interest rate decreased and the *real* appreciated, providing a better environment for credit risk management.

The following table shows the changes on our balance of allowance for loan losses on a consolidated basis for 2002 and 2003:

	For the Year Ended December 31, 2002	For the Year Ended December 31, 2003	% Change
	(in millions of R$)		
Balance beginning of year	R$ 1,276	R$ 1,389	8.9%
Provision for loan losses	1,291	881	(31.8)
Loan charge-offs	(1,529)	(1,330)	(13.0)
Loan recoveries	351	377	7.4
Net charge-offs	(1,178)	(953)	(19.1)
Balance, end of year	R$ 1,389	R$ 1,317	(5.2)%
Provision to average loans ratio (including non-performing loans)	5.2%	3.5%	(1.7)%
Total average loans	R$ 24,792	R$ 24,881	0.4%

The following table shows the changes on our balance of allowance for loan losses broken down by "Unibanco and others" (including Retail and Wholesale business segments), Fininvest and Unicard businesses for 2002:

	For the Year Ended December 31, 2002			
	Unibanco and others	Fininvest	Unicard	Consolidated
	(in millions of R$)			
Balance beginning of year	R$1,012	R$ 195	R$ 69	R$ 1,276
Provision for loan losses	719	416	156	1,291
Loan charge-offs	(712)	(592)	(225)	(1,529)
Loan recoveries	196	77	78	351
Net charge-offs	(516)	(515)	(147)	(1,178)
Balance, end of year	R$1,215	R$ 96	R$ 78	R$ 1,389
Provision to average loans ratio (including nonperforming loans)	3.2%	31.6%	18.0%	5.2%

The following table shows the changes on our balance of allowance for loan losses broken down by "Unibanco and others" (including Retail and Wholesale business segments), Fininvest and Unicard businesses for 2003:

	For the Year Ended December 31, 2003			
	Unibanco and others	Fininvest	Unicard	Consolidated
	(in millions of R$)			
Balance beginning of year	R$1,215	R$ 96	R$ 78	R$ 1,389
Provision for loan losses	448	285	148	881
Loan charge-offs	(813)	(326)	(191)	(1,330)
Loan recoveries	235	56	86	377
Net charge-offs	(578)	(270)	(105)	(953)
Balance, end of year	R$1,085	R$ 111	R$ 121	R$ 1,317
Provision to average loans ratio (including nonperforming loans)	2.0%	25.4%	15.4%	3.5%

The provision for loan losses decreased from 2002 to 2003 as follows:

- "Unibanco and others" decreased R$271 million or 37.7%, mainly due to the improved credit quality and the appreciation of the real. In 2003, 25.0% of its portfolio, principally in the Wholesale business segment, was denominated or indexed to foreign currencies;

- "Fininvest" decreased R$131 million or 31.5%, principally as a result of a more restrictive credit granting policy; and

- "Unicard" decreased R$8 million or 5.1%, primarily attributable to an improvement of collection procedures and a more restrictive credit approval criteria.

The provision to average loans ratio improved from 2002 to 2003 primarily due to a better risk profile as follows:

- "Unibanco and others" improved from 3.2% in 2002 to 2.0% in 2003;

- "Fininvest" improved from 31.6% in 2002 to 25.4% in 2003; and

- "Unicard" improved from 18.0% in 2002 to 15.4% in 2003.

On a consolidated basis, the loan charge-offs decreased 13.0% in 2003, mainly due to Brazil's improved economic conditions compared to 2002.

Therefore, our allowance for loan losses decreased from R$1,389 million in 2002 to R$1,317 million in 2003, primarily as a result of the improvement in our credit risk profile and the *real* appreciation.

The following table shows our total loans and allowances for loan losses by category in 2002 and 2003:

	As of December 31, 2002				As of December 31, 2003				
	Total loans	**Total allowance**	**Total net**	**Allowance/ loans**	**Total loans**	**Total allowance**	**Total net**	**Allowance/ loans**	**% Change loans**
Commercial:									
Industrial and other	R$ 12,782	R$ 700	R$12,082	5.5%	R$ 13,506	R$ 638	R$12,868	4.7%	5.7%
Import and export financing	3,955	36	3,919	0.9	3,277	20	3,257	0.6	(17.1)
Real estate loans	714	55	659	7.7	914	32	882	3.5	28.0
Direct lease	539	32	507	5.9	483	16	467	3.3	(10.4)
Individuals:									
Overdraft	948	58	890	6.1	864	61	803	7.1	(8.9)
Financing	3,805	298	3,507	7.8	4,036	297	3,739	7.4	6.1
Credit card	1,713	146	1,567	8.5	2,146	202	1,944	9.4	25.3
Agricultural	798	64	734	8.0	813	51	762	6.3	1.9
Total	R$25,254	R$ 1,389	R$23,865	5.5%	R$ 26,039	R$ 1,317	R$24,722	5.1%	3.1%

Our loan portfolio increased 3.1% while our allowance for loan losses decreased 5.2% in 2003 compared to 2002 as follows:

- Industrial and others: despite the loan portfolio increase of 5.7%, the allowance to loans ratio decreased to 4.7% in 2003 compared to 5.5% in 2002;

- Import and export-financing: the loan portfolio and allowance for loan losses decreased 17.1% and 44.4% respectively in 2003 compared to 2002, primarily due to the appreciation of the real, as import and export financing portfolio is denominated or indexed to foreign currencies, and to better risk profile;

- Real estate loans: the loan portfolio increased 28.0% in 2003 compared to 2002, as a result of a more active participation in *real* estate loans. Loans increased R$200 million as a result of us entering into more than 4,000 new loan transactions;

- Direct lease (including the leasing of cars, trucks, machinery, computers and equipment to the service, industrial and commercial sectors): the loan portfolio decreased from R$539 million in 2002 to R$483 million in 2003, reflecting the general state of the leasing market. The allowance for loan losses posted a decrease of 50% due to a higher foreign currencies denominated or indexed portfolio in 2002 when compared to 2003, that was affected by the *real* depreciation; and

- Individuals: the portfolio of financing to individuals increased 6.1% in 2003 (compared to 2002), due to our organic growth. The financing focused mainly on auto financing and consumer finance. At the same time, our allowance for loan losses decreased 0.3%, showing a decrease in allowance to loans ratio from 7.8% in 2002 to 7.4% in 2003. The portfolio of credit card loans increased 25.3% in 2003 compared to 2002 followed by an increase in the allowance to loans ratio from 8.5% in 2002 to 9.4% in 2003, due to a change in the charge-offs criteria from a period between 180 and 210 days to 360 days after the due date. This was required in order to be consistent with the conglomerate criteria.

The following table shows the current classification of the consolidated loan portfolio by risk category and by business segments for 2002 and 2003:

	As of December 31, 2002									
	Loans					**Allowance for loans losses**				
Risk level	**Whole-sale**	**Retail**	**Wealth Management**	**Insurance**	**Total**	**Whole-sale**	**Retail**	**Wealth Management**	**Insurance**	**Total**
AA	R$ 6,245	R$2,551	R$ 224	R$ 337	R$ 9,357	R$ -	R$ -	R$ -	R$ -	R$ -
A	2,314	4,187	32	-	6,533	12	22	-	-	34
B	2,064	524	12	-	2,600	21	5	-	-	26
C	4,004	498	11	-	4,513	162	22	-	-	184
D	396	376	2	-	774	52	55	-	-	107
E	214	207	2	-	423	94	67	-	-	161
F	37	162	5	-	204	19	85	3	-	107
G	159	149	8	-	316	123	107	6	-	236
H	141	378	12	3	534	141	378	12	3	534
Total	R$15,574	R$9,032	R$ 308	R$ 340	R$5,254	R$ 624	R$ 741	R$ 21	R$ 3	R$ 1,389

	As of December 31, 2003									
	Loans					**Allowance for loans losses**				
Risk level	**Whole-sale**	**Retail**	**Wealth Management**	**Insurance**	**Total**	**Whole-sale**	**Retail**	**Wealth Management**	**Insurance**	**Total**
AA	R$ 7,884	R$2,391	R$ 214	R$ 357	R$10,846	R$ 10	R$ -	R$ -	R$ -	R$ 10
A	3,122	4,996	14	-	8,132	17	25	-	-	42
B	1,812	812	8	-	2,632	25	8	-	-	33
C	1,674	516	2	-	2,192	71	17	-	-	88
D	406	335	2	-	743	128	50	-	-	178
E	309	218	1	-	528	93	69	-	-	162
F	36	181	1	-	218	24	93	-	-	117
G	22	146	7	-	175	5	104	5	-	114
H	178	368	26	1	573	178	368	26	1	573
Total	R$15,443	R$9,963	R$ 275	R$ 358	R$26,039	R$ 551	R$ 734	R$ 31	R$ 1	R$ 1,317

At December 31, 2002 and 2003, respectively, approximately 62.9% and 72.9% of the loans in our loan portfolio were classified in the categories AA to A, principally due to our Wholesale business segment portfolio.

Our Retail business segment portfolio grew 10.3% in 2003 compared to 2002, mainly due to growth in the branch network, and in the auto financing and consumer finance segments. As for the risk profile in 2003, the percentage of loans classified in the categories AA to A of the portfolio remained relatively stable compared to 2002.

Our Wholesale business segment portfolio presented a clear improvement on its risk ratings profile, with an increase in the percentage of loans classified in the categories AA to A, from 55.0% in 2002 to 71.3% in 2003 due to the improvements that occurred in the Brazilian economy, including the reduction in SELIC base interest rate, appreciation of the *real* and better than expected macroeconomic policy by the new government's administration, which resulted in an improved risk perception by market agents.

Non-Interest Income

The following table shows the principal components of our non-interest income for 2002 and 2003:

	For the Year Ended December 31,		
	2002	2003	% Change
	(in millions of R$)		
Fee and commission income	R$ 1,854	R$ 2,152	16.1%
Trading income (expenses)	(1,972)	689	-
Net gain on securities	49	193	293.9
Net gain on foreign currency transactions	96	93	(3.1)
Equity in results of unconsolidated companies	184	199	8.2
Insurance, private retirement plan and pension investment contracts	1,291	1,468	13.7
Other non-interest income	1,714	709	(58.6)
Total	R$ 3,216	R$ 5,503	71.1%

Fee and Commission Income. The fees and commission income increased 16.1% in 2003 compared to 2002. In 2003, 62.6% of this source of income originated from banking tariffs and other fees and commissions, which increased 26.0% in 2003 compared to 2002. The other 37.4% of this source of income, which includes credit card, asset management and collection fees, increased 2.5%, mainly from fees on credit cards.

The increase of 26.0% in banking tariffs and other fees and commissions was largely due to the increase in our Retail business segment client base as a result of the "ContAtiva" and "ContAtiva2" organic growth initiatives. The initial goal of the "ContAtiva" program was to add 1.8 million new accounts by the end of 2003. Upon achieving this target in February 2003, well ahead of schedule, we launched a second organic growth program called "ContAtiva2" in March 2003, aimed to attract new accounts through 2008. In addition to this, our Wholesale business segment increased their fees from capital markets, investment banking and mergers and acquisitions transactions by approximately 55.7%.

Trading Income (Expenses). The trading income (expenses) increased from an expense of R$1,972 million in 2002 to an income of R$689 million in 2003, since in 2003 we were not affected by the unfavorable market conditions that existed in 2002. In 2003, mainly due to the *real* appreciation, we recognized a gain of R$205 million from realized gains (losses) on securities, R$346 million from realized and unrealized gains (losses) on derivatives and securities which are primarily used to hedge our treasury and commercial portfolios, and R$138 million related to our economic hedges of investments abroad. Conversely, in 2002, mainly due to the depreciation of the real, we experienced a loss of R$108 million from realized gains (losses) on securities, R$166 million from unrealized gains (losses) on securities and derivatives, R$904 million from realized gains (losses) on derivatives and R$794 million related to our economic hedges of investments abroad.

Net Gain on Securities. The net gain on securities increased from R$49 million in 2002 to R$193 million in 2003, mainly due to realized results on the sale of securities available for sale.

Equity in Results of Unconsolidated Companies. The equity in results of unconsolidated companies increased from R$184 million in 2002 to R$199 million in 2003, mainly due to:

- *Pontocred* (the new name of Investcred): increase of R$6 million, as a result of the 21.7% increase in our loan portfolio, from R$589 million in 2002 to R$717 million in 2003, and an improvement of the product mix;

- *Rodobens* (car financing): increase of R$6 million, primarily due to growth in sales;

- *AIG Brasil* (insurance company): increase of R$4 million, due to the improvement in income as a result of AIG's reinsurance operations expertise and the increase of sales in commercial lines; and

- *Credicard Group* (formed by Credicard, Redecard and Orbitall): decrease of R$4 million, despite the transfer of an important affiliated member that started to manage its own portfolio in the second half of 2002.

Insurance, Private Retirement Plans and Pension Investment Contracts. In 2003, the insurance premiums, private retirement plan premiums and pension investment contracts increased 13.7% compared to 2002. The insurance premiums increased primarily as a result of our leadership in the corporate segment. This advantage is mainly due to AIG's insurance and reinsurance expertise in dealing with sophisticated corporate insurance coverage. In addition, market conditions are such that customers have demanded greater protection against credit card theft and fraud, thus further contributing to increase our retained premiums.

The private retirement plan premiums increased mainly due to our acquisition of the Brazilian pension business of Cigna Seguradora (a subsidiary of Cigna Corporation) in April 2003, an increase in corporate pension plans and strong sales of our PGBL and VGBL plans.

Other Non-interest Income. Other non-interest income decreased from R$1,714 million in 2002 to R$709 million in 2003 because of the positive results in 2002 due to the depreciation of the *real* on our investments abroad denominated in U.S. dollar. This gain in 2002, of R$1,187 million, was partially offset by a loss on the economic hedges of our investments abroad of R$794 million, and was recorded in our trading income. In 2003 as we faced an appreciation of the real, the impact was recorded in as other non-interest expense.

Non-Interest Expense

The following table shows the principal components of our non-interest expense for 2002 and 2003:

	For the Year Ended December 31,		
	2002	2003	% Change
	(in millions of R$)		
Salaries and Benefits	R$ 1,783	R$ 2,224	24.7%
Administrative expenses	2,202	2,310	4.9
Amortization of goodwill and intangibles	90	91	1.1
Insurance, private retirement plan and Pension investment contracts	1,306	1,666	27.6
Other non-interest expense	1,204	1,974	64.0
Total	R$ 6,585	R$ 8,265	25.5%

Salaries and benefits

Salaries and benefits increased 24.7% in 2003 compared to 2002 principally due to:

- the increases in salaries pursuant to collective bargaining agreements with bank employees of 7% in September 2002 and 12.6% in September 2003;

- the growth in our sales force, mostly in our branches, as a result of the organic growth plans; and

- the addition of R$249 million to our provisions for labor claims in 2003 compared to 2002.

We had 27,625 employees at December 31, 2003 compared to 26,739 employees at December 31, 2002.

Other Administrative Expenses

Other administrative expenses increased 4.9% in 2003 compared to 2002, primarily due to:

- higher personnel, third-party services, data processing, telecommunications and publicity expenses due to an increase in our client base as a result of the organic growth;

- higher rental costs due to annual price adjustments in the leases for branches and other properties;

- annual adjustments in energy tariffs, rental, software maintenance and telecommunications contracts;

- higher expenses associated with marketing campaigns to promote the banking products, particularly in the Retail and Insurance and Pension Plans business segments; and

- increased costs relating to higher processing volumes in our credit card subsidiaries related to our Retail business segment, such as Unicard, as well as higher data processing rates.

This 4.9% increase in other administrative expenses compares favorably to the 9.3% inflation rate as measured by the IPCA (the Consumer Price Index published by IBGE) in 2003, which we believe demonstrates the efficiency of our cost control program.

Insurance, private retirement plan and pension investment contracts. The Insurance, private retirement plan and pension investment contracts expenses increased 27.6% from R$1,306 million in 2002 to R$1,666 million in 2003, primarily due to the growth of the related PGBL and VGBL sales.

Other non-interest expense. Our other non-interest expenses are mainly composed of the negative exchange variation on investments abroad, contingent provisions and other taxes related to services, revenues and others. The increase of 64.0% or R$770 million in other non-interest expenses in 2003 compared to 2002 was primarily due to the R$631 million loss on our investments abroad denominated in U.S. dollar as a result of the appreciation of the real. This loss was offset by the economic hedges of our investment abroad that resulted in a gain of R$636 million, R$498 million of which were recorded in the interest expense with the remaining R$138 million recorded in the trading income (expense). Other taxes were impacted not only by the increase of our services and revenues but also by the increase of the COFINS rate from 3% to 4% of gross revenues in the last quarter of 2003. In addition, in 2003 we increased our civil litigation provision.

Income Tax

In 2003, a negative result on income tax and social contribution of R$354 million compared to a positive result on income tax and social contributions of R$276 million in 2002, was due mainly to the different tax treatment between our gains (losses) from exchange variations on our investments abroad and on the economic hedges of our investments abroad. The exchange variation gains on investments abroad are not taxable and the exchange variation losses on investments abroad are non tax-deductible for income tax purposes. During 2003, we had foreign exchange losses of R$631 million on our investments abroad and a gain of R$636 million on the respective economic hedges, in each case due to the appreciation of the real. This created a negative tax effect of R$216 million, since under Brazilian tax laws, gains on economic hedges are taxed, whereas foreign exchange losses on our investments abroad are not tax-deductible. By contrast, in 2002, when the *real* depreciated, we experienced foreign exchange gains of R$1,187 million on our investments abroad and a loss of R$794 million on the respective economic hedges. This had a beneficial effect on income tax and social contribution expenses in 2002, since foreign exchange gains are not taxable whereas losses on economic hedges are tax-deductible. As a result of these differences in 2003 compared to 2002, we had a R$486 million increase in tax expenses related to these economic hedge transactions. This increase was partially offset by a tax deduction of R$158 million in interest paid to stockholders' equity compared to R$22 million in 2002. The payment of tax-deductible interest on equity was chosen as an option for profit distribution in 2003 instead of dividends as in 2002.

Liquidity and Capital Resources

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

We seek to ensure continuous access to diversified sources of funding at efficient costs, within the framework of our assets and liabilities management policy, which sets limits with respect to risk factors, sensitivity, gaps and concentration in certain instruments, such as government securities. As a general rule, our main funding provider is the financial market either in *reais* or foreign currencies.

Asset and liability management, as well as liquidity and capital resources, are considered at our monthly financial committee meetings. This financial committee discusses and evaluates our liquidity performance in order to determine the minimum liquidity level and, if necessary, holds extraordinary meetings to evaluate our liquidity position in response to unexpected macroeconomic changes. This financial committee has pre-approved a contingency plan that determines the procedures in the case of a liquidity crisis. As of December 2004, we defined a minimum level of liquidity of R$3.4 billion.

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

Sources of Funding

Capital

The following table shows our capital at December 31, 2002, 2003 and 2004 calculated in accordance with Brazilian GAAP:

	As of December 31, Consolidated		
	2002	**2003**	**2004**
		(in million of R$)	
Stockholders' Equity (Tier 1)	6,245	6,754	8,572
Subordinated Debt (Tier 2)	932	1,468	1,898
Minority Interest	724	938	842

Stockholders' Equity

Stockholders' equity increased to R$8,572 million on December 31, 2004 from R$6,754 million on December 31, 2003. The increase primarily reflects net income of R$2,063 million, partially offset by the provision of R$527 million of interest on our capital.

Subordinated Debt Issuances

Our Tier 2 subordinated debt increased R$430 million in 2004 compared to 2003.

In December 2004, we issued US$150 million in subordinated notes with a five-year-term. Interest on the notes is payable semi-annually at a rate of the six-month LIBOR plus 2.0% per annum. BNL is the creditor and the issue is part of a credit line negotiated with BNL at the time of the acquisition of BNL's Brazilian subsidiary. We did not otherwise access the capital markets in 2004 to raise Tier 2 capital.

In December 2003, we issued US$200 million in step-up subordinated callable notes due 2013. The interest on the notes is payable semi-annually at a rate of 7.375% per annum for the first five years and 9.375% per annum thereafter. We may redeem the notes beginning in December 2008 or on any interest payment date thereafter. The Central Bank authorized us to record the subordinated debt represented by these notes as part of our Tier 2 regulatory capital in April 2004.

Regulatory Capital

We are subject to risk-based capital adequacy guidelines and regulations issued by the Central Bank that are similar to the guidelines under the Basel Accord. Under Central Bank rules, we are currently required to have a capital adequacy ratio of 11% of total capital to total risk-adjusted assets as calculated in accordance with Brazilian GAAP. As of December 31, our capital adequacy ratio was 16.3%. For additional information on capital adequacy requirement, see "Regulation and Supervision".

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

The following table shows our capital ratio, as calculated in accordance with Brazilian GAAP, as well as the minimum regulatory capital required under Brazilian laws, as of December 31, 2002, 2003 and 2004. For additional information on our capital ratio, see Note 31 to our U.S. GAAP consolidated financial statements.

	As of December 31, Consolidated					
	Partial(1)			Partial(2)		
	2002	2003	2004	2002	2003	2004
	(in millions of R$, except percentages)					
Tier 1	13.82%	15.52%	13.49%	13.91%	15.58%	13.62%
Tier 2	1.89	3.08	2.78	1.74	2.86	2.08
Total capital	15.71%	18.60%	16.27%	15.65%	18.44%	15.70%
Our regulatory capital	R$ 7,561	R$ 8,800	R$9,982	R$8,175	R$9,433	R$10,508
Minimum regulatory capital required	5,296	5,204	6,748	5,746	5,626	7,364
Excess over minimum regulatory capital required	R$2,265	R$3,596	R$3,234	R$2,429	R$3,807	R$ 3,144

(1) Partial consolidation excludes non-financial subsidiaries.
(2) Full consolidation includes both financial and non-financial subsidiaries.

Our regulatory capital increased from R$8,800 million as of December 31, 2003 to R$9,982 million as of December 31, 2004 on a partially consolidated basis (excluding non-financial subsidiaries). On a fully consolidated basis, our regulatory capital increased from R$9,433 million as of December 31, 2003 to R$10,508 million as of December 31, 2004. The minimum regulatory capital required on a partially consolidated basis increased in 2004 because our foreign currency exposure increased to above 5% of our adjusted capital. According to Central Bank regulations, when foreign currency exposure exceeds 5% of adjusted capital, capital allocation is necessary. This capital allocation contributed to a 2.1% decrease in our Basel capital adequacy ratio. In addition, growth in the volume of risk weighted assets was mainly offset by growth in Tier 1 and Tier 2 capital. The Tier 1 increase primarily reflects net income of R$1,283 million, according to BR GAAP, partially offset by the provision of R$527 million of interest on our capital. The Tier 2 increase is mainly due to our issuance of US$150 million in subordinated debt in December 2004.

Basel Capital Adequacy Ratio Impacts Year Ended December 31, 2004 (Brazilian GAAP)

Basel capital adequacy ratio at December 31, 2003[1]	18.60%
Decrease in risk weighted assets	(2.10)
Change in credit swap risk	-
Change in market risk – interest rates and exchange portfolio	(2.15)
Increase stockholders' equity	1.52
Tier 2	0.40
Basel capital adequacy ratio at December 31, 2004	16.27%

(1) As of December 31, 2003 no capital allocation was required to foreign currency exposure in accordance with Brazilian laws as our foreign currency exposure was less than 5.0% of adjusted capital for these periods.

The enhancement of our credit portfolio in 2004 reflects an improved outlook for Brazilian economic growth and the gradual recovery of domestic demand. Since our current Basel capital ratio is in excess of the minimum required ratio, we can continue to increase our risk-adjusted assets, especially our loan portfolio.

Additionally, the Central Bank limits the amount of investments in consolidated subsidiaries not engaged in banking, leasing or securities activities and in unconsolidated companies, premises and equipment and intangible assets to 50.0% of adjusted capital on a consolidated basis. This limit is known as the fixed asset ratio. At December 31, 2004, our total investment in such assets was 39.5% of adjusted capital on a consolidated basis, lower than the Central Bank's limit, according to Brazilian GAAP.

Third-Party Liabilities

The following table shows our third-party liabilities at December 31, 2002, 2003 and 2004:

	As of December 31					
	2002	**% of total**	**2003**	**% of total**	**2004**	**% of total**
Liabilities (in millions of R$)						
Deposits from customers:						
Demand deposits	R$3,247	5.0%	R$ 2,714	4.6%	R$3,209	4.7%
Time deposits	16,854	25.9	16,547	28.4	24,101	35.2
Savings Deposits	5,890	9.1	6,163	10.6	6,346	9.3
Deposits from Banks	64	0.1	276	0.5	119	0.2
Total deposits	26,055	40.1	25,700	44.1	33,775	49.4
Federal funds purchased and securities sold under repurchase agreements	13,806	21.2	6,750	11.6	6,687	9.8
Import and export financings	4,121	6.3	2,505	4.3	2,048	3.0
Commercial paper	721	1.1	-	-	-	-
Other interbank borrowings	1,327	2.1	580	1.0	600	0.8
Others	136	0.2	28	0.0	29	-
Short-term borrowings	6,305	9.7	3,113	5.3	2,677	3.8
Local onlendings	5,332	8.2	5,664	9.7	5,162	7.5
Euronotes	2,186	3.4	2,591	4.4	1,157	1.7
Notes issued under securitization arrangements	1,413	2.2	2,453	4.2	2,668	3.9
Subordinated debt	932	1.4	1,468	2.5	1,898	2.8
Mortgage indebtedness	633	1.0	807	1.4	331	0.5
Interbank onlendings	161	0.3	-	-	-	-
Foreign onlendings	95	0.1	253	0.4	254	0.4
Obligations under capital leases	83	0.1	49	0.1	79	0.1
Others	93	0.1	63	0.1	151	0.2
Long-term debt	10,928	16.8	13,348	22.8	11,700	17.1
Other liabilities	7,925	12.2	9,444	16.2	13,605	19.9
Total Liabilities	R$65,019	100.0%	R$58,355	100.0%	R$68,444	100.0%

Deposits

Deposits are the most important source of funding for our banking operations, representing 49.3% of our total liabilities as of December 31, 2004. Our deposits consist primarily of real-denominated interest-bearing time and savings deposits and real-denominated non-interest-bearing demand deposits. The 31.4% increase in total deposits as of December 31, 2004 compared to December 31, 2003 was due in part to the growth of 45.7% in time deposits, primarily attributable to the increase of funding from Wholesale and the introduction of Superpoupe, for which we had a balance of R$1,625 million as of December 31, 2004.

Securities Sold Under Repurchase Agreements

Securities sold under repurchase agreements decreased 0.9% as of December 31, 2004 compared to December 31, 2003. In 2004, we maintained the same policy as 2003, executing operations in the open market and with institutional investors.

Import and Export Financings

Import and export financings from correspondent banks also represent an important source of funding for us. In general, these trade finance credit lines are denominated in U.S. dollars. We have historically funded our foreign currency trade loans with foreign currency lines from correspondent banks. As of December 31, 2004, approximately R$1,461 million, or 71.3%, of our existing credit lines were considered short-term (up to 360 days), compared to R$2,322 million, or 92.7%, on December 31, 2003. Trade finance credit lines decreased by

R$457 million in 2004, primarily due to the appreciation of the *real* and partially due to our decision to use general purpose funding through other borrowings to fund the import and export segment of our loans portfolio.

Other Sources of Funding

Euronotes

We are an active participant in the capital markets, especially issuing euronotes. As of December 31, 2004, we had R$1,157 million of euronotes denominated in U.S. dollars and other foreign currencies. We use the proceeds of these obligations primarily for general lending purposes, mainly to our Brazilian clients. R$820 million outstanding of these obligations will mature in the next twelve months. The 55.3% decrease in our balance of euronotes outstanding from December 31, 2003, was primarily due to the maturity of US$375 million and to the maturity of €75 million aggregate principal amount of outstanding obligations and the appreciation of the real, partially offset by the issuance of euronotes under our medium-term note, or MTN, program in February 2004, December 2004 and February 2005.

In February 2004, we issued US$100 million of notes which mature on August 10, 2005 and pay interest on a semi-annual basis at a rate of 3% per annum. The issuance was priced at 99.927%, providing a yield of 3.05% per annum for the investors.

In December 2004, we offered US$75 million of real-denominated notes through Unibanco Cayman maturing on June 14, 2006 and paying interest on a semi-annual basis at a rate of 17.9% per annum.

In February 2005, we issued, through Unibanco Cayman, R$325million of 8.70% IGP-M adjusted notes, maturing on 2010 and payable in U.S. dollars.

Our Medium-term Note, or MTN, program permits the issuance of up to US$2 billion (or its equivalent in other currencies) of securities. Our MTN program is a relatively inexpensive source of funding and permits us to issue securities with a maturity of more than 12 months.

As of March 31, 2005, we had the following issuances outstanding under our MTN program:

Month of issue	Average interest rate	Notes due on	Aggregate principal amount
July 2003	4.00%	January 2005	US$125 million
February 2004	3.00%	August 2005	US$100 million
December 2004	17.90%	June 2006	US$75 million
February 2005	8.70% + IGP-M	February 2010	R$325 million

Notes Issued Under Securitization Arrangements

As of March 31, 2005, we had the following notes issued under Securitization Arrangements:

Issue date	Aggregate principal amount	Maturity date
May 2002	US$400 million	April 2009
June 2003	US$105 million	July 2009
November 2003	¥25 billion	October 2013
May 2004	US$200 million	April 2011
September 2004	US$100 million	July 2011

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

The securitized assets consist of U.S. dollar payment orders, generally referred to as Swift MT-100 payments, received and processed by us through our correspondent banks. On December 31, 2004, we had R$2,668 million outstanding of liabilities representing notes issued under securitization arrangements, an increase of 8.8% compared to R$2,453 million at December 31, 2003.

In May 2004, we completed a securitization transaction in the amount of US$200 million. The notes mature on April 15, 2011 and pay interest on a quarterly basis at a rate of 0.50% per annum over the U.S. quarterly LIBOR rate. The principal amount of the notes will be amortized in equal and consecutive payments beginning on July 15, 2007.

In September 2004, we completed a securitization transaction in the amount of US$100 million. The notes are due on July 15, 2011 and pay interest on a quarterly basis at a floating rate equal to the U.S. LIBOR rate plus 0.45% per annum.

Mortgaged-Backed Notes

We issue notes collateralized by *real* estate loans. As of December 31, 2004, we had R$331 million of these mortgage-backed notes outstanding, of which R$328 million will mature within twelve months starting December 31, 2004, compared to R$807 million of outstanding mortgage-backed notes at December 31, 2003. This decrease was primarily due to our use of other sources of funding.

Local and Foreign Onlendings

On December 31, 2004, we had R$5,416 million in local and foreign onlendings outstanding, which consist primarily of real-denominated amounts borrowed from the National Economic Development Bank, BNDES, and the National Industrial Financing Authority, or FINAME, for loans extended to Brazilian clients for investments mainly in fixed assets, such as premises and equipment. Approximately R$1,644 million of these onlendings mature within twelve months from December 31, 2004. The decrease of 8.5% in local and foreign onlendings obligations from R$5,917 million on December 31, 2003 to R$5,416 million on December 31, 2004 was mainly due to the maturity of loans that were not extended or renewed.

Uses of Funding

The following table shows our assets at December 31, 2002, 2003 and 2004:

	As of December 31					
	2002	% of total	2003	% of total	2004	% of total
Assets	(in millions of R$, except percentages)					
Cash and due from banks	R$ 934	1.3%	R$ 812	1.2%	R$1,575	2.0%
Interest-bearing deposits in other banks	1,957	2.7	2,211	3.4	2,652	3.4
Federal funds sold and securities purchased under resale agreements	13,561	18.8	8,874	13.4	11,472	14.7
Cash and cash equivalents	16,452	22.8	11,897	18.0	15,699	20.1
Interest-bearing deposits in other banks	352	0.5	675	1.0	927	1.2
Federal funds sold and securities purchased under resale agreements	-	-	-	-	207	0.3
Central Bank compulsory deposits	3,926	5.4	4,116	6.2	4,808	6.2
Trading assets, at fair value	5,299	7.4	5,867	8.9	7,442	9.6
Securities available for sale, at fair value	6,196	8.6	3,024	4.6	2,595	3.3
Securities held to maturity, at cost	6,622	9.2	5,775	8.7	4,838	6.2
Loans	25,254	35.1	26,039	39.5	31,377	40.3
Allowance for loan losses	(1,389)	(1.9)	(1,317)	(2.0)	(1,560)	(2.0)
Net loans	23,865	33.2	24,722	37.5	29,817	38.3
Investments in unconsolidated companies	574	0.8	616	0.9	536	0.7
Premises and equipment, net	1,520	2.1	1,456	2.2	1,404	1.8
Goodwill	1,079	1.5	1,067	1.6	1,224	1.6
Intangibles, net	270	0.4	181	0.3	406	0.5
Other assets	5,833	8.1	6,651	10.1	7,955	10.2
Total Assets	R$71,988	100.0%	R$66,047	100.0%	R$77,758	100.0%

In accordance to our asset and liability management policy and our liquidity management policy, most of our investments are in loans and securities portfolios, as well as cash and cash equivalents. On December 31, 2004, our loan portfolio represented 40.3%, the securities portfolio 19.1% and cash and cash equivalents 20.1% of our total assets, compared to 39.5%, 22.2% and 18.0%, respectively, on December 31, 2003. In addition to cash and cash equivalents, we believe our securities portfolio, which consists principally of Brazilian government securities, is also a contingent source of liquidity because these securities can be readily converted into cash.

The Central Bank requires compulsory deposits of 23% on time deposits, 30% on savings deposits and 53% on demand deposits. As of December 31, 2004, we had R$4,808 million of compulsory deposits representing 6.2% of our total assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Macroeconomic Factors Affecting our Financial Condition and Results of Operations—Effect of Government Regulation on our Financial Condition and Results of Operations—Compulsory Deposit Requirements" for a detailed discussion of the Central Bank's regulations regarding compulsory deposits.

Federal funds sold and securities purchased under resale agreements increased 31.6% as of December 31, 2004 compared to December 31, 2003. This growth was due to the decision to maintain the same policy as 2003, executing operations in the open market and with institutional investors.

The following table shows our capital expenditures in 2002, 2003 and 2004:

	For the Year Ended December 31,		
	2002	2003	2004
		(in millions of R$)	
Land and buildings	R$ 38	R$ 29	R$ 68
Furniture and equipment	47	25	38
Leasehold improvements	56	65	66
Data processing	111	24	69
Software developed or obtained for internal use	60	119	90
Other	21	22	22
Total	R$ 333	R$ 284	R$ 353

In 2004, our capital expenditures were focused on the upgrade and unification of operational and support platforms, expansion of points of sale and the incorporation of acquired companies such as BNL, Hipercard and Phenix. Land and building expenditures increased primarily as a result of the incorporation of BNL and the construction of our new branches, as well as refurbishing of our existing branches to implement the modification of our brand and the renewal of our logo.

Data processing expenses increased R$45 million primarily due to the incorporation of Hipercard and BNL and, furthermore, to leasing contracts with IBM to provide the necessary infrastructure, such as hardware, to the new branches.

During the period from 2002 to 2004, our capital expenditures consisted primarily of expenditures for data processing to automate our branch network, communication equipment and other technology tools designed to increase the efficiency of our operations, the services offered to our customers and our productivity.

We expect that capital expenditures in 2005 will not exceed our historical levels, which consist mainly of investments to improve our communications infrastructure and customer service and back office administrative systems, as well as investments related to organic growth of our branch network.

Changes in Cash Flows

The following table shows the principal variations in our cash flows during each of the three years indicated:

	For the Year Ended December 31,		
	2002	2003	2004
		(in millions of R$)	
Net cash provided by operating activities	R$ 7,397	R$ 3,327	R$ 1,383
Net cash provided by (used in) investing activities	(10,835)	1,575	(1,713)
Net cash provided by (used in) financing activities	15,039	(9,457)	4,132
Net (decrease) increase in cash and cash equivalents	R$ 11,601	R$ (4,555)	R$ 3,802

In order to improve presentation, prior periods amounts disclosed as investing activities in the Consolidated Statements of Cash Flows relating to (i) dividends received from unconsolidated companies of R$197 million in 2002 and R$158 million in 2003, and (ii) minority interest of consolidated subsidiaries of Unibanco of R$(57) million in 2002 and R$59 million in 2003 were reclassified to operating activities and financing activities, respectively.

2004

Net cash provided by operating activities

During 2004, our operating activities provided R$1,383 million net cash, as follows:

- R$2,379 million provided by our net income adjusted by non-cash items; and

- R$2,742 million provided by an increase in other liabilities, offset by an increase of R$2,591 million in other assets.

Net cash used in investing activities

During 2004, net cash used in investing activities was R$1,713 million, consisting of:

- R$1,885 million used in purchase of securities held to maturity, offset by R$3,140 million proceeds from matured of securities held to maturity;

- R$2,298 million used in purchase of securities available for sale, offset by R$3,490 million proceeds from sale of securities available for sale; and

- R$4,054 million increase in loans, due to our organic growth.

Net cash provided by financing activities

During 2004, net cash provided by financing activities was R$4,132 million, consisting of:

- R$7,538 million increase in deposits, mainly time deposits, including Superpoupe, due to the initiatives of the bank towards improving its funding mix during 2004; and

- R$1,916 million decrease in borrowing under long-term debt arrangements net of repayments, mainly due to R$1,434 million decrease in euronotes, R$502 million decrease in local onlendings, offset by R$215 million increase from the issuance of notes issued under securitization arrangements and R$430 million increase from new issuances of subordinated debts.

2003

Net cash provided by operating activities

During 2003, our operating activities provided R$3,327 million net cash, as follows:

- R$2,285 million provided by our net income adjusted by non-cash items; and

- R$2,344 million provided by an increase in other liabilities.

Net cash provided by investing activities

During 2003, net cash provided by investing activities was R$1,575 million, consisting of:

- R$6,546 million provided by proceeds from securities available for sale, offset by R$2,642 million in purchase of securities available for sale; and

- R$1,859 million increase in loans, due to our organic growth.

Net cash used in financing activities

During 2003, net cash used in financing activities was R$9,457 million, consisting of:

- R$7,057 million decrease in federal funds purchased and securities sold under repurchase agreements, primarily due to our role as dealer for the Central Bank in 2002;

- R$3,148 million decrease in short-term borrowing, mainly due to a decrease in our trade financing lines and the repayments of our commercial papers and other interbank borrowings; and

- R$2,364 million increase in new borrowings under long-term arrangements net of repayments, mainly due to R$1,040 million increase from the issuance of notes issued under securitization arrangements, R$536 million increase from a new issuance of subordinated debt, R$405 million increase in euronotes due to our issuance in 2003 and R$332 million increase in local onlendings (funds borrowed from BNDES) due to our organic growth.

2002

Net cash provided by operating activities

During 2002, our operating activities provided R$7,397 million net cash, as follows:

- R$2,170 million provided by our net income adjusted by non-cash items; and

- R$4,461 million provided by a decrease in trading assets resulting primarily from the reimposition by the Central Bank of reserve requirements on demand, savings and time deposits in cash.

Net cash used in investing activities

During 2002, net cash used in investing activities was R$10,835 million, consisting of:

- R$5,455 million used in purchase of securities held to maturity, offset by R$870 million proceeds from mature of securities held to maturity;

- R$2,385 million increase in deposits in cash with the Central Bank, due to new reserve requirements imposed;

- R$2,467 million increase in loans, due to our organic growth; and

- R$1,792 million used in purchase of securities available for sale, net of proceeds from sale of such securities.

Net cash provided by financing activities

During 2002, net cash provided by financing activities was R$15,039 million, consisting of:

- R$6,213 million increase in federal funds purchased and securities sold under repurchase agreements, primarily due to our role as dealer for the Central Bank;

- R$6,117 million increase in deposits, mainly time deposits, due to the movement by investors of funds away from asset management funds as a result of the introduction of the new mark-to-market rule for investment funds introduced in 2002; and

- R$3,049 million increase in new borrowings under long-term arrangements net of repayments, due to R$1,413 million increase in notes issued under securitization arrangements, R$932 million increase from two issuance of subordinated debt and R$896 million increase in local onlendings (funds borrowed from BNDES) due to our organic growth.

Interest Rate Sensitivity

Managing interest rate sensitivity is a key component of our asset and liability management policy. Interest rate sensitivity is the relationship between market interest rates and net interest revenue due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the interest rate sensitivity is offset when an equal amount of these assets or liabilities matures or reprices on that date. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. This relationship is as of one particular date only, and significant swings can occur daily as a result of both market forces and management decisions.

Our interest rate sensitivity strategy takes into account:

- the balance between expected rates of return and risk;

- the overall exposure to interest rate risk; and

- the liquidity and capital requirements.

Our management monitors maturity mismatches in our positions on a daily basis and manages them within established limits, changing positions promptly as market outlooks change.

The following table shows the repricing periods of our interest-earning assets and interest-bearing liabilities as of December 31, 2004. The information at that date may not reflect interest rate gap positions at other times and may not represent the future impact on our results. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held.

	As of December 31, 2004							
	Up to 30 days	31-90 days	91-180 days	181-360 days	1-3 years	3-5 years	Over 5 years	Total
Deposits in other banks	R$ 1,952	R$ 974	R$ 41	R$ 147	R$ 363	R$ 12	R$ 90	R$ 3,579
Federal funds sold and securities purchased under resale agreements	8,552	3,127	-	-	-	-	-	11,679
Central bank compulsory deposits	3,787	-	-	-	-	-	-	3,787
Trading	7,442	-	-	-	-	-	-	7,442
Securities available for sale	306	191	27	572	906	272	321	2,595
Securities held to maturity	685	336	53	314	1,268	432	1,750	4,838
Loans	6,161	5,884	4,330	4,409	6,546	1,652	1,121	30,103
Other	9	-	-	-	39	-	-	48
Total interest-earning assets	R$28,894	R$10,512	R$ 4,451	R$ 5,442	R$ 9,122	R$ 2,368	R$ 3,282	R$ 64,071

	As of December 31, 2004							
	Up to 30 days	31-90 days	91-180 days	181-360 days	1-3 years	3-5 years	Over 5 years	Total
Deposits from banks..........	R$ 31	R$ -	R$ -	R$ -	44	R$ -	R$ 44	R$ 119
Savings deposits................	6,346	-	-	-	-	-	-	6,346
Time deposits	1,902	4,191	4,583	4,172	6,862	2,391	-	24,101
Federal funds purchased and securities sold under repurchase agreements....................	4,657	1,233	322	198	277	-	-	6,687
Short-term borrowings	648	360	632	409	581	24	23	2,677
Long-term debt..................	696	422	723	1,301	3,296	2,074	3,188	11,700
Total interest-bearing liabilities	R$14,280	R$6,206	R$6,260	R$ 6,080	R$ 11,060	R$ 4,489	R$ 3,255	R$ 51,630
Asset/liability gap.............	14,614	4,306	(1,809)	(638)	(1,938)	(2,121)	27	12,441
Cumulative gap	14,614	18,920	17,111	16,473	14,535	12,414	12,441	12,441
Ratio of cumulative gap to cumulative total interest-earning assets............................	22.8%	29.5%	26.7%	25.7%	22.7%	19.4%	19.4%	

Exchange Rate Sensitivity

Most of our operations are denominated in *reais*. However, we traditionally have outstanding, at any given time, assets, liabilities and derivatives denominated in foreign currencies, principally the U.S. dollar. We enter into derivatives contracts, including swaps, futures and options, to manage our overall exposure, as well as to assist customers in managing their exposures. Central Bank regulations limit our maximum foreign currency exposure to 30% of our regulatory capital. As of December 31, 2004, our net foreign currency exposure was 15.4% of our regulatory capital, according to Central Bank regulation. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Macroeconomic Factors Affecting Our Financial Condition and Results of Operations—Effects of Government Regulation on Our Financial Conditions and Results of Operations —Capital Adequacy”.

As of December 31, 2004, the composition of our assets, liabilities, stockholders' equity and derivative financial instruments by currency and term was as shown below. The information below may not reflect the net exposure at that date under the Central Bank's guidelines, mainly because operations with final maturity in the following business day are not subject to changes in foreign currency as they are settled with an exchange rate of the previous day. In addition, the information at that date may not reflect the net exposure at other times and may not represent the future impact on our results.

	As of December 31, 2004			
	R$	Foreign Currency	Total	Percentage
	(in millions of R$, except percentages)			
Assets				
Cash and due from banks	R$ 858	R$ 717	R$ 1,575	2.0%
Loans, securities and other assets	59,752	13,247	72,999	93.8
Less than one year	49,951	8,276	58,227	74.8
From one to three years	6,471	2,651	9,122	11.7
More than three years	3,330	2,320	5,650	7.3
Premises and equipment, net	1,391	13	1,404	1.8
Investments in unconsolidated companies	520	16	536	0.7
Goodwill and other intangibles, net	1,587	43	1,630	2.1
Nonperforming loans	1,115	159	1,274	1.6
Allowance for loan losses	(1,276)	(284)	(1,560)	(2.0)
Total	R$ 63,947	R$ 13,911	R$ 77,858	100.0%
Percentage of total assets	82.1%	17.9%	100.0%	
Liabilities and Stockholders' Equity				
Non-interest bearing deposits	R$ 2,695	R$ 514	R$ 3,209	4.1%
Deposits, borrowings and other liabilities	53,895	12,182	66,077	84.9
Less than one year	40,680	6,593	47,273	60.7
From one to three years	9,185	1,875	11,060	14.3
More than three years	4,030	3,714	7,744	9.9
Stockholders' equity	8,572	-	8,572	11.0
Total	R$ 65,162	R$ 12,696	R$ 77,858	100.0%
Percentage of total liabilities and stockholders' equity	83.7%	16.3%	100.0%	
Derivative financial instruments	R$ 9,027	R$ (2,104)	R$ 6,923	
Net exposure		R$ (889)		

Trend Information

Looking at 2005, we believe that Brazil will experience moderate economic growth, primarily as a result of a more stable economic and political environment. Although spreads are expected to fall, we believe the attractive economic environment will lead to higher confidence levels, and consequently a higher demand for loans, offsetting the margin compression, and leading to higher fees and commission revenues through the increase of cross selling.

Our Retail segment, particularly our consumer finance and SME businesses, are well positioned to benefit from the opportunities of higher demands for loans. Furthermore, with our improvements in credit risk analysis, we believe that we can expand our businesses without compromising credit quality. In addition, we will continue to focus on organic growth, strategic acquisitions and cross selling to increase profitability and retention rates. These initiatives should lead us towards economies of scale and lower transaction costs.

We expect to realize growth in our Wholesale segment by identifying and targeting our corporate clients' financial needs. We believe that our restructuring and the integration of our domestic network will help us achieve that goal by leading us to a higher level of customization and new product offerings, such as derivative products.

We also expect to continue our growth in our Insurance and Pension Plans segment, mainly in commercial lines and in property risks, such as D&O, aviation, and petrochemical insurance, among others. Additionally, we believe our market share leadership for extended warranty products should enable us to sustain and improve our results for the segment.

In our Wealth Management segment, we believe our market position and our unique business model should allow us to maintain our growth and competitiveness.

We believe our profitability will be enhanced in the long-term mainly as a consequence of recent developments to our businesses and new organizational structures. Additionally, we will continue search for improvements in expense controls, such as:

- improving cost efficiency by frequently reviewing our policies for administrative expenses, and by pursuing greater synergy among our different businesses in order to simplify controls and processing of documents;

- consolidating back office units, such as credit concession and call centers, to ensure simpler and less expensive processes, as well as consolidating our international platforms;

- reviewing all of our logistics, including transportation routes and suppliers; and

- outsourcing some of our processes that increase administrative expenses, such as document and check processing.

We seek to improve quality in processes that directly impact the quality of our financial services. For this purpose, we have recently created a consolidated quality department to manage all customer related issues regarding financial products and services. In addition, we created an exclusive ranking with customer complaints, which should lead us to resolve critical demands and offer solutions more promptly.

BUSINESS

Overview

Founded in 1924, Unibanco is Brazil's oldest private-sector bank. From our longstanding position as one of the nation's leading wholesale banks, we have expanded our operations to become a full service financial institution providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Brazil. Our corporate purposes are set forth in Article 2 of our by-laws. Our businesses comprise the following segments: Retail, Wholesale, Insurance and Pension Plans and Wealth Management. See Note 32 to our U.S. GAAP consolidated financial statements for additional information on our four reportable segments. All information contained in this analysis, unless otherwise expressly stated, was prepared in accordance with US GAAP.

We are one of the largest private-sector financial institutions in Brazil and have grown substantially both through organic growth and acquisitions. As of December 31, 2004, on a consolidated basis, we had:

- R$77.9 billion in total assets;
- R$31.4 billion in total lending, leasing and other credits;
- R$33.8 billion in total deposits; and
- R$8.6 billion in stockholders' equity.

Our consolidated net income for the period ended December 31, 2004 was R$2,063 million, representing a return on average equity of 26.9% and a return on average assets of 2.8%.

Our equity securities have been publicly traded on the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or BOVESPA, since 1968. In 1997, we became the first Brazilian bank to list its equity securities on the New York Stock Exchange, or NYSE. As of March 31, 2005, the total market value of our equity securities, based on the closing price of our GDSs, was R$12.8 billion.

Our legal name is Unibanco–União de Bancos Brasileiros S.A. Our address is Avenida Eusébio Matoso 891, zip code 05423-901, São Paulo, SP, Brazil. Our telephone number is (5511) 3097-1980. Our web site is www.unibanco.com. We are a corporation (*sociedade anônima*) and were incorporated on May 27, 1967 in accordance with Brazilian law, under the corporate register identification number (*Número de Identificação do Registro de Empresas*), or NIRE, of 35300102771.

Recent Acquisitions, Joint Ventures, Alliances and Divestitures

We have built our competitive position in the Brazilian financial services market and significantly increased our scale through organic growth and carefully chosen strategic transactions and alliances. We believe that each of our business segments provides a solid platform for carefully managed future growth. The following is a summary of our recent important acquisitions, joint ventures, alliances and restructuring.

Acquisitions

Retail and Wholesale

BNL Brasil. In June 2004, we announced the acquisition of all of the capital of BNL Brasil, from BNL, and BNL Group. BNL Brasil's total capital was valued at R$109.7 million and BNL received one billion of our Units (before our reverse stock split implemented in August 2004) representing 1.43% of our capital, in the transaction. BNL Brasil had a credit portfolio of R$715,9 million and a credit card and consumer finance operation with approximately 107,000 clients and 96,000 cards issued at the time of the acquisition.

Banco1.net. Banco1.net is a banking and financial services website established through a strategic alliance between us and Portugal Telecom Brasil S.A., or Portugal Telecom. During the third quarter of 2004, we announced the acquisition of 17,607,235 common and preferred shares of Banco1.net, mainly from Portugal Telecom for R$38 million. Banco1.net was fully integrated into our Retail business in November 2004.

Dibens. On June 3, 2005, we signed an agreement to acquire the remaining 49% of the capital of Banco Dibens S.A., from Grupo Verdi. The value of the transactions was R$128 million.

Consumer Finance

HiperCard. On March 1, 2004, we announced the acquisition of HiperCard from Koninklijke Ahold N.V., or Royal Ahold, for R$630 million. HiperCard started as a private label credit card company for the Bompreço chain of supermarkets and is now a fully independent credit card company with cards presently accepted in more than 70,000 points-of-sale in Northeastern Brazil. As of December 31, 2004, HiperCard had 2.7 million cards issued and a loan portfolio of R$1,100 million. Simultaneously with this transaction, Royal Ahold sold the BomPreço Supermarket chain to Wal-Mart.

Creditec. In May 2004, we concluded the acquisition of Creditec, from Grupo BBM for a purchase price of R$50 million. Creditec has a significant presence in the Brazilian personal loans and consumer finance sector among middle and lower income customers. Creditec had approximately 600,000 registered clients in May 2004 and operates throughout Brazil, with a strong presence in the states of Rio de Janeiro and São Paulo, as well as in Northeastern Brazil. The acquisition did not include Creditec's credit portfolio. Creditec's network, which consists of stores and inside retailers, was fully integrated into Fininvest network.

Insurance and Pension Plans

Cigna. In March 2003, Unibanco AIG acquired the Cigna Seguradora S.A. private pension portfolio, adding 120 corporate plans with approximately 10,000 participants, and R$149 million in reserves.

Phenix. In October, 2003, UASEG entered into an agreement to acquire the insurance company Phenix from Toro Targa Assicurazioni SpA. and Fiat do Brasil S.A., or Fiat. The value of the transaction was R$13 million. In connection with this acquisition, UASEG entered into a strategic partnership with Fiat, a large automobile manufacturer in Brazil, that allowed access to Fiat's customer base and corporate insurance customers. Additionally, UASEG began to manage Fiat's employee pension plans.

Unibanco AIG Warrant (UAW). In November 2004, we acquired from Multibrás S.A. Eletrodomésticos a 20% interest of the total capital of Unibanco AIG Warrant. As a result of this transaction, Unibanco owns an indirect interest of 70% of Unibanco AIG Warrant's capital.

Wealth Management

Unicorp. In April 2002, the Central Bank approved the acquisition by our subsidiary, Unipart Participações Internacionais Ltd., of the remaining 24.5% of the total share capital of Unicorp from the Moreira Salles Group for US$36 million.

Pictet Modal. In January 2003, we entered into an agreement pursuant to which the administration and management of the funds managed by Pictet Modal were transferred to Unibanco and Unibanco Asset Management, or UAM, respectively. The transfer involved nine fixed income funds and three equity funds with aggregate total assets under management of approximately R$267 million as of January 17, 2003.

Joint Ventures and Alliances

Ford Credit Brazil. In January 2002, Unibanco-Rodobens, our consortium finance arm, and Ford Credit Brazil established a joint venture for the sale of cars and management of groups of the National Ford Consortium, a financing goods system based on installment plans.

Grupo Martins/Tricard. In July 2003, our subsidiary Unicard and Tricard Administradora de Cartões Ltda, a subsidiary of Martins Group, one of Brazil's largest wholesale distributors, entered into a partnership to manage the SuperCompras and FarmaPlus private label cards offered to the clients of retailers served by Martins Group. As of December 31, 2004, there were approximately 557,043 Tricard credit cards issued through a distribution network comprised of 4,302 retailers.

Sonae. In August 2004, we announced the establishment of a new credit company with Sonae Distribuição Brasil S.A., or Sonae, a Portuguese group that owns the Big, Nacional, Mercadorama and Maxxi supermarkets chains. We will offer private label cards, consumer finance, personal lending and insurance, among other consumer credit products to Sonae customers. The value of the transaction was R$21 million, due to identifiable intangible assets. The establishment of this credit company is subject to approval by the relevant authorities.

Divestitures

Credicard/Orbitall. On November 8, 2004, we, Citigroup and Itaú announced a shareholder reorganization of Credicard Banco, or Credicard. In connection with the reorganization, we sold our interest in Credicard to Banco Itaú S.A., or Itaú, and Citigroup. Each of the companies now holds 50% of Credicard's capital stock. We and Citigroup also sold our interests in Orbitall to Itaú. The total sale price for the 33.3% ownership of Unibanco in Credicard and Orbitall was R$ 1.7 billion. This shareholder reorganization did not include any changes in Redecard's shareholders' structure. Redecard continues to be owned by us, Citigroup and Itaú, each with 31.9% and Mastercard with a 4.2% ownership.

Recent Developments

Wal-Mart

In February 2005, Unibanco and Wal-Mart announced that they will make the HiperCard credit card available for use in all Wal-Mart stores in Brazil. Customers who live in the states of São Paulo, Minas Gerais, Rio de Janeiro and Paraná will also have access to the HiperCard credit card, which was created in 1982 and is accepted in over 70,000 commercial establishments in the northeast of Brazil. Wal-Mart's approximately 500,000 credit cards will be gradually replaced by HiperCard credit cards.

Unibanco's New Brand

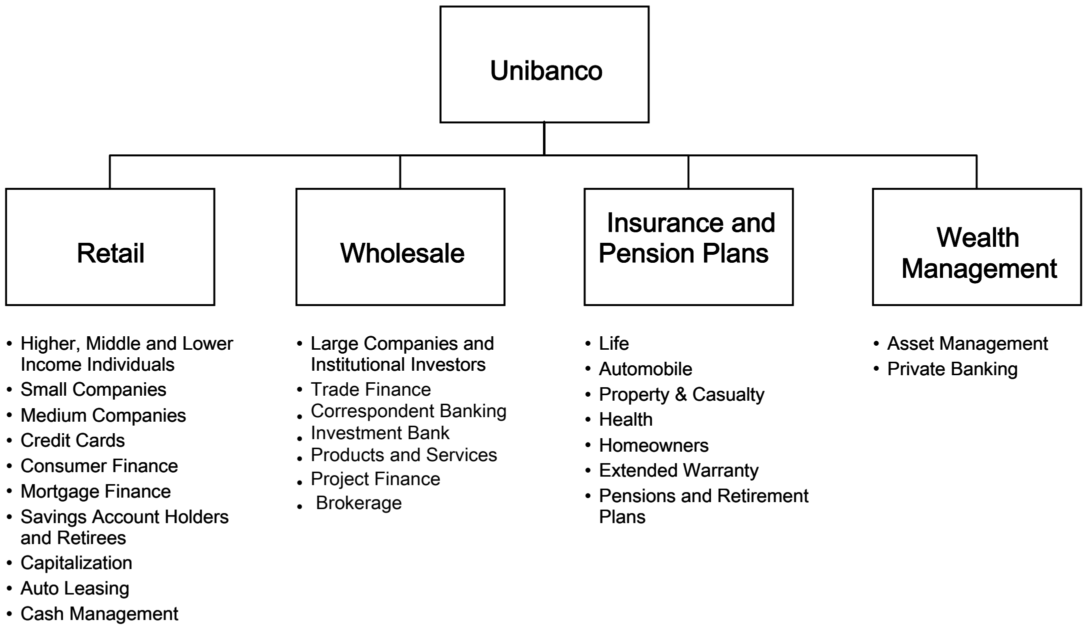
On March 21, 2005, we launched our new brand which includes new official colors and a new logo. The new brand has blue as the main color and green as the supporting color, replacing our former official colors, black and white. The Unibanco logo, which was created in the 1960s, has also been redesigned to provide more movement and lightness to the brand.

Capital Expenditures

During the period from 2002 to 2004, our capital expenditures consisted primarily of expenditures for data processing to automate our branch network and for computer systems, communication equipments and other technology tools designed to increase the efficiency of our operations, the services offered to our customers and our productivity. For further details regarding the amount and nature of our capital expenditures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Liquidity & Capital Resources–Uses of Funding."

Our Businesses

The following diagram shows our principal lines of business:



Retail

Our Retail business provides a wide variety of credit and non-credit products and services, including:

- Banking services focused on individuals;
- Banking services focused on corporate clients with revenues of up to R$150 million per year (SMEs);
- Credit cards; and
- Consumer and automobile financing.

We separate both individuals and companies into smaller groups according to income brackets to enable us to offer differentiated products and services to these clients. By doing this, we increase our competitiveness in the market. While we traditionally have focused on middle and upper income clients, we have begun to market services to lower-income individuals. We believe this market segment will be a significant source of future growth in our retail business. We have also developed a strong presence in the consumer finance sector through our subsidiaries Fininvest, Unicard, HiperCard and Banco Dibens S.A. and our strategic alliances with Magazine Luiza, or LuizaCred, Ponto Frio, or PontoCred, and Sonae.

We believe we are one of Brazil's largest credit card issuers in terms of cards issued, primarily through our subsidiaries Fininvest, Unicard and HiperCard.

For the year ended December 31, 2004, we had total loans of R$15,653 million, fees and commissions of R$1,858 million, and net income of R$1,645 million from our Retail business.

Individuals

We provide our individual customers with fee-based products and services, including use of ATMs, phone and personal computer banking and fund transfers. We also make secured and unsecured personal loans in *reais* for overdraft short term lines of credit, loans for consumer purchases, leasing and individual lines of credit. Individuals are segmented into three different groups: those earning more than R$4,000 per month (*UniClass*), those earning from R$1,301 to R$4,000 per month (*Exclusivo*) and those earning from R$350 to R$1,300 per month (*Especial*).

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

- products and services tailored to their needs;
- a specialized call center that we believe offers higher quality service, including dedicated customer service representatives;
- specialized branches for *UniClass* customers, called "*Espaco UniClass*"; and
- a specialized team of account officers within our extensive distribution network.

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

In the *Especial* group, we face more intense competition. We focus on retired individuals and employees of companies to which we provide payroll services, and we believe that our relationships with companies in our Wholesale business give us a competitive advantage to offer payroll services. We offer retired individuals special treatment, such as special service hours and pre-approved credit lines. Consequently, these clients who would ordinarily only withdraw their monthly income may also take advantage of our products and services.

Small and Medium Companies

We serve approximately 520,000 small and medium companies with annual sales of up to R$150 million, or SMEs, consisting primarily of retailers. As of December 31, 2004, we had outstanding loans to SMEs of approximately R$6.2 billion, or approximately 19.8% of our total loan portfolio.

For companies with annual sales up to R$5 million, we offer products and services through branch account officers that are dedicated to this group. Companies with annual sales ranging from R$5 million to R$150 million, which tend to require customized products and services, are served by Unibanco Empresas, a separate group of account representatives.

Distribution Network

As of March 31, 2005, we and our associated companies, Fininvest, LuizaCred, PontoCred and Tecban, and Banco 24 Horas, had a distribution network with over 15,000 points of distribution throughout Brazil, consisting of the following:

- 908 branches;
- 363 corporate-site branches;
- 255 Fininvest stores;
- Over 11,600 Fininvest points of sale (retailers);

- 250 LuizaCred points of sale, including 52 recently acquired Arno stores;
- 340 PontoCred points of sale; and
- 2,614 Banco 24 Horas sites.

Branches

Our branch system serves as a distribution network for all products and services offered to our retail customers. Our 908 full-service branches accept deposits, provide cash withdrawals and offer the full range of our retail banking products, such as checking accounts, consumer loans, automobile financing, credit cards, loans to small-sized companies, leasing, insurance, asset management services and payment of bills, including bills for taxes and public services. Our search for alternative distribution channels led to our introduction of in-store banking in 1998, then a new concept in Brazil. To continue this project, we have entered into partnerships with retailers such as, Carrefour, Sendas, Wal-Mart, Sonae and others. The majority of our contracts gives us exclusivity with respect to these services.

Corporate-Site Branches

We offer retail banking services to corporate customers and their employees through special banking branches located in the premises of corporate customers. Our network consists of 363 corporate-site branches. In the case of retail and smaller corporate customers, corporate-site branches may consist solely of an automated branch. In the case of large corporate customers, corporate-site branches consist of an average of four employees dedicated to serving the corporation and its employees.

ATMs

We operate approximately 7,500 ATMs for the use of our customers. In addition to our proprietary network, we participate in the shared ATM network operated by our affiliate, Tecnologia Bancária S.A. This network has approximately 2,600 machines throughout the country, and serves clients of approximately 50 banks, which makes it the largest ATM network in Brazil. Clients of banks associated with Tecnologia Bancária S.A. can withdraw cash through the ATM network for a fee, allowing us to increase our income and optimize our capabilities.

"30 Hour" Services

Over the last ten years, we have been innovative in the distribution and promotion of remote banking services. Initially, we used the telephone as an instrument for banking transactions and as a marketing tool. Our "30 Hour" services provide clients electronic banking services such as cash withdrawal, pre-printed checkbooks, account statements and investment services 24 hours a day. The "30 Hour" services are convenient for our clients and cost-efficient to us. The original concept of a call center was converted into a contact center, using the "30 Hour" telephone service as a customer relations and sales force platform. The majority of the calls are taken care of by an electronic voice reply system. This system identifies individuals as potential purchasers of products and transfers the call to an operator. This is possible due to the use of Customer Relationship Manager, or CRM, tools.

Internet Banking

We provide a variety of retail banking services, including opening accounts, utility bill payment, wire transfers, and mutual funds, through our Internet banking services. Since April 2000, we have also offered a variety of mobile "30 Hour" services, enabling clients to access their banking information from their cellular phones, PDAs or e-mail. As of December 31, 2004, we had approximately 1.7 million registered users of our Internet banking services. During 2004, we processed approximately 170 million Internet transactions, an increase of 67% over 2003.

Funding

Our Retail business is an important source of funding for us. 45.1% of our total deposits (excluding mutual funds), as of December 31, 2004, were from retail customers. Our extensive distribution network and strong deposit base support our Retail operations. As of December 31, 2004, Retail deposits (excluding mutual funds) were R$15,222 million, an increase of 20.5% compared to December 31, 2003. This was supported by a balance of R$1,625 million in our Superpoupe portfolio as of December 31, 2004.

Loans

As of December 31, 2004, retail loans including loans by our subsidiaries and affiliates, were 49.9% of our total loan portfolio and, our loans to small and medium companies and individuals were R$6.2 billion. We believe we are well positioned to expand our retail loan assets when Brazil's trends include declining interest rates and unemployment.

Consumer Finance

We have developed a strong presence in the consumer finance sector through our subsidiaries Fininvest, HiperCard, Unicard and Banco Dibens S.A. and our strategic partnerships with LuizaCred, PontoCred, and Sonae.

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

We believe we are one of Brazil's largest credit card issuers in terms of cards issued, primarily through our subsidiaries Fininvest, Unicard, and HiperCard. We offer credit card products, including Visa, MasterCard and Diners Club cards, to our customers through these subsidiaries. All three subsidiaries employ modern credit review procedures. Each credit card application is reviewed based on credit scoring and consumer behavior scoring systems. Our associated credit card companies offer cardholders revolving lines of credit, requiring a minimum payment of the outstanding account balance as well as credit in installments.

Unicard. Unicard's credit portfolio reached R$1,708 million as of December 31, 2004. As of December 31, 2004, we had 4.8 million cards issued, a 9.1% increase compared to December 31, 2003.

We provide customers with a credit decision on-line, in *real* time, in all of our distribution networks, with a thirty-second response time from the initial credit request, since 2002, when the Capstone system was employed in our branch network. The Capstone system compiles business intelligence and analytical customer relationship management for a credit decision platform used widely in banks. Prior to 2002, this system was available only for sales realized through internet and telemarketing.

Fininvest. Fininvest provides loans mainly to lower-income individuals and also offers regular and private label credit cards. Fininvest's credit portfolio was R$1,565 million as of December 31, 2004, a 30.5% growth from December 31, 2003. As of March 31, 2005, Fininvest had 255 stores, over 11,600 points-of-sale and 7.6 million private label accounts.

HiperCard. HiperCard started as a private label credit card company for the Bompreço chain of supermarkets and is now a fully independent credit card company with cards presently accepted in over 70,000 points-of-sale in Northeastern Brazil. As of December 31, 2004, HiperCard had a credit portfolio of R$1,100 million, and 2.7 million cards issued.

We and Wal-Mart announced in 2004 that we will make the HiperCard credit card available for use in all Wal-Mart stores throughout Brazil. Wal-Mart's almost 500,000 credit cards will be gradually replaced by the HiperCard credit card.

Credicard Group. In November 2004, we, Citigroup and Itaú announced a shareholder reorganization of Credicard in which we disposed of our approximately one-third interest in Credicard. This reorganization did not include any changes in Redecard's structure, which remained the same. Established in 1996, Redecard is responsible for the processing of credit and debit transactions of the MasterCard, MasterCard Electronic, Maestro, Diners Club International and RedeShop brands in Brazil. Redecard also provides some products and services for their customers, such as leasing to retailers machines used for the processing of debit and credit transactions. Debit card use has been increasing in Brazil. We have a 31.9% interest in Redecard, and Citibank N.A., Banco Itaú and Mastercard also hold interests in the company.

Savings and Annuity Products

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

Mortgage Loans

As of December 31, 2004, we had approximately R$1,144 million in mortgage loans outstanding. Brazilian law requires banks to provide a minimum level of housing financing equal to at least 65% of the bank's savings deposits. However, banks may reduce their minimum lending requirements with credits against the Brazilian government housing fund (*Fundo Nacional de Compensação de Variações Salariais*), or FCVS.

Cash Management

Our cash management unit provides the tools to optimize companies' cash flow management, making payments and processing receivables more simple, efficient and productive. As of December 31, 2004, approximately 91,000 customers used our cash management services, including payments and collections, a 6.9% increase compared to 2003.

Wholesale

Through our Wholesale business we provide a wide array of products and services, including: general and specialized corporate lending, trade finance, capital markets and investment banking services, investment and brokerage services, project finance, and mergers and acquisitions advice to approximately 500 institutional investors and over 2000 corporations and financial institutions. We serve these clients through a network of regional offices combined with a presence in major financial centers throughout Brazil.

For the year ended December 31, 2004, we had total loans of R$15,027 million, fees and commissions of R$282 million and net income of R$162 million from our Wholesale banking business.

The Wholesale business experienced some structural changes in 2004 with a change in focus to domestic and multinational companies with sales greater than R$150 million and credit lines above R$6 million. Loans to large customers may be collateralized according to the guidelines of our internal credit rating system.

Wholesale Network

We use our regional and international network to offer a variety of products to our clients. Our subsidiaries and branches located abroad raise capital for trade finance and lending to our clients. We have five regional offices (in São Paulo, Rio de Janeiro, Minas Gerais, São Paulo countryside / Mid-West and South) and 11 regional branches. Due to the reorganization that took place in June 2004, some branches were integrated into others, optimizing our distribution network in the Wholesale business. Each of our corporate customers is assigned a dedicated banker, who is responsible for the day-to-day relationship with the customer and for assisting our clients' operations throughout Brazil. These customers also benefit from our offices abroad.

Our international network consists of the following:

- branches in Nassau and the Cayman Islands;
- representative offices in New York;
- banking subsidiaries in Luxembourg and the Cayman Islands; and
- a brokerage firm in New York (Unibanco Securities Inc.).

Wholesale is organized as follows:

International Trade Finance and Correspondent Banking

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

Commercial

We supply services to a diverse group of Brazilian companies. We have structured our operations so as to identify synergies among the different product areas. For instance, account managers or executives are in charge of developing and maintaining the strong relationship with our corporate clients.

Investment Bank Products

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

Brokerage

Our Brazilian brokerage operation offers equity and debt securities and derivatives products and provides trading services on Brazilian exchanges for institutional customers. It also provides research on over 60 listed companies.

Project Finance and Privatization

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

Treasury, Trading and Derivative Activities

Our treasury unit conducts financial transactions for our corporate customers as well as for our proprietary portfolio. Our treasury group trades fixed income Brazilian government securities, derivative financial instruments and bank and corporate debt securities, prices loans and investment products for the Retail and Wholesale business segments, engages in foreign currency trading and enters into derivative transactions, such as swaps for global hedging and arbitrage purposes. Since March, 2005 it has been operating as an independent business unit.

Insurance and Pension Plans

In October 1997, we established a partnership with AIG. We acquired approximately 50% of the equity of each of the AIG Brasil companies, each of which have been merged into AIG Brasil Companhia de Seguros, or AIG Brasil, and AIG acquired approximately 50% of the equity of UASEG. While AIG holds a slight majority of the total equity of UASEG, we have managerial control of UASEG, subject to approval of AIG on certain strategic issues. AIG has control of AIG Brasil, similarly subject to our approval on certain strategic issues. We offer individual life, automobile, personal accident, personal property and warranty insurance among other corporate insurance products as well as individual and corporate pension plans.

Our insurance and pension fund companies ranked fourth in Brazil in consolidated terms of total premiums, as of December 2004, according to the Brazilian Private Insurance Superintendency (*Superintendência de Seguros Privados*), or SUSEP, the National Association of Private Pension Plans (*Associação Nacional de Planos de Previdência Privada*), or ANAPP, and the National Health Agency (*Agência Nacional de Saúde Suplementar*), or ANS, with a 7.9% market share (which does not include extended warranties).

In 2004, insurance, insurance private retirement plans and pension investment contract income was R$1,775 million and total net income of the insurance segment was R$153 million, based on our proportionate share of the joint venture.

Insurance

UASEG has the exclusive right to distribute insurance products through our branch network to our Retail and Wholesale customers. We believe that this distribution channel gives us a competitive advantage over many insurance companies that are not affiliated with financial institutions. Because approximately half of UASEG's insurance premiums are generated through customers of our network, we benefit from significant cost savings and marketing synergies. UASEG also markets its insurance products through approximately 12,000 independent brokers and Unibanco's call center, website and in-store branches. AIG Brasil distributes products through banks, financial institutions and mass marketing programs to affiliated groups.

We also offer an extended warranty program for household appliances, marketed by Unibanco AIG Warranty S.A, or UAW, our joint venture with Multibrás, the largest Brazilian home appliance manufacturer.

Pension and Retirement Plans

Unibanco AIG Vida e Previdência S.A., or Prever, our subsidiary, manages reserves that consist of pension and retirement contributions made by institutional clients and individuals and serves approximately 1,231 corporate clients and 733,000 individual customers, of which approximately 217,000 come from corporate clients.

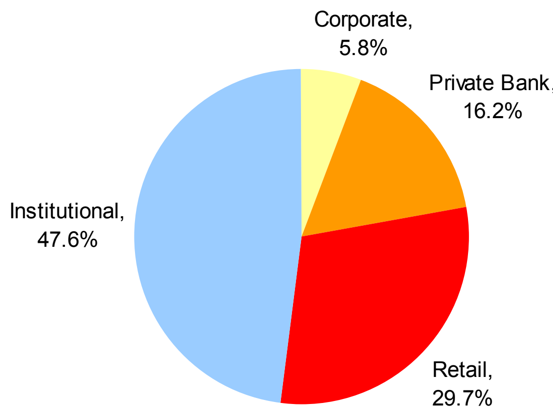
As of December 31, 2004, Prever ranked fourth in Brazilian pension plan revenues with an 8.1% market share, according to ANAPP's official data.

Wealth Management

In March 2002, the private banking and asset management businesses were combined to form the Wealth Management business. The asset management business is conducted primarily through our subsidiary Unibanco Asset Management, or UAM. UAM offers fixed income and equity mutual funds to individual customers and manages portfolios on behalf of corporations, pension funds and private banking clients. Through Unibanco Private Bank, we provide wealth management services targeted to high net worth individuals with potential investment portfolios over R$3 million.

In 2004 we directed our efforts towards strengthening our position both in the Asset Management and Private Bank markets by focusing on funds and portfolio performance enhancement and consistency. In addition, we made some changes in our organizational structure in order to further explore synergies within the unit.

Assets under Management as of December 31, 2004



Asset Management

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

As of December 31, 2004, UAM had R$27,765 million in assets under management and fees and commissions of R$321 million. Net income from our Wealth Management segment was R$104 million in 2004. As of December 31, 2004, UAM was ranked fourth in the Investment Banks and Distributors National Association's (*Associação Nacional de Bancos de Investimento e Distribuidoras*), or ANBID's, ranking of private third parties' assets under management with a market share of 4.0%.

Private Banking

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

R$4.9 billion of the assets under management came from investment in funds and managed portfolios, representing a market share of 9.3%, holding the second position in the segment's ranking published by ANBID in December 2004.

Business Strategy

Since the second quarter of 2004, we have implemented important changes to our internal structure. Our new business model focuses on (i) increasing business return; (ii) fostering a collaborative environment; (iii) continuing excellence in human resources; and (iv) reinforcing our focus on our Retail and Wholesale businesses. The main changes include:

- the election of a single CEO;
- the establishment of an Audit Committee;
- the addition of new members to the Board of Directors;
- the restructuring of the Retail business to include Middle Market and Cash Management (which were formerly under the Wholesale business);

- new attributions to the CFO: IT, Support and Back-Office areas and Efficiency Planning;

- the establishment of a Corporate Communication area (which consolidates the marketing functions of all businesses);

- the establishment of an independent Risk Management department, formerly under Planning & Control, together with the Legal department and the Auditing department, reports directly to the CEO; and

- the establishment of an independent Treasury department, formerly under Wholesale, also reporting directly to the CEO.

Guiding Principles

Our objective is to maintain and enhance our position as a leading Brazilian full service financial institution operating in all business segments. To achieve this objective, we have developed strategies tailored to each of our business areas based on the Balanced Scorecard Methodology, a model designed to translate strategy into operational terms. Our business strategy is to add economic value through continuous pursuit of scale, profitability and efficiency maximization. We seek to increase our client base, including through cross-selling among our different businesses and to achieve high client satisfaction in all products and services, through excellence in internal procedures, such as customer relationship, optimized distribution, credit quality and synergy processes. In order to achieve this, our aim is to excel in human resources, promote a cooperative culture, meritocracy, and a stimulating, challenging and pleasant work environment.

In August 2003 we became the first Latin American institution to appear in the Balanced Scorecard Hall of Fame, which recognizes companies that excel in the implementation of the Balanced Scorecard model.

Continuous Pursuit of Scale and Profitability

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

We have focused our growth strategy on expanding our retail customer base by offering new products, such as the S*uperpoupe* time deposit, and through acquisitions, alliances with retailers and organic expansion of our operations. More recently, we have also focused on growing our SME customer base by designating a separate SME division within our retail business and training members at all of our branches to better serve these customers. We believe this strategy will contribute to improvements in our profitability and help lower our cost of funding.

