Financial Statements

Banco UBS Pactual S.A. and Subsidiaries

June 30, 2009 and 2008
with Report of Independent Auditors

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

Financial statements

June 30, 2009 and 2008

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A free translation from Portuguese into English of Report of Independent Auditors on financial statements prepared in Brazilian currency and in accordance with accounting practices adopted in Brazil

Report of independent auditors

The Board of Directors and Shareholders
Banco UBS Pactual S.A.

We have audited the accompanying balance sheets of Banco UBS Pactual S.A. and the consolidated balance sheets of Banco UBS Pactual S.A. and subsidiaries as of June 30, 2009 and 2008 and the related statements of income, changes in shareholders' equity and cash flows for the six-month periods then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audits in accordance with generally accepted auditing standards in Brazil, which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Bank; (b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and (c) an assessment of the accounting practices used and significant estimates made by the Bank's management, as well as an evaluation of the overall financial statements presentation.

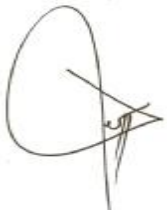
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco UBS Pactual S.A. and the consolidated financial position of Banco UBS Pactual S.A. and subsidiaries at June 30, 2009 and 2008, and the results of their operations, changes in their shareholders' equity and their cash flows for the six-month periods then ended, in accordance with the accounting practices adopted in Brazil.

Rio de Janeiro, August 13, 2009

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F – RJ



Eduardo Wellichen
Accountant CRC - 1SP 184.050/O-6 - S - RJ



Flávio Serpejante Peppe
Accountant CRC - 1SP 172.167/O-6 - S - RJ

A free translation from Portuguese into English of financial statements prepared in Brazilian currency and in accordance with accounting practices adopted in Brazil

BANCO UBS PACTUAL S.A.

Balance sheets
June 30, 2009 and 2008
(In thousands of reais)

