

Rating Action: Banco Itau S.A.

Moody's affirms Itaú and Unibanco's ratings

New York, November 03, 2008 -- Moody's Investors Service affirmed all ratings of Banco Itaú S.A. and of Unibanco -- União de Bancos Brasileiros S.A. and its subsidiaries -- following the announcement that the banks have entered into an agreement to merge their financial operations, in an all-stock deal. Moody's currently assigns Itaú and Unibanco its B- bank financial strength rating and A1/Prime -1 global local currency long and short-term deposit ratings. All of the ratings have stable outlooks.

In affirming the ratings, Moody's said that there were clear credit benefits stemming from the transaction, which are centered on the improved franchise value of the resulting entity, to be named Itaú Unibanco Holding S.A. (IUH), and on its stable risk profile. The banks' well- established market positions, as well as their geographic and customer diversifications, should be further enhanced by the complementary nature of their businesses. This substantial benefit should bolster the earnings-generation capacity of the new entity.

Moreover, Moody's noted, the merger addresses the future competitive position of the banks, which should be aided by a larger scale and more robust balance sheet. Itaú Unibanco Holding now becomes the largest financial conglomerate in Brazil by asset size and equity, with R\$575 billion and R\$51.7 billion (as of September 2008), and an estimated capital ratio of 15.1%.

Moody's pointed out that both banks have a history of inorganic growth that is likely to serve them well in the integration process, although attrition risks may arise as the merger progresses. A successful integration will allow Itaú Unibanco Holding to realize the potential of the banks' respective franchises, the rating agency said. The closing of the deal is subject to approval by the relevant regulatory authorities.

Banco Itaú S.A and Unibanco -- União de Bancos Brasileiros S.A -- are headquartered in São Paulo, Brazil. As of September 2008, Itaú had assets of R\$396.6 billion and equity of R\$32.1 billion; Unibanco had assets of R\$178.5 billion and equity of R\$12.9 billion.

The following ratings have been affirmed:

Banco Itaú S.A.: bank financial strength rating of B-; global local currency deposit ratings of A1/Prime-1; foreign currency deposit ratings of Ba2/Not Prime; and long- and short-term national scale ratings of Aaa.br and BR-1, respectively. All ratings have stable outlook.

Banco Itaú S.A. (Cayman Islands): foreign currency senior unsecured bond rating of Baa3, with stable outlook.

União de Bancos Brasileiros S.A. - Unibanco: bank financial strength rating of B-; global local currency deposit ratings of A1/Prime-1; foreign currency deposit ratings of Ba2/Not Prime; foreign currency senior unsecured bond rating of Baa3; long- and short-term national scale ratings of Aaa.br and BR-1, respectively. All ratings have stable outlook.

União de Bancos Brasileiros S.A. - Unibanco (Grand Cayman): foreign currency senior unsecured bond rating of Baa3 and foreign currency subordinated debt rating of Baa3. All ratings have stable outlook.

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