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

Continuous Efficiency Maximization

We focus on controlling our costs as well as our investments across all areas of our business to help maximize returns. For example:

- When we make an acquisition, we analyze the opportunities for increasing revenues, reducing expenses and realizing other cost savings in connection with the integration of the newly acquired business. When we integrated Fininvest in 2003, operations such as buying, security, legal, card processing, data processing, system development, credit and credit recovery were integrated into our existing structures. We have also integrated the operations of the recently acquired Creditec and HiperCard businesses;

- We reviewed certain of our expenses, including policies for travel reimbursements, use of telephone services, meal expenses and transportation. We believe these policies promote savings and establish a greater commitment to efficiency in our corporate environment;

- We have identified and implemented internal synergies between our businesses that we believe enable us to simplify the sale of foreclosed assets, controls, and the processing of documents;

- We have established a single credit concession and recovery unit for all retail linked units called Credit Factory (*Fábrica de Crédito*);

- We are in the process of reviewing all of our logistics, including transportation routes and suppliers, evaluation and assessment;

- We have consolidated and restructured our international platforms; and

- We also outsourced our document processing services such as checks processing.

Retail Strategy

Increase Scale

We believe that our ability to maintain our position as a leading full service financial institution depends, in part, on maintaining and increasing scale in our retail business. We have increased scale through organic growth, strategic transactions initiatives, and several new cross-selling opportunities through our subsidiaries and strategic partners. As of December 2004, our total retail portfolio was R$15,653 million, representing 49.9% of our total loans, compared to 38.3% in December 2003.

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

In March 2004, we announced our acquisition of HiperCard. HiperCard started as a private label credit card company for the Bompreço chain of supermarkets and it is now an independent credit card company with cards presently accepted at more than 70,000 points of sale in Northeastern Brazil. As of December 31, 2004, HiperCard had 2.7 million cards issued.

Enhance Sales to Existing Customer Base through Innovative Products and Service Offerings

We view scale not only in terms of the size of our customer base, but also as a function of the number of products we are able to sell per customer. Improving our product-per-client ratio has a positive impact on profitability, since it is less expensive to sell an additional product to an existing customer than to acquire a new customer. We believe that continually developing and marketing tailored and innovative products to serve the needs of specifically identified customer segments increases our ability to sell multiple products per client. An example of this is our Superpoupe portfolio, which had a balance of R$1,625 million as of December 31, 2004. Superpoupe is a time deposit certificate offered to Unibanco customers with a cost of funding that is less than the cost of a traditional time deposit certificate.

We have increased our market penetration through cross-selling and new products and offers such as Tarifa Zero, in which fees are based on the client's historical relationship with Unibanco; Plano Único, a letter of credit issued in connection with the purchase of *real* estate which permits clients to repay the credit over an extended period of time with guaranteed delivery on 36 months from the first installment and the remaining balance could be paid on 100 monthly installments; and consignment credit offerings to private or government employees with credit card usage and personal credit lines.

Wholesale Strategy

Enhance Our Market Position in Brazilian Wholesale

Through our Wholesale business, we seek to be the bank of choice for corporations and investors with interests in Brazil. Our strategy combines the strength of a commercial bank with the agility of a leading investment bank. Our deep knowledge of our clients and their business coupled with our financial capabilities allow us to establish credit limits and structure transactions in a differentiated way. Throughout 2004 and the first half of 2005, we have been developing a new regional coverage strategy maintaining a close relationship with our clients and supplying them, in their day-to-day financial needs, with diversified products and services, including working capital credit lines, foreign exchange lending, banking services, corporate finance, advisory services and derivative products.

We are one of the leading Brazilian banks participating in the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, programs. As of December 2004, Unibanco ranked third among private-sector banks in terms of total BNDES disbursements, with a 7.52% market share, according to the official BNDES ranking list.

Insurance Strategy

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

We believe that Brazilian economic growth will present opportunities for the country's insurance industry, as Brazilians' spending on insurance products currently lags behind that of many other developing countries. We intend to take advantage of this growing market by using our sophisticated product development capability to focus our insurance offerings on value-added products. By maintaining high levels for our underwriting criteria, our products are more profitable than the relatively commoditized, market-standard products offered by many of our competitors. We believe that our Insurance business has the best mix of products among the five largest insurers in Brazil. In developing insurance products for corporate clients, we have achieved leading market positions in a variety of specialized areas, including directors and officers (D&O) insurance, and insurance and coverage products for the petrochemical, transportation, property and aeronautic sectors. Our focus on developing and offering value-added insurance products is supported by our joint venture with AIG, which gives Unibanco access to AIG's expertise in product development and reinsurance, as well as a valuable brand name.

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

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

Pension Plan Strategy

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

Wealth Management Strategy

Be the Leading Provider of Wealth Management Services in Brazil

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

As of December 31, 2004, UAM had R$27,765 million in assets under management and was ranked fourth in ANBID's ranking of private third parties' assets under management with a market share of 4.0%. Unibanco Private Bank was ranked second in ANBID's ranking of the private banking segment with a market share of 9.3%.

During the second quarter of 2004, we created a new approach exclusively for customers with investment portfolios greater than R$ 200,000, which consists of management of their investments by offering specific services and products to this segment.

Risk Management

Risk management is an independent unit responsible for identifying, measuring and managing market, credit and operational risk on an institution-wide basis. Through the development and use of tools based on the best practices adopted in the market, we seek to optimize our risk-return relation, as well as to assure the continuous improvement of risk management in all organizational levels. Risk Management at Unibanco is based on tools and parameters associated with risk/return optimization, taking into account, among others, risk diversification and maximum exposure limits.

Credit

Credit risk is related to the ability of a borrower to meet its financial obligations and is associated with exposures that are more likely to be held to maturity, such as corporate and retail loans. Our credit policy is designed to manage risk while maintaining the flexibility required by market conditions and customer needs. We limit our credit risk exposure by avoiding concentration on single clients or particular sectors. Our credit policy establishes various approval levels for both retail and wholesale customers. Depending on the size and type of exposure and the customers' prior credit history, approval levels range from the branch general manager or account manager to the Retail or Wholesale credit committees, which are composed of members of senior management. Our centralized credit decision making process is based on strict credit limits, set by the Wholesale and Retail committees. We pre-approve credit limits to our customers based on their creditworthiness and size. We believe these limits and pre-approved credit lines, as well as a rigid hierarchical approval structure and committees, assure a robust credit risk management process.

Wholesale

Our Wholesale business encompasses economic groups with annual sales in excess of R$150 million. The risk evaluations are carried out on an individual and periodic basis, by means of a proprietary risk rating system with 14 levels of risk (from AA1 to H). The system comprises quantitative and qualitative elements, such as the company's economic and financial status, management capacity, financial background, relationship with us and the conditions of the market in which it operates, among others. Credit lines for corporate customers are reviewed every 60 to 360 days, depending on the borrower's rating and the economic environment. The rating system is structured as follows:

- AA and A are very stable with minimal credit risk and considered to be financially very sound;

- B and C are less stable and require close monitoring (loans to companies ranked B and C are usually short-term, require significant security and other credit support);

- D, E, F and G are higher risks or have potential problems; and

- H are poor credit risks (defaults) and fully provisioned against.

We review credit lines for corporate clients every 60 to 360 days, depending on the borrower's rating and the external credit environment. For companies ranked B and C, we generally conduct a credit review every 90 days. With companies ranked A, we generally conduct a credit review every 180 days and with those ranked AA, every 360 days. As of December 31, 2004, approximately 90.1% of our wholesale loan portfolio ranked between AA and C.

Retail

Credit management in our Retail banking business is characterized by the processing of a large volume of credit requests, which requires specialized systems and processes. Our Retail business includes individuals, as well as firms with annual sales of up to R$150 million. Exposures to individuals and companies with sales of up to R$5 million are managed through proprietary statistical credit scoring and behavior scoring tools, in line with the portfolio's high volume of customers. Companies with annual sales in excess of R$5 million, in turn, are evaluated through a risk rating system, similar to the one used in the Wholesale business.

Operational Risks

Operational risks are related to an institution's losses, due to its systems, services, products, processes and operations which may be adversely affected by human error, damaged support infrastructure, fault modeling, business environment changes or other adverse market conditions.

To achieve the maximum risk-return relation, as well as to meet the requirements of international market practices and the internal regulations of the Brazilian financial market, we have an internal and independent control structure. We aim to stimulate and maintain an internal culture focused on integrated risk management. We believe that operational risk management is a fundamental tool to the decision process and to competitive differentiation.

One of our work tools is the Internal Control System, which is available on our corporate internal internet portal and is accessible by our group's areas. This self-assessment process includes periodic evaluations whereby managers describe the main activities in their areas, identify the potential risks, implement control points and analyze the efficiency of such controls.

The data collected, through the Internal Control System, enables us to track and evaluate the performance of different groups, by identifying the areas with greater potential risk. This structure is the basis for the identification of risk indicators and allows us to create a structured data base for qualifying and quantifying our level of exposure to operational risks. This process promotes the integration of our managers, establishes an internal culture, creates commitment and enables the correct evaluation and analysis of capital allocation needs.

Management of Systems Risk

As banking operations diversify and the volume of transactions involving computers and telecommunication networks increases, the importance of information technology and the potential impact of system failures or a breach of security has grown. Accordingly, we have devoted substantial resources to ensure the reliability, stability and security of our computer and related systems. Our main computer facility is located in São Paulo, where we maintain a backup system to provide automatic coverage in the case of system failures. We also store backup files recording all banking operations and conduct periodic testing to check all the procedure and identify points of attention.

Insurance Underwriting

Since the establishment of our joint venture with AIG, underwriters from both companies have participated in a combined underwriting process. For example, UASEG uses information from our insurance applications to evaluate life insurance proposals. For certain life insurance applicants, a medical examination is required to better analyze the risk. Property and casualty insurance underwriters and engineers assess and evaluate risks prior to quotations for property and casualty coverages. The evaluations of underwriters and engineers are reviewed and underwritten at the head office of UASEG. We draw on our specialized knowledge of industry segments and catastrophe control, so that our underwriting decisions can take into consideration relevant account data and industry factors.

Market Risk

Market risk is related to potential losses derived from changes in interest and exchange rates, among others. We believe we have a conservative policy regarding market risk exposures. The market risk exposure of our portfolio is independently supervised and controlled. All financial and principal non-financial subsidiaries, such as our credit cards, capitalization, private pension funds and insurance business are evaluated on a daily basis. Market risk management is based on limits established by the financial and risk committees.

We limit our market risk exposure by managing our currencies, maturities, and interest rates mismatches. Securities, derivatives, loans and funding are analyzed on both a detailed and consolidated basis. Derivatives play an important role in managing asset and liability mismatches.

Exposure limits for our treasury unit are established considering market volatilities, scenario forecasts, opportunities for profit and the funding needs of the commercial bank. Trading and positioning activities are conducted within clear limits suggested by the risk committee and ratified by the financial committee. These limits and policies are reviewed monthly or when a new threat or opportunity arises.

Our financial committee, which consists of representatives from senior management, meets monthly. This committee establishes the position limits for our treasury unit, taking into account market volatilities, liquidity, institutional needs, and potential risks. Extraordinary meetings of the financial committee are held if unexpected changes in the macroeconomic environment arise that generate opportunities and/or risks.

Our risk committee, which consists of representatives of the board, business directors and risk management professionals, also meets every month. The committee's main objective is to review policies related to treasury, brokerage, products and custody, among other things. Limit policies are also defined in this committee, including those for the trading desk. The risk and financial committees consult one another on proposals and agree on them.

The treasury unit's cash committee meets daily. The cash committee:

- discusses the macroeconomic environment;
- discusses positions taken and the related risks; and
- decides on positions and exposures in accordance with policy limits.

We use derivatives as the main market instrument for our trading activities. By trading in derivatives, we are able to achieve a lower credit risk exposure than would be achieved with a position in the corresponding cash instruments. The most common derivatives traded are interest rate and foreign exchange futures, forwards and swaps.

Most of our swap portfolio, by notional value, has financial institutions as counterparts. Most of this portfolio is guaranteed by the Brazilian Mercantile & Future Exchange, or BM&F. We also trade with non-bank counterparties, most of that are customers of our commercial banking operations. Generally, these swaps have a time deposit as collateral.

Our securities portfolio consists mainly of Brazilian federal government bonds and notes, which are very liquid assets. No state or municipal position was carried during 2004. We also have a small Eurobond portfolio of low risk Brazilian issuers.

The duration of instruments traded in Brazil is still short when compared to international standards. Therefore, the price risk associated with our domestic portfolio tends to be lower than that associated with our international portfolio. Progressively, the Central Bank is lengthening maturities of government liabilities.

All arbitrage decisions take place at our headquarters in São Paulo. This segregation of duties helps to ensure the accuracy of the information about our positions, and the centralization of arbitrage decisions allows us to better appreciate and evaluate risks inherent in arbitrage transactions.

VaR

We employ the "value at risk," or VaR, methodology for evaluating our risks. VaR is basically defined as the potential one-day loss in portfolio value from regular adverse market movements and is based on probability analysis. We consider a 99% confidence level, or 2.33 standard deviation, to calculate the VaR on a daily basis. Procedures such as back testing are used to ensure the model's precision and consistency. The analysis captures all financial assets and liabilities, including derivative instruments. We also make use of stress testing evaluation, based on hypothetical macroeconomic scenarios, in order to prevent strong adverse impacts on the results.

Backtesting

We use backtesting analysis to verify and control the efficiency of our VaR processes. Both the single and double tail measurements of VaR against profit and losses are conducted on a daily basis and work as an effective tool under normal conditions. Irregular market movements such as those seen in 2002 in the Brazilian financial markets are clearly defined as stress and are incorporated in the Stress test.

Stress Testing

Stress tests are also part of our risk policy. Scenarios for maintenance, quick worsening, huge worsening and enhancement of market conditions are conducted and revised monthly. In addition, whenever political or economic events that may affect the financial market are foreseen, new scenarios are generated and positions reevaluated in order to understand the impacts for the bank.

Non-trading Activities

Both trading and non-trading activities are measured and controlled by the same tools and methodologies. Positions closed by us with clients and hedged in the market are evaluated by VaR and stress tools using the same data, the same projections and kept under rigorous monitoring.

Our primary market risk exposures as of December 31, 2004 and 2003 were related to interest rates (fixed, floating and indexed in U.S. dollars).

The following table sets forth the VaR calculated on our overall risk portfolio during 2002, 2003 and 2004.

2004 *(in millions of R$)*	**Average**	**Minimum**	**Maximum**	**As of December 31,**
Interest rate risk on domestic position:				
Fixed	R$ 9.0	R$ 3.5	R$ 22.7	R$ 7.5
Floating - IGPM indexed	0.8	0.3	1.8	1.3
Floating - TR indexed	0.9	0.0	2.7	2.4
Floating - US$ indexed	1.9	0.2	7.2	0.8
Foreign exchange risk - US$	1.5	0.0	8.0	2.1
Stock market	0.1	0.0	0.9	0.0
Options	4.1	0.1	11.7	4.0
Interest rate risk on foreign position	8.4	4.6	16.0	6.8
Structured position:				
Equity of foreign branches	9.6	3.9	26.9	6.4
Consolidated risk	**R$ 20.0**	**R$ 10.2**	**R$ 43.4**	**R$ 15.2**

2003 *(in millions of R$)*	**Average**	**Minimum**	**Maximum**	**As of December 31,**
Interest rate risk on domestic position:				
Fixed	R$ 3.9	R$ 0.4	R$ 8.2	R$ 5.7
Floating - IGPM indexed	1.8	0.3	7.2	0.3
Floating - TR indexed	0.1	0.0	0.3	0.1
Floating - US$ indexed	3.5	0.3	13.3	3.2
Foreign exchange risk - US$	2.1	0.0	19.9	0.1
Stock market	2.9	0.0	3.8	0.0
Interest rate risk on foreign position	33.2	9.2	73.4	16.4
Structured position:				
Equity of foreign branches	31.2	9.4	112.4	9.4
Consolidated risk	**R$ 37.8**	**R$ 13.3**	**R$ 96.0**	**R$ 20.6**

2002 *(in millions of R$)*	**Average**	**Minimum**	**Maximum**	**As of December 31,**
Interest rate risk on domestic position:				
Fixed	R$ 6.2	R$ 2.0	R$ 18.3	R$ 2.9
Floating - IGPM indexed	2.5	0.1	8.7	7.3
Floating - TR indexed	0.6	0.2	1.1	0.3
Floating - US$ indexed	18.5	2.9	67.6	6.7
Foreign exchange risk - US$	12.4	0.01	89.5	5.7
Stock market	4.3	3.2	6.6	3.5
Interest rate risk on foreign position	126.5	32.5	199.9	90.1
Structured position:				
Equity of foreign branches	53.9	12.9	110.9	80.0
Consolidated risk	**R$ 92.9**	**R$ 21.9**	**R$ 192.5**	**R$ 96.6**

We calculate VaR on each business day. The following table shows our VaR during 2003 and 2004, as measured by the percentage of business days during the year on which VaR fell within the specified real levels.

	% of business days on which VAR fell within specified levels	
	2003	**2004**
(in millions of R$)		
up to R$20	19.9%	48.8%
over R$20 to R$40	45.9	50.8
over R$40 to R$60	14.2	0.4
over R$60 to R$80	13.8	0.0
over R$80 to R$100	6.2	0.0
over R$100 to R$120	0.0	0.0
over R$120 to R$140	0.0	0.0
over R$140 to R$160	0.0	0.0
over R$160 to R$180	0.0	0.0
over R$180 to R$200	0.0	0.0
over R$200	0.0	0.0
	100.0%	100%

Funding

Our principal source of funding is deposits from the Brazilian public, including individuals and businesses. At December 31, 2004, our total deposits were R$33,775 million, representing 49.3% of our total liabilities.

We provide four types of deposit accounts:

- demand accounts, which do not earn interest;
- saving accounts, which earn approximately 6% per annum (or 0.5% per month) plus the Reference Rate (*Taxa Referencial*), an interest rate established by the Central Bank;
- time deposits, which earn interest; and
- interbank deposits from financial institutions, which earn the interbank rate of interest.

Savings deposits with banks in Brazil typically only pay interest after funds have been left on deposit for at least one calendar month by individuals and 90 days by corporations. Interest earned by individuals on all savings accounts is income tax free. Time deposits either pay a fixed interest rate or a floating rate. The breakdown between fixed and floating rate deposits varies from time to time, depending on the interest rate expectations of the market. At December 31, 2004, most of our time deposits carried a floating interest rate.

The following table sets forth our total deposits, by type and source, as of December 31, 2002, 2003 and 2004:

	As of December 31,		
	2002	2003	2004
		(in millions of R$)	
From Customers:			
Demand deposits	R$ 3,247	R$ 2,714	R$ 3,209
Time deposits	16,854	16,547	24,101
Savings deposits	5,890	6,163	6,346
From Banks:	64	276	119
Total	R$ 26,055	R$ 25,700	R$ 33,775

The following table sets forth the mix of the retail and wholesale deposits as of December 31, 2002, 2003 and 2004:

	As of December 31,		
	2002	2003	2004
		(in millions of R$)	
Retail	R$ 12,223	R$ 12,630	R$ 15,222
Wholesale	13,832	13,070	18,553
Total	R$ 26,055	25,700	R$ 33,775

Other Sources

We have obtained US dollar-denominated lines of credit with our correspondent banks to provide a source of trade finance funding for Brazilian companies. As of December 31, 2004, our total import and export funding was approximately R$2.0 billion, compared to R$2.5 billion as of December 31, 2003.

We borrow foreign currency in the international markets either by borrowing privately or issuing debt securities for the specific purpose of onlending such funds in Brazil to Brazilian corporations and financial institutions. These onlendings take the form of loans denominated in Brazilian currency indexed to the U.S. dollar. We believe we are one of the most active Brazilian financial institutions in the Eurobond market. As of

December 31, 2004, we had approximately R$1.2 billion of securities outstanding in the Eurobond market, compared to R$2.6 billion as of December 31, 2003.

In 2003, Unibanco raised approximately US$1.4 billion in funding abroad through eight Eurobond issues, two securitization transactions, and one Tier II Capital subordinate note offering.

In 2004, we raised approximately US$625 million in funding abroad through two Eurobond issues, two securitization transactions, and one subordinate note debt.

At December 31, 2004, we had R$5.4 billion outstanding in local and foreign onlendings, which consist primarily of real-denominated amounts borrowed from BNDES and FINAME, for loans extended to Brazilian clients for investments mainly in fixed assets, such as premises and equipment.

Technology

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

During 2004, we invested a total of R$193 million on technology. Principal projects included:

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

Competition

The market for financial services in Brazil, including banking, insurance and asset management, remains highly competitive. Since 1990, the banking industry in Brazil has experienced a period of consolidation. A number of banks were liquidated, many important state banks were privatized and many medium-sized private-sector banks were sold. As of December 31, 2004, there were 139 multiple-service banks, 24 commercial banks, 21 investment banks and numerous savings and loan, brokerage, leasing and other financial institutions in Brazil.

Through the past years, the Brazilian industry banks have begun to face competition from foreign banks. Some U.S. banks, such as Citibank and Bank Boston, are becoming increasingly active in Brazil. Other foreign banks such as HSBC, ABN-AMRO, Banco Santander Centro Hispano have also entered the Brazilian market through acquisitions.

Banco Bradesco and Banco Itaú are the two largest private-sector banks in Brazil in terms of assets, followed by Unibanco, Banco Santander-Banespa, Banco ABN AMRO Real, Banco Safra and HSBC Bamerindus. We expect that the recent acquisition and partnership in the Brazilian banking market will increase competition in the retail sector , mainly in the consumer finance segment.

We also face competition from public sector banks, some of which have a larger distribution network and larger customer base than the private-sector competitors. Public sector banks, the largest of which are Banco do Brasil and Caixa Econômica Federal, accounted for 36.3% of total lending in the Brazilian banking system as of December 31, 2004, compared to 38.9% as of December 31, 2003. Public-sector banks operate within the same legal and regulatory framework as the private-sector banks and have a strong presence as private-sector banks in the retail sector.

Credit Cards and Consumer Finance

The Brazilian credit card market is highly competitive, consisting of approximately 33 credit card issuers of varying sizes. The primary competitors of Unicard and HiperCard are Credicard, Banco Itaú, Banco do Brasil, Banco Bradesco, Santander and Banco ABN AMRO Real. We believe that the primary competitive factors are price (interest rate, cardholder fees and merchant fees), card distribution network, card acceptance and name recognition.

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

Post-dated checks also compete with credit cards. They are a popular mean of term payment in Brazil by which customers pay for merchandise and services with future dated bank checks, effectively allowing payment over a longer term. However, we believe that credit cards will gradually replace post-dated checks as the primary method of term payment because of their convenience, safety and growing acceptance.

Consumer finance companies, while targeting different economic segments of the population than banks generally do, are likely to continue expanding their credit card activities. We believe the majors competitors for Fininvest are Losango, a company acquired by HSBC, Banco Zogbi and Finasa, both acquired by Bradesco, Taií, Itaú`s consumer finance division, and many small independent companies.

Asset Management and Private Bank

The asset management industry in Brazil has been dominated by commercial banks offering fixed-income funds to retail bank customers. Competition in the sector includes such traditional competitors as Banco do Brasil, Banco Itaú, Banco Bradesco, HSBC, Citibank, CEF and BankBoston. Unibanco Asset Management has several competitive advantages, particularly its ability to offer a wide product range and a strong brand. In addition, UAM has differentiated itself due to the quality of its investment process, which includes credit analysis, macroeconomic and company research, asset allocation models and risk control.

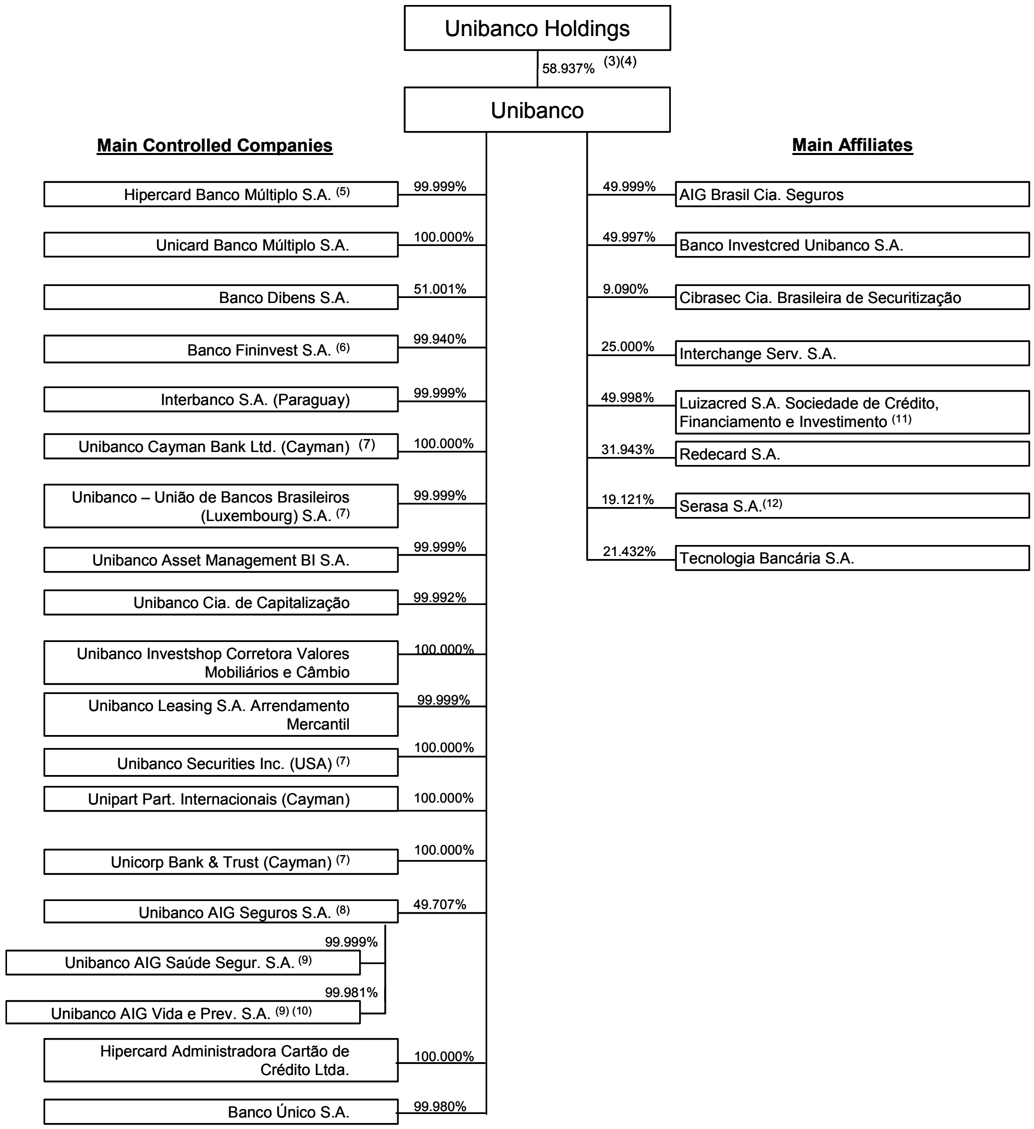
The Private Bank industry is also dominated by the largest commercial banks with some competition coming from both family offices and investment management boutiques. In Brazil, our key competitors are Citibank, Banco Itaú, Banco Bradesco, Banco Safra, HSBC, ABN, BankBoston and Banco Santander, while in our offshore operations, in addition to the local competitors, banks such as JP Morgan Chase, UBS, Merrill Lynch, Morgan Stanley, Crédit Suisse First Boston and the Swiss private banks (Lombard Odier Darier Hentsch, Mirabaud, Julius Baeur, Pictet, among others) also have a strong presence.

Insurance and Pension Plans

The Brazilian insurance and pension plans market is highly competitive. The total insurance and pension plans market in 2004 represented R$53.8 billion in premiums written and pension contribution. The ten largest insurance groups represented 79.1% of the insurance market as of December 2004. As of December 2004, UASEG and AIG Brasil, on a combined basis, had a 7.8% share of the insurance market, and Prever had a 8.1% share of the pension plans market, representing a total market share of 7.9% in insurance and pension plans. Although companies that operate nationwide underwrite the majority of the business, we also face competition from certain local or regional companies in various markets that may have a relatively cheaper cost structure or specialization in certain niches. We believe that our main competitive advantages are our strength, strong partnership with international company brand name recognition, quality of services and competitive rates.

Organizational Structure

The following chart sets forth information, as of April 30, 2005, regarding our significant subsidiaries and affiliates or Group:[1] [2]



1. The percentages refer to the participation in total capital, which is equal to the voting capital held, unless otherwise noted.
2. All corporations have been incorporated in Brazil unless otherwise noted.
3. This percentage does not include treasury shares.
4. The percentage of the voting capital held is 96.598%.
5. New name of Banco1.net.
6. The percentage of the voting capital held is 100.000%.
7. These corporations are mainly controlled by Unipart Participações Internacionais Ltd.
8. The percentage of the voting capital held is 52.758%
9. These corporations are mainly controlled by Unibanco AIG Seguros S.A.
10. New name of Phenix Seguradora S.A.
11. The percentage of the voting capital held is 49.996%.
12. The percentage of the voting capital held is 16.501%.

Property, Plant And Equipment

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

- Unibanco Building (total area of 32,093 m^2): Principal executive offices and main administrative offices;
- CAU, or Unibanco Administrative Center (total area of 45,673 m^2): Data Processing Center, Information Technology, Accounting and Human Resources;
- Barão de Iguape Building (total area of 25,886 m^2): Back-offices and 30 Hours Telephone Center; and
- Boa Vista Building (total area of 13,206m^2): Back-offices.

We also have a number of other administrative offices in the main Brazilian cities, most of which are leased.

Of our total branches, 5.2% are owned by Unibanco and 94.8% are leased. We lease most of our branches under renewable leases with terms averaging five years.

Employees and Human Resources

Unibanco People (*Unibanco Pessoas*), our human resources area, is committed to promoting professional growth and aligning the interests of our employees with our strategic objectives. Unibanco People develops tools for improving the process of managing human capital, focusing on professional training and development, capturing and attracting new talent, developing incentive and recognition programs and improving relations with the in-house community (employees) and the external community (government bodies and unions).

As of December 31, 2004, we had 27,408 employees, a decrease from 27,625 at December 31, 2003.

The following table shows the number of our employees grouped by business area:

	Number of Employees		
	As of December 31,		
Area	**2002**	**2003**	**2004**
Retail Branches	10,410	11,425	10,981
Corporate-Site Branches	1,506	1,041	1,053
Unicard	445	643	197
HiperCard	-	-	211
Wholesale	1,400	1,335	390
Insurance	1,397	1,429	1,322
Unibanco Asset Management	166	196	96
Banco1.net	321	250	-
Banco Dibens	96	92	47
Fininvest	2,631	2,173	2,831
Others	8,367	9,041	10,280
Total	**26,739**	**27,625**	**27,408**

The following tables set forth the number of Unibanco employees grouped by title and region:

	Number of Employees		
	As of December 31,		
Title	**2002**	**2003**	**2004**
Director	160	169	150
Superintendent	350	384	358
Manager	1,930	2,025	2,087
Others(1)	24,299	25,047	24,813
Total	**26,739**	**27,625**	**27,408**

(1) Includes employees in foreign offices.

	Number of Employees		
	As of December 31,		
Region	**2002**	**2003**	**2004**
Southeast	21,765	22,484	21,866
South	2,209	2,257	2,244
Northeast	1,635	1,720	2,025
Center-East	772	789	792
Foreign Offices	236	256	353
North	122	119	128
Total	**26,739**	**27,625**	**27,408**

We believe that we have good relations with our employees and their unions. Approximately 42% of our workforce are members of a union. Collective bargaining agreements with the bank employees unions typically have 12-month terms and are subject to renewal in September of each year.

There were no significant labor disputes or strikes in 2002 and 2003 during the limited time periods for discussion of our collective bargaining agreements. In 2004, negotiations were hampered by political differences between bank employees, unions members and unified public and private sector banks campaigns, and a national strike occurred on September 15, 2004, which lasted 21 days. There have been no significant labor disputes and no strikes in as of June 30, 2005.

Since April 1996, we have maintained a profit sharing plan, based on pre-established management and financial goals. All of our employees are eligible to participate in the program. Our profit sharing plan demands at least 5% of our net income for each period. In 2004, R$ 236 million was distributed as profit sharing to our employees.

We offer our outstanding senior managers the opportunity to become shareholders. Our Stock Option Program awards exceptional performance and contribution to the group's development. As of December 31, 2004, we had granted 11,303,620 stock options exercisable for Units under this program. These options are exercisable between January 21, 2005 and August 03, 2010 at an average exercise price of R$9.76 per option.

Since October 2004 we have offered all employees our "*Futuro Inteligente*" pension plan which is a defined contribution plan. As of December 31, 2004 approximately 6,600 people had joined the program.

As part of the changes in our organizational structure, we offered a group of executives a one-time opportunity to participate in a program for anticipating retirement with special benefits. 71 executives, or 88% of those eligible, signed up for the program before the July 2004 deadline.

During the year ended December 31, 2004, we invested approximately R$24 million in training and development activities for our employees, including MBA programs in Brazil and abroad and the People

Management Program. The latter has provided training for 95% of all our managers since it was introduced in October 2003.

Unibanco has been undertaking Employee Satisfaction Surveys since 1997, conducted by external consultants. This is an important factor in our ability to assess the organizational climate, identify areas in need of improvement and take required actions to provide employees with concrete solutions to foster healthy working environment that supports personal development.

Legal Proceedings

We are a party to lawsuits and administrative proceedings incidental to the normal course of our business, as described below. We believe that any potential liabilities arising from such lawsuits and administrative proceedings, individually or in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

We are involved in several tax disputes, mainly relating to the constitutional validity of certain taxes imposed on us by the Brazilian government.

In addition, labor unions and former employees have filed several lawsuits against us seeking compensation for labor rights. In such cases, we usually enter into settlement agreements with our former employees.

We are party to a number of civil legal proceedings relating to, among others, claims alleged against us by clients in connection with financial services provided by us and our subsidiaries and claims relating to the collection of our financial products. In addition, we are involved in several lawsuits resulting from the corporate reorganizations associated with our acquisitions of certain Brazilian financial institutions. We are also a party to several lawsuits filed by clients for the adjustment of deposits required under certain anti-inflationary plans implemented by the Brazilian government.

We are not party to any material administrative proceedings before the SEC, CVM, SUSEP, or the Central Bank. In the ordinary course of our business, we are involved with certain disputes filed by consumers with the Central Bank and SUSEP, but none of these proceedings are material to our business.

There are no material proceedings to which any of our directors, members of senior management, or any of our affiliates are either (i) a party against us or our subsidiaries or (ii) have a material interest against us or our subsidiaries.

We cannot determine all potential costs and fines which we may incur. We are, however, required to assess the likelihood of any adverse judgments or outcomes with respect to the lawsuits and administrative proceedings above mentioned and the potential ranges of probable losses related to these matters. We determine the amount of reserves required, if any, for these contingencies after a careful analysis of each individual lawsuit (in the case of tax and civil lawsuits) or based on the average amounts paid by us (in the case of labor lawsuits). We only record provisions for contingencies when we believe it is probable that we will incur a loss in connection with the lawsuits.

However, the required provisions for these contingencies may change in the future due to (i) new developments in any lawsuit or (ii) changes in approach, such as a change in settlement strategy.

In this respect, on December 27, 2004, the CVM proposed to update the current rules of provisions for contingencies and sought public comment thereon. We cannot predict the outcome of this process, but in the future our provision policy could be revised. Any of the foregoing changes could result in a negative impact on our future results and cash flows.

Notwithstanding the above, we believe that the provisions we currently have for the lawsuits to which we and our subsidiaries are defendants are sufficient to cover any probable and estimated losses from litigation, and that there are no suits pending or threatened, individually or in the aggregate, that if decided against us or our subsidiaries would have a material adverse effect on our business, financial condition or results of operations. As of December 31, 2004, we had provisioned approximately (i) R$510.3 million for civil litigation, (ii) R$1.15 billion for tax litigation and (iii) R$717.2 million for labor litigation.

DESCRIPTION OF UNIBANCO CAYMAN

General

We established Unibanco Cayman in 1979, in accordance with the Companies Law of the Cayman Islands. The registered office of Unibanco Cayman is P.O. Box 501, George Town, Grand Cayman, Cayman Islands, British West Indies. We operate Unibanco Cayman under a Category "B" Banking License, under the Banks and Trust Companies Law of the Cayman Islands granted to Unibanco Cayman in 1980. This license allows Unibanco Cayman to conduct all types of banking business in any part of the world, subject to the terms of local regulatory requirements. This license does not allow Unibanco Cayman to take deposits from residents of the Cayman Islands, or invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions such as exempted or ordinary non-resident companies and other licensees. Unibanco Cayman was granted exemption under Security Investment Business Law in January 30, 2004.

Activities

The main activities of Unibanco Cayman are:

- to obtain funding, principally for the purposes of onlending, either directly or through us, to Brazilian clients;
- to act as a deposit-taker, offering a range of demand and time deposit facilities to corporate clients;
- to offer a full range of trade financing services such as the discount of trade overdrafts, the provision of letters of credit, import financing, guarantees, foreign currency and interest rate swaps and other forms of trade credit;
- to provide treasury, international banking and corporate finance services to clients worldwide; and
- to a lesser extent, to play an active role in the syndicated loan market as syndicate agent, manager, participant and arranger.

Reorganization

In November 1996, we transferred the administration of Unibanco Cayman to our Nassau branch which is located at 308 East Bay Street - 3rd floor - P.O. Box SS6387, Nassau, The Bahamas. Therefore, Unibanco Cayman no longer maintains a physical presence in the Cayman Islands, except as necessary to comply with Cayman Islands' laws. However, we treat the operations of the two branches separately for accounting and tax purposes. The relevant authorities in the Cayman Islands and the Bahamas have approved such transfer.

Issuance of Securities

Unibanco Cayman is an active issuer of securities in the U.S. and international markets, and this activity accounts for a substantial part of Unibanco Cayman's funding. Our US$2 billion medium term note program enables Unibanco Cayman to issue debt securities in the international market and in the U.S. The following notes issued under the program are currently outstanding.

Month of issue	Interest rate	Notes due on	Aggregate Principal Amount
May 2003	5.625%	November 2004	US$75 million
July 2003	4.00%	January 2005	US$125 million
February 2004	3.00%	August 2005	US$100 million
February 2005	8.70% + IGP-M	February 2010	R$325 million

In addition, apart from notes issued under this program, US$400 million in subordinated debt issued by Unibanco Cayman in April 2002 and December 2003 in the form of step-up subordinated callable notes due in 2012 and 2013, respectively, which is considered Tier II for regulatory purposes, is outstanding.

Regulation of Unibanco Cayman

Under Brazilian law, the obligations of Unibanco Cayman are our obligations as a whole.

The Governor in Cabinet of the Cayman Islands grants licenses for banks and trust companies under the Banks and Trust Companies Law. The requirements of the Governor in Cabinet of the Cayman Islands when granting such licenses include:

- the applicant is a direct branch or wholly-owned or controlled subsidiary of an international bank which has an established track record in the banking or finance industry; and

- the regulatory authority with primary responsibility for the bank of which applicant is a branch or subsidiary has no objection to the establishment of the applicant in the Cayman Islands.

Under the Banks and Trust Companies Law, as amended, there are two categories of bank licenses:

- an “A” license, which permits unrestricted domestic and off-shore business; and

- a “B” license, which permits only off-shore business. A “B” License may be restricted to dealing with certain clients.

Unibanco Cayman holds an unrestricted “B” License.

There are no specified ratio or liquidity requirements under the Banks and Trust Companies Law (2003 Revision). However, the Cayman Islands Monetary Authority will expect observance of prudent banking practices and follows the guidelines and recommendations of the Basel Committee for Bank Regulation and Supervisory Practices in assessing this.

In addition, in February 1999, the Central Bank executed a Memorandum of Understanding with the government of the Cayman Islands. Pursuant to this Memorandum, the Central Bank will receive information about the assets of and will be able to conduct on site supervision of branches and subsidiaries of Brazilian banks in the Cayman Islands.

MANAGEMENT

Overview

We are managed by our:

- Board of Directors (*Conselho de Administração*), consisting of eight directors; and
- Board of Officers (*Diretoria*), consisting of eighteen executive officers (which compose the Board of Executive Officers), thirty-seven officers and forty-four deputy officers.

The Board of Directors is our decision-making body. It determines our general corporate guidelines and policies by:

- establishing our corporate strategy;
- reviewing our business plans; and
- supervising and monitoring the activities of our executive officers.

The Board of Officers is elected by our Board of Directors. The Board of Executive Officers is responsible for the management and supervision of our corporate activities by ensuring compliance with our general corporate guidelines and policies established at general shareholders meetings, by our Board of Directors and pursuant to our by-laws. All members of the Board of Officers have the power to act on our behalf pursuant to our by-laws.

Our Board of Executive Officers consists of one Chief Executive Officer, two Executive Vice Presidents, three Vice Presidents and twelve Executive Officers.

The Chief Executive Officer is primarily responsible for:

- leading management;
- coordinating and supervising the performance of the Executive Vice Presidents and the Vice Presidents;
- ensuring compliance with the guidelines and policies established by the Board of Directors; and
- making urgent decisions that are under the competence of the Board of Executive Officers, when a meeting of the Board of Executive Officers is not feasible.

The Executive Vice Presidents are responsible for the operational and administrative management of the retail and wholesale banking activities, which comprise the following areas:

- wholesale banking;
- companies and investments abroad;
- national and international distribution;
- real estate management;
- retail banking;
- branches network; and

- other commercial banking activities and consuming companies.

The Vice Presidents are primarily responsible for the operational and administrative management of:

- insurance and private pension plan departments;
- auditing;
- legal, compliance and institutional relationships; and
- planning, controlling, accounting and management of systems.

The Executive Officers are responsible for the management and supervision of the areas delegated by the Board of Directors or by the Board of Officers and for the supervision and coordination of the performance of the Officers that are under their supervision.

Pursuant to Brazilian law, the election of each member of our Board of Directors and Board of Officers must be approved by the Central Bank. As indicated in the table below, one new executive officer and four new officers were elected at our April 8, 2005 Board of Directors and Shareholders meetings. In addition, (i) one executive officer was named director; (ii) a new Executive Vice President was elected; and (iii) three officers were named for new positions. In addition, two officers and two deputy officers were elected at our June 30, 2005 Board of Directors meeting. All of our directors and officers have been approved by the Central Bank.

As of the date of this Offering Memorandum, our directors and executive officers are:

Directors	**Position**	**Date of Birth**
Pedro Sampaio Malan	Chairman	February 19, 1943
Pedro Moreira Salles	Vice Chairman	October 20, 1959
Armínio Fraga Neto	Director	July 20, 1957
Gabriel Jorge Ferreira	Director	October 17, 1935
Israel Vainboim	Director	June 1, 1944
Joaquim Francisco de Castro Neto	Director	March 30, 1944
Pedro Luiz Bodin de Moraes	Director	July 13, 1956
João Dionisio Filgueira Barreto Amoedo	Director	October 22, 1962

Executive Officers	**Position**	**Date of Birth**
Pedro Moreira Salles	Chief Executive Officer	October 20, 1959
Demosthenes Madureira de Pinho Neto	Executive Vice President	January 28, 1960
Márcio de Andrade Schettini	Executive Vice President	May 22, 1964
Geraldo Travaglia Filho	Vice President	May 26, 1951
José Castro Araújo Rudge	Vice President	September 25, 1957
José Lucas Ferreira de Melo	Vice President	December 30, 1956
Celso Scaramuzza	Executive Officer	December 12, 1952
Daniel Luiz Gleizer	Executive Officer	February 23,1960
Edwin Rindt	Executive Officer	April 30, 1960
Ivo Luiz de Sá Freire Vieitas Junior	Executive Officer	June 14, 1964
Jose Roberto Haym	Executive Officer	October 12, 1959
Nicolau Ferreira Chacur	Executive Officer	July 24, 1964
Orestes Alves de Almeida Prado	Executive Officer	September 14, 1945
Osias Santana de Brito	Executive Officer	October 11, 1963
Raphael Afonso Godinho de Carvalho	Executive Officer	February 28, 1966
Roberto Lamy	Executive Officer	April 9, 1958
Rogério Carvalho Braga	Executive Officer	January 30, 1956
Tiago Jorge Rocha e Silva Mateus das Neves	Executive Officer	April 23, 1969

Each director is elected for a one-year term by the general shareholders meeting and holds such position until they are reelected upon expiration of his or her term or until a successor is elected. A director may not be re-elected after his or her sixty-fifth birthday, unless agreed by the Shareholders' Meeting. The current members of the Board of Directors were elected on the Ordinary Shareholders' meeting held on April 8, 2005 and on June 30, 2005

Members of the Board of Officers are elected for one-year term and holds such position until they are reelected upon expiration of his or her term or until a successor is elected. An officer may not be re-elected after his or her sixtieth birthday, unless it is approved by the Board of Directors. In addition, as approved at the Board of Directors Meeting held on April 30, 2004, the Chief Executive Officer may determine whether an officer who has turned fifty-eight years old may stand for re-election. The current members of the Board of Officers were elected at the Board of Directors' meetings held on April 8, 2005 and June 30, 2005.

The biographies of our directors and executive officers are summarized below:

Directors

Pedro Sampaio Malan – Mr. Malan was elected Vice Chairman of our Board of Directors in 2003 and Chairman of our Board of Directors on April 30, 2004. Mr. Malan served as Brazil's Minister of Finance from 1995 to 2002, as Chairman of the Central Bank from 1993 to 1994, as Special Council and Chief Negotiator for External Debt Issues of the Ministry of Finance from 1991 to 1993, as an executive officer of the World Bank from 1986 to 1990 and again from 1992 to 1993, as an executive officer of the Inter-American Development Bank from 1990 to 1992, as an officer of the Transnational Companies Center of the United Nations, or UN, in New York, from 1983 to 1984, and as an officer of the International Department of Economy and Social Matters of the UN in New York, from 1985 to 1986. He received a degree in Electrical Engineering in 1965 from the Polytechnic School of the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro and received a Ph.D. in Economics from University of California, Berkeley.

Pedro Moreira Salles – Mr. Moreira Salles joined us in 1989 and became Chairman of our Board of Directors in 1997 after serving as Vice Chairman for almost six years. On April 30, 2004, Mr. Moreira Salles was elected Chief Executive Officer of our Board of Officers and he will continue to serve as Vice Chairman of our Board of Directors. Mr. Moreira Salles also serves as Vice Chairman of the Board of Directors of Unibanco Holdings S.A. and Chairman of the Board of Directors of Unibanco AIG Seguros. Mr. Moreira Salles is a member of the Group of Fifty, a Latin American business council sponsored by the Carnegie Endowment for International Peace and the Inter-American Dialogue, in Washington, D.C. He holds a B.A. in Economics and History from the University of California, Los Angeles, where he graduated Magna Cum Laude. He also attended the graduate program in International Relations at Yale University and the Management Program at Harvard University.

Armínio Fraga Neto – Mr. Fraga was elected a member of our Board of Directors in January 2004. Mr. Fraga served as President of the Central Bank of Brazil from March 1999 to December 2002. Prior to that, he worked for six years as a managing director of Soros Fund Management LLC in New York. Among other academic affiliations, Mr. Fraga is an adjunct professor at Getúlio Vargas Foundation (*Fundação Getulio Vargas*). He received a Ph.D. in Economics from Princeton University in 1985, and Bachelor's and Master's degrees in Economics from the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro.

Gabriel Jorge Ferreira – Mr. Ferreira joined us in 1957 and became Vice Chairman of our Board of Directors in 1997, after serving as a Director since 1983. On April 30, 2004, Mr. Ferreira was appointed President of our Audit Committee and he will continue to serve as a member of our Board of Directors. He also serves as Vice Chairman of the Board of Directors of Unibanco AIG Seguros, Director of Unibanco Holdings and as President of the National Confederation of the Financing Institutions (*Confederação Nacional das Instituições Financeiras*). Mr. Ferreira served as President of the Federation of Brazilian Banking Associations (FEBRABAN) from 2001 to April 2004, and as a member of the Board of Executive Officers of FEBRABAN from 1986 to 2001. He holds an Accounting degree from the Accounting School of Barretos, Brazil and a Law degree from the University of São Paulo (*Universidade de São Paulo*).

Israel Vainboim – Mr. Vainboim joined us in 1969 and has held several positions in the areas of investments, leasing and credit. He became a member of our Board of Directors in 1988. Mr. Vainboim also serves as a member of the Board of Directors and as Chief Executive Officer of Unibanco Holdings, as a director of Unibanco AIG Seguros, and as a member of the management of AIG-Life Cia. de Seguros, Souza Cruz S.A., E-bit Tecnologia em Marketing S.A., Connectmed and Itaparica S.A. Empreendimentos Turísticos. He received a B.S. in Mechanical Engineering from the National School of Engineering, Rio de Janeiro and an MBA from Stanford University.

Joaquim Francisco de Castro Neto – Mr. Castro Neto joined us in 1973 as manager of FINASUL and has since held several senior positions, becoming an Executive Officer in 1980. He was appointed to serve as Executive President of our Retail business segment Group in March 1998. On April 30, 2004, he was elected to serve as a member of our Board of Directors. He also serves as a director of Unibanco Asset Management. Mr. Castro Neto holds a Business Management degree from Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) and holds a specialization in Sales Management, Marketing and Development of New Products from IMEDE - Lausanne, Switzerland.

Pedro Luiz Bodin de Moraes – Mr. Bodin was elected to our Board of Directors in 2003. He serves as an officer of Icatu Holding S.A. since 1993, and acted as an officer of Banco Icatu S.A. from 1993 to 2002. He also served as the Monetary Politics Officer at the Brazilian Central Bank from 1991 to 1992. Mr. Bodin is an economist, having received a Master's degree in Economics from the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro and a Ph.D. degree in Economics from Massachusetts Institute of Technology (MIT).

João Dionísio Amoêdo – Mr. Amoêdo was elected to our Board of Directors in 2005. Mr. Amoêdo began his career at Citibank, worked as a senior officer at Banco BBA-Creditanstalt S.A. and served as Chief Executive Officer of Fináustria CFI e Leasing. Mr. Amoêdo holds a degree in Business from the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro and a degree in Civil Engineering from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*).

Executive Officers

Pedro Moreira Salles – Please refer to the biography set forth above.

Demosthenes Madureira de Pinho Neto – Mr. Madureira de Pinho Neto has more than 15 years of experience at the financial area as an adviser and officer. He was the General-Coordinator of Financial and Monetary Policy of the Ministry of Finance and Officer of the Central Bank of Brazil in the 1995-2002 government. He was also Chief Executive Officer of Dresdner Asset Management from 1999 to 2002 and Vice-President of ANBID from 2000 to 2003. He is a teacher of Economics and Finances of the Brazilian Institute of Capital Market (*Instituto Brasileiro de Mercado de Capitais*) and since July, 2004 he is the Chief Officer of Unibanco Asset Management and our Executive Vice-President, responsible for the operational and administrative management of proper activities regarding wholesale banking, companies and investments, comprising the abroad premises and national and abroad distribution, as well as responsible for *real* estate management. He holds a degree and a Master's degree in Economics from the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro and a Ph.D. in Economics from the University of California, Berkeley.

Márcio de Andrade Schettini – Mr. Schettini was elected to serve as an Executive Vice President on April 30, 2004. Mr. Schettini has worked in several companies and financial institutions in Brazil. Before joining us, he acted as President of Unicard, Fininvest and other companies of our group. He holds a degree in Engineering and a Master's degree in Administration from the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro.

Geraldo Travaglia Filho – Mr. Travaglia joined us in 1979 and was elected to serve as a Vice President on April 30, 2004, after having served as an Executive Officer since 1996. From 1998 to 2000, he served as an Executive Officer in charge of marketing and products for the retail banking group; from 1996 to 1997, he was responsible for the integration of branches, systems and operations of Banco Nacional; from 1994 to 1995, he conducted the reengineering program of Unibanco; and from 1989 to 1993, he served as our controller. Mr. Travaglia holds a Business Management degree from the University of São Paulo (*Universidade de São Paulo*).

José Castro Araújo Rudge – Mr. Rudge joined us in 1995, when Unibanco purchased Banco Nacional and was elected to serve as our Vice President on April 30, 2004. Prior to joining us, he worked for nine years at Sul América Seguros and from 1985 to 1987 he was an officer of Bradesco Seguros, responsible for the management of the insurance activities of the State of São Paulo and Bradesco's international operations. He was also President of Nacional Seguros from 1987 to 1995. He holds a degree in Business from the Business School of São Paulo (*Faculdade de Administração de São Paulo*).

José Lucas Ferreira de Melo – Mr. Ferreira de Melo joined us as an Executive Officer in 1999. On April 8, 2005 he was nominated Vice President. Prior to joining us, he served as a director at the Comissão de Valores Mobiliários (Securities and Exchange Commission of Brazil) in 1992 and as a partner of PricewaterhouseCoopers Auditores Independentes until 1997. He holds an Accounting degree from the University of Federal District (*Universidade do Distrito Federal*).

Celso Scaramuzza – Mr. Scaramuzza joined us in 1979 and has been serving as a member of our Board of Executive Officers since 1994. Mr. Scaramuzza served as a Vice President from August 1997 to April 2004. Since January 1998, he has been responsible for our private banking sector, both onshore and offshore. He received a bachelor in Administration from the Armando Álvares Penteado Foundation (*Fundação Armando Álvares Penteado*) of São Paulo.

Daniel Luiz Gleizer – Mr. Gleizer was elected to serve as an Executive Officer for the risk management department on April 30, 2004. Mr. Gleizer began his career with the International Monetary Fund and had taken on positions with several financial institutions, such as Deutsche Bank and Credit Suisse First Boston. During the period beginning in March 1999 and ending in February 2002, Mr. Gleizer had served as director of the Central Bank of Brazil. Mr. Gleizer holds a degree in Economics from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*) and a Ph.D. in Economics from the University of California, Berkeley.

Edwin Rindt – Mr. Rindt joined us in 2002 and presently serves as an Executive Officer. He started his career with Bank Commerzbank in 1988, and, from 1989 to 1995, served as its manager for commercial relationship with Latin-American banks. He graduated in 1987 in Economics at University of Eberhard-Karls in Tübingen, Germany and holds a master's degree in International Studies from the University of Denver, Colorado.

Ivo Luiz de Sá Freire Vieitas Junior – Mr. Vieitas joined us in December 1998 and presently serves as an Executive Officer for corporate finance. Prior to joining us, he had worked at Indosuez W.I. Carr Securities (*Credit Agricole*). He graduated in Mechanical Engineering from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*) and holds an MBA from the J.L. Kellogg School of Management.

José Roberto Haym – Mr. Haym started at Unibanco AIG Seguros in 1992 as Retail Sales Officer, later performing activities at the Automotive Products and Products' Board of Officers and being its Executive Vice President from 1999 to 2004. Since June, 2004 he acts as Executive Officer for the Corporate segment of Unibanco, with the responsibility of maintaining relationships with clients with an annual billings between R$ 5 and R$ 150 million. On March 2005 he also assumed the management of retail business in the City of São Paulo. Before joining Unibanco, he worked at Citibank for nine years on Consumer Bank. He holds an economics degree from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*) and an MBA in Finance from Columbia University.

Nicolau Ferreira Chacur – Mr. Chacur joined Unibanco in 2004 and is responsible for the commercial area of the wholesale bank, being in charge of companies with sales results over R$ 150 million. He began his career in Banco BBA Creditanstalt S.A. He also worked for Banco Itaú BBA S.A. as Commercial Officer, acting mainly in Rio de Janeiro, with a portfolio of 90 names. He holds a Law degree from the Law School of the University of São Paulo (*Universidade de São Paulo*) and a specialization from L´Institut d´Etudes Politiques of Paris.

Orestes Alves de Almeida Prado – Mr. Prado joined us in August 2002 and was subsequently elected to serve as an Executive Officer. Before joining us, Mr. Prado had worked with Citibank and ABN-AMRO Bank. He holds an Administration degree from Fundação Getúlio Vargas of São Paulo.

Osias Santana de Brito – Mr. Brito has been an Executive Officer responsible for the planning and control sectors since December 2002. He has more than nineteen years of experience with the financial markets, and has acquired knowledge with both national and international banks. His banking experience covers many areas, such as technology, transactions, treasury and controlling. He holds a Ph.D. and a Masters degree in Finance from the University of São Paulo (*Universidade de São Paulo*).

Raphael Afonso Godinho de Carvalho – Mr. Carvalho is our Executive Officer in charge of marketing and products in our Consumer Division of Unibanco. He has previously worked for Nationwide Marítima Vida e Previdência, as Commercial and Marketing Vice President where he coordinated the association process between Nationwide and Marítima Seguros. He was also the director of private pension and insurance in Canada Life Pactual Previdência e Seguros / Banco Pactual S.A. Mr. Carvalho has a degree in mathematics, with emphasis in Computer Systems, from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*), and holds a MBA in Finance from the Institut of Administration and Management of the Catholic University (*Pontifícia Universidade Católica*) of Rio de Janeiro.

Roberto Lamy – Mr. Lamy joined us in 1979 and was elected to serve as an Executive Officer on April 30, 2004. Prior to such appointment, Mr. Lamy had served in several senior positions, including positions with Fininvest and Unicard. He holds an Engineering degree and a degree in Mechanical Engineering from the Industrial Engineering School (*Faculdade de Engenharia Industrial*).

Rogério Carvalho Braga – Mr. Braga joined us in 1987 as President of Cambuhy Citrus Comercial Exportadora S.A. Prior to his appointment as an Executive Officer of Unibanco, in April 2002, he served as President of Unibanco Capitalização and as head of our Human Resources areas. Mr. Braga holds a Law degree from the Catholic University (*Pontifícia Universidade Católica*) of São Paulo and an MBA from Pepperdine University.

Tiago Jorge Rocha e Silva Mateus das Neves – Mr. Neves joined us in 2000. He has been serving as an Executive Officer since April 2002. Mr. Neves holds an MBA from Dom Cabral Foundation (*Fundação Dom Cabral*) and a bachelor degree in Political and Economic International Relations from Minho University (Portugal). He has also attended to courses in Financial Institutions Administration at Getúlio Vargas Foundation (*Fundação Getúlio Vargas*).

Compensation

At the annual shareholders meeting, our shareholders establish the maximum aggregate compensation of our directors, members of the Audit Committee and officers for the corresponding year. In 2004, the maximum aggregate compensation for members of our Board of Directors, Board of Officers and Audit Committee was:

- R$15,000,000 per year for our directors and Audit Committee members as a group; and
- R$150,000,000 per year for our officers as a group.

For the year ended December 31, 2004, all our directors, Audit Committee members and officers as a group (109 persons as of such date) actually received, for services provided in all capacities to us, aggregate compensation of approximately R$117.0 million. The directors and officers of all our companies, including Unibanco, received, for services provided in all capacities, an aggregate compensation of approximately R$149.2 million for the year ended December 31, 2004.

For 2005, the maximum aggregate compensation for our Board of Directors, Board of Officers and Audit Committee members shall be:

- R$6,700,000 per year for our directors and Audit Committee members as a group; and
- R$113,400,000 per year for our officers as a group.

Our directors, Audit Committee members and officers may participate in the same pension plan available to all of our employees. The total amount paid to provide pension, retirement and similar benefits for the year ended December 31, 2004 was R$15.4 million for all of our companies' employees.

Directors and Officers Stock Option Plan

On October 31, 2001, our shareholders approved a stock option plan. Through this stock option plan we are able to offer our managers the opportunity to participate in our capital and benefit from increases in the value of our stock.

On April 8, 2004, our shareholders approved an amendment to the stock option plan which provides that (i) managers may not exercise their options or sell their relevant shares when we are forbidden, by law, to negotiate with our own shares; (ii) option exercises may be fulfilled with treasury shares or with shares issued in capital increases; (iii) the exercise period for options may be extended under limited circumstances from five to eight years.

Under the plan, stock options are granted to select managers for a price based on the market price of our shares at the date of grant. A special committee, composed of four to six members elected by the President of the Board of Officers of Unibanco, as well as of one member of the Board of Directors of Unibanco Holdings, is responsible for establishing the vesting period of the stock options, which shall be between two and eight years, as well as other specific characteristics of each grant, such as the beneficiaries and the number and amount of options. This committee may not grant options in any year representing more than 1% of our total authorized capital and there may not be outstanding options representing, in the aggregate, more than 10% of our total authorized capital at any time.

The objective of the stock option plan is to foster high performance, long-term commitment as well as attract, retain and motivate our directors and officers. The first options were granted on January 21, 2002, with a vesting period of at least three years. As of April 30, 2005, options to purchase 614,132 Units had been exercised by 66 managers. As of the same date, options to purchase 14,217,822 Units granted to 358 managers are currently outstanding under the stock option plan. For the year ended December 31, 2004, we recognized R$10 million of compensation expenses related to the stock option plan.

Board Practices and Audit Committee

Our directors and senior management have not entered into any service contract with us or any of our subsidiaries providing for benefits upon termination of employment.

We do not have a remuneration committee.

At our April 30, 2004 Extraordinary Shareholders Meeting, our shareholders approved the creation of our statutory Audit Committee in order to comply with Central Bank requirements. Further information regarding the Central Bank's audit committee regulations may be found in "Regulation and Supervision."

Pursuant to our by-laws, our Audit Committee is composed of between three and five members each of whom is elected by our shareholders at a properly adjourned meeting for a five-year maximum term of office, and has a Chairman elected by our Board of Directors.

The following persons were elected as members of our Audit Committee at our April 30, 2004 Ordinary Shareholders Meeting, for a five-year term:

Audit Committee Member	Position
Gabriel Jorge Ferreira	Chairman
Eduardo Augusto de Almeida Guimarães	Member
Guy Almeida Andrade	Member

The biographies of the members of our Audit Committee are summarized below:

Mr. Gabriel Jorge Ferreira – Mr. Ferreira's background and experience is described above. He was appointed Chairman of the Audit Committee by our Board of Directors at its April 30, 2004 meeting.

Mr. Eduardo Augusto de Almeida Guimarães – Mr. Guimarães holds degrees in Economics and Civil Engineering, as well as a Master's degree in Production Engineering, from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*) and a Doctorate in Economics from London University. Mr. Guimarães was Economist for Institute of Economic and Social Planning (*Instituto de Planejamento Econômico e Social*) from 1969 to 1975 and for the Studies and Projects Financer (*Financiadora de Estudos e Projetos*) from 1975 to 1990; executive officer of the Brazilian Institute of Geography and Statistics Foundation (*Fundação Instituto Brasileiro de Geografia e Estatística*) from 1985 to 1988 and chairman of the same institution from 1990 to 1992; Secretary of National Treasury from 1996 to 1999; chairman of the Bank of the State of São Paulo (*Banco do Estado de São Paulo*) from 1999 to 2000; and chairman of Banco do Brasil from 2001 to 2003. He was also adjunct professor of the Economics Department of the Federal University Fluminense (*Universidade Federal Fluminense*) from 1969 to 1980 and a professor at the Economics Institute of the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*) from 1991 to 1998, where he was also principal from 1982 to 1985.

Mr. Guy Almeida Andrade – Mr. Andrade holds a degree in Accounting from University of São Paulo (*Universidade de São Paulo*) and a degree in Business Management from Mackenzie University (*Universidade Mackenzie*). He is the chairman of the Brazilian Independent Auditors Institute (*Instituto dos Auditores Independentes do Brasil*). He is also a member of the board of directors of the International Federation of Accountants, chairman of the audit committee of the same institution and partner of Magalhães Andrade Auditores Independentes and of RBA Global Auditores Independentes, both auditing companies.

Mr. Ferreira is a member of our Board of Directors. Mssrs. Guimarães and Andrade are not members of our Board of Directors. Our by-laws do not specify an age limit for serving on the Audit Committee.

The members of our Audit Committee do not receive any other compensation from our affiliates in addition to their compensation for serving as a member of the Audit Committee. Audit Committee members who also serve on the Board of Directors may choose to receive compensation regarding one of such positions.

The powers of the Audit Committee are set forth in Article 38 of our by-laws. Among other things, the Audit Committee is responsible for:

- recommending to the board the appointment of and, if necessary, the replacement of, our independent auditors;

- overseeing the work of our independent auditors;

- reviewing our financial statements, including the explanatory notes, management reports and independent auditors' report and the reports issued by the independent auditors of each of our consolidated subsidiaries;

- analyzing the effectiveness of our internal and independent audit procedures and compliance by management with the audit policies and procedures established by the internal and independent auditors; and

- meeting with our management to verify management's compliance with the audit committee's recommendations.

Our Audit Committee ordinarily meets quarterly and also meets whenever our corporate interests so require. Since its creation, the Audit Committee has held meetings at least once a month and supervised all of our audit activities. The decisions of the Audit Committee are taken by a majority of votes at a meeting where at least half of the elected members of the Audit Committee are present. In the event of a tie, the Chairman, in addition to his own vote, is entitled to cast the tie-breaking vote.

On November 25, 2004, the Audit Committee's by-laws were approved by the Board of Directors.

We are currently discussing with the Staff of the SEC whether any changes are necessary for our Audit Committee to comply with the requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC thereunder.

Our Board of Directors believes that the establishment of the Audit Committee has strengthened our internal controls and corporate governance and they rely on the activities performed by the Audit Committee to their oversight and administration of our business and operations.

Equity Ownership of Directors and Officers

See "Principal Stockholders" for a description of the stock ownership of our directors and officers (as a group) in Unibanco and see "—Compensation—Directors and Officers Stock Option Plan" for a description of our stock option plan for selected members of management.

As of April 30, 2005, apart from their direct ownership of our capital stock, members of our Board of Directors, officers and members of our management also held Units representing approximately 0.293% of our capital and 0.492% of Unibanco Holding's capital, under a stock purchase plan sponsored by E. Johnston Representações e Participações S.A., or E. Johnston, a company controlled by the Moreira Salles family.

Under this plan, E. Johnston issued its preferred shares to participants who paid for such shares with the dividends received through April 14, 2004. As of April 15, 2004, the E. Johnston's shareholders approved a reduction of capital by which the preferred shareholders received Units held by E. Johnston in exchange for such preferred shares.

Units held under the plan are subject to repurchase by E. Johnston upon retirement, death or permanent incapacity of the participants or upon the participants leaving Unibanco.

Since the implementation of our new directors' and officers' stock option plan in 2001, we no longer sell shares under the E. Johnston purchase plan.

PRINCIPAL STOCKHOLDERS

Each of our common shares entitles its holder to one vote at any shareholders meeting. Unibanco Holdings controls us through its ownership of common shares representing 96.6% of our voting interest. As of June 30, 2005, Unibanco Holdings held 96.6% of our outstanding common shares and 15.7% of our outstanding preferred shares, representing 59.4% of Unibanco's total outstanding equity. Unibanco Holdings engages in no activities other than holding shares in Unibanco.

On August 30, 2004, we implemented a reverse stock split of our common and preferred shares, including Units, in the ratio of 100 shares to one share. Therefore, the information provided in this section has been adjusted to reflect this reverse stock split.

The following table shows the beneficial ownership of our outstanding common and preferred shares as of June 30, 2005. We believe that only those shareholders mentioned in the table below hold more than 5% of either class of our shares.

	Unibanco Common Shares		Unibanco Preferred Shares	
Shareholder	Number	% of Total	Number	% of Total
Unibanco Holdings	729,950,914	96.6%	100,382,950	15.37%
Caixa Geral de Depósitos, through Caixa Brasil SGPS, S.A.	3,641,578	0.5%	63,938,421	9.79%
Float(1)	22,065,327	2.9%	471,691,398	72.21%
Our Directors and Executive Officers as a group	349	0.0%	5,101,773	0.78%
Treasury	0	0.0%	12,085,622	1.85%
Total	755,658,168	100.0%	653,200,164	100.0%

(1) Consisting of our floating shares in the market.

We estimate that, as of June 30, 2005, we had 69,011,204 outstanding Global Depositary Shares, or GDSs, held by approximately 21 record (registered) holders. Each GDS represents five Units. Therefore, 52.8% of our total preferred shares and 65.3% of Unibanco Holdings' total preferred shares are held in the United States in the form of GDSs.

Significant Changes in Ownership

On September 30, 2003, Mizuho Corporate Bank Ltd., or Mizuho, and Commerzbank AG, or Commerzbank, sold an aggregate of approximately 58 million of our Units in a global secondary offering in Brazil, the United States and elsewhere. The number of Units sold represented 9.36% of our non-voting capital and 11.66% of the non-voting capital of Unibanco Holdings. As a result of this global offering, Mizuho entirely liquidated its equity interest in us, which prior to the offering represented directly and indirectly 4.8% of our outstanding preferred shares and Commerzbank reduced its ownership of our outstanding preferred shares from 8.8% to 5.2%. However, we expect to maintain our historical business relationships with Mizuho.

In June 2004, we announced the acquisition of the total capital of Banco BNL do Brasil S.A., or BNL Brasil, from Banca Nazionale del Lavoro S.p.A, or BNL, and its subsidiary BNL International Investments S.A., or BNL II. BNL Brasil's total capital was valued at R$109.7 million, and BNL received 10 million of our Units in this transaction representing, directly and indirectly, 1.43% of Unibanco's capital.

On February 4, 2005, Commerzbank and BNL sold an aggregate of approximately 45.9 million of our Units in a global secondary offering to (i) the public in Brazil, (ii) certain qualified institutional buyers in the United States, and (iii) institutional and other investors elsewhere outside Brazil and the United States. As a result of this offering, Commerzbank and BNL have entirely liquidated their equity interest in us, which prior to the offering represented directly and indirectly 5.2% and 1.6% of our outstanding preferred shares, respectively. However, we expect to maintain our historical business relationships with Commerzbank and BNL.

On July 15, 2005, we filed a registration statement with the SEC and a prospectus with the CVM relating to a global secondary offering by our shareholder Caixa Brasil, a wholly-owned subsidiary of CGD, of up to 86,149,216 Units (including Units subject to the underwriters over-allotment option), including Units in the form of GDSs. As a result of such offering, assuming the underwriters exercise their over-allotment option in full, it is anticipated that Caixa Brasil will no longer have an equity interest in Unibanco or Unibanco Holdings. However, we expect that we will maintain our historical business relationship with CGD. In connection with the global secondary offering, we and Unibanco Holdings will take certain steps necessary to permit Caixa Brasil and other holders to convert their common and preferred shares of Unibanco and Unibanco Holdings into Units.

These are the only significant changes in the ownership of Unibanco Holdings' shares and our shares during the past three years.

Dividend Policy

Our by-laws contain the following provisions with respect to dividends for each fiscal year:

- the distributable amount for each fiscal year is equal to our net profit less the legal, contingency, statutory and unrealized income reserves;
- our mandatory dividend is equal to 35% of the distributable amount, to the extent profits are available for distribution;
- for each preferred share we must pay 110% of the dividend paid with respect to each common share;
- before the annual shareholders meeting, our Board of Directors may determine the payment of interim dividends out of earnings based on (i) semiannual balance sheets or earning reserves; or (ii) balance sheets issued on shorter periods, in which case the distribution of dividends shall not exceed the amount of capital reserves. These interim payments may be off set against the annual mandatory dividend.

All payments of earnings to our stockholders shall occur within 60 days following the date of their approval at the relevant Board meeting. The value of the payments shall be considered as part of mandatory dividends corresponding to the relevant fiscal year. However, our Board of Directors may, at their sole discretion, based on reasonable cause (i) modify the conditions precedent to the payment of the earnings to our stockholders, such as, but not limited to, value, form and dates of payment, or (ii) determine not to make such payments in certain quarters.

Our Board of Directors may decide to pay interest on capital stock to the shareholders in addition to the Quarterly Payments. The conditions to such additional payments shall be established at the time of the board decision.

The dividends authorized by our shareholders or by our Board of Directors shall be paid within 60 (sixty) days of the date they were declared and, in any event, within the fiscal year in which they have been declared.

The legal right of action to claim dividends terminate within three years from the date the dividends were offered to the shareholder, after which we will be entitled to retain the unclaimed dividend.

Pursuant to current Brazilian Corporation Law, a company shall not pay dividends in an amount inferior to 25% of its net profits (calculated in accordance with the Brazilian Corporation Law).

Pursuant to Brazilian Corporation Law, we may suspend the mandatory distribution of dividends if the Board of Directors determines that payments of the mandatory distribution of dividend would be inadvisable in view of our financial condition. The shareholders must ratify such determination at the annual shareholders meeting. Such determination must be reported to the CVM within five days as of the relevant shareholders meeting. Under Brazilian Corporation Law, a mandatory distribution that is suspended and not offset against losses in future years must be paid as soon as our financial condition so permits.

RELATED PARTY TRANSACTIONS

Summarized below are all of the material transactions known to us between ourselves, Unibanco Holdings or any of our subsidiaries and any of our directors, statutory officers or shareholders which hold more than 5% of any of our or Unibanco Holdings' classes of shares, or the family members of such directors, officers and shareholders, as well as any enterprises in which such parties own a substantial interest or over which they can exercise significant influence.

Under Brazilian law, financial institutions may not grant loans or advances to affiliates, statutory officers, directors or their family members, nor to any enterprises in which such parties, with few exceptions, own more than 10%. Therefore, we have not made any loans or advances to any of these persons. For this purpose, affiliates include companies in which a financial institution holds 10% or more of the capital stock or which hold 10% or more of a financial institution's capital stock. This prohibition is not applicable to Unibanco Holdings nor to any of our non-financial subsidiaries and it does not limit our ability to enter into transactions in the interbank market with our affiliates that are financial institutions (see further information in note 4 of our U.S. GAAP consolidated financial statements).

Distribution of Financial Products

Certain of our subsidiaries, such as Unibanco AIG Seguros S.A., Unibanco AIG Previdência S.A., Unibanco Companhia de Capitalização S.A., Unicard Banco Múltiplo S.A., Unibanco-Rodobens Administradora de Consórcios Ltda. and Cia. Hipotecária Unibanco-Rodobens, have entered into distribution agreements with us. These agreements govern the use of our branch network as a distribution channel for insurance products, pension plans, consortium quotas, credit cards, individual financing related to *real* estate and other products.

Loans

Caixa Geral de Depósitos, through Caixa Brasil SGPS, S.A., a financial institution that is currently a strategic shareholder but which intends to sell its equity interest in us, and Commerzbank and BNL, our former strategic shareholders, have, from time to time, extended trade-related and general purpose credit lines with us mainly for onlending purposes. As of December 31, 2004, the total amount outstanding under the credit lines related to Caixa Geral de Depósitos was approximately R$254 million and the total amount outstanding under the credit lines related to Commerzbank and BNL was approximately R$24 million in the aggregate. See "Principal Stockholders" for a description of the secondary offerings through which Commerzbank and BNL entirely liquidated their equity interest in us and Unibanco Holdings and see "Recent Developments—Proposed Offering of Units by Caixa Brasil" for a description of the secondary offerings through which Caixa Brasil intends to entirely liquidated their equity interest in us and Unibanco Holdings.

We believe that such loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, if applicable, as those prevailing at the time in the market for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Loans in Connection with the Units Offering

To assist our employees and collaborators as well as our subsidiaries in purchasing Units in the February 2005 secondary global offering of Units, Instituto Pedro di Perna, an institution sustained by us and our subsidiaries' employees, financed Units purchased by such persons in the retail offering in Brazil up to a limit of three times their respective monthly wage.

THE BRAZILIAN BANKING INDUSTRY

General

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

Public Sector

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

- Banco do Brasil, which provides a full range of banking products to both the public and private sectors. Banco do Brasil is the largest commercial bank in Brazil and the primary financial agent of the Brazilian government;
- BNDES, a development bank which provides medium- and long-term financing to the Brazilian private sector, mainly in the industrial sector. BNDES provides funding both directly and indirectly through onlending by other public and private sector financial institutions; and
- Caixa Econômica Federal, which is involved principally in deposit-taking and provides financing for housing and urban infrastructure.

Private Sector

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

- multiple-service banks, such as Unibanco, which are licensed to provide a full range of commercial banking, investment banking (including securities underwriting and trading), consumer finance and other services;
- commercial banks, which are primarily engaged in wholesale and retail banking and are particularly active in taking demand and time deposits and lending for working capital purposes; and
- investment banks, which are principally engaged in underwriting securities and structured transactions.

REGULATION AND SUPERVISION

Principal Regulatory Bodies

The National Financial System is composed of the following regulatory and inspection bodies:

- the National Monetary Council (*Conselho Monetário Nacional*), or CMN;
- the Central Bank (*Banco Central*);
- the Securities Commission (*Comissão de Valores Mobiliário*), or CVM;
- the Private Insurance Superintendency (*Superintendência de Seguros Privados*), or SUSEP; and
- the Complementary Pension Secretariat.

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

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

National Monetary Council

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

Central Bank	Securities Commission
• implements the currency and credit policies established by the National Monetary Council	• implements and regulates the securities and exchange policies established by the National Monetary Council
• controls and supervises all public and private sector financial institutions by:	• controls and supervises the Brazilian securities market by:
• having the power to authorize and approve:	• having the power to approve, suspend and cancel:
• the establishment and operation of financial institutions;	• the registration of public companies;
• capital increases by financial institutions; the establishment of branches and facilities	• the authorization for brokers and dealers to operate in the securities market;

in Brazil and abroad;

- mergers and acquisitions of financial institutions;
- amendments to by-laws of financial institutions;
- establishment or relocation of the principal place of business of financial institutions;
- merger, spin-off or acquisition transactions resulting in the change of control of financial institutions.

- establishing:
    - minimum capital requirements;
    - compulsory reserve requirements;
    - operational limits.
- requiring the submission of:
    - annual audited financial statements;
    - semi-annual audited financial statements;
    - quarterly revised financial statements;
    - monthly unaudited financial statements.
- requiring full disclosure of:
    - all credit transactions;
    - foreign exchange transactions;
    - export and import transactions;
    - any other related economic activity
- imposing penalties.

operate in the securities market;

- public offerings of securities.