	Consolidated		Banco UBS Pactual S.A.	
	2009	2008	2009	2008
Assets				
Current assets	**9,829,865**	18,032,751	**8,424,583**	15,147,393
Cash and cash equivalents	**8,794**	4,758	**7,223**	1,492
Short-term interbank investments	**3,490,225**	7,211,013	**2,798,953**	6,831,671
Open market investments	**2,630,006**	6,341,530	**2,613,208**	6,310,300
Interbank deposits	**860,219**	869,483	**185,745**	521,371
Marketable securities and derivative financial instruments	**3,743,453**	6,651,039	**3,345,540**	4,802,053
Own portfolio	**1,520,247**	1,980,217	**1,354,843**	1,402,527
Subject to repurchase agreements	**535,454**	899,476	**436,673**	276,813
Derivative financial instruments	**967,319**	865,908	**875,623**	302,904
Restricted deposits - Central Bank of Brazil	**-**	122,360	**-**	122,360
Subject to guarantees	**720,433**	2,783,078	**678,401**	2,697,449
Interbank transactions	**24,138**	213,603	**24,138**	213,603
Unsettled payments and receipts	**41**	28	**41**	28
Restricted deposits				
Central Bank of Brazil	**23,893**	211,488	**23,893**	211,488
SFH - Brazilian Housing System	**82**	587	**82**	587
Correspondents	**122**	1,500	**122**	1,500
Loans	**591,301**	610,552	**570,946**	607,611
Loans – private sector	**663,487**	619,593	**643,132**	616,652
Allowance for loan losses	**(72,186)**	(9,041)	**(72,186)**	(9,041)
Other receivables	**1,971,284**	3,340,948	**1,677,142**	2,690,219
Foreign exchange portfolio	**1,031,254**	2,011,344	**1,031,254**	2,011,344
Income receivable	**99,907**	215,525	**136,841**	115,186
Securities trading and brokerage	**447,458**	1,017,189	**141,462**	471,538
Sundry	**393,952**	97,652	**368,872**	92,862
Allowance for losses on other receivables	**(1,287)**	(762)	**(1,287)**	(711)
Other assets	**670**	838	**641**	744
Other assets	**196**	288	**196**	288
Prepaid expenses	**474**	550	**445**	456
Long-term assets	**2,244,857**	2,360,835	**2,091,239**	2,264,924
Marketable securities and derivative financial instruments	**29,607**	45,240	**22,599**	25,853
Derivative financial instruments	**29,607**	45,240	**22,599**	25,853
Interbank transactions	**15,334**	12,524	**15,334**	12,524
Restricted deposits				
SFH - Brazilian Housing System	**15,334**	12,524	**15,334**	12,524
Loans	**437,639**	640,754	**430,200**	636,260
Loans – private sector	**476,294**	646,507	**468,855**	642,013
Allowance for loan losses	**(38,655)**	(5,753)	**(38,655)**	(5,753)
Other receivables	**1,762,277**	1,662,317	**1,623,106**	1,590,287
Receivables for collaterals and guarantees honored	**1,244**	-	**1,244**	-
Foreign exchange portfolio	**16,214**	-	**16,214**	-
Income receivable	**65**	515	**65**	515
Securities trading and brokerage	**93**	366	**61**	366
Sundry	**1,893,114**	1,662,842	**1,682,870**	1,590,733
Allowance for losses on other receivables	**(148,453)**	(1,406)	**(77,348)**	(1,327)
Permanent assets	**55,276**	65,635	**1,562,133**	1,467,765
Investments	**4,045**	23,110	**1,511,355**	1,426,063
Subsidiary companies – in Brazil	**-**	-	**1,056,591**	1,046,717
Subsidiary companies – abroad	**-**	-	**452,524**	370,639
Other investments	**7,032**	26,097	**5,107**	11,574
Allowance for losses	**(2,987)**	(2,987)	**(2,867)**	(2,867)
Property and equipment in use	**29,185**	24,607	**28,829**	23,882
Other property and equipment in use	**44,992**	40,569	**44,138**	38,664
Accumulated depreciation	**(15,807)**	(15,962)	**(15,309)**	(14,782)
Deferred charges	**22,046**	17,918	**21,949**	17,820
Organization and expansion costs	**30,170**	25,512	**30,073**	25,414
Accumulated amortization	**(8,124)**	(7,594)	**(8,124)**	(7,594)
Total assets	**12,129,998**	20,459,221	**12,077,955**	18,880,082

See accompanying notes.

BANCO UBS PACTUAL S.A.

Balance sheets
June 30, 2009 and 2008
(In thousands of reais)