- supervising the activities of:
    - public companies;
    - stock exchanges;
    - commodities and futures exchanges; market members;
    - financial investment funds and variable income funds.
- requiring:
    - full disclosure of material events affecting the market;
    - annual and quarterly reporting by public companies.
- imposing penalties

Legal Reform of the Brazilian Financial System – Amendment to the 1988 Brazilian Constitution

In May 2003, an Amendment to the Brazilian Constitution, or EC 40/03, was enacted to replace the existing restrictive constitutional provisions with a general permission to regulate the Brazilian financial system through specific laws. The enactment of EC 40/03 will allow the legislature to focus more closely on the different issues affecting the regulation of the financial system, which will hopefully lead to greater efficiencies within the financial system. The Brazilian Congress may now vote on several bills dealing with the regulation of the financial system. Congress would have been unable to do this absent the enactment of this constitutional amendment.

Principal Limitations and Restrictions on Activities

Restrictions on the Extension of Credit

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

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

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

Restrictions on Risk Concentration

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

- loans and advances;
- guarantees; and
- the underwriting, purchase and renegotiation of securities.

Restrictions on Investments

Financial institutions may not:

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

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

Repurchase Transactions

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

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

Foreign Currency Loans

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

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

Foreign Currency Position

Only those institutions authorized by the Central Bank to operate in the foreign exchange markets may purchase and sell foreign currency in Brazil. The Central Bank imposes a limit on the net exposure of Brazilian financial institutions and their affiliates to assets and debt subject to foreign currency and gold fluctuation. The limit is currently equivalent to 30% of the institution's adjusted shareholders' equity.

Management of Third Party Assets

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

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

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

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

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

Micro-credit Regulation

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

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, the *Caixa Econômica Federal* and credit unions must allocate 2% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships, following a specific methodology. Interest rates on these loans cannot exceed 2% per month, the repayment term cannot be less than 120 days, and the principal amount of the loan cannot exceed R$600 for individuals and R$1,000 for micro-enterprises.

Credit upon Payroll Discount

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

New Bankruptcy Law

In 2005 the Brazilian Congress enacted the new bankruptcy law, or New Bankruptcy Law, which regulates judicial recuperation, extrajudicial recuperation and bankruptcy of enterprises. The New Bankruptcy Law is effective as of June 10, 2005 and applies to financial institutions only with respect to the matters not specifically regulated by the intervention and extrajudicial liquidation regimes. It does not directly affect financial institutions, which continue to be subject to intervention and extrajudicial liquidation regimes according to specific legislation. See "—Bank Failure."

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

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

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

Regulations Intended to Ensure the Safety and Soundness of Financial Institutions and the Financial System

Internal Compliance Procedures

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

- activities;
- financial, operational and management information systems; and

- compliance with all applicable regulations.

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

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

Independent Auditors and Audit Committee

All financial institutions must be audited by independent auditors. Independent auditors can only be hired if they are registered with the CVM, certified in specialized banking analysis by the Federal Board of Accounting (*Conselho Federal de Contabilidade*) and the Institution of Brazilian Independent Auditors (*Instituto dos Auditores Independentes do Brasil*) and if they meet several strict requirements that assure their independence. Moreover, financial institutions must replace their independent accounting firm at least every five consecutive fiscal years and former auditors can be rehired only after three complete fiscal years have passed since their prior service. Financial institutions must designate a senior manager to be responsible for compliance with all regulations regarding financial statements and auditing.

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

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

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

All financial institutions (i) with a reference capital or a consolidated reference capital equal to or greater than R$1 billion, (ii) managing third parties assets in an amount equal to or greater than R$ 1 billion or (iii) managing third parties assets and deposits in an aggregate amount equal to or greater than R$ 5 billion must have created, by July 1, 2004, an internal audit committee. The audit committee must be created pursuant to the financial institution's by-laws and must be composed of, at a minimum, 3 individuals, at least one of whom is an expert in accounting and auditing. In accordance with the Brazilian law, the members of the audit committee may also be members of the board of directors of the institution and must meet certain requirements that ensure their independence. The audit committee must report directly to the board of directors and its main functions include:

- indicating the independent auditors to be elected by the board of directors;

- supervising the independent auditors' work;

- requesting the independent auditors' replacement when it deems necessary;

- reviewing the financial statements for each semester, the management and the audit reports;

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

- evaluating the management's compliance with the independent auditors' recommendations;

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

- advising management on the adoption of internal controls and procedures; and
- meeting with management, independent auditors and internal accountants to verify their compliance with the audit committee's recommendations.

Furthermore, it is permitted under Brazilian law, to create a sole audit committee for the whole group of companies. In this particular case, the audit committee shall be responsible for every and each financial institution pertaining to the same group which falls within the requirements set forth in the paragraph above.

The independent auditors and the audit committee must immediately communicate to the Central Bank any event that may materially adversely affect the financial institution's status, including material non-compliance with applicable regulation and fraud.

Auditing Requirements

Brazilian law requires financial institutions to prepare their financial statements in accordance with certain standards set forth by Brazilian corporation law and other applicable regulations.

Capital Adequacy Guidelines

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

- imposes a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basel Accord;
- requires an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations; and
- assigns different risk weights to certain assets and credit conversion amounts, including a risk weight of 300% on deferred tax assets relating to income and social contribution taxes.

Under the Central Bank regulation, the net worth, or Reference Capital, of Brazilian financial institutions is represented by the sum of Tier 1 and Tier 2 capital and is taken into consideration for the purposes of defining their capital adequacy.

- Tier 1 capital corresponds to net worth plus positive result account minus (1) negative result account, excluding revaluation reserves, contingency reserves and special profit reserves related to mandatory dividends not yet distributed, and (2) amounts related to preferred cumulative stock and preferred redeemable stock.
- Tier 2 capital corresponds to revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, subordinated debt and hybrid instruments. The total amount of Tier 2 capital may not exceed the total amount of Tier 1 capital, provided that: (i) the total amount of revaluation reserves in Tier 2 capital may not exceed 25.0% of the Reference Capital; (ii) the total amount of subordinated debt in Tier 2 capital plus the amount of preferred redeemable stock, in each case originally maturing in less than 10 years, may not exceed 50.0% of the Tier 1 capital amount; and (iii) a 20.0% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier 2 capital every year for the 5 years immediately preceding the respective maturity.

The Reference Capital shall be taken into consideration for the purpose of defining the capital adequacy of financial institutions, except for the permanent assets limit, which is defined pursuant to certain legal provisions.

Capital Structure

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

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

Treatment of Overdue Debts

Under Central Bank regulations, banks have to classify their loan transactions with companies into 9 (nine) categories, ranging from AA to H, in accordance with their risk. Risk assessment includes an evaluation of the borrower, the guarantor and the relevant loans. Credit classifications are determined in accordance with Central Bank criteria relating to:

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

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

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

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

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

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

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

- A loan may be upgraded if it has a credit support or downgraded if in default. Banks must write-off loans six months after they are ranked H.

- In the case of loan transactions with individuals, there is a similar nine-category ranking system. The loan is graded based on data including the individual's income, net worth and credit history (as well as other personal data).

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

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

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

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

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

- breakdown of activities and nature of the borrower;
- maturity of the loans;
- amounts of rolled-over, written-off and recovered loans;
- loan portfolio diversification in accordance with the loan classification; and
- overdue loans – divided between loans past due up to 15 days and loans past due over 15 days.

Central Credit Risk System

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

- strengthen the Central Bank's supervisory capacity; and
- make information concerning debtors available to other financial institutions (however, other institutions can only access information subject to client's authorization).

If the aggregate amount of a client's transactions exceeds R$5,000.00 or in case of transactions of a single client in an amount equal to or greater than US$ 5,000,000.00, the financial institution must provide the Central Bank with:

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

For transactions that, in the aggregate, are below or equal to R$5,000.00, the financial institution must only report the total amount of transactions per client.

Anti-Money Laundering Law

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

- identify and maintain up-to-date records regarding their customers;
- maintain internal controls and records;
- record, for a five-year period, any transaction or set of transactions performed by individuals or entities pertaining to the same economic group involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money that exceeds R$10,000;
- review transactions or proposals with characteristics which may indicate the existence of a crime;
- keep records of transactions involving checks for a period of 5 years;
- inform the appropriate authorities (without the customer's knowledge) of any transaction or set of transactions performed by individuals or entities pertaining to the same group of companies, which involves amounts exceeding R$10,000.00; and
- communicate to the appropriate authorities, within 24 hours, any suspicious transaction.

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

Anti-Tax Evasion Law

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

- declarations by the customer of transactions with a value lower that their market value;
- loans acquired from sources outside the financial system;
- transactions involving "tax havens";
- expenses or investments which exceed the declared available income;
- overseas currency remittances through non-resident accounts in amounts which exceed the declared available income; and
- legal entities which have their registration with the General Taxpayers Registry cancelled or declared null.

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

Regulations Affecting Liquidity in the Financial Market

Reserve Requirements

The Central Bank currently imposes several compulsory reserve requirements on financial institutions. Financial institutions must deposit those reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the financial system. The reserves imposed on demand deposits, savings deposits and time deposits account for substantially all amounts required to be deposited with the Central Bank. For further discussion of reserve requirements, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 2004, 2003 and 2002—Macroeconomic Factors Affecting Our Financial Condition and Result of Operations—Effect of Government Regulation on Our Financial Condition and Results of Operations—Compulsory Deposit Requirements."

Taxation of Financial Transactions

Temporary Contribution on Financial Transactions (CPMF)

The Temporary Contribution on Financial Transactions (*Contribuição Provisória sobre Movimentações Financeiras*), or CPMF, is a tax imposed on any type of financial transaction, with certain limited exemptions. The current rate of the CPMF is 0.38% and shall be in effect until December 31, 2007. On 2004, a law created the so called "Investment Deposit Accounts," which are investment accounts that allow investors to make money transfers without paying CPMF.

The Brazilian government may change the applicable rate at any time, subject to the limits established by the Federal Constitution.

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

Increases in PIS and COFINS Tax Rates

In May 2003, the Brazilian Congress approved an increase in the rate of the *Contribuição para Financiamento da Seguridade Social*, or COFINS, payable by the financial services sector. The *Programa de Integração Social*, or PIS, and COFINS were previously imposed on our gross revenues at a combined rate of 4.65%. As part of the Brazilian tax reform, in February 2004, the COFINS rate for non-financial companies has increased from 3% to 7.6%, resulting in a combined rate of 9.25%. These increases affect us less directly, as only certain of our consumer finance subsidiaries are considered to be non-financial institutions for the purposes of COFINS and PIS. The Brazilian government recently eliminated the rate of the PIS and COFINS on the revenues resulting from financial intermediation received by legal entities which are subject to the non-cumulative PIS and COFINS regime. The elimination of this rate is not applicable to revenues derived from interest over capital.

Tax on Financial Transactions (IOF)

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

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

Transaction	Maximum legal rate	Present rate
credit extended by financial institutions and non financial entities	1.5% per day	up to 0.0041% per day depending on the transaction
transactions relating to securities and transactions involving gold as a financial asset	1.5% per day	0.5% per day for investment funds of any type(1)
		0% on transactions with equity securities
		1% on transactions with fixed income securities(2)
insurance transactions entered into by insurance companies	25%	2% for health insurance 7% for all other types of insurance(3)
foreign exchange transactions	25%	0% (general rule)
		2% on credit card transactions
		5% for remittances from abroad that will remain in Brazil for a period lower than or equal to 90 days

(1) There are exceptions relating to *real* estate funds and to funds which invest in "emerging companies" (*fundos de investimento em empresas emergentes*).
(2) There are several exceptions which are taxed at 0%, including transactions by financial institutions, by portfolios of investment funds and by government entities.
(3) There are several exceptions which are taxed at 0%, including reinsurance transactions, export insurance and governmental insurance.

Regulations Affecting Our Relationship with Our Clients

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

The Consumer Defense Code and the Banking Client Defense Code

In 1990, the Brazilian Consumer Defense Code was enacted to establish rigid rules to govern the relationship between product and service providers and consumers and to protect final consumers. In May, 2004 the Brazilian Supreme Court of Justice ruled that the Brazilian Consumer Defense Code also applies to transactions between financial institutions and their clients. We are not in a position, at this stage, to predict the impact that this will have on the Brazilian banking system. Financial institutions are also subject to specific regulation of the CMN, which specifically regulates the relationship between financial institutions and their clients.

The New Civil Code

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

Contractual obligations and guarantees entered into before January 11, 2003 will continue to be governed by the prior Civil Code solely in relation to their existence and validity; although the effects of such agreements as of January 11, 2003 are governed by the New Civil Code. The changes under the New Civil Code have not had a material impact on our business.

Banking Secrecy

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

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

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

Extrajudicial Liquidation

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

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

Extrajudicial liquidation proceedings may cease:

- at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees; or
- when the liquidator’s final accounts are rendered and approved, and subsequently filed with the competent Public Registry; or
- when converted to an ordinary liquidation; or
- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

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

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

- the institution continually participates in transactions contrary to the economic and financial policies established by federal law;
- the institution fails to comply with the compulsory reserves rules;
- the institution has operations or circumstances which call for an intervention;
- illegal or management misconduct; and
- the institution faces a shortage of assets.

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

Repayment of Creditors in a Liquidation

In the liquidation of a financial institution, employees' wages and indemnities and tax claims enjoy the highest priority of any claims against the bankrupt estate. The Credit Insurance Fund is a deposit insurance system which guarantees a maximum amount of R$20,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group). The Credit Insurance Fund is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits. The payment of unsecured credit and customer deposits not payable under the Credit Insurance Fund is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

Brazilian Payment and Settlement System

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

- the existence of two main payment and settlement systems: *real* time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

Foreign Investment and the Federal Constitution

Foreign Banks

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

Foreign Investment in Brazilian Financial Institutions

The Federal Constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Brazilian government.

Foreign investors may acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts offered abroad representing non-voting shares without specific authorization.

Supervision in Other Jurisdictions

We have branches, subsidiaries and representative offices in several foreign jurisdictions, including New York, Miami, Luxembourg, Paraguay and the Cayman Islands.

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

Insurance Market

Principal Regulatory Entities

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

Insurance

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

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

- Insurance companies, subject to certain specific exceptions, are prohibited from:
- acting as financial institutions by extending credit or issuing guarantees;
- trading in securities; or
- investing outside of Brazil.

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

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

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

Reinsurance

The regulation of reinsurance transactions in Brazil has traditionally been the domain of IRB-Brasil Resseguros S.A., or IRB, a government-controlled entity which enjoyed a monopoly over the Brazilian reinsurance market from 1932 through 1996. In 1996, the monopoly was formally eliminated. Pursuant to a law enacted in 1999, the IRB was to be privatized and its regulatory powers transferred to SUSEP. However, the constitutionality of this law is being challenged before the Supreme Court. As a result, until the Supreme Court renders a final decision in this matter, the IRB will not be privatized and shall remain as the reinsurance regulatory body in Brazil. All risks in excess of the companies' maximum retention limits established by the SUSEP must be compulsorily reinsured or co-insured. According to industry practice, insurance companies also voluntarily reinsure or co-insure a portion of their exposure, regardless of whether they meet the maximum retention limits.

Reporting Requirements

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

Liquidation

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

Foreign Participation in the Insurance Market

There is currently no rule restricting foreign investment in insurance companies. The direct participation of foreign companies (as well as those of private Brazilian companies) in the reinsurance market may be regulated by a pending implementing law.

Securities Market

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

- registration requirements;
- disclosure obligations;
- insider trading prohibitions;
- special qualification requirements for managers; and
- rules protecting minority shareholders.

DESCRIPTION OF THE SECURITIES

General

The Securities will be issued under the Indenture dated as of the Issue Date, or the Indenture, between the Bank and the Trustee.

The terms of the Securities are stated in the Indenture. The following is a summary of the material terms and provisions of the Indenture and does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Indenture and those terms made part of the Indenture by the Trust Indenture Act of 1939, as amended. Investors should read the Indenture in its entirety. In this summary, the words "the Bank" and "the Issuer" refer only to Unibanco – União de Bancos Brasileiros, S.A, acting through its Grand Cayman branch, and not to the Bank's subsidiaries, unless the context otherwise requires. Capitalized terms have the meanings assigned to them in the Indenture.

The Securities

- are the Bank's direct, unsecured subordinated obligations, subordinated in right of payment to all existing and future Senior Debt in accordance with the subordination provisions of the Indenture;
- are issued in an aggregate principal amount of US$500,000,000; and
- are perpetual securities and have no fixed maturity or redemption date.

Form and Denomination

The Bank will issue the Securities only in fully registered form in the form of beneficial interests in one or more global securities registered in the name of Cede & Co., as nominee for The Depository Trust Company, or DTC. The Securities will be issued only in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof, (see "Form, Denomination and Transfer" for more information about the form of the Securities and their clearance and settlement).

Interest

For each Interest Period (as defined herein), cash interest on the Securities will accrue at a fixed rate per annum equal to 8.70%, or the Stated Rate, of the outstanding principal amount of the Securities, or the Principal Amount, and, unless the Bank elects not to pay interest (see "—Limitation on Obligation to Make Interest Payments"), interest will be payable quarterly in arrears on January 29, April 29, July 29, and October 29 of each year, commencing on October 29, 2005 (each such date, an Interest Payment Date). Interest payable on each Interest Date will be calculated on the basis of a 360-day year of twelve 30-day months, and will accrue from and including the immediately preceding Interest Payment Date (or the Issue Date with respect to interest payable on October 29, 2005), to but excluding the relevant Interest Payment Date (each such period, an Interest Period).

If required by the Central Bank in connection with the qualification of the Securities as Tier I Capital, interest payments may only be paid out of Distributable Profits; provided, however, that this provision may be amended as described under "—Amendments".

If any Interest Payment Date or Redemption Date (as defined below) falls on a day that is not a Business Day (as defined below), the relevant payment will be payable on the next succeeding Business Day without adjustment, interest or further payment as a result thereof.

"Business Day" means a day that is a day other than Saturday, Sunday or a day on which banking institutions in São Paulo, Brazil, the Cayman Islands or New York City, United States generally are authorized or required by law or order to remain closed.

"Distributable Profits" means (i) current profits in the current fiscal year of the Bank, plus (ii) in respect of the prior fiscal year of the Bank, the aggregate amount, as set out in the Brazilian GAAP financial statements of the Bank for the immediately preceding fiscal year, of accumulated retained earnings increased by any profit or decreased by any loss from such prior fiscal year, plus or minus any amounts released from or transferred to legal or other restricted reserves.

"Redemption Date" means the date of redemption of the Securities pursuant to the terms and conditions of the Indenture.

Interest on the Securities will be payable on each Interest Payment Date to those persons registered as holders on each record date. Each record date will be the Business Day which is fifteen calendar days prior to the relevant Interest Payment Date. Payments of amounts in respect of any Securities represented by global securities will be made by the Trustee to DTC. Any such payments of interest and other payments on or in respect of the Securities will be in United States Dollars and will be calculated by the Trustee or such other agent as the Bank may appoint.

Limitation on Obligation to Make Interest Payments

Interest on the Securities will not be due and payable and will not accrue or accumulate if (i) the Bank determines that it is, or if such interest payment would result in it being, in non-compliance with applicable capital regulations or operational limits set by the Central Bank in Resolution 2,837, issued by the CMN on May 30, 2001, as amended, and/or Resolution 2,099*,* issued by the CMN on August 17, 1994, as amended, or any amendment or successor thereto, or (ii) the Central Bank or any applicable Governmental Authority otherwise determines that such interest payment shall not be made, or (iii) certain bankruptcy events as described under "—Subordination" occur, or (iv) certain defaults as described, under "—Subordination" occur, or (v) the Bank elects to suspend the accrual of interest for any other reason. The suspension of accrual of interest pursuant to clause (v) above is subject to and contingent upon the Bank's compliance with the covenant set forth under "—Dividend Stopper" below.

In the event that we suspend the payment of interest, we are required to deliver to the Trustee an Officer's Certificate to that effect no later than the sixteenth Business Day, in the case of an election pursuant to clause (v) above, and the second Business Day, in the case of an election pursuant to clauses (i) through (iv) above, prior to the relevant Interest Payment Date. In the event the Bank does not pay interest because the Bank has exercised its right not to do so, interest will not accrue or accumulate and will not be deemed due and payable under the terms of the Securities.

"Governmental Authority" means the government of Brazil, the Cayman Islands, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Bank.

Dividend Stopper

The Indenture will provide that, in the event that (i) interest that is due and payable is not paid, or (ii) interest has not been paid in accordance with clause (v) of the first paragraph under "—Limitation on Obligation to Make Interest Payments" above, the Bank will not recommend to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent, any action that would constitute a Restricted Payment Event (as defined below) until payments on the Securities have been resumed in full for an equivalent period of 12 months.

Restricted Payment Event

Each of the following will constitute a "Restricted Payment Event":

(i) the Bank declares, pays or distributes a dividend or makes a payment on, or in respect of, any of its Junior Securities or Preferred Securities, other than any distribution, dividend or payment consisting solely of Junior Securities or, unless or until the Securities rank *pari passu* with our Preferred Securities, Preferred Securities; or

(ii) the Bank or any of its subsidiaries redeems, purchases or otherwise acquires for any consideration any Junior Securities or any Preferred Securities, other than:

(a) by conversion into, or in exchange for, Junior Securities;

(b) in connection with transactions effected by or for customers of the Bank or customers of any of the Bank's subsidiaries or in connection with interest, trading or market-making activities in respect of the Junior Securities or Preferred Securities;

(c) in connection with the satisfaction of the Bank's obligations or the obligations of any of the Bank's subsidiaries' under any employee benefit plans or similar arrangements with, or for the benefit of employees, officers, directors or consultants;

(d) as a result of a reclassification of the Bank's capital stock or the capital stock of any of the Bank's subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or

(e) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's subsidiaries pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

In the event of a breach of the Bank's covenant not to make or cause a Restricted Payment Event or of any other obligations under the Securities and the Indenture (other than a breach that results in a Payment Default), a holder of Securities would not be entitled to accelerate or institute bankruptcy proceedings and would only be entitled to rights and remedies provided under New York, Cayman Islands and Brazilian law.

"Junior Securities" means the Common Shares of the Bank or any other securities or instruments which rank *pari passu* with the Common Shares or junior to the Securities and junior to the Preferred Securities, as regards interest on a return of assets upon liquidation or in respect of interest or payment of dividends or any other payments thereon.

"Common Shares" means common shares of the Bank.

"Preferred Securities" means preferred shares of the Bank, any non-cumulative preference shares and any securities or instruments which rank or are expected to rank *pari passu* with the Bank's preferred shares.

"Senior Debt" means:

(a) all claims of the Bank's unsubordinated creditors; and

(b) all claims of all of the Bank's other creditors, except those whose claims are, or are expressed to rank, *pari passu* with or junior to, the claims of holders of Subordinated Debt, including contractual penalties arising from breach of law, including criminal and tax penalties, that under Brazilian law are subordinated to the Bank's unsubordinated creditors but senior to its Subordinated Debt.

"Subordinated Debt" means all claims of the Bank's subordinated creditors whose claims are, or are expressed to be, subordinated only to the claims of the Bank's unsubordinated creditors and holders of Senior Debt (whether only in the event of the Bank's bankruptcy or otherwise).

Additional Amounts

All payments in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes or other governmental charges of whatever nature imposed or levied by or on behalf of Brazil or the Cayman Islands or, in the event that the Bank appoints additional paying agents, by the jurisdictions of such additional paying agents (each, a "Taxing Jurisdiction") or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law or the official interpretation thereof, or by the administration thereof. In that event, the Bank will pay such additional amounts, or Additional Amounts, as may be necessary in order that the net amounts receivable by the holder of any Security after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction except that no such Additional Amounts shall be payable in respect of payment in respect of any Security:

(i) to the extent that such taxes or duties are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Security;

(ii) to the extent that such taxes or duties are imposed on, or measured by, net income of the holder (or beneficial owner);

(iii) in respect of which the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the taxes, (2) the holder (or beneficial owner) is able to comply with those requirements without undue hardship and (3) the Bank has given all holders at least 30 days prior notice that they will be required to comply with such requirements;

(iv) in respect of which the holder (or beneficial owner) fails to surrender (where surrender is required) its Security for payment within 30 days after the Bank has made available a payment of principal or interest provided that the Bank will pay Additional Amounts to which a holder would have been entitled had the Security been surrendered on any day (including the last day) within such 30-day period;

(v) to the extent that such taxes or duties are imposed by reason of any estate, inheritance, gift, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vii) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another paying agent in a member state of the European Union.

Any reference to payments on the Securities shall be deemed also to include the payment of any Additional Amounts. However, no holder of a Security shall be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such holder after such withholding or deduction equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, subject to the exceptions above.

Optional Redemption

The Securities are perpetual securities and have no fixed maturity date or mandatory redemption date.

With the prior approval of the Central Bank (if applicable), the Bank may at its option redeem the Securities in whole but not in part, on July 29, 2010, or the First Call Date, or any Interest Payment Date occurring thereafter, at a redemption price equal to (i) 100% of the aggregate Principal Amount of the Securities, plus (ii) accrued and unpaid interest, if any, thereon with respect to the then current Interest Period through the Redemption Date, plus (iii) any other amounts accrued and unpaid under the Securities and the Indenture, or the Base Redemption Price.

With the prior approval of the Central Bank (if applicable), the Bank may purchase Securities on the market at any time (in any manner and at any price) provided that such Securities are promptly tendered to the Trustee for cancellation. Upon cancellation, such Securities will no longer be considered part of the Bank's capital.

Early Redemption upon Tax Event or Regulatory Event

At any time before July 29, 2010, with the prior approval of the Central Bank and any other governmental authority (if applicable), the Bank may redeem the Securities, in whole, but not in part, following the occurrence of a Tax Event or Regulatory Event (each such term as defined below). In the case of redemption following a Tax Event, the Bank will redeem the Securities at a redemption price equal to the Base Redemption Price. In the case of redemption following a Regulatory Event, the Bank will redeem the Securities at a price equal to the greater of the Base Redemption Price and the Make-Whole Amount (as defined below).

In the case of a Tax Event, the Bank is required, prior to exercising the right of redemption, to deliver to the Trustee notice together with a written legal opinion of independent Brazilian counsel of recognized standing, selected by the Bank, in a form satisfactory to the Trustee confirming that the Bank is entitled to exercise such right of redemption.

"Tax Event" means a determination by the Bank that immediately prior to the giving of the notice contemplated in the Indenture on the next Interest Payment Date that the Bank would, for reasons outside its control, be obligated to pay Additional Amounts in excess of Additional Amounts which the Bank would be obligated to pay if payments of Interest under the Securities were subject to withholding or deduction at a rate in excess of (x) 15% in the case of any taxes imposed by Brazil (including as a result of actions taken (or failed to be taken) by the Bank that results in the Grand Cayman branch thereof being disregarded for any reason), (y) 0% in the case of any taxes imposed by the Cayman Islands, or (z) the applicable tax rate in effect with respect to any other jurisdiction in which a paying agent is located on the date the Bank appoints such paying agent and, in each such case, the Bank cannot avoid such circumstance by taking reasonable measures.

"Regulatory Event" means that, subsequent to the time the Securities initially qualify as Tier I Capital, the Bank is notified in writing by the Central Bank of Brazil or Brazilian law or regulations determine that the Securities may not be included in the consolidated Tier I Capital of the Bank.

"Make-Whole Amount" means an amount per Security as determined by the Independent Investment Banker (as defined below), equal to the sum of (i) the present value of a payment of the Principal Amount, plus (ii) the present value of the scheduled quarterly cumulative interest payments from the Redemption Date through and including the First Call Date, in each case of (i) and (ii) above, discounted from the First Call Date (in the case of the Principal Amount) or the applicable Interest Payment Date (in the case of scheduled interest payments) to the Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the U.S. Treasury Rate plus 0.25%, plus (iii) any accrued and unpaid interest for the then current Interest Period through the Redemption Date, plus (iv) any other amounts accrued and unpaid under the Securities and the Indenture.

"U.S. Treasury Rate" means (i) the yield, under the heading that represents the average for the week immediately prior to the Redemption Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the U.S. Federal Reserve and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity most closely corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life will be determined and the U.S. Treasury Rate will be the rate obtained by interpolating or extrapolating from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the annual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for the Redemption Date. The U.S. Treasury Rate will be calculated on the third Business Day preceding the Redemption Date.

“Remaining Life” means the period from the Redemption Date to and including the First Call Date.

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after the First Call Date, the two most closely corresponding United States Treasury securities will be used as the Comparable Treasury Issue, and the U.S. Treasury Rate will be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities. All percentages resulting from any calculation related to the U.S. Treasury Rate will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or resulting from any calculation related to the U.S. Treasury Rate will be rounded to the nearest cent (with one-half or unit being rounded upwards).

“Comparable Treasury Price” means with respect to the relevant Redemption Date (A) the average of four Reference Treasury Dealer Quotations (as defined below) for the Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Bank.

“Reference Treasury Dealer” means each of UBS Securities LLC, Merrill Lynch Government Securities Inc. and their respective successors; provided, however, that if any of the foregoing or their affiliates will cease to be a primary U.S. Government securities dealer in the City of New York, or a Primary Treasury Dealer, the Bank will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and the Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding the Redemption Date.

“Stated Rate” means, for any Interest Period, 8.70% per annum.

Notice of Redemption

In the event that the Bank exercises its option to redeem the Securities (subject to obtaining any required regulatory approvals), the Bank will give the Trustee notice of redemption 45 days prior to the proposed redemption (unless a shorter period of time is agreed upon) and the holders written notice not less than 30 nor more than 60 days prior to the Redemption Date. Any such notice of redemption is irrevocable and will be given as described in the Indenture. If the redemption price in respect of any Securities is improperly withheld or refused and is not paid by the Bank, interest on the Securities will continue to be payable until the redemption price is paid in full.

Notices to be given to holders of a global security will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the Trustee's records, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Subordination

The Securities will constitute unsecured, subordinated obligations of the Bank. Initially, in the event of the Bank's bankruptcy, liquidation, dissolution or winding up under Brazilian law, the Securities will rank:

- junior in right of payment to the payment of all the Bank's Senior Debt,
- *pari passu* among themselves and with the Bank's Subordinated Debt, and
- senior in right of payment to the payment of the Bank's Preferred Securities and Junior Securities.

In connection with the qualification of the Securities as Tier I Capital, the ranking of the Securities may be amended once at any time after the adoption of regulations setting forth requirements applicable to Tier I Capital so that the Securities will rank, in the event of the Bank's bankruptcy, liquidation, dissolution or winding up under Brazilian law:

- junior in right of payment to the payment of all the Bank's Senior Debt and Subordinated Debt,
- *pari passu* among themselves and any other security or instrument that qualifies as Tier I Capital,
- at least *pari passu* in right of payment to the payment of the Bank's most senior ranking Preferred Securities, and
- senior in right of payment to the payment of the Bank's Junior Securities.

The Indenture provides that, unless all principal of, and any premium or interest on, Senior Debt has been paid in full, no payment or other distribution may be made in respect of the Securities in the following circumstances:

(i) in the event of the Bank's bankruptcy, liquidation, dissolution or winding up under Brazilian law; or

(ii) (a) in the event and during the continuation of any default in the payment of principal, premium or interest on any Senior Debt beyond any applicable grace period or (b) in the event that any event of default with respect to any Senior Debt has occurred and is continuing beyond any applicable grace period, permitting the holders of that Senior Debt (or a trustee) to accelerate the maturity of that Senior Debt, whether or not the maturity is in fact accelerated (unless, in the case of (a) or (b), the payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded) or (c) in the event that any judicial proceeding is pending with respect to a payment default or event of default described in (a) or (b).

If the Trustee under the Indenture or any holders of the Securities receive any payment or distribution that is prohibited under the subordination provisions, then the Trustee or the holders will have to repay that money to the holders of the Senior Debt.

Even if the subordination provisions prevent the Bank from making any payment when due and payable on the Securities, the Bank will be in default on its obligations under the Securities if the Bank does not make the payment when due and payable. This means that the Trustee under the Indenture, and the holders of the Securities, can take action against the Bank, but they will not receive any money until the claims of the holders of Senior Debt are fully satisfied.

The Indenture allows the holders of Senior Debt to obtain a court order requiring the Bank and any holder of Securities to comply with the subordination provisions.

The Bank will agree in the Indenture that, so long as any of the Securities remain outstanding, the Bank will not issue any preferred shares (or other securities or instruments which are akin to preferred shares with regard to distributions on a return of assets upon the Bank's liquidation or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Bank) or give any guarantee or contractual support arrangement in respect of any of the Bank's preferred shares or such other securities or instruments if such securities, instruments, guarantees or support arrangements would rank (with regard to the rights of a Securityholder upon the Bank's liquidation or in respect of the distribution or payment of dividends and/or any other amounts thereunder by the Bank) senior to the Securities, unless the Bank alters the terms of the Securities such that the Securities rank *pari passu* with any such preferred shares, such other securities or instruments described above or such guarantees or contractual support arrangements entered into with such preferred shares or such other Securities or instruments described above.

Merger and Similar Transactions

The Indenture provides that the Bank is generally permitted to merge or consolidate with or into another company, and to sell substantially all of its assets to another company if all of the following conditions are met:

(i) if the Bank is not the successor company, the successor company must expressly agree to be legally responsible for the Securities and must be organized as a corporation, partnership, trust, limited liability company or similar entity, but may be organized under the laws of any jurisdiction;

(ii) the merger, sale of assets or other transaction must not cause a default on the Securities, and the Bank must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include a Payment Default (as defined below) that has occurred and not been cured, as described below under "—Default, Limitation of Remedies—Payment Defaults"; and

(iii) certain certificates and opinions of counsel are delivered to the Trustee.

If the conditions described above are satisfied, the Bank will not need to obtain the approval of a majority of the holders of the Securities in order to merge or consolidate or to sell its assets. In addition, the conditions set out above only apply in the event that the Bank wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The Bank will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which it acquires the stock or assets of another entity, any transaction that involves a change in its control but in which it does not merge or consolidate, and any transaction in which it sells less than substantially all of its assets.

The Indenture also provides that in the event that the Bank merges, consolidates or sells substantially all of its assets, neither the Bank nor any successor will have any obligation to compensate holders of the Securities for any resulting adverse tax consequences relating to the Securities.

Default, Limitation of Remedies

Payment Defaults

The Indenture provides that a Payment Default occurs in the event that the Bank fails to pay or set aside for payment the amount due to satisfy any payment on the Securities when due and payable and such failure continues for a period of 14 days. In the event that the Bank has suspended any payment of interest in accordance with the terms of the Securities (see "—Limitation on Obligation to Make Interest Payments"), such interest not paid will not accrue or be due and payable and, accordingly, will not constitute a Payment Default.

Limitation of Remedies

If a Payment Default occurs and is continuing, the Trustee may (or if for any reason the Trustee is unwilling or unable to do so, then the holders of the Securities may), to the fullest extent permitted by applicable law, institute bankruptcy proceedings against the Bank in any state or federal court in New York State, any court in the Cayman Islands, or any court in Brazil, but may not declare the Principal Amount of any outstanding Securities to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of the sums due and unpaid.

Under the terms of the Indenture, claims against the Bank (if any) for payment in respect of the Securities, including claims with respect to interest payments and repayments of principal, will be prescribed and become void unless made within a period of three years from the appropriate payment date.

General

By purchasing the Securities, the holders of the Securities and the Trustee will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the Securities or the Indenture (or between the Bank's obligations in respect of the Securities and any liability owed by the holder or the Trustee to the Bank) that they might otherwise have against the Bank.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in the event that a Payment Default occurs and is continuing, the Trustee will be under no obligation to any holder of the Securities, unless any such holder has offered indemnity to the Trustee reasonably satisfactory to the Trustee. Subject to those provisions of the Indenture relating to indemnification of the Trustee, the holders of 25% aggregate Principal Amount of the outstanding Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities, if the direction is not in conflict with any rule of law or with the Indenture and the Trustee does not determine that the action would be unjustly prejudicial to the holder or holders of any Securities not taking part in that direction. The Trustee may take any other action that it deems proper that is not inconsistent with that direction.

The Indenture provides that the Trustee will, within 90 days after the occurrence of a Payment Default, give to each holder of the Securities notice of the Payment Default known to it, unless the Payment Default has been cured or waived. The Trustee will be protected in withholding notice, however, if it determines in good faith that withholding notice is in the interest of the holders.

The Indenture also provides that the Bank will furnish a statement regarding its compliance with all covenants and conditions in the Indenture to the Trustee each year.

No Liability of Directors, Officers, Employees and Stockholders

Subject to mandatory provisions of applicable law, none of the Bank's directors, officers, employees or stockholders will have any liability for any of the Bank's obligations under the Securities or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Securities by accepting a Security waives and releases all such liability and such waiver and release are part of the consideration for the issuance of the Securities.

Amendments

With the prior approval of the Central Bank (if applicable), the Bank may make four types of changes to the terms of the Securities and to the Indenture.

Changes Requiring Each Holder's Approval

The Bank may only make the following amendments to the Securities if the Bank obtains the prior approval of each holder of a Security affected by the amendment (unless and to the extent that such amendment is necessary in the Opinion of Counsel in order that the Securities may qualify as Tier I Capital, subject to the limitations on amending the subordination and on provisions on the payment of interest set forth in "—Changes Not Requiring Approval" below, in which case prior approval will not be required):

(i) change the time for payment of interest on the Securities;

(ii) reduce the Principal Amount, the Stated Rate or the redemption price for the Securities;

(iii) waive a redemption payment on any Security;

(iv) change the currency of any payment on a Security other than as permitted by the applicable Security;

(v) change the place of payment on a Security;

(vi) reduce the percentage in principal amount of the Securities, the approval of whose holders is needed to change the Indenture or the Securities;

(vii) reduce the percentage in principal amount of the Securities, the consent of whose holders is needed to waive the Bank's compliance with the Indenture or to waive defaults; or

(viii) change the provisions of the Indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to in the Indenture or to add to the provisions that cannot be changed or waived without approval.

Changes Not Requiring Approval

Changes that Would Not Adversely Affect the Securities

No approval by holders of the Securities is required for, among other things, clarifications, changes to correct any inconsistency, defect, error or ambiguity in the Indenture or the Securities, or changes that would not adversely affect the Securities in any material respect.

Changes to Conform the Securities to Tier I Capital Requirements.

In addition, if the Bank has affirmatively elected to qualify the Securities as Tier I Capital, the terms of the Securities may be amended once at any time after the adoption of regulation setting forth requirements applicable to the Tier I Capital, without the approval of the holders, to the extent required in the Opinion of Counsel for the Securities to be treated as Tier I Capital; *provided*

- the Stated Rate or Interest Payment Dates of the Securities may not be amended pursuant to this provision in a manner that reduces the annual yield on the Securities; and

- the subordination provisions may only be amended if after giving effect to such amendment, the Securities rank at least *pari passu* in right of payment with the Bank's most senior ranking Preferred Securities.

There can be no assurance regarding the nature or extent of any amendments that may be required for the Securities to be treated as Tier I Capital, but such amendments may include, without limitation,

- lowering the ranking of the Securities, provided that the Securities will rank at least *pari passu* with the Bank's most senior ranking Preferred Securities.

- changing the time and manner of payment,

- changing provisions relating to redemption,

- changing the provisions described under " – Dividend Stopper" and "−Restricted Payment Event"; and

- limiting your remedies in the event the Bank fails to satisfy its obligation under the Securities or the Indenture,

Any such changes are contingent upon receipt of an Opinion of Counsel which states that such change is required for the Securities to qualify as Tier I Capital and that after giving effect to such amendment, the Securities will rank at least *pari passu* with the Bank's most senior ranking Preferred Securities.

Changes to the Securities required to conform them to Tier I Capital requirements may adversely affect the holders of Securities. See "Risk Factors—Risk Factors Relating to the Securities—The requirements for qualification as Tier I Capital in Brazil have not been published and we may amend the terms and conditions of the Securities, including economic terms, without your prior consent to qualify the Securities as Tier I Capital."

Changes Requiring Majority Approval

Any other change to either the Indenture or the Securities requires the approval by the holders of a majority in principal amount of the Securities. The required approval must be given by written consent. The same majority approval is required in the event that the Bank wishes to obtain a waiver of any of the Bank's covenants in the Indenture. The covenants include the promises the Bank makes about merging which is described above under "—Mergers and Similar Transactions". If the holders agree to waive a covenant, the Bank will not have to comply with it.

Modification of Subordination Provisions

The Bank may not amend the Indenture to alter the subordination of the Securities without the written consent of each holder of Senior Debt then outstanding who would be materially adversely affected (unless and to the extent that such amendment is necessary in the Opinion of Counsel in order that the Securities may qualify as Tier I Capital, in which case written consent will not be required so long as the Securities rank at least *pari passu* with the Bank's most senior ranking Preferred Securities).

Special Rules for Action by Holders

When holders take any action under the Indenture, such as giving a notice of default, declaring an acceleration, approving any changes or waiver or giving the Trustee an instruction, the following rules will apply:

Only Outstanding Securities Are Eligible

Only holders of outstanding Securities will be eligible to participate in any action by holders of Securities. The Bank will count only outstanding Securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a Security will not be deemed to be "outstanding":

(i) if it has been surrendered for cancellation;

(ii) if the Bank has deposited or set aside, in trust for the holder, money for its payment or redemption; or

(iii) if the Bank or one of its Affiliates is the owner.

Determining Record Dates for Action by Holders

The Bank will generally be entitled to set any day as a record date for the purpose of determining which persons are entitled to take action under the Indenture. In certain limited circumstances, only the Trustee will be entitled to set a record date for action by the holders. In the event that the Bank or the Trustee sets a record date for an approval or other action to be taken by the holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that the Bank specifies for this purpose, or that the Trustee specifies if it sets the record date. The Bank or the Trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global security may be set in accordance with procedures established by the depositary from time to time.

Concerning the Trustee

The Bank of New York Trust (Cayman) Limited is the Trustee under the Indenture.

Except during the continuance of a Payment Default the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In the event that a Payment Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense.

Reports to Trustee

The Indenture provides that following such time as the Bank is aware (or which the Bank reasonably should become aware) of an event which constitutes a Payment Default, the Bank will deliver an Officers' Certificate to the Trustee as soon as is practicable (and in any event within 10 days of such time). The Officers' Certificate will set out details of the Payment Default and the action which the Bank proposes to take with respect thereto.

Governing Law

The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination provisions will be governed by, and construed in accordance with, the laws of Brazil.

FORM, DENOMINATION AND TRANSFER

The Securities will be initially issued in the form of one or more global securities registered in the name of Cede & Co., as nominee for DTC.

Upon the issuance of a global security, DTC or its nominee will credit the accounts of Persons (which means any individual, corporation, company, association, partnership, joint venture, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity) holding through it with the respective principal amounts of the Securities represented by such global security purchased by such Persons in the offering of the Securities. Such accounts shall be initially designated by the initial purchaser. Ownership of beneficial interests in a global security will be limited to Persons that have accounts with DTC, or Participants, or Persons that may hold interest through Participants. Any Person acquiring an interest in a global security through an offshore transaction in reliance on Regulation S of the Securities Act may hold such interest through Euroclear or Clearstream. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by DTC (with respect to Participants' interests) and such Participants (with respect to the owners of beneficial interests in such global security other than Participants). The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

Payment of principal of and Interest on Securities represented by a global security will be made in immediately available funds to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the Securities represented thereby for all purposes under the Indenture. We have been advised by DTC that upon receipt of any payment of principal of or Interest on any global security, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal or face amount of such global security as shown on the records of DTC. Payments by Participants to owners of beneficial interests in a global security held through such Participants will be governed by standing instructions and customary practices as is now the case with securities held for customer accounts registered in "street name" and will be the sole responsibility of such Participants.

A global security may not be transferred except as a whole by DTC or a nominee of DTC to a nominee of DTC or to DTC. A global security is exchangeable for definitive Securities only if:

(i) DTC notifies us that it is unwilling or unable to continue as a depositary for such global security or if at any time DTC ceases to be a clearing agency registered under the Exchange Act;

(ii) we in our discretion at any time determine not to have all the Securities represented by such global security;

(iii) there shall have occurred and be continuing a Payment Default with respect to the Securities represented by such global security; or

(iv) upon our winding-up, insolvency, dissolution or liquidation.

Any global security that is exchangeable for definitive Securities pursuant to the preceding sentence will be exchanged for definitive Securities in authorized denominations and registered in such names as DTC or any successor depositary holding such global security may direct. Subject to the foregoing, a global security is not exchangeable, except for a global security of like denomination to be registered in the name of Cede & Co., as nominee for DTC or any successor depositary or its nominee. In the event that a global security becomes exchangeable for definitive Securities,

(i) definitive Securities will be issued only in fully registered form in denominations of US$2,000 or integral multiples of $1,000 thereof;

(ii) payment of principal of, and premium, if any, and Interest on, the definitive Securities will be payable, and the transfer of the definitive Securities will be registerable, at our office or agency maintained for those purposes; and

(iii) no service charge will be made for any registration of transfer or exchange of the definitive Securities, although we may require payment of a sum sufficient to cover any tax or governmental charge imposed in connection therewith.

So long as DTC or any successor depositary for a global security, or any nominee, is the registered owner of such global security, DTC or such successor depositary or nominee, as the case may be, will be considered the sole owner or holder of the Securities represented by such global security for all purposes under the Indenture and the Securities. Except as set forth above, owners of beneficial interests in a global security will not be entitled to have the Securities represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of definitive Securities and will not be considered to be the owners or holders of any Securities under such global security. Accordingly, each Person owning a beneficial interest in a global security must rely on the procedures of DTC or any successor depositary, and, if such Person is not a Participant, on the procedures of the Participant through which such Person owns its interest, to exercise any rights of a holder under the Indenture. We understand that under existing industry practices, in the event that we request any action of holders or that under existing industry practices, in the event that we request any action of holders or that an owner of a beneficial interest in a global security desires to give or take any action which a holder is entitled to give or take under the Indenture, DTC or any successor depositary would authorize the Participants holding the relevant beneficial interest to give or take such action and such Participants would authorize beneficial owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

DTC has advised us that DTC is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the Exchange Act. DTC was created to hold the securities of its Participants and to facilitate the clearance and settlement of securities transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC’s Participants include securities brokers and dealers (which may include the initial purchaser), banks, trust companies, clearing corporations and certain other organizations some of whom (or their representatives) own DTC. Access to DTC’s book-entry system is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in global securities among Participants of DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of us, the Trustee or the initial purchaser will have any responsibility for the performance by DTC or its Participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

TAXATION

PROSPECTIVE PURCHASERS OF THE SECURITIES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE SECURITIES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE SECURITIES.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Securities by a nonresident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Securities.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Securities will depend on the origin of such payments and the domicile of the recipient of such payments.

Payments on the Securities made from Unibanco Cayman

Interest, fees, commissions, expenses, and any other income payable by Unibanco Cayman in respect of Securities are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

Since the Securities will be issued through Unibanco Cayman and since payments of interest, fees, commissions and expenses are going to be made through Unibanco Cayman, Brazilian withholding income tax and other taxes are not applicable.

Gains on the sale or other disposition of the Securities made outside Brazil by a nonresident, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident are not subject to Brazilian taxes either.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Securities outside Brazil nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the Securities, except for gift and inheritance taxes imposed by some Brazilian States on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such States.

Payments on the Securities made from Brazil

If we make payments of interest, fees, commissions, expenses, and any other income in respect of the Securities directly from Brazil, such payments will be generally subject to income tax withholding at source at the rate of 15%, or such other lower rate as may be provided for in any applicable tax treaty between Brazil and another country. If the recipient of such payments is located in a tax haven jurisdiction, as defined in Brazilian tax regulations, the applicable withholding tax rate is 25%.

Notwithstanding this fact, it is possible that such income tax withheld at source may be tax creditable in the country where the recipient is domiciled, according to the applicable tax regulations of such country.

United States Tax Considerations

The following summary is a general discussion of certain U.S. federal income tax considerations to U.S. Holders and Non-U.S. Holders (both as defined below) of the purchase, ownership, and disposition of Securities issued by us, and applies only to Holders who are original purchasers of such Securities at the issue price and who hold such Securities as capital assets (generally, assets held for investment). This summary is not a complete analysis of all possible U.S. federal income tax consequences that may be relevant to a prospective Holder's decision to acquire, hold or dispose of the Securities. In particular, this summary does not deal with persons in special tax situations, such as financial institutions, insurance companies, tax-exempt investors, regulated investment companies, investors liable for the alternative minimum tax, certain U.S. expatriates, investors whose functional currency is not the U.S. dollar, dealers or traders in securities or currencies, securities traders that elect market-to-market accounting treatment, persons that own or are deemed to own (directly, indirectly or constructively) 10% or more of the stock, by vote or value, of the Issuer, persons holding such Securities as a hedging transaction, as part of an integrated transaction or "conversion transaction" or as a position in a "straddle" for U.S. tax purposes, or partnerships (or other entities classified as partnerships for U.S. federal income tax purposes). If a partnership (including any entity treated as a partnership for US federal income tax purposes) holds Securities, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. Persons considering the purchase of Securities should consult their own tax advisors concerning any application of U.S. federal income tax laws to their particular situation, as well as any consequences arising under the laws of any other state, local or foreign tax jurisdiction.

The following summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations thereunder, published rulings of the U.S. Internal Revenue Service, or the IRS, and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this document. Changes to any of the foregoing, or changes in how any of these authorities are interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and there is no assurance that the IRS will not challenge any such statement or conclusion or, if challenged, a court will uphold such statement or conclusion.

Circular 230 Disclosure

To ensure compliance with Treasury Department rules, we inform you that this summary was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on any taxpayer. This summary was written to support the promotion or marketing of the transactions addressed by this Offering Memorandum. Each taxpayer should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

U.S. Holders

This subsection describes the tax consequences of a United States Holder, or U.S. Holder. As used herein, the term U.S. Holder means a beneficial owner of a Security who is (i) a citizen or resident alien of the United States for U.S. federal income tax purposes, (ii) an entity treated as a corporation for U.S. federal income tax purposes organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust, if a United States court can exercise primary supervision over the trust's administration and one or more United States persons (as defined in the Code) are authorized to control all substantial decisions of the trust. A Non-U.S. Holder is defined as a beneficial owner of a Security who is not a U.S. Holder.

Characterization of the Securities

We intend to take the position that the Securities are equity for U.S. federal income tax purposes. U.S. Holders should note that no rulings have been or will be sought from the IRS with respect to the classification of the Securities, and no assurance can be given that the IRS or courts will not treat the Securities as debt. Prospective purchasers should consult their tax advisers regarding the classification of the Securities for these purposes.

Interest

General. If the Securities are treated as equity, payments of interest will be treated as distributions paid with respect to shares of our stock. Subject to the PFIC rules discussed below, distributions paid by us out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Brazilian withholding tax paid by us with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income when received, and will not be eligible for the dividends received deduction allowed to corporations or be eligible for the maximum 15% rate applicable to certain dividends received by non-corporate holders. Distributions in excess of current accumulated earnings and profits are treated as a non-taxable return of capital to the extent of a distributee's basis in stock and thereafter as capital gain. A U.S. Holder's tax basis will generally be its U.S. dollar cost.

Brazilian Withholding Taxes. As discussed in "Taxation—Brazilian Tax Considerations", payments are expected to be made from the Cayman Islands, which would not impose withholding tax on such payments. However, as discussed in "Taxation—Brazilian Tax Considerations", under current law payments of interest by us, if made from Brazil, would be subject to Brazilian withholding taxes. Under the terms and conditions of the Securities, we are required to gross up for any Brazilian withholding taxes, subject to certain exceptions. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Brazilian taxes withheld by us, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest treated as dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from us with respect to the payment.

Subject to certain limitations, a U.S. Holder would generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by us. Interest paid by us will generally constitute foreign source income in the "passive income" basket, or, in the case of certain holders, the "financial services income" basket. Interest on notes subject to Brazilian withholding tax at a rate of 5% or higher will generally constitute foreign source income in the "high withholding tax interest" basket. For taxable years beginning after December 31, 2006, interest described herein will constitute "passive category income" or "general category income".

Sale or other Taxable Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of Securities, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Securities. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Securities exceeds one year. Net capital losses are subject to certain limitations. Any gain or loss will generally be U.S. source except that losses generally will be treated as foreign source to the extent the U.S. Holder received interest payments treated as dividends that were includable in the financial services income basket during the 24-month period prior to the sale. See "—Passive Foreign Investment Company Considerations" below for a discussion of adverse rules that will apply to a sale or other disposition of Securities if we are or become a PFIC for U.S. federal income tax purposes.

Passive Foreign Investment Company Considerations

We believe we will not be classified as a passive foreign investment company, or PFIC, for United States Federal Income tax purposes. A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to the applicable "look-through rules", either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Although interest income is generally passive income, a special rule allows "active" banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. Under current law, it is possible that we would not meet these requirements. However, Treasury regulations have been proposed, under which it is likely that we would qualify as an "active bank" for these purposes. Although these regulations will have a retroactive effective date, there can be no assurance that they will be issued in any particular final form. Our possible status as a PFIC must be determined annually, and may be subject to change if we fail to qualify under this special rule for any year in which a U.S. Holder holds Securities, or if certain of our subsidiaries were to account for materially greater percentages of our overall earnings and assets. If we were to be treated as a PFIC in any year, U.S. Holders of Securities would be required (i) to pay a special U.S. addition to tax on certain excess distributions (generally, any distributions received by the U.S. Holder on the Securities in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years, or if shorter, the U.S. Holder's holding period for the Securities) and gains on sale and (ii) to pay tax on any gain from the sale of Securities at the highest ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. We do not presently intend to comply with the reporting requirements necessary for a U.S. Holder to make a qualified electing fund, or QEF election. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

Sale and Retirement of Securities

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Security equal to the difference between the amount realized on such sale or retirement and the U.S. Holder's tax basis in the Security. Except to the extent attributable to accrued but unpaid interest (which will be taxable as ordinary income, or as otherwise provided herein), gain or loss recognized on the sale or retirement of a Security will be capital gain or loss. Gain or loss recognized by a U.S. Holder on the sale or retirement of a Security will be long-term capital gain or loss if the Security was held by the U.S. Holder for more than one year. The deductibility of capital losses is limited. Gain or loss realized by U.S. Holders on the sale or retirement of a Security generally will be U.S. source.

Treatment As Debt of the Issuer

If the Securities were characterized as debt for U.S. federal income tax purposes, payments on the Securities would will be treated in the manner described below.

Interest

Interest on a Security will be taxable to a U.S. Holder as ordinary income. Because interest on the loans is not unconditionally payable on each payment date, the Securities would be issued with original issue discount, or OID, and subject to the OID rules discussed below. A U.S. Holder of a Security would be required to accrue and include in gross income OID on such Security under a constant yield method, as interest from sources outside the United States, regardless of such U.S. Holder's usual method of tax accounting and without regard to the timing of actual payments on such Security. We intend to accrue OID attributable to the stated interest on the Securities based on the fixed rate of interest on the Securities. We believe, and the foregoing discussion assumes, that if the Securities were characterized as debt for U.S. Federal income tax purposes, they would not be classified as "contingent payment debt obligations" for purposes of calculating OID. However, it is possible that the IRS could take a contrary view and seek to so classify the Securities. If the IRS were successful in so classifying the Securities, among other consequences, any gain recognized on the sale, redemption, retirement or other disposition of the Securities might be treated as ordinary income rather than as capital gain. In addition, if the Securities were to be treated as debt and subject to Brazilian withholding tax at a rate of 5% or higher, the interest on the notes would generally constitute foreign source income in the "high withholding tax interest" basket. For taxable years beginning after December 31, 2006, such interest would constitute "passive category income" or "general category income".

Non-U.S. Holders

Subject to the discussion of "backup" withholding below, (i) interest (including OID, if any) on the Securities is currently generally exempt from U.S. federal income taxes, including withholding taxes, if paid to a Non-U.S. Holder unless (A) the Non-U.S. Holder is an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or (B) the Non-U.S. Holder is an individual or corporation that has an office or other fixed place of business in the United States to which the interest is attributable, the interest is derived in the active conduct of a banking, financing, or similar business within the United Sates or is received by a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist and (ii) a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized on the sale or exchange of a Security, *provided* that such gain is not effectively connected with the conduct by the holder of a United States trade or business and, in the case of a Non-U.S. Holder who is an individual, such holder is not present in the United States for a total of 183 days or more during the taxable year in which such gain is realized and certain other conditions are met. Non-U.S. Holders should consult their own tax advisors concerning any application of U.S. federal income tax laws to their particular situation, as well as any consequences arising under the laws of any other state, local or foreign tax jurisdiction.

Backup Withholding and Information Reporting

Payments of principal of and interest on, and the proceeds of sale or other disposition of, Securities payable to a U.S. Holder by a U.S. paying agent or other U.S. connected intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number on Internal Revenue Service Form W-9 and otherwise satisfy the requirements of the backup withholdings rules. Payments of principal and interest by a U.S. paying agent or U.S. connected intermediary to a holder of a Security that is not a U.S. Holder will not be subject to backup withholding tax and information reporting requirements if appropriate certification (Form W-8BEN or some other appropriate form) is provided by the holder to the payor and the payor does not have actual knowledge that the certificate is false. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding or information reporting. U.S. Holders should consult their tax advisers as to the qualification for exemption from backup withholding and the procedure for obtaining such an exemption. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against its U.S. federal income tax liability provided that the U.S. Holder provides required information to the IRS.

Cayman Islands Tax Considerations

The following is a general discussion of certain tax considerations for prospective investors in the Securities. The discussion is based upon present law and interpretations of present law, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, and it is not intended as tax advice.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SECURITIES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES, JURISDICTIONS FROM WHICH WE MAY DERIVE OUR INCOME OR CONDUCT OUR ACTIVITIES AND JURISDICTIONS WHERE INVESTORS ARE SUBJECT TO TAXATION.

Taxation of the Issuer

Under current law, we are not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.

We established Unibanco Cayman was established in 1979, in accordance with the Companies Law of the Cayman Islands and was granted a Category "B" Banking License, under the Banks and Trust Companies Law of the Cayman Islands in 1980. See "Description of Unibanco Cayman."

Taxation to the Securityholders

No Cayman Islands withholding tax applies to distributions by us in respect of the Securities. Securityholders are not subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the Securities.

Securityholders whose Securities are brought into or issued in the Cayman Islands will be liable to pay stamp duty of up to C.I.$250 on each Security in order to be enforceable in a Cayman Islands court.

European Union Withholding Tax

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is effective from July 1, 2005. The Cayman Islands have committed to adopt the EU savings directive. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35.0%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

THE ABOVE INFORMATION IS SET FORTH IN SUMMARY FORM ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE SECURITIES.

UNITED STATES ERISA AND CERTAIN OTHER CONSIDERATIONS

To ensure compliance with Treasury Department rules, we inform you that this summary was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on any taxpayer. This summary was written to support the promotion or marketing of the transactions addressed by this Offering Memorandum. Each taxpayer should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans, or collectively, ERISA Plans, and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended, or the Code, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and the prohibited transaction itself may have to be rescinded.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Securities are acquired by a Plan with respect to which we or the Initial Purchasers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Securities and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Securities, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Securities, the purchaser thereof will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or, while the Securities are held, will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law) for which an exemption is not available. Similarly, each transferee of any Securities, by virtue of the transfer of such Securities to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, state or local law, or foreign law) for which an exemption is not available.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to state or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Securities.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Securities should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

In addition, any insurance company proposing to use assets of its general account to purchase Securities should consider the implications of the United States Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank,* 510 U.S. 86, 114 S. Ct. 517 (1993), which in certain circumstances treats such general account assets as assets of a Plan that owns a policy or other contract with such insurance company, as well as the effect of Section 401(c) of ERISA as interpreted by regulations issued by the United Sates Department of Labor in January 2000.

The sale of Securities to a Plan is in no respect a representation by us or the Initial Purchasers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the Purchase Agreement dated July 22, 2005, or the Purchase Agreement, among us and Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC severally have agreed to purchase, and we have agreed to sell to them, the principal amount of the Securities listed opposite their names below.

Initial Purchaser	Principal Amount
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US$250,000,000
UBS Securities LLC	250,000,000
Total	US$500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Securities is subject to the conditions specified in the Purchase Agreement, including, but not limited to, the delivery of legal opinions by their counsel. Subject to the terms and conditions of the Purchase Agreement, the Initial Purchasers are obligated to take and pay for all of the Securities offered hereby if any Securities are taken. We have been advised by the Initial Purchasers that they propose to offer and sell the Securities initially to investors at the offering price set forth on the cover page of this Offering Memorandum and that after the initial offering, the price to investors may change.

The Initial Purchasers propose to offer some of the Securities directly to the public at the public offering price set forth on the cover page of this Offering Memorandum and some of the Securities to dealers at the public offering price less a concession not to exceed .25% of the principal amount of the Securities.

The Purchase Agreement provides that we will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Securities have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (other than distributors) unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See “Transfer Restrictions”.

We have been advised by the Initial Purchasers that they propose to resell the Securities initially to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to non-U.S. Persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Each purchaser of Securities will be deemed to have made acknowledgements, representations and agreements as described under “Transfer Restrictions.”

The Initial Purchasers have agreed that, except as permitted by the Purchase Agreement, they will not offer, sell or deliver the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the Securities, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and they will send to each distributor, dealer or other person receiving a selling concession or similar fee to which they sell Securities in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of Securities within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Prior to this offering, there has been no established market for the Securities. We have applied to list the Securities on the EuroMTF section of the Luxembourg Stock Exchange. The Securities sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL Market. We have been advised by the Initial Purchasers that they currently intend to make a market in the Securities as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Securities and any such market-making may be discontinued at any time at the sole discretion of the Initial Purchasers. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of, or the development or continuation of trading markets for, the Securities.

In connection with this offering, the dealer may engage in transactions that stabilize, maintain or otherwise affect the price of the Securities. Specifically, the Initial Purchasers may bid for and purchase Securities in the open market for the purpose of pegging, fixing or maintaining the price of the Securities. In addition, if the dealer creates a short position in the Securities in connection with the offering by selling more Securities than are listed on the cover page of this Offering Memorandum, then the dealer may reduce that short position by purchasing Securities in the open market. In general, purchases of a security for the purpose of stabilizing or reducing a short position could cause the price of that security to be higher than it might otherwise have been in the absence of those purchases.

Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Securities, In addition, neither we nor the Initial Purchasers make any representation that anyone will engage in these transactions or that these transactions, if they are commenced, will not be discontinued without notice.

We have agreed that we will not for a period of 90 days following the date hereof, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of or enter into any transaction which is designed to, or could reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any of our affiliates or any person in privity with us or any of our affiliates, directly or indirectly, or announce the offering of, or file a registration statement for, any securities substantially similar to the Securities issued or guaranteed by us (other than the Securities, any export credit agency loans and trade-related facilities).

We expect to deliver the Securities against payment for the Securities on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the fifth business day following the date of the pricing of the Securities. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Securities initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

Each Initial Purchaser has represented and agreed in the Purchase Agreement that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Securities to persons in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act of 2000, or FSMA, by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has also represented and agreed that it has not offered or sold, and will not offer or sell, any Securities in Brazil, except in compliance with applicable Brazilian laws. The Securities have not been and will not be registered with the CVM. Persons wishing to offer or acquire the Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Each Initial Purchaser has confirmed that it is aware of the fact that sales prospectus (*Wertpapierprospekt*) within the meaning of the German Securities Prospectus Act of 2005 (*Wertpapierprospektgesetz*), or WpPG, has been or will be published in respect of the Securities and that this Offering Memorandum has not been submitted to, nor has it been approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht*, the German financial services supervisory authority. Each Initial Purchaser has represented and agreed that it (i) is a qualified investor (*qualifizierter Anleger*) within the meaning of the WpPG and (ii) has only offered and sold and that they will only offer and sell the Securities in the Republic of Germany in accordance with the provisions of the WpPG, the German Investment Act (*Investmentgesetz*), or InvG, and the German Banking Act (*Kreditwesengesetz*), or KWG, each to the extent applicable, and any other applicable legal and regulatory requirements under German law.

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, or the SFA. Accordingly, each Initial Purchaser has severally represented, warranted and agreed that (a) it has not offered or sold any Securities or caused Securities to be made the subject of an invitation for subscription or purchase and it will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and (b) it has not circulated or distributed, and it will not circulate or distribute this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the SFA, (ii) to a sophisticated investor (as defined in Section 275 of the SFA) and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Each Initial Purchaser has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Future Ordinance and any rules made thereunder.

Relating to any Securities sold in Malaysia:

- The Securities shall not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than pursuant to an offer or invitation as specified in Schedule 2 of the Securities Commission Act 1993 or prescribed by the Minister of Finance under Section 38(l)(b) of the Securities Commission Act 1993.

- No holder of Securities may sell, transfer or otherwise dispose of all or any part of its legal or beneficial interest in any of the Securities to any person, unless:

    - such sale, transfer or disposition is subject to the condition that such person shall undertake to observe the restrictions set out in this section, including the requirement in this paragraph to impose similar restrictions on any subsequent holder of Securities;

- such sale, transfer or disposition shall not breach the provisions of the Securities Commission Act 1993 (as amended from time to time) or the Exchange Control Act 1953 or any regulations or notices issued thereunder (as amended from time to time).

- Save as otherwise expressly authorized by any applicable law, no person may issue any prospectus, circular or other offering material or make any public announcement, general solicitation or general advertising (including, without limitation, in any general advertisement, article, notice or other similar communication published in any newspaper, magazine or similar media or in any broadcast over television or radio or publicly accessible electronic screens or other such similar media) in connection with the offer, sale, purchase, resale, distribution or delivery of any of the Securities, unless such material has been previously authorized and published by us for any such purpose.

- No person may offer or sell participations in any of the Securities in any amount which is less than the face amount of those Securities.

- No physical delivery of the Securities to any persons shall be effected and no holder of Securities may sell, transfer or otherwise dispose of any of the Securities to any person unless such sale, transfer or other disposition is subject to the condition that such Securities are delivered to the Central Depository.

- Without limitation to the first and second bullet points above, each holder of Securities will observe all applicable laws and regulations in any jurisdiction (including Malaysia) in which it may offer, sell, distribute or deliver the Securities or distribute any document or other material in connection therewith.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, it has not made and will not make an offer of Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

No action has been or will be taken in any country or jurisdiction by us or the Initial Purchasers that would permit a public offering of Securities, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Memorandum comes are required by us and the Initial Purchasers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Securities or have in their possession or distribute such offering material, in all cases at their own expense.

Purchasers of the Securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this Offering Memorandum.

The Initial Purchasers have from time to time in the past provided, and may in the future provide, investment banking, financial advisory and other services to us and our affiliates for which they have received or expect to receive customary fees.

TRANSFER RESTRICTIONS

The Securities have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Securities are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States", "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of Securities, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

1. It is:

   - a qualified institutional buyer, is aware that the sale of the Securities to it is being made in reliance on Rule 144A and is acquiring the Securities for its own account or for the account of a qualified institutional buyer; or

   - not a U.S. person or purchasing for the account or benefit of a U.S. person, and is purchasing the Securities outside the United States in compliance with Regulation S.

2. It understands that the Securities are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Securities have not been registered under the Securities Act or any other securities law.

3. It is not acquiring the Securities with a view to any distribution of the Securities within the meaning of the Securities Act.

4. If it is acquiring the Securities in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer Securities prior to the date that is two years after the later of the original issue date of the Securities and the last date on which we or any of our affiliates was the owner of that Security (or any predecessor of that Security) except:

   - to us;

   - inside the United States to a qualified institutional buyer in compliance with Rule 144A;

   - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;

   - in a transaction complying with Rule 144 under the Securities Act (if available); or

   - pursuant to an effective registration statement under the Securities Act,

   in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those Securities from it of the resale restrictions referred to above.

5. If it is acquiring the Securities in a sale being made in reliance upon Rule 144A, it understands that the Securities will, until two years after the later of the original issue date of the Securities and the last date on which we or any of our affiliates was the owner of that Security (or any predecessor of that Security), unless otherwise agreed by us and the Securityholder, bear a legend substantially to the following effect:

"This security has not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, prior to the date (the "resale restriction termination date") which is two years after the later of the original issue date hereof and the last date on which the issuer or any affiliate of the issuer was the owner of this security (or any predecessor of such security), only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer", that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed upon the request of the holder after the resale restriction termination date".

6. If it is acquiring the Securities in a sale being made in reliance upon Regulation S, it understands that the Securities will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"This security has not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the securities are offered to persons other than distributors (as defined in Regulation S) and (b) the date of the closing of the original offering. As used herein, the terms "offshore transaction", "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

7. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the Securities shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(h) of the

Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

8. It acknowledges that the Trustee will not be required to accept for registration of transfer any Securities acquired by it, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth herein have been complied with.

9. It acknowledges that we and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of Securities are no longer accurate, it will promptly notify us and the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

10. Neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to it with respect to Unibanco or the offering of the Securities, other than the information contained in this Offering Memorandum. It is relying only on this Offering Memorandum in making its investment decision with respect to the Securities and agrees that it has had access to such financial and other information concerning Unibanco and the Securities as it has deemed necessary in connection with its decision to purchase the Securities, including an opportunity to ask questions of and request information from Unibanco.

11. It will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law) for which an exemption is not available. Similarly, each transferee of any Securities, by virtue of the transfer of such Securities to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, state or local law, or foreign law) for which an exemption is not available.

12. If it is located in a Relevant Member State, it will be deemed to represent that it is a qualified investor (as set forth in the Prospectus Directive) and agrees to offer, sell or otherwise transfer the Securities only in circumstances that do not require the publication of a prospectus under the Prospectus Directive.

LEGAL MATTERS

The validity of the Securities will be passed upon for us by Debevoise & Plimpton LLP, our U.S. counsel, and for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP, U.S. counsel to the Initial Purchasers. Matters of Brazilian law will be passed upon by Márcia M. Freitas de Aguiar, General Counsel of Unibanco, and for the Initial Purchasers by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, Brazilian counsel to the Initial Purchasers. Matters of Cayman Islands law, relating to the Securities and the Indenture, will be passed upon by Maples and Calder, our Cayman Islands counsel. Matters relating to the Trustee will be passed upon by Emmet, Marvin & Martin LLP as to New York law.

SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGMENTS

Brazil

Unibanco is a financial institution organized under the laws of Brazil. Substantially all of the directors and executive officers of Unibanco reside in Brazil, and all or substantially all of the assets of such persons may be, and, except for the assets held abroad through branches and subsidiaries, substantially all of the assets of Unibanco are, located in Brazil. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil, upon such persons or to enforce against such persons or against Unibanco judgments obtained in the courts of the United States or other jurisdictions outside Brazil, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the laws of such other jurisdictions.

Judgments of U.S. courts for civil liabilities predicated upon securities laws of the United States may be enforced in Brazil, subject to certain requirements described below. A judgment against Unibanco or any other person referred to above obtained outside of Brazil would be enforceable in Brazil against Unibanco or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). Such confirmation would be provided if the foreign judgment (i) fulfils all formalities required for its enforceability under the laws of the country where the foreign judgment is granted, (ii) is issued by a competent court after proper service of process is made in accordance with Brazilian law, (iii) is not subject to appeal, (iv) is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese and (v) is not contrary to Brazilian national sovereignty, "good morals" or public policy. Notwithstanding the foregoing, no assurance can be given that such confirmation will be obtained, that the confirmation process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violations of the securities laws of the United States with respect to the Securities.

Further, we note that: (a) original actions based on the federal securities laws of the United States may be brought in Brazilian courts and that, subject to Brazilian public policy and national sovereignty, Brazilian courts may enforce liabilities in such actions against Unibanco, its directors, certain of their executive officers and certain of the experts named in this Offering Memorandum; and (b) the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain of Unibanco's assets is limited by provisions of Brazilian law. Pursuant to the Brazilian Code of Civil Procedure, a plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil and does not own real property in Brazil must post a bond to cover the court costs and legal fees of the defendant. The bond must have a value sufficient to satisfy the payment of the court fees and the defendant's attorney fees, as determined by the Brazilian judge. This requirement does not apply to the enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). Notwithstanding the foregoing, no assurance can be given that confirmation of any judgment will be obtained, or that the process described above can be conducted in a timely manner.

Cayman Islands

Unibanco Cayman is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The Cayman Islands has a less developed body of securities law as compared to the United States and provides protection for investors to a significantly lesser extent.

The Initial Purchasers have been advised by Maples and Calder, our Cayman Islands counsel, that a final and conclusive judgment, *in personam* of the courts of the State of New York or Brazil having competent jurisdiction for a debt or definite sum of money (other than a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other similar penalty) and obtained without fraud or without breaching the principles of natural justice in the Cayman Islands or in contravention of Cayman Islands public policy in respect of any of the transaction documents, would be recognized and enforced by the Courts of the Cayman Islands by originating action on such judgment.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM UNDER THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD AND INDEPENDENT AUDITOR UNDER BRAZILIAN CORPORATE LAW

The financial statements of Unibanco as of and for the years ended December 31, 2002, 2003 and 2004 are prepared in accordance with U.S. GAAP and are included in this Offering Memorandum. Deloitte Touche Tohmatsu Auditores Independentes has audited the financial statements as of and for the two years ended December 31, 2002 and 2003 and PricewaterhouseCoopers Auditores Independentes has audited the financial statements as of and for the year ended December 31, 2004. Deloitte Touche Tohmatsu and PricewaterhouseCoopers Auditores Independentes are independent registered public accounting firms as stated in their reports included herein.

The financial statements of Unibanco as of and for the three months ended March 31, 2005 and 2004 prepared in accordance with Brazilian GAAP and included in this Offering Memorandum have been reviewed by PricewaterhouseCoopers Auditores Independentes.

Brazilian law requires us to replace our independent auditor at least every five consecutive fiscal years and former auditors can be rehired only after three complete fiscal years have passed since their prior service. We engaged PricewaterhouseCoopers Auditores Independentes effective January 1, 2004, following our engagement of Deloitte Touche Tohmatsu Auditores Independentes.

The financial statements of Unibanco Cayman as of and for the years ended December 31, 2004 and 2003, prepared in accordance with IFRS and included in this Information Memorandum, have been audited by PricewaterhouseCoopers and as of and for the year ended December 31, 2003 prepared in accordance with IFRS have been audited by Deloitte Touche Tohmatsu.

GENERAL INFORMATION

The issue and terms of the Securities have been authorized by us pursuant to resolutions of our Board of Directors adopted on July 19, 2005.

We have applied to list the Securities on the EuroMTF section of the Luxembourg Stock Exchange.

Copies of our *Estatuto Social* (together with certified English translations thereof) and the Indenture (containing the forms of the Securities) will be available for inspection during the term of the Securities at the office of the Trustee (currently 101 Barclay Street, Floor 21W, New York, New York, 10286, United States of America) and The Bank of New York (Luxembourg) S.A., the listing agent for the Securities on the Luxembourg Stock Exchange and the Luxembourg paying agent (currently Aerogolf Center, 1a, Hohenhof, L-1736 Senningerberg, Luxembourg). In addition, copies of the most recent audited annual financial statements and interim unaudited financial statements of each of us and Unibanco Cayman, if any, may be obtained at those offices during the terms of the Securities.

We produce audited annual and semi-annual consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. We also produce interim quarterly unaudited consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. Copies of all such financial statements including (i) our audited consolidated and non-consolidated financial statements as of and for the years ended December 31, 2004, 2003 and 2002 prepared in accordance with Brazilian GAAP, (ii) our audited consolidated financial statements as of and for the years ended December 31, 2004, 2003 and 2002 prepared in accordance with U.S. GAAP, and (iii) the interim quarterly unaudited consolidated financial statements prepared in accordance with Brazilian GAAP may be obtained from our offices and our web-site.

The Securities, the Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Securities offered and sold outside the United States to purchasers in transactions outside the United States in accordance with the requirements of Regulation S have been assigned a CUSIP Number of G9191B FV 5, an International Securities Identification Number of USG9191BFV56 and a Common Code of 022603132. Securities offered or sold in the United States to qualified institutional buyers pursuant to Rule 144A have been assigned a CUSIP Number of 90457A AE 6, an International Securities Identification Number of US90457AAE64 and a Common Code of 022603094. The Securities have been accepted for clearance through DTC's and Euroclear and Clearstream, Luxembourg's book-entry settlement systems.

Copies of all notices to holders of the Securities will be published in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *D'Wort,* and on the Luxembourg Stock Exchange's website at www.bourse.lu.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

General Information

We have included elsewhere in this Information Memorandum financial information data for the three-month period ended March 31, 2005 and 2004 prepared in accordance with Brazilian GAAP and for the years ended December 31, 2004, 2003 and 2002 prepared in accordance with U.S. GAAP. Such financial information is based upon our interim consolidated financial statements as of and for the three-month period ended March 31, 2005 and 2004 and our consolidated financial statements as of and for the years ended December 31, 2004, 2003 and 2002, which have been prepared in accordance with U.S. GAAP. There are certain significant differences between Brazilian GAAP and U.S. GAAP, which are relevant to the financial information presented herein. We have also summarized some of the significant aspects of those differences; but this summary should not be construed to be exhaustive. Further, investors shall also consider the following relevant aspects with respect to this summary:

- future differences between Brazilian GAAP and U.S. GAAP resulting from changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and we have not attempted to identify them.

- ongoing projects of the regulatory bodies that promulgate Brazilian GAAP and U.S. GAAP can affect future comparisons between Brazilian GAAP and U.S. GAAP such as this summary.

- this summary, especially with respect to the aspects related to non-financial institutions, does not purport to be complete and is subject and qualified in its entirety by reference to the respective pronouncements of the Brazilian and United States accounting professional bodies.

- the U.S. accounting principles referred to herein do not include any additional accounting adjustments or disclosures that the SEC may require.

- in making an investment decision, potential Holders of Notes must rely upon their own examination of the business, the terms of the global offering and the financial information. Potential Holders of Notes should consult their own professional advisors for an understanding of the differences between Brazilian GAAP and U.S. GAAP and how those differences might impact the financial information contained herein.

Brazilian GAAP

Accounting principles and standards generally applicable in Brazil and applied by us in the presentation of our consolidated financial statements prepared following Brazilian GAAP are established by Brazilian Corporate Law and complemented by interpretation statements issued by the Instituto dos Auditores Independentes do Brasil, or the Brazilian Institute of Independent Auditors, the Brazilian accounting professional body. Those accounting principles and standards, in the case of listed companies under the jurisdiction of the CVM, are complemented by certain additional instructions issued by the CVM. In addition, the CVM and other regulatory entities such as the Central Bank, the banking regulator, and SUSEP, the insurance sector regulator, provide additional industry specific guidelines.

Brazilian standards differ in certain material aspects from the accounting principles and standards generally accepted in the United States of America. Unlike U.S. GAAP, under Brazilian GAAP there are no specific principles for certain matters such as:

- business combinations;

- accounting and reporting for research and development costs; and

- leases

The level of disclosure in the notes to the financial statements prepared under Brazilian GAAP may also differ significantly from those prepared under U.S. GAAP.

Restatement of Financial Statements for General Price-level Changes

Under Brazilian GAAP, because of the highly inflationary conditions that have historically prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimize the impact of the distortions in financial statements caused by inflation. Two methods of inflation accounting were developed: one required under Law No. 6,404/76, or the Corporate Law Method, and the other the integral restatement method, or the Constant Currency Method, required by the CVM. Financial statements prepared in accordance with the Corporate Law Method have been, and continue to be required for all Brazilian corporate entities and are used by the Brazilian tax authorities in determining taxable income. Since January 1, 1996, financial statements prepared in accordance with the Constant Currency Method are no longer required.

As a consequence of the reduced levels of inflation in the Brazilian economy, with effect from January 1, 1996, monetary correction was abolished in the Corporate Law Method by Law 9,249/95, which amended Law No. 6,404/76. In addition, pursuant to CVM Instruction No. 248, of March 29, 1996, the Constant Currency Method is no longer required to be used by listed companies registered with CVM, which companies, as of March 1996, are to present their financial statements prepared in accordance with Law No. 6,404/76, as amended by Law 9,249/95.

Under U.S. GAAP, in most cases the price level restatement of financial statements is not permitted. However, inflation accounting following the methodology prescribed by Accounting Principles Board Statement (APB) No. 3 “Financial Statements Restated for General Price-Level Changes” is required for companies which report in local currency and operate in highly-inflationary economies in which cumulative inflation has exceeded 100% over the last three years. As a result, for U.S. GAAP purposes, financial statements should be adjusted for the effects of inflation until the date on which the Brazilian economy was no longer deemed to be highly-inflationary, which is when general price index has been measured at less than 100% over the preceding three years. Brazil was no longer considered highly inflationary from July 1, 1997.

Equity Method of Accounting

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost which is thereafter periodically adjusted to recognize the investor’s share of changes in the investee’s shareholders’ equity after the date of original investment.

A Brazilian parent company is required to use the equity method of accounting to record investments in its subsidiaries (companies that are controlled by the parent company) and its affiliates (companies in which the parent company owns at least 10 per cent of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20 per cent or more of the capital, if the aggregate book value of all such investments is equal to or greater than 15 per cent of the shareholders’ equity of the parent company or, if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10 per cent, of the shareholders’ equity of the parent company.

Under U.S. GAAP, the equity method of accounting is used for investments, based on U.S. GAAP underlying financial statements, in which the Company has a 20% to 50% ownership interest and exerts significant influence over the operations of the investee and in joint ventures in which neither party has control.

Consolidation

Pursuant to CVM Instruction No. 247 of March 27, 1996, for fiscal years ending after December 1, 1996, inclusive, the definition of subsidiary was extended to include overseas branches, companies under common control or controlled by shareholders’ agreements. All subsidiaries must be consolidated and joint-ventures, including investees in which the company exerts significant influence through its participation in a Shareholders’ agreement in which such group controls the investee, are to be accounted for under the proportional consolidation method.

Furthermore, equity investments in non-controlled companies may be consolidated on a proportional basis, provided that the Central Bank approves such consolidation.

Under U.S. GAAP, the basic rule is that when a company has a controlling interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated with those of the parent. Consolidation is not required where control is temporary or does not rest with the majority owner. The minority shareholders' share of the subsidiaries' earnings is deducted from (or losses added to) the consolidated results of operations. Losses applicable to the minority interest which exceed its interest in consolidated Shareholders' equity should be applied to the majority interest. Proportional consolidation generally is not allowed under U.S. GAAP. See discussion below concerning consolidation of variable interest entities.

Consolidation of Variable Interest Entities

Special purpose companies, or SPCs, are defined as legal entities structured for a particular purpose. Under U.S. GAAP, an SPC was required to be consolidated when it did not meet the criteria for a Qualifying Special Purpose Entity, as defined in SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and in accordance with Emerging Issues Task Force Topic D-14 "Transactions Involving Special Purpose Entities." General factors to be considered in making this determination included whether the majority owner (or owners) of the SPC was (were) independent, had made a substantive capital investment in the SPC, had control of the SPC, or possessed the substantive risks and rewards of ownership of the SPC.

In response to demands to strengthen existing accounting guidance regarding the consolidation of SPCs and other off-balance sheet entities, in January 2003 the Financial Accounting Standards Board, or FASB, issued Interpretation 46 "Consolidation of Variable Interest Entities, an interpretation of ARB 51" which provides a new framework for identifying variable interest entities, or VIEs, and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in consolidated financial statement. FIN 46 is effective immediately for VIEs created after January 31, 2003 and to VIES in which an enterprise obtains an interest after that date. For variable interests in VIES created before February 1, 2003, FIN 46 applies to public enterprises no later than the beginning of the first interim or annual period beginning after June 15, 2003.

On October 9, 2003 the FASB decided to defer the implementation date of FIN 46 to the fourth quarter instead of the third quarter. Pursuant to this deferral, public companies in the United States of America had to complete their evaluations of variable interest entities that existed prior to February 1, 2003, and consolidate those for which they were the primary beneficiary in the financial statements issued for the first period ending after December 15, 2003. For calendar year companies, consolidation of previously existing variable interest entities was required in their December 31, 2003 financial statements. This deferral did not affect the implementation date for many foreign private issuers, which continued to be the beginning of the first annual period ending after December 15, 2003.

In December 2003 FIN 46 was substantially revised and a new interpretation FIN 46 (revised) was issued. The key differences between FIN 46 (revised) and its predecessor FIN 46 include:

- FIN 46R now scopes out many – but not all – businesses, as that term is defined in the interpretation. A business – assuming it is scoped out of FIN 46R – should be consolidated with its accounting parent (if it has one) only when required by longstanding, conventional consolidation guidance, most notably Accounting Research Bulletin No. 51, Consolidated Financial Statements (ARB 51). Under FIN 46, any business potentially could have been a VIE (and, if so, subject to the Interpretation's unique consolidation requirements) depending on the design of the business' capital structure and other factors. Note that an entity whose primary activity is asset-backed financing or who acts as a single-lessee leasing entity cannot qualify for the scope exemption in FIN 46R, even if it would otherwise be a business. If such an entity is a VIE, it is covered by FIN 46R's consolidation requirements.

- FASB partially delayed FIN 46's effective date (for most public companies until no later than the end of the first reporting period ending after March 15. 2004. The delay notwithstanding, public companies must apply either FIN 46 or FIN 46R to special-purpose entities, or SPEs, no later than the end of the first reporting period ending after December 15, 2003. For many foreign private issuers the effective date continues to be the beginning of the first annual period ending after December 15, 2003. For SPEs created by foreign private issuers after February 1, 2003, however, the effective date is no later than the end of the first reporting period ending after December 15, 2003.

- FIN 46R improves the definition of a variable interest and provides more understandable illustrations than those originally provided in FIN 46.

- Under FIN 46, decision maker fees and certain guarantee fees were treated as unique types of variable interests in a VIE. The special treatment increased the odds that decision makers and providers of certain guarantees would end up as a VIE's primary beneficiary. FIN 46R eliminates the bias, putting these fees on an equal footing with other variable interests.

Under Brazilian GAAP, the CVM recently issued a rule that determines that SPC's must be consolidated when the essence of its relationship with the company indicates that activities of the SPC are directly or indirectly controlled by the company.

An SPC is considered to be controlled by a company when its activities are conducted in the name of the company or substantially for the company's specific operational support when, directly or indirectly:

1. The company has the ability for decision making or has the rights to obtain the majority of rewards of the SPC's operations.

2. The company is subject to substantive risks of ownership of SPC.

When applicable, the following information must be disclosed in the notes to the financial statements:

(a) The nature, purpose, size, and activities of the SPC;

(b) The nature of its involvement with the SPC and potential exposure to losses;

(c) The type of exposure to losses due to the relationship with the SPC; and

(d) Any guarantees given in favor of the SPC.

Additionally, when a company has relevant rights or is exposed relevant risks related to its relationship with the SPC, but does not fall within the scope of consolidation, the following information must be disclosed:

(a) The nature, purpose, size, and activities of the SPC;

(b) The nature of its involvement with the SPC;

(c) The type of exposure to losses due to the relationship with the SPC; and

(d) Indemnification of the primary beneficiary to the activities of the SPC.

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian GAAP, accounting standards do not specifically address business combinations and purchase accounting. The purchase method is applied based on book values. Goodwill or negative goodwill on the acquisition of a company is computed as the difference between the cost of acquisition and its underlying book value. The excess of cost over the net book value of an acquired company is recorded as goodwill under one of the following reasons: step up basis of the assets due to differences in the carrying values and fair values of the assets, future profitability and other reasons. Such goodwill should be amortized as follows depending on its nature:

- Step up basis of the assets: Goodwill or negative goodwill should be amortized proportionally over the remaining estimated useful lives of the corresponding assets of the acquiree;

- Future profitability: Goodwill or negative goodwill should be amortized during the time expected results are achieved. In this case, the amortization period should not exceed ten years;

- Other reasons: Goodwill should be expensed immediately. Negative goodwill should not be amortized to income until the related investment is sold or written off.

For tax purposes, the amortization of goodwill or negative goodwill is generally not included in the determination of taxable income for the period. However, under certain tax strategies related to corporate restructurings, the amortization of goodwill and negative goodwill are included in the determination of taxable income. The minimum amortization period accepted is 5 years, depending on how the goodwill is classified, e.g., stepped up basis of assets or future profitability.

Until July 2001, under U.S. GAAP and in accordance with APB Opinion No. 16 (APB No. 16), "Business Combinations", business combinations were accounted for as either purchases or pooling of interests. During June 2001 the Financial Accounting Standards Board issued SFAS No. 141 which amends APB No. 16 and which requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method – the purchase method.

Under SFAS No. 141, the acquiring company records as its cost the assets acquired less liabilities assumed. The acquired company's assets and liabilities are adjusted to give effect to their fair market values. Under SFAS No. 141, more detailed guidelines have been provided as to the recognition of intangible assets (as defined in the SFAS). Also, under SFAS No 141 and the new SFAS No. 142 "Goodwill and Other Intangible Assets", goodwill and other intangible assets with indefinite lives are no longer amortized. Under SFAS No. 142, the amount of goodwill is evaluated for impairment annually, and in the case of impairment its recorded value will be adjusted accordingly. Under the previous APB No. 16, excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, reduced noncurrent assets to zero, and any remaining balance was considered a deferred credit and amortized over the estimated period of benefit, not to exceed forty years. Under SFAS No. 141 the remaining balance of negative goodwill will be immediately recognized as an extraordinary gain in the statement of operations. Under the purchase method, the financial statements of the acquiring company for periods prior to the acquisition are not restated. SFAS No. 141 requires the presentation of pro forma results of operations for the current and comparative periods of business combinations.

Investments in Debt and Equity Securities

Under Brazilian GAAP, for periods before June 30, 2002, marketable debt and equity securities are generally stated at the lower of cost or market value and realized gains and both realized and unrealized losses were reflected in income. For periods from June 30, 2002, the accounting principles prescribed by Brazilian GAAP that are specifically applicable to accounting and reporting marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions.

According to the accounting practices established by the Central Bank, marketable securities must be classified into one of three categories, based on the intent of management, and accounted for as follows:

- trading securities – marketable securities acquired for trading purposes – they are stated at cost plus accrued income and adjusted to their fair values and unrealized gains and losses are recognized currently in earnings.

- securities available for sale – marketable securities intended to be negotiated as a result of changes in interest rates, changes in payment conditions or other factors. They are stated at cost plus accrued interest, and adjusted to their fair value, with the related income recognized currently and unrealized gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes, in

"Unrealized gains and losses – marketable securities and derivative financial instruments". The realized gains and losses are recognized in income on the applicable trade date in a contra account in the stockholders' equity line item. The decline in fair value is subject to impairment.

- securities held to maturity – marketable securities for which there is intention and financial ability to retain them until the maturity. They are carried at cost plus accrued interest. The decline in fair value is subject to impairment.

Under U.S. GAAP, in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities", the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities is as follows for companies in industries not having specialized accounting practices:

- companies classify debt securities that the company has the positive intent and ability to hold to maturity as "held-to-maturity" securities and report them at amortized cost;

- companies classify debt and equity securities they hold principally for the purpose of selling in the short term as "trading securities" and report them at fair market value, including unrealized gains and losses in income; and

- companies classify debt and equity securities that they have not classified either as "held-to-maturity" or "trading securities" as securities available-for-sale and report them at fair value, excluding unrealized gains and losses from earnings and reporting them in a separate component of shareholders' equity until realized.

Declines in the fair value of available for sale and held to maturity securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses.

In November 2003, the Financial Accounting Standards Board ratified the Emerging Issues Task Force (EITF) pronouncement EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". This EITF pronouncement requires certain additional disclosures in relation to other-than-temporary impairments investments accounted for under the cost method, or investments classified as either securities available for sale or held to maturity under SFAS 115 (including individual securities and mutual funds) and investments accounted for under SFAS 124. These additional disclosures are required for periods ended after December 15, 2003. In June 2004, the Emerging Issues Task Force finalized its revision of EITF Issue 03-1 requiring the application of additional procedures to determine when an investment is considered impaired, when that impairment is other-than-temporary and the measurement of impairment loss, including subsequent accounting effective for the year ended December 31, 2004. In September 2004, the FASB issued FSP-EITF 03-1-1 and delayed the recognition and measurement provisions of EITF 03-1 pending the issuance of further implementation guidance.

Software for Internal Use

Under Brazilian GAAP, external computer development costs are capitalized at cost and amortized at annual rates of 20%.

Under U.S. GAAP, through Statement of Position, or SOP, No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", certain identified costs related to the development and installation of software for internal use should be capitalized as fixed assets, including design of the chosen technological path, software configuration, software interfaces, coding installation of hardware and testing. Costs incurred for conceptualization and formulation of alternatives, training and application maintenance should be expensed as incurred.

Pre-Operating Expenses

Under Brazilian GAAP, the deferral of pre-operating expenses is acceptable.

Under U.S. GAAP, pre-operating expenses are not deferred in accordance with SOP No. 98-5 - “Reporting on the Costs of Start-up Activities”.

Income Taxes

Under Brazilian GAAP, the methods adopted for the recording of income taxes are similar to U.S. GAAP but their practical application may lead to different results in certain circumstances. Deferred tax assets and liabilities are calculated based on the rates applicable in the next years, which are usually based on Provisional Measures.

Under U.S. GAAP, the asset and liability method is used to calculate the income tax provision, as specified in SFAS No. 109 “Accounting for Income Taxes.” Under the asset and liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities at each year/period-end. In accordance with paragraph 9(f) of SFAS 109, deferred taxes are not recorded for differences relating to certain assets and liabilities that are remeasured into U.S. dollars at historical exchange rates and that result from changes in exchange rates or indexing to inflation in local currency for tax purposes. Net operating loss carryforwards arising form tax losses are recognized as assets and valuation allowances are established to the extent it is not more likely than not such assets will be recovered. Under SFAS 109, the Provisional Measures discussed in the preceding paragraph are not considered to be enacted law. Therefore, there may be differences in timing with respect to the recognition of the effects of changes in enacted tax rates.

Employee Termination Costs Associated with Restructuring Plans

Under Brazilian GAAP, a provision for estimated employee termination costs arising from the decision to restructure operations is recorded when an obligation has been incurred and the related costs can be estimated. The criteria for recognizing such a provision are more general and less defined than under U.S. GAAP.

Under U.S. GAAP, until December 31, 2002, companies recorded this liability only when various conditions were met, including:

- prior to the date of the financial statements, management having the appropriate level of authority to involuntarily terminate employees approved and committed the enterprise to the plan of termination and established the benefits that current employees would receive upon termination;

- prior to the date of the financial statements, the benefit arrangement was communicated to employees. The communication of the benefit arrangement included sufficient detail to enable employees to determine the type and amount of benefits they would receive if they were terminated;

- the plan of termination specifically identified the number of employees to be terminated, their job classifications or functions, and their locations; and

- the period of time to complete the plan of termination indicated that significant changes to the plan of termination were not likely.

For employee termination benefits associated with exit or disposal activities initiated after December 31, 2002, SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” applies. Under this new pronouncement, a liability for a cost associated with an exit or disposal activity should be recognized and measured initially at its fair value in the period in which the liability is incurred, except for a liability for one-time termination benefits that is incurred over time. A liability for a cost associated with an exit or disposal activity is incurred when the definition of a liability is met in accordance with Paragraph 35 of FASB Concepts Statement No. 6 “Elements of Financial Statements”. In the unusual circumstances in which fair value cannot be reasonably estimated, the liability should be recognized initially in the period in which fair value can be reasonably estimated. In the case of a liability for one-time benefits that is incurred over time a liability for the termination benefits shall be measured initially at the communication date of the termination plan based on the fair value of the liability as of the termination date. The liability should be recognized ratably over the future service period. A change resulting from a revision to either the timing or the amount of estimated cash flows over the future service period shall be measured using the credit-adjusted risk-free rate that was used to measure the liability initially. The cumulative effect of the change shall be recognized as an adjustment to the liability in the period of the change.

Stock-Based Compensation

Under Brazilian GAAP, no pronouncement specifically addresses accounting and disclosure requirements for stock-based compensation.

Under U.S. GAAP companies may account for non-cash stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees", and its related interpretations, which states that no compensation expense is recognized for fixed stock options or other fixed stock-based awards to employees that are granted with an exercise price equal to or above the estimated fair value per share of the company's common stock on the grant date. In the event that stock options are granted with an exercise price below the estimated fair market value of the company's common stock at the grant date, the difference between the fair market value of the company's common stock and the exercise price of the stock option is recorded as deferred compensation. Deferred compensation is amortized to compensation expense over the vesting period of the related stock option.

SFAS No. 123, "Accounting for Stock Based Compensation" defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees". Entities electing to remain with the accounting in Opinion No. 25 must make pro forma disclosures of net income and, if presented, earnings per share, as if the fair value based method of accounting defined in SFAS No. 123 had been applied.

Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. Most fixed stock option plans – the most common type of stock compensation plan – have no intrinsic value at grant date, and under Opinion 25 no compensation cost is recognized for them.

Under SFAS 123 as amended by SFAS 148 "Accounting for Stock Based Compensation–Transition and Disclosure", the stock options were recorded as an expense over the vesting period based on the fair value calculated using a Black-Scholes model. In December 2004, the FASB issued SFAS 123 (revised 2004) "Share-based payment" (SFAS 123R) which replaces SFAS 123. SFAS 123 requires all entities to apply the fair value based measurement method in accounting for share-based payment transactions.

SFAS No. 148, "Accounting for Stock-Based Compensation", amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock based employee compensation. In addition, this statement amends the disclosure requirement of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Accounting for Guarantees by a Guarantor

Under Brazilian GAAP, guarantees granted to third parties are recorded as off-balance sheet items. Fees are charged for issuing guarantees and recognized in income over the guaranty period. When the guaranteed party has not honored its commitments the guarantor should assume a liability and a credit is recognized against the guaranteed party representing the right to seek reimbursement with recognition of related allowance for losses when considered appropriate.

Under U.S. GAAP, through FASB Interpretation 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees" (FIN 45), issued in November 2002, a liability should be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee for certain guarantees issued or modified after December 31, 2002. Specific disclosures of guarantees granted are also required under FIN 45.

Contingent Liabilities

Under Brazilian GAAP, the accounting and disclosure requirements are generally not as comprehensive as under U.S. GAAP.

Under U.S. GAAP, according to SFAS No. 5 "Accounting for Contingencies" recognition of loss contingencies is required when the conditions known before the issuance of the financial statements show that: (i) it is probable that losses had been incurred at the date of the financial statements; and (ii) the amount of such losses can be reasonably estimated. In addition, U.S. GAAP requires constant monitoring of any litigation in progress to evaluate, among other things: (i) the nature and complexity of the litigation; (ii) the evolution of the proceedings; (iii) the views of legal advisors; and (iv) experience with similar proceedings.

Prior Period Adjustments

Under Brazilian GAAP, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. Brazilian GAAP does not permit restatement of previous financial statements to provide consistency in reporting, which U.S. GAAP requires in certain circumstances. The CVM has required that such prior period adjustments arising from accounting errors be recorded as an extraordinary item in the results of operations of the current year.

Under U.S. GAAP, companies effectively limit prior period adjustments to corrections of errors affected by adjusting prior periods' financial statements and making appropriate footnote disclosure regarding the effects of the error on prior periods.

Derivative Financial Instruments

Under Brazilian GAAP, for periods before June 30, 2002, the requirements regarding the disclosure of information on financial instruments not reflected on the balance sheet or on concentration on financial instruments with credit risk were less detailed. For periods from June 30, 2002, the accounting principles prescribed by Brazilian GAAP specifically applicable to accounting and reporting of marketable debt and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions.

According to the accounting principles established by the Central Bank, derivative financial instruments are classified based on Unibanco's intention to use them for hedging or non-hedging purposes:

- transactions involving derivative financial instruments to meet customer needs or for own purpose that did not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the global exposure are accounted for at fair value with unrealized gains and losses recognized currently in earnings.

- derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract; and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

- *Fair value hedge*. The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and

- *Cash flow hedge*. The effective hedge portion of financial assets and liabilities is accounted for at fair value and unrealized gains and losses are recorded as a separate component of stockholders' equity, net of applicable taxes, in "Unrealized gains and losses – marketable securities and derivative financial instruments". The non-effective hedge portion is recognized currently in earnings.

Under U.S. GAAP, the applicable accounting practice for financial instruments depends on management's intention for their disposition and may require adjustments to their market or fair values.

SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives), and for hedging activities.

SFAS No. 133, as amended, requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;

- a hedge of the exposure to the variable cash flows of a forecasted transaction; or

- a hedge of the foreign currency exposure of a net investment in a foreign operation.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge is terminated, the gain or loss is deferred and amortized over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

SFAS 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", issued during March 2003, amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered or modified after June 20, 2003 and for hedging relationships designated after June 30, 2003. In addition, except for some specific transactions, all provisions of this statement should be applied prospectively.

Use of Estimates

Under Brazilian GAAP, there are no requirements to disclose the use of estimates in the preparation of financial statements.

Under U.S. GAAP, SOP 94-6 requires financial statement disclosure about the nature of a company's operations and the use of estimates in the preparation of financial statements. In addition, if certain criteria are met, it requires the disclosure of significant estimates affecting the financial statements and sensitivity to certain concentrations of business transactions, revenue and supply resources and areas of operation.

Sales of Property Subject to Rental Contracts

Under Brazilian GAAP, gains and losses on sales of property subject to rental contracts are directly recorded in current earnings, and disclosure requirements are generally not as comprehensive as under U.S. GAAP.

Under U.S. GAAP, these sales are recorded pursuant to SFAS No. 13 and SFAS No. 98, "Accounting for Leases" and SFAS No. 28 "Accounting for Sales with Leasebacks". The transactions are classified as sale-leasebacks involving operating leases and therefore recorded as sales, removing all property from the balance sheet. Gains resulting from the sales are recognized depending on whether or not the company provided an extended minimum lease period guarantee to the buyer, which was not considered to be under normal market conditions, such that it was deemed that there was continuing involvement in the lease. For those contracts that were considered not to be under normal conditions due to the extended minimum lease period guarantee, the gains are deferred in proportion to the related gross rental charges to expense over the lease terms.

Gains and losses for the other contracts are directly recorded in current earnings.

Recognition of Gains

Under Brazilian GAAP, gains on the sale of our telecommunications infrastructure were recognized during 2000, as the risk of the sale not becoming effective was considered substantially reduced, although final approval by a regulatory authority was still required.

Under U.S. GAAP, SEC's Accounting Bulletin No. 101 prohibits the recognition of gains until they are realized. As a consequence, in 2000, Unibanco did not recognize the gain on the sale of our telecommunications infrastructure to PT Prime SGPS S.A. because, concurrent with the sale, Unibanco entered into an agreement with PT Prime in which PT Prime has been providing management and administration services for the corporate telecommunications network and systems. PT Prime has been using the telecommunications infrastructure acquired to provide the services. The deferred income is being recognized on a straight-line basis over the term of the service agreement through June 2006.

Comprehensive Income

Brazilian GAAP does not embody the concept of comprehensive income.

Under U.S. GAAP, SFAS No. 130 "Reporting Comprehensive Income" requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and "other comprehensive income" that include charges or credits taken directly to equity that are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments under SFAS No. 52, unrealized gains and losses under SFAS No. 115, as well as the effects of cash flow hedge accounting under SFAS No. 133 and minimum pension liabilities under SFAS No. 87.

Loan Receivables

Under Brazilian GAAP, we generally carry loan receivables at cost and footnote disclosure is limited.

Under U.S. GAAP, loan account and footnote disclosure is more complex as loans may be carried generally at cost and are governed by various accounting standards.

Interest Recognition – Nonperforming Loans

Under U.S. GAAP, companies generally discontinue recognition of interest on commercial loans when management believes, based on current information and events, that it will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Such loans are considered non-performing and become subject to review for impairment in accordance with SFAS No. 114, "Accounting by Creditors for

Impairment of a Loan", as amended by SFAS No. 118. The impairment of non-performing loans is determined based on:

- the present value of future cash flows discounted at the loan's effective interest rate;
- the observable market value of the loan; or
- for collateral-dependent loans, the fair value of the underlying collateral.

Interest income on an impaired loan may be recognized alternatively using the cost-recovery method, the cash basis, or a combination of both.

Also, FASB Interpretation 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others", issued in November 2002, requires that a liability be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee

Under Brazilian GAAP, previously accrued but uncollected interest on non-performing loans or loans in arrears are not reversed at the time the loan ceases to accrue interest. Currently, Central Bank regulations require that interest not be accrued on loans in arrears more than 60 days and that the loan principal be maintained in nominal currency.

Allowance for Loan Losses

Under Brazilian GAAP, the allowance for loan losses is calculated based on Resolution (*Resolução*) No. 2,682 of the CMN, which requires classification of loans into nine categories ranging from AA (0% allowance) to H (100% allowance) in accordance with risk assessments prepared by the bank and minimum overdue periods.

Under U.S. GAAP, SFAS No. 5 - "Accounting for Contingencies" and SFAS No. 114 - "Accounting for Impairment of a Loan by a Creditor" require banks to calculate the portion of the reserve related to the impaired loan based on one of the following three options: (i) present value of future estimated cash flow of the loan; (ii) fair value of the collateral or (iii) market value of the loan.

Loan Origination Fees – Credit Card Fees

Under Brazilian GAAP, non-reimbursable fees as credit card fees received from clients in connection with loan origination are credited in full to income when received. Likewise, all costs associated with the origination of a loan are expensed when incurred.

Under U.S. GAAP, loan origination fees as credit card fees are recognized over the life of each related loan as an adjustment of its yield, and certain direct loan origination costs are recognized over the life of the loans as a reduction of the loan's yield.

Accrued Interest and Indexation Adjustments

Under Brazilian GAAP, we present accrued interest and indexation adjustments with the principal amounts.

Under U.S. GAAP, companies present accrued interest and indexation adjustments separately.

Recoveries of Loans Previously Charged-Off

Under Brazilian GAAP, recoveries of loans previously charged-off are reflected in income on a cash basis.

Under U.S. GAAP, recoveries of loans previously charged-off are alternately reflected as a reduction of the provision for loan losses.

Leasing Agreements as Capital Leasing

Under Brazilian GAAP, we treat all leases as operating leases and recognize the expense at the time that each lease installment falls due.

Under U.S. GAAP, lease capitalization is required if certain conditions are met. As capital leasing, both an asset and an obligation are recorded in the financial statements and the asset is depreciated in a manner consistent with our normal depreciation policy of owned assets.

Unibanco records its leasing operations on the basis of accounting principles prescribed by the Central Bank.

Pension Investment Contracts

Under U.S. GAAP, pension investment contracts where the investment risk is for the account of policyholders, are considered investment contracts in accordance with the requirements of SFAS 97, "Accounting and Reporting by Insurance Enterprises for Certain Long Duration Contracts and for Realized Gains and Losses from the Sale of Investments" and SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts". During the accumulation phase of the pension investment contracts where the investment risk is for the account of policyholder, in which the policyholders have agreed to the insurance terms of the plan, the contracts are treated as an investment contract. During the annuity phase the contract is treated as an insurance contract with mortality risk. Account values are not actuarially determined. Rather, account values are increased by the deposits received and interest credited (based on contract provisions) and are reduced by withdrawals and administrative expenses charged to the policyholders. An additional liability for the contract feature is established if the present value of expected annuitization payment at the expected annuitization date exceeds the expected account balance at the annuitization date, in accordance with SOP 03-1.

Under Brazilian GAAP, investment contract products including Vida Gerador de Beneficio Livre, or VGBL, enabling the insured party to redeem the invested amount at any time, while still offering coverage in case of death, accident or disability and PGBL, which enables customers to save for retirement with a tax-deductible feature and may include insurance coverage for death, accident or disability are recorded in accordance with the rules and regulations issued by the SUSEP.

Cash and Cash Equivalents

Under Brazilian GAAP, the concept of cash equivalents is less defined than under U.S. GAAP.

Under U.S. GAAP, SFAS No. 95 "Statement of Cash Flows" defines cash equivalents as short-term highly liquid investments that are both:

- readily convertible to known amounts of cash; and
- so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less qualify under that definition.

Earnings Per Share

Under Brazilian GAAP we normally compute earnings per share based on the number of shares outstanding at the end of the year, although a weighted-average basis is acceptable.

Under U.S. GAAP, SFAS No. 128 "Earnings per Share" requires publicly held companies to present earnings per share, including earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note.

SFAS No. 128 also requires a dual presentation of earnings per share, basic and diluted. Companies should base computations of basic and diluted earnings per share on the weighted average number of common shares outstanding during each period presented. Diluted earnings per share is calculated on the same basis except that effect is given to all outstanding dilutive potential common shares.

In accordance with SFAS 128 earnings per share data has to be adjusted for all periods presented in the financial statement to reflect new number of shares that will result from the reverse stock split.

On March 31, 2004, the EITF issue a EITF Issue 03-6, "Participating Securities and the Two-Class Method" under SFAS 128. Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the company's common stock. The issue clarifies what is meant by the term "participating security", as used in SFAS 128. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument's effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. The consensus also addresses the allocation of losses. If undistributed earnings must be allocated to participating securities under the two-class method, losses should also be allocated. However, EITF 03-6 limits this allocation only to situations when the security has (1) the right to participate in the earnings of the company, and (2) an objectively determinable contractual obligation to share in net losses of the company.

Notional Interest Charge on Own Capital

Subject to certain limitations, Brazilian GAAP permits companies to distribute or capitalize an amount of interest on shareholders' equity based on the government long-term interest rate, or the TJLP. Such amounts are deductible for tax purposes and are presented as a direct reduction of shareholders' equity.

No similar concept exists under U.S. GAAP and such payments are recorded in the same manner as dividends.

Statement of Cash Flows

Brazilian GAAP requires a company to present a statement of changes in its financial position, which depicts the source and application of funds in terms of movement in working capital.

Aligned with its public announcement of supporting any initiatives focusing on the improvement and implementation of higher corporate governance practices as well as protection of minority shareholders, the CVM has stimulated the decision of the BOVESPA, to create a segment named "New Market" (*Novo Mercado*), launched in November 2000. As a result of our adherence to the New Market on June 26 2001, we started resenting the statement of cash flows as a note to our financial statements beginning from June 30, 2001.

U.S. GAAP requires presentation of a statement of cash flows describing the cash flows provided by or used in operating, investing and financing activities.

SFAS No. 95 "Statement of Cash Flows" establishes specific presentation requirements and requires additional disclosures, such as the amount of interest and income taxes paid and non-cash financing and investing transactions, such as acquisition of property, plant and equipment through capital leases, utilization of escrow deposits in settlement of liabilities and debt for equity conversions, among others.

Segment Information

Under Brazilian GAAP, there is no requirement for financial reporting of operating segments.

Under U.S. GAAP, publicly held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief operating decision maker. Segment information is generally given about any operating segment that accounts for 10% or more of all segment revenue, results of operating activities, or total assets.

Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed includes segment profit or loss, certain specific revenue and expense items and segment assets as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

Related Parties

Brazilian GAAP generally defines related parties in a more limited manner, and requires fewer disclosures, than U.S. GAAP. As a result, many of the disclosures required in the United States are not required in Brazil.

Financial Statement Note Disclosures

Brazilian GAAP in general requires less information to be disclosed in financial statements footnotes than U.S. GAAP. Disclosures required under U.S. GAAP not typically found in Brazilian GAAP financial statements include, but are not limited to, the following:

- general business, political and economic risks;
- details of guarantees provided to third parties;
- advertising expenses and assets;
- research and development costs;
- analysis of sales by geographical area;
- guarantees provided to third parties;
- financing facilities and terms;
- financial information by operating business and geographical areas; and
- footnote disclosure of summarized financial statements of affiliated companies which meet certain tests of significance.

Brazilian GAAP generally requires more disclosure than U.S. GAAP with respect to insurance coverage, parent company financial statements and details of investments in affiliated and subsidiary companies.

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

UNIBANCO–UNIÃO DE BANCOS BRASILEIROS S.A.
Financial Information at and for the Three-Month Period ended March 31, 2005

UNIBANCO–UNIÃO DE BANCOS BRASILEIROS S.A. AND UNIBANCO HOLDINGS S.A.
Financial Statements prepared in accordance with U.S. GAAP at December 31, 2004

UNIBANCO–UNIÃO DE BANCOS BRASILEIROS S.A., CAYMAN ISLANDS BRANCH
Financial Statements at December 31, 2004

UNIBANCO–UNIÃO DE BANCOS BRASILEIROS S.A., CAYMAN ISLANDS BRANCH
Financial Statements at December 31, 2003

Unibanco's financial statements as of December 31, 2004 and for the year then ended, prepared in accordance with Brazilian GAAP, and the related audit report of PricewaterhouseCoopers Auditores Independentes, conducted in accordance with Brazilian auditing standards, were furnished to SEC on Form 6-K dated February 18, 2005. Such financial statements and audit report are available via the SEC website at www.sec.gov. Such financial statements are not incorporated by reference in this Offering Memorandum.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Av. Francisco Matarazzo, 1400
Torre Torino
Caixa Postal 61005
05001-903 São Paulo, SP - Brasil
Telefone (11) 3674-2000
www.pwc.com/br

(A free translation of the original in Portuguese)

Report of Independent Auditors on the Limited Review

To the Board of Directors and Stockholders
Unibanco - União de Bancos Brasileiros S.A.

1 We have carried out limited reviews of the accounting information included in the Quarterly Information (ITR) of Unibanco - União de Bancos Brasileiros S.A. and Unibanco - União de Bancos Brasileiros S.A. and subsidiary companies (Unibanco Consolidated) for the quarters ended March 31, 2005 and 2004. This information is the responsibility of the Company's management.

2 Our reviews were conducted in accordance with the standards established by the Institute of Independent Auditors of Brazil (IBRACON) and the Federal Accountancy Council (CFC), and mainly comprised: (a) inquiries of and discussions with officials responsible for the accounting, financial and operating areas of the Bank with regard to the main criteria adopted for the preparation of the quarterly information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the Bank's and its consolidated financial position and operations.

3 Based on our limited reviews, we are not aware of any material modifications which should be made to the aforementioned quarterly information for it to be in conformity with the accounting practices adopted in Brazil applicable to the preparation of the quarterly information, consistent with the standards established by the Brazilian Securities Commission (CVM).

4 The statements of cash flows, which are presented in Notes 21 to provide supplementary information in respect of Unibanco - União de Bancos Brasileiros S.A. and Unibanco Consolidated are not required as an integral part of these quarterly financial statements. The statements of cash flows have been submitted to the limited review procedures described in paragraph 2 and nothing has come to our attention that causes us to believe that the statements of cash flows are not presented fairly, in all material respects, in relation to the quarterly financial statements taken as a whole.

Unibanco - União de Bancos Brasileiros S.A.

5 The Quarterly Information (ITR) also includes accounting information for the quarter ended December 31, 2004. We audited such information at the time it was prepared, in connection with the audit of the financial statements as of and for the year then ended, on which we issued an unqualified opinion dated February 16, 2005.

São Paulo, May 11, 2005

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

BALANCE SHEET INDIVIDUAL **Corporate Legislation**
Amounts expressed in thousands of Reais

ASSETS	March 31, 2005	December 31, 2004
CURRENT ASSETS	**47,735,208**	**46,314,501**
CASH AND DUE FROM BANKS	**1,424,328**	**1,329,115**
SHORT-TERM INTERBANK INVESTMENTS	**15,126,675**	**18,857,552**
Securities purchased under resale agreements	8,325,854	11,628,038
Interbank deposits	6,730,622	7,125,050
Foreign currency investments	70,199	104,464
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**6,054,700**	**5,034,206**
Own portfolio	3,544,719	1,496,909
Subject to repurchase commitments	481,000	1,512,704
Pledged with Brazilian Central Bank	1,499,289	1,305,352
Pledged under guarantees rendered	95,977	131,165
Unrestricted notes	657	3,947
Derivative financial instruments	433,058	584,129
INTERBANK ACCOUNTS	**5,374,196**	**4,597,369**
Payments and receipts pending settlement	497,741	6,855
Compulsory deposits:		
- Brazilian Central Bank	4,855,416	4,558,523
- National Housing System - SFH	721	2,678
Correspondent banks	20,318	29,313
INTERDEPARTMENTAL ACCOUNTS	**43,477**	**142,462**
Third-party funds in transit	17	663
Internal transfers of funds	43,460	141,799
LENDING OPERATIONS	**13,848,961**	**12,792,321**
Lending operations:		
- Public sector	397,430	234,725
- Private sector	14,319,314	13,344,969
Allowance for lending losses	(867,783)	(787,373)
OTHER CREDITS	**5,649,900**	**3,365,436**
Foreign exchange portfolio	4,460,515	2,014,363
Income receivable	116,655	128,463
Negotiation and intermediation of securities	6,142	68
Deferred taxes	310,267	365,895
Sundry	782,139	882,560
Allowance for other credits losses	(25,818)	(25,913)
OTHER ASSETS	**212,971**	**196,040**
Other assets	80,678	58,470
Allowance for other assets losses	(23,239)	(16,511)
Prepaid expenses	155,532	154,081

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

BALANCE SHEET INDIVIDUAL **Corporate Legislation**
Amounts expressed in thousands of Reais

ASSETS	March 31, 2005	December 31, 2004
LONG-TERM ASSETS	**16,499,350**	**15,946,567**
INTERBANK INVESTMENTS	**974,399**	**921,094**
Interbank deposits	974,399	921,094
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4,664,843**	**4,197,690**
Own portfolio	2,693,273	2,126,400
Subject to repurchase commitments	1,411,952	1,475,607
Pledged with Brazilian Central Bank	76,920	121,003
Pledged under guarantees rendered	370,374	346,855
Derivative financial instruments	112,324	127,825
INTERBANK ACCOUNTS	**46,478**	**45,963**
Compulsory deposits:		
- National Housing System - SFH	46,478	45,963
LENDING OPERATIONS	**7,524,365**	**7,536,036**
Lending operations:		
- Public sector	292,140	444,499
- Private sector	7,543,930	7,421,578
Allowance for lending losses	(311,705)	(330,041)
OTHER CREDITS	**3,208,291**	**3,179,042**
Receivables on guarantees honored	35	35
Foreign exchange portfolio	-	29
Income receivable	4,757	2,259
Deferred taxes	1,285,257	1,280,888
Sundry	1,920,945	1,898,699
Allowance for other credits losses	(2,703)	(2,868)
OTHER ASSETS	**80,974**	**66,742**
Prepaid expenses	80,974	66,742
PERMANENT ASSETS	**6,030,610**	**5,831,227**
INVESTMENTS	**5,283,649**	**5,078,311**
Investments in subsidiary companies	**4,863,759**	**4,646,066**
-Local	3,854,104	3,655,676
-Foreign	1,009,655	990,390
Goodwill on acquisitions of subsidiary companies	388,218	400,486
Other investments	62,421	62,539
Allowance for losses	(30,749)	(30,780)
FIXED ASSETS	**345,265**	**348,610**
Land and buildings in use	165,165	164,871
Other fixed assets	791,800	776,391
Accumulated depreciation	(611,700)	(592,652)
DEFERRED CHARGES	**401,696**	**404,306**
Organization and expansion costs	831,518	799,392
Accumulated amortization	(429,822)	(395,086)
T O T A L	**70,265,168**	**68,092,295**

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

BALANCE SHEET INDIVIDUAL **Corporate Legislation**
Amounts expressed in thousands of Reais

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2005	December 31, 2004
CURRENT LIABILITIES	**37,908,840**	**39,841,113**
DEPOSITS	**22,058,808**	**24,137,446**
Demand deposits	2,976,749	2,846,784
Savings deposits	5,284,429	5,471,323
Interbank deposits	1,238,481	1,356,291
Time deposits	12,558,645	14,462,886
Other deposits	504	162
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	**5,681,578**	**7,756,015**
Own portfolio	1,879,675	2,999,523
Third parties portfolio	3,801,247	4,144,452
Unrestricted portfolio	656	612,040
RESOURCES FROM SECURITIES ISSUED	**902,518**	**1,276,509**
Mortgage notes	216,644	329,910
Securities abroad	685,874	946,599
INTERBANK ACCOUNTS	**487,464**	**30,918**
Receipts and payments pending settlement	480,210	6,694
Correspondent banks	7,254	24,224
INTERDEPARTMENTAL ACCOUNTS	**252,350**	**387,346**
Third-party funds in transit	237,398	387,341
Internal transfers of funds	14,952	5
BORROWINGS	**2,030,191**	**2,088,848**
Borrowings in Brazil - governmental agencies	308	349
Foreign borrowings	2,029,883	2,088,499
ONLENDING IN BRAZIL - GOVERNMENTAL AGENCIES	**1,264,902**	**1,256,490**
BNDES (National Economic Development Bank)	668,969	720,791
FINAME (National Industrial Financing Authority)	560,489	465,965
Other	35,444	69,734
FOREIGN ONLENDINGS	**42,825**	**45,871**
Foreign onlendings	42,825	45,871
DERIVATIVE FINANCIAL INSTRUMENTS	**258,879**	**255,929**
Derivative financial instruments	258,879	255,929
OTHER LIABILITIES	**4,929,325**	**2,605,741**
Collection of taxes and social contributions	199,106	47,603
Foreign exchange portfolio	3,385,224	943,902
Social and statutory	208,122	333,671
Taxes and social security	142,252	167,837
Negotiation and intermediation of securities	88,178	9,156
Accounts payable for purchase of assets	23,938	23,330
Subordinated debt	38,647	11,367
Sundry	843,858	1,068,875

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

BALANCE SHEET INDIVIDUAL **Corporate Legislation**
Amounts expressed in thousands of Reais

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2005	December 31, 2004
LONG-TERM LIABILITIES	**23,974,382**	**20,125,457**
DEPOSITS	**13,476,736**	**9,862,035**
Interbank deposits	89,975	366,516
Time deposits	13,386,761	9,495,519
RESOURCES FROM SECURITIES ISSUED	**707,875**	**350,809**
Mortgage notes	6,954	3,717
Securities abroad	700,921	347,092
BORROWINGS	**653,523**	**747,704**
Borrowings in Brazil - governmental agencies	748	732
Foreign borrowings	652,775	746,972
ONLENDING IN BRAZIL - GOVERNMENTAL AGENCIES	**3,146,068**	**3,180,896**
BNDES (National Economic Development Bank)	1,944,735	2,040,599
FINAME (National Industrial Financing Authority)	1,066,826	1,004,978
Other	134,507	135,319
FOREIGN ONLENDINGS	**198,402**	**208,385**
Foreign onlendings	198,402	208,385
DERIVATIVE FINANCIAL INSTRUMENTS	**62,425**	**82,860**
Derivative financial instruments	62,425	82,860
OTHER LIABILITIES	**5,729,353**	**5,692,768**
Taxes and social security	602,918	601,775
Accounts payable for purchase of assets	1,357	2,506
Subordinated debt	1,929,115	1,902,452
Sundry	3,195,963	3,186,035
DEFERRED INCOME	**18,701**	**19,342**
Deferred income	18,701	19,342
STOCKHOLDERS' EQUITY	**8,363,245**	**8,106,383**
Capital:	**5,000,000**	**5,000,000**
- Local residents	3,508,543	3,472,222
- Foreign residents	1,491,457	1,527,778
Capital reserves	159,219	158,894
Revaluation reserve on subsidiaries	7,401	7,492
Revenue reserves	3,075,280	3,075,280
- Legal	391,110	391,110
- Statutory reserves	2,620,273	2,620,273
-Special dividends not distributed	63,897	63,897
Unrealized gains and losses - marketable securities and derivative financial instruments	(77,855)	(83,860)
Treasury stocks	(50,297)	(51,423)
Retained earnings	249,497	-
T O T A L	**70,265,168**	**68,092,295**

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

STATEMENTS OF INCOME INDIVIDUAL — **Corporate Legislation**
(Amounts expressed in thousands of Reais, except per share data)

	From January 1, 2005 to March 31, 2005	From January 1, 2004 to March 31, 2004
REVENUE FROM FINANCIAL INTERMEDIATION	**2,674,381**	**2,026,535**
Lending operations	1,426,880	1,121,183
Marketable securities	1,046,415	750,155
Derivative financial instruments	65,742	48,498
Foreign exchange transactions	5,173	16,195
Compulsory deposits	130,171	90,504
EXPENSES ON FINANCIAL INTERMEDIATION	**(1,829,053)**	**(1,373,349)**
Deposits and securities sold	(1,512,997)	(1,091,166)
Borrowings and onlendings	(183,058)	(177,516)
Provision for credits losses	(132,998)	(104,667)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	**845,328**	**653,186**
OTHER OPERATING INCOME (EXPENSES)	**(237,789)**	**(330,081)**
Services rendered	397,775	380,216
Salaries, benefits, training and social security	(348,312)	(332,447)
Other administrative expenses	(390,962)	(383,505)
Financial transaction and other taxes	(106,941)	(63,537)
Equity in the results of subsidiary companies	137,354	199,730
Other operating income	142,428	28,113
Other operating expenses	(69,131)	(158,651)
OPERATING INCOME	**607,539**	**323,105**
NON-OPERATING INCOME (EXPENSE)	**(11,432)**	**(12,546)**
Income	2,938	2,596
Expense	(14,370)	(15,142)
INCOME BEFORE TAXES AND PROFIT SHARING	**596,107**	**310,559**
INCOME TAX AND SOCIAL CONTRIBUTION	**(109,953)**	**13,583**
Provision for income tax	(44,268)	(10,830)
Provision for social contribution	(22,422)	(3,025)
Deferred tax asset	(43,263)	27,438
PROFIT SHARING	**(84,865)**	**(47,997)**
Management	(1,242)	(1,184)
Employees	(83,623)	(46,813)
NET INCOME	**401,289**	**276,145**
Number of outstanding shares (Note 15a)	1,396,748,384	137,611,422,074
Net income per 1.000 shares: R$	287.30	2.01

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

CONSOLIDATED BALANCE SHEET **Corporate Legislation**
Amounts expressed in thousands of Reais

ASSETS	March 31, 2005	December 31, 2004
CURRENT ASSETS	**59,134,097**	**56,945,572**
CASH AND DUE FROM BANKS	**1,928,995**	**1,561,264**
SHORT-TERM INTERBANK INVESTMENTS	**10,372,012**	**14,215,480**
Securities purchased under resale agreements	8,302,399	11,513,003
Interbank deposits	1,999,414	2,598,013
Foreign currency investments	70,199	104,464
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**12,843,566**	**11,505,301**
Own portfolio	10,017,602	7,582,701
Subject to repurchase commitments	505,556	1,646,828
Pledged with Brazilian Central Bank	1,500,345	1,306,109
Pledged under guarantees rendered	493,308	502,850
Unrestricted notes	657	3,947
Derivative financial instruments	326,098	462,866
INTERBANK ACCOUNTS	**5,602,025**	**4,792,058**
Payments and receipts pending settlement	527,099	8,815
Compulsory deposits:		
- Brazilian Central Bank	5,051,084	4,750,490
- National Housing System - SFH	721	2,678
Correspondent banks	23,121	30,075
INTERDEPARTMENTAL ACCOUNTS	**43,754**	**142,484**
Third-party funds in transit	39	685
Internal transfers of funds	43,715	141,799
LENDING OPERATIONS	**19,619,884**	**18,322,994**
Lending operations:		
- Public sector	397,430	234,725
- Private sector	20,527,782	19,352,712
Allowance for lending losses	(1,305,328)	(1,264,443)
LEASING OPERATIONS	**355,029**	**333,586**
Leasing operations:		
- Private sector	361,107	338,431
Allowance for leasing losses	(6,078)	(4,845)
OTHER CREDITS	**7,855,872**	**5,689,609**
Foreign exchange portfolio	4,460,515	2,014,363
Income receivable	95,975	92,526
Negotiation and intermediation of securities	198,685	118,674
Deferred tax	614,194	674,566
Sundry	2,518,128	2,820,423
Allowance for other credits losses	(31,625)	(30,943)
OTHER ASSETS	**512,960**	**382,796**
Other assets	156,283	141,486
Allowance for other assets losses	(48,370)	(40,946)
Prepaid expenses	405,047	282,256

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

CONSOLIDATED BALANCE SHEET — **Corporate Legislation**
Amounts expressed in thousands of Reais

ASSETS	March 31, 2005	December 31, 2004
LONG-TERM ASSETS	**20,314,647**	**19,680,578**
INTERBANK INVESTMENTS	**186,245**	**161,360**
Interbank deposits	186,245	161,360
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**5,725,691**	**5,098,636**
Own portfolio	3,756,390	3,034,915
Subject to repurchase commitments	1,411,952	1,475,607
Pledged with Brazilian Central Bank	76,920	121,003
Pledged under guarantees rendered	380,643	349,936
Derivative financial instruments	99,786	117,175
INTERBANK ACCOUNTS	**46,478**	**45,963**
Compulsory deposits:		
- National Housing System - SFH	46,478	45,963
LENDING OPERATIONS	**8,366,113**	**8,485,997**
Lending operations:		
- Public sector	292,140	444,499
- Private sector	8,400,090	8,395,146
Allowance for lending losses	(326,117)	(353,648)
LEASING OPERATIONS	**304,310**	**297,114**
Leasing operations:		
- Private sector	309,605	301,618
Allowance for leasing losses	(5,295)	(4,504)
OTHER CREDITS	**5,574,669**	**5,480,356**
Receivables on guarantees honored	35	35
Foreign exchange portfolio	-	29
Income receivable	4,757	2,259
Negotiation and intermediation of securities	2,742	2,591
Deferred tax	2,213,700	2,160,573
Sundry	3,363,897	3,325,953
Allowance for other credits losses	(10,462)	(11,084)
OTHER ASSETS	**111,141**	**111,152**
Prepaid expenses	111,141	111,152
PERMANENT ASSETS	**2,659,942**	**2,723,562**
INVESTMENTS	**1,100,797**	**1,157,990**
Investments in associated companies	**57,070**	**110,627**
-Local	57,070	110,627
Goodwill on acquisitions of subsidiary companies	875,066	876,700
Other investments	231,507	233,540
Allowance for losses	(62,846)	(62,877)
FIXED ASSETS	**845,594**	**851,095**
Land and buildings in use	583,197	581,889
Other fixed assets	1,290,055	1,262,275
Accumulated depreciation	(1,027,658)	(993,069)
DEFERRED CHARGES	**713,551**	**714,477**
Organization and expansion costs	1,333,784	1,284,646
Accumulated amortization	(620,233)	(570,169)
T O T A L	**82,108,686**	**79,349,712**

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

CONSOLIDATED BALANCE SHEET **Corporate Legislation**
Amounts expressed in thousands of Reais

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2005	December 31, 2004
CURRENT LIABILITIES	**46,138,854**	**47,330,453**
DEPOSITS	**22,374,749**	**24,220,240**
Demand deposits	3,414,960	3,219,918
Savings deposits	5,800,555	5,965,586
Interbank deposits	144,732	31,133
Time deposits	13,013,998	15,003,603
Other deposits	504	162
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	**5,560,645**	**7,565,261**
Own portfolio	1,899,187	2,956,440
Third parties portfolio	3,661,377	4,000,303
Unrestricted portfolio	81	608,518
RESOURCES FROM SECURITIES ISSUED	**916,456**	**1,220,882**
Mortgage notes	244,090	373,004
Securities abroad	672,366	847,878
INTERBANK ACCOUNTS	**532,450**	**21,317**
Receipts and payments pending settlement	523,764	16,329
Correspondent banks	8,686	4,988
INTERDEPARTMENTAL ACCOUNTS	**252,822**	**387,857**
Third-party funds in transit	237,594	387,446
Internal transfers of funds	15,228	411
BORROWINGS	**2,087,177**	**2,189,053**
Borrowings in Brazil - governmental agencies	308	349
Borrowings in Brazil - other institutions	134,240	141,293
Foreign borrowings	1,952,629	2,047,411
ONLENDING IN BRAZIL - GOVERNMENTAL AGENCIES	**1,624,207**	**1,597,705**
BNDES (National Economic Development Bank)	668,969	720,791
FINAME (National Industrial Financing Authority)	919,794	807,180
Other	35,444	69,734
FOREIGN ONLENDINGS	**42,825**	**45,871**
Foreign onlendings	42,825	45,871
DERIVATIVE FINANCIAL INSTRUMENTS	**256,581**	**197,982**
Derivative financial instruments	256,581	197,982
OTHER LIABILITIES	**12,490,942**	**9,884,285**
Collection of taxes and social contributions	233,020	49,740
Foreign exchange portfolio	3,385,224	943,902
Social and statutory	256,896	408,151
Taxes and social security	372,731	543,874
Negotiation and intermediation of securities	373,071	209,584
Accounts payable for purchase of assets	25,402	24,306
Technical provisions for insurance and capitalization plans	4,349,058	3,860,720
Subordinated debt	38,582	11,006
Sundry	3,456,958	3,833,002

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

CONSOLIDATED BALANCE SHEET — **Corporate Legislation**
Amounts expressed in thousands of Reais

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2005	December 31, 2004
LONG-TERM LIABILITIES	**26,691,060**	**22,983,288**
DEPOSITS	**12,594,253**	**9,310,018**
Interbank deposits	48,584	88,301
Time deposits	12,545,669	9,221,717
RESOURCES FROM SECURITIES ISSUED	**672,303**	**358,313**
Mortgage notes	6,954	3,717
Securities abroad	665,349	354,596
BORROWINGS	**542,645**	**633,876**
Borrowings in Brazil - governmental agencies	748	732
Borrowings in Brazil - other institutions	6,214	5,956
Foreign borrowings	535,683	627,188
ONLENDING IN BRAZIL - GOVERNMENTAL AGENCIES	**3,554,406**	**3,563,981**
BNDES (National Economic Development Bank)	1,944,735	2,040,599
FINAME (National Industrial Financing Authority)	1,475,164	1,388,063
Other	134,507	135,319
FOREIGN ONLENDINGS	**198,402**	**208,385**
Foreign onlendings	198,402	208,385
DERIVATIVE FINANCIAL INSTRUMENTS	**46,983**	**71,448**
Derivative financial instruments	46,983	71,448
OTHER LIABILITIES	**9,082,068**	**8,837,267**
Taxes and social security	1,396,520	1,303,521
Negotiation and intermediation of securities	97,048	37,753
Accounts payable for purchase of assets	1,357	2,506
Technical provisions for retirement plan company	1,977,537	1,945,313
Subordinated debt	1,920,134	1,887,513
Sundry	3,689,472	3,660,661
DEFERRED INCOME	**135,401**	**156,946**
Deferred income	135,401	156,946
MINORITY INTEREST	**780,126**	**772,480**
STOCKHOLDERS' EQUITY	**8,363,245**	**8,561,390**
Capital:	**5,000,000**	**5,000,000**
- Local residents	3,508,543	3,472,222
- Foreign residents	1,491,457	1,527,778
Capital reserves	159,219	158,894
Revaluation reserve on subsidiaries	7,401	7,492
Revenue reserves	3,075,280	3,530,287
- Legal	391,110	391,110
- Statutory reserves	2,620,273	3,075,280
- Special dividends not distributed	63,897	63,897
Unrealized gains and losses - marketable securities and derivative financial instruments	(77,855)	(83,860)
Treasury stocks	(50,297)	(51,423)
Retained earnings	249,497	-
STOCKHOLDERS' EQUITY MANAGED BY PARENT COMPANY	**9,143,371**	**8,878,863**
T O T A L	**82,108,686**	**79,804,557**

(Convenience translation into English from the original previously issued in Portuguese)

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.
DATE - MARCH 31, 2005
QUARTERLY INFORMATION

CONSOLIDATED STATEMENTS OF INCOME — **Corporate Legislation**
(Amounts expressed in thousands of Reais, except per share data)

	From January 1, 2005 to March 31, 2005	From January 1, 2004 to March 31, 2004
REVENUE FROM FINANCIAL INTERMEDIATION	**3,557,005**	**2,883,233**
Lending operations	2,220,884	1,800,517
Leasing operations	34,027	24,321
Marketable securities	855,462	727,371
Financial results from insurance, pension plans and annuity products	243,073	207,925
Derivative financial instruments	66,451	15,281
Foreign exchange transactions	6,441	16,820
Compulsory deposits	130,667	90,998
EXPENSES ON FINANCIAL INTERMEDIATION	**(2,124,456)**	**(1,715,762)**
Deposits and securities sold	(1,454,748)	(1,111,162)
Price-level restatement and interest on technical provision for insurance, pension plans and annuity products	(153,343)	(92,092)
Borrowings and onlendings	(206,348)	(199,816)
Provision for credits losses	(310,017)	(312,692)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	**1,432,549**	**1,167,471**
OTHER OPERATING INCOME (EXPENSES)	**(721,275)**	**(696,769)**
Services rendered	766,043	740,574
Insurance, annuity products and retirement plans premiums	995,023	833,879
Changes in technical provision for insurance, annuity products and retirement plans	(384,848)	(293,640)
Insurance claims	(223,803)	(220,208)
Private retirement plans benefits expenses	(185,032)	(150,280)
Selling, other insurance and private retirementplans expenses	(58,062)	(61,032)
Credit card selling expenses	(65,892)	(70,063)
Salaries, benefits, training and social security	(446,348)	(459,012)
Other administrative expenses	(740,391)	(683,978)
Financial transaction and other taxes	(232,326)	(156,992)
Equity in the results of associated companies	(1,178)	6,061
Other operating income	117,112	61,632
Other operating expenses	(261,573)	(243,710)
OPERATING INCOME	**711,274**	**470,702**
NON-OPERATING INCOME (EXPENSE)	**(6,906)**	**(12,177)**
Income	10,431	8,630
Expense	(17,337)	(20,807)
INCOME BEFORE TAXES AND PROFIT SHARING	**704,368**	**458,525**
INCOME TAX AND SOCIAL CONTRIBUTION	**(165,892)**	**(78,544)**
Provision for income tax	(111,601)	(65,048)
Provision for social contribution	(46,191)	(21,786)
Deferred tax asset	(8,100)	8,290
PROFIT SHARING	**(100,668)**	**(68,889)**
Management	(1,268)	(1,184)
Employees	(99,400)	(67,705)
NET INCOME BEFORE MINORITY INTEREST	**437,808**	**311,092**
MINORITY INTEREST	**(36,519)**	**(34,947)**
NET INCOME	**401,289**	**276,145**
Number of outstanding shares (Note 15a)	1,396,748,384	137,611,422,074
Net income per 1.000 shares: R$	287.30	2.01

1. Operations

The operations of Unibanco - União de Bancos Brasileiros S.A. and its direct and indirect subsidiaries and jointly controlled companies in Brazil and abroad include, in addition to the financial activities of the Unibanco Conglomerate, other activities carried out by subsidiaries with specific objectives principally related to insurance, credit card operations, annuity product plans and private retirement plans.

2. Presentation of Quarterly Information

The quarterly information of Unibanco - União de Bancos Brasileiros S.A. and its foreign branches (Unibanco) are presented together with the consolidated quarterly information of Unibanco and its direct and indirect subsidiaries, and its jointly controlled companies (Unibanco Consolidated), as shown in Note 9.

The quarterly information statements have been prepared in accordance with consolidation principles determined by the Brazilian Securities Commission and Brazilian Central Bank. Intercompany investments, balances, income and expenses, as well as unrealized intercompany gains and losses, were eliminated upon consolidation. The assets, liabilities, revenues and expenses of jointly controlled companies have been included in the consolidated financial statements on a proportional basis.

The quarterly information of the subsidiaries Unibanco Leasing S.A. - Arrendamento Mercantil and Dibens Leasing S.A. – Arrendamento Mercantil were reclassified by means of off-book adjustments, in order to reflect their financial position and results of operations in the consolidation, in accordance with the financial method of accounting for leasing transactions.

In preparing our quarterly information, estimates and assumptions were used to account for certain assets, liabilities, revenues and expenses in accordance with accounting practices adopted in Brazil. Estimates and assumptions were used to account for the allowance for credit losses, the provision for litigation, the fair value of financial instruments, in the methods of determining reserves of insurance and private retirement plan businesses and to determine the remaining useful lives of certain assets. Actual results in future periods could differ from those estimates and assumptions and judgments adopted.

3. Summary of Significant Accounting Policies

The accounting policies adopted by Unibanco and its subsidiary companies are in accordance with the requirements of Brazilian Corporate Law and the regulations of the National Monetary Council, the Brazilian Central Bank, the Brazilian Securities Commission and the Superintendency of Private Insurances.

(a) Determination of net income

Net income is determined on the accrual basis and considers:

- income, expenses and monetary or exchange rate variations, at official rates or indexes, pro rata temporis, on current and long-term assets and liabilities;
- the effects of the provisions to adjust the assets to market or realizable values;
- the adjustments to the technical reserves for insurance, annuity products and retirement plans;
- the insurance premiums, as well their respective acquisition costs are recognized in earnings when the policy is issued and the changes in technical provision of unearned premium and to the deferred acquisition costs are recognized over the related contract period;
- the commission related to the policy issuance are deferred to earnings on a straight-line basis over a period of 12 months;

- the effects of the adjustment of investments in subsidiary and associated companies to reflect the equity method of accounting;

- the provision for federal income tax at the rate of 15% on taxable income, plus a specific surcharge of 10% on taxable income over established fiscal limits;

- the provision for social contribution calculated at the rate of 9% on the adjusted income before income tax; and

- tax credits calculated on temporary differences between book value and tax bases, and on tax loss carry-forwards.

(b) Current and long-term assets

These assets are stated at cost plus, when applicable, the related income and monetary and exchange rate variations, and less the related unearned income and/or allowances for losses, except for marketable securities, the derivative financial instruments and financial assets subject to hedge, which are presented, as stated in item (c).

The allowance for credit losses is set up in an amount considered sufficient to cover probable future losses. Management's analysis to establish the allowance required takes into account the economic environment, past experience, specific, and general portfolio risks, as well as the regulations of the Brazilian Central Bank.

(c) Marketable securities and derivative financial instruments

Marketable securities

Marketable securities are classified into three categories accounted for as follows:

- Trading securities – acquired for trading purposes. They are stated at cost plus accrued interest and adjusted to their fair values. Unrealized gains and losses are recognized currently in earnings.

- Securities available for sale – acquired as part of the strategy for the risk management of market risks. They are negotiated as a result of the changes in the interest rates, for changes in payment conditions or other factors. They are stated at cost plus accrued interest and adjusted to their fair value, with the related income recognized currently and unrealized gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes, in "Unrealized gains and losses – marketable securities and derivatives". The realized gains and losses are recognized based on the applicable trade date in a contra account in the stockholders' equity item.

- Securities held to maturity – marketable securities for which there is an intention and financial ability to hold them to maturity. They are held at cost plus accrued interest recognized currently in earnings.

Derivative financial instruments (assets and liabilities)

The derivative financial instruments are classified based on Management's intent for hedging or non-hedging purposes.

- Derivative financial instruments designed to hedge or to modify characteristics of financial assets or liabilities and (i) which are highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at inception date and over the life of the contract; and (ii) are effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

- Fair value hedge. The financial assets and liabilities and the corresponding derivative financial instruments are accounted for at fair value and any offsetting gains or losses recognized currently in earnings; and

- Cash flow hedge. The effective hedge portion of financial assets and liabilities and the respective derivative financial instruments are accounted for at fair value and any unrealized gains and losses are recorded as a separate component of stockholders' equity, net of applicable taxes, as "Unrealized gains and losses – marketable securities and derivatives". The non-effective hedge portion, if any, is recognized currently in earnings.

- Transactions involving derivative financial instruments to meet customer needs or for the bank's own purposes that do not meet hedging accounting requirements established by the Brazilian Central Bank, primarily derivatives used to manage overall exposure, are accounted for at fair value with unrealized gains and losses recognized currently in earnings.

(d) Technical provision

The technical provisions are established in accordance to Resolution CNSP no. 89/02. In accordance with Resolution no. 61/01, a actuarial valuation is performed on an annual basis and reported to the Superintendency of Private Insurances (SUSEP) with the actuarial report.

The provision for unearned premiums is established at the amount of that portion of the insurance premiums retained, corresponding to the unexpired risk period, in accordance with the regulation of the Superintendency of Private Insurances.

The provision for insufficient premiums is established, when applicable, based on Technical Actuarial Note (NTA) reported to the Superintendency of Private Insurances.

The mathematical provisions related to the free benefits generation program (VGBL and PGBL) comprise the amounts of the liabilities assumed under the form of survival insurance and are established based on the financial method determined in the contract under the responsibility of a legally qualified actuary registered with the Brazilian Institute of Actuaries (IBA). The mathematical provisions represent the present value of future benefits estimated based on actuarial methods and assumptions. The provision for benefits to be granted represents the participants whose benefits have not yet begun.

The financial expenses related to the technical provision are recorded as "Interest and monetary correction on technical provision for insurance, pension plans and annuity products".

The provision for payment of unsettled claims is established based on the estimated probable payments net of recoveries determined in accordance with claims reported up to the financial statement date and adjusted for price-level restatement in the legal standards.

The provision for claims incurred but not yet reported (IBNR) is established based on an actuarial determination of experienced losses and the methodology described in the Actuarial Note reported and approved by the Superintendency of Private Insurances.

(e) Permanent assets

Investments, fixed assets and deferred charges are originally stated at cost.

Investments in subsidiary and associated companies are accounted for using the equity method of accounting, as shown in Note 9. The effects in subsidiary and associated companies related to the valuation of marketable securities and derivatives, as mentioned above in item (c), are recognized by the controlling company so as to maintain the original record made by the subsidiary and associated companies.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Other investments consist, principally, of investments carried at cost adjusted when applicable by an allowance for losses, and membership certificates of stock and commodities exchange adjusted to book equity values.

Goodwill relating to the acquisition of subsidiaries is being amortized over periods not exceeding ten years, according to the expected period of benefit. In the merger of the subsidiary company with the discontinuation or expiration of the acquired brand, the respective goodwill is amortized in full.

Depreciation of fixed assets is calculated on the straight-line method at the following annual rates: buildings in use - 4%; equipment in use - 10%; and communications, data processing, and transportation systems - 20%.

Deferred charges, composed substantially of leasehold improvements and software acquisition and development, are amortized over the term of the respective lease contracts or up to five years as from the beginning of their use.

(f) Current and long-term liabilities

These amounts include, when applicable, accrued interest and monetary and exchange rate variations, except for derivative financial instruments and liabilities subject to hedge, which are presented above in item (c).

4. Marketable Securities

(a) The balances can be summarized as follows:

	Unibanco		Unibanco Consolidated	
Marketable Securities	**March 31, 2005**	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Trading assets	3,976,514	2,272,376	9,962,016	7,937,538
Available for sale	2,233,708	2,242,234	3,429,228	3,255,638
Held to maturity	3,963,939	4,005,332	4,752,129	4,830,720
Subtotal	**10,174,161**	**8,519,942**	**18,143,373**	**16,023,896**
Derivative financial instruments (see Note 20 (g))	545,382	711,954	425,884	580,041
Total	**10,719,543**	**9,231,896**	**18,569,257**	**16,603,937**
Current	**6,054,700**	**5,034,206**	**12,843,566**	**11,505,301**
Long-term	**4,664,843**	**4,197,690**	**5,725,691**	**5,098,636**

(b) Trading assets

				Unibanco
	March 31, 2005		December 31, 2004	
Issuer/Type of investment	**Amortized cost**	**Fair value**	**Amortized cost**	**Fair value**
Federal government	**3,910,352**	**3,908,937**	**2,149,733**	**2,147,386**
Financial treasury bills	78,357	77,968	91,439	90,957
Treasury bills	3,763,364	3,761,672	1,989,705	1,986,994
Treasury notes	68,631	69,297	68,589	69,435
Brazilian sovereign bonds	**-**	**-**	**55,259**	**54,821**
Corporate debt securities	**4,204**	**4,198**	**7,785**	**7,779**
Debentures	4,204	4,198	7,785	7,779
Mutual funds	**62,170**	**62,170**	**62,390**	**62,390**
Other	**1,209**	**1,209**	**-**	**-**
Total	**3,977,935**	**3,976,514**	**2,275,167**	**2,272,376**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Unibanco Consolidated			
	March 31, 2005		December 31, 2004	
Issuer/Type of investment	Amortized cost	Fair value	Amortized cost	Fair value
Federal government	**4,046,452**	**4,045,024**	**2,297,479**	**2,295,205**
Financial treasury bills	213,859	213,576	234,489	234,082
Treasury bills	3,763,843	3,762,151	1,994,353	1,991,639
Treasury notes	68,631	69,297	68,637	69,484
Other	119	-	-	-
Brazilian sovereign bonds	**-**	**-**	**55,259**	**54,821**
Corporate debt securities	**56,007**	**66,448**	**48,947**	**78,089**
Debentures	37,897	48,485	48,947	78,089
Other	18,110	17,963	-	-
Mutual funds (1)	**5,296,974**	**5,296,974**	**5,025,497**	**5,025,497**
Other	**558,409**	**553,570**	**491,730**	**483,926**
Total	**9,957,842**	**9,962,016**	**7,918,912**	**7,937,538**

(1) Mutual funds are substantially held by investments in insurance, annuity products and private retirement companies, and their portfolios are represented principally by federal government securities.

Trading securities are classified as current assets, regardless of their maturity dates, since these securities are actively and frequently traded.

(c) Securities available for sale

(i) By type:

	Unibanco					
	March 31, 2005			December 31, 2004		
Issuer/Type of investment	Amortized cost	Fair value adjustment	Fair value	Amortized cost	Fair value adjustment	Fair value
Federal government	**41,861**	**(15,200)**	**26,661**	**42,273**	**(14,540)**	**27,733**
Treasury Bonds	4,941	(865)	4,076	5,204	(415)	4,789
Other	36,920	(14,335)	22,585	37,069	(14,125)	22,944
Corporate debt securities	**1,808,692**	**(134,725)**	**1,673,967**	**1,682,727**	**(97,271)**	**1,585,456**
Debentures	1,775,919	(129,573)	1,646,346	1,650,009	(91,478)	1,558,531
Eurobonds	16,575	-	16,575	16,289	-	16,289
Other	16,198	(5,152)	11,046	16,429	(5,793)	10,636
Bank debt securities	**485,375**	**(2,507)**	**482,868**	**574,328**	**1,523**	**575,851**
Eurobonds	357,146	-	357,146	446,130	-	446,130
Mortgage notes	126,426	(2,506)	123,920	126,385	1,521	127,906
Time deposits	1,009	(1)	1,008	1,010	2	1,012
Other	794	-	794	803	-	803
Marketable equity securities	**38,694**	**(10)**	**38,684**	**38,682**	**2,768**	**41,450**
Mutual funds	**11,528**	**-**	**11,528**	**11,744**	**-**	**11,744**
Total	**2,386,150**	**(152,442)**	**2,233,708**	**2,349,754**	**(107,520)**	**2,242,234**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Unibanco Consolidated					
	March 31, 2005			December 31, 2004		
Issuer/Type of investment	**Amortized cost**	**Fair value adjustment**	**Fair value**	**Amortized cost**	**Fair value adjustment**	**Fair value**
Federal government	**603,294**	**(14,921)**	**588,373**	**578,435**	**(14,347)**	**564,088**
Treasury bills	18,699	(7)	18,692	1,241	(7)	1,234
Financial treasury bills	533,811	438	534,249	495,883	257	496,140
Treasury Bonds	4,941	(865)	4,076	5,204	(415)	4,789
Other	45,843	(14,487)	31,356	76,107	(14,182)	61,925
Brazilian sovereign bonds	**43,537**	**-**	**43,537**	**26,022**	**-**	**26,022**
Corporate debt securities	**2,039,153**	**(152,663)**	**1,886,490**	**1,945,073**	**(113,272)**	**1,831,801**
Debentures	1,969,978	(142,899)	1,827,079	1,836,593	(102,888)	1,733,705
Eurobonds	23,142	-	23,142	53,467	-	53,467
Other	46,033	(9,764)	36,269	55,013	(10,384)	44,629
Bank debt securities	**210,776**	**(2,546)**	**208,230**	**220,507**	**1,530**	**222,037**
Debentures	3,886	-	3,886	-	-	-
Eurobonds	55,423	(41)	55,382	67,368	7	67,375
Mortgage notes	126,426	(2,506)	123,920	126,385	1,521	127,906
Time deposits	22,949	1	22,950	26,754	2	26,756
Other	2,092	-	2,092	-	-	-
Marketable equity securities	**128,917**	**(14,667)**	**114,250**	**107,877**	**(4,380)**	**103,497**
Mutual funds (1)	**588,348**	**-**	**588,348**	**508,193**	**-**	**508,193**
Total	**3,614,025**	**(184,797)**	**3,429,228**	**3,386,107**	**(130,469)**	**3,255,638**

(1) Mutual funds are substantially held by investments in insurance, annuity products and private retirement companies, and their portfolios are represented principally by federal government securities.

(ii) By maturity:

	Unibanco			
	March 31, 2005		December 31, 2004	
Maturity	**Amortized cost**	**Fair value**	**Amortized cost**	**Fair value**
Less than 3 months	294,700	191,820	155,908	280,254
Between 3 months and 1 year	759,534	699,732	575,230	530,067
Between 1 and 3 years	791,138	804,602	704,053	829,901
Between 3 and 5 years	246,185	242,209	383,412	186,710
Between 5 and 15 years	201,995	222,226	256,734	218,471
More than 15 years	36,392	22,113	36,078	22,178
No stated maturity (1)	56,206	51,006	238,339	174,653
Total	**2,386,150**	**2,233,708**	**2,349,754**	**2,242,234**

	Unibanco Consolidated			
	March 31, 2005		December 31, 2004	
Maturity	**Amortized cost**	**Fair value**	**Amortized cost**	**Fair value**
Less than 3 months	336,059	233,057	415,687	367,250
Between 3 months and 1 year	926,067	865,802	648,652	643,961
Between 1 and 3 years	916,665	929,803	901,573	907,993
Between 3 and 5 years	348,273	339,105	312,791	307,679
Between 5 and 15 years	323,411	332,047	289,728	295,813
More than 15 years	41,095	26,816	36,078	22,178
No stated maturity (1)	722,455	702,598	781,598	710,764
Total	**3,614,025**	**3,429,228**	**3,386,107**	**3,255,638**

(1) Refers to marketable equity securities and mutual funds.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(d) Securities held to maturity

(i) By type:

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Issuer/Type of investment				Amortized cost
Federal government	**689,373**	**1,516,297**	**1,477,563**	**2,341,685**
Financial treasury bills	-	-	160,058	180,633
Central Bank notes	347,128	335,896	401,520	388,566
Treasury notes	341,866	1,180,023	911,322	1,763,497
Other	379	378	4,663	8,989
Brazilian sovereign bonds	**2,950,461**	**2,178,180**	**2,950,461**	**2,178,180**
Corporate debt securities	**212,153**	**214,319**	**212,153**	**214,319**
Eurobonds	212,153	214,319	212,153	214,319
Bank debt securities	**111,952**	**96,536**	**111,952**	**96,536**
Eurobonds	111,952	96,536	111,952	96,536
Total	**3,963,939**	**4,005,332**	**4,752,129**	**4,830,720**

The fair value of these securities was R$4,060,202 (December 31, 2004 - R$4,206,770) in Unibanco and R$4,878,951 (December 31, 2004 - R$5,072,417) in Unibanco Consolidated. The difference between the amortized cost and the fair value totaled R$96,263 (December 31, 2004 - R$201,438) in Unibanco and R$126,822 (December 31, 2004 - R$241,697) in Unibanco Consolidated and is represented mainly by bonds issued by the Brazilian federal government and the Brazilian sovereign bonds.

(ii) By maturity:

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Maturity				Amortized cost
Less than 3 months	148,159	880,558	152,824	1,019,073
Between 3 months and 1 year	554,411	312,169	601,171	363,849
Between 1 and 3 years	1,107,088	1,082,992	1,285,434	1,266,150
Between 3 and 5 years	406,465	431,856	406,464	431,856
Between 5 and 15 years	1,747,608	1,109,799	1,747,609	1,109,799
More than 15 years	208	187,958	558,627	639,993
Total	**3,963,939**	**4,005,332**	**4,752,129**	**4,830,720**

(iii) Financial ability

Unibanco and its subsidiaries classified a portion of their portfolio as held to maturity using the maturities, interest rates (positive spread) and currency of their liability operations, as parameters to define financial ability to hold the securities to maturity.

(e) Fair value determination

The fair value of marketable securities was based on an internal valuation model, which uses the average rate for the last business day of the quarter as informed by Stock Exchanges, trade associations and external entities.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

5. Lending, Leasing and Other Credits Portfolio and Allowance for Credit Losses

(a) Components of the operations portfolio by type and by maturity:

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
By type				
Discounted loans and notes	12,787,418	11,737,176	12,979,426	11,927,668
Financing	7,570,512	7,587,485	10,469,024	10,357,157
Agricultural	1,022,555	1,054,928	1,022,555	1,054,928
Real estate loans	1,172,329	1,066,182	1,172,329	1,066,182
Credit card	-	-	3,974,109	4,021,147
Total lending operations	**22,552,814**	**21,445,771**	**29,617,443**	**28,427,082**
Leasing operations	-	-	670,712	640,049
Advances on exchange contracts (1)	1,393,695	1,261,327	1,393,695	1,261,327
Total leasing operations and advances on exchange contracts	**1,393,695**	**1,261,327**	**2,064,407**	**1,901,376**
Guarantees honored	35	35	35	35
Other receivables (2)	517,920	604,364	1,494,182	1,467,293
Total other credits	**517,955**	**604,399**	**1,494,217**	**1,467,328**
Total risk	**24,464,464**	**23,311,497**	**33,176,067**	**31,795,786**
By maturity				
Past-due for more than 15 days (Note 5 (d))	620,145	432,455	1,497,918	1,240,112
Falling due:				
Less than 3 months (3)	9,265,045	7,999,582	13,837,388	12,308,087
Between 3 months and 1 year	6,611,716	6,867,000	8,692,001	8,951,974
Between 1 and 3 years	5,441,773	5,481,786	6,538,668	6,525,590
More than 3 years	2,525,785	2,530,674	2,610,092	2,770,023
Total risk	**24,464,464**	**23,311,497**	**33,176,067**	**31,795,786**

(1) Recorded in "Other liabilities" and "Other credits".
(2) Other receivables consist of receivables from sale of assets and notes and credits receivable.
(3) Include 14 days past-due amounts.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(b) Components of lending, leasing and other credits by business activity:

	Unibanco			
	March 31, 2005		December 31, 2004	
	Value	% of distribution	Value	% of distribution
Manufacturing				
Electricity, gas and water	1,809,951	7.4	1,619,065	6.9
Paper, pulp and wood products	1,270,030	5.2	1,190,089	5.1
Food, beverages and tobacco	1,242,739	5.1	1,078,514	4.6
Automotive industry	1,067,043	4.4	976,464	4.2
Chemical and pharmaceutical	782,276	3.2	797,785	3.4
Production of machines and equipment	746,087	3.1	827,858	3.6
Basic metal industries	672,721	2.8	713,838	3.1
Extractive	438,358	1.8	353,620	1.5
Textiles, clothing and leather goods	418,602	1.7	358,322	1.5
Petroleum	413,480	1.7	411,379	1.8
Electronic and communications equipment	293,034	1.2	322,959	1.4
Rubber and plastic	190,492	0.8	192,342	0.8
Electric and electronic	175,648	0.7	140,245	0.6
Production of metal goods	173,200	0.7	165,271	0.7
Other manufacturing industries	10,737	-	19,326	0.1
Subtotal	**9,704,398**	**39.8**	**9,167,077**	**39.3**
Retailers				
Retail	1,916,772	7.8	1,749,539	7.5
Wholesale	1,174,828	4.8	1,076,694	4.6
Subtotal	**3,091,600**	**12.6**	**2,826,233**	**12.1**
Financial service				
Financial companies	656,001	2.7	537,495	2.3
Insurance companies and private pension funds	4,313	-	4,039	-
Subtotal	**660,314**	**2.7**	**541,534**	**2.3**
Residential construction loans	**250,974**	**1.0**	**304,593**	**1.3**
Other services				
Post office and telecommunications	1,028,957	4.2	1,236,041	5.3
Transportation	802,264	3.3	775,539	3.3
Construction	488,103	2.0	393,043	1.7
Real estate services	351,670	1.4	349,248	1.5
Agricultural	270,001	1.1	258,053	1.1
Association activities	170,995	0.7	141,093	0.6
Health and social services	119,658	0.5	130,509	0.5
Education	110,708	0.4	127,258	0.6
Cultural and sports leisure activities	97,683	0.4	91,170	0.4
Lodging and catering services	94,670	0.4	86,057	0.4
Other services	1,078,825	4.4	1,050,990	4.5
Subtotal	**4,613,534**	**18.8**	**4,639,001**	**19.9**
Agriculture, livestock, forestry and fishing	**833,762**	**3.4**	**899,871**	**3.9**
Individual				
Consumer loans	4,173,749	17.0	3,938,258	16.9
Residential mortgage loans	947,340	3.9	839,873	3.6
Other	188,793	0.8	155,057	0.7
Subtotal	**5,309,882**	**21.7**	**4,933,188**	**21.2**
Total	**24,464,464**	**100.0**	**23,311,497**	**100.0**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Unibanco Consolidated			
	March 31, 2005		December 31, 2004	
	Value	% of distribution	Value	% of distribution
Manufacturing				
Electricity, gas and water	1,851,864	5.6	1,653,834	5.2
Paper, pulp and wood products	1,331,728	4.0	1,252,758	3.9
Food, beverages and tobacco	1,305,184	3.9	1,135,659	3.6
Automotive industry	1,092,593	3.3	999,763	3.1
Chemical and pharmaceutical	807,494	2.4	825,825	2.6
Production of machines and equipment	771,304	2.3	854,964	2.7
Basic metal industries	740,159	2.2	779,858	2.5
Extractive	466,448	1.4	381,866	1.2
Textiles, clothing and leather goods	433,105	1.3	371,538	1.2
Petroleum	422,793	1.3	419,554	1.3
Electronic and communications equipment	302,269	0.9	332,500	1.0
Rubber and plastic	201,671	0.6	204,107	0.6
Electric and electronic	184,449	0.6	148,443	0.5
Production of metal goods	183,143	0.6	173,832	0.5
Other manufacturing industries	11,379	-	20,792	0.1
Subtotal	**10,105,583**	**30.4**	**9,555,293**	**30.0**
Retailers				
Retail	2,084,310	6.3	1,917,960	6.0
Wholesale	1,292,653	3.9	1,187,244	3.7
Subtotal	**3,376,963**	**10.2**	**3,105,204**	**9.7**
Financial service				
Financial companies	444,278	1.3	322,287	1.1
Insurance companies and private pension funds	5,046	0.1	4,804	-
Subtotal	**449,324**	**1.4**	**327,091**	**1.1**
Residential construction loans	**250,974**	**0.7**	**304,593**	**1.0**
Other services				
Transportation	1,646,469	5.0	1,561,361	4.9
Post office and telecommunications	1,051,039	3.2	1,262,392	4.0
Construction	529,630	1.6	431,033	1.4
Real estate services	392,642	1.2	392,927	1.2
Agricultural	294,776	0.9	280,272	0.9
Association activities	189,396	0.6	152,059	0.5
Health and social services	134,734	0.4	145,931	0.5
Education	129,143	0.4	146,393	0.5
Cultural and sports leisure activities	111,908	0.3	95,539	0.3
Lodging and catering services	104,050	0.3	95,598	0.3
Other services	1,376,293	4.1	1,470,154	4.6
Subtotal	**5,960,080**	**18.0**	**6,033,659**	**19.1**
Agriculture, livestock, forestry and fishing	**833,762**	**2.5**	**899,871**	**2.8**
Individual				
Consumer loans	7,002,022	21.1	6,483,092	20.4
Credit card	3,974,109	12.0	4,021,147	12.6
Residential mortgage loans	947,340	2.9	839,873	2.6
Lease financing	87,117	0.2	70,906	0.2
Other	188,793	0.6	155,057	0.5
Subtotal	**12,199,381**	**36.8**	**11,570,075**	**36.3**
Total	**33,176,067**	**100.0**	**31,795,786**	**100.0**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(c) Concentration of lending, leasing and other credits:

	Unibanco				Unibanco Consolidated			
	March 31, 2005		December 31, 2004		March 31, 2005		December 31, 2004	
Largest clients	Value	% of the total	Value	% of the total	Value	% of the total	Value	% of the total
10 largest clients	2,894,443	11.8	3,057,514	13.1	2,796,773	8.4	2,953,573	9.3
50 following clients	4,773,591	19.5	4,437,147	19.0	4,699,571	14.2	4,492,645	14.1
100 following clients	3,632,688	14.9	3,559,404	15.3	3,661,615	11.0	3,650,123	11.5
Other clients	13,163,742	53.8	12,257,432	52.6	22,018,108	66.4	20,699,445	65.1
Total	**24,464,464**	**100.0**	**23,311,497**	**100.0**	**33,176,067**	**100.0**	**31,795,786**	**100.0**

(d) Components of lending, leasing and other credits and allowance for losses by risk level:

								Unibanco
								March 31, 2005
			Past-due credits					
Risk level	% minimum allowance required	Current credits	Falling due installments	Overdue installments(1)	Total credits	Distribution %	Total allowance	% effective allowance
AA	-	11,502,014	-	-	11,502,014	47.0	10,944	-
A	0.5	7,403,704	-	-	7,403,704	30.2	39,163	0.5
B	1.0	2,430,745	153,572	24,708	2,609,025	10.7	30,780	1.2
C	3.0	853,578	196,451	55,921	1,105,950	4.5	75,313	6.8
D	10.0	411,029	295,686	164,084	870,799	3.6	241,359	27.7
E	30.0	60,407	84,617	39,803	184,827	0.8	80,203	43.4
F	50.0	13,976	49,099	35,274	98,349	0.4	59,880	60.9
G	70.0	143,605	32,083	20,118	195,806	0.8	176,377	90.1
H	100.0	35,754	177,999	280,237	493,990	2.0	493,990	100.0
Total		**22,854,812**	**989,507**	**620,145**	**24,464,464**	**100.0**	**1,208,009**	
% of total risk							**4.9%**	

								Unibanco
								December 31, 2004
			Past-due credits					
Risk level	% minimum allowance required	Current credits	Falling due installments	Overdue installments(1)	Total credits	Distribution %	Total allowance	% effective allowance
AA	-	11,028,416	-	-	11,028,416	47.3	11,466	-
A	0.5	6,842,857	-	-	6,842,857	29.4	35,964	0.5
B	1.0	2,164,958	159,420	25,476	2,349,854	10.1	26,945	1.1
C	3.0	1,005,616	147,421	39,828	1,192,865	5.1	80,902	6.8
D	10.0	870,273	115,861	26,032	1,012,166	4.3	273,044	27.0
E	30.0	58,218	58,095	64,341	180,654	0.8	73,198	40.5
F	50.0	15,781	47,009	35,352	98,142	0.4	60,675	61.8
G	70.0	143,111	36,567	25,435	205,113	0.9	182,571	89.0
H	100.0	37,787	147,652	215,991	401,430	1.7	401,430	100.0
Total		**22,167,017**	**712,025**	**432,455**	**23,311,497**	**100.0**	**1,146,195**	
% of total risk							**4.9%**	

								Unibanco Consolidated
								March 31, 2005
			Past-due credits					
Risk level	% minimum allowance required	Current credits	Falling due installments	Overdue installments(1)	Total credits	Distribution %	Total allowance	% effective allowance
AA	-	13,223,378	-	-	13,223,378	39.9	11,366	0.1
A	0.5	12,439,119	-	-	12,439,119	37.5	80,382	0.6
B	1.0	2,582,024	230,489	225,535	3,038,048	9.2	35,352	1.2
C	3.0	1,285,509	284,416	224,044	1,793,969	5.4	100,950	5.6
D	10.0	488,322	346,303	299,239	1,133,864	3.4	280,366	24.7
E	30.0	160,053	108,643	132,278	400,974	1.2	163,175	40.7
F	50.0	22,945	66,551	113,845	203,341	0.6	113,433	55.8
G	70.0	148,461	42,679	86,199	277,339	0.8	233,846	84.3
H	100.0	59,363	189,894	416,778	666,035	2.0	666,035	100.0
Total		**30,409,174**	**1,268,975**	**1,497,918**	**33,176,067**	**100.0**	**1,684,905**	
% of total risk							**5.1%**	

(Convenience translation into English from the original previously issued in Portuguese)

CVM CODE 01158-4 | **UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.** **DATE – MARCH 31, 2005** **QUARTERLY INFORMATION** | **FINANCIAL INSTITUTION** **Corporate Legislation**

NOTES TO THE QUARTERLY INFORMATION
(Amounts expressed in thousands of Reais, unless otherwise indicated)

							Unibanco Consolidated	
							December 31, 2004	
			Past-due credits					
Risk level	% minimum allowance required	Current credits	Falling due installments	Overdue installments(1)	Total credits	Distribution %	Total allowance	% effective allowance
AA	-	12,690,365	-	-	12,690,365	39.9	11,641	0.1
A	0.5	11,813,947	-	-	11,813,947	37.2	73,417	0.6
B	1.0	2,288,203	221,394	160,325	2,669,922	8.4	30,401	1.1
C	3.0	1,388,855	213,240	151,989	1,754,084	5.5	100,842	5.7
D	10.0	976,599	156,139	187,600	1,320,338	4.2	331,895	25.1
E	30.0	219,792	78,598	154,547	452,937	1.4	156,779	34.6
F	50.0	23,330	59,011	112,865	195,206	0.6	110,410	56.6
G	70.0	147,645	45,023	89,084	281,752	0.9	236,847	84.1
H	100.0	69,337	164,196	383,702	617,235	1.9	617,235	100.0
Total		**29,618,073**	**937,601**	**1,240,112**	**31,795,786**	**100.0**	**1,669,467**	
% of total risk							**5.3%**	

(1) Include past-due for more than 15 days.

The allowance for credit losses is recorded in accordance with Resolution 2682 of the Brazilian National Monetary Council. The minimum allowance for each level is used as a general rule; however, based on the judgment and experience of management, higher percentages are used within each level in order to assess the risk of certain clients, operations or portfolios more accurately.

(e) The balance of renegotiated transactions with clients as established in Resolution 2682 of the Brazilian National Monetary Council totaled R$752,279 (December 31, 2004 - R$646,070) in Unibanco and R$857,942 (December 31, 2004 - R$768,865) in Unibanco Consolidated. These transactions relate to active portfolio and credits written off , and were recognized with the intention to maintain the risk assessment and the provision for losses existing prior to renegotiation. These transactions will have a lower risk classification only after the collection of a significant portion of the renegotiated debt. For such lower risk reclassification, the minimum collection percentage established is 25%.

(f) Changes in the allowance for credit losses during the quarter:

	Unibanco		Unibanco Consolidated	
			Quarter ended March 31,	
	2005	2004	2005	2004
Balance at the beginning of the quarter	**1,146,195**	**987,750**	**1,669,467**	**1,548,643**
Provision for credit losses	132,998	104,667	310,017	312,692
Balance of acquired company	-	-	-	3,321
Loan charge-offs	(71,184)	(212,928)	(294,579)	(468,801)
Balance at the end of the quarter	**1,208,009**	**879,489**	**1,684,905**	**1,395,855**
Loan recoveries (1)	**11,608**	**27,473**	**45,819**	**62,132**

(1) Loan recoveries were recorded as revenue from "Lending operations" and "Leasing operations".

(Amounts expressed in thousands of Reais, unless otherwise indicated)

6. Foreign Exchange Portfolio

(a) Balance sheet

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Assets - Other credits				
Unsettled exchange purchases	2,907,144	1,592,525	2,907,144	1,592,525
Rights on foreign exchange sold	1,839,688	531,389	1,839,688	531,389
(-) Received advances	(303,883)	(121,919)	(303,883)	(121,919)
Income receivable from advances on exchange contracts	13,731	12,304	13,731	12,304
Other	3,835	93	3,835	93
Total	**4,460,515**	**2,014,392**	**4,460,515**	**2,014,392**
Liabilities - Other liabilities				
Unsettled exchange sales	1,822,189	527,139	1,822,189	527,139
Obligations for foreign exchange purchased	2,955,858	1,676,392	2,955,858	1,676,392
(-) Advances on exchange contracts	(1,393,695)	(1,261,327)	(1,393,695)	(1,261,327)
Other	872	1,698	872	1,698
Total	**3,385,224**	**943,902**	**3,385,224**	**943,902**
Off-balance sheet				
Import credits outstanding	134,800	126,147	156,883	141,448
Confirmed export credits	30,875	25,647	31,392	26,350

(b) Statement of income

	Unibanco		Unibanco Consolidated	
			Quarter ended March 31,	
	2005	2004	2005	2004
Income from foreign exchange transactions	715,875	461,377	753,802	655,405
Expenses from foreign exchange transactions	(710,702)	(445,182)	(747,361)	(638,585)
Net gain on foreign exchange transactions	**5,173**	**16,195**	**6,441**	**16,820**

7. Other Credits - Sundry

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Escrow deposits for civil and labor suits (a)	1,179,072	1,136,150	2,227,163	2,151,163
Insurance premium	-	-	747,761	714,191
Receivables from credit card operations	-	-	608,545	546,000
Prepaid taxes	214,179	190,732	553,565	640,472
Notes and credits receivable	544,469	578,614	544,997	597,698
Unibanco's retirement plan (Note 14 (a))	134,785	133,196	134,785	133,196
Receivables from purchase of assets	15,613	68,043	75,299	157,895
Government retirement benefit advances	50,974	50,975	50,974	50,975
Salary advances and other	38,560	18,550	50,647	23,540
Accounts receivable from subsidiaries	5,221	31,349	-	-
Other	520,211	573,650	888,289	1,131,246
Total	**2,703,084**	**2,781,259**	**5,882,025**	**6,146,376**
Current	**782,139**	**882,560**	**2,518,128**	**2,820,423**
Long-term	**1,920,945**	**1,898,699**	**3,363,897**	**3,325,953**

(a) Substantially held by fiscal, labor and civil litigations (Note 12).

(Amounts expressed in thousands of Reais, unless otherwise indicated)

8. Foreign Branches

As mentioned in Note 2, the financial statements of foreign branches (Grand Cayman and Nassau) are consolidated with those of Unibanco.

The balances of these branches can be summarized as follows:

	March 31, 2005		December 31, 2004	
	US$ thousand	R$ thousand	US$ thousand	R$ thousand
Current assets	1,907,143	5,084,824	2,049,461	5,440,088
Long-term assets	1,644,338	4,384,135	1,461,579	3,879,616
Permanent assets	56	150	60	159
Total assets	**3,551,537**	**9,469,109**	**3,511,100**	**9,319,863**
Current liabilities	1,580,255	4,213,276	1,653,346	4,388,643
Long-term liabilities	1,718,476	4,581,801	1,632,067	4,332,158
Deferred income	366	975	452	1,199
Branch equity	252,440	673,057	225,235	597,863
Total liabilities	**3,551,537**	**9,469,109**	**3,511,100**	**9,319,863**

	Quarter ended March 31,			
	2005		2004	
	US$ thousand	R$ thousand	US$ thousand	R$ thousand
Net income for the quarter	**20,688**	**55,158**	**52,027**	**151,326**

9. Investments

(a) Investments in subsidiary and associated companies

Results of investments in subsidiary and associated companies were recorded as "Equity in the results of subsidiary companies" in the statement of income. The foreign branches' and subsidiary companies' exchange gain in the amount of R$4,967 (March 31, 2004 - R$7,414) in Unibanco and R$2,032 (March 31, 2004 – R$7,772) in Unibanco Consolidated, were recognized as "Other operating income". The investments in subsidiary and associated companies and the major transactions relating to investments in subsidiary and associated companies, were as follows:

	Number of shares or quotas (in thousands) direct and indirect		Percentage holding (%)		Adjusted stockholders equity	Investments value		Quarter ended March 31, Adjusted net income (loss)		Quarter ended March 31, Equity in results adjustments	
	Common	Preferred	Unibanco	Unibanco Consolidated		March 31, 2005	December 31, 2004	2005	2004	2005	2004
Investments of Unibanco											
Subsidiary companies											
Unipart Participações Internacionais Ltd.	990	-	100.000	100.000	929,950	929,950	918,038	8,038	(12,238)	8,038	(11,941)
Unicard Banco Múltiplo S.A. (1)	106,053,960	91,811,816	100.000	100.000	873,040	873,040	797,829	12,400	43,799	12,506	49,226
Unibanco AIG Seguros S.A.	345,014	188,793	49.707	49.707	1,263,937	628,267	616,719	55,441	65,089	27,558	32,304
Banco Fininvest S.A.	4	1	99.920	99.940	626,455	625,951	577,848	47,949	43,830	47,794	43,794
Unibanco Companhia de Capitalização (2)	4,194	-	99.992	99.992	422,743	422,707	408,473	14,200	-	14,199	-
Banco Único S.A. (3)	2,769,089	2,769,390	99.980	99.980	222,140	212,145	207,236	4,638	-	4,474	-
Unibanco Leasing S.A. – Arrendamento Mercantil	265	-	99.999	99.999	141,509	141,508	135,208	6,297	21,645	6,297	21,645
Banco Dibens S.A.	4,518,078	-	51.001	51.001	223,711	114,095	111,290	3,365	2,263	1,716	2,799
Unibanco Empreendimentos e Participações Ltda. (2)	201,910	-	48.003	100.000	214,952	102,740	110,681	(15,617)	-	(7,941)	-
Interbanco S.A.	19,000	-	99.996	99.999	79,709	79,705	72,352	9,070	1,928	9,110	1,922
Unibanco Negócios Imobiliários Ltda. (2)	49,568	-	99.999	100.000	55,682	55,681	55,235	447	-	447	-
BWU Comércio e Entreteni-mento Ltda. (2)	67,562	-	59.792	59.792	61,811	36,958	39,022	(4,376)	-	(2,063)	-
Unibanco Asset Management – Banco de Investimento S.A.	1,468	1,468	99.999	99.999	24,605	24,605	22,577	2,029	6,507	2,029	6,508
Unibanco Empreendimentos Ltda. (2)	150,489	-	16.126	100.000	124,271	20,040	19,913	780	-	126	-
Unibanco Investshop Corretora de Valores Mobiliários e Câmbio S.A. (9)	4,955	4,955	100.000	100.000	105,639	105,639	15,955	4,214	-	4,214	-
Unibanco Serviços de Investimento Ltda.	100	-	99.999	100.000	6,746	6,746	6,759	6,646	7,567	6,646	2,684
Unibanco Corretora de Valores Mobiliários S.A. (9)	-	-	-	-	-	-	85,480	-	-	-	1,294
Hipercard Banco Múltiplo S.A. (4)	-	-	-	-	-	-	48,971	-	-	(8,328)	74
Estrel Participações S.A. (2) and (5)	-	-	-	-	-	-	-	-	-	-	4,364
Unibanco Representação e Participações Ltda. (2)	-	-	-	-	-	-	-	-	-	-	13,835
Others	-	-	-	-	-	275,230	201,744	-	-	(17,873)	-
Jointly controlled companies (i)											
Banco Investcred Unibanco S.A. – (PontoCred) (5)	95	-	49.997	49.997	193,713	96,850	87,541	17,627	15,220	8,808	3,248
Serasa S.A.	366	349	19.045	19.174	176,627	33,639	31,469	19,772	18,902	3,785	-
Tecnologia Bancária S.A.	762,278	-	19.051	21.432	133,258	25,387	25,381	(504)	5,842	(108)	-
Redecard S.A.	200	400	31.943	31.943	55,500	17,728	17,106	38,976	27,615	12,450	5,217
Interchange Serviços S.A.	75,000,000	-	25.000	25.000	33,946	8,487	8,198	1,156	2,072	289	-
Companhia Hipotecária Unibanco – Rodobens	6,055	-	50.000	50.000	8,786	4,393	3,939	408	3	204	(28)
Others	-	-	-	-	-	22,268	21,102	-	-	2,977	1,382
Credicard S.A. – Administradora de Cartões de Crédito (6)	-	-	-	-	-	-	-	-	-	-	21.936
Orbitall Serviços e Processamento de Informações Comerciais Ltda. (6)	-	-	-	-	-	-	-	-	-	-	(533)
Total						**4,863,759**	**4,646,066**			**137,354**	**199,730**
Investment of Unibanco Consolidated											
Associated companies											
AIG Brasil Companhia de Seguros	54,214	-	-	49.999	90,282	45,140	46,079	2,395	2,367	(939)	1,183
Others	-	-	-	-	-	11,930	64,548	-	-	(239)	4,878
Total						**57,070**	**110,627**			**(1,178)**	**6,061**

NOTES TO THE QUARTERLY INFORMATION
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Main direct, indirect and jointly controlled subsidiary companies invested by:	Number of shares or quotas (in thousands) Common	Preferred	Percentage holding (%) Unibanco Consolidated	Adjusted stockholders equity	Adjusted net income (loss) Quarter ended March 31, 2005	2004
Unipart Participações Internacionais Ltd. (i)						
Unibanco Cayman Bank Ltd.	13,252	-	100.000	345,799	5,747	(16,546)
Unibanco União de Bancos Brasileiros (Luxembourg) S.A.	200	-	99.999	177,938	651	2,149
Unibanco Securities Ltd.	17,770	-	100.000	1,205	15	(8,507)
Unicorp Bank & Trust Ltd.	1,750	3,250	100.000	34,786	10,633	11,616
Hipercard Administradora de Cartões de Crédito Ltda. (8)	7	-	100.000	192,259	12,239	4,070
Unibanco AIG Seguros S.A. (i)						
Unibanco AIG Vida e Previdência S.A. (7)	39,573	-	99.981	204,584	15,704	13,065
Unibanco AIG Saúde Seguradora S.A.	20,000	-	99.999	48,591	3,019	3,378
Unibanco AIG Warranty S.A.	560	-	70.000	23,430	2,331	-
Banco Fininvest S.A.						
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	83	83	49.998	62,965	7,600	6,740
Unicard Banco Múltiplo S.A. (1)						
Hipercard Banco Múltiplo S.A. (4)	45,745	5,940	99.999	59,141	10,170	113

(i) The percentage shown in the Unibanco Consolidated column refers to the parent companies' percentage holding.

(1) The difference between the net income (loss) and the equity results and the stockholders equity and the investment value was mainly due to the gains to be realized on sale of companies to other related party companies. The gains to be realized are being recognized in accordance with the amortization of goodwill.

(2) On April 30, 2004, was approved in the Extraordinary Shareholder's Meeting held, the merger of the total interest in Unipart – Unibanco Representação e Participações Ltda., at its book value. Through this transaction, Unipart and its subsidiaries became directly controlled by Unibanco.

(3) Unibanco acquired, based on May 31, 2004 balance sheet data, the total capital of Banco BNL do Brasil S.A. from Banca Nazionale del Lavoro S.p.A. ("BNL"). Through the Extraordinary Shareholders' Meeting held on October 22, 2004, was approved the change in the company name from Banco BNL do Brasil S.A. to Banco Único S.A.

(4) During the third quarter of 2004, Unibanco acquired 11,263 thousand common shares and all the preferred shares of Banco1.net S.A. for approximately R$38,378, increasing its ownership to 99.999% of the total equity. The company name was changed from Banco1.net S.A. to Hipercard Banco Múltiplo S.A. On February 28, 2005, the Extraordinary Shareholders' Meeting, the capital of Unicard Banco Múltiplo S.A. was increased through subscription with investment into Hipercard Banco Múltiplo S.A.

(5) During the third quarter of 2004, the shareholders approved in an Extraordinary Shareholders' Meeting, the merger of Estrel Participações S.A. into Banco Investcred Unibanco S.A., at its book value.

(6) Sold in the last quarter of 2004.

(7) Through the Extraordinary Shareholders' Meeting held on June 11, 2004, the change in the company name was approved from Phenix Seguradora S.A to Unibanco AIG Vida e Previdência S.A. and the Extraordinary Shareholders' Meeting held on July 30, 2004 approved the merger was Phenix Participações Ltda. and Unibanco AIG Previdência S.A., respectively, into Unibanco AIG Vida e Previdência S.A.

(8) On March 1st, 2004, Unibanco acquired from the Dutch Group Ahold, through its subsidiaries the total capital of Hipercard Administradora de Cartões de Crédito Ltda., after the conclusion of the due diligence process occurred during the third quarter of 2004, for the amount of R$630 million resulting in a goodwill of R$415 million to be amortized in accordance with the expected period of benefit up to ten years.

(9) On January 31, 2005, the Extraordinary Shareholders' Meeting approved the merger of Unibanco Corretora de Valores Mobiliários into Unibanco Investshop Corretora de Valores Mobiliários e Câmbio S.A.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(b) Goodwill on acquisition of companies

The goodwill relating to the acquisition of companies is being amortized up to ten years, according to the expected period of benefit, with the amortization for the period being recognized in "Other operating expenses".

The goodwill balance shown in the Unibanco consolidated financial statements and the amount amortized were as follows:

	Balance to be amortized		Amortization	
	March 31,	December 31,	Quarter ended March 31,	
	2005	2004	2005	2004
Bandeirantes	-	-	-	15,839
Fininvest	314,963	322,749	7,786	6,538
Hipercard	378,065	394,345	10,616	-
Other	182,038	159,606	7,545	4,625
Total	**875,066**	**876,700**	**25,947**	**27,002**

10. Resources from Securities Issued

Resources from securities issued are represented mainly by mortgage notes issued in Brazil and euronotes issued abroad.

(a) Mortgage notes are adjusted using the Referencial Rate (TR), plus average interest of 12.79% (December 31, 2004 – 13.09%) per annum, and are payable up to April 25, 2006.

(b) Euronotes

		Unibanco		Unibanco Consolidated	
Maturity	Currency	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Less than 3 months	US$	140,182	428,757	132,146	335,397
	EUR	25,048	42,041	25,048	42,041
	R$	8,629	-	8,629	-
		173,859	**470,798**	**165,823**	**377,438**
From 3 to 12 months	US$	460,361	406,040	454,889	400,679
	EUR	14,680	36,245	14,680	36,245
	R$	3,187	5,745	3,187	5,745
		478,228	**448,030**	**472,756**	**442,669**
From 1 to 3 years	US$	76,665	63,488	71,745	71,337
	EUR	12,952	10,287	12,952	10,287
	R$	111,503	104,756	111,503	104,756
		201,120	**178,531**	**196,200**	**186,380**
From 3 to 5 years	US$	121,452	82,663	94,479	82,663
	R$	318,410	-	318,410	-
		439,862	**82,663**	**412,889**	**82,663**
From 5 to 15 years	US$	**49,944**	**75,947**	**46,265**	**75,602**
Total		**1,343,013**	**1,255,969**	**1,293,933**	**1,164,752**

The average interest of issuance in foreign currency was 2.78% (December 31, 2004 – 2.96%) per annum in Unibanco and 2.78% (December 31, 2004 – 2.92%) per annum in Unibanco Consolidated.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

In February, 2005, Unibanco launched a Real-denominated note, in the amount equivalent to US$125 million, with 5 year-term and half-yearly interest payments. The security offers coupon in Reals, pegged to the IGPM Inflation Index plus a fixed rate of 8.9% p.a..

(c) The other issues totaled R$43,782 (December 31, 2004 - R$37,722) in Unibanco and in Unibanco Consolidated with maturities up to August 4, 2010 and an average interest rate of 6.28% (December 31, 2004 – 7.38%) per annum.

11. Borrowings and Onlendings

Foreign borrowings consist principally of short-term credit lines for refinancing of foreign exchange transactions, imports and exports.

Onlendings in Brazil – governmental agencies are payable up to 2025, with interest rates established by operational policies of BNDES (National Economic Development Bank).

Foreign onlendings, consisting of long-term credit lines for project and trade financing, are payable up to December 15, 2011, with an average interest rate of 5.32% (December 31, 2004 – 5.28%) per annum.

12. Fiscal, Labor and Civil Litigations

Unibanco and its subsidiaries are parties to various legal actions, principally tax litigation, civil litigation and labor claims. The provision for probable future losses is recorded considering the probability of loss in the lawsuits based on the opinion of legal counsels. Provisions recorded and respective changes for the quarter were as follows:

(a) Balance sheet

		Unibanco		Unibanco Consolidated
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Tax litigation	549,517	548,418	1,185,596	1,106,463
Labor litigation	534,149	561,242	798,313	815,358
Civil litigation	318,416	283,433	506,074	464,318
Total	**1,402,082**	**1,393,093**	**2,489,983**	**2,386,139**
Recorded in Other Liabilities				
- Taxes and Social Security	549,517	548,418	1,185,596	1,106,463
- Others	852,565	844,675	1,304,387	1,279,676
	1,402,082	**1,393,093**	**2,489,983**	**2,386,139**

(b) Changes in and the related fiscal labor and civil litigation provision:

		Unibanco		Unibanco Consolidated
				Quarter ended March 31,
	2005	2004	2005	2004
Balance at the beginning of the quarter	**1,393,093**	**867,445**	**2,386,139**	**1,812,161**
Provision charged	114,708	96,283	238,641	175,415
Payments	(105,719)	(23,770)	(134,797)	(44,127)
Balance at the end of the quarter	**1,402,082**	**939,958**	**2,489,983**	**1,943,449**

(c) Tax litigation

Unibanco and its subsidiaries are involved in several tax suits, including those relating to the constitutionality of certain taxes, and the probable liability is fully provided, until the accrued liability is settled or reversed based on the legal counsel's opinion.

(d) Labor litigation

Labor unions and former employees have filed several lawsuits against Unibanco and its subsidiaries to seek compensation for labor rights. The contingency amount is recorded as provision, based on the average of payments made.

Several dismissed employees of Banco Nacional have filed labor-related lawsuits against Banco Nacional and Unibanco after Unibanco's acquisition of certain of Banco Nacional's assets and liabilities. Banco Nacional is responsible for these lawsuits and is reimbursing Unibanco at the end of the lawsuits, for any amounts incurred under such lawsuits. Additionally, in the cases, in which attachments have been made to assets which have since been transferred to Unibanco, the Bank has filed third-party motions against these attachments.

(e) Civil litigation

Unibanco and its subsidiaries were party to other actions and claims including certain claims together with other Brazilian financial institutions relating, mainly, to (i) past economic plans of the Brazilian government; (ii) the application of compound interest rates for periods less than one year in their operations; (iii) losses related to lease contracts involving foreign exchange variations; and (iv) personal and moral injury. Those actions and claims are recorded in accordance with the probability of loss in each type of claim.

(f) Claims (Bandeirantes and Nacional)

Certain former shareholders of Banorte (a bank acquired by Bandeirantes before Unibanco became the controlling shareholder of Bandeirantes) have filed lawsuits against Bandeirantes and the Brazilian Central Bank, seeking to terminate the Brazilian Central Bank intervention in Banorte before its acquisition by Bandeirantes. In accordance with the Agreement between Unibanco and Caixa Geral de Depósitos for the acquisition of a controlling interest in Bandeirantes, Caixa Geral de Depósitos assumed full responsibility for such lawsuits. Accordingly, no provision was recorded related to this claim.

The former controllers of Banco Nacional S.A. filed suits against the Brazilian Central Bank and Unibanco in connection with the sale of assets and liabilities of Banco Nacional. Unibanco considers, based on the opinion of legal counsel, these suits untenable, since the acquisition of assets and assumption of operational liabilities of Banco Nacional by Unibanco occurred in accordance with PROER (Program for the Strengthening of the National Financial System) a program implemented by law with the purpose of preserving the resources of depositors and maintaining the trust of Brazilians in the financial institutions of the National Financial System. Management considers that there is no need to record any provisions in this case

(Amounts expressed in thousands of Reais, unless otherwise indicated)

13. Other Liabilities

(a) Technical provision for insurance, private retirement plans and annuity products:

	Insurance		Private Retirement Plans		Annuity Products		Total	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Current:	**1,154,492**	**811,549**	**2,747,588**	**2,620,991**	**446,978**	**428,180**	**4,349,058**	**3,860,720**
Provision for unearned premiums	509,478	342,056	1	1	-	-	509,479	342,057
Loss Provision IBNR (The provision for claims incurred but not yet reported)	199,222	192,950	9,734	8,593	-	-	208,956	201,543
Mathematical provision benefits to be granted	142,968	-	2,701,670	2,580,028	-	-	2,844,638	2,580,028
Mathematical provision for benefits granted	2,776	102	1	1	-	-	2,777	103
Unsettled claims	297,533	275,375	752	764	-	-	298,285	276,139
Provision for draws and redemptions	-	-	-	-	446,615	428,180	446,615	428,180
Other provisions	2,515	1,066	35,430	31,604	363	-	38,308	32,670
Long-term liabilities:	**934**	**132,869**	**1,976,603**	**1,812,444**	**-**	**-**	**1,977,537**	**1,945,313**
Mathematical provision benefits to be granted	-	128,724	1,455,571	1,374,107	-	-	1,455,571	1,502,831
Mathematical provision for benefits granted	746	2,279	343,793	263,170	-	-	344,539	265,449
Other provisions	188	1,866	177,239	175,167	-	-	177,427	177,033
Total of technical provisions	**1,155,426**	**944,418**	**4,724,191**	**4,433,435**	**446,978**	**428,180**	**6,326,595**	**5,806,033**

(b) Subordinated debt

	Issue	Maturity	Remuneration per annum	Unibanco March 31, 2005	Unibanco December 31, 2004
Step-up subordinated callable notes (1)	April 2002	April 2012	9.375%	554,209	535,214
Step-up subordinated callable notes (2)	December 2003	December 2013	7.375%	544,358	532,147
Step-up subordinated callable notes (3)	April 2001	April 2006	3.45%	81,327	80,281
Line of credit (4)	December 2004	December 2009	4.74%	404,667	398,684
Subordinated time deposits (5)	December 2002	December 2012	102% of CDI (6)	383,201	367,493
Total				**1,967,762**	**1,913,819**

	Issue	Maturity	Remuneration per annum	Unibanco Consolidated March 31, 2005	Unibanco Consolidated December 31, 2004
Step-up subordinated callable notes (1)	April 2002	April 2012	9.375%	552,619	519,916
Step-up subordinated callable notes (2)	December 2003	December 2013	7.375%	536,902	532,145
Step-up subordinated callable notes (3)	April 2001	April 2006	3.45%	81,327	80,281
Line of credit (4)	December 2004	December 2009	4.74%	404,667	398,684
Subordinated time deposits (5)	December 2002	December 2012	102% of CDI (6)	383,201	367,493
Total				**1,958,716**	**1,898,519**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(1) The debt can be fully redeemed in April 2007 or in each subsequent interest payment. The interest rate from the fifth year will be 11.7995% per annum.
(2) The debt can be fully redeemed in December 2008 or in each subsequent interest payment. The interest rate from the fifth year will be 9.375% per annum.
(3) The debt can not be redeemed prior to contractual maturity. The interest rate from the fifth year will be 2.45% per annum.
(4) The debt can not be redeemed prior to contractual maturity. The interest rate is calculated through semi-annual Libor plus 2%.
(5) Subordinated time deposits can be redeemed from December 2007.
(6) The Brazilian interbank interest rate.

(c) Sundry

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Sale of rights of receipt of future flow of payment orders abroad (1)	2,527,042	2,576,208	2,527,042	2,576,208
Payable to merchants - credit card	-	-	2,186,699	2,342,406
Provision for labor and civil litigation	852,565	844,675	1,304,387	1,279,676
Provisions for payroll and administrative expenses	340,050	180,638	412,137	266,796
Payable related to insurance companies	-	-	360,920	303,446
Restructuring provision (2)	126,183	151,172	126,183	151,172
Payable for official agreement	2,779	3,395	2,779	3,395
Debt assumption contracts	11,577	77,841	367	-
Amounts payable to associated company	4,432	5,006	-	-
Other	175,193	415,975	225,916	570,564
Total	**4,039,821**	**4,254,910**	**7,146,430**	**7,493,663**
Short-term	**843,858**	**1,068,875**	**3,456,958**	**3,833,002**
Long-term	**3,195,963**	**3,186,035**	**3,689,472**	**3,660,661**

(1) Amount related to the sale of rights of receipt of future flow of payment orders receivable from overseas correspondent banks, in the amounts of US$817,000 thousand and of ¥$25,000,000 thousand, bearing three-months Libor plus rates between 0.50% and 4.25% per annum, or fixed rate of 6.15% per annum, payable quarterly and with beginning maturity in April 2009 and final maturity in October 2013.
(2) Provision recorded to face the restructuring charges related to the retail transactions not linked to the permanent assets.

14. Employee Benefits

(a) Free benefits generation program

Up to June 30, 2004, Unibanco's employees could opt for a "Free Benefits Generation Program" (PGBL), a system whereby the participant accumulates financial resources during his/her career, through contributions paid by the employee and the Company where he/she works. These contributions are invested in an Exclusive Financial Investment Fund (FIFE). The program is based on defined contributions and is managed by Unibanco AIG Previdência S.A. and Unibanco Asset Management – Banco de Investimento S.A. responsible for the financial management of the FIFE funds.

Additionally, Unibanco and a portion of its employees contributed to a defined contribution pension plan administered by Trevo – Instituto Bandeirantes de Seguridade Social, for the primary purpose of supplementing the retirement benefits provided by the government retirement plans, substantially through a defined contribution plan.

As from July 1st, 2004, the employee's "Free Benefits Generation Program " was redesigned in order to offer to the employees of Unibanco more coverage and flexible benefits. The new program is a closed private entity through Trevo IBSS and is called Intelligent Future and introduces many improvements, such as the opportunity to contribute with higher percentages, which vary between ages, than under the previous plan;

(Amounts expressed in thousands of Reais, unless otherwise indicated)

the possibility to retire as from 50 years old; as well four different choices to take advantage of the benefits in the case the employee opts for early retirement.

During the quarter ended March 31, 2005, the company sponsor contributions totaled R$4,125 (March 31, 2004 - R$443) in Unibanco and R$4,725 (March 31, 2004 - R$2,129) in Unibanco Consolidated.

(b) Stock option program

Unibanco has a stock option program intended to foster the long-term commitment of the Company's executives to the highest performance standards, as well as attract, retain and motivate new talents. Pursuant to this program, Unibanco's executives can be granted stock or Unit options that can be exercised between 3 to 6 years. The option rights are limited to 1% of the authorized capital per year and the amount granted is limited to 10% of the authorized capital, as a whole.

Up to March 31, 2005, the options were developed as follows:

Issuance		Vesting period	Exercise period	Exercise price restated as of				Not
Nº	Date	until	until	03/31/2005	Granted	Exercised	Cancelled	exercised
1ª	01.21.2002	01.21.2005	01.20.2006	9.31	2,062,687	580,299	548,187	934,201
		01.21.2006	01.20.2007	9.31	2,062,728	-	630,001	1,432,727
		01.21.2007	01.20.2008	9.31	2,062,585	-	629,978	1,432,607
2ª	04.15.2002	04.15.2005	04.14.2006	10.91	11,334	-	-	11,334
		04.15.2006	04.14.2007	10.91	11,333	-	-	11,333
		04.15.2007	04.14.2008	10.91	11,333	-	-	11,333
3ª	08.01.2002	08.01.2005	07.31.2006	8.40	33,334	-	-	33,334
		08.01.2006	07.31.2007	8.40	33,333	-	-	33,333
		08.01.2007	07.31.2008	8.40	33,333	-	-	33,333
4ª	08.12.2002	08.12.2005	08.11.2006	7.048	60,000	-	-	60,000
		08.12.2006	08.11.2007	7.048	60,000	-	-	60,000
		08.12.2007	08.11.2008	7.048	60,000	-	-	60,000
5ª	11.01.2002	11.01.2005	10.31.2006	6.904	33,334	-	-	33,334
		11.01.2006	10.31.2007	6.904	33,333	-	-	33,333
		11.01.2007	10.31.2008	6.904	33,333	-	-	33,333
6ª	11.11.2002	11.11.2005	11.10.2006	6.904	33,334	-	33,334	-
		11.11.2006	11.10.2007	6.904	33,333	-	33,333	-
		11.11.2007	11.10.2008	6.904	33,333	-	33,333	-
7ª	11.20.2002	11.20.2005	11.19.2006	6.904	50,000	-	-	50,000
		11.20.2006	11.19.2007	6.904	50,000	-	-	50,000
		11.20.2007	11.19.2008	6.904	50,000	-	-	50,000
8ª	01.06.2003	01.06.2006	01.05.2007	6.662	26,667	-	26,667	-
		01.06.2007	01.05.2008	6.662	26,667	-	26,667	-
		01.06.2008	01.05.2009	6.662	26,666	-	26,666	-
9ª	02.10.2003	02.10.2006	02.09.2007	7.784	20,000	-	-	20,000
		02.10.2007	02.09.2008	7.784	20,000	-	-	20,000
		02.10.2008	02.09.2009	7.784	20,000	-	-	20,000
10ª	03.10.2003	03.10.2006	03.09.2007	8.17	27,667	-	7,667	20,000
		03.10.2007	03.09.2008	8.17	27,667	-	7,667	20,000
		03.10.2008	03.09.2009	8.17	27,666	-	7,666	20,000
11ª	04.08.2003	04.08.2006	04.07.2007	8.852	264,003	-	100,669	163,334
		04.08.2007	04.07.2008	8.852	263,999	-	100,666	163,333
		04.08.2008	04.07.2009	8.852	263,998	-	100,665	163,333
12ª	04.14.2003	04.14.2006	04.13.2007	8.944	6,667	-	6,667	-
		04.14.2007	04.13.2008	8.944	6,667	-	6,667	-
		04.14.2008	04.13.2009	8.944	6,666	-	6,666	-
13ª	05.07.2003	05.07.2006	05.06.2007	8.41	186,667	-	-	186,667
		05.07.2007	05.06.2008	8.41	186,667	-	-	186,667
		05.07.2008	05.06.2009	8.41	186,666	-	-	186,666

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Issuance Nº	Issuance Date	Vesting period until	Exercise period until	Exercise price restated as of 03/31/2005	Granted	Exercised	Cancelled	Not exercised
14ª	06.04.2003	06.04.2006	06.03.2007	10.206	100,000	-	-	100,000
		06.04.2007	06.03.2008	10.206	100,000	-	-	100,000
		06.04.2008	06.03.2009	10.206	100,000	-	-	100,000
15ª	06.16.2003	06.16.2006	06.15.2007	10.30	20,000	-	-	20,000
		06.16.2007	06.15.2008	10.30	20,000	-	-	20,000
		06.16.2008	06.15.2009	10.30	20,000	-	-	20,000
16ª	09.02.2003	09.02.2006	09.01.2007	9.834	1,037,721	-	207,012	830,709
		09.02.2007	09.01.2008	9.834	1,037,658	-	206,996	830,662
		09.02.2008	09.01.2009	9.834	1,037,621	-	206,992	830,629
17ª	11.10.2003	11.10.2006	11.09.2007	9.834	60,000	-	60,000	-
		11.10.2007	11.09.2008	9.834	60,000	-	60,000	-
		11.10.2008	11.09.2009	9.834	60,000	-	60,000	-
18ª	12.17.2003	12.17.2006	12.16.2007	11.50	20,000	-	-	20,000
		12.17.2007	12.16.2008	11.50	20,000	-	-	20,000
		12.17.2008	12.16.2009	11.50	20,000	-	-	20,000
19ª	01.05.2004	01.05.2007	01.04.2008	9.834	40,000	-	-	40,000
		01.05.2008	01.04.2009	9.834	40,000	-	-	40,000
		01.05.2009	01.04.2010	9.834	40,000	-	-	40,000
20ª	02.01.2004	02.01.2007	01.31.2008	13.762	60,000	-	-	60,000
		02.01.2008	01.31.2009	13.762	60,000	-	-	60,000
		02.01.2009	01.31.2010	13.762	60,000	-	-	60,000
21ª	04.05.2004	04.05.2007	04.04.2008	14.032	2,040	-	-	2,040
		04.05.2008	04.04.2009	14.032	2,040	-	-	2,040
		04.05.2009	04.04.2010	14.032	2,040	-	-	2,040
22ª	04.12.2004	04.12.2007	04.11.2008	13.908	133,334	-		133,334
		04.12.2008	04.11.2009	13.908	133,333	-		133,333
		04.12.2009	04.11.2010	13.908	133,333	-		133,333
23ª	04.13.2004	04.13.2007	04.12.2008	14.024	33,334	-	-	33,334
		04.13.2008	04.12.2009	14.024	33,333	-	-	33,333
		04.13.2009	04.12.2010	14.024	33,333	-	-	33,333
24ª	07.19.2004	07.19.2007	07.18.2008	12.581	156,668	-	-	156,668
		07.19.2008	07.18.2009	12.581	156,666	-	-	156,666
		07.19.2009	07.18.2010	12.581	156,666	-	-	156,666
25ª	08.04.2004	08.04.2009	08.03.2010	11.88	300,000	-		300,000
26ª	09.20.2004	09.20.2007	09.19.2008	13.47	3,334	-	-	3,334
		09.20.2008	09.19.2009	13.47	3,333	-	-	3,333
		09.20.2009	09.19.2010	13.47	3,333	-	-	3,333
27ª	02.01.2005	02.01.2008	01.31.2009	15.84	1,406,687	-	-	1,406,687
		02.01.2009	01.31.2010	15.84	1,406,667	-	-	1,406,667
		02.01.2010	01.31.2011	15.84	1,406,646	-	-	1,406,646
	Total (average price)			**11.62**	**17,966,120**	**580,299**	**3,134,166**	**14,251,655**

15. Stockholders' Equity

(a) Capital

Subscribed and paid-in capital is comprised of shares without par value, as follows:

	March 31, 2005			December 31, 2004
	Outstanding shares	Treasury stocks	Total	Total
Common	755,658,168	-	755,658,168	755,658,168
Preferred	641,090,216	12,109,948	653,200,164	653,200,164
Total	**1,396,748,384**	**12,109,948**	**1,408,858,332**	**1,408,858,332**

As of March 31, 2005, the market value of common shares were R$13.38 and R$7.59 for preferred shares.

Preferred shares carry no voting rights but have priority over common stocks in the reimbursement of capital in the case of liquidation, up to the amount of capital represented by such preferred shares, and are entitled to receive a 10% greater dividend per share than that distributed to common stockholders.

Each Share Deposit Certificate (Unit) is represented by a preferred share issued by Unibanco and by a preferred share issued by Unibanco Holdings S.A. (Holdings) and is traded in the Brazilian market.

Each Global Depositary Receipts (GDRs) is represented by 5 Units, and is traded in the international market.

On August 30, 2004, Unibanco and Unibanco Holdings finalized the reverse stock split of their common and preferred shares, including the Units, in the ratio of 100 shares to 1 share. The shares have been negotiated as per share basis. In the same date, the Global Depositary Receipts (GDRs) traded abroad have been each represented 5 Units, instead of 500 Units, without change in the number of GDRs issued or in the value of their pricing.

The reverse stock split aims to provide more efficiency in controlling and in the relationship with shareholders, and operational cost reduction, as well as being one more step in the quest for increasing share liquidity.

(b) Dividends and interest on capital

The mandatory dividend represents at least 35% of the Bank's annual net income, adjusted for transfers to the legal reserve.

On December 29, 2004, the Board of Directors approved the payment of interest on capital to the shareholders, in the amount of R$258,824, being R$0.1773 (R$0.1507 net of applicable tax) per common share and R$0.1950 (R$0.1657 net of applicable tax) per preferred share outstanding in that time. The interest on capital was calculated in accordance of article 9 of Law no. 9249/95, with tax benefit of R$88,000.

The Units had interest on capital of R$0.3485 (R$0.2962 net of applicable tax) being R$0.1535 (R$0.1305 net of applicable tax) from Unibanco Holdings and R$0.1950 (R$0.1657 net of applicable tax) from Unibanco. The GDR had interest on capital of R$1.7423 (R$1.4810 net of applicable tax).

On March 30, 2005, the Board of Directors approved the payment of interest on capital to the shareholders, in the amount of R$84,392, qualified as complementary to the interest on capital declared related to the profit ascertained in the 2004 fiscal year, in the amount of R$27,676, plus the interest related to the first quarter of 2005, in the amount of R$56,716, being R$0.0578 (R$0.0491 net of applicable tax) per common share and R$0.0635 (R$0.0540 net of applicable tax) per preferred share outstanding in that time. The interest on capital was calculated in accordance of article 9 of Law no. 9249/95, with tax benefit of R$28,693. The payment of the interest on capital will be made from April 29, 2005.

The Units had interest on capital of R$0.1138 (R$0.0967 net of applicable tax) being R$0.0503 (R$0.0427 net of applicable tax) from Unibanco Holdings and R$0.0635 (R$0.0540 net of applicable tax) from Unibanco. The GDR had interest on capital of R$0.5689 (R$0.4836 net of applicable tax).

During the first quarter of 2005, R$95,054 of interest on own capital was accrued, with tax benefit of R$32,318. The amount will be computed for purposes of the minimum mandatory dividend of year, net of applicable tax.

(c) Capital reserves

These reserves are substantially represented by share premium reserve.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(d) Treasury stock

During the first quarter of 2005 as per the buy back program Shares – Performance, approval by the Extraordinary Shareholders' Meeting on October 31, 2001, the following changes in treasury stock occurred:

Quantity of shares on December 31, 2004	**12,744,112**
Acquisition of own stocks	279,388
Sale of own stocks	(580,299)
Treasury stocks exchange	(333,253)
Quantity of shares on March 31, 2005	**12,109,948**

As mentioned in Private Conversion Program approved by CVM (Comission Exchange Securities) between February 1, to March 16, 2005, were converted 333,253 preferred shares issued by Unibanco and 333,253 preferred shares issued by Holdings at an average cost of R$4.1530 per share. The minimum and maximum price of share was R$15.48 and R$20.77, respectively. On March 31, 2005, the fair value of units is R$18.50.

(e) Statutory reserves

The balance is summarized as follows:

	March 31, 2005	December 31, 2004
i) Foreign exchange risk reserve – calculated based on the 2% of the net income for the year after the legal deductions and dividends up to a limit of 20% of capital stock	93,856	93,856
ii) Operating margin reserve – calculated based on the 90% of the net income for the year after the legal deductions and dividends up to a limit of 80% of capital stock	2,590,314	2,526,417
Total	**2,684,170**	**2,620,273**

(f) Changes in stockholders' equity

	Quarter ended March 31,	
	2005	2004
Balance at the beginning of the quarter	**8,106,383**	**7,155,896**
Acquisitions of own stocks	(2,580)	-
Sale of own and treasury stocks exchange	4,030	-
Prior period adjustments	(21)	2,054
Revaluation reserve	(91)	2,022
Fair value adjustments - marketable securities and derivatives	6,005	53,016
Net income for the period	401,289	276,145
Interest on own capital proposed	(151,770)	(130,947)
Balance at the end of the quarter	**8,363,245**	**7,358,186**

(g) Conversion Program

As from November 2003, a Conversion Program will be maintained during two years allowing holders of Unibanco preferred shares and Unibanco Holdings preferred shares as of the date of the Exchange Offer Announcement (September 15th, 2003) to convert their pairs of preferred shares into Units. Up to March 31, 2005, 624.8 thousand preferred shares were converted into Units.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

16. Other Operating Income and Expenses

(a) Other operating income

	Unibanco		Unibanco Consolidated	
			Quarter ended March 31,	
	2005	2004	2005	2004
Interest on restricted escrow deposits	27,596	2,414	55,120	2,805
Dividends/retained earnings received from other investments, principally consortium	6,026	5,837	30,915	18,365
Exchange rate variation on others credits	5,210	-	5,210	-
Foreign branches' and subsidiary companies' exchange gains	4,967	7,414	2,032	7,772
Monetary correction of prepaid taxes	-	1,925	1,120	1,925
Monetary correction of income receivable	31	5,792	31	13,491
Other	98,598	4,731	22,684	17,274
Total	**142,428**	**28,113**	**117,112**	**61,632**

(b) Other operating expenses

	Unibanco		Unibanco Consolidated	
			Quarter ended March 31,	
	2005	2004	2005	2004
Provision for labor and civil litigations	13,609	70,081	59,478	111,767
Expense related to checks and billing, net	34,860	20,837	45,191	25,722
Insurance expenses	-	-	42,422	28,755
Amortization of goodwill on subsidiaries acquired	11,490	28,223	25,947	27,002
Monetary correction of other liabilities	2,645	11,941	11,182	11,941
Other	6,527	27,569	77,353	38,523
Total	**69,131**	**158,651**	**261,573**	**243,710**

17. Income Tax and Social Contribution

Deferred income tax and social contribution, calculated on tax losses and negative basis of social contribution carry-forward are recorded in "Other credits – sundry" and provisions not currently deductible are recorded in "Other credits – sundry" or in "Other liabilities – taxes and social security", according to their nature.

Deferred income tax losses and negative basis of social contribution carry-forward are realized in accordance with the existing taxable income, and income tax on temporary differences are realized when using or reversing the provision.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(a) Deferred tax assets

				Unibanco
	December 31, 2004	Constitution	Realization	March 31, 2005
Allowance for credit losses	294,272	46,625	30,182	310,715
Other provisions not currently deductible	790,096	120,927	154,291	756,732
Tax loss and negative basis of social contribution carry-forwards	237,580	-	26,342	211,238
Social contribution carry-forwards (Provisional Measure 2158-35)	280,992	-	5,023	275,969
Subtotal	**1,602,940**	**167,552**	**215,838**	**1,554,654**
Adjustment at fair value of marketable securities available for sale and derivative financial instruments	43,843	-	2,973	40,870
Net deferred tax assets	**1,646,783**	**167,552**	**218,811**	**1,595,524**
Total assets	**1,646,783**			**1,595,524**

				Unibanco
	December 31, 2003	Constitution	Realization	March 31, 2004
Allowance for credit losses	388,980	47,343	85,739	350,584
Other provisions not currently deductible	300,335	103,413	35,646	368,102
Tax loss and negative basis of social contribution carry-forwards	256,993	-	1,933	255,060
Social contribution carry-forwards (Provisional Measure 2158-35)	284,625	-	905	283,720
Subtotal	**1,230,933**	**150,756**	**124,223**	**1,257,466**
Adjustment at fair value of marketable securities available for sale and derivative financial instruments	78,986	-	26,811	52,175
Net deferred tax assets	**1,309,919**	**150,756**	**151,034**	**1,309,641**
Total assets	**1,309,919**			**1,309,641**

				Unibanco Consolidated	
	December 31, 2004	Constitution	Realization	Balance of acquired companies	March 31, 2005
Allowance for credit losses	438,485	108,720	92,513	384	455,076
Other provisions not currently deductible	1,191,988	207,245	194,617	10,835	1,215,451
Tax loss and negative basis of social contribution carry-forwards	677,100	11,819	48,754	-	640,165
Social contribution carry-forwards (Provisional Measure 2158-35)	485,076	-	8,542	-	476,534
Subtotal	**2,792,649**	**327,784**	**344,426**	**11,219**	**2,787,226**
Adjustment at fair value of marketable securities available for sale and derivative financial instruments	42,491	1,545	3,368	-	40,668
Deferred tax obligations	(28,626)	(772)	(84)	-	(29,314)
Net deferred tax assets	**2,806,514**	**328,557**	**347,710**	**11,219**	**2,798,580**
Total assets	**2,835,140**				**2,827,894**
Total liabilities	**28,626**				**29,314**

NOTES TO THE QUARTERLY INFORMATION
(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Unibanco Consolidated			
	December 31, 2003	Constitution	Realization	March 31, 2004
Allowance for credit losses	545,438	86,024	138,818	492,644
Other provisions not currently deductible	652,067	137,489	74,107	715,449
Tax loss and negative basis of social contribution carry-forwards	704,187	7,256	9,571	701,872
Prior year adjustments	-	-	54	(54)
Social contribution carry-forwards (Provisional Measure 2158-35)	492,453	-	906	491,547
Subtotal	**2,394,145**	**230,769**	**223,456**	**2,401,458**
Adjustment at fair value of marketable securities available for sale and derivative financial instruments	92,236	1,119	27,475	65,880
Deferred tax obligations	(26,031)	-	(1,069)	(24,962)
Net deferred tax assets	**2,460,350**	**231,888**	**249,862**	**2,442,376**
Total assets	**2,486,381**			**2,467,338**
Total liabilities	**26,031**			**24,962**

Deferred tax assets recorded are determined at the tax rates in effect at each balance sheet date.

The expected realization of deferred taxes:

	Unibanco			Unibanco Consolidated		
Year	Social contribution (Provisional Measure 2158-35)	Other	Total	Social contribution (Provisional Measure 2158-35)	Other	Total
2005	6,788	153,352	160,140	15,850	369,192	385,042
2006	358	436,670	437,028	6,929	747,008	753,937
2007	855	504,891	505,746	12,960	631,581	644,541
2008	4,102	42,359	46,461	21,827	150,025	171,852
2009	6,292	38,152	44,444	27,298	140,337	167,635
2010	20,139	73,549	93,688	44,672	128,675	173,347
2011 to 2013	107,115	29,712	136,827	187,279	85,658	272,937
2014 to 2017	130,320	-	130,320	159,719	58,216	217,935
Total	**275,969**	**1,278,685**	**1,554,654**	**476,534**	**2,310,692**	**2,787,226**

The present value of deferred taxes, calculated using the average rate of funding, net of tax effects, totaled R$1,280,102 in Unibanco and R$2,195,388 in Unibanco Consolidated.

(b) Income tax and social contribution income (expenses)

	Unibanco		Unibanco Consolidated	
			Quarter ended March 31,	
	2005	2004	2005	2004
Income before income tax and social contribution, net of profit sharing	511,242	262,562	603,700	389,636
Income tax and social contribution expenses at a rate of 25% and 9%	(173,822)	(89,271)	(205,258)	(132,476)
Adjustments to derive effective tax rate:				
Equity in the results of subsidiary and associated companies and exchange rate variation on subsidiaries abroad	42,598	69,728	290	4,703
Interest on capital paid , net	46,401	39,485	56,465	49,688
Deferred tax credits of prior quarter	-	-	-	(767)
Permanent differences (net)	(25,130)	(6,359)	(17,389)	308
Income tax and social contribution for the quarter	**(109,953)**	**13,583**	**(165,892)**	**(78,544)**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

18. Commitments and Guarantees

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Co-obligation and risks for guarantees provided	4,703,036	4,227,790	4,623,051	4,367,582
Assets under management (mainly mutual investment funds)	29,311,877	28,076,850	34,205,546	32,978,541
Lease commitments	73,205	56,409	73,253	56,517

19. Related-Party Transactions (Unibanco)

	March 31, 2005	December 31, 2004
Assets		
Cash and due from banks	112	112
Interbank investments	5,731,888	5,625,703
Marketable securities and derivative financial instruments	483,255	598,815
Interbank accounts	448	1,073
Lending operations	255,692	267,974
Other credits		
. Income receivable		
Dividends and interest on capital	58,135	67,686
. Sundry	6,961	5,552
Liabilities		
Deposits	2,191,113	2,154,860
Securities sold under repurchase agreements	140,446	226,841
Resources from securities issued		
. Securities abroad	60,945	99,233
Interbank accounts	5,216	20,071
Borrowings	228,371	211,049
Derivative financial instruments	75,957	124,283
Other liabilities		
Social and statutory	198,084	301,506
Negotiation and intermediation of securities	-	351
Subordinated debt	9,046	15,299
Sundry	132,693	190,400

	Quarter ended March 31, 2005	2004
Revenues		
Lending operations	2,304	1,783
Marketable securities	231,987	99,009
Derivative financial instruments	1,416	7,874
Services rendered	54,141	48,344
Other operating income	-	1,557
Expenses		
Deposits and securities sold	75,991	52,891
Borrowings and onlendings	2,244	1,583
Other administrative expenses	6,189	9,471
Other operating expenses	497	799

The amounts shown above reflect transactions between Unibanco and its subsidiary companies, and have been eliminated on consolidation. Transactions with unconsolidated related parties are limited to normal banking transactions and are not material in the operational context of Unibanco.

Related-party transactions were undertaken at average market rates in effect at the respective transaction dates, considering the absence of risk.

Services rendered relate basically to services offered by Unibanco to the group companies according to the terms of contractual agreements, through utilization of physical assets and personnel related to credit card, leasing, annuity products plans, insurance operations and brokerage.

Other administrative expenses relate mainly to the payment of rents based on the fair value of the buildings according to the lease contracts.

20. Financial Instruments

(a) Purposes and use policies

Unibanco uses derivative financial instruments to manage its own overall exposures or to assist its clients, in market risks, foreign exchange rates and interest rate (hedge). In addition, Unibanco enters into derivative contracts for trading purposes to take advantage of market opportunities in order to aggregate value in its results.

Unibanco manages financial derivative risks as part of its asset and liability management process and through credit policies and procedures. The counterparty credit risks are minimized by entering into transactions with only a select number of high-quality institutions.

A large part of the derivatives are negotiated on the Brazilian Futures and Commodities Exchange ("BM&F"). Exchange-traded instruments conform to standard terms and are subject to policies set by the BM&F, including counterpart approval, daily margin requirements and security deposit requirements. For the remaining derivative financial instruments, which are negotiated in a Clearing House for Custody and Financial Settlement of Securities or in an over-the-counter transaction, the counterparty credit risks are analyzed.

Interest rate and currency forward and futures contracts represent future commitments to purchase or sell financial instruments at specific terms and at specified dates. The notional amounts represent the face value of the corresponding instrument at the date of the operations' liquidation. The credit risks associated with the future and forward contracts are minimized due to daily cash settlements and margin account deposits. Future and forward contracts are subject to the risk of fluctuation in interest rates or the value of the underlying instruments.

Swap contracts represent future commitments to exchange currencies or index for a contractual period and terms. The notional amount represents the basis on which the cash flows are determined. The risks associated with swaps relate to the potential inability of the counterparts to meet contractual conditions and the risk associated with changes in market conditions due to fluctuation in interest rates and the exchange rate of currencies.

Options are contracts which: (i) transfer, modify, or reduce interest rate risk, or (ii) allow the Bank to purchase or sell financial instruments in exchange for the payment or receipt of a premium at inception of the contract. As a purchaser of options, Unibanco pays a premium and, as a writer of options, receives a premium in exchange for bearing the risk of movements in future interest rates on market prices for the underlying financial instruments. The credit and market risks are limited to the extent of premiums paid on purchased options and the risk associated with the changes in market conditions could influence written options.

(b) Hedge policies

Derivative financial instruments can be used as part of asset and liability risk management and can be used on a global basis to hedge Unibanco's net position undertaken in certain markets or related to specific assets and liabilities attributed to a particular risk.

The derivative financial instruments that are designated and qualify as hedging instruments of specific assets and liabilities have been highly correlated with respect to changes in the hedged items, allowing an assessment of the high effectiveness of the hedge during the period that the hedge is designated.

The derivative financial instruments designed to hedge may: (i) secure an expected future cash flow attributed to a particular asset or liability (cash flow hedge) or (ii) reduce the exposure to changes in the fair value of an asset or liability (fair value hedge).

(c) Strategy and management of risk

Unibanco continuously strives to improve its risk management practices, which are integrated into the various levels of the organization. A separate division is responsible for identifying, measuring and managing market, credit and operational risk on an institutional-wide basis. In addition, each business division has dedicated risk management staff.

Credit risk

The credit policy is designed to manage risk while maintaining flexibility required by market conditions and the needs of customers. The credit limits exposure goals are to avoid the concentration in clients and particular sectors that Unibanco believes have high risk factors. The credit policy has various approval levels for both retail and wholesale customers. Depending on the size and type of exposure and the customers prior credit history, approval levels range from the branch general manager or account manager to the retail or wholesale credit committees, which are composed of members of senior management. The centralized credit decision-making process is based on strict credit limits that are set by the wholesale and retail committees. The pre-approved credit limit to customers for different types of credit lines is based on their creditworthiness and size.

Corporate Credit: The decision on each credit is based on the following factors: financial history, cash flows, quality of management, relationship, history market conditions and other factors relating to credit risk. An internal credit rating system is employed, which ranks companies in categories based on quantitative criteria and qualitative aspects. The lines of credit are reviewed every 60 to 180 days, depending on the borrower's rating and the external credit environment.

Retail Credit: Credit management in the retail banking business is characterized by the processing of a large volume of credit requests, which requires specialized systems and processes. A wide range of statistical tools to evaluate retail credit requests is utilized. These tools, which include credit behavior scoring, are backed by dedicated systems. The automated credit system is a special software program that services loans at all stages from their inception. The collections scoring is used for determination of which collection method or combination of collection methods is the most efficient. Stricter standards for originating and managing this loan portfolio are imposed, including restrictions on increases in credit limits and restrictions on renewals of overdraft facilities.

Market Risk

The policy regarding market risk exposure is conservative. Market risk exposure of the portfolios is independently supervised and controlled. Market risk management is based on limits established by the financial and risk committees. The market risk exposure is limited by managing the currency, maturity and interest rate mismatches. Securities, derivative financial instruments, loans and funding are analyzed on a consolidated basis. Derivative financial instruments play an important role in managing asset and liability mismatches. Exposure limits for the treasury Unit are established considering market volatility, scenario forecasts, opportunity for profit and the funding needs of the commercial bank. Trading and positioning activities are conducted within clear limits by the financial committee. These limits and policies are reviewed monthly or when a new threat or opportunity arises.

The value at risk methodology is used to evaluate the market risk. Stress tests are also applied using macroeconomic scenarios simulated by our risk management and macroeconomic team, in order to minimize the risk of loss in the portfolio and to analyze the effects of changes in the financial market of portfolio.

Unibanco manages its risk exposure on a centralized basis by having all risks passed to its treasury Unit. All treasury activities, including those for foreign branches, are closely monitored from the offices in São Paulo. Trading limits and strategies are defined by head office, and all trading positions are consolidated in centralized databases.

Liquidity Risk

The liquidity risk is related to the management of the gap on assets and liabilities financial cash flow which results in the financial capacity of the institution by taking additional funds and to honor its positions.

The liquidity planning and contingency policies are defined by the financial committees and are reported to the decision markers and are controlled by independent areas on a daily bases. The liquidity is evaluated in a similar methodology as the market risk, considering the different impacts of the exchange rates and macroeconomic scenarios and stress tests to simulate the changes in the availability and costs of funds in the financial market. Maturity, exchange rates, financial instruments and different markets are daily analyzed in order to assure the compliance of the established limits. Those limits and policies are periodically reviewed and the strategies are defined in order to assure a conservative monitor of the liquidity risk.

Operating risk

Operating risk is related to the estimate of an institution's unexpected losses, due to its systems, practices and/or control measures being incapable of withstanding human error, damaged support infrastructure, faulty modeling, services or products and due to changes in the business environment changes or other adverse market conditions.

To meet the legal requirements the best practices of the international market and the internal regulations of the Brazilian financial market, Unibanco created an independent internal structure of risk management. This area has as one of its main goals to incentive the generation and the perpetuation of an internal culture focus in the integrated risk management. The management of the operating risk is an essential tool to the decision making process and to obtain competitive advantage giving an evaluation of the relationship between risk and reward. Another factor to highlight is the additional value to the brand due to the support given to the business areas, helping them to maintain their activities and to ensure the optimization of sources and allocated capital to the benefit of shareholders and clients, showing the commitment of the financial institution with the best practices of corporate governance.

As one of work tools used, mention is made of the Internal Control System that is available in the corporate portal which is accessible by all group areas. This process includes periodic evaluations, where the area managers identify their main activities and inherent risks, the existence of control issues and analyse the effectiveness of current controls.

The collected data provide support to monitor and evaluate the performance of the business Units, identifying those areas with greater risk potential. This structure is the basis for the identification of indicators and the implementation of a database to qualify and quantify our level of operating risk exposure. As a result, all manager of the Unibanco conglomerate participate in the process, fostering an appropriated culture and enabling the proper calculations for an appropriate allocation of capital.

The increasing diversity of banking operations and the volume of transactions on line/real time involving computers and telecommunications network increases the importance to our systems of information technology and potential impact of system failures.

Unibanco has devoted substantial resources to ensure the reliability and stability of its computers and related systems. Our main computer facility is located in São Paulo and we maintain a full backup system in total operating conditions. This backup system will operate automatically in case of system failures. To ensure the effective and prompt of this backup process, we perform tests and systematic operations where we evaluate all the process and identify eventual issues to be corrected.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(d) Financial instruments recorded in the financial statements compared to fair values are as follows:

	Unibanco			
	March 31, 2005		December 31, 2004	
	Book value	Fair value	Book value	Fair value
Assets				
Interbank deposits	7,705,021	7,703,827	8,046,144	8,010,295
Marketable securities	10,174,161	10,270,424	8,519,942	8,721,380
Lending operations	21,373,326	21,334,471	20,328,357	20,235,208
Derivatives, net	224,078	224,078	373,165	373,165
Liabilities				
Interbank deposits	1,328,456	1,325,586	1,722,807	1,724,592
Time deposits	25,945,406	25,948,246	23,958,405	23,959,348
Mortgage notes	223,598	222,458	333,627	333,419
Resources from securities issued abroad	1,386,795	1,370,198	1,293,691	1,298,084
Subordinated debt	1,967,762	2,007,754	1,913,819	1,953,327
Other liabilities (Note 13 (c))	2,527,042	2,170,276	2,576,208	2,190,425
Treasury stocks	50,297	111,412	51,423	107,688

	Unibanco Consolidated			
	March 31, 2005		December 31, 2004	
	Book value	Fair value	Book value	Fair value
Assets				
Interbank deposits	2,185,659	2,184,842	2,759,373	2,709,217
Marketable securities	18,143,373	18,270,195	16,023,896	16,265,593
Lending operations	27,985,998	27,940,106	26,808,991	26,587,433
Derivatives, net	122,320	122,320	310,611	310,611
Liabilities				
Interbank deposits	193,316	193,436	119,434	119,436
Time deposits	25,559,667	25,562,507	24,225,320	24,226,263
Mortgage notes	251,044	249,904	376,721	376,513
Resources from securities issued abroad	1,337,715	1,322,384	1,202,474	1,206,279
Subordinated debt	1,958,716	1,998,533	1,898,519	1,937,042
Other liabilities (Note 13 (c))	2,527,042	2,170,276	2,576,208	2,190,425
Treasury stocks	50,297	111,412	51,423	107,688

The fair value of marketable securities was based on an internal valuation model, based on the average rate for the last business day of the quarter, as informed by Stock Exchanges, trade associations and external entities.

The fair value of interbank deposits, lending operations, interbank deposits payable, time deposits and mortgage notes, was based on the average rate practiced by Unibanco on the last business day of the quarter, for similar operations.

The fair value of resources from securities issued abroad and subordinated debt was based on the average quoted prices in effect on the correspondent markets on the last business day of the quarter for similar operations.

The fair value of derivatives was based on an internal valuation model, based on the average rate for the last business day of the quarter for operations with similar maturities and indices, as informed by Futures and Commodities Exchange - BM&F and trade associations.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The fair value of other liabilities related to sale of rights of receipt of future flow of payment orders abroad was computed considering the value that could be obtained in the corresponding market.

The fair value of treasury stocks was based on Units price at March 31, 2005 in the São Paulo Stock Exchange.

(e) The current notional and fair values of derivative financial instruments recorded in memorandum accounts except for the option contracts, for which the notional exposure represents the premium paid/received and the exposure at fair value represents the amounts recorded in assets and liabilities accounts, are as follows:

				Unibanco
	March 31, 2005		December 31, 2004	
	Notional exposure (1) and (2)	Exposure at fair value (1) and (2)	Notional exposure (1) and (2)	Exposure at fair value (1) and (2)
Futures contracts	**4,158,983**	**4,158,983**	**3,679,960**	**3,679,960**
Currencies	9,493	9,493	99,317	99,317
Interbank interest rate	3,595,344	3,595,344	2,835,130	2,835,130
Exchange coupon	554,146	554,146	745,513	745,513
Forward contracts	**497,296**	**497,895**	**35,866**	**35,714**
Currencies	884,760	872,557	384,139	377,505
Fixed interest rate	(387,464)	(374,662)	(348,273)	(341,791)
Swap contracts	**264,499**	**280,208**	**307,368**	**300,831**
Currencies	(3,835,851)	(3,779,569)	(3,543,843)	(3,479,576)
Interbank interest rate	705,334	692,179	941,026	941,961
Fixed interest rate	1,664,487	1,626,371	1,504,332	1,447,927
Other	1,730,529	1,741,227	1,405,853	1,390,519
Swap contracts with daily reset	**1,535**	**1,535**	**241,744**	**241,744**
Currencies	1,535	1,535	241,744	241,744
Third curve swap contracts	**31,703**	**32,455**	**25,699**	**25,780**
Currencies	(405,463)	(404,752)	(825,959)	(825,959)
Interbank interest rate	357,475	357,935	781,728	781,728
Fixed interest rate	79,691	79,272	69,930	70,011
Option contracts				
Purchased option	**4,229**	**1,416**	**548**	**1,300**
Purchase	**3,920**	**740**	**260**	**73**
Currencies	3,920	740	260	73
Sale	**309**	**676**	**288**	**1,227**
Currencies	309	676	288	1,227
Sale option	**109,138**	**95,494**	**28,487**	**24,863**
Purchase	**70,005**	**67,323**	**22,850**	**10,224**
Currencies	70,005	67,323	22,850	10,224
Sale	**39,133**	**28,171**	**5,637**	**14,639**
Currencies	39,133	28,171	5,637	14,639

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Unibanco Consolidated			
	March 31, 2005		December 31, 2004	
	Notional exposure (1) and (2)	Exposure at fair value (1) and (2)	Notional exposure (1) and (2)	Exposure at fair value (1) and (2)
Futures contracts	**4,851,965**	**4,851,965**	**4,869,064**	**4,869,064**
Currencies	9,493	9,493	99,317	99,317
Interbank interest rate	4,374,068	4,374,068	4,138,576	4,138,576
Exchange coupon	468,404	468,404	631,171	631,171
Forward contracts	**497,236**	**498,589**	**43,867**	**42,903**
Currencies	918,088	905,885	280,617	273,983
Fixed interest rate	(420,852)	(407,296)	(236,750)	(231,080)
Swap contracts	**159,081**	**177,758**	**235,842**	**231,089**
Currencies	(3,488,852)	(3,431,553)	(3,158,203)	(3,091,945)
Interbank interest rate	1,522,895	1,509,117	1,530,587	1,530,768
Fixed interest rate	394,507	359,016	457,558	401,758
Other	1,730,531	1,741,178	1,405,900	1,390,508
Swap contracts with daily reset	**41,341**	**41,341**	**346,650**	**346,650**
Currencies	41,341	41,341	346,650	346,650
Third curve swap contracts	**31,703**	**32,455**	**25,699**	**25,780**
Currencies	(405,463)	(404,752)	(825,959)	(825,959)
Interbank interest rate	357,475	357,935	781,728	781,728
Fixed interest rate	79,691	79,272	69,930	70,011
Option contracts				
Purchased option	**4,229**	**1,416**	**548**	**1,300**
Purchase	**3,920**	**740**	**260**	**73**
Currencies	3,920	740	260	73
Sale	**309**	**676**	**288**	**1,227**
Currencies	309	676	288	1,227
Sale option	**109,138**	**95,494**	**28,487**	**24,863**
Purchase	**70,005**	**67,323**	**22,850**	**10,224**
Currencies	70,005	67,323	22,850	10,224
Sale	**39,133**	**28,171**	**5,637**	**14,639**
Currencies	39,133	28,171	5,637	14,639

(1) Include the net balance of short position (long position).
(2) For option contracts the exposure at fair value refers to the respective premium.

The notional exposure of the option contracts recorded in memorandum accounts, amounted to R$263,000 (December 31, 2004 - R$76,000) in respect to purchase commitments and R$1,632,765 (December 31, 2004 - R$1,419,688) in respect to sale commitments.

On March 31, 2005, there were future transactions of R$10,221,038 (December 31, 2004 - R$7,339,572) in Unibanco and R$10,969,782 (December 31, 2004 - R$8,445,961) in Unibanco Consolidated and swap contracts in the amount of R$1,434,752 (December 31, 2004 - R$1,311,521) in Unibanco and R$2,024,981 (December 31, 2004 - R$1,808,565) in Unibanco Consolidated, accounted for at fair value and recognized as cash flow hedges with exposure to the US dollar fluctuations and indexed to interbank interest rate (CDI), net gain of applicable taxes and minority interest, during the quarter, in the amount of R$35,577 (December 31, 2004 – R$96,902) in Unibanco and R$37,466 (December 31, 2004 –R$118,519) in Unibanco Consolidated, which were recorded in "Unrealized gains or losses – marketable securities and derivatives". The hedges as of March 31, 2005, were undertaken in accordance with the standards established by the Brazilian Central Bank.

During the quarter ended March 31, 2005, certain swap contracts previously classified as hedge to face exposures of the US dollar of securities held to maturity in accordance with the Circular 3129 of the

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Brazilian Central Bank, in the amount of R$69,095 were no longer classified as hedge due to the low effectiveness achieved of the hedges which was attributed to the change in the securities hedged items and the derivative financial instruments designed to hedge being outwith the percentages of limits allowed by the Brazilian Central Bank. The market-to-market adjustment on the derivative financial instruments was recorded as a charge to income, during the quarter, in the amount of R$5,330.

During the quarter ended March 31, 2005, certain swap contracts previously classified as cash flow hedge with exposure to the IGPM (Market General Price Index) of debentures, in accordance with the Circular 3129 of the Brazilian Central Bank, in the amount of R$224,056, were no longer classified as hedge due to the low effectiveness achieved of the hedges which was attributed to the change in the value of debentures items and the derivative financial instruments designed to hedge being outwith the percentagens of limits allowed by the Brazilian Central Bank. The adjustment on debentures due to the low effectiveness achieved of the hedge was recorded as a charge to income, during the quarter, in the amount of R$8,049.

The transactions shown above do not represent Unibanco's total exposure to market, currency and interest rate risks since they only consider the values of derivative financial instruments.

The swap transactions associated with funding and/or asset operations are recorded at current notional value adjusted in accordance with the index variation occurred ("carrying amount"), and are not adjusted to their fair value.

(f) Fair value distributed by trade location

						Unibanco
			March 31, 2005			December 31, 2004
Exposure at fair value	BM&F	CETIP/ Over the counter(1)	Total	BM&F	CETIP/ Over the counter (1)	Total
Future contracts	4,158,983	-	**4,158,983**	3,679,960	-	**3,679,960**
Forward contracts	-	497,895	**497,895**	-	35,714	**35,714**
Swap contracts	(104,284)	384,492	**280,208**	(138,107)	438,938	**300,831**
Swap contracts with daily reset	1,535	-	**1,535**	241,744	-	**241,744**
Third curve swap contracts	-	32,455	**32,455**	-	25,780	**25,780**
Option contracts						
Purchased option	1,416	-	**1,416**	1,300	-	**1,300**
Sale option	33,748	61,746	**95,494**	24,863	-	**24,863**

						Unibanco Consolidated
			March 31, 2005			December 31, 2004
Exposure at fair value	BM&F	CETIP/ Over the counter (1)	Total	BM&F	CETIP/ Over the counter (1)	Total
Future contracts	4,851,965	-	**4,851,965**	4,869,064	-	**4,869,064**
Forward contracts	1,516	497,073	**498,589**	(2,797)	45,700	**42,903**
Swap contracts	(104,278)	282,036	**177,758**	(138,102)	369,191	**231,089**
Swap contracts with daily reset	41,341	-	**41,341**	346,650	-	**346,650**
Third curve swap contracts	-	32,455	**32,455**	-	25,780	**25,780**
Option contracts						
Purchased option	1,416	-	**1,416**	1,300	-	**1,300**
Sale option	33,748	61,746	**95,494**	24,863	-	**24,863**

(1) CETIP (Clearing House for Custody and Financial Settlement of Securities).

The amounts pledged to guarantee BM&F transactions were R$158,086 (December 31, 2004 - R$181,063) in Unibanco and R$186,961 (December 31, 2004 - R$216,275) in Unibanco Consolidated and are represented by federal government securities.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(g) The maturities and types of derivative financial instruments recorded in balance sheet accounts are as follows:

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Assets				
Less than 3 months	132,772	303,394	111,189	294,645
Between 3 months and 1 year	300,286	280,735	214,909	168,221
Between 1 and 3 years	93,090	111,635	80,552	100,985
More than 3 years	19,234	16,190	19,234	16,190
Total	**545,382**	**711,954**	**425,884**	**580,041**
Liabilities				
Less than 3 months	65,846	129,888	77,270	88,932
Between 3 months and 1 year	193,033	126,041	179,311	109,050
Between 1 and 3 years	61,541	80,645	46,325	69,233
More than 3 years	884	2,215	658	2,215
Total	**321,304**	**338,789**	**303,564**	**269,430**

	Unibanco		Unibanco Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Assets				
Forward contracts	14,436	100,162	34,954	120,880
Swap contracts	495,329	582,878	355,313	430,247
Third curve swap contracts	34,201	27,614	34,201	27,614
Option contracts – premiums paid	1,416	1,300	1,416	1,300
Total	**545,382**	**711,954**	**425,884**	**580,041**
Liabilities				
Forward contracts	8,943	30,045	28,769	43,575
Swap contracts	215,121	282,047	177,555	199,158
Third curve swap contracts	1,746	1,834	1,746	1,834
Option contracts – premiums received	95,494	24,863	95,494	24,863
Total	**321,304**	**338,789**	**303,564**	**269,430**

(h) The maturities of derivative financial instruments recorded in memorandum accounts, except the option contracts whose balance represents the amounts recorded in asset and liability accounts, are as follows:

					Unibanco
					March 31, 2005
Exposure at fair value	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Future contracts	(8,841,666)	14,539,092	(1,590,980)	52,537	**4,158,983**
Forward contracts	(112,325)	(14,450)	115,502	509,168	**497,895**
Swap contracts	54,439	173,737	33,024	19,008	**280,208**
Swap contracts with daily reset	-	1,535	-	-	**1,535**
Third curve swap contracts	8,695	23,760	-	-	**32,455**
Option contracts					
Purchased option	1,416	-	-	-	**1,416**
Sale option	3,497	91,997	-	-	**95,494**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

					Unibanco
					December 31, 2004
Exposure at fair value	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Future contracts	(3,470,299)	5,088,313	2,220,281	(158,335)	**3,679,960**
Forward contracts	(662,672)	28,042	116,372	553,972	**35,714**
Swap contracts	81,668	172,776	31,733	14,654	**300,831**
Swap contracts with daily reset	176,993	64,751	-	-	**241,744**
Third curve swap contracts	21,049	4,731	-	-	**25,780**
Option contracts					
Purchased option	1,300	-	-	-	**1,300**
Sale option	11,920	12,943	-	-	**24,863**

					Unibanco Consolidated
					March 31, 2005
Exposure at fair value	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Future contracts	(8,607,830)	14,977,903	(1,570,645)	52,537	**4,851,965**
Forward contracts	(111,631)	(14,450)	115,502	509,168	**498,589**
Swap contracts	20,740	102,082	35,702	19,234	**177,758**
Swap contracts with daily reset	-	41,341	-	-	**41,341**
Third curve swap contracts	8,695	23,760	-	-	**32,455**
Option contracts					
Purchased option	1,416	-	-	-	**1,416**
Sale option	3,497	91,997	-	-	**95,494**

					Unibanco Consolidated
					December 31, 2004
Exposure at fair value	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Future contracts	(2,947,673)	5,471,690	2,503,382	(158,335)	**4,869,064**
Forward contracts	(655,472)	28,031	116,372	553,972	**42,903**
Swap contracts	106,676	77,265	32,494	14,654	**231,089**
Swap contracts with daily reset	242,307	104,343	-	-	**346,650**
Third curve swap contracts	21,049	4,731	-	-	**25,780**
Option contracts					
Purchased option	1,300	-	-	-	**1,300**
Sale option	11,920	12,943	-	-	**24,863**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

21. Statements of Cash Flows

	Unibanco	
	Quarter ended March 31,	
	2005	2004
Operating activities		
Net income	401,289	276,145
Provision for credit losses	132,998	104,667
Deferred taxes	43,263	(27,438)
Provision of foreclosed assets	6,728	6,879
Gain (loss) on sale of foreclosed assets and fixed assets	(758)	3,811
Amortization of goodwill on subsidiaries acquired	11,490	28,223
Equity in results of subsidiary and associated companies	(137,354)	(199,730)
Exchange loss (gain) on foreign investments	(4,967)	(7,414)
Provision (reversal) for losses on investments	(31)	-
Depreciation and amortization	54,684	53,377
Changes in assets and liabilities		
Decrease (increase) in interbank investments	3,677,572	318,093
Decrease (increase) in marketable securities and derivative financial instruments	(1,484,915)	(1,361,652)
Decrease (increase) in Central Bank compulsory deposits	(296,893)	208,117
Net change in interbank and interdepartmental accounts	(59,914)	4,879
Decrease (increase) in lending operations	(1,202,411)	740,320
Net change in foreign exchange portfolio	(4,801)	(35,100)
Decrease (increase) in other credits and other assets	64,491	(115,769)
Increase (decrease) in other liabilities	19,263	152,162
Increase (decrease) in deferred income	(641)	(1,358)
Net cash provided by operating activities	**1,219,093**	**148,212**
Investing activities		
Dividends and interest on capital received from subsidiary and associated companies	42,549	355,882
Proceeds from sale of foreclosed assets	3,731	5,816
Purchase of capital increase in investments in subsidiary and associated companies	(126,894)	(97,385)
Goodwill on subsidiaries companies	-	58,872
Proceeds from sale of capital decrease in subsidiary and associated companies	10,061	273,841
Purchase of other investments	-	(4,844)
Proceeds from sale of other investments	118	-
Purchase of fixed assets	(16,713)	(34,067)
Proceeds from sale of fixed assets	314	551
Investment in deferred charges	(32,090)	(28,830)
Net cash (used in) provided by investing activities	**(118,924)**	**529,836**
Financing activities		
Increase (decrease) in deposits	1,536,063	513,739
Increase (decrease) in securities sold under repurchase agreements	(2,074,437)	(51,069)
Increase (decrease) in resources from securities issued	(16,925)	(429,419)
Increase (decrease) in borrowings and onlendings	(192,283)	(580,620)
Net change in treasury stock	1,450	-
Dividends paid	(258,824)	(192,590)
Net cash used in financing activities	**(1,004,956)**	**(739,959)**
Net increase (decrease) in cash and due from banks	**95,213**	**(61,911)**
Cash and due from banks at the beginning of the quarter	1,329,115	848,223
Cash and due from banks at the end of the quarter	1,424,328	786,312
Net increase (decrease) in cash and due from banks	**95,213**	**(61,911)**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Unibanco Consolidated	
	Quarter ended March 31,	
	2005	2004
Operating activities		
Net income	401,289	276,145
Provision for credit losses	310,017	312,692
Technical provisions for insurance, annuity products and retirement plans	384,848	293,640
Deferred taxes	8,100	(8,290)
Provision of foreclosed assets	7,424	8,753
Gain (loss) on sale of foreclosed assets and fixed assets	(871)	4,187
Amortization of goodwill on subsidiaries acquired	25,947	27,002
Equity in results of subsidiary and associated companies	1,178	(6,061)
Exchange loss (gain) on foreign investments	(2,032)	(7,772)
Provision (reversal) for losses on investments	(31)	1,160
Depreciation and amortization	94,342	93,296
Minority interest	36,519	34,947
Changes in assets and liabilities		
Decrease (increase) in interbank investments	3,818,583	463,086
Decrease (increase) in marketable securities and derivative financial instruments	(1,962,187)	(2,343,429)
Decrease (increase) in Central Bank compulsory deposits	(300,594)	192,137
Net change in interbank and interdepartmental accounts	(35,060)	48,301
Decrease (increase) in lending operations	(1,497,330)	380,823
Decrease (increase) in leasing operations	(30,811)	(22,815)
Net change in foreign exchange portfolio	(4,801)	(45,192)
Decrease (increase) in other credits and other assets	37,693	111,701
Increase (decrease) in other liabilities	168,472	(47,271)
Increase (decrease) in deferred income	(21,545)	1,831
Net cash (used in) provided by operating activities	**1,439,150**	**(231,129)**
Investing activities		
Dividends and interest on capital received from associated companies	-	400
Proceeds from sale of foreclosed assets	16,137	25,539
Purchase of capital increase in investments in subsidiary and associated companies	(11,768)	(633,158)
Goodwill on acquisition of subsidiary companies	(1,282)	-
Proceeds from sale of capital decrease in subsidiary and associated companies	43,058	70
Purchase of other investments	(11,361)	(10,453)
Proceeds from sale of other investments	13,394	-
Purchase of fixed assets	(41,619)	(69,167)
Proceeds from sale of fixed assets	3,367	27,593
Deferred charges	(49,419)	(81,977)
Minority interest	(28,873)	(26,072)
Net cash used in investing activities	**(68,366)**	**(767,225)**
Financing activities		
Increase (decrease) in deposits	1,438,582	2,057,061
Increase (decrease) in securities sold under repurchase agreements	(2,004,616)	(42,667)
Increase (decrease) in resources from securities issued	9,564	(382,327)
Increase (decrease) in borrowings and onlendings	(189,209)	(589,516)
Net change in treasury stock	1,450	-
Dividends paid	(258,824)	(192,590)
Net cash (used in) provided by financing activities	**(1,003,053)**	**849,961**
Net increase (decrease) in cash and due from banks	**367,731**	**(148,393)**
Cash and due from banks at the beginning of the quarter	1,561,264	1,083,301
Cash and due from banks at the end of the quarter	1,928,995	934,908
Net increase (decrease) in cash and due from banks	**367,731**	**(148,393)**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

22. Subsidiary Companies Information

The following tables show the balance sheets and the statements of income of the Unibanco's subsidiary companies and the eliminations made are related only to companies consolidated or combined in each group.

(a) Foreign branches and subsidiaries include the accounts of the foreign branches (Unibanco Grand Cayman and Nassau), Unibanco – União de Bancos Brasileiros (Luxembourg) S.A., Interbanco S.A. (Paraguay), Unibanco Cayman Bank Ltd., and Unicorp Bank & Trust Ltd. (Grand Cayman):

Combined balance sheet	March 31, 2005	December 31, 2004
Assets		
Current and long-term assets	**11,382,675**	**11,453,326**
Cash and due from banks	515,286	365,477
Interbank investments	1,278,717	2,075,000
Marketable securities	6,602,085	5,943,716
Interbank accounts	210,478	193,318
Lending and leasing operations	2,630,444	2,576,286
Other credits and other assets	145,665	299,529
Permanent assets	**355,782**	**362,228**
Total	**11,738,457**	**11,815,554**
Liabilities		
Current and long-term liabilities	**10,054,645**	**10,225,959**
Deposits	2,019,191	2,338,365
Securities sold under repurchase agreements	1,491,510	1,490,811
Resources from securities issued	1,279,270	1,232,349
Interbank accounts	31,220	9,574
Borrowings and onlending in Brazil – Governmental agencies	1,273,907	1,229,746
Derivative financial instruments	4,631	11,398
Other liabilities	3,954,916	3,913,716
Deferred income	**9,564**	**10,716**
Minority interest	**5**	**5**
Stockholders' equity	**1,674,243**	**1,578,874**
Total	**11,738,457**	**11,815,554**

	Quarter ended March 31,	
Combined statement of income	2005	2004
Revenue from financial intermediation	169,085	252,543
Expenses on financial intermediation	(76,206)	(76,638)
Reversal of provision for credit losses	26,777	6,768
Services rendered	16,031	-
Salaries, benefits, training and social security and other administrative expenses	(18,199)	(28,827)
Financial transaction and other taxes	(1,544)	-
Other operating income (expenses)	(40,972)	(11,999)
Non-operating income, net	(2,823)	(53)
Net income for the quarter	**72,149**	**141,794**

The income tax and social contribution expense originated from the foreign operations is recorded in the multiple bank, through the addition of the net income from these operations into Unibanco taxable income.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(b) Insurance and private pension entities including Unibanco AIG Seguros S.A., Unibanco AIG Saúde Seguradora S.A., Unibanco AIG Vida e Previdência S.A. and Unibanco AIG Warranty S.A.:

Combined balance sheet	March 31, 2005	December 31, 2004
Assets		
Current and long-term assets	**7,855,314**	**7,343,814**
Cash and due from banks	74,977	71,188
Marketable securities	6,469,869	6,076,602
Insurance credits and re-insurance	692,374	555,537
Other credits and other assets	618,094	640,487
Permanent assets	**214,435**	**214,206**
Total	**8,069,749**	**7,558,020**
Liabilities		
Current and long-term liabilities	**6,704,457**	**6,204,849**
Borrowings	6,214	-
Technical provisions for insurance	1,155,426	944,418
Technical provisions for retirement plans	4,724,191	4,433,435
Insurance and re-insurance debts	279,719	219,350
Other liabilities	538,907	607,646
Deferred income	**94,259**	**100,909**
Minority interest	**7,076**	**10,593**
Stockholders' equity	**1,263,957**	**1,241,669**
Total	**8,069,749**	**7,558,020**

Combined statement of income	Quarter ended March 31, 2005	2004
Gross premium written	917,208	764,758
Provision for credit losses	626	(691)
Changes in technical reserves of insurance	(328,296)	(249,350)
Net claims incurred	(223,803)	(220,208)
Acquisition costs and other	(68,670)	(70,285)
Changes in technical reserves of private retirement plan	(185,032)	(150,280)
Other operating income	10,270	4,274
Other operating expenses	(54,179)	(47,735)
Salaries, benefits, training and social security	(32,068)	(28,928)
Administrative expenses	(37,405)	(35,438)
Financial transaction and other taxes	(25,568)	(15,866)
Financial income	224,441	194,892
Financial expenses	(145,289)	(87,393)
Services rendered	39,152	23,868
Non-operating income net	4,637	3,918
Income tax and social contribution	(17,261)	(17,353)
Profit sharing	(5,101)	(3,094)
Minority interest	(699)	-
Net income for the quarter	**72,963**	**65,089**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(c) Credit card companies, including the jointly controlled companies are as follows: Unicard Banco Múltiplo S.A. (100%), Redecard S.A. (31.943%), Hipercard Administradora de Cartões de Crédito Ltda. (100%) and Hipercard Banco Múltiplo S.A. (100%):

Combined balance sheet	March 31, 2005	December 31, 2004
Assets		
Current and long-term assets	**4,630,484**	**4,807,211**
Cash and due from banks	5,690	11,091
Interbank investments	10,082	79,169
Marketable securities	606,888	607,090
Interbank and interdepartmental accounts	3,600	11,395
Lending operations	2,109,162	2,186,303
Deferred tax and prepaid taxes	588,870	560,041
Other credits and other assets	1,306,192	1,352,122
Permanent assets	**319,100**	**325,171**
Total	**4,949,584**	**5,132,382**
Liabilities		
Current and long-term liabilities	**3,983,846**	**4,245,854**
Deposits	1,169,057	1,242,468
Borrowings	138,989	141,567
Resources from securities issued	269,345	273,521
Interbank and interdepartmental accounts	221	120
Derivative financial instruments	73,965	67,885
Taxes, social securities and provision for litigation	-	289,066
Other liabilities	2,332,269	2,231,227
Minority interest	**61,106**	**57,216**
Stockholders' equity	**904,632**	**829,312**
Total	**4,949,584**	**5,132,382**

Combined statement of income	Quarter ended March 31, 2005	2004
Revenue from financial intermediation	284,310	209,755
Expenses on financial intermediation	(55,968)	(39,220)
Provision for credit losses	(57,709)	(45,727)
Services rendered	133,859	88,898
Salaries, benefits, training and social security and other administrative expenses	(106,384)	(66,951)
Acquisition costs and other	(48,648)	(27,753)
Financial transaction and other taxes	(28,955)	(16,332)
Other operating income (expenses)	(84,598)	(20,284)
Non-operating income, net	(27)	(312)
Income tax and social contribution	(6,897)	(25,228)
Profit sharing	(244)	(4,226)
Minority interest	(3,890)	-
Net income for the quarter	**24,849**	**52,620**
Net income for the quarter related to participation in Credicard/Orbitall	**-**	**21,403**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

(d) The companies which carry out consumer credit operations include Banco Fininvest S.A. (100%), Fininvest – Negócios de Varejo Ltda. (100%), Microinvest S.A. – Sociedade de Crédito a Microempreendedor (100%), Wale S.A. Distribuidora de Títulos e Valores Mobiliários (100%), Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento (50%), Banco Investcred Unibanco S.A. (50%) and Ponto Frio Leasing S.A. – Arrendamento Mercantil (50%):

Combined balance sheet	March 31, 2005	December 31, 2004
Assets		
Current and long-term assets	**3,357,021**	**2,774,707**
Cash and due from banks	6,702	6,285
Interbank investments	4,129	23,281
Marketable securities	442,957	64,876
Interbank and interdepartmental accounts	17,830	5,155
Lending operations	2,301,649	2,097,229
Other credits and other assets	583,754	577,881
Permanent assets	**200,838**	**226,045**
Total	**3,557,859**	**3,000,752**
Liabilities		
Current and long-term liabilities	**2,834,554**	**2,335,010**
Deposits	2,021,251	1,506,399
Interbank and interdepartmental accounts	13,981	286
Borrowings	68	18
Derivative financial instruments	925	1,080
Other liabilities	798,329	827,227
Stockholders' equity	**723,305**	**665,742**
Total	**3,557,859**	**3,000,752**

	Quarter ended March 31,	
Combined statement of income	2005	2004
Revenue from financial intermediation	422,334	304,351
Expenses on financial intermediation	(67,624)	(41,233)
Provision for credit losses	(124,716)	(95,923)
Services rendered	80,946	57,590
Salaries, benefits, training and social security and other administrative expenses	(170,576)	(123,585)
Acquisition costs and other	(15,991)	(4,148)
Other operating income (expenses)	(24,080)	(9,810)
Financial transaction and other taxes	(36,084)	(20,346)
Non-operating income, net	594	(696)
Income tax and social contribution	(6,471)	(10,461)
Profit sharing	(3,004)	(4,301)
Minority interest	1,433	-
Net income for the quarter	**56,761**	**51,438**

23. Other Information

(a) Assets leased to third parties, in the amount of R$1,028,117 (December 31, 2004 - R$989,562), net of depreciation, are committed for sale to the lessees, at their option, at the end of the respective contracts for R$533,567 (December 31, 2004 - R$507,978) and the residual value received in advance from these lessees amounts to R$386,658 (December 31, 2004 - R$378,812), classified as a reduction of leasing operations. Assets leased from third parties are not material.

(b) Unibanco and its subsidiaries insure their properties and equipment to the extent considered necessary to cover possible losses, taking into account the nature of the activity. At March 31, 2005, the insurance coverage on properties and other assets in use totaled R$529,852 (December 31, 2004 - R$516,521) in Unibanco and R$1,167,498 (December 31, 2004 - R$1,155,028) in Unibanco Consolidated.

* * *

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Av. Francisco Matarazzo, 1400
Torre Torino
Caixa Postal 61005
05001-903 São Paulo, SP - Brasil
Telefone (11) 3674-2000
www.pwc.com/br

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Unibanco Holdings S.A. and
Unibanco - União de Bancos Brasileiros S.A.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of both Unibanco Holdings S.A. and subsidiary (the "Company") and Unibanco - União de Bancos Brasileiros S.A. and subsidiaries (the "Bank") at December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's and the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

São Paulo, June 16, 2005

PricewaterhouseCoopers
PricewaterhouseCoopers
Auditores Independentes

90 ANOS BRASIL
PRICEWATERHOUSECOOPERS

Deloitte.

Deloitte Touche Tohmatsu
Rua Bela Cintra, 881
01415-910 - São Paulo - SP
Brasil

Tel: +55 (11) 3150-1800
Fax: +55 (11) 3258-8456
www.deloitte.com.br

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Unibanco Holdings S.A. and
Unibanco - União de Bancos Brasileiros S.A.

1. We have audited the accompanying consolidated balance sheets of Unibanco Holdings S.A. (partially owned subsidiary of Moreira Salles Group) and subsidiary, ("the Holdings") and Unibanco - União de Bancos Brasileiros S.A. and subsidiaries ("the Bank") as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Holdings' and the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of both the Holdings and the Bank as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
June 24, 2004
São Paulo, Brazil

Unibanco Holdings S.A. and Subsidiary
Consolidated Balance Sheets
(Expressed in millions of Brazilian *reais*)

	As of December 31,	
	2003	2004
Assets		
Cash and due from banks	R$ 812	R$ 1,575
Interest-bearing deposits in other banks	2,211	2,652
Federal funds sold and securities purchased under resale agreements	8,874	11,472
Cash and cash equivalents	11,897	15,699
Interest-bearing deposits in other banks	675	927
Federal funds sold and securities purchased under resale agreements	-	207
Central Bank compulsory deposits	4,116	4,808
Trading assets, at fair value	5,867	7,442
Securities available for sale, at fair value	3,024	2,595
Securities held to maturity, at amortized cost	5,775	4,838
Loans	26,039	31,377
Allowance for loan losses	(1,317)	(1,560)
Net loans	24,722	29,817
Investments in unconsolidated companies	616	536
Premises and equipment, net	1,456	1,404
Goodwill	1,067	1,224
Intangibles, net	181	406
Other assets	6,674	7,980
Total Assets	R$ 66,070	R$ 77,883
Liabilities		
Deposits from customers:		
Demand deposits – non interest bearing	R$ 2,714	R$ 3,209
Time deposits	16,536	24,060
Savings deposits	6,163	6,346
Deposits from banks	276	119
Total deposits	25,689	33,734
Federal funds purchased and securities sold under repurchase agreements	6,750	6,687
Short-term borrowings	3,113	2,677
Long-term debt	13,348	11,700
Other liabilities	9,476	13,672
Total Liabilities	58,376	68,470
Commitments and contingent liabilities (Note 30)	-	-
Minority interest in consolidated subsidiaries	3,668	4,317
Stockholders' Equity		
Preferred stock (Note 19)	1,237	1,237
Common stock (Note 19)	695	695
Additional paid in capital	12	18
Treasury stock, at cost	(110)	(69)
Capital reserves	479	503
Appropriated retained earnings	2,264	2,709
Accumulated other comprehensive (losses) gains	(83)	7
Unappropriated retained deficit	(468)	(4)
Total Stockholders' Equity	4,026	5,096
Total Liabilities and Stockholders' Equity	R$ 66,070	R$ 77,883

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

Unibanco Holdings S.A. and Subsidiary
Consolidated Statement of Income
(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2002	2003	2004
Interest Income			
Interest and fees on loans	R$ 8,514	R$ 6,138	R$ 6, 495
Interest on federal funds sold and securities purchased under agreements to resell	652	1,554	1,538
Interest on securities:			
Trading	906	886	1,385
Available for sale	1,500	588	588
Held to maturity	3,113	(499)	449
Interest on deposits in other banks	182	166	249
Interest on Central Bank compulsory deposits	173	512	404
Interest on other assets	5	10	6
Total interest income	15,045	9,355	11,114
Interest Expense			
Interest on deposits:			
From banks	37	34	34
From customers:			
Savings deposits	404	516	383
Time deposits	2,410	3,383	2,839
Interest on federal funds purchased and securities sold under agreements to repurchase	1,270	1,142	1,167
Interest on short-term borrowings	2,064	(444)	(36)
Interest on long-term debt	3,557	(302)	949
Total interest expense	9,742	4,329	5,336
Net Interest Income	5,303	5,026	5,778
Provision for loan losses	1,291	881	948
Net Interest Income After Provision for Loan Losses	4,012	4,145	4,830
Non Interest Income			
Fee and commission income	1,854	2,152	2,382
Trading income (expenses)	(1,972)	691	221
Net gains (losses) on securities and non-trading derivatives	49	191	(150)
Net gains on foreign currency transactions	96	93	108
Equity in results of unconsolidated companies	184	199	220
Insurance, private retirement plan and pension investment contracts	1,291	1,468	1,775
Other non-interest income	1,714	709	2,285
Total non-interest income	3,216	5,503	6,841
Non Interest Expense			
Salaries and benefits	1,783	2,224	2,549
Administrative expenses	2,202	2,310	2,549
Amortization of intangibles and impairment on goodwill	90	91	152
Insurance, private retirement plan and pension investment contracts	1,306	1,666	1,898
Other non-interest expense	1,205	1,996	2,054
Total non-interest expense	6,586	8,287	9,202
Income Before Income Taxes and Minority Interest	642	1,361	2,469
Income Taxes			
Current tax expense	(214)	(199)	(200)
Deferred tax (expense) benefit	490	(155)	(95)
Total income taxes	276	(354)	(295)
Income Before Minority Interest	918	1,007	2,174
Minority Interest	(442)	(509)	(1,003)
Net Income	R$ 476	R$ 498	R$ 1,171

(continue…)

Unibanco Holdings S.A. and Subsidiary
Consolidated Statement of Income
(Expressed in millions of Brazilian *reais*, except otherwise indicated)

(…continuation)

	For the Year Ended December 31,					
	2002		2003		2004	
Net income applicable to common shares	R$	211	R$	208	R$	447
Net income applicable to preferred "A" shares		24		5		-
Net income applicable to preferred "B" shares	R$	241	R$	285	R$	724
Earnings per shares – in Brazilian *reais* (2)						
Distributed earnings (dividends)						
.Common	R$	0.24	R$	0.27	R$	0.32
. Preferred "A" (1)		0.26		0.14		-
. Preferred "B"		0.24		0.27		0.32
Undistributed earnings						
. Common		0.33		0.33		1.10
. Preferred "A" (1)		0.37		-		-
. Preferred "B"		0.33		0.33		1.10
Basic and diluted earnings per share						
. Common		0.57		0.60		1.42
. Preferred "A" (1)		0.63		0.14		-
. Preferred "B"		0.57		0.60		1.42
Weighted average shares outstanding (in thousands) – Basic						
. Common		371,384		349,754		315,146
. Preferred "A" (1)		38,435		23,653		-
. Preferred "B"		424,263		454,212		510,100
Weighted average shares outstanding (in thousands) – Diluted						
. Common		371,384		349,754		315,146
. Preferred "A" (1)		38,435		23,653		-
. Preferred "B"		424,263		454,415		510,518

(1) The distributed earnings (dividends) presented in 2003 correspond only to the dividends paid as from July 31, 2003 as the preferred shares class "A" were not entitled to the dividends paid as from January 30, 2004 since all preferred shares class "A" were converted to preferred shares class "B" in September 2003 (see Note 19).

(2) Earnings per share have been adjusted for all periods presented to reflect the new number of shares that resulted from the reverse stock split (100:1 shares), approved on April 30, 2004, in accordance with SFAS 128 "Earnings per share" (see Note 19).

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

Unibanco Holdings S.A. and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity
(Expressed in millions of Brazilian *reais*, except for number of shares)

	Number of shares (1)	For the Year Ended December 31, 2002	2003	2004
Capital				
Preferred shares "A" - balance beginning of year (2)	38,435,413	R$ 143	R$ 143	R$ -
Share conversion	(38,435,413)	-	(143)	-
Balance end of year	-	143	-	-
Preferred shares "B" - balance beginning of year (2)	433,484,991	970	970	1,237
Share conversion	94,673,897	-	267	-
Balance end of year	528,158,888	970	1,237	1,237
Common shares - balance beginning of year	371,384,359	819	819	695
Share conversion	(56,238,484)	-	(124)	-
Balance end of year	315,145,875	819	695	695
Additional paid in capital – balance beginning of year		-	6	12
Stock compensation plan		6	6	6
Balance end of year		6	12	18
Treasury stock, at cost - balance beginning of year	9,221,472	(40)	(40)	(110)
Purchase of own stock	201	-	-	-
Purchase of own stock in a buy-back program	14,355,664	-	(70)	-
Stock exchange with Unibanco	(10,000,000)	-	-	40
Stock exchange related to the Exchange Offer	(233,798)	-	-	1
Balance end of year	13,343,539	(40)	(110)	(69)
Capital reserves - balance beginning of year		479	479	479
Additional stock premium		-	-	24
Balance end of year		479	479	503
Appropriated retained earnings				
Legal reserve – balance beginning of year		105	135	165
Transfer from unappropriated retained earnings		30	30	35
Balance end of year		135	165	200
Unrealized income reserve – balance beginning of year		1,295	1,717	2,062
Transfer from unappropriated retained earnings		422	345	410
Balance end of year		1,717	2,062	2,472
Special dividends reserve – balance beginning and end of year		37	37	37
Total appropriated retained earnings		1,889	2,264	2,709
Accumulated other comprehensive				
Securities available for sale – balance beginning of year		(33)	(129)	(35)
Securities available for sale, net of applicable taxes (3)		(96)	94	42
Balance end of year		(129)	(35)	7
Cash flow hedges – balance beginning of year		-	(12)	(48)
Cash flow hedges, net of applicable taxes (3)		(12)	(36)	48
Balance end of year		(12)	(48)	-
Total accumulated other comprehensive (losses) gains		(141)	(83)	7
Unappropriated retained earnings – balance beginning of year		(189)	(363)	(468)
Net income for the year		476	498	1,171
Dividends/Interest on stockholders' equity - Preferred shares class "A"		(10)	(5)	-
Dividends/Interest on stockholders' equity - Preferred shares class "B"		(100)	(129)	(162)
Dividends/Interest on stockholders' equity - Common shares		(88)	(94)	(100)
Transfer to reserves		(452)	(375)	(445)
Balance end of year		(363)	(468)	(4)
Total Stockholders' Equity		R$ 3,762	R$ 4,026	R$ 5,096
Comprehensive income (Note 26)				
Net income		R$ 476	R$ 498	R$ 1,171
Other comprehensive income (loss), net of reclassification adjustment		(108)	58	90
Comprehensive income		R$ 368	R$ 556	R$ 1,261

(1) Considers the reverse stock split of 2004 (100:1 shares).
(2) See Note 19, for discussion of the changed name of our preferred shares "B" into "preferred shares".
(3) Includes a deferred income tax and social contribution of R$55, R$(30) and R$(46) at December 31, 2002, 2003 and 2004, respectively.

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

Unibanco Holdings S.A. and Subsidiary
Consolidated Statement of Cash Flows
(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2002	2003	2004
Operating activities			
Net income	R$ 476	R$ 498	R$ 1,171
Adjustment to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	1,291	881	948
Provision for insurance and private retirement plans	98	39	87
Depreciation	259	291	309
Amortization of intangibles and impairment on goodwill	90	91	152
Loss (gain) on sale of unconsolidated companies	(3)	11	(1,565)
Loss on sale of foreclosed assets	26	8	18
Loss (gain) on securities and non-trading derivatives	(49)	(191)	150
Loss (gain) on sale of premises and equipment	8	4	(5)
Deferred tax (benefits) expense	(490)	155	95
Equity in results of unconsolidated companies	(184)	(199)	(220)
Stock-based compensation expenses	9	10	10
Minority interest of consolidated subsidiaries	442	509	1,003
Dividends received from unconsolidated companies	197	158	181
Changes in assets and liabilities			
Trading assets (increase) decrease	4,461	(626)	(1,147)
Other assets increase	(1,207)	(697)	(2,594)
Other liabilities increase	1,969	2,384	2,812
Net cash provided by operating activities	7,393	3,326	1,405
Investing activities			
Net increase in deposits with banks	(12)	(323)	(252)
Net increase in Central Bank compulsory deposits	(2,385)	(195)	(686)
Net increase in federal funds sold and securities purchased under resale agreements	-	-	(207)
Purchases of available for sale securities	(3,825)	(2,642)	(2,298)
Proceeds from sale of available for sale securities	2,033	6,546	3,490
Purchases of securities held to maturity	(5,455)	(1,699)	(1,885)
Proceeds from matured and called securities held to maturity	870	1,901	3,140
Net increase in loans	(2,467)	(1,859)	(4,054)
Net cash received (paid) on acquisition of companies (Note 3)	53	-	(567)
Acquisition of intangible assets (Note 3)	-	(2)	(22)
Purchases of premises and equipment	(279)	(284)	(318)
Proceeds from sale of premises and equipment	302	53	130
Proceeds from sale of foreclosed assets	144	90	96
Purchases of unconsolidated companies	(117)	(53)	(7)
Proceeds from sale of unconsolidated companies	303	42	1,727
Net cash provided by (used in) investing activities	(10,835)	1,575	(1,713)
Financing activities			
Net increase (decrease) in deposits	6,118	(1,226)	7,507
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	6,213	(7,057)	(92)
Net increase (decrease) in short-term borrowings	58	(3,148)	(651)
Borrowings under long-term debt arrangements	7,445	7,744	3,550
Repayment of long-term debt	(4,396)	(5,380)	(5,466)
Purchase of own stock	-	(70)	-
Cash dividends/Interest on stockholders' equity paid	(194)	(227)	(240)
Minority interest of consolidated subsidiaries	(201)	(92)	(498)
Net cash provided by (used in) financing activities	15,043	(9,456)	4,110
Net increase (decrease) in cash and cash equivalents	11,601	(4,555)	3,802
Cash and cash equivalents at beginning of year	4,851	16,452	11,897
Cash and cash equivalents at end of year	R$ 16,452	R$ 11,897	R$ 15,699
Supplemental:			
Cash paid for interest	R$ 9,061	R$ 5,509	R$ 5,511
Cash paid for income taxes	148	164	268
Loans transferred to foreclosed assets	129	84	51
Dividends/Interest on stockholders' equity declared but not yet paid	104	103	144
Premises and equipment acquired through capital lease	54	-	29
Treasury shares exchanged in connection with the acquisition of Banco BNL do Brasil	-	-	40

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries
Consolidated Balance Sheets
(Expressed in millions of Brazilian *reais*)

	As of December 31,	
	2003	2004
Assets		
Cash and due from banks	R$ 812	R$ 1,575
Interest-bearing deposits in other banks	2,211	2,652
Federal funds sold and securities purchased under resale agreements	8,874	11,472
Cash and cash equivalents	11,897	15,699
Interest-bearing deposits in other banks	675	927
Federal funds sold and securities purchased under resale agreements	-	207
Central Bank compulsory deposits	4,116	4,808
Trading assets, at fair value	5,867	7,442
Securities available for sale, at fair value	3,024	2,595
Securities held to maturity, at amortized cost	5,775	4,838
Loans	26,039	31,377
Allowance for loan losses	(1,317)	(1,560)
Net loans	24,722	29,817
Investments in unconsolidated companies	616	536
Premises and equipment, net	1,456	1,404
Goodwill	1,067	1,224
Intangibles, net	181	406
Other assets	6,651	7,955
Total Assets	R$ 66,047	R$ 77,858
Liabilities		
Deposits from customers:		
Demand deposits – non interest bearing	R$ 2,714	R$ 3,209
Time deposits	16,547	24,101
Savings deposits	6,163	6,346
Deposits from banks	276	119
Total deposits	25,700	33,775
Federal funds purchased and securities sold under repurchase agreements	6,750	6,687
Short-term borrowings	3,113	2,677
Long-term debt	13,348	11,700
Other liabilities	9,444	13,605
Total Liabilities	58,355	68,444
Commitments and contingent liabilities (Note 30)	-	-
Minority interest in consolidated subsidiaries	938	842
Stockholders' Equity		
Preferred stock (Note 19)	1,549	2,098
Common stock (Note 19)	2,142	2,902
Additional paid in capital	19	29
Treasury stock, at cost	(133)	(53)
Capital reserves	295	336
Appropriated retained earnings	391	455
Accumulated other comprehensive (losses) gains	(139)	12
Unappropriated retained earnings	2,630	2,793
Total Stockholders' Equity	6,754	8,572
Total Liabilities and Stockholders' Equity	R$ 66,047	R$ 77,858

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries
Consolidated Statement of Income

(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2002	2003	2004
Interest Income			
Interest and fees on loans	R$ 8,514	R$ 6,138	R$ 6,495
Interest on federal funds sold and securities purchased under agreements to resell	652	1,554	1,538
Interest on securities:			
Trading	906	886	1,385
Available for sale	1,500	588	588
Held to maturity	3,113	(499)	449
Interest on deposits in other banks	182	166	249
Interest on Central Bank compulsory deposits	173	512	404
Interest on other assets	5	10	6
Total interest income	15,045	9,355	11,114
Interest Expense			
Interest on deposits:			
From banks	37	34	34
From customers:			
Savings deposits	404	516	383
Time deposits	2,411	3,385	2,843
Interest on federal funds purchased and securities sold under agreements to repurchase	1,270	1,142	1,167
Interest on short-term borrowings	2,064	(444)	(36)
Interest on long-term debt	3,557	(302)	949
Total interest expense	9,743	4,331	5,340
Net Interest Income	5,302	5,024	5,774
Provision for loan losses	1,291	881	948
Net Interest Income After Provision for Loan Losses	4,011	4,143	4,826
Non Interest Income			
Fee and commission income	1,854	2,152	2,382
Trading income (expenses)	(1,972)	691	221
Net gains (losses) on securities and non-trading derivatives	49	191	(150)
Net gains on foreign currency transactions	96	93	108
Equity in results of unconsolidated companies	184	199	220
Insurance, private retirement plan and pension investment contracts	1,291	1,468	1,775
Other non-interest income	1,714	709	2,285
Total non-interest income	3,216	5,503	6,841
Non Interest Expense			
Salaries and benefits	1,783	2,224	2,549
Administrative expenses	2,202	2,310	2,549
Amortization of intangibles and impairment on goodwill	90	91	152
Insurance, private retirement plan and pension investment contracts	1,306	1,666	1,898
Other non-interest expense	1,204	1,974	2,005
Total non-interest expense	6,585	8,265	9,153
Income Before Income Taxes and Minority Interest	642	1,381	2,514
Income Taxes			
Current tax expense	(214)	(199)	(200)
Deferred tax (expense) benefit	490	(155)	(95)
Total income taxes	276	(354)	(295)
Income Before Minority Interest	918	1,027	2,219
Minority Interest	(115)	(154)	(156)
Net Income	R$ 803	R$ 873	R$ 2,063

(continue…)

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries
Consolidated Statement of Income

(Expressed in millions of Brazilian *reais*, except otherwise indicated)

(…continuation)

	For the Year Ended December 31,		
	2002	2003	2004
Net income applicable to common shares…………………………………...	R$ 419	R$ 458	R$ 1,074
Net income applicable to preferred shares…………………………….............	R$ 384	R$ 415	R$ 989
Earnings per shares – in Brazilian *reais* (1)			
Distributed earnings (dividends)			
. Common..................……………………………………………….….....	R$ 0.23	R$ 0.30	R$ 0.36
. Preferred……...................………………………………………...……	0.26	0.33	0.39
Undistributed earnings			
. Common...…..................………………..	0.32	0.31	1.06
. Preferred ……..................………….................................………………	0.35	0.34	1.17
Basic and diluted earnings per share			
. Common...…………………	0.55	0.61	1.42
. Preferred ....……………………………....	0.61	0.67	1.56
Weighted average shares outstanding (in thousands) – Basic			
. Common..………………..	755,687	755,678	755,658
. Preferred …..………………………..	629,876	622,831	631,225
Weighted average shares outstanding (in thousands) – Diluted			
. Common..………………..	755,687	755,678	755,658
. Preferred …..………………………..	629,876	623,035	631,643

(1) Earnings per share have been adjusted for all periods presented to reflect the new number of shares that resulted from the reverse stock split (100:1 shares), approved on April 30, 2004, in accordance with SFAS 128 "Earnings per share" (see Note 19).

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Equity

(Expressed in millions of Brazilian *reais*, except for number of shares)

	Number of shares (1)	For the Year Ended December 31, 2002	2003	2004
Capital				
Preferred shares - balance beginning of year	653,170,890	R$ 1,549	R$ 1,549	R$ 1,549
Transfer from unappropriated retained earnings	-	-	-	549
Share conversion	29,275	-	-	-
Balance end of year	653,200,165	1,549	1,549	2,098
Common shares - balance beginning of year	755,687,443	2,142	2,142	2,142
Transfer from unappropriated retained earnings	-	-	-	760
Share conversion	(29,275)	-	-	-
Balance end of year	755,658,168	2,142	2,142	2,902
Additional paid in capital – balance beginning of year		-	9	19
Stock compensation plan		9	10	10
Balance end of year		9	19	29
Treasury stock, at cost				
Preferred shares - balance beginning of year	22,976,211	(88)	(90)	(133)
Purchase of own stock in a buy-back program	414,401	(2)	-	-
Purchase of own stock in a buy-back program	9,353,500	-	(43)	-
Stock exchange with Unibanco Holdings S.A.	(10,000,000)	-	-	40
Stock exchange with Banca Nazionale del Lavoro SpA	(10,000,000)	-	-	40
Balance end of year	12,744,112	(90)	(133)	(53)
Capital reserves				
Share premium – balance beginning of year		261	261	261
Additional stock premium		-	-	40
Balance end of year		261	261	301
Treasury stock sold – balance beginning and end of year		13	13	13
Fiscal incentive investment reserve – balance beginning of year		21	21	21
Adjustment reserve		-	-	1
Balance end of year		21	21	22
Total capital reserves		295	295	336
Appropriated retained earnings				
Legal reserve - balance beginning of year		224	274	327
Transfer from unappropriated retained earnings		50	53	64
Balance end of year		274	327	391
Special dividends reserve – balance beginning and end of year		64	64	64
Total appropriated retained earnings		338	391	455
Accumulated other comprehensive				
Securities available for sale – balance beginning of year		(54)	(214)	(57)
Securities available for sale, net of applicable taxes (2)		(160)	157	69
Balance end of year		(214)	(57)	12
Cash flow hedges – balance beginning of year		-	(20)	(82)
Cash flow hedges, net of applicable taxes (2)		(20)	(62)	82
Balance end of year		(20)	(82)	-
Total accumulated other comprehensive (losses) gains		(234)	(139)	12
Unappropriated retained earnings – balance beginning of year		1,823	2,236	2,630
Net income for the year		803	873	2,063
Dividends/Interest on stockholders' equity - Preferred shares		(163)	(202)	(253)
Dividends/Interest on stockholders' equity - Common shares		(177)	(224)	(274)
Transfer to capital		-	-	(1,309)
Transfer to reserves		(50)	(53)	(64)
Balance end of year		2,236	2,630	2,793
Total Stockholders' Equity		R$ 6,245	R$ 6,754	R$ 8,572
Comprehensive income (Note 26)				
Net income		R$ 803	R$ 873	R$ 2,063
Other comprehensive income (loss), net of reclassification adjustment		(180)	95	151
Comprehensive income		R$ 623	R$ 968	R$ 2,214

(1) Considers the reverse stock split of 2004 (100:1 shares).
(2) Includes a deferred income tax and social contribution of R$92, R$(49) and R$(78) at December 31, 2002, 2003 and 2004, respectively.

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

Unibanco – União de Bancos Brasileiros S.A. and Subsidiaries
Consolidated Statement of Cash Flows

(Expressed in millions of Brazilian *reais*)

	For the Year Ended December 31,		
	2002	2003	2004
Operating activities			
Net income	R$ 803	R$ 873	R$ 2,063
Adjustment to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	1,291	881	948
Provision for insurance and private retirement plans	98	39	87
Depreciation	259	291	309
Amortization of intangibles and impairment on goodwill	90	91	152
Loss (gain) on sale of unconsolidated companies	(3)	11	(1,565)
Loss on sale of foreclosed assets	26	8	18
Loss (gain) on securities and non-trading derivatives	(49)	(191)	150
Loss (gain) on sale of premises and equipment	8	4	(5)
Deferred tax (benefits) expense	(490)	155	95
Equity in results of unconsolidated companies	(184)	(199)	(220)
Stock-based compensation expenses	9	10	10
Minority interest of consolidated subsidiaries	115	154	156
Dividends received from unconsolidated companies	197	158	181
Changes in assets and liabilities			
Trading assets (increase) decrease	4,461	(626)	(1,147)
Other assets increase	(1,205)	(676)	(2,591)
Other liabilities increase	1,971	2,344	2,742
Net cash provided by operating activities	7,397	3,327	1,383
Investing activities			
Net increase in deposits with banks	(12)	(323)	(252)
Net increase in Central Bank compulsory deposits	(2,385)	(195)	(686)
Net increase in federal funds sold and securities purchased under resale agreements	-	-	(207)
Purchases of available for sale securities	(3,825)	(2,642)	(2,298)
Proceeds from sale of available for sale securities	2,033	6,546	3,490
Purchases of securities held to maturity	(5,455)	(1,699)	(1,885)
Proceeds from matured and called securities held to maturity	870	1,901	3,140
Net increase in loans	(2,467)	(1,859)	(4,054)
Net cash received (paid) on acquisition of companies (Note 3)	53	-	(567)
Acquisition of intangible assets (Note 3)	-	(2)	(22)
Purchases of premises and equipment	(279)	(284)	(318)
Proceeds from sale of premises and equipment	302	53	130
Proceeds from sale of foreclosed assets	144	90	96
Purchases of unconsolidated companies	(117)	(53)	(7)
Proceeds from sale of unconsolidated companies	303	42	1,727
Net cash provided by (used in) investing activities	(10,835)	1,575	(1,713)
Financing activities			
Net increase (decrease) in deposits	6,117	(1,222)	7,538
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	6,213	(7,057)	(92)
Net increase (decrease) in short-term borrowings	58	(3,148)	(651)
Borrowings under long-term debt arrangements	7,445	7,744	3,550
Repayment of long-term debt	(4,396)	(5,380)	(5,466)
Purchase of own stock	(2)	(43)	-
Cash dividends/Interest on stockholders' equity paid	(339)	(410)	(470)
Minority interest of consolidated subsidiaries	(57)	59	(277)
Net cash provided by (used in) financing activities	15,039	(9,457)	4,132
Net increase (decrease) in cash and cash equivalents	11,601	(4,555)	3,802
Cash and cash equivalents at beginning of year	4,851	16,452	11,897
Cash and cash equivalents at end of year	R$ 16,452	R$ 11,897	R$ 15,699
Supplemental:			
Cash paid for interest	R$ 9,061	R$ 5,509	R$ 5,511
Cash paid for income taxes	148	164	268
Loans transferred to foreclosed assets	129	84	51
Dividends/Interest on stockholders' equity declared but not yet paid	180	230	287
Premises and equipment acquired through capital lease	54	-	29
Treasury shares exchanged in connection with the acquisition of Banco BNL do Brasil	-	-	80

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

Note 1 - Basis of Presentation

Unibanco Holdings S.A. ("Holdings") is a limited liability company formed under the laws of the Federative Republic of Brazil. The activities of Holdings are conducted exclusively through its subsidiary Unibanco - União de Bancos Brasileiros S.A. ("Unibanco" or the "Bank"), which is a multiple service bank under Brazilian banking regulations, headquartered in São Paulo, Brazil. At December 31, 2003 and 2004, Holdings held 96.60% of Unibanco's common (voting) and 13.74% and 15.31% of Unibanco's preferred (nonvoting) shares, respectively. The preferred shares of Unibanco confer dividend rights 10% greater than those of the common shares.

Unibanco is a full-service financial institution providing, directly and indirectly through its subsidiaries, a wide variety of credit and non-credit products and services to all segments of the Brazilian domestic market and to a lesser extent to Brazilian customers for its operations outside Brazil through its offices, branches and subsidiaries in Nassau (Bahamas); Grand Cayman (Cayman Islands); New York, New York (USA); Asuncion (Paraguay); Luxembourg (Luxembourg) and London (England).

These notes to the consolidated financial statements cover both Unibanco and Holdings, and generally are applicable to both companies; however, when a particular Note is only applicable to Unibanco or Holdings individually (such as Note 19 which deals with stockholders' equity and matters relating to the by - laws) we have highlighted this fact.

We are organized under four main lines of business: retail, wholesale, insurance and wealth management (comprising asset management and private banking). Our retail products and services are designed to service individuals, small and middle businesses and include a wide variety of credit and non-credit products and services, such as overdraft loans, consumer finance, credit cards and a number of deposit accounts. Our wholesale business involves a variety of credit products and, increasingly, the provision of fee-based non-credit products and services to large companies in Brazil, such as cash management, investment banking and receivables collection. We conduct our insurance and savings-related products business through our subsidiaries providing life, auto and property and casualty insurance coverage to individuals and businesses, as well as pension and retirement plans, and savings and annuities products. Our subsidiary Unibanco Asset Management - Banco de Investimento S.A., offers, manages and administers a wide variety of investment funds and assets of corporations, private bank customers, foreign investors and individuals (see Note 32 for segment information).

The consolidated financial statements of Holdings includes the accounts of Holdings and its majority-owned subsidiary, Unibanco. The consolidated financial statements of Unibanco include the accounts of Unibanco and its majority-owned subsidiaries and entities where we have a controlling financial interest through arrangements that do not involve voting interests. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All material intercompany accounts and transactions have been eliminated in consolidation.

In order to improve presentation, prior periods amounts disclosed as investing activities in the Consolidated Statement of Cash Flows relating to (i) Dividends received from unconsolidated companies (2002 - R$197 and 2003 - R$158) and (ii) Minority interests of consolidated subsidiaries of Unibanco (2002 - R$(57) and 2003 - R$59) and of Holdings (2002 – R$(201) and 2003 - R$(92)), were reclassified to operating activities and financing activities, respectively and in the Consolidated Statement of Income the Net gain or loss on non-trading derivatives (2003 – R$(2)) were reclassified from "Trading income (expenses)" to "Net gains (losses) on securities and non-trading derivatives". These reclassification had no impact on balance sheet, net income, stockholders' equity and earnings per share or segment information presented (see Note 32).

(Expressed in millions of Brazilian reais, unless otherwise indicated)

The most significant subsidiaries of Unibanco as of December 31, 2004 are:

			Ownership interest	
Direct and indirect consolidated companies	**Activity**	**Country**	**Total**	**Voting**
. Unibanco AIG Seguros S.A.	insurance	Brazil	49.707%	52.758%
Unibanco AIG Vida e Previdência S.A. (1)	pension and retirement plans	Brazil	49.696	52.746
Unibanco AIG Saúde Seguradora S.A.	insurance	Brazil	49.707	52.758
. Unibanco Companhia de Capitalização	savings and annuities products	Brazil	99.992	99.992
. Unicard Banco Múltiplo S.A.	credit card	Brazil	100.000	100.000
. Hipercard Banco Múltiplo S.A.	credit card	Brazil	99.999	99.999
. Hipercard Administradora de Cartão de Crédito Ltda	credit card	Brazil	100.000	100.000
. Banco Único S.A.	bank	Brazil	99.980	99.975
. Banco Fininvest S.A. (2)	bank and credit card	Brazil	99.940	100.000
. Banco Dibens S.A.	bank	Brazil	51.001	51.001
. Unibanco Leasing S.A. - Arrendamento Mercantil	leasing	Brazil	99.999	99.999
. Unibanco Asset Management - Banco de Investimento S.A.	asset management	Brazil	99.999	99.999
. Unibanco Investshop Corretora de Valores Mobiliários e Câmbio S.A.	security broker	Brazil	100.000	100.000
. Interbanco S.A.	bank	Paraguay	99.999	99.999
. Unipart Participações Internacionais Ltd.	holding	Cayman Island	100.000	100.000
Unibanco - União de Bancos Brasileiros (Luxembourg) S.A.	bank	Luxembourg	99.999	99.999
Unibanco Cayman Bank Ltd.	bank	Cayman Island	100.000	100.000
Unicorp Bank & Trust Ltd.	private bank	Cayman Island	100.000	100.000
Unibanco Securities Inc.	security broker	USA	100.000	100.000

(1) The total and voting ownership interest in 2003 was 49.707% and 52.758%, respectively.
(2) The total ownership interest in 2003 was 99.920%.

For a description of Unibanco's investments in unconsolidated companies, see Notes 2 (j) and 11.

Note 2 - Significant Accounting Policies

In preparing our consolidated financial statements, we use estimates and assumptions to account for certain assets, liabilities, revenues, expenses and other transactions in accordance with U.S. GAAP. The consolidated financial statements include various estimates and assumptions, including, but not limited to the adequacy of the allowance for loan losses, estimates of the fair value of certain financial instruments, the carrying amount of goodwill, the amount of valuation allowances on deferred tax assets, the amount of insurance and private retirement plan reserves, the selection of useful lives of certain assets, the determination of the need for and the amount of impairment charges on long-lived assets, the determination of probability and the estimate of contingent losses and valuation of employee stock option. Actual results in future periods could differ from those estimates.

These consolidated financial statements differ from our statutory consolidated financial statements as filed with the applicable Brazilian authorities as a result of preparing these consolidated financial statements in accordance with U.S. GAAP.

(a) Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks and federal funds sold and securities purchased under resale agreements with original maturities of three months or less at the time of purchase.

(b) Presentation of interest-earning assets and interest-bearing liabilities

Interest-earning assets and interest-bearing liabilities are presented in the consolidated balance sheet at the principal amount outstanding plus accrued interest and monetary correction adjustments. Such presentation is required since accrued interest and monetary correction adjustments are added to the outstanding principal each period for substantially all of such assets and liabilities.

The accrual of interest on Brazilian financial assets and liabilities usually include nominal interest rates and a monetary correction component. Such monetary correction may be related to an inflation index, changes in foreign exchange rates (usually U.S. dollar) or other floating interest rate. The interest rate and monetary correction are applied at the end of each month to the principal balance of each operation. The updated value becomes the new basis for the accrual of the next month's interest and monetary correction, and so forth, until settled. As a result, it is not practical (and it would not reflect the actual return on our investments) to segregate only the interest rate component.

Total interest and monetary correction accrued on the outstanding principal of assets and liabilities was R$1,618 and R$2,458 at December 31, 2003 and R$2,498 and R$2,505 at December 31, 2004, respectively.

(c) Securities purchased under resale agreements and securities sold under repurchase agreements

We enter into purchases of securities under resale agreements and sales of securities under repurchase agreements of substantially identical securities (mainly represented by government debt securities). The amounts advanced under resale agreements and the amounts borrowed under repurchase agreements are accounted for as short-term secured borrowings and are carried on the balance sheet together with accrued interest. Generally, our policy is to obtain the use or take possession of the securities purchased under resale agreements and we do not account for the securities underlying such agreements as securities in the consolidated balance sheets because the control remain with the counterparty. On the other hand, the securities underlying the repurchase agreements remain accounted for as our securities because we retain the control of the securities. We closely monitor the market value of the underlying securities collateralizing the resale agreements in order to limit our credit risk with counterparties.

(d) Trading assets

Securities classified as trading in accordance with Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for Investments in Debt and Equity Securities", are carried at fair value and recorded in trading assets as of their trade date. Realized and unrealized gains (losses) on trading securities are recognized currently in "Non-interest income - trading income (expenses)".

(e) Derivative instruments and hedging activities

We use a variety of derivatives, such as forwards, futures, swaps and options, as part of our overall asset and liability risk management. As required by SFAS 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS 137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS 133" and SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities", we recognize all derivatives on the balance sheet as either assets or liabilities, at fair value, based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted prices for instruments with similar characteristics.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. We manage these risks as part of our asset and liability management process and through credit policies and procedures. We seek to minimize counterparty credit risk by entering into transactions with only a select number of high-quality institutions. A large part of our derivatives are negotiated on the Brazilian Futures and Commodities Exchange ("BM&F"). Exchange-traded instruments conform to standard terms and are subject to policies set by the BM&F, including counterpart approval, daily margin requirements and security deposit requirements. The credit risk associated with these types of instruments is disclosured in Note 28. For swap contracts, which are negotiated in a Clearing House for Custody and Financial Settlement of Securities or in an over-the-counter transaction, we analyze the credit risk and record provisions for probable losses, as necessary.

The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. Derivatives not designated as hedges are recorded as trading assets or liabilities and the gain or loss is recognized in current earnings in "trading income (expenses) in non-interest income".

For those derivatives that are designated and qualify as hedging instruments, we formally document the relationships between the hedging instruments and the hedged items, as well as the risk management objective and strategy before undertaking the hedge. We assess at the inception of the hedge and thereafter, whether the derivative used in our hedging transaction is expected to be or has been highly effective in offsetting changes in the fair value or estimated cash flows of the hedged items. We discontinue hedge accounting prospectively when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, the derivative expires or is sold, or management discontinues the derivative's hedge designation. In those circumstances, amounts included in accumulated other comprehensive losses or gains regarding a cash flow hedge are recognized in "Net gains (losses) on securities and non-trading derivatives" to match the earnings recognition pattern of the hedged item.

For derivatives that are designated as fair value hedges, the gain or loss on derivatives as well as the loss or gain on the hedged items are recognized in "Net gains (losses) on securities and non-trading derivatives" in current earnings. For derivatives designated as cash flow hedges, the effective portions of the gain or loss on derivatives are reported as a component of "Accumulated other comprehensive losses or gains" and recognized in "Net gains (losses) on securities and non-trading derivatives" in the same period or periods during which the hedged transaction affects earnings. Net losses on non-trading derivatives was R$2 and R$70 in December 31, 2003 and 2004, respectively. Any ineffective gain or loss on these derivatives is recognized in "Net gains (losses) on securities and non-trading derivatives" in current earnings. A highly effective hedging relationship (a range between 0.8 and 1.25) is one in which we achieve offsetting changes in fair value or cash flows for the risk being hedged (see Note 28).

(f) Available for sale and held to maturity securities

We classify securities in accordance with SFAS 115. These classifications are determined based on our intent with respect to the securities on the date of purchase (trade date). Gains and losses on the sale of securities are recognized through average cost method on the applicable trade date.

Generally, we classify debt and equity securities as available for sale based on current economic conditions, including interest rates. Securities available for sale are recorded at fair value with unrealized gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes (losses of R$57 and gains of R$12 at December 31, 2003 and 2004, respectively in Unibanco, and losses of R$35 and gains of R$7 at December 31, 2003 and 2004, respectively in Holdings). Securities available for sale are used as part of our overall interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment risk and other factors.

Debt securities for which we have the intent and ability to hold them to maturity are classified as held to maturity and recorded at amortized cost.

Declines in the fair value of available for sale and held to maturity securities below their cost that are deemed to be other-than-temporary are recorded in "Net gains (losses) on securities and non-trading derivatives" as realized losses in accordance with SFAS 115 and the application of the additional qualitative and quantitative disclosures of marketable securities and debt securities impairment established by EITF 03-01 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (see Notes 7 and 8).

(g) Loans

Loans are stated at principal plus accrued interest receivable and monetary correction (as explained in Note 2 (b)). Interest income is recorded on an accrual basis using the effective interest method. All loans 60 days or more past due as to principal or interest are discontinued the accrual (non-accrual) of interest income and monetary correction and are classified as nonperforming loans. Interest collections including indexation readjustments, received in each period on non-accrual loans are included in interest income on loans.

Credit card fee operations are deferred and recognized on a straight-line basis over the period that the fee entitles the cardholder to use of the card.

Direct lease financing is carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Lease financing income is recognized over the term of the lease.

(h) Allowance for loan losses

The allowance for loan losses is the amount that has been provided for probable losses in the loan portfolio. The allowance is increased by provisions for loan losses and recoveries of loans previously charged-off and is reduced by charged-off loans deemed uncollectible.

Loans are charged-off against the allowance when the loan is not collected or is considered permanently impaired. Charge-off normally occurs if no payment is received within 360 days from its due date. The allowance is adjusted in future periods for changes in the estimated probable losses inherent in the portfolio.

We assess the creditworthiness of our loan portfolio and establish allowances for probable credit losses on a monthly basis. The process used to determine these reserves involves estimates and judgments. We determine a minimum allowance for expected losses within each client's rating. Loss forecast models are utilized for this purpose considering, among other things, recent loss experience, current economic conditions, the risk characteristics of the various classifications of loans, the fair value of the underlying collateral, the probability of default and the loss given default rates in making this evaluation, as well as the size and diversity of individual credits. Changes in these estimates and judgments have a direct impact on the allowances.

Our wholesale loans have distinctive characteristics and therefore are not evaluated as a homogeneous portfolio. Instead, the allowances are currently calculated based on the risk profile of each individual borrower, which accounts for, among other factors, financial history, cash flows, quality of management, relationship history, market conditions and other factors relating to credit risk. We consider all larger balance nonperforming loans subject to specific review for impairment. Once a loan has been identified as impaired, we measure impairment in accordance with SFAS 114, "Accountingby Creditors for Impairment of a Loan", as amended by SFAS 118 "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures". The measurement of impairment on an impaired loans is based on (i) the present value of the loan's expected cash flows; (ii) the observable market value of the loan; or (iii) the realizable value of the underlying collateral for collateral-dependent loans. If carrying value of the impaired loan exceeds the measure of estimated fair value, a specific allowance is established as a component of the allowance for loan losses.

Small-balance homogeneous loans such as overdrafts, credit card loans, mortgage loans and consumer finance loans have similar characteristics and are managed using specialized systems and processes. We use a wide range of statistical tools to evaluate loans requests and client's performance, which include credit and behavior scoring models. The allowance for loan losses in the Retail portfolio is established using a process that consider recent loss experience, current economic conditions, the risk characteristics of the various categories of loans, the fair value of the underlying collateral and other factors directly influencing the potential collectibles of loans.

The allowance for loan losses is maintained at a level that we believe to be sufficient to absorb estimated probable credit losses inherent in the loan portfolio.

(i) Nonperforming and impaired loans

We consider certain loans as impaired (except for smaller homogeneous loans which we evaluated under SFAS 5 "Accounting for Contingencies") when in our judgment all amounts due, including accrued interest and indexation, are no longer considered collectible in accordance with the loans' contractual terms, as defined in SFAS 114, "Accounting by Creditors for Impairment of a Loan", as amended by SFAS 118 "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures". We consider all loans 60 days or more overdue as nonperforming and those of larger balance nature are subject to specific review for impairment (see Note 2 (h)). A valuation allowance is established through the allowance for loan losses for the difference between the carrying value of the impaired loan and its value determined as described above.

(j) Investments in unconsolidated companies

Investments in unconsolidated companies, where we own between 20% and 50% of voting capital and have the ability to exercise significant influence over the operation of the investee are accounted for using the equity method of accounting. Under this method our share of results of the investee, as reported under U.S. GAAP, is recognized in the statements of income in one amount as "Equity in results of unconsolidated companies", and dividends are credited when declared to the "Investments in unconsolidated companies" account in the balance sheets.

Investments in companies of less than 20% with no readily determinable market value are recorded at cost (unless we have the ability to exercise significant influence over the operations of the investee in which case we use the equity method) and dividends are recognized in income when received (see Note 11).

(k) Premises and equipment

Premises and equipment are recorded at cost. Depreciation is computed on the straight-line method at the following annual rates: buildings - 4%, furniture and equipment - 10% and data processing equipment and vehicles - 20%. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the maturity of the lease contract, generally between 5 and 10 years. Expenditures for maintenance and repairs are charged to non-interest expense as incurred.

We assess impairment in accordance with the requirements of SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" when events and circumstances indicate that such impairment may exist. No such impairment has been identified through December 31, 2003 and 2004.

Fixed assets, mainly comprising certain bank branches, which were sold and subsequently leased by us for the purposes of continuing our operations, were recorded pursuant to SFAS 13, SFAS 98, "Accounting for Leases", and SFAS 28 "Accounting for Sales with Leasebacks".

For transactions classified as operating leases, relating to property sold for cash, only the portion corresponding to: (i) the positive difference between revenue determined at the time of the sale and the present value of the future lease to be paid is recognized immediately in income for the period, whereas (ii) the remaining portion is deferred over the corresponding rental contract terms, and (iii) exclusively in cases of loss, the amounts are recognized immediately. In cases where the sale is financed, income will be determined only as from the final maturity of the corresponding financing (see Note 12) and subsequently recorded in accordance with the criteria described above. Gain or loss on the cash sales not subject to lease contracts was recognized immediately in income for the year as "Other non-interest income".

(l) Costs of software developed or obtained for internal use

We adopt Statement of Position ("SOP") 98-1 "Accounting for the Cost of Software Developed or Obtained for Internal Use" and accordingly we capitalize certain costs associated with internally developed internal-use software. Amortization is computed on the straight-line method over no more than five years.

In accordance with SOP 98-1, we capitalize all costs related with software developed or obtained for internal use, except the costs related with the planning and production stage, which are expensed.

(m) Goodwill and intangibles

We recorded goodwill and intangibles in accordance with SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets" as amended by SFAS 147 "Acquisitions of Certain Financial Institutions" which was issued during October 2002 and clarified that, only if certain criteria are met, an acquisition of a less-than-whole financial institution (such as a branch acquisition) should be accounted for as a business combination. In addition, SFAS 147 amends SFAS 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor-and-borrower-relationship intangible assets. As a result, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS 144 requires for other long-lived assets that are held and used by a company. The net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition. The historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on an appropriated systematic method, over the period which the asset is expected to contribute directly or indirectly to the future cash flows. Goodwill is not amortized but is reviewed for potential impairment at least on annual basis at the reporting unit level. The impairment test compares the fair value of the reporting unit with the carrying amount of the net assets (including goodwill). If the fair value of the reporting unit exceeds the carrying amount of the net assets (including goodwill), the goodwill is considered not impaired; however, if the carrying amount of the net assets exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. Impairment adjustment was not necessary for the years ended December 31, 2002 and 2003. For December 31, 2004, we recorded an impairment in the amount of R$35.

Intangible assets are evaluated for impairment if events and circumstances indicate a possible impairment. There are no events and circumstances indicating an impairment for 2002, 2003 and 2004.

(n) Foreclosed assets, including real estate

Assets received upon foreclosure of loans or in lieu of foreclosure, including real estate, are initially recorded at the lower of (a) fair value minus estimated costs to sell, or (b) the carrying value of the loan; with initial differences recorded as a charge to the allowance for loan losses. Subsequent decreases in the fair value of the asset are recorded as a valuation allowance with a corresponding charge to non-interest expense. Net costs of maintaining such assets are expensed as incurred. In accordance with Brazilian banking regulations, we are required to dispose of such assets within one year of foreclosure.

(o) Transfers of financial assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from us (2) the transferee obtains the right (free of condition that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) we do not maintain effective control over the transferred assets through agreements to repurchase or redeem them before their maturity or ability to unilaterally cause the holder to return specific assets.

(p) Consolidation of Variable Interest Entities (VIE)

In December 2003, the FASB issued interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51. FIN 46R is a revision to the original FIN 46 that addresses the consolidation of certain variable interest entities. The revision clarifies and provides a framework for identifying and evaluating VIEs for consolidation purposes and was required to be fully implemented no later than the end of the first reporting period that ends after March 15, 2004.

Adoption of FIN 46R did not impact the consolidation of our existing VIEs, which have already been consolidated based on the relevant accounting literature prior to FIN 46R considering situations where we control more than 50% of ownership or are the primary beneficiary of the entity taking into account qualitative and quantitative analysis of VIEs (Topic No. D-14 "Transactions involving Special-Purpose Entities", nullified by FIN 46R).

(q) Income taxes

We account for income taxes in accordance with SFAS 109 "Accounting for Income Taxes". SFAS 109 prescribes an asset and liability approach, which requires the recognition of deferred tax assets and liabilities for temporary differences between the amounts included in the financial statements and tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates. Changes in tax law and rates are reflected in the period in which they are enacted. If, after considering future tax consequences, we believe that the carrying value of any deferred tax asset is "more likely than not" unrealizable, then we establish a valuation allowance equal to that amount.

(r) Insurance premiums, deferred acquisition costs, reserves for insurance claims, private retirement plan benefits and pension investment contracts

Insurance Premiums – Substantially our insurance contracts are considered short-duration insurance contracts. Premiums from short duration insurance contracts are recognized over the related contracts period. Insurance premiums are included as "Non interest income - insurance, private retirement plan and pension investment contracts".

Deferred acquisition costs - The costs that vary with and are related to the production of new insurance business are deferred to the extent that such costs are deemed recoverable from future profits. Such costs include mainly commissions, costs of policy insurance and variable back-office expenses and are amortized over the expected life of the contracts in proportion to the premium income. Deferred acquisition costs are subject to recoverability testing at the end of each accounting period and, if not recoverable, are fully expensed.

Insurance policy and claims reserves - Reserves for insurance claims are established based on historical experience, claims in process of payment, estimated amounts of claims incurred but not yet reported, and other factors relevant to the levels of reserves required. Reserves are adjusted regularly based upon experience with the effects of changes in such estimated reserves included in the results of operations in the period in which the estimated changes occurred and include estimated reserves for reported and unreported claims incurred, recorded in "Other liabilities".

Reserves for private retirement plan benefits are established based on actuarial calculations.

Pension investment contracts - Certain products offered by us, such as pension investment contracts where the investment risk is for the account of policyholders, are considered investment contracts in accordance with the requirements of SFAS 97, "Accounting and Reporting by Insurance Enterprises for Certain Long Duration Contracts and for Realized Gains and Losses from the Sale of Investments" and SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts". During the accumulation phase of the pension investment contracts where the investment risk is for the account of policyholder, in which the policyholders have agreed to the insurance terms of the plan, the contracts are treated as an investment contract. During the annuity phase the contract is treated as an insurance contract with mortality risk. Account values are not actuarially determined. Rather, account values are increased by the deposits received and interest credited (based on contract provisions) and are reduced by withdrawals and administrative expenses charged to the policyholders. An additional liability for the contract feature is established if the present value of expected annuitization payment at the expected annuitization date exceeds the expected account balance at the annuitization date, in accordance with SOP 03-1.

The interest credited is included in changes in “Non interest expense – Insurance, private retirement plan and pension investment contracts”. The securities related to these pension investment contracts are classified as “trading assets” and “securities available for sale” in the Consolidated Financial Statements.

(s) Provision for guarantees

We record provision for guarantees in accordance with FASB Interpretation 45 “Guarantor’s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others” (FIN 45). FIN 45 was issued in November 2002, which expands on the accounting guidance of SFAS 5, SFAS 57 “Related Party Disclosures” and SFAS 107 “Disclosures about Fair Value of Financial Instruments” and incorporates without change the provision of SFAS 34 “Capitalization of Interest Cost”, which is being superseded. FIN 45 requires that a liability be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee (see Note 29).

(t) Fee income

We earn fee income from investment management, credit card, investment banking and certain commercial banking services. Such fees are typically recognized when the service is performed (investment and commercial banking) or deferred and recognized over the life of the contract (investment management and credit card).

(u) Translation of foreign currency operations into *reais*

The functional currency used for foreign operations is the Brazilian *reais*. Assets and liabilities of foreign operations, substantially all of which are monetary in nature, are translated into Brazilian *reais* at the respective period-end exchange rates and revenues and expenses are translated at a weighted average of exchange rates during the period. Transactions denominated in foreign currencies are translated into Brazilian *reais* at the transaction date. Foreign exchange transaction gains and losses on foreign operations are recognized currently in interest income and interest expense, respectively.

(v) Employee benefits

(i) Pension plan

We do not maintain defined-benefit private pension plans or other postretirement benefit plans for our employees in December 2004 and 2003. However, we are required to make employer contributions to the Brazilian Government pension, welfare benefit and redundancy plans which are expensed as incurred. Such contributions totaled R$319, R$359 and R$444 in 2002, 2003 and 2004, respectively.

We and part of our employees sponsors a “Free Benefits Generation Program” (PGBL) a system whereby the participant accumulated financial resources during his/her career, through contributions paid by the employee and the company where he/she works. These contributions were invested in an Exclusive Financial Investment Fund (FIFE). The program was based on defined contributions by both Unibanco and the employees until October 2004. After this date only the employees have been sponsored this program.

Also in July 1, 2004, the employee’s PGBL was redesigned in order to offer to employees of Unibanco a new defined – contribution plan. The new plan is managed by a closed private entity through Trevo – Instituto Bandeirantes de Seguridade Social. This new plan have been sponsored by Unibanco and employees.

During 2003 and 2004, the sponsor contribution totaled R$10 and R$15, respectively.

(ii) Stock-based compensation

We established a stock – based employee compensation plan in 2001 which is described more fully in Note 25. We account for this plan in accordance with SFAS 123 "Accounting for Stock Based Compensation". Under SFAS 123 as amended by SFAS 148 "Accounting for Stock Based Compensation – Transition and Disclosure", the stock options were recorded as an expense over the vesting period based on the fair value calculated using a Black-Scholes model. In December 2004, the FASB issued SFAS 123 (revised 2004) "Share-based payment" (SFAS 123R) which replaces SFAS 123. SFAS 123 requires all entities to apply the fair value based measurement method in accounting for share-based payment transactions. Because we adopted the provisions of SFAS 123 since the inception in 2001, the impact of adopting SFAS 123R is not expected to be significant.

(w) Restructuring charges

Generally, the liability for a cost associated with restructuring plans is recognized and measured initially at fair value only when the liability is incurred. However, we accounted a liability for post employment benefits when it is probable that a liability has been incurred or the amount can be reasonably estimated and the severance benefits are probable of payment. Restructuring charges typically include employee-related costs and incremental costs for which no future benefit can be derived as a direct result of the restructuring activities.

(x) Earnings per share (EPS)

In calculating EPS, Unibanco and Holdings have adopted the two class method. This method is an earnings allocation formula that determines earnings per share for each class of common shares and preferred shares according to dividends declared and participation rights to undistributed earnings. Under this method, net income is first reduced by the amount of dividends declared in the current period for each class of share, the remaining earnings are then allocated to common share and preferred share to the extent each security may share in earnings. The total earnings allocated to each share (i.e. actual dividends declared and the amount allocated for the participation feature) is then divided by the number of weighted average shares outstanding.

Diluted earnings per share is based on the same adjusted net income as in the basic EPS and the weighted average number of shares outstanding is increased by the number of shares that would be issued assuming the exercise of stock options. In 2002, 2003 and 2004 we issued stock options and calculated the diluted earnings (see Consolidated Statement of Income).

We have assessed the impact of implementation of EITF 03-6 "Participating Securities and the Two-Class Method" under SFAS 128 "Earnings per Share" and concluded that no change should be required in the calculation of EPS.

HOLDINGS

Earnings per share are presented based on the two classes (2002 and 2003 – three classes) of stock issued by Holdings. All classes, common and preferred, participate in dividends on substantially the same basis, except that class "A" preferred stockholders are entitled to dividends per share ten percent (10%) higher than common and class "B" preferred stockholders (see Note 19). Earnings per share are computed on the distributed (dividends) and undistributed earnings of Holdings after giving effect to the 10% preference, without regard to whether the earnings will ultimately be fully distributed. Weighted average shares are computed based on the periods for which the shares are outstanding.

UNIBANCO

Earnings per share are presented based on the two classes of stock issued by Unibanco. Both classes, common and preferred, participate in dividends on substantially the same basis, except that preferred stockholders are entitled to dividends per share ten percent (10%) higher than common stockholders (see Note 19). Earnings per share are computed based on the distributed (dividends) and undistributed earnings of the Unibanco after giving effect to the

10% preference, without regard to whether the earnings will ultimately be fully distributed. Weighted average shares are computed based on the periods for which the shares are outstanding.

(y) Recently adopted and issued accounting standards

SFAS 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", issued during March 2003, amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered or modified after June 20, 2003 and for hedging relationships designated after June 30, 2003. In addition, except for some specific transactions, all provisions of this statement should be applied prospectively. The adoption of SFAS 149 did not have a material impact on our consolidated financial statements.

SFAS 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued during May 2003 and requires that an issuer classify some financial instrument with characteristics of both liabilities and equity as a liability (or asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS 150 did not have a material impact on our consolidated financial statements.

SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts", was issued by the AICPA in July 2003 and it provides guidance on accounting and reporting by insurance enterprises for certain non-traditional long-duration, contracts and for separate accounts. This SOP requires, among other things, a liability valuation for certain long-duration insurance and investments contracts that are subject to SFAS 97 "Accounting and Reporting by Insurance Enterprises for Certain Long Duration Contracts and for Realized Gains and Losses from the Sale of Investments". The provisions of this SOP are effective for financial statements for fiscal years beginning after December 15, 2003. Restatement of previously issued financial statements is not permitted. The adoption of SOP 03-1 did not have a material impact on our consolidated financial statements (see Note 17).

SOP 03-3: "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" was issued by the AICPA in December 2003. It provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality. Among other things, SOP 03-3 prohibits the recognition of the excess of contractual cash flows over expected cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. We are evaluating the impact of adoption of SOP 03-3. However, at this time we do not expect the impact of SOP 03-3 to have a significant effect on our consolidated financial statements.

FSP-EITF 03-1-1 – Issued by the FASB in September 2004, delayed the recognition and measurement provisions of EITF 03-1 pending the issuance of further implementation guidance. Once issued we will evaluate the impact of adopting EITF 03-1.

On March 31, 2004, the EITF reached final consensus on EITF Issue 03-6, "Participating Securities and the Two-Class Method" under SFAS 128. Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the company's common stock. The issue clarifies what is meant by the term participating security, as used in SFAS 128. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument's effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. The consensus also addresses the allocation of losses. If undistributed earnings must be allocated to participating securities under the two-class method, losses should also be allocated. However, EITF 03-6 limits this allocation only to situations when the security has (1) the right to participate in the earnings of the company, and (2) an objectively determinable contractual obligation to share in net losses of the company.

The consensus reached in EITF 03-6 is effective for fiscal periods beginning after March 31, 2004. EPS in prior periods must be retroactively adjusted in order to comply with the consensus decisions reached in EITF 03-6. We have assessed the impact of implementation of EITF 03-6 and concluded that no change would be required in the calculation of Basic and Diluted EPS.

Note 3 – Acquisitions, Goodwill and Intangible Assets

(i) 2003 Acquisitions

In March 2003, we acquired the pension and retirement plans of Cigna Seguradora S.A. through our subsidiary Unibanco AIG Previdência S.A. and paid R$2 for a customer relationship intangible and market share participation. We also signed a service agreement that will preserve rights and obligations agreed.

(ii) 2004 Acquisitions

During 2004, we expanded our retail (consumer business), wholesale and insurance business through the following acquisitions:

Retail

Creditec

In November 2003, we signed a purchase and sale agreement, through our subsidiary Banco Fininvest S.A., with Grupo BBM to acquire Creditec Crédito, Financiamento e Investimento S.A.. On May 13, 2004, Creditec's acquisition was concluded and approved by the Central Bank and other authorities.

The value of the transaction was R$50, including goodwill of R$38 at date of the acquisition. Creditec's acquisition was accounted for following the purchase method.

HiperCard

In March 2004, we acquired HiperCard Administradora de Cartão de Crédito Ltda., or HiperCard, from the Dutch group Koninklijke Ahold N.V.

The value of the transaction was R$630, including goodwill of R$105 and an identifiable intangible asset related to customer relationships of R$315 at date of the acquisition. Hipercard's acquisition was accounted following the purchase method. The intangible asset related to customer relationships will be amortized over 10 years, the period during which it is expected to contribute to future cash flows.

Sonae

In August 2004, Unibanco, through its subsidiary Banco Fininvest S.A., and Sonae established a partnership agreement for the creation of a financing company that will offer financial products to Sonae's customers. The value of the transaction was R$21 corresponding to an identifiable intangible asset related to customer relationships at date of the partnership agreement and will be amortized over 10 years, the period which is expected to contribute to the future cash flows.

Lev Cred

In August 2004, Unibanco, through its subsidiary Fininvest S.A. Negócios e Varejo, acquired Lev Cred Serviços de Crédito e Cobrança S.A. The value of the transaction was R$6, including an identifiable intangible asset related to customer relationships of R$5 at the date of the acquisition and will be amortized over 5 years, the period which is expected to contribute to the future cash flows and was accounted following the purchase method.

Credicerto

In October 2004, Unibanco through its subsidiary Banco Fininvest S.A., acquired from Credicerto an identifiable intangible asset related to the existing customer database and expects that it will be able to derive benefit from the information on the acquired customer database for the next 3 years. The value of the transaction was R$1 and will be amortized over 3 years, the period which is expected to contribute to the future cash flows and was accounted following the purchase method.

Banco1. net

During the third quarter, we acquired 17,607 thousand common and preferred shares of Banco1.net S.A. increasing our ownership to 99.999% of the total equity. The value of the transaction was R$38, including goodwill of R$22. The acquisition was accounted following the purchase method. In December 2004, we decided to discontinue the Banco1.net business and, as a consequence, the R$22 of goodwill associated with Banco1.net business was recorded as impairment in the reporting unit level.

Wholesale

Banco BNL

In June 2004, we acquired the total capital of Banco BNL do Brasil ("BNL Brasil"), from Banca Nazionale Del Lavoro S.p.A. ("BNL"). On September 29, 2004, BNL Brasil's acquisition was concluded and approved by the Central Bank.

We acquired BNL Brasil in exchange of 10,000,000 Units (comprising 10,000,000 preferred shares of Unibanco and 10,000,000 preferred shares of Holding, considering the reverse stock split of 2004) previously accounted as treasury stock valued at R$120, including goodwill of R$11. In connection with the exchange of shares we recorded an additional stock premium in the amount of R$40 based on the difference between the average quoted market prices of our Units during the two weeks before the date of the exchange and the carrying amount at the acquisition date. BNL Brasil's acquisition was accounted following the purchase method.

Insurance

Phenix

In October 2003, our subsidiary Unibanco AIG Seguros S.A. entered into an agreement to acquire the insurance company Phenix Seguradora S.A. from Toro Targa Assicurazioni S.p.A. and Fiat do Brasil S.A. At January 16, 2004, the transaction was concluded and approved by the Brazilian antitrust regulatory authority.

The value of the transaction was R$13, including goodwill of R$2 at date of the acquisition. Phenix's acquisition was accounted for following the purchase method.

Unibanco AIG Warrant (UAW)

In November 2004, we acquired from Multibrás S.A. Eletrodomésticos 20% interest of the total capital of Unibanco AIG Warrant for R$27, including goodwill of R$23 at the date of the acquisition. The acquisition was accounted following the purchase method. As a result of this transaction, Unibanco owns an indirect interest of 70% of Unibanco AIG Warrant's capital. Prior to November 2004, we accounted for UAW's results using the equity method, since we did not have a majority control interest.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

(iii) Goodwill and intangible assets

The following tables present our goodwill and intangibles allocated for each business segment at December 31, 2003 and 2004:

	As of December 31,			
	2003		2004	
Goodwill				
Retail	R$	969	R$	1,100
Wholesale		40		51
Wealth management		55		45
Insurance		3		28
Total	R$	1,067	R$	1,224
Intangible Assets (Customer relationships)				
Retail	R$	180	R$	406
Insurance		1		-
Total	R$	181	R$	406

The amortization of intangible assets in 2003 and in 2004 was R$91 and R$117, respectively.

The estimated aggregate amortization expense will be R$126 in 2005, R$35 for 2006, 2007, 2008 and 2009.

Statement of 2004 Acquisitions

The purchases are set forth bellow:

	Retail			Wholesale	Insurance		
	Creditec	Hipercard	Other	BNL	Phenix	UAW	Total
Fair value of assets acquired	19	867	-	1,378	134	259	2,657
Less: Fair value of liabilities assumed	7	657	-	1,269	123	255	2,311
Net assets acquired	12	210	17	109	11	4	363
Goodwill	38	105	22	11	2	23	201
Customer relationship intangible	-	315	27	-	-	-	342
Cash paid or treasury stock exchanged for the purchase	50	630	66	120	13	27	906
Cash and due from banks	2	9	-	6	-	-	17
Interest-bearing deposits with banks	8	-	-	14	-	-	22
Federal funds	-	-	-	120	-	-	120
Total	40	621	66	(20)	13	27	747

During 2002, 2003 and 2004, as a result of our purchases, the net cash (received) paid was R$(53), R$2 and R$589, respectively.

The effects of acquisitions made in 2003 and 2004, either individually or on a combined basis, were not material to Unibanco.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 4 - Related Party Transactions

The Moreira Salles Group through E.Johnston Representação e Participações S.A. owned 78.62% of Holdings common voting stock at December 31, 2003 and 2004 and therefore indirectly controled 96.59% and 96.62% of the Unibanco's voting stock at December 31, 2003 and 2004, respectively. Transactions with companies within the Moreira Salles Group and our own affiliates are limited to banking transactions in the normal course of business at prevailing market terms for similar transactions.

At December 31, 2003 and 2004, Commerzbank AG owned 4.26% of the capital of Holdings and 2.55% of the capital of Unibanco; and the Caixa Geral de Depósitos owned 12.42% of the capital of Holdings and owned 4.8% of the capital of Unibanco. At December 31, 2002, Mizuho Financial group (Mizuho) owned 2.71% of the capital of Holdings and 3.11% of the capital of Unibanco and in September 2003, Mizuho entirely sold its participation in the capital of Holdings and Unibanco (see Note 19). These stockholders have from time to time extended trade-related and general purpose credit lines to Unibanco, the aggregate outstanding amount of which at December 31, 2003 and 2004 was R$819 and R$278, respectively.

We have made certain transactions with unconsolidated related parties that we believe were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, applicable to those prevailing at the time in the market for comparable transactions and did not involve more than the normal risk of collectibility.

As of December 31, 2002, 2003 and 2004, we had the following transactions with these related parties:

Company	2003	2004
Assets		
Federal funds sold and securities purchased under resale agreements		
Banco Investcred Unibanco S.A.	2	-
Interest-bearing deposits in other banks		
Banco Investcred Unibanco S.A.	321	500
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	272	422
Total	593	922
Trading assets, at fair value		
Banco Investcred Unibanco S.A.	6	1
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	4	-
Total	10	1
Other assets	89	89
Total assets	694	1,012
Liabilities		
Deposits		
Demand deposits	4	2
Time deposits		
Consórcio Nacional Ford	36	48
Unibanco Rodobens Administradora de Consórcios Ltda.	26	21
Other	13	17
Total	79	88
Federal funds purchased and securities sold under repurchase agreements		
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	7	22
Other liabilities		
Redecard S.A. (a)	167	235
Other	5	9
Total	172	244
Total liabilities	258	354

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Company	2002	2003	2004
Interest income			
Interest on deposits with banks			
Banco Investcred Unibanco S.A.	35	56	47
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	23	45	46
Interest on securities			
Trading income			
Banco Investcred Unibanco S.A.	29	8	14
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	2	3	3
Fee and commission income			
Unibanco Rodobens Administradora de Consórcios Ltda.	-	6	6
Other income			
Credicard S.A. – Administradora de Cartões de Crédito	-	12	15
Interest expense			
Deposits			
Unicorp Bank & Trust Ltd.	3	-	-
Consórcio Nacional Ford	-	6	7
Unibanco Rodobens Administradora de Consórcios Ltda.	-	5	3
Other	-	3	2
Derivatives			
Banco Investcred Unibanco S.A.	-	27	20
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	-	1	1
Other interest expenses	15	1	2
Non interest income	12	-	-
Non interest expense			
Administrative expenses			
Tecnologia Bancária S.A.	18	20	17
Bus Serviços de Telecomunicações S.A.	35	-	-
Other	15	10	7
Other non-interest expenses	9	79	102

(a) Consist primarily of payments to be made to Redecard S.A. due to debit card transactions.

We contribute on a regular basis to Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto João Moreira Salles and Instituto Moreira Salles, trusts created by the Bank for the benefit of its employees and to further our desire to contribute to cultural and civic activities. Contributions made by Unibanco to these trusts totaled R$5, R$7 and R$7 in 2002, 2003 and 2004, respectively.

Unibanco has made no loans to the executive officers and directors of Holdings or Unibanco since this practice is prohibited for all Brazilian banks by the Central Bank of Brazil (the "Central Bank").

Note 5 - Central Bank Compulsory Deposits

The Central Bank requires financial institutions, including Unibanco, to deposit certain funds with the Central Bank. The following table presents a summary of the current compulsory deposit requirements by type and the amounts of such deposits:

Type of deposits	As of December 31, 2003	As of December 31, 2004
Non-interest earning	R$ 824	R$ 1,021
Interest-earning	3,292	3,787
Total	R$ 4,116	R$ 4,808

At December 31, 2003 and 2004 we had also R$2,547 and R$1,426 of federal government securities, linked to the Central Bank in the form of compulsory deposits, recorded as trading assets in the amount of R$339 in 2003 and R$423 in 2004 (see Note 6), securities available for sale in the amount of R$65 in 2003 (see Note 7) and securities held to maturity in the amount of R$2,143 in 2003 and R$1,003 in 2004 (see Note 8).

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 6 - Trading Assets

Trading assets, stated at fair value, are presented in the following table:

	As of December 31, 2003		As of December 31, 2004	
Federal government securities (a)	R$	4,190	R$	5,985
Brazilian sovereign bonds		217		81
Securities of foreign governments		67		146
Corporate debt securities		240		162
Bank debt securities		89		22
Mutual funds (b)		539		477
Stocks		47		90
Derivative financial instruments:				
Swaps		403		350
Forward		75		128
Option contracts		-		1
Total	R$	5,867	R$	7,442

(a) Include R$131 in 2003 and R$86 in 2004 pledged to margin guarantees, mainly to the Brazilian Futures and Commodities Exchange ("BM&F"); R$339 in 2003 and R$423 in 2004 linked to Central Bank as compulsory deposits (see Note 5) and R$175 in 2003 and R$1,553 in 2004 subject to repurchase agreements.
(b) The portfolios of mutual funds held by our insurance, capitalization and private retirement companies are represented mainly by federal government securities.

Net trading income in 2002, 2003 and 2004, included in non interest income was as follows:

	For the year ended December 31, 2002		2003		2004	
Realized gains on securities	R$	114	R$	223	R$	54
Realized losses on securities		(222)		(18)		(39)
Realized gains (losses) on derivatives		(1,698)		408		308
Net unrealized gains (losses) on securities and derivatives		(166)		78		(102)
Net	R$	(1,972)	R$	691	R$	221

Note 7 - Securities Available for Sale

The amortized cost and fair value of securities available for sale were as follows:

	Amortized cost		Gross unrealized gains		Gross unrealized losses		Fair value	
December 31, 2003								
Federal government securities (a)	R$	679	R$	16	R$	12	R$	683
Securities of foreign governments		29		-		-		29
Corporate debt securities		2,028		40		102		1,966
Bank debt securities		139		5		-		144
Stocks		169		6		24		151
Mutual funds		51		-		-		51
Total	R$	3,095	R$	67	R$	138	R$	3,024

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2004				
Federal government securities (a).........................	R$ 512	R$ -	R$ 15	R$ 497
Securities of foreign governments………………….	25	2	-	27
Corporate debt securities...............………….....…	1,764	42	15	1,791
Bank debt securities...…	135	2	-	137
Stocks.............................………………………..	109	11	10	110
Mutual funds……………………………………..	33	-	-	33
Total.........……..……......................................…..	R$ 2,578	R$ 57	R$ 40	R$ 2,595

(a) Includes R$50 in 2003 and R$301 in 2004 pledged to margin guarantees, mainly to the BM&F and R$65 in 2003 linked to Central Bank as compulsory deposits (see Note 5).

The following table represents the aging of our unrealized losses at December 31, 2003 and 2004 as follows:

	As of December 31, 2003					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Federal government securities....	R$ 13	R$ 1	R$ 56	R$ 11	R$ 69	R$ 12
Corporate debt securities………	1,298	99	5	3	1,303	102
Stocks………………………….	119	24	-	-	119	24
Total…………………………	R$ 1,430	R$ 124	R$ 61	R$ 14	R$ 1,491	R$ 138

	As of December 31, 2004					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Federal government securities....	R$ 231	R$ 15	R$ 1	R$ -	R$ 232	R$ 15
Corporate debt securities………	598	12	177	3	775	15
Stocks…………………………..	41	2	27	8	68	10
Total…………………………	R$ 870	R$ 29	R$ 205	R$ 11	R$ 1,075	R$ 40

We have evaluated the unrealized losses of our securities available for sale at December 31, 2003 and 2004 and we determined there were no other-than-temporary losses except for the amount of R$17 and R$105 of impairment written off and recorded as "Non interest income - net gains (losses) on securities and non-trading derivatives", respectively. We conduct a monthly review to identify and evaluate investments that have indications of possible impairment, considering the financial condition and near-term prospects of the issuer and our ability and intention to hold the investment for a period of time sufficient to allow for any anticipated recovery.

At December 31, 2003 and 2004, we held no securities of a single issuer or related group of companies whose fair value exceeded 10% of our stockholders' equity.

Proceeds from sales of investment securities available for sale were R$2,033, R$6,546 and R$3,490 in 2002, 2003 and 2004, respectively.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Gross gains and losses realized on the sale of securities available for sale were as follows:

	For the year ended December 31,		
	2002	2003	2004
Gains	R$ 157	R$ 223	R$ 48
Losses	10	13	23
Net	R$ 147	R$ 210	R$ 25

The amortized cost and fair value of available for sale securities, by contractual maturity, were as follows:

	As of December 31,			
	2003		2004	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	R$ 722	R$ 695	R$ 809	R$ 820
Due after one year through five years	1,669	1,698	1,173	1,178
Due after five years through ten years	302	309	280	294
Due after ten years	1	1	40	27
No stated maturity	401	321	276	276
Total	R$ 3,095	R$ 3,024	R$ 2,578	R$ 2,595

Note 8 - Securities Held to Maturity

The amortized cost and fair value of securities held to maturity were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2003				
Federal government securities (a)	R$ 4,285	R$ 291	R$ -	R$ 4,576
Brazilian sovereign bonds (b)	1,140	100	-	1,240
Corporate debt securities	291	11	14	288
Bank debt securities	59	3	-	62
Total	R$ 5,775	R$ 405	R$ 14	R$ 6,166

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2004				
Federal government securities (a)	R$ 2,349	R$ 112	R$ -	R$ 2,461
Brazilian sovereign bonds (b)	2,178	127	5	2,300
Corporate debt securities (b)	215	5	5	215
Bank debt securities (b)	96	8	-	104
Total	R$ 4,838	R$ 252	R$ 10	R$ 5,080

(a) Include R$1,219 in 2003 and R$511 in 2004 pledged to margin guarantees, mainly to the BM&F; R$2,143 in 2003 and R$1,003 in 2004 linked to Central Bank as compulsory deposits (see Note 5) and R$153 in 2003 and R$93 in 2004 subject to repurchase agreements.
(b) Include R$759 in 2003 and R$1,423 in 2004 of Brazilian sovereign bonds, R$44 of Bank debt securities and R$9 of Corporate debt securities subject to repurchase agreements in 2004.

At December 31, 2004 the aging of unrealized losses was less than twelve months.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

We have evaluated the unrealized losses of our securities held to maturity at December 31, 2003 and 2004 and we considered they were no other-than-temporary losses. We conduct a monthly review to identify and evaluate investments that have indications of possible impairment, considering the financial condition and near-term prospects of the issuer and our ability and intention to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The amortized cost and fair value of securities held to maturity, by contractual maturity, were as follows:

	As of December 31,			
	2003		2004	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	R$ 2,329	R$ 2,418	R$ 1,388	R$ 1,428
Due after one year through five years	2,593	2,808	1,700	1,814
Due after five years through ten years	707	771	1,110	1,181
Due after ten years	146	169	640	657
Total	R$ 5,775	R$ 6,166	R$ 4,838	R$ 5,080

At December 31, 2003 and 2004 we held no securities of a single issuer or related group of companies whose amortized cost or fair value exceeded 10% of our stockholders' equity.

Note 9 - Loans

	As of December 31,	
	2003	2004
Commercial:		
Industrial and other	R$ 13,122	R$ 15,263
Import financing	759	1,291
Export financing	2,510	1,804
Real estate loans, primarily residential housing loans	844	1,052
Direct lease financing (a)	471	639
Individuals:		
Overdraft	795	804
Financing	3,703	4,524
Credit card	1,862	3,676
Agricultural	812	1,050
Nonperforming loans	1,161	1,274
Total loans	R$ 26,039	R$ 31,377

Most of our business activities are with customers located in Brazil. The Bank has a diversified loan portfolio with concentration no higher than 10% in any economic sector.

Net Investments in Direct Leasing Financing

The following lists the components of the net investment in direct leasing financing:

	As of December 31,	
	2003	2004
Total minimum lease payments to be received	R$ 601	R$ 809
Less: Unearned income	(118)	(158)
Net investments in direct leasing financing (b)	R$ 483	R$ 651

(Expressed in millions of Brazilian reais, unless otherwise indicated)

(a) Includes residual value.
(b) Includes nonperforming leases.

The following is a schedule by years of total minimum lease payments to be received:

	As of December 31, 2003	As of December 31, 2004
Overdue Payments	R$ 8	R$ 7
2004	293	-
2005	156	271
2006	112	308
2007	18	162
2008	12	51
2009	1	9
Thereafter	1	1
Total	R$ 601	R$ 809

Our nonperforming loans were classified as follows:

	As of December 31, 2003		As of December 31, 2004	
	Nonperforming loans	Allowance for nonperforming loans	Nonperforming loans	Allowance for nonperforming loans
Industrial and other	R$ 384	R$ 195	R$ 376	R$ 256
Import and export financing	8	8	3	3
Real estate loans, primarily residential housing loans	70	31	92	35
Direct lease financing	12	8	12	7
Individuals	686	409	786	455
Agricultural	1	1	5	4
Total	R$ 1,161	R$ 652	R$ 1,274	R$ 760

At December 31, 2003 and 2004, nonperforming loans included R$143 and R$209, respectively, of large balance loans that were considered individually impaired in accordance with SFAS 114. The allowance for impaired loans under SFAS 114 is R$73 and R$115 at December 31, 2003 and 2004, respectively.

The impact on interest income as a result of nonperforming loans subject to impairment was not material for any of the periods presented. We do not have any material commitments to advance additional funds to these borrowers.

The average balances of nonperforming loans subject to impairment were as follows:

	For the year ended December 31, 2002	2003	2004
Average balance of nonperforming loans subject to impairment	R$ 1,084	R$ 1,132	R$ 1,122

We did not recognize any interest income during the period that the above loans were nonperforming and subject to impairment. For the year ended December 31, 2003 and 2004 we do not have any material restructured troubled loans.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 10 - Allowance for Loan Losses

The following represents an analysis of changes in the allowance for loan losses:

	For the year ended December 31,		
	2002	2003	2004
Balance, beginning of year	R$ 1,276	R$ 1,389	R$ 1,317
Provision for loan losses	1,291	881	948
Loan charge-offs	(1,529)	(1,330)	(1,117)
Loan recoveries	351	377	412
Net charge-offs	(1,178)	(953)	(705)
Balance, end of year	R$ 1,389	R$ 1,317	R$ 1,560

Note 11 - Investments in Unconsolidated Companies

	As of or for the year ended December 31, 2004				Investment		Equity income (loss)		
	Participation		Stock-holders'	Net income for the	As of December 31,		For the year ended December 31,		
	Total	Voting	equity (a)	year (a)	2003	2004	2002	2003	2004
Retail									
Credicard S.A.-Administradora de Cartões de Crédito (“Credicard”) (d) and (e)	-	-	R$ -	R$ -	R$ 98	R$ -	R$ 123	R$ 110	R$ 87
Redecard S.A.	31.943	31.942	51	150	26	16	35	41	48
Orbitall Serviços e Processamento de Informações Comerciais Ltda. (“Orbitall”) (d)	-	-	-	-	19	-	-	3	14
Serasa S.A. (b)	19.174	16.501	165	62	30	32	10	10	12
Cibrasec – Companhia Brasileira de Securitização (b).	12.499	12.499	52	9	6	7	1	1	1
Tecnologia Bancária S.A.	21.432	21.432	133	11	26	29	3	2	2
Unibanco Rodobens Administradora de Consórcios Ltda.	50.000	50.000	29	10	16	15	2	8	6
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	49.998	49.996	55	24	22	26	5	6	11
Banco Investcred Unibanco S/A	49.997	49.997	175	51	73	87	13	19	26
Companhia Hipotecária Unibanco – Rodobens	50.000	50.000	8	-	-	4	-	-	-
Goodwill paid on acquisition of investments					91	91	-	-	-
Others					4	3	2	-	-
Total					411	310	194	200	207
Wholesale									
Interchange Serviços S.A.	25.000	25.000	33	5	8	8	1	2	1
Others					6	4	(22)	(13)	(1)
Total					14	12	(21)	(11)	-
Insurance									
AIG Brasil Companhia de Seguros	49.999	49.999	92	17	37	46	3	7	8
Others					2	-	3	3	5
Total					39	46	6	10	13
Wealth management									
Unicorp Bank & Trust Ltd. (c).	100.000%	100.000%			-	-	5	-	-
Total					-	-	5	-	-
Total of investments in unconsolidated companies					**464**	**368**	**184**	**199**	**220**
Non-marketable equity investments, at cost					**152**	**168**	**-**	**-**	**-**
Total					**R$ 616**	**R$ 536**	**R$ 184**	**R$ 199**	**R$ 220**

(a) Amounts derived from the Brazilian GAAP financial statements adjusted to U.S. GAAP, when applicable. There are no material restrictions upon the ability of such companies to remit funds to Unibanco. Additionally, there are no significant differences between our investment and our proportionate share of the investee's equity.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

(b) Companies in which we own less than 20% of voting shares but exercise significant influence over their operations.

(c) In April 2002 we acquired the remaining 24.5% of total stock of Unicorp Bank & Trust Ltd. Representing a 70.0% of interest in its voting shares. As a consequence we consolidated Unicorp as from April 2002.

(d) In December 29, 2004, we sold the total of our participation in Credicard and Orbitall for R$1,727. The gross gain on sale of the mentioned participation was R$1,574 (see Note 24). The total gross gain of R$1,574 includes R$855 of taxable income and R$719 of non-taxable income (see Note 18).

(e) Prior to the sale of Credicard, the financial position and results as of and for the year ended December 31, 2003, were presented in accordance with U.S. GAAP, as follows:

	As of December 31, 2003	
	U.S. GAAP	
Balance sheet:		
Total assets	R$	4,490
Total liabilities		4,195
Stockholders' equity		295
Our participation		33.333%
Investment	R$	98

	For the year ended December 31,			
	2002		2003	
	U.S. GAAP			
Statements of operations:				
Operating revenues	R$	2,315	R$	1,829
Operating expenses		(1,792)		(1,381)
Income before income tax		523		448
Income tax		(159)		(145)
Net income		364		303
Our participation (i)		33.73%		36.43%
Equity income	R$	123	R$	110

(i) Our participation in the results of Credicard is not necessarily the same in each period due to the effects of applying a formula for calculating earnings to be attributed to each stockholder based principally on the volume of credit card operations.

Note 12 - Premises and Equipment

	Estimated useful life (years)	As of December 31, 2003		2004	
Land	-	R$	189	R$	183
Buildings	25		517		489
Furniture and equipment	10		333		349
Leasehold improvements	5-10		446		469
Data processing equipment	5		844		902
Costs of software developed or obtained for internal use	5		475		523
Vehicles	5		5		5
Others	-		78		76
Total			2,887		2,996
Less: Accumulated depreciation			1,431		1,592
Premises and equipment, net		R$	1,456	R$	1,404

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Depreciation expense was R$259, R$291 and R$309 in 2002, 2003 and 2004, respectively, including R$12, R$21 and R$17 related to depreciation expense on assets under capital leases in 2002, 2003 and 2004, respectively.

We have entered into leasing agreements, mainly related to data processing equipment, which is accounted for as capital leases. Under this accounting method both an asset and an obligation are recorded in the financial statements and the asset is depreciated in a manner consistent with our normal depreciation policy for owned assets.

As from 2002, we sold many properties used as branches and, subsequently, we rented them for the purpose of continuing our operations. These sales were recorded pursuant to SFAS 13 and SFAS 98, "Accounting for leasing" and SFAS 28 "Accounting for Sales with Leasebacks".

All transactions that qualified as sale-leasebacks involving operating leases and therefore we recorded the sale, removing all property from the balance sheet. The transactions that did not qualify for sale leaseback accounting because of any form of continuing involvement were accounted by the financing method.

Gains on the sales were recognized depending on whether or not we provided an extended minimum lease period guarantee to the buyer, which was not considered to be under regular market conditions (usually such contracts guarantee a minimum period of 10 years). For those contracts that we considered not to be under regular conditions due to the extended minimum lease period guarantee, during 2004 we deferred gains in the amount of R$26 in proportion to the related gross rental charges to expense over the lease terms for the next 10 years. Minimum lease payments for these contracts are disclosed in Note 30.

Note 13 - Other Assets

	As of December 31,			
	2003		2004	
Deferred tax assets, net (see Note 18)	R$	1,946	R$	2,100
Restricted escrow deposits for contingencies (see Note 30)		1,647		2,142
Prepaid taxes		989		1,087
Notes and credits receivable		396		431
Prepaid expenses		322		391
Negotiation and intermediation of securities		240		122
Income receivable		138		114
Insurance premiums receivable		101		110
Retirement government benefit advances		88		51
Foreclosed assets, net		95		44
Others		689		1,363
Total	R$	6,651	R$	7,955

Note 14 – Time Deposits

The following table shows the maturity of outstanding deposits with balances issued by us.

	As of December 31,			
	2003		2004	
Maturity within 3 months	R$	3,908	R$	6,093
Maturity after 3 months but within 6 months		2,476		4,583
Maturity after 6 months but within 12 months		2,035		4,172
Maturity after 12 months but within 5 years		8,128		9,253
Total deposits	R$	16,547	R$	24,101

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 15 - Federal Funds Purchased, Securities Sold under Repurchase Agreements and Short-term Borrowings

Financial data of our federal funds purchased, securities sold under repurchase agreements and short-term borrowings, were as follows:

	As of December 31,			
	2003		2004	
Federal funds purchased, securities sold under repurchase agreements………..	R$	6,750	R$	6,687
Short-term borrowings				
Import and export financings.........…………………………………….........		2,505		2,048
Other interbank borrowings.………………………………………..............		580		600
Others……………………………………………………………....................		28		29
Total.......................................……………………………………………..	R$	9,863	R$	9,364

Import and export financings represent credit lines open for financing imports and exports of Brazilian companies, typically denominated in foreign currency. We then make corresponding extensions of credit to exporters/importers denominated in Brazilian *reais* with payments made to us (in the case of exports) or paid by us (in the case of imports) in foreign currency.

The following table presents the federal funds purchased, securities sold under repurchase agreements and short-term borrowings by maturities.

	As of December 31,			
	2003		2004	
Federal funds purchased and securities sold under repurchase agreements:				
Overnight...	R$	5,393	R$	4,494
Due 1 month or less………………………………………………………….....		611		163
Due between 1 and 3 months……………………………………………….......		119		1,233
Due between 3 and 6 months……………………………………………….......		190		322
Due after 6 months……………………………………………………………....		437		475
Total……………………………………………………………………….…......		6,750		6,687
Short-term borrowings:				
Due 1 month or less………………………………………………………….....		458		648
Due between 1 and 3 months……………………………………………….......		664		360
Due between 3 and 6 months……………………………………………….......		1,061		632
Due after 6 months……………………………………………………………....		930		1,037
Total………………………………………………………………………….......		3,113		2,677
Total…………………………………………………………………………....	R$	9,863	R$	9,364

(Expressed in millions of Brazilian reais, unless otherwise indicated)

The following table presents a summary of the primary short-term borrowings.

	As of or for the Year Ended December 31, 2003		2004	
Federal funds purchased and securities sold under repurchase agreements:				
Amount outstanding	R$	6,750	R$	6,687
Maximum amount outstanding during the period		9,827		15.417
Weighted average interest rate at period-end		16.3%		17.8%
Average amount outstanding during period		6,426		8,874
Weighted average interest rate		17.8%		13.2%
Import and export financing:				
Amount outstanding	R$	2,505	R$	2,048
Maximum amount outstanding during the period		4,232		3,788
Weighted average interest rate at period-end		3.5%		2.7%
Average amount outstanding during period		3,319		2,761
Weighted average interest rate		(13.3)%		(1.4)%
Other interbank borrowings:				
Amount outstanding	R$	580	R$	600
Maximum amount outstanding during the period		1,253		747
Weighted average interest rate at period-end		2.3%		2.6%
Average amount outstanding during period		898		573
Weighted average interest rate		(2.8)%		-%
Other	R$	28	R$	29
Total	R$	9,863	R$	9,364

Note 16 - Long-term Debt

The composition of long-term debt is as follows:

	As of December 31, 2003		2004	
Local onlendings	R$	5,664	R$	5,162
Euronotes		2,591		1,157
Notes issued under securitization arrangements		2,453		2,668
Subordinated debt		1,468		1,898
Mortgage indebtedness		807		331
Foreign onlendings		253		254
Obligations under capital leases		49		79
Others		63		151
Total	R$	13,348	R$	11,700

Local onlendings

Local onlendings represent amounts borrowed from Brazilian agencies for loans to Brazilian entities to invest primarily in premises and equipment. These amounts are due in monthly installments through 2025 and bear fixed interest between 1.0% per annum and 2.5% per annum, in 2003 and 2004, plus variable interest based on the TJLP (Long-term interest rate determined by the Central Bank on a quarterly basis, not inflation-adjusted), U.S. dollar or the BNDES (National Economic and Social Development Bank) basket of currencies. The borrowings are primarily from BNDES and FINAME (National Industrial Finance Authority) in the form of credit lines.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Euronotes

Maturity date (a)	Original term in years (a)	Currency	Coupon	Carrying amount (net of repurchases) as of December 31, 2003	2004
January 16, 2004	1	US$	6.88%	R$ 283	R$ -
February 15, 2004	2	US$	6.00%	289	-
February 18, 2004	1	US$	6.25%	26	-
February 26, 2004	3	US$	8.50%	6	-
April 16, 2004	1	US$	5.00%	280	-
May 19, 2004	1	EURO	5.38%	248	-
November 5, 2004	1.5	US$	5.63%	218	-
December 12, 2004	8	US$	10.50%	280	-
December 23, 2004	8	US$	10.00%	10	-
January 6, 2005	1	EURO	3.10%	-	12
January 12, 2005	1	EURO	3.30%	-	8
January 19, 2005	1	US$	2.13%	-	8
January 21, 2005	1.5	US$	4.00%	344	283
August 10, 2005	1.5	US$	3.00%	-	265
August 18, 2005	1	US$	2.80%	-	11
September 12, 2005	1	US$	2.80%	-	10
September 23, 2005	1	US$	2.75%	-	8
November 23, 2005	1	US$	3.05%	-	8
June 14, 2006	2	R$	17.90%	-	111
June 21, 2006	0.5	US$	-	-	18
December 24, 2007	5	US$	6.50%	7	7
July 15, 2009	5	US$	6.32%	-	32
December 9, 2009	6	US$	5.55%	29	26
December 30, 2013	10	US$	7.25%	-	8
January 2, 2014	10	US$	7.25%	-	7
April 15, 2014	13	US$	8.00%	74	64
Others				497	271
Total				R$ 2,591	R$ 1,157

(a) Maturity date and original term in years, consider, when applicable, the investor put rights.

Notes issued under securitization arrangements

Notes are issued under securitization arrangements involving certain of our U.S. dollar denominated electronic remittance payment orders (“DPRs”) generally referred to as SWIFT MT-100 payments, received and processed by us. We sold such DPRs to UBB Diversified Payment Rights Finance Company (Finance Company), a variable interest entity in which we are the primary beneficiary as under FIN 46R.

The full payment of principal and interest on the issued series of notes is guaranteed by a third-party financial guaranty policy. We are not responsible for the existence of the flow of DPRs. Nevertheless, upon the occurrence of certain events, which have a material adverse effect on the existence of the future flows of the DPRs, we are required to pay to the Finance Company the repurchase price of the DPRs, the proceeds of which will be used by the Finance Company to redeem any outstanding notes and we are liable for amounts relating to such notes.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	Original principal amount issued	Issue	Maturity	Coupon	Currency	As of December 31, 2003		2004	
Series 2002-1	US$400 million	May 2002	April 2009	3-month LIBOR (1) + 0.57%	US$	R$	1,163	R$	982
Series 2003-1 (3)	US$112 million	June 2003	July 2009	LIBOR (1) + 4.25%	US$		328		-
Series 2003-2	US$105 million	June 2003	July 2009	6.15%	US$		307		231
Series 2003-3	¥ 25 billion	November 2003	October 2013	3.55% (2)	YEN		655		654
Series 2004-1	US$200 million	May 2004	April 2011	3-month LIBOR (1) + 0.50%	US$		-		534
Series 2004-2	US$100 million	September 2004	July 2011	3-month LIBOR (1) + 0.45%	US$		-		267
						R$	2,453	R$	2,668

(1) London InterBank Offered Rates.
(2) Equivalent in U.S. dollar terms to 2.86% per annum over U.S. dollar LIBOR. To hedge currency mismatch risk stemming from the fact the payment orders received by us are denominated in U.S. dollars while the notes are denominated in Yen, we entered into a cross currency swap, part of the counterparty risk of which has been assumed by the International Finance Corporation.
(3) The notes were prepaid in 2004 as agreed with the noteholders.

Subordinated debt

	Issue	Maturity	Remuneration per annum	Carrying amount 2003		2004	
Step-up subordinated callable notes (1)…………….	April 2002	April 2012	9.375%	R$	573	R$	520
Step-up subordinated callable notes (2)…………….	December 2003	December 2013	7.375%		580		532
Step-up subordinated callable notes (3)…………….	April 2001	April 2006	3.45%		-		80
Floating subordinated notes (4)	December 2004	December 2009	4.74%		-		399
Subordinated time deposits (5)..	December 2002	December 2012	102% of CDI (6)		315		367
Total………………………..				R$	1,468	R$	1,898

(1) The debt can be integrally redeemed in April 2007 or upon any subsequent interest payment date. The interest rate from the fifth year will be 11.7995% per annum.
(2) The debt can be integrally redeemed in December 2008 or in each subsequent interest payment. The interest rate from the fifth year will be 9.375% per annum.
(3) The debt was assumed through the acquisition of BNL Brasil in 2004 and the interest rate is calculated based on semi-annual LIBOR plus 1.20%.
(4) The debt can not be redeemed prior to contractual maturity. The interest rate is calculated based on semi-annual LIBOR plus 2%.
(5) Subordinated time deposits can be redeemed from December 2007.
(6) Brazilian benchmark interbank interest rate.

Mortgage indebtedness

Mortgage indebtedness represents borrowings with original terms generally between 6 and 24 months and bears interest of TRF-R (Floating Reference Rate established daily by the Central Bank) plus 6.0% per annum to 22.0% per annum in 2003 and 6.0% per annum to 14.5% per annum in 2004. These instruments are regularly rolled forward for periods of more than one year, and are entirely collateralized by housing loans.

Foreign onlendings

Foreign onlendings, consisting of long-term credit lines for project and trade finances, are payable up to December 15, 2011, with an average interest rate of 5.3% per annum.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Maturity of long-term debt

	As of December 31,			
	2003		2004	
2004	R$	5,198	R$	-
2005		1,910		3,142
2006		1,441		1,615
2007		938		1,681
2008		947		1,137
Thereafter		2,914		4,125
Total	R$	13,348	R$	11,700

Note 17 - Other Liabilities

	As of December 31,			
	2003		2004	
Pension investment contracts (1)	R$	2,860	R$	4,165
Provision for litigations (see Note 30)		1,856		2,378
Payable to merchants - credit card		494		1,738
Insurance claims reserve		827		810
Income taxes and other taxes payable		580		629
Social and statutory		282		401
Accounts pending settlement		233		332
Retirement plan reserve		212		318
Collection of third-party taxes, social contributions and other		395		317
Foreign exchange portfolio, net		92		203
Derivatives liability (see Note 28):				
Swaps		261		202
Forward contracts		-		43
Option contracts		-		25
Employee related liabilities		140		149
Others		1,212		1,895
Total	R$	9,444	R$	13,605

(1) At December 31, 2004, the present value of expected annuitization payments at the expected annuitization date do not exceed the expected account balance at the expected annuitization date.

Note 18 - Income Taxes

Under the Brazilian Income Tax Law, Holdings, Unibanco and our subsidiaries are treated as separate taxable entities and are required to file a separate tax return.

HOLDINGS

Dividends received and equity in Unibanco's undistributed earnings are not subject to Brazilian federal income tax and social contribution.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

UNIBANCO

Income taxes in Brazil comprise federal income tax of 25% and social contribution of 9%, which is an additional federal tax, resulting in a statutory tax rate of 34% for 2002, 2003 and 2004.

The amounts reported as income tax expense in the consolidated financial statements are reconciled to the statutory rates as follows:

	For the year ended December 31,		
	2002	2003	2004
Income before income taxes	R$ 642	R$ 1,381	R$ 2,514
Less: Equity in results of unconsolidated companies	184	199	220
Tax basis	458	1,182	2,294
Tax expense at statutory rates	(156)	(402)	(780)
Adjustments to derive effective tax rate:			
Tax benefit on interest attributed to stockholders' equity paid, net	22	158	198
Other permanent differences, net	(7)	92	57
Non-taxable capital gains	13	13	13
Non-taxable exchange gain (losses) on foreign assets	404	(215)	(28)
Non-taxable income from sale of investments in unconsolidated companies (see Note 11 (d))	-	-	245
Income tax (expense) income	R$ 276	R$ (354)	R$ (295)

The payment of tax-deductible interest on equity was introduced as from January 1, 1996 as an option for profit distributions, which were previously permitted only in the form of non-tax-deductible dividends. In 2002 we opted to distribute substantially all amounts declared in the form of dividends rather than interest on equity.

The major components of the deferred tax accounts in the consolidated balance sheet are as follows:

	As of December 31,	
	2003	2004
Provision for credits losses	R$ 496	R$ 474
Other provisions not currently deductible (mainly provision for litigations)	519	762
Tax benefit on reorganization of subsidiaries	177	221
Tax loss carryforwards	703	676
Fair value adjustments on securities and derivatives financial instruments, net	63	18
Other temporary differences, mainly expenses recognized under U.S. GAAP in advance of recognition under Brazilian GAAP and for tax purposes	89	30
Deferred tax assets	2,047	2,181
Effect of differences between indexes used for price-level restatement purposes for tax and U.S. GAAP purposes, mainly relating to premises and equipment	7	10
Temporary differences relative to leasing depreciation	80	69
Others	14	2
Deferred tax liabilities	101	81
Net deferred tax asset, included in other assets	R$ 1,946	R$ 2,100

Tax loss carryforwards have no expiration date, but are subject to a limitation of 30% of taxable income for the year. No valuation allowances have been created for these tax losses carryforwards, since we currently believe the realization of these future tax benefits to be more likely than not.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 19 - Stockholders' Equity, Shareholders' and Board of Directors' Meetings

HOLDINGS

On April 30, 2004, the Extraordinary Shareholders Meeting approved the reverse split of Holding' common and preferred shares, including Units, which are share deposit certificates representing, each, one preferred share of Unibanco and one preferred share of Holdings, in the ratio of 100 shares to 1. The reverse split was implemented on August 30, 2004. The information regarding the years of 2004, 2003 and 2002 retroactively reflects this reverse stock split.

At December 31, 2002, 2003 and 2004, the capital of Holdings comprises the following shares, without par value:

	As of December 31,		
	2002 (1)	2003 (1)	2004(1)
Voting common shares......……………………………..	371,384,359	315,145,875	315,145,875
Non-voting class "A" preferred shares.............………..	38,435,413	-	-
Non-voting class "B" preferred shares............………..	433,484,991	528,158,888	528,158,888
Total shares..................…………………………...	843,304,763	843,304,763	843,304,763

(1) The information above has been adjusted to reflect the 2004 reverse stock split (100:1).

At December 31, 2003, Holdings was authorized to issue, without change in the by-laws, 600,000,000 (equivalent to 60,000,000,000 prior to the reverse stock split of 2004) voting common shares, 38,435,413 (equivalent to 3,843,541,338 prior to the reverse stock split of 2004) non-voting class "A" preferred shares and 1,161,564,587 (equivalent to 116,156,458,662 prior to the reverse stock split of 2004) non-voting class "B" preferred shares.

At December 31, 2004, Holdings was authorized to issue, without change in the by-laws, 600,000,000 voting common shares, and 1,200,000,000 non-voting preferred shares.

On April 28, 2003, the Extraordinary Shareholders Meeting approved the conversion of class "A" preferred shares to class "B" preferred shares on a one for one basis, at any time, at the shareholder's option. All shareholders converted their class "A" preferred shares into class "B" preferred shares in September 2003.

On August 19, 2003, the Extraordinary Shareholders Meeting approved the conversion of common shares into class "B" preferred shares, on a one for one basis, at the shareholder's option, until August 22, 2003. The conversion was limited to a maximum of 2/3 of common shares related to the total amount of shares. 56,238,484 (equivalent to 5,623,848,354 prior to the reverse stock split of 2004) common shares were converted into class "B" preferred shares.

On April 30, 2004, the Extraordinary Shareholders Meeting, whereas there were no outstanding class "A" preferred shares remaining, and, therefore, it was no longer necessary to keep such denomination of shares' classes in the by-laws of the Holdings, approved the exclusion of the denomination of class "A" preferred shares and class "B" preferred shares, and the consequent amendment of the denomination of class "B" preferred shares to "preferred shares".

Preferred shares have no voting rights, are entitled to receive a semi-annual minimum dividend of R$0.15 per share or semi-annual priority dividend of 1.5% of stockholders' equity resulting in an annual priority dividend of 3% of stockholders' equity, have priority in the reimbursement of capital in the case of the capital liquidation up to the amount of capital represented by such preferred shares. The common and preferred shareholders participate in equal conditions in capital increases from monetary restatement of revenues, reserves and income.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

The preferred shares of Holdings and Unibanco are traded also in the form of Share Deposit Certificates (Units) or Global Depositary Shares (GDS). Each GDS represents 5 Units and is traded in the international market.

Appropriated retained earnings - Brazilian law and the Holdings' by-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserves are described below:

Legal reserve - this reserve is required for all Brazilian corporations and represents the appropriation of 5% of the net income in the statutory accounting records up to a limit of 20% of capital stock.

Unrealized income reserve - represents the amount of undistributed earnings of Unibanco to Holdings.

Special dividends reserves - represents the amount of undistributed earnings of Unibanco for 1993, which is not subject to withholding taxes, and such earnings for 1989 to 1992, for which the withholding taxes have been paid.

There are no unappropriated retained earnings in Holdings' statutory accounts at December 31, 2003 and 2004.

UNIBANCO

On April 30, 2004, the Extraordinary Shareholders Meeting approved the reverse split of Unibanco's common and preferred shares, including Units, in the ratio of 100 shares to one share. The reverse split was implemented on August 30, 2004. Therefore, the information regarding the years of 2004, 2003 and 2002 reflects the reverse stock split occurred in 2004.

At December 31, 2002, 2003 and 2004, the Bank's capital comprised the following shares, without par value:

	As of December 31,		
	2002 (1)	**2003** (1)	**2004**(1)
Voting common shares......……………………………..	755,687,443	755,658,168	755,658,168
Non-voting preferred shares............…………………..	653,170,890	653,200,165	653,200,165
Total shares..................……………………………....	1,408,858,333	1,408,858,333	1,408,858,333

(1) The information above has been adjusted to reflect the 2004 reverse stock split (100:1).

At December 31, 2003, we were authorized to issue without change in the by-laws, 951,955,267 (equivalent to 95,195,526,716 prior to the reverse stock split of 2004) additional shares in the form of common or preferred shares.

At December 31, 2004, we were authorized to issue without change in the by-laws, 951,955,267 additional shares in the form of common or preferred shares.

Preferred shares carry no voting rights but have priority over common shareholders in the reimbursement of capital in the case of liquidation, up to the amount of capital represented by such preferred shares, and the right to receive a priority dividend per share 10% greater than that distributed per share to common shareholders. All stockholders are entitled to receive, in total, a mandatory dividend of at least 35% of the Bank's annual net income as stated in the statutory accounting records, adjusted for transfers to and from reserves.

Appropriated retained earnings - Brazilian law and the Bank's by-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserves are described below:

Legal reserve - this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of the net income in the statutory accounting records up to a limit of 20% of capital stock.

Special dividends reserves **-** represents the amount of undistributed earnings of Unibanco for 1993, which is not subject to withholding taxes, and such earnings for 1989 to 1992, for which the withholding taxes have been paid. A withholding tax of 15% is payable upon distribution of profits earned from January 1, 1994 through December 31, 1995. No withholding tax is payable on the distribution of profits earned after December 31, 1995.

Fiscal incentive investment reserve - the fiscal incentive investment reserve results from an option to designate a portion of income tax otherwise payable for investment in government-approved development funds or projects and is recorded in the year following that in which the taxable income was earned.

Unappropriated retained earnings in the Bank's statutory accounts at December 31, 2003 and 2004 were R$3,009 and R$2,620, respectively.

TREASURY STOCK AND BUY-BACK PROGRAM - HOLDINGS AND UNIBANCO

(i) On September 20, 2001 Unibanco's Board of Directors and Holdings' Board of Directors authorized a buy-back program for a period of three months. On December 27, 2001 the renewal of the buy-back program was approved.

In 2002, 414,000 (equivalent to 41,400,000 prior to the reverse stock split of 2004) preferred shares issued by Unibanco were repurchased at an average price of R$52.67. The minimum and maximum acquisition prices were R$52.30 and R$53.53.

(ii) The Board of Directors of Unibanco and Holdings in the meeting held on February 12, 2003 authorized, for a period of three months, the acquisition at market prices of up to 2,561,783 (equivalent to 256,178,254 prior to the reverse stock split of 2004) Unibanco common shares, 30,331,857 (equivalent to 3,033,185,661 prior to the reverse stock split of 2004) Unibanco preferred shares, and 30,331,857 (equivalent to 3,033,185,661 prior to the reverse stock split of 2004) Holdings class "B" preferred shares, to be maintained in treasury for subsequent sale or cancellation, without capital reduction. During 2003, 2,280,000 (equivalent to 228,000,000 prior to the reverse stock split of 2004) Unibanco preferred shares were acquired, and 1,672,250 (equivalent to 167,225,000 prior to the reverse stock split of 2004) Units and 372,900 GDS (represents 5 Units – equivalent to 500 Units prior to the reverse stock split of 2004) issued by both Unibanco and Holdings were repurchased. Through a "Share Exchange Agreement", Unibanco assigned and transferred to Holdings 3,536,750 (equivalent to 353,675,000 prior to the reverse stock split of 2004) class "B" preferred shares issued by Holdings acquired in the form of Units and GDS and Holdings assigned and transferred to Unibanco 3,536,750 (equivalent to 353,675,000 prior to the reverse stock split of 2004) preferred shares issued by Unibanco. Therefore, Unibanco recorded 9,353,500 (equivalent to 935,350,000 prior to the reverse stock split of 2004) preferred shares at an average price of R$46.16 as treasury stocks. The minimum and maximum acquisition prices were R$33.76 and R$54.15, respectively. As a consequence of the exchange offer, Holdings recorded 1,081,891,427 (equivalent to 10,081,891,427 prior to the reverse stock split of 2004) preferred shares, at book value, in counterpart of a reduction in Unibanco's investment, in December 31, 2003. Holdings recorded 3,536,750 (equivalent to 353,675,000 prior to the reverse stock split of 2004) preferred shares class "B" at average price of R$47.85 per thousand shares as treasury stocks.

(iii) During 2004, Unibanco and Holdings exchanged 10,000,000 (equivalent to 1 billion prior to the reverse stock split of 2004) Units for the total capital of Banco BNL do Brasil S.A. from Banca Nazionale del Lavoro SpA, which became the holder of 1.43% of Unibanco's capital.

During 2004, in according with the exchange offer, were converted 233,798 (equivalent to 23,379,800 prior to the reverse stock split of 2004) preferred shares issued by Unibanco for 233,798 (equivalent to 23,379,800 prior to the reverse stock split of 2004) preferred shares issued by Holdings.

The fair value of treasury stocks at December 31, 2004, based on the Unit price at December 30, 2004, on the São Paulo Stock Exchange, was R$108 (2003 – R$236) in Unibanco and R$113 (2003 – R$170) in Holdings.

EXCHANGE OFFER AND GLOBAL OFFER - HOLDINGS AND UNIBANCO

Exchange Offer

Unibanco and Holdings offered to the holders of preferred shares in the Brazilian market the opportunity to exchange pairs of preferred shares for Units.

From November 2003, the Conversion Program will be maintained for two years. Up to December 31, 2004, 5,392(equivalent to 539,200 prior to the reverse stock split of 2004) preferred shares were exchanged, allowing holders of Unibanco preferred shares and Holdings preferred shares as of the date of the Exchange Offer Announcement (September 15, 2003) to convert their pairs of preferred shares into Units.

The average daily financial volume of Units negotiated in the Brazilian market increased by 46.7% in December 2004 compared to December 2003 and the corresponding Unit value increase by 28.1% in the same period.

Global Offer

In September 2003, Unibanco shareholders, Mizuho Corporate Bank Ltd. (Mizuho) and Commerzbank Aktiengesellschaft (Commerzbank), entirely and partially sold, respectively, their participation in Unibanco and Unibanco Holdings in a Global Offer in Brazil and abroad. Mizuho is no longer a shareholder of Unibanco and Commerzbank reduced its interest. The Units belonging to both were sold at the price of R$109.67 per thousand Units, totaling R$637 million and all the proceeds were received by Mizuho and Commerzbank.

From the total number of Units sold, 17,000,000 (equivalent to 1,700 millionprior to the reverse stock split of 2004) were distributed to non-institutional and institutional investors in Brazil and the remaining 41,000,000(equivalent to 4,100 million prior to the reverse stock split of 2004) were distributed, under the form of Global Depositary Shares – GDS, to investors abroad, on over-the-counter market. The Units sold represent 11.66% of the non-voting capital of Unibanco Holdings and 9.36% of Unibanco's non-voting capital.

Note 20 – Restructuring Charges

Restructuring charges directly related to our organizational restructuring. The cumulative amount incurred to date refers to post employment benefits of our organization restructuring related to severance benefits which includes prior advice, government severance indemnity fund and indemnity of union agreement, recorded as "Other liabilities" and "Other non-interest expense" in 2004 totaled R$45, representing the total amount to be incurred. In 2002 and 2003 no restructuring charges was recorded.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 21 - Fee and Commission Income

	For the year ended December 31,					
	2002		2003		2004	
Banking tariffs and other fees and commissions	R$	1,069	R$	1,347	R$	1,441
Credit card fees		395		407		527
Asset management fees		255		252		272
Collection fees		135		146		142
Total	R$	1,854	R$	2,152	R$	2,382

Note 22 – Insurance, Private Retirement Plan and Pension Investment Contracts

(a) Income

	For the year ended December 31,					
	2002		2003		2004	
Insurance premiums	R$	1,257	R$	1,417	R$	1,673
Pension investment contracts fee		21		36		10
Private retirement plan fee		13		15		92
Total	R$	1,291	R$	1,468	R$	1,775

(b) Expenses

	For the year ended December 31,					
	2002		2003		2004	
Adjustment to insurance reserves for claims	R$	91	R$	39	R$	87
Investment income credited to pension investment contracts		280		436		506
Insurance claims incurred		749		819		865
Private retirement plans benefits expenses		24		58		52
Commission expenses		162		314		388
Total	R$	1,306	R$	1,666	R$	1,898

Note 23 - Administrative Expenses

	For the year ended December 31,					
	2002		2003		2004	
Net occupancy expenses for premises and equipment	R$	644	R$	675	R$	766
Communication expenses		352		412		446
Technology expenses		253		277		312
External administrative services		304		260		329
Banking and brokerage fees		294		255		210
Advertising and publicity		140		172		211
Supplies		41		41		42
Other		174		218		233
Total	R$	2,202	R$	2,310	R$	2,549

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 24 - Other Non-interest Income and Expense

	For the year ended December 31,		
	2002	2003	2004
Other non-interest income:			
Participation in reserves and funds of Unibanco's retirement plan (a)	R$ -	R$ 155	R$ -
Premium bond income	86	111	126
Provision for losses on foreclosed assets no longer required	25	34	11
Provisions for litigation no longer required	106	18	-
Foreign exchange rate variation on other liabilities	-	17	-
Gain on sale of foreclosed assets, investments and premises and equipment	90	11	25
Gain on sale of unconsolidated companies (see Note 11)	-	-	1,574
Monetary correction of restricted escrow deposits	11	4	11
Exchange gain on foreign investments (b)	1,187	-	-
Others	209	359	538
Total	R$ 1,714	R$ 709	R$ 2,285

	For the year ended December 31,		
	2002	2003	2004
Other non-interest expense:			
Exchange loss on foreign investments (c)	R$ -	R$ 631	R$ 83
Service, revenue and other taxes	425	485	473
Tax litigation expenses (e)	39	35	480
Civil litigation expenses	89	250	135
Credit card selling expenses	98	89	154
National financing system contributions	62	74	83
Expenses related to checks and billing, net	74	91	111
Loss on sale of foreclosed assets, unconsolidated investments and premises and equipment	122	37	47
Statutory profit sharing	13	15	5
Provision for losses on foreclosed assets and unconsolidated investments	31	14	8
Uninsured losses of branch network	7	13	15
Foreign exchange rate variation on other liabilities	33	-	9
Restructuring charges	-	-	45
Anticipation of retirement plan benefits (d)	-	-	20
Others	211	240	337
Total	R$ 1,204	R$ 1,974	R$ 2,005

(a) On December 1, 2003, in order to segregate the assets and liabilities related to Unibanco Conglomerate sponsors, the Secretaria de Previdência Complementar (Supplementary Retirement Department) approved the spin-off the defined contribution pension plan managed by Trevo – Instituto Bandeirantes de Seguridade Social. The total equity spun of was R$318, including R$156 of actuarial liability and R$162 of reserves and funds which were incorporated by Plano de Previdência Unibanco (Unibanco's retirement plan). We recorded our respective participation in the reserves and funds related to Unibanco's retirement plan as "Other assets - prepaid expenses" in the amount of R$35, "Other assets – others" in the amount of R$120 with the counter entry as an income in "Other non-interest income" in the amount of R$155.

(b) During 2002 the *real* devalued against the U.S. dollar 52.3% (R$3.5333=US$1.00 at December 31, 2002).

(c) During 2003 and 2004, the *real* appreciated against the U.S. dollar 18.2% and 8.1%, respectively (R$2.8892=US$1.00 at December 31, 2003 and R$2.6544 =US$1.00 at December 31, 2004).

(d) We offered to our executives a program of anticipated retirement plan with supplemental benefits. Those eligible were executives with an age over 55 years and the option have been done between June and September 2004.

(e) The increase of R$445 was mainly due to administrative claims and Brazilian Law 8,200.

Note 25 – Stock-based Compensation

The Extraordinary Shareholders' Meeting held on October 31, 2001, approved the stock option program, denominated "Performance". The objective of "Performance" is to foster the executives' long-term commitment to the highest performance standards, as well as attract, retain and motivate new talents. Pursuant to the "Performance" program, our executives can be granted stock or Unit options that can be exercised between 3 to 6 years from issuance. The option rights are limited to 1% of the authorized capital per year and the amount granted is limited to 10% of the authorized capital, as a whole.

The stock options were recorded on the basis of the fair value based method calculated on the date of grant using a Black-Scholes model with the following weighted average assumptions:

	2002	2003	2004
Expected volatility……………………………………………..	56.2%	52.8%	50.6%
Risk-free interest rate………………………………………….	26.4%	24.7%	23.8%
Expected annual dividends per Unit…………………………...	4.7%	5.4%	5.4%
Expected annual forfeited……………………………………...	2.0%	8.4%	13.6%
Expected option life……………………………………………	4.5 years	4.5 years	4.5 years

As a result we recognized an expense of R$9, R$10 and R$10 during the year ended December 31, 2002, 2003 and 2004, respectively.

The following table summarizes the changes in stock option plans during the years ended December 31, 2002, 2003 and 2004.

	2002 (1)			2003 (1)			2004 (1)		
	Options (in thousands of Units)	Weighted average exercise price	Weighted average fair value at grant date	Options (in thousands of Units)	Weighted average exercise price	Weighted average fair value at grant date	Options (in thousands of Units)	Weighted average exercise price	Weighted average fair value at grant date
Balance, beginning of year……..	-	R$ -	R$ -	6,697,000	R$ 9.12	R$ 5.91	11,239,000	R$ 9.30	R$ 5.56
Granted…………………………	6,697,000	9.12	5.91	5,308,000	9.46	5.13	1,586,120	12.57	5.56
Forfeited………………………..	-	-	-	(766,000)	8.88	5.65	(1,521,500)	9.31	5.64
Balance at end of year................	6,697,000	R$ 9.12	R$ 5.91	11,239,000	R$ 9.30	R$ 5.56	11,303,620	R$ 9.76	R$ 5.55
Options exercisable at year-end..	-	-	-	-	-	-	-	-	-

(1) The information above has been adjusted to reflect the 2004 reverse stock split (100:1).

The following table summarizes the information about stock options outstanding at December 31, 2004:

Range of exercise prices	Options (in thousands of Units)	Weighted average remaining contractual life	Weighted average exercise price	
R$6.90 – R$8.00	490,000	2.8	R$	7.06
R$8.01 – R$9.00	1,210,000	3.2		8.58
R$9.01 – R$10.00	7,683,500	2.7		9.51
R$10.01 – R$11.00	394,000	3.3		10.28
R$11.01 – R$12.00	830,000	4.9		11.80
R$12.01 – R$14.03	696,120	4.2		13.87
	11,303,620	3.0	R$	9.76

As of December 31, 2004, there was R$26 of total unrecognized compensation cost related to nonvested stock options granted. That cost is expected to be recognized over a weighted average period of 2.7 years.

Note 26 - Comprehensive Income

HOLDINGS

	For the year ended December 31,					
	2002		2003		2004	
Net income reported in statement of income………………………..	R$	476	R$	498	R$	1,171
Unrealized gains (losses) on securities available for sale:						
Unrealized holding gains (losses) arising during the period...........		(115)		258		15
Reclassification adjustment for (gains) losses on available for sale securities included in net income..		(30)		(115)		48
Unrealized gains (losses) on cash flow hedging instruments:						
Unrealized gains (losses) arising during the period ……..................		(18)		(56)		32
Reclassification adjustment for (gains) losses on cash flow hedging instruments included in net income.................................		-		1		41
Other comprehensive income (loss) before tax.………………..........		(163)		88		136
Income tax related to items of other comprehensive income (loss)...		55		(30)		(46)
Other comprehensive income (loss), net of tax..…...........…………		(108)		58		90
Comprehensive income..……………………………......................	R$	368	R$	556	R$	1,261

Accumulated other comprehensive income (loss) is as follows:

	For the year ended December 31,					
	2002		2003		2004	
Beginning balance..................…..…	R$	(33)	R$	(141)	R$	(83)
Current period change.....................…...		(108)		58		90
Securities available for sale..		(96)		94		42
Cash flow hedging instruments...		(12)		(36)		48
Ending balance..…..	R$	(141)	R$	(83)	R$	7

The total accumulated other comprehensive (losses) gains includes R$(129) in 2002, R$(35) in 2003 and R$7 in 2004 of securities available for sale and R$(12) in 2002 and R$(48) in 2003 of cash flow hedging instruments.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

UNIBANCO

	For the year ended December 31,		
	2002	2003	2004
Net income reported in statement of income………………………	R$ 803	R$ 873	R$ 2,063
Unrealized gains (losses) on securities available for sale:			
Unrealized holding gains (losses) arising during the period..........	(193)	432	25
Reclassification adjustment included in net income for (i) (gains) losses on available for sale securities and (ii) other than temporary losses...	(49)	(193)	80
Unrealized gains (losses) on cash flow hedging instruments:			
Unrealized gains (losses) arising during the period……................	(30)	(97)	54
Reclassification adjustment for (gains) losses on cash flow hedging instruments included in net income................................	-	2	70
Other comprehensive income (loss) before tax...…………………..	(272)	144	229
Income tax related to items of other comprehensive income (loss)..	92	(49)	(78)
Other comprehensive income (loss), net of tax..................……….	(180)	95	151
Comprehensive income..........…...................................…………	R$ 623	R$ 968	R$ 2,214

Accumulated other comprehensive income (loss) is as follows:

	For the year ended December 31,		
	2002	2003	2004
Beginning balance..........................………….......……………...….	R$ (54)	R$ (234)	R$ (139)
Current period change....................…..	(180)	95	151
Securities available for sale..	(160)	157	69
Cash flow hedging instruments..	(20)	(62)	82
Ending balance......................………...…	R$ (234)	R$ (139)	R$ 12

The total accumulated other comprehensive (losses) gains includes R$(214) in 2002, R$(57) in 2003 and R$12 in 2004 of securities available for sale and R$(20) in 2002 and R$(82) in 2003 of cash flow hedging instruments.

Note 27 - Fair Value of Financial Instruments

SFAS 107 "Disclosures about Fair Value of Financial Instruments" requires disclosure of fair value information about financial instruments, whether or not required to be recognized in the consolidated balance sheet, for which it is practicable to estimate such fair value. SFAS 107 defines a financial instrument as cash, evidence of ownership interest in an entity or a contractual obligation or right that will be settled with another financial instrument.

In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Fair value estimates derived through those techniques cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all non-financial instruments, including intangibles, from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

The following table summarizes the carrying amount and fair value estimates for our financial instruments:

	As of December 31,			
	2003		2004	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash, due from banks, federal funds sold and securities purchased under resale agreements and interest bearing deposits in other banks	R$ 12,572	R$ 12,577	R$ 16,833	R$ 16,829
Central Bank compulsory deposits	4,116	4,116	4,808	4,808
Trading assets, including derivatives	5,867	5,867	7,442	7,442
Securities available for sale	3,024	3,024	2,595	2,595
Securities held to maturity	5,775	6,166	4,838	5,080
Gross loans, excluding leases	25,568	25,024	30,738	29,835
Liabilities				
Deposits	25,700	25,704	33,775	33,776
Federal funds purchased and securities sold under repurchase agreements	6,750	6,750	6,687	6,687
Short-term borrowings	3,113	3,113	2,677	2,677
Long-term debt	13,348	13,264	11,700	11,569
Derivatives liabilities (a)	261	261	270	270

(a) Recorded as other liabilities (see Note 17).

We have reviewed the outstanding portion of commitments to extend credit as well as standby and other letters of credit, and have determined the difference between the amounts committed and the fair value of such financial instruments (see Note 29).

Fair value estimates, methods and assumptions are set forth below for our financial instruments.

Financial assets

Cash and cash equivalents, Interest-bearing deposits in other banks and Central Bank compulsory deposits

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, Interest-bearing deposits in other banks, Federal funds sold and securities purchased under resale agreements and Central Bank compulsory deposits approximate their fair values. Cash and cash equivalents include: interest-bearing deposits in other banks, federal funds sold and securities purchased under resale agreements, all of which generally have original maturities of less than three months, except for R$675 in 2003 and R$927 in 2004 of interest-bearing deposits in other banks and R$207 in 2004 of federal funds sold and securities purchased under resale agreements, with original maturities higher than three months.

Trading assets, including derivatives

Fair values for trading assets, which also are the amounts recognized in the consolidated balance sheet, are based on quoted market prices when available or quoted market prices of comparable instruments (see Note 6). The fair value of derivatives are based on the average rate in effect on the market on the last business day of the year for operations with similar maturities and indices, as informed by BM&F and trade associations, including the derivatives recorded as “Other liabilities”.

Securities available for sale

Fair values for securities available for sale, which also are the amounts recognized in the consolidated balance sheet, are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities. See Note 7 for further details regarding the amortized cost and fair values of securities available for sale.

Securities held to maturity

Held to maturity securities are carried at amortized cost. Fair values are based on quoted market prices of comparable securities. See Note 8 for further details regarding the amortized cost and fair values of held to maturity securities.

Loans

Fair values for loans are estimated by groups of loans with similar financial and risk characteristics. Loans are segregated by type, including commercial and industrial, real estate, credit card and other consumer loans, agricultural, import and export financing and international. Each loan type is further segmented into fixed and variable rate interest terms and by corresponding credit categories in order to estimate their fair value.

The fair values for performing loans are calculated by discounting scheduled principal and interest cash flows through maturity using market discount rates and yield curves that reflect the credit and interest rate risk inherent in the loan type at each reporting date. The fair values for impaired loans are based on discounting estimated cash flows using a rate commensurate with the risk associated with the estimated cash flows, the loan's quoted rate, if available, or the value of any underlying collateral. Assumptions regarding cash flows and discount rates are determined using available market information and specific borrower information.

Financial liabilities

Deposits

The carrying amounts reported in the consolidated balance sheet for deposits from banks (interbank deposits) approximate their fair values.

The fair values disclosed for demand deposits (non-interest bearing checking accounts and savings accounts) are, by SFAS 107 definition, equal to the amount payable on demand at the reporting date (i.e. their carrying amounts).

Fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates offered by us on certificates at each reporting date to an estimate of aggregate expected maturities for those deposits.

Short-term borrowings

The carrying amounts of federal funds purchased and securities sold under repurchase agreements, import and export financing and other short-term borrowings approximate their fair values.

The fair value for variable-rate and fixed-rate commercial paper is estimated using a discounted cash flow calculation based on market interest rates for similar instruments.

Long-term debt

The fair value for variable-rate and fixed-rate Euronotes and subordinated debt was based on the average quoted prices in effect on the correspondent markets on the last business day of the year, for similar instruments.

The fair value for mortgage indebtedness is estimated using a discounted cash flow calculation based on market interest rates for similar instruments.

The fair value of Notes issued under securitization arrangements was computed considering the value that could be obtained in corresponding market.

The carrying amounts of other long-term debt instruments approximate their fair values since these bear floating rates comparable to those being currently presents in the market.

Derivatives

The fair value of derivatives is included with trading assets and other liabilities as described in Note 2(d) and (e) and as presented in Notes 6 and 17 (see Note 28 for the notional value and estimated fair value of our derivative financial instruments).

Off-balance sheet financial instruments

The fair value of commitments to extend credit is estimated based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit quality of the counterparties. The fair value of standby and commercial letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate the agreements or otherwise settle the obligations with the counterparties (see Note 29).

Note 28 – Derivatives and Risk Management

(a) Purposes and Use Policies

We use derivative financial instruments to manage our own overall exposures or to assist our clients, in managing market risks, foreign exchange rates risk and interest rate risk. We also enter into derivative contracts for trading purposes to take advantage of market opportunities in order to aggregate value in our results.

We manage financial derivative risks as part of our asset and liability management process and through credit policies and procedures. The counterparty credit risks are minimized by entering into transactions with only a select number of high-quality institutions.

A large part of the derivatives are negotiated on the Brazilian Futures and Commodities Exchange (“BM&F”). Exchange-traded instruments conform to standard terms and are subject to policies set by the BM&F, including counterpart approval, daily margin requirements and security deposit requirements. For the remaining derivative financial instruments, which are negotiated in a Clearing House for Custody and Financial Settlement of Securities or in an over-the-counter transaction, the counterparty credit risks are analyzed.

(b) Hedging Policies

The use of the derivative financial instruments as part of our asset and liability risk management process can be made as an overall position related to our net position undertaken in a certain market or related to a specific assets and liabilities attributed to a particular risk.

The derivative financial instruments that are designated and qualified as hedging instruments of specific assets and liabilities have been highly correlated with respect to changes in the fair value of the hedged items, allowing an assessment of the high effectiveness of the hedge risk during the period that the hedge is designated.

The derivative financial instruments designated to hedge may: (i) fix an expected future cash flow attributed to a particular asset or liability (cash flow hedge) or (ii) reduce the exposure to changes in the fair value of an asset or liability (fair value hedge).

(c) Risk Management

We continuously strive to improve our risk management practices, which are integrated into the various levels of the organization. A separate division is responsible for identifying, measuring and managing market, credit and operational risk on an institutional-wide basis. In addition, each business division has dedicated risk management staff.

Credit Risk

The credit policy is designed to manage risk while maintaining flexibility required by market conditions and the needs of customers. The credit limits exposure goals are to avoid the concentration in clients and particular sectors that we believe have high risk factors. The credit policy has various approval levels for both retail and wholesale customers. Depending on the size and type of exposure and the customer's prior credit history, approval levels range from the branch general manager or account manager to the retail or wholesale credit committees, which are composed of members of senior management. The centralized credit decision-making process is based on strict credit limits that are set by the wholesale and retail committees. The pre-approved credit limit to customers for different types of credit lines is based on their creditworthiness and size.

Corporate Credit: The decision on each credit is based on the following factors: financial history, cash flows, quality of management, relationship history, market conditions and other factors relating to credit risk. An internal credit rating system is employed, which ranks companies in categories based on quantitative criteria and qualitative aspects. The lines of credit are reviewed every 60 to 180 days, depending on the borrower's rating and the external credit environment.

Retail Credit: Credit management in the retail banking business is characterized by the processing of a large volume of credit requests, which requires specialized systems and processes. A wide range of statistical tools to evaluate retail credit requests is utilized. These tools, which include credit behavior scoring, are backed by dedicated systems. The automated credit system is a special software program that services loans at all stages from their inception. The collections' scoring is used for determination of which collection method or combination of collection methods is the most efficient. Stricter standards for originating and managing this loan portfolio are imposed, including restrictions on increases in credit limits and restrictions on renewals of overdraft facilities.

Market Risk

The policy regarding market risk exposure is in our belief conservative, independently supervised and controlled, and based on limits established by the financial and risk committees. Trading and positioning activities are conducted within clear limits by the risk committee and ratified by the financial committee. The market risk exposure is limited by managing the currency, maturity and interest rate mismatches. Exposure limits for the treasury unit are established considering market volatility, scenario forecasts, opportunity for profit and the funding needs of our banking activities. Securities, derivative financial instruments, loans and funding are analyzed on a consolidated basis. Derivative financial instruments play an important role in managing asset and liability mismatches. These limits and policies are reviewed monthly or when a new threat or opportunity arises.

The value at risk methodology is used to evaluate the market risk. Stress tests are also applied using historical and macroeconomic scenarios simulated by our risk management and macroeconomic team, in order to minimize the risk of loss in the portfolio and to analyze the effects of changes in the financial market of portfolio.

We manage our risk exposure on a centralized basis by transfering all risks and mismatches to the treasury unit. All treasury activities, including those for foreign branches, are closely monitored from the offices in São Paulo. Trading limits and strategies are defined by head office, and all trading positions are consolidated in centralized databases.

Liquidity Risk

The liquidity risk is related to the management of the gap in assets and liabilities financial cash flow which results in the financial capacity of the institution by taking additional funds and honor positions.

The liquidity contingency and planning policies are defined by the financial committee and are reported to the decision makers and are controlled by independent areas on a daily basis. The liquidity risk is evaluated by a similar methodology as the market risk, considering the different impacts of the exchange rates and macroeconomic scenarios and stress tests to simulate changes in the availability and costs of funds in the financial market. Maturity, exchange rates, financial instruments and different markets are analyzed daily in order to assure compliance with the established limits. Those limits and policies are periodically reviewed and the strategies are defined in order to assure a conservative monitoring of the liquidity risk.

Operating risks

Operating risks are related to an institution's unexpected losses, due to its systems, practices and control measures being incapable of withstanding human error, damaged support infrastructure, faulty modeling, services or products, and to business environment changes or other adverse market conditions.

To meet the requirements of international market practices and the internal regulations of the Brazilian financial market, we created an internal control structure. This features a listing of risks and controls to standardize language and facilitate risk and control understanding by all staff members. It also includes an internal control system, which is accessible from all group areas. Periodic evaluations are held where area managers and their staff identify their main activities and inherent risks, and assess the effectiveness of current controls. This process allows controls to be improved, resulting in reduced risk exposure.

The collected data provide support for the monitoring and performance evaluation of the Units, identifying those areas with greater risk potential. This structure is the basis for the identification of indicators and the implementation of a database to quantify operating risk exposure.

In order to provide a better risk analysis, a structured and automated model of risk evaluation for new products and operations were implanted, facilitating the culture dissemination and the increase of the results for an effective process of risk management at Unibanco. This simple and agile process generates greater efficiency in the processes and business management, allowing the reduction and losses through foresees actions.

As banking operations diversify and the volume of transactions involving computers and telecommunications networks increases, the importance of information technology and the potential impact of systems failures have grown. Accordingly, the bank has devoted substantial resources to ensure the reliability and stability of its computer and related systems. The principal computer facility is located in São Paulo and a backup system is maintained. This backup system is designed to operate automatically if the main system malfunctions. Additionally, backup procedures and files are monitored periodically.

(d) Derivatives

We use a variety of derivatives, such as forwards, futures, swaps and options, as part of our overall asset and liability risk management. As required by SFAS 133, all these transactions are recorded at fair value as either assets or liabilities and are designated as hedging or non-hedging transactions.

The following table presents the notional, notional at fair value and credit risk amounts at December 31, 2003 and 2004 of derivative positions held for trading and hedging purposes.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	As of December 31,					
	2003			2004		
	Notional	Fair value, net (1)	Credit risk	Notional	Fair value, net (1)	Credit risk
Interest rates:						
Swap contracts:						
Hedge	R$ 1,541	R$ 478	R$ 66	R$ -	R$ -	R$ -
Non-hedge	3,667	1,267	312	6,331	3,098	451
Future contracts – purchased position:						
Hedge	3,017	3,017	-	8,446	8,446	-
Non-hedge	13,863	13,863	-	14,319	14,319	-
Future contracts – sold position:						
Hedge	(54)	(54)	-	-	-	-
Non-hedge	(4,720)	(4,720)	-	(17,243)	(17,243)	-
Forward contracts - Non-hedge	21	22	-	152	(231)	30
Foreign currency:						
Swap contracts:						
Hedge	884	(501)	7	-	-	-
Non-hedge	3,066	1,195	18	2,646	(2,450)	52
Future contracts – purchased position - Non-hedge	702	702	-	1,078	1,078	-
Future contracts – sold position – Non-hedge	(1,191)	(1,191)	-	(982)	(982)	-
Forward contracts - Non-hedge	236	281	67	403	274	91
Option contracts – purchase option - Non-hedge	241	-	-	78	1	1
Option contracts – sale option – Non-hedge	245	-	-	1,420	(25)	-
Exchange coupon:						
Future contracts – purchased position - Non-hedge	3,678	3,678	-	1,026	1,026	-
Future contracts – sold position - Non-hedge	(4,075)	(4,075)	-	(395)	(395)	-
Equity securities:						
Forward contracts - Non-hedge	R$ 8	R$ 8	R$ 8	R$ 7	R$ 7	R$ 7
Total credit risk			R$ 478			R$ 632

(1) Includes both long and short positions, net.

Non-hedging transactions

Interest rate and currency swaps are contracts in which a series of interest rate cash flows of a single currency or interest or principal payments in two different currencies are exchanged for a contractual period. The notional amount represents the basis on which the cash flows are determined. The original maturity on these contracts at December 31, 2004 ranges from 3 days to 9 years. The risks associated with swaps relate to the potential inability or unwillingness of the counterparties to perform according to the contractual terms and the risk associated with changes in market conditions, due to movements in interest rates and the exchange rate of currencies. We have liabilities related to other interest rate and currency swaps in the amounts of R$261 and R$202 that are classified as "Other liabilities" at December 31, 2003 and 2004, respectively.

Interest rate and currency futures and forwards contracts are contracts for the delayed delivery of an instrument at a specified price or yield. The notional amounts represent the face value of the underlying instrument for which daily cash settlements of the price movements are made for the future contracts. Maturities of these contracts at December 31, 2004 range from 1 day to 9 years. The credit risk associated with future and forwards contracts is minimized due to daily or monthly cash settlements and by entering into transactions with a select number of high-quality institutions.

Options are contracts which (i) transfer, modify, or reduce interest rate risk, or (ii) allow us to purchase or sell a currency in exchange for the payment of a premium at inception of the contract. As a purchaser of options, we pay a premium and as the writer of options, receive a premium in exchange for bearing the risk of unfavorable movements in future interest rates and market prices for the underlying currency.

Hedging transactions

Prior entering a hedge transaction, we formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions along with a formal assessment at both inception of the hedge and on an ongoing basis as to the effectiveness of the derivative instrument in offsetting changes in fair values or cash flows of the hedged item. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting is discontinued and the adjustment to fair value of the derivative instrument is recorded in net income.

Fair value hedge: At December 31, 2003 there were swap contracts with notional amounts of R$1,837 accounted for at fair value and recognized as hedge of the changes in fair value of our loans and long-term-debt-mortgage indebtedness. We do not hold any derivative financial instruments designated as fair value hedge as of December 31, 2004.

Cash flow hedge: At December 31, 2003 there were future operations and swap contracts with notional amounts at fair value of R$2,963 and R$1,376, respectively, as hedge of the variability in expected future cash flows associated with the Yen fluctuations, the Brazilian benchmark interbank interest rate (CDI) and the referential rate (TR) relating to certain loans, time deposits and mortgage indebteness.

At December 31, 2004, there were future operations with notional amounts at fair value of R$8,446, as hedge of the variability in expected future cash flows associated with the Brazilian benchmark interbank interest rate (CDI) relating to certain time deposits. During the next twelve months we expect to reclassify to earnings R$1 of pretax net losses, or R$0.6 after tax, on cash flow hedge derivatives currently reported in “Accumulated other comprehensive losses”. The maximum length of time over which we are hedging exposure to the variability in future cash flow is through January 2007.

If at any time, we determine that these derivatives are not expected to be or have ceased to be highly effective as a hedge, the derivative expires or is sold, or we discontinue the derivative’s hedge designation, we will discontinue the hedge accounting. In those circumstances, the net gain or loss remain in “Accumulated other comprehensive losses” and will be recognized in earnings in the same period or periods during which the hedged transaction affects earnings. Otherwise, the amounts included in “Accumulated other comprehensive losses” will be recognized in earnings as changes in the expected cash flows from the hedged interest expenses on time deposits and marketable securities occur.

In 2004, we discontinued swap contracts with notional amounts at fair value of R$1,413, as hedge of the changes in fair value of our loans and long term-debt – mortgage indebtedness, and R$903, as hedge of the variability in expected future cash flows associated with the yen fluctuation and the referential rate (TR) relating to certain loans, subordinated debt and mortgage indebtedness. We recognized a loss of R$18 in “Net gains (losses) on securities and non-trading derivatives”, as an effect of our management’s decision to discontinue the derivative’s hedge designation.

For the years ended December 31, 2003 and 2004 we recognized no gain or loss regarding the ineffectiveness of our cash flow or fair value hedges.

The carrying value, represented by fair value, of all derivatives described above are included in trading account assets and in other liabilities – derivative liability, as summarized in Notes 6 and 17.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 29 – Off-balance Sheet Financial Arrangements

Financial guarantees

As part of our lending operations, we enter into various off-balance sheet credit instruments with our customers which are summarized as follows:

	Contractual amounts						
	As of December 31,						
	2003	2004	Less than one year	1 to 3 years	3 to 5 years	After 5 years	No stated maturity
Co-obligation for credit assignment……………………..	R$ 29	R$ 2	R$ 1	R$ -	R$ -	R$ 1	R$ -
Guarantees....................................	3,207	4,197	948	1,768	767	591	123
Standby letters of credit and other letter of credit..............................	118	168	168	-	-	-	-

At December 31, 2003 and 2004, the carrying value of financial guarantees is recorded in “Other liabilities” in the amount of R$8 and R$42, including the provision for probable losses in the amount of R$1 and R$25, respectively.

Co-obligation for credit assignment are assignments of credit in which we continue to have a co-payment obligation in the event of default by borrower.

Standby letters of credit and guarantees are our conditional commitments to guarantee the performance of a customer to a third party in borrowing arrangements. Other letters of credit are issued to support transactions on behalf of customers.

Additionally, at December 31, 2003 and 2004 we have contractual amounts of R$11,955 and R$16,711, respectively, of unfunded commitments to extend credit for a specified time period to lend to customers who have complied with predetermined contractual conditions. These contracts have maturities of less than one year and can be renewed.

The maximum potential credit risk of these contracts is equal to the contractual amounts shown above if the counterparty does not perform under the respective contract. Generally, these contracts expire without being drawn upon; therefore, the contractual amounts are not indicative of the actual credit exposure or future cash flow requirements for such commitments. To mitigate credit risk, we may require the counterparty to pledge collateral in the form of cash, securities or other assets to support the extension of credit similar to the collateral required for our lending operations.

Note 30 - Commitments and Contingent Liabilities

Assets under management

We manage a number of investment funds which are available to institutional investors and the general public. These assets in the amount of R$23,168 and R$27,765 at December 31, 2003 and 2004, respectively, are not included in our consolidated balance sheet. Fees are generally charged monthly, at average rates of 1.3% per year (for 2003 and 2002) and 1.1% for 2004 of the market value of the assets under management. We do not guarantee minimum returns or the principal amount invested on such funds.

Litigation

We and our subsidiaries are defendants in several legal actions, mainly relating to income taxes, indirect taxes and civil and labor claims. Based on the advice of our legal counsels, we believe that an unfavorable outcome in any or all of these actions will not have a material effect on our financial condition or results of operations.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

The changes in the provision for probable losses in 2002, 2003 and 2004 were as follows:

	As of December 31,		
	2002	2003	2004
Balance, beginning of year	R$ 1,396	R$ 1,453	R$ 1,856
Provision charged	407	844	1,097
Provision of acquired companies	-	-	91
Payments	(244)	(424)	(545)
Reversal of provisions no longer required	(106)	(17)	(121)
Balance, end of year (see Note 17)	R$ 1,453	R$ 1,856	R$ 2,378

The related restricted escrow deposits for contingencies is shown in Note 13.

Tax litigation

Unibanco and its subsidiaries are involved in several tax suits, including those relating to the constitutionality of certain taxes, and the probable liability is fully recorded until the liability is settled or reversed, based on a new legal facts.

Labor litigation

Labor unions and former employees have filed several lawsuits against Unibanco and its subsidiaries to seek compensation for labor rights. The contingency amount for probable losses is recorded as provision, based on the average of payments made.

Civil litigation

Unibanco and its subsidiaries are party to other actions and claims including certain claims together with other Brazilian financial institutions relating, mainly, to (i) past economic plans of the Brazilian government; (ii) the application of compound interest rates for periods less than one year in their operations; (iii) losses related to lease contracts involving foreign exchange variations; and (iv) personal and moral injury. Those actions and claims are recorded in accordance with the probability of loss in each type of claim.

Other commitments

We lease many properties under standard real estate leases that can be canceled at our option and include renewal options and escalation clauses for adjusting rentals to reflect changes in price indices. During 2002 and 2004, we sold many properties used as branches and, subsequently, we rented them for the purpose of continuing our operations. Fines on rescission of real estate leases were R$28, R$31 and R$48 in 2002, 2003 and 2004, respectively. Expenses of real estate leases were R$118, R$153 and R$189, in 2002, 2003 and 2004, respectively.

The following table set forth the real estate leases commitments:

2005	R$ 178
2006	157
2007	134
2008	107
2009	76
Thereafter	167
Total	R$ 819

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Our monthly amount of rental payments with no stated maturity, in renew process and under litigation is R$1.

Note 31 - Regulatory Matters

We are subject to regulation by the Central Bank, which promulgates various regulations regarding currency and credit policies for financial institutions operating in Brazil. Additionally, the Central Bank determines minimum capital requirements, lending limits, accounting practices and compulsory deposit requirements (see Note 5). Failure to meet these requirements is subject to penalties imposed by the Central Bank.

The Central Bank requires banks to comply with regulations, which currently are similar to the Basle Accord as regards capital adequacy, except for the 11% capital minimum requirement.

In accordance with the Central Bank rules, banks are required to calculate compliance with the minimum requirement on either a partial consolidated basis (considering only the institutions regulated by the Central Bank, including investments and branches abroad) or full consolidated basis (considering all institutions owned by the banks, including insurance, savings and annuities products, private retirement and credit card companies). The minimum capital ratio requirement in Brazil is 11%. The following table sets forth the capital ratios:

	As of December 31,			
	Partial consolidation (a)		Full consolidation (b)	
	2003	2004	2003	2004
In accordance with the Central Bank requirements				
Tier I Capital ...………………………..	15.52 %	13.49 %	15.58 %	13.62 %
Tier II Capital..	3.08	2.78	2.86	2.08
Total Capital ....…..	18.60 %	16.27 %	18.44 %	15.70 %

(a) Partial consolidation excludes non-financial subsidiaries.
(b) Full consolidation includes both financial and non-financial subsidiaries.

Currently, the Central Bank does not limit the amount of dividends which may be paid subject to the capital requirements set forth above. As of each reporting date, we were in compliance with all capital requirements imposed by the Central Bank.

In June 2004, after five years of debates and revisions, the Bank for International Settlements Committee on Banking Supervision, or BIS, endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework, commonly known as Basel II. On December 9, 2004, the Central Bank, in Communication 12,746, expressed its intention to adopt Basel II in Brazil. The Communication indicates that the Central Bank intends to adopt Basel II gradually, with caution and appropriate adaptation to Brazilian needs.

Additionally, the Central Bank limits the amount of investments in consolidated subsidiaries not engaged in banking, leasing or securities activities and in unconsolidated companies, premises and equipment and intangible assets to 50% of stockholders' equity on a consolidated basis. The Central Bank also limits unconsolidated investments, premises and equipment and intangible assets to 50% of stockholders' equity on a full consolidated basis. At December 31, 2003 and 2004 our total investment in such assets was less than the Central Bank limit.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 32 - Segment Information

We operate as a full service financial institution providing a wide range of financial products and services to a diversified individual and corporate customer base. Our businesses comprise retail, wholesale, insurance and wealth management industries. See further details in Note 1.

The following tables present a summary of our operations for the years ended December 31, 2002, 2003 and 2004, by segment, in accordance with SFAS 131 "Disclosures about Segments of an Enterprise and Related Information".

	For the year ended December 31, 2002					
	Retail	Wholesale	Insurance	Wealth management	Eliminations	Total
Net interest income........…………...	R$ 3,214	R$ 1,334	R$ 693	R$ 61	R$ -	R$ 5,302
Provision for loan losses.…………..	(1,030)	(269)	1	7	-	(1,291)
Non interest income						
Insurance, private retirement plan and pension investment contracts	-	-	1,291	-	-	1,291
Equity in results of unconsolidated companies.……….…...................	194	(21)	6	5	-	184
Fee and commission income...........	1,330	292	1	300	69	1,854
Other…………...............................	878	(982)	8	3	20	(113)
Non interest expense						
Salaries and benefits and administrative expense..…………	(3,233)	(333)	(247)	(213)	(41)	(3,985)
Insurance, private retirement plan and pension investment contracts	-	-	(1,306)	-	-	(1,306)
Other………..................................	(973)	(167)	(186)	(16)	(48)	(1,294)
Income before taxes and minority interest......……...........................	380	(146)	261	147	-	642
Income taxes.........…………………	78	295	(57)	(40)	-	276
Minority interest....………………...	(2)	-	(112)	(1)	-	(115)
Net income...............………………	R$ 456	R$ 149	R$ 92	R$ 106	R$ -	R$ 803
Identifiable assets..............................	R$ 23,889	R$ 41,864	R$ 4,720	R$ 2,156	R$ 641	R$ 71,988

(Expressed in millions of Brazilian reais, unless otherwise indicated)

	For the year ended December 31, 2003					
	Retail	Wholesale	Insurance	Wealth management	Eliminations	Total
Net interest income	R$ 3,893	R$ 163	R$ 910	R$ 58	R$ -	R$ 5,024
Provision for loan losses	(839)	(52)	2	8	-	(881)
Non interest income						
Insurance, private retirement plan and pension investment contracts	-	-	1,468	-	-	1,468
Equity in results of unconsolidated companies	200	(11)	10	-	-	199
Fee and commission income	1,613	329	1	295	86	2,152
Other	669	916	95	18	14	1,684
Non interest expense						
Salaries and benefits and administrative expense	(3,650)	(387)	(314)	(206)	(23)	(4,534)
Insurance, private retirement plan and pension investment contracts	-	-	(1,712)	-	(46)	(1,666)
Other	(1,354)	(603)	(119)	(20)	(31)	(2,065)
Income before taxes and minority interest	532	355	341	153	-	1,381
Income taxes	(41)	(183)	(83)	(47)	-	(354)
Minority interest	(21)	-	(133)	-	-	(154)
Net income	R$ 470	R$ 172	R$ 125	R$ 106	R$ -	R$ 873
Identifiable assets	R$ 21,416	R$ 38,041	R$ 5,948	R$ 1,909	R$ 1,267	R$ 66,047

	For the year ended December 31, 2004					
	Retail	Wholesale	Insurance	Wealth management	Eliminations	Total
Net interest income	R$ 4,313	R$ 451	R$ 970	R$ 41	R$ 1	R$ 5,774
Provision for loan losses	(807)	(139)	(1)	(1)	-	(948)
Non interest income						
Insurance, private retirement plan and pension investment contracts	-	-	1,775	-	-	1,775
Equity in results of unconsolidated companies	207	-	13	-	-	220
Fee and commission income	1,858	282	16	321	95	2,382
Other	1,965	492	12	8	13	2,464
Non interest expense						
Salaries and benefits and administrative expense	(4,156)	(399)	(343)	(222)	(22)	(5,098)
Insurance, private retirement plan and pension investment contracts	-	-	(1,978)	-	(80)	(1,898)
Other	(1,556)	(389)	(207)	(11)	(6)	(2,157)
Income before taxes and minority interest	1,824	298	257	136	1	2,514
Income taxes	(116)	(136)	(11)	(32)	-	(295)
Minority interest	(63)	-	(93)	-	-	(156)
Net income	R$ 1,645	R$ 162	R$ 153	R$ 104	R$ 1	R$ 2,063
Identifiable assets	R$ 28,003	R$ 42,067	R$ 7,660	R$ 1,447	R$ 1,319	R$ 77,858

Our operations are primarily carried out in Brazil; however, we have operations in the United States, the United Kingdom, the Bahamas, Grand Cayman, Luxembourg and Paraguay, none of which are individually material to Unibanco and its subsidiaries as a whole.

(Expressed in millions of Brazilian reais, unless otherwise indicated)

Note 33 - Parent Company Financial Information

Condensed financial information of Holdings, the Parent Company, is presented below:

	As of December 31,			
Balance sheet:	**2003**		**2004**	
Interest-bearing deposits with banks	R$	11	R$	41
Investment in Unibanco		4,024		5,096
Dividends receivable		113		143
Other assets		23		26
Total assets	R$	4,171	R$	5,306
Dividends payable	R$	103	R$	125
Other liabilities		42		85
Stockholders' equity		4,026		5,096
Total liabilities and stockholders' equity	R$	4,171	R$	5,306

	For the year ended December 31,					
Statement of income:	**2002**		**2003**		**2004**	
Interest on deposits in banks	R$	1	R$	2	R$	4
Dividends from Unibanco		198		247		305
Equity in undistributed earnings of Unibanco		278		271		911
Non-interest expense		1		22		49
Net income	R$	476	R$	498	R$	1,171
Statement of cash flows:						
Operating activities:						
Net income	R$	476	R$	498	R$	1,171
Less – Equity and dividends in earnings of Unibanco		476		518		1,216
Change in assets and liabilities						
Other assets		7		(37)		(3)
Other liabilities		(6)		31		43
Net cash provided by operating activities		1		(26)		(5)
Investing activities:						
Cash dividends received		194		255		275
Cash dividends paid		(194)		(227)		(240)
Net cash used in investing activities		-		28		35
Financing activities:						
Net increase (decrease) in short-term borrowing		(1)		-		-
Net cash provided by financing activities		(1)		-		-
Net increase in cash and cash equivalents		-		2		30
Cash and cash equivalents at beginning of year		9		9		11
Cash and cash equivalents at end of year	R$	9	R$	11	R$	41

Note 34 – Subsequent Events

Secondary Units Offer

In February 2005, Commerzbank Aktiengesellschaft and BNL International Investments S.A. sold, through a secondary public distribution, 45,897,387 Units, representing 7.2% of the preferred shares of Unibanco and 8.9% of the preferred shares of Unibanco Holdings. The secondary offering included the public in Brazil, certain qualified institutional buyers in the United States and institutional and other investors elsewhere outside Brazil and the United States that are not U.S. persons.

In May 2005, Caixa Geral de Depósitos, the former controller of Banco Bandeirantes S.A., paid us the indemnity due under the Association Agreement executed between, among others, ourselves and Caixa Geral de Depósitos, in the total amount of approximately R$238, being R$200 in relation to contingencies of Banco Banorte S.A. and R$38 in relation to the settlement of the graphic account referred to Banco Bandeirantes S.A.

On June 3, 2005 we signed an agreement to acquire from Grupo Verdi, the remaining 49% of the capital of Banco Dibens S.A. (see Note 1). The value of the transactions was R$128. Banco Dibens operates in the Brazilian financial market providing comercial, foreign exchange, investment and consumer financing. This transaction is subject to the approval of the Central Bank of Brazil and other relevant authorities.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Providence House
East Hill Street
P.O. Box N-3910
Nassau, Bahamas
Website: www.pwc.com
E-mail: pwcbs@bs.pwc.com
Telephone (242) 302-5300
Facsimile (242) 302-5350

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

We have audited the accompanying balance sheet of Unibanco – União de Bancos Brasileiros S.A. Cayman Islands Branch (the "Branch") as of December 31, 2004 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Branch as of December 31, 2003 were audited by other auditors whose report, dated March 22, 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as of December 31, 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
April 22, 2005

Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

Balance Sheet
For the Year Ended December 31, 2004 and 2003
(Expressed in United States Dollars)

Assets	Notes	2004 $	2003 $
Cash and due from banks			
Other		51,056,079	7,936,374
Overnight funds sold	4		
Related parties		242,163,461	848,000,000
Others		540,000,000	-
Trading Securities	5		
Other		23,504,350	-
Time deposits	6		
Other		34,315,777	33,124,252
Loans, net of allowance for loan losses	7		
Related parties		292,399,835	305,815,638
Other		408,475,787	426,785,095
Investments	8		
Related parties		946,723,790	1,015,948,876
Other		92,786,474	20,000,000
Interest receivable			
Related parties		37,490,259	33,520,420
Other		10,021,628	5,120,343
Other assets			
Related parties		-	2,110,696
Other		36,202,213	31,200,503
Derivative financial instruments	14	24,629,719	16,949,099
Total assets		2,739,769,372	2,746,511,296
Liabilities and shareholders' equity			
Demand deposits			
Related parties		74,181	867,638
Other		551,530	667,094
Time deposits			
Related parties		98,414,101	2,500,000
Other		133,708,004	-
Borrowed funds	9	923,470,525	1,286,671,259
Securitization of diversified payments rights	10	987,463,199	849,104,726
Subordinated debt	11	399,813,903	399,793,081
Interest payable			
Related parties		235,563	22,222
Other		22,470,775	23,704,088
Other liabilities		2,295,080	14,459,401
Derivative financial instruments	14	4,293,966	-
Total liabilities		2,572,790,827	2,577,789,509
Shareholders' equity			
Capital contribution account		35,931,793	35,931,793
Derivatives fair market value	14	(1,217,347)	(10,273,249)
Retained earnings		132,264,099	143,063,243
Total shareholders' equity		166,978,545	168,721,787
Total liabilities and shareholders' equity		2,739,769,372	2,746,511,296

Director

Director

April 22, 2005
Date

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

Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

Statement of Income
For the Year Ended December 31, 2004
(Expressed in United States Dollars)

	Notes	2004 $	2003 $
Interest income			
Cash		32,297	-
Overnight funds sold			
Related parties		2,769,635	6,697,339
Other		6,176,006	-
Time Deposits			
Other		3,132,196	1,553,206
Loans			
Related parties		2,716,760	13,610,900
Other		22,162,551	14,099,586
Investments			
Related parties		116,091,912	130,979,023
Other		11,377,932	-
Total interest income		164,459,289	166,940,054
Interest expense			
Demand deposits			
Other		5,241	4,781
Time deposits			
Related parties		73,099	22,222
Borrowed funds		90,205,644	109,348,095
Total interest expense		90,283,984	109,375,098
Net interest income		74,175,305	57,564,956
Other income (expense)			
Net realized and unrealized gain on derivatives		10,009,545	2,457,134
Net loss on investments		(6,930,118)	-
Fees and other income expenses, net	10	(44,526,244)	(18,277,623)
Amortization of discount on purchase of loans		7,669,158	17,289,309
Recovery (Provision) for loan losses	7	2,857,249	(13,205,269)
Administrative expenses and other income		2,502,151	(8,412,618)
Total other expenses, net		(28,418,259)	(20,149,067)
Net income for the year		45,757,046	37,415,889

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

Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

Statement of Changes in Shareholders' Equity
For the Year ended December 31, 2004
(Expressed in United States Dollars)

	Notes	Capital contribution account	Cash flow hedges	Retained earnings	Total
		$	$	$	$
At December 31, 2002 restated		35,931,793	(6,860,319)	245,647,354	274,718,828
Distributions to head office		-	-	(140,000,000)	(140,000,000)
Derivatives fair market value adjustment	14	-	(3,412,930)	-	(3,412,930)
Net Income		-	-	37,415,889	37,415,889
At December 31, 2003		**35,931,793**	**(10,273,249)**	**143,063,243**	**168,721,787**
Distributions to head office		-	-	(56,556,190)	(56,556,190)
Derivatives fair market value adjustment	14	-	9,055,902	-	9,055,902
Net Income		-	-	45,757,046	45,757,046
At December 31, 2004		**35,931,793**	**(1,217,347)**	**132,264,099**	**166,978,545**

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

Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

Statement of Cash Flows
For the Year Ended December 31, 2004
(Expressed in United States Dollars)

	Notes	2004	2003
		$	$
Cash flow from operating activities			
Net income		45,757,046	37,415,889
Increase in derivative financial instruments - assets		(7,680,620)	(16,949,099)
Decrease in derivative financial instruments - liabilities		4,293,966	(6,860,321)
Derivatives fair market value	14	9,055,902	(3,412,930)
(Recovery) Provision for loan losses		(3,395,196)	10,040,136
		48,031,098	20,233,675
Adjustments to reconcile net income to net cash from operating activities			
Increase in trading securities		(23,504,350)	-
(Increase) decrease in interest receivable		(8,871,124)	5,332,048
Increase in other assets		(2,891,014)	(21,373,829)
(Decrease) increase in interest payable		(1,019,972)	1,882,403
(Decrease) increase in other liabilities		(12,164,321)	14,110,479
Net cash (used in) from operating activities		(419,683)	20,184,776
Cash flow from investing activities			
Increase in time deposits		(1,191,525)	(2,532,586)
(Increase) decrease in loans, net		35,120,307	(192,708,635)
Decrease (increase) in investments		(3,561,388)	180,074,751
(Decrease) in borrowed funds		-	(94,714,596)
Increase in securitization		-	449,104,726
Increase in subordinated debt		-	199,793,081
Net cash from investing activities		30,367,394	539,016,741
Cash flow from financing activities			
(Decrease) increase in demand deposits, net		(909,021)	1,020,194
Increase in time deposits, net		229,622,105	2,500,000
Decrease in borrowed funds		(363,200,734)	-
Increase in securitization		138,358,473	-
Increase in subordinated debt		20,822	-
Distributions to head office		(56,556,190)	(140,000,000)
Net cash used in financing activities		(52,664,545)	(136,479,806)
Net (decrease) increase in cash and cash equivalents		(22,716,834)	422,721,711
Cash and cash equivalents, beginning of year		855,936,374	433,214,663
Cash and cash equivalents, end of year		833,219,540	855,936,374
Represented by			
Cash and due from banks		51,056,079	7,936,374
Overnight funds sold		782,163,461	848,000,000
		833,219,540	855,936,374

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

1 General information

Unibanco - União de Bancos Brasileiros S.A. Cayman Islands Branch (the "Branch") was registered under Part VIII of the Companies Law of the Cayman Islands on February 8, 1980. The Branch operates under a Category "B" Banking License issued on July 17, 1980, under the Banks and Trust Companies Law, as amended, of the Cayman Islands.

The principal activity of the Branch consists of borrowing funds in the Eurodollar market and on-lending the proceeds through its head office to its clients in Brazil. It also acts as a deposit-taker offering a range of demand and term deposit facilities to corporate clients.

The registered office of the Branch is located at The Bank of Nova Scotia Trust Company (Cayman) Limited, Cardinal Avenue, Grand Cayman, Cayman Islands. Its head office is Unibanco - União de Bancos Brasileiros S.A., a bank incorporated in São Paulo, Brazil.

The Branch has no employees as its affairs are administered by Unibanco - União de Bancos Brasileiros S.A. Nassau Branch.

2 Summary of significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting Standard requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Reporting currency

In view of the international nature of the Branch's operations, the amounts shown in the financial statements are reported in United States Dollars (U.S. dollars).

(c) Foreign currency translation

The records of the Branch are maintained in U.S. dollars. Foreign currency assets and liabilities are translated at exchange rates in effect as at the balance sheet date. Foreign currency revenues and expenses transactions are translated at exchange rates in effect at the date of the transaction. Any resultant exchange gains or losses are included in the determination of net income.

(d) Loans

Loans are carried at their principal amount outstanding net of allowance for loan losses and prepaid interest. Interest income on loans is calculated using the simple interest method on daily balances of the principal amounts outstanding. Unamortized discount and prepaid interest on discounted loans are amortized using the straight-line method over the term of the loan.

2 Summary of significant accounting policies (Continued)

(e) Borrowed funds

The borrowed funds are carried at their principal amount outstanding, net of unamortized discount and prepaid interest. Interest expense on borrowed funds is calculated using the simple interest method on daily balances of the principal amounts outstanding. Unamortized discount/premium and prepaid interest on borrowed funds are amortized using the straight-line method over the term of the borrowed funds.

(f) Allowance for loan losses

Provisions for loans are determined by using the credit rating of each borrower and multiplying the relevant risk percentage by the amount of the outstanding loan. When a loan is considered uncollectible, it is written off against the provision for loan losses. Subsequent recoveries are credited to income if previously written off.

(g) Financial Assets

The financial assets are classified in the following categories: financial assets at fair value through profit and loss and held to maturity investments. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets held for trading is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Branch's management has the positive intention and ability to hold to maturity. Were the Branch to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Purchases and sales of financial assets at fair value through profit or loss and held to maturity are recognized on trade date the date on which the Branch commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired or where the Branch has transferred substantially all risks and rewards of ownership.

Held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

2 Summary of significant accounting policies (Continued)

The fair values of quoted investments in active markets are based on current bid prices. If the market for financial asset is not active (and for unlisted securities) the Branch establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(h) Financial instruments

The financial assets and liabilities are recognized on the Branch's balance sheet when the Branch has become a party to the contractual provision of the instrument.

(i) Impairment of Financial Assets

Assets carried at amortized cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Bank assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

2 Summary of significant accounting policies (Continued)

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off when all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(i) Impairment of Financial Assets (Continued)

Assets carried at fair value
The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(j) Reverse repurchase and repurchase agreements

The Branch enters into agreements to purchase and then resell securities ("reverse repurchase agreements") and agreements to sell and then repurchase securities ("repurchase agreements") at a future date, typically limited to one year. These agreements are treated as collateralized financing transactions. Reverse repurchase agreements and repurchase agreements are carried at their contractual amounts and are recorded on the balance sheet as investments and borrowed funds respectively. The agreements are measured at subsequent reporting dates at fair value. It is the Branch's policy to take possession of securities with market values in excess of the principal amounts loaned, plus accrued interest, in order to collateralize reverse repurchase agreements. Similarly, the Branch is required to provide securities to counterparties in order to collateralize repurchase agreements. The Branch monitors the market values of the underlying securities as compared to the related receivable or payable, including accrued interest, and obtains additional collateral or retrieves excess collateral from counterparties, when appropriate. Interest is accrued over the life of these agreements and is paid upon maturity.

(k) Derivative financial instruments

The derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Branch recognizes profits on day 1.

2 Summary of significant accounting policies (Continued)

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Branch designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

(k) Derivative financial instruments (continued)

The Branch documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Branch also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity as cash flow hedges reserve. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivative instruments that do not qualify for hedge accounting.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement.

(l) Futures contracts

Upon entering into a futures contract, the Branch is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract sum. This is known as the "initial margin" and recorded as margin accounts with brokers. Subsequent payments ("variation margins") are made or received depending on the fluctuation in the value of the contract. A realized gain or loss is recognized when the contract is closed.

2 Summary of significant accounting policies (Continued)

(m) Income and expenses recognition

Income and expenses are recognized on an accrual basis.

(n) Income tax

The Branch's financial statements reflect no provision for taxes since there is no income tax imposed in the Cayman Islands or in the Commonwealth of The Bahamas. No effect has been taken in these financial statements for Brazilian income and social contribution taxes which are recorded and paid at the Head Office level in Brazil.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including only cash and non-restricted balances due from banks.

3 Related party transactions and balances

The Branch has extensive transactions with its head office ("Unibanco"), including its branches and subsidiaries. It is dependent upon Unibanco and its branches and subsidiaries for a substantial portion of its business. Business policies and economic decisions of Unibanco affect or dictate to a substantial extent, the Branch's activities, decisions and philosophies with regard to various matters, including credit approval. Because of these relationships, it is possible that the extent and/or terms of these transactions are not the same as those, which would result from transactions among wholly unrelated parties.

Balances with related parties at December 31, 2004 and 2003 are separately disclosed in the balance sheet, statement of income and changes in shareholders' equity.

4 Overnight funds sold

Overnight funds sold comprise interest earning deposits with banks, which typically mature within one month.

5 Trading securities

	2004	2003
Investment fund	23,504,350	-

At December 31, 2004 the investment fund of the held to maturity portfolio was re-classified to trading securities.

(Expressed in U.S. dollars)

6 Time deposits

Time deposits comprise certificates of deposits.

7 Loans, net of allowance for loan losses

The loan portfolio at December 31, 2004 comprises primarily short-term loans to related parties and Brazilian financial institutions to facilitate pre-export and import loan financing to their customers in Brazil.

Standby letters of credit, aggregating at year-end $ 143,384,381 (2003 - $ 104,253,176), have been received by the Branch from its head office in relation to loans to third parties.

Provision for loan losses at December 31, 2004 amounted to $ 8,694,543 (2003 - $ 12,089,739).

	2004	2003
Balance, beginning of year	12,089,739	2,049,603
(Recovery) Provision for loan losses	(2,857,595)	13,205,269
Reversal of provision, due to transfer of loans	(537,601)	(3,165,133)
Balance, end of year	8,694,543	12,089,739

8 Investments

Investments classified as held to maturity are comprised of the following:

	2004	2003
Unibanco, commercial paper and fixed rate notes	729,858,162	869,083,248
Unibanco, euro-medium term notes	56,740,000	121,740,000
Related parties, fixed rate notes	60,125,628	25,125,628
Eurobonds investments	192,786,474	-
Mutual funds	-	20,000,000
	1,039,510,264	1,035,948,876

Investment securities with Unibanco and related parties comprised of privately issued commercial paper and fixed rate notes that have no secondary market and euro-medium term notes which are negotiable in the secondary market. The interest earned on investment securities with Head Office and related parties in 2004 amounted to $127 million (2003 - $ 131 million).

(Expressed in U.S. dollars)

9 Borrowed funds

Borrowed funds are comprised of the following:

	2004	2003
	$	$
Medium-term notes, unsecured - net of prepaid interest of $ 1,497,692 (2003 - $ 4,072,384)	395,273,673	811,063,431
Term funds, unsecured	470,469,682	445,978,728
Indexed medium term notes	47,727,170	-
Promissory notes, net of discount of $ nil (2003 - $ 117,536)	10,000,000	29,629,100
	923,470,525	1,286,671,259

(i) Medium term notes
The Branch, from time to time, acting jointly or severally with its head office and another affiliated company, issue medium term notes denominated in any currency or currencies including without limitation, Euro, Italian Lira and U.S. dollars. The maximum principal amount of all medium term notes outstanding must not exceed US$ 2 billion (or the equivalent, as at the respective dates of issue, in other currencies).

During 2004, the Branch issued medium-term notes in the aggregate principal amount of $ 83,450,000 (2003 - $ 1,307,528,723), which will mature between 2005 and 2006.

(ii) Term Funds
Unsecured comprise of amounts due primarily to banks. Average interest rates associated with term funds range between 1.46% and 5.45% and mature between one and two years.

(iii) Indexed medium term notes
In December 2004 Unibanco issued a tranche of notes under the Medium Term Notes Programme, indexed to Brazilian Reais. The notes pay semi-annual coupon of 17.9% per year, calculated on a compound interest basis, over a 252 working days year.

(iv) Promissory notes
During 1999, the Branch issued a new promissory note program of US$ 100 million with interest rates ranging between 3.46% and 3.56% that mature within one year, which was also for the purpose of supporting trade finance transactions. The general use promissory note, which had a balance of $ 10 million during 2000 decreased to $ 5 million and matured in 2003. In 2000, under a similar program a trade finance promissory note was issued for $ 10 million. The amount outstanding under the trade finance program as of December 31, 2004 was $ 10 million (2003 - $ 30 million). The trade finance promissory notes mature within four years.

(Expressed in U.S. dollars)

10 Securitization

In 2002, the Branch structured financing of MT 100/200 (payment received on behalf of third party) cash flows over the next seven years. During 2004, the Branch structured an additional $ 449,104,726, of which $ 232,104,726 is over ten years, and the balance over six years. Fees totaling $ 42,244,680 (2003 - $ 20,462,686) are included in the income statement under "Fee and other income and expense, net" and there is $ 23,060,441 (2003 - $ 21,607,299) in unamortized fees included in other assets.

11 Subordinated debt

Step-up subordinated callable notes in the amount of US$ 200 million were issued on April 30, 2002, and another $ 200 million was issued on December 12, 2003, by the Branch. The notes have a ten-year term, pay interest semi-annually and can be totally, but not partially, redeemed on each subsequent date of payment of interest, or on April 30, 2007 for the first issue and December 15, 2008, for the second issue. The notes issued in 2002 bear a coupon of 9.375% per annum in the first five years and 11.97% per annum thereafter. The 2003 issue bears a coupon of 7.375% in the first five years and 9.375% per annum thereafter.

12 Risk management

The Branch engages in transactions that exposes it to market risk in the normal course of business. These market risks include liquidity, interest rate, credit and currency risks. The Branch's financial performance is dependent on its ability to understand and effectively manage these risks.

Liquidity risk

This is the risk that the Branch has the necessary liquidity to meet its obligations on borrowed funds, bonds and other securities on contractual maturity. The Branch manages its liquidity by matching as far as possible liabilities with assets of similar maturity periods. The relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date are as follows:

					2004
	Up to one month	One month to one year	One to five years	Over five years	Total
	$	$	$	$	$
Assets					
Cash and due from banks	51,056,079	-	-	-	51,056,079
Overnight funds sold	782,163,461	-	-	-	782,163,461
Trading Securities	23,504,350	-	-	-	23,504,350
Time deposits		-	4,088,333	30,227,444	34,315,777
Loans	79,892,343	430,201,359	190,781,920	-	700,875,622
Investment		650,457,256	389,053,008	-	1,039,510,264
Interest receivable	4,299,789	32,988,873	10,223,225	-	47,511,887
Other assets	35,594,547	14,199	593,467	-	36,202,213
Derivative financial instruments	24,589,196	40,523	-	-	24,629,719
	1,001,099,765	1,113,702,210	594,739,953	30,227,444	2,739,769,372

Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

Notes to the Financial Statements
at December 31, 2004
(Expressed in U.S. dollars)

12 Risk management (Continued)

	Up to one month $	One month to one year $	One to five years $	Over five years $	2004 Total $
Liabilities					
Demand deposits	625,711	-	-	-	625,711
Time deposits	161,923,442	70,198,663	-	-	232,122,105
Borrowed funds	218,819,964	369,574,221	327,198,417	7,877,923	923,470,525
Securitization	22,750,000	70,350,000	580,059,689	314,303,510	987,463,199
Subordinated debt	-	-	-	399,813,903	399,813,903
Interest payable	9,061,191	7,601,989	5,953,033	90,125	22,706,338
Other liabilities	2,295,080	-	-	-	2,295,080
Derivative financial instruments	4,282,851	-	11,115	-	4,293,966
	419,758,239	517,724,873	913,222,254	722,085,461	2,572,790,827
Net exposure	581,341,526	595,977,337	(318,482,301)	(691,858,017)	166,978,545

Liquidity Risk (Continued)

	Up to one month $	One month to one year $	One to five years $	Over five years $	2003 Total $
Assets					
Cash and due from banks	$ 7,936,374				7,936,374
Overnight funds sold	848,000,000				848,000,000
Time deposits				33,124,252	33,124,252
Loans - related parties	69,880,661	231,136,305	4,798,672		305,815,638
Loans - other	11,029,086	145,257,799	267,198,210	3,300,000	426,785,095
Investment - related parties		356,663,032	537,545,844	121,740,000	1,015,948,876
Investments - other				20,000,000	20,000,000
Interest receivable and other assets	240,861	9,420,925	29,597,273	32,692,903	71,951,962
Derivative financial instruments				16,949,099	16,949,099
Total	$ 937,086,982	742,478,061	839,139,999	227,806,254	2,746,511,296
Liabilities					
Demand deposits	$ 1,534,732				1,534,732
Time deposits – related parties	2,500,000				2,500,000
Borrowed funds	129,439,766	960,070,197	181,721,296	15,440,000	1,286,671,259
Securitization				849,104,726	849,104,726
Subordinated debt				399,793,081	399,793,081
Interest payable and other liabilities	3,606,176	17,430,142	2,379,447	14,769,946	38,185,711
Total	$ 137,080,674	977,500,339	184,100,743	1,279,107,753	2,577,789,509
Net exposure	$ 800,006,308	235,022,278)	(655,039,256)	(1,051,301,499)	$ 168,721,787

12 Risk management (Continued)

Interest rate risk

The Branch is subject to interest rate risk due to the fact that a significant amount of its assets are at a fixed rate for a long term period and are with companies incorporated in Brazil where the interest rate can be volatile. The Branch attempts to manage this risk by retaining a level of liabilities with similar principal values, interest rates and maturity dates. The table below summarizes the effective interest rate by major categories of the financial instruments not carried at fair value through statement of income:

	US$ %
Assets	
Loans	4.32
Time Deposits	3.84
Investments – Held to maturity	10.91
Liabilities	
Time Deposits	2.40
Borrowed Funds	3.25
Subordinated Debt	8.30

Credit risk

The Branch is subject to credit risk due to the fact that a substantial part of its asset portfolio is in the form of loans with both related parties and third parties. The Branch is of the opinion that due to these counterparties' financial strength, the possibility of non-performance is remote.

(Expressed in United States Dollars)

13 Geographical analysis

The geographical distribution of the Branch's major assets and liabilities are as follows:

	Brazil	South America (excluding Brazil), Central America and Caribbean	United States	United Kingdom	Luxembourg	Other	2004 Total
Assets	$	$	$	$	$	$	
Cash and due from banks	-	83,107	42,005,032	-	-	8,967,940	51,056,079
Overnight funds sold	-	287,163,461	495,000,000	-	-	-	782,163,461
Trading Securities	-	23,504,350	-	-	-	-	23,504,350
Time deposits	-	-	6,109,722	28,206,055	-	-	34,315,777
Loans - related parties	193,000,000	-	-	-	99,399,835	-	292,399,835
Loans - other	359,629,352	40,076,239	-	-	-	8,770,196	408,475,787
Investment - related parties	946,723,790	-	-		-		946,723,790
Investments - other	75,713,542	2,087,225	-	-	-	14,985,707	92,786,474
Interest receivable and other assets	78,599,809	-	3,752,517	-	1,324,754	37,020	83,714,106
Derivative financial instruments	-	5,914,741	-	16,920,889	-	1,794,089	24,629,719
	1,653,666,493	358,829,123	546,867,271	45,126,944	100,724,589	34,554,952)	2,739,769,372
Liabilities							
Demand deposits	74,181	89,892	-	-	-	461,638	625,711
Time deposits - related parties	-	48,640,217	-	-	49,773,884	-	98,415,101
Time deposits - others	111,198,663	22,509,341	-	-	-	-	133,708,004
Borrowed funds	5,000,000	147,179,034	319,482,296	298,844,148	45,660,896	107,304,151	923,470,525
Securitization	-	-	349,500,000	637,963,199	-	-	987,463,199
Subordinated debt	-	-	199,813,903	200,000,000	-	-	399,813,903
Interest payable and other liabilities	2,273,694	1,070,217	4,426,445	11,002,028	235,562	5,993,472	25,001,418
Derivative financial instruments	-	4,293,966	-	-	-	-	4,293,966
	118,546,538	223,782,667	873,222,644	1,147,809,375	95,670,342	113,759,261	2,572,,790,827
Net exposure	1,535,119,955	135,046,456	(326,355,373)	(1,102,682,431)	5,054,247	(79,204,309)	166,978,545

Unibanco - União de Bancos Brasileiros S.A.
Cayman Islands Branch

Notes to the Financial Statements
at December 31, 2004 and 2003
(Expressed in United States Dollars)

					2003
	Brazil	South America (excluding Brazil), Central America and Caribbean	United States	Other	Total
Assets	**$**	**$**	**$**	**$**	**$**
Assets					
Cash and due from banks	$	--	5,746,356	2,190,018	7,936,374
Overnight funds sold	-	848,000,000	-	-	848,000,000
Time deposits	-	-	4,918,197	28,206,055	33,124,252
Loans - related parties	203,868,669	-	-	101,946,969	305,815,638
Loans - other	399,942,238	25,642,857	1,200,000	-	426,785,095
Investment - related parties	1,015,948,876	-	-	-	1,015,948,876
Investments - other	-	20,000,000	-	-	20,000,000
Interest receivable and other assets	33,226,290	33,573,269	8,655	5,143,748	71,951,962
Derivative financial instruments	-	16,949,099	-	-	16,949,099
Total	1,652,986,073	944,165,225	11,873,208	137,486,790	2,746,511,296
Liabilities					
Demand deposits	867,638	667,094			1,534,732
Time deposits - related parties				2,500,000	2,500,000
Borrowed funds	7,607,597	259,441,859	152,799,660	866,822,143	1,286,671,259
Securitization			400,000,000	449,104,726	849,104,726
Subordinated debt			199,793,081	200,000,000	399,793,081
Interest payable and other liabilities		11,335,965	4,368,469	22,481,277	38,185,711
Total	8,475,235	271,444,918	756,961,210	1,540,908,146	2,577,789,509
Net exposure	1,644,510,838	672,720,307	(745,088,002)	(1,403,421,356)	168,721,787

14 Derivative financial instruments

The Branch enters into derivative transactions to hedge specific transactions as well as to hedge general risks. Such activities involve, to varying degrees, elements of market and credit risks in excess of the amounts recorded in the financial statements. These risks are managed in conjunction with the Branch's balance sheet activities and are subject to normal credit policies, financial controls and monitoring procedures.

At December 31, 2004, the Branch held positions in currency forward contracts and interest rate swaps. Interest rate swaps are commitments to exchange one set of cash flows for another. The cash flows are calculated with reference to the notional amount and other terms of the derivative. At December 31, 2004, the notional amounts related to interest rate and currency swap agreements were $ 372,350,000 (2003 - $ 200 million). The net fair value of the swaps and forward contracts at year-end was asset: $ 20,335,753 (2003 - $ 16,949,099).

15 Commitments and contingencies

Guarantees on drafts - the Branch acts as a guarantor for drafts issued by Brazilian exporters upon receipt of stand-by letters of credit from head office, in connection with Brazilian programs to give incentives to Brazilian exports. At December 31, 2004, the Branch's exposure under such arrangements was $ 327,420 (2003 - $46,356,935).

16 Comparatives

Where necessary, comparative figures in the statement of income have been adjusted to conform with changes in presentation in the current year.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Unibanco - União De Bancos Brasileiros S.A. Cayman Islands Branch

We have audited the accompanying balance sheet of Unibanco - União De Bancos Brasileiros S.A. Cayman Islands Branch (the "Branch") as of December 31, 2003, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Branch as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

March 22, 2004

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

BALANCE SHEET
AS OF DECEMBER 31, 2003
(Expressed in United States dollars)

	2003	2002
ASSETS		
Cash and due from banks		
Other	$ 7,936,374	$ 3,214,663
Overnight funds sold		
Related parties	848,000,000	430,000,000
Time deposits (Note 4)		
Other	33,124,252	30,591,666
Loans (Note 5)		
Related parties	305,815,638	357,338,223
Other	426,785,095	182,553,875
Investments (Note 6)		
Related parties	1,015,948,876	1,226,063,763
Other	20,000,000	-
Interest receivable		
Related parties	33,520,420	42,545,939
Other	5,120,343	1,426,872
Other assets		
Related parties	2,110,696	-
Other	31,200,503	11,937,370
Derivative financial instruments (Note 12)	16,949,099	-
TOTAL	$ 2,746,511,296	$ 2,285,672,371

(Continued)

See notes to financial statements.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

BALANCE SHEET
AS OF DECEMBER 31, 2003
(Expressed in United States dollars)

	2003	2002
LIABILITIES AND DUE TO HEAD OFFICE		
LIABILITIES:		
Demand deposits		
Related parties	$ 867,638	$ 90,360
Other	667,094	424,178
Time deposits		
Related parties	2,500,000	-
Borrowed funds (Note 7)	1,286,671,259	1,381,385,855
Securitization (Note 8)	849,104,726	400,000,000
Subordinated debt (Note 9)	399,793,081	200,000,000
Interest payable		
Related parties	22,222	-
Other	23,704,088	21,843,907
Other liabilities	14,459,401	348,922
Derivative financial instruments (Note 12)	-	6,860,321
Total liabilities	2,577,789,509	2,010,953,543
DUE TO HEAD OFFICE:		
Capital contribution account	35,931,793	35,931,793
Derivatives fair market value (Note 15)	(10,273,249)	(6,860,319)
Retained earnings	143,063,243	245,647,354
Total due to head office	168,721,787	274,718,828
TOTAL	$ 2,746,511,296	$ 2,285,672,371

(Concluded)

See notes to financial statements.

These financial statements are approved by the Board and authorized for issue on March 22, 2004, and are signed on its behalf by:

Director

Director

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

	2003	2002
INTEREST INCOME:		
Overnight funds sold		
Related parties	$ 6,697,339	$ 4,543,019
Time deposits		
Related parties	-	19,810,445
Banks	1,553,206	928,401
Loans		
Related parties	13,610,900	13,362,293
Banks	1,115,319	421,795
Other	12,984,267	12,332,103
Investments		
Related parties	130,979,023	111,036,046
Total interest income	166,940,054	162,434,102
INTEREST EXPENSE:		
Demand deposits		
Other	4,781	13,102
Time deposits		
Related parties	22,222	159,129
Borrowed funds	109,348,095	107,443,581
Total interest expense	109,375,098	107,615,812
NET INTEREST INCOME	57,564,956	54,818,290

(Continued)

See notes to financial statements.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

	2003	2002
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain on non-deliverable forward contracts	2,457,134	-
Net loss on investments - related parties	-	(1,056,930)
Other expenses	(18,277,623)	(14,464,296)
Amortization of discount on purchase	17,289,309	-
(Bad debt) recovery (Note 5)	(13,205,269)	310,284
General and administrative expenses	(8,412,618)	(6,033,206)
Total other expenses	(20,149,067)	(21,244,148)
NET INCOME	$ 37,415,889	$ 33,574,142

(Concluded)

See notes to financial statements.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

	Capital Contribution Account	Derivatives Fair Market Value	Retained Earnings	Total
Balance at December 31, 2001	$ 35,931,793	$ -	229,002,477	$ 264,934,270
Prior Period Adjustment (Note 15)	-	(3,070,735)	3,070,735	-
Balance at December 31, 2001 restated	35,931,793	(3,070,735)	232,073,212	264,934,270
Distributions to Head Office	-	-	(20,000,000)	(20,000,000)
Derivatives fair market (Note 15)	-	(3,789,584)	-	(3,789,584)
Net income	-	-	33,574,142	33,574,142
Balance at December 31, 2002 restated	35,931,793	(6,860,319)	245,647,354	274,718,828
Distributions to Head Office	-		(140,000,000)	(140,000,000)
Derivatives fair market	-	(3,412,930)	-	(3,412,930)
Net income	-	-	37,415,889	37,415,889
Balance at December 31, 2003	$ 35,931,793	$ (10,273,249)	$ 143,063,243	$ 168,721,787

See notes to financial statements.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 37,415,889	$ 33,574,142
Increase in derivative financial instruments - assets	(16,949,099)	-
(Decrease) increase in derivative financial instruments - liabilities	(6,860,321)	3,789,584
Derivatives fair market value (Note 15)	(3,412,930)	(3,789,584)
Provision for loan losses, net	10,040,136	-
	20,233,675	33,574,142
Adjustments to reconcile net income to net cash from operating activities:		
Decrease (increase) in interest receivable	5,332,048	(22,251,559)
Increase in other assets	(21,373,829)	(6,918,620)
Increase (decrease) in interest payable	1,882,403	(6,009,059)
Increase (decrease) in other liabilities	14,110,479	(288,512)
Net cash from (used in) operating activities	20,184,776	(1,893,608)
CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in time deposits	(2,532,586)	(30,591,666)
(Increase) decrease in loans, net	(192,708,635)	2,669,110
Decrease (increase) in investments	180,074,751	(701,143,509)
Decrease in borrowed funds	(94,714,596)	(652,649,138)
Increase in securitization	449,104,726	400,000,000
Increase in subordinated debt	199,793,081	200,000,000
Net cash from (used in) investing activities	539,016,741	(781,715,203)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase (decrease) in demand deposits, net	1,020,194	(574,956)
Increase in time deposits, net	2,500,000	-
Distributions to Head Office	(140,000,000)	(20,000,000)
Net cash used in financing activities	(136,479,806)	(20,574,956)

(Continued)

See notes to financial statements.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

	2003	2002
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	422,721,711	(804,183,767)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	433,214,663	1,237,398,430
END OF YEAR	$ 855,936,374	$ 433,214,663
REPRESENTED BY:		
Cash and due from banks	$ 7,936,374	$ 3,214,663
Overnight funds sold	848,000,000	430,000,000
	$ 855,936,374	$ 433,214,663

(Concluded)

See notes to financial statements.

UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A. CAYMAN ISLANDS BRANCH

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

1. GENERAL

Unibanco - União De Bancos Brasileiros S.A. Cayman Islands Branch (the "Branch"), was registered under Part VIII of the Companies Law of the Cayman Islands on February 8, 1980. The Branch operates under a Category "B" Banking Licence issued on July 17, 1980, under the Banks and Trust Companies Law, as amended, of the Cayman Islands. The principal activity of the Branch consists of borrowing funds in the Eurodollar market and on-lending the proceeds through its head office to its clients in Brazil. It also acts as a deposit-taker offering a range of demand and term deposit facilities to corporate clients.

The registered office of the Branch is located at The Bank of Nova Scotia Trust Company (Cayman) Limited, Cardinal Avenue, Grand Cayman, Cayman Islands. Its Head Office is Unibanco - União De Bancos Brasileiros S.A., a bank incorporated in Sao Paulo, Brazil.

The Branch has no employees as its affairs are administered by Unibanco - União de Bancos Brasileiros S.A. Nassau Branch.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of the significant accounting policies:

a. *Foreign currency translation* - The records of the Branch are maintained in United States dollars. Foreign currency assets and liabilities are translated at exchange rates in effect as at the balance sheet date. Foreign currency revenues and expenses are translated at exchange rates in effect at the date of the transaction. Any resultant exchange gains or losses are included in the determination of net income.

(Continued)

b. *Loans* - Loans are carried at their principal amount outstanding net of provision for credit losses, and prepaid interest. Interest income on loans are calculated using the simple interest method on daily balances of the principal amounts outstanding. Unamortized discount and prepaid interest on discounted loans are amortized using the straight-line method over the term of the loan.

c. *Borrowed funds* - Borrowed funds are carried at their principal amount outstanding, net of unamortized discount, and prepaid interest. Interest expense on borrowed funds are calculated using the simple interest method on daily balances of the principal amounts outstanding. Unamortized discount/premium and prepaid interest on borrowed funds are amortized using the straight-line method over the term of the borrowed funds.

d. *Provision for loan losses* - Provisions for losses on loans are determined by using the credit rating of each borrower as provided by the Central Bank of Brazil and multiplying the relevant risk percentage by the amount of the outstanding loan. When a loan is considered uncollectible, it is written-off against the provision for loan losses. Subsequent recoveries are credited to income if previously written-off.

e. *Investments* - Investments in securities are recognized on a trade date basis and are initially measured at cost.

   At subsequent reporting dates, debt securities that the Branch has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that revenue recognized directly in each period represents a constant yield on the instrument.

   Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are re-measured at subsequent reporting dates at fair value. Unrealized gains or losses from available-for-sale securities are recognized directly in equity.

f. *Financial instruments* - Financial assets and liabilities are recognized on the Branch's balance sheet when the Branch has become a party to the contractual provision of the instrument.

g. *Derivative financial instruments* - Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

(Continued)

h. *Hedge accounting* - Changes in fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognized directly in equity. Amounts deferred in equity are recognized in the income statement in the same period in which the hedged firm commitment or forecasted transaction affect net income or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

i. *Income and expenses recognition* - Income and expenses are recognized on an accrual basis.

j. *Income tax* - The Branch's financial statements reflect no provision for taxes since there is no income tax imposed in the Cayman Islands or in the Commonwealth of The Bahamas. No effect has been taken in these financial statements for Brazilian income and social contribution taxes which are recorded and paid at the Head Office level in Brazil.

k. *Cash and cash equivalents* - Cash and cash equivalents comprise cash and due from banks and overnight funds sold.

l. *Assets under administration* - No account is taken in these financial statements of assets held by the Branch as custodian.

(Concluded)

3. RELATED PARTY TRANSACTIONS AND BALANCES

The Branch has extensive transactions with its Head Office, including its branches and subsidiaries. It is dependent upon Head Office and its branches and subsidiaries for a substantial portion of its business. Business policies and economic decisions of Head Office affect or dictate to a substantial extent, the Branch's activities, decisions and philosophies with regard to various matters, including credit approval. Because of these relationships, it is possible that the extent and/or terms of these transactions are not the same as those, which would result from transactions among wholly unrelated parties.

Balances with related parties at December 31, 2003 and 2002, are separately disclosed in the balance sheet, statement of income and changes in equity.

4. TIME DEPOSITS

Time deposits comprise transactions with banks and non-negotiable certificates of deposits, which typically mature within one year.

5. LOANS

The loan portfolio at December 31, 2003 comprises primarily short-term loans to related parties and Brazilian financial institutions to facilitate pre-export and import loan financing to their customers in Brazil. Standby letters of credit, aggregating $104,253,176 at year-end (2002: $87,699,867), have been received by the Branch from its Head Office in relation to loans to third parties. Provision for loan losses at December 31, 2003 amounted to $12,089,739 (2002: $2,049,603).

The movement in the provision for loan losses during the year was as follows:

	2003	2002
Balance, beginning of year	$ 2,049,603	$ 2,359,887
Bad debt (recovery)	13,205,269	(310,284)
Reversal of provision, due to transfer of loans	(3,165,133)	-
Balance, end of year	$ 12,089,739	$ 2,049,603

6. INVESTMENTS

Investments are comprised of:

	2003	2002
Held to maturity:		
Head office, commercial paper and fixed rate notes	$ 869,083,248	$ 1,068,195,489
Head office, euro-medium term notes	121,740,000	132,742,646
Related parties, fixed rate notes	25,125,628	25,125,628
Mutual funds	20,000,000	-
Investment in company:		
At fair value	26,283	26,283
Less provision for impairment loss	(26,283)	(26,283)
	$ 1,035,948,876	$ 1,226,063,763

(Continued)

Investment securities - Investment securities comprise privately issued commercial paper and fixed rate notes that have no secondary market and euro-medium term notes which are negotiable in the secondary market. The interest earned on investment securities with Head Office and related parties in 2003 amounted to $131 million (2002: $110.9 million).

The Branch has an investment of 11.9472% (2002: 11.9472%) in the company. This investment value remains at $26,283 (2002: $26,283) at year-end. Management made a full provision for this amount in 2002, as it believes the investment is fully impaired.

(Concluded)

7. BORROWED FUNDS

Borrowed funds are comprised of:

	2003	2002
Medium term notes, unsecured - net of prepaid interest of $4,072,384 (2002: $3,380,352)	$ 811,063,431	$ 604,276,408
Term funds, unsecured	445,978,728	528,271,854
United States Commercial paper, unsecured - net of prepaid interest of $Nil (2002: $1,801,686)	-	228,698,314
Bankers acceptance - net of prepaid interest of $Nil (2002: $60,721)	-	10,139,279
Promissory notes, net of discount of $117,536 (2002: $Nil)	29,629,100	10,000,000
	$ 1,286,671,259	$ 1,381,385,855

Medium term notes - The Branch, from time to time, acting jointly or severally with its head office and another affiliated company, issue medium term notes denominated in any currency or currencies including without limitation, Euro, Italian Lira and United States dollars. The maximum principal amount of all medium term notes outstanding must not exceed US$2 billion (or the equivalent, as at the respective dates of issue, in other currencies).

During 2003, the Branch issued medium term notes in the aggregate principal amount of $1,307,528,723 (2002: $690,266,250), which mature between 2004 and 2005.

(Continued)

At December 31, 2003 the Branch held medium term note positions in the following currencies:

	2003	2002
United States dollars	$ 611,074,678	$ 443,888,942
Euro	$ 199,988,753	$ 58,965,047
Italian Lira	$ -	$ 101,422,419

The outstanding medium term notes bear interest at rates ranging from zero coupon to 8.5%. Prepaid interest and debt financing fees have been deferred and amortized over the term of the notes. During the year, debt-financing fees amounting to $20,099 (2002: $80,147) are included as part of other assets on the balance sheet.

Term funds - Term funds, unsecured comprise of amounts due primarily to banks. Average interest rates associated with term funds range between 1.46% and 5.45% and mature between one and two years.

United States Commercial paper - In July 1994, the Branch established a commercial paper program for the issuance of commercial paper in the United States with interest rates ranging between 1.92% and 2.30% that mature within one year. The aggregate principal amount of commercial paper that can be issued under such program was US$Nil (2002: $230.5 million). Commercial papers all have zero coupon interest rates, and the related prepaid interest and debt-financing fees are deferred and amortized over the term of the commercial paper. During the year, fees amounting to $Nil (2002: $1,079,900) were amortized to expense.

Promissory notes - During 1999, the Branch issued a new promissory note program of US$100 million with interest rates ranging between 3.46% and 3.56% that mature within one year, which was also for the purpose of supporting trade finance transactions. The general use promissory note, which had a balance of $10 million during 2000 decreased to $5 million and matured in 2003. In 2000, under a similar program a trade finance promissory note was issued for $10 million. The amount outstanding under the trade finance program as of December 31, 2003 was $29,629,100 (2002: $5,000,000). The trade finance promissory notes mature within four years.

(Concluded)

8. SECURITIZATION

In 2002, the Branch structured financing of MT 100/200 (payment received on behalf of third party) cash flows over the next seven years. During 2003, the Branch structured an additional $449,104,726, of which $232,104,726 is over ten years, and the balance over six years. Fees totaling $20,462,686 (2002: $9,116,154) are included in the income statement under "fee and other income and expense, net" and there is $21,607,299 (2002: $5,811,245) in unamortized fees included in other assets.

9. SUBORDINATED DEBT

Step-up subordinated callable notes in the amount of US$200 million were issued on April 30, 2002, and another $200 million was issued on December 12, 2003, by the Branch. The notes have a ten-year term, pay interest semi-annually and can be totally, but not partially, redeemed on each subsequent date of payment of interest, or on April 30, 2007 for the first issue and December 15, 2008, for the second issue. The notes issued in 2002 bear a coupon of 9.375% per annum in the first five years and 11.97% per annum thereafter. The 2003 issue bears a coupon of 7.375% in the first five years and 9.375% per annum thereafter.

10. MATURITY ANALYSIS

The relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date are as follows:

	Up to 1 month	1 month to 1 year	1 to 5 years	Over 5 years	Total
ASSETS:					
Cash and due from banks	$ 7,936,374	$ -	$ -	$ -	$ 7,936,374
Overnight funds sold	848,000,000	-	-	-	848,000,000
Time deposits	-	-	-	33,124,252	33,124,252
Loans - related parties	69,880,661	231,136,305	4,798,672	-	305,815,638
Loans - other	11,029,086	145,257,799	267,198,210	3,300,000	426,785,095
Investments - related parties	-	356,663,032	537,545,844	121,740,000	1,015,948,876
Investments - other	-	-	-	20,000,000	20,000,000
Interest receivable and other assets	240,861	9,420,925	29,597,273	32,692,903	71,951,962
Derivative financial instruments	-	-	-	16,949,099	16,949,099
TOTAL	$ 937,086,982	$ 742,478,061	$ 839,139,999	$ 227,806,254	$ 2,746,511,296
LIABILITIES:					
Demand deposits	$ 1,534,732	$ -	$ -	$ -	$ 1,534,732
Time deposits - related parties	2,500,000	-	-	-	2,500,000
Borrowed funds	129,439,766	960,070,197	181,721,296	15,440,000	1,286,671,259
Securitization	-	-	-	849,104,726	849,104,726
Subordinated debt	-	-	-	399,793,081	399,793,081
Interest payable and other liabilities	3,606,176	17,430,142	2,379,447	14,769,946	38,185,711
TOTAL	$ 137,080,674	$ 977,500,339	$ 184,100,743	$ 1,279,107,753	$ 2,577,789,509
NET EXPOSURE	$ 800,006,308	$ (235,022,278)	$ 655,039,256	$ (1,051,301,499)	$ 168,721,787

11. GEOGRAPHICAL ANALYSIS

The geographical distribution of the Branch's major assets and liabilities are as follows:

	Brazil	South America (Excluding Brazil) Central America and Caribbean	United States	Other	Total
ASSETS:					
Cash and due from banks	$ -	$ -	$ 5,746,356	$ 2,190,018	$ 7,936,374
Overnight funds sold	-	848,000,000	-	-	848,000,000
Time deposits	-	-	4,918,197	28,206,055	33,124,252
Loans - related parties	203,868,669	-	-	101,946,969	305,815,638
Loans - other	399,942,238	25,642,857	1,200,000	-	426,785,095
Investments - related parties	1,015,948,876	-	-	-	1,015,948,876
Investments - other	-	20,000,000	-	-	20,000,000
Interest receivable and other assets	33,226,290	33,573,269	8,655	5,143,748	71,951,962
Derivative financial instruments	-	16,949,099	-	-	16,949,099
TOTAL	$ 1,652,986,073	$ 944,165,225	$ 11,873,208	$ 137,486,790	$ 2,746,511,296
LIABILITIES:					
Demand deposits	$ 867,638	$ 667,094	$ -	$ -	$ 1,534,732
Time deposits - related parties	-	-	-	2,500,000	2,500,000
Borrowed funds	7,607,597	259,441,859	152,799,660	866,822,143	1,286,671,259
Securitization	-	-	400,000,000	449,104,726	849,104,726
Subordinated debt	-	-	199,793,081	200,000,000	399,793,081
Interest payable and other liabilities	-	11,335,965	4,368,469	22,481,277	38,185,711
TOTAL	$ 8,475,235	$ 271,444,918	$ 756,961,210	$ 1,540,908,146	$ 2,577,789,509
NET EXPOSURE	$ 1,644,510,838	$ 672,720,307	$ (745,088,002)	$ (1,403,421,356)	$ 168,721,787

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Branch enters into derivative transactions to hedge specific transactions as well as to hedge general risks. Such activities involve, to varying degrees, elements of market and credit risks in excess of the amounts recorded in the financial statements. These risks are managed in conjunction with the Branch's balance sheet activities and are subject to normal credit policies, financial controls and monitoring procedures. .

At December 31, 2003, the Branch held positions in interest rate swaps and forward contracts. Interest rate swaps are commitments to exchange one set of cash flows for another. The cash flows are calculated with reference to the notional amount and other terms of the derivative. At December 31, 2003, the notional amounts related to interest rate and currency swap agreements were $200 million (2002: $200 million). The fair value of the swaps and forward contracts at year-end was asset: $16,949,099 (2002: liability: $6,860,321).

13. COMMITMENTS AND CONTINGENCIES

Irrevocable commitments to lend

The Branch participates as a guarantor on private commercial paper programs, to provide liquidity support in the event of certain market disruption events, through the granting of loans in favor of the issuers. At December 31, 2003, the Branch exposure under such agreements were $Nil (2002: $22,500,000).

Guarantees on drafts

The Branch acts as a guarantor for drafts issued by Brazilian exporters upon receipt of stand-by letters of credit from head office, in connection with Brazilian programs to give incentives to Brazilian exports. At December 31, 2003, the Branch exposure under such arrangements was $46,356,935 (2002: $66,282,417).

14. RISK MANAGEMENT

The Branch engages in transactions that exposes it to market risk in the normal course of business. These market risks include liquidity, interest rate, credit and currency risks. The Branch's financial performance is dependent on its ability to understand and effectively manage these risks.

Liquidity risk - This is the risk that the Branch has the necessary liquidity to meet its obligations on borrowed funds, bonds and other securities on contractual maturity. The Branch manages its liquidity by matching as far as possible liabilities with assets of similar maturity periods.

Interest rate risk - The Branch is subject to interest rate risk due to the fact that a significant amount of its assets are at a fixed rate for a long term period and are with companies incorporated in Brazil where the interest rate can be volatile. The Branch attempts to manage this risk by retaining a level of liabilities with similar principal values, interest rates and maturity dates.

Credit risk - The Branch is subject to credit risk due to the fact that a substantial part of its asset portfolio is in the form of loans with both related parties and third parties. The Branch is of the opinion that due to these counterparties' financial strength, the possibility of non-performance is remote.

Currency risk - The Branch has United States dollars assets linked to emerging market bonds denominated in currencies other than United States dollars. The nature of these transactions are such that the Branch is exposed to currency risk only in the event of a dollar constraint being imposed by the issuing country.

15. PRIOR PERIOD ADJUSTMENT

During the year, the Branch determined that the changes in fair value related to certain derivative financial instruments classified as cash flow hedges was booked to the statement of income in prior years instead of equity. Accordingly, the financial statements as of December 31, 2002 have been restated resulting in an adjustment to retained earnings and derivatives fair market value in equity in the amount of $6,860,319.

16. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

17. SUBSEQUENT EVENT

On January 23, 2004, the Branch made a cash distribution to Head Office of $19 million.

* * * * * *

PRINCIPAL OFFICE OF UNIBANCO
Unibanco-União de Bancos Brasileiros S.A.
Avenida Eusébio Matoso, 891
São Paulo, SP, 05423-901
Brazil

REGISTERED OFFICE OF UNIBANCO,
GRAND CAYMAN BRANCH
Unibanco-União de Bancos Brasileiros S.A., Grand Cayman Branch
P.O. Box 501,
George Town, Grand Cayman,
Cayman Islands, British West Indies

LEGAL ADVISERS
To the Issuer

As to United States law:
Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
United States of America

As to Brazilian law
Dr. Márcia M. Freitas de Aguiar
General Counsel
Unibanco-União de Bancos
Brasileiros S.A.
Avenida Eusébio Matoso, 891
São Paulo, SP, 05423-901
Brazil

As to Cayman Islands law:
Maples and Calder
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands

To the Initial Purchasers

As to United States law:
Milbank, Tweed, Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, New York 10005
United States of America

As to Brazilian law:
Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados
Alameda Joaquim Eugênio de Lima
São Paulo, SP 447 01403-001
Brazil

To the Trustee
As to United States law
Emmet, Marvin & Martin LLP
120 Broadway
New York, New York 10271
United States of America

AUDITORS
To Unibanco and Unibanco Cayman
PricewaterhouseCoopers Auditores Independentes
Centro Empresarial Agua Branca Torre Torino
São Paulo, SP 05001-903
Brazil

TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR
The Bank of New York Trust (Cayman) Limited
c/o The Bank of New York
101 Barclay Street, Floor 21W
New York, New York 10286
United States of America

LUXEMBOURG LISTING AGENT
The Bank of New York Europe Limited
One Canada Square
London E14 5AL

LUXEMBOURG PAYING AGENT, TRANSFER AGENT AND INTERMEDIARY AGENT
The Bank of New York (Luxembourg) S.A.
Aerogolf Center
1A, Hoehenhof
L-1736 Senningerberg
Luxembourg

U.S.$500,000,000

UNIBANCO – UNIÃO DE BANCOS BRASILEIROS S.A.

(a company incorporated under the laws of the Federative Republic of Brazil),

acting through its Grand Cayman branch

8.70% Perpetual Non-cumulative Junior Subordinated Securities

PROSPECTUS

Merrill Lynch & Co.

UBS Investment Bank

November 9, 2005