	Consolidated		Banco UBS Pactual S.A.	
	2009	2008	2009	2008
Liabilities and shareholders' equity				
Current liabilities	**6,549,428**	14,534,288	**6,825,713**	13,105,476
Deposits	**2,002,219**	1,288,830	**2,841,034**	2,067,478
Demand deposits	**196,908**	305,924	**85,608**	145,542
Interbank deposits - related parties	**-**	-	**951,496**	569,700
Interbank deposits	**646,320**	21,658	**646,320**	21,658
Time deposits	**1,152,160**	942,464	**1,150,779**	1,311,794
Other deposits	**6,831**	18,784	**6,831**	18,784
Open market funding	**1,596,639**	5,273,306	**1,523,862**	4,619,149
Own portfolio	**506,658**	892,380	**433,881**	272,913
Third-party portfolio	**921,148**	3,936,357	**921,148**	3,901,667
Freely-traded portfolio	**168,833**	444,569	**168,833**	444,569
Funds from securities issued and accepted	**23,694**	267,838	**23,694**	-
Real estate bonds, mortgage bonds, debentures and similar securities	**23,694**	-	**23,694**	-
Liabilities for foreign securities	**-**	267,838	**-**	-
Interbank transactions	**5,547**	12,479	**5,547**	12,479
Unsettled receipts and payments	**5,547**	12,479	**5,547**	12,479
Borrowings	**137,117**	149,770	**137,117**	149,723
Foreign borrowings	**137,117**	149,770	**137,117**	149,723
Local onlending – official institutions	**1,667**	3,147	**1,667**	3,147
FINAME - Special Agency for Industrial Financing	**1,667**	3,147	**1,667**	3,147
Foreign onlending	**-**	161,456	**-**	161,456
Foreign onlending	**-**	161,456	**-**	161,456
Derivative financial instruments	**782,193**	1,104,695	**700,383**	478,507
Derivative financial instruments	**782,193**	1,104,695	**700,383**	478,507
Other liabilities	**2,000,352**	6,272,767	**1,592,409**	5,613,537
Collection of taxes and mandatory contributions	**2,949**	2,567	**2,630**	2,281
Foreign exchange portfolio	**1,031,252**	2,024,263	**1,031,252**	2,024,263
Social and statutory	**30,598**	232,730	**18,649**	179,086
Tax and social security	**290,884**	240,275	**241,115**	107,300
Securities trading and brokerage	**613,706**	3,711,252	**279,586**	3,255,242
Sundry	**30,963**	61,680	**19,177**	45,365
Long-term liabilities	**1,600,789**	1,526,512	**1,272,461**	1,376,185
Deposits	**620,711**	926,140	**620,711**	926,140
Time deposits	**620,711**	926,140	**620,711**	926,140
Local onlending – official institutions	**316**	1,565	**316**	1,565
FINAME - Special Agency for Industrial Financing	**316**	1,565	**316**	1,565
Derivative financial instruments	**132,101**	69,217	**67,981**	52,707
Derivative financial instruments	**132,101**	69,217	**67,981**	52,707
Other liabilities	**847,661**	529,590	**583,453**	395,773
Foreign exchange portfolio	**16,260**	-	**16,260**	-
Social and statutory	**414,187**	210,561	**230,669**	118,864
Tax and social security	**396,328**	298,135	**317,440**	258,411
Sundry	**20,886**	20,894	**19,084**	18,498
Deferred income	**1,424**	1,154	**1,424**	1,154
Shareholders' equity	**3,978,357**	4,397,267	**3,978,357**	4,397,267
Capital – local residents	**195,617**	195,617	**195,617**	195,617
Capital - foreign residents	**359,390**	359,390	**359,390**	359,390
Capital reserves	**7,079**	7,023	**7,079**	7,023
Income reserves	**877,272**	822,517	**877,272**	822,517
Retained earnings	**2,538,999**	3,012,720	**2,538,999**	3,012,720
Total liabilities and shareholders' equity	**12,129,998**	20,459,221	**12,077,955**	18,880,082

See accompanying notes.

BANCO UBS PACTUAL S.A.

Statements of income
Six-month periods ended June 30, 2009 and 2008
(In thousands of reais, except per share information)

	Consolidated		Banco UBS Pactual S.A	
	2009	**2008**	**2009**	**2008**
Financial income	**908,899**	787,788	**909,351**	828,058
Loans	**109,336**	109,390	**107,904**	102,510
Marketable securities	**688,432**	567,285	**692,749**	631,580
Derivative financial instruments	**812**	64,924	**91**	52,963
Foreign exchange	**110,319**	39,226	**108,607**	34,042
Compulsory investments	**-**	6,963	**-**	6,963
Financial expenses	**(749,585)**	(465,720)	**(700,548)**	(476,292)
Funding operations	**(525,191)**	(531,297)	**(551,318)**	(534,911)
Borrowings and onlending	**(10,626)**	58,231	**(6,515)**	51,273
Allowance for losses on loans and other receivables	**(213,768)**	7,346	**(142,715)**	7,346
Gross financial income	**159,314**	322,068	**208,803**	351,766
Other operating income (expenses)	**123,217**	137,541	**12,254**	175,497
Income from services rendered	**219,971**	444,219	**88,398**	157,770
Personnel expenses	**(100,716)**	(225,243)	**(75,406)**	(77,033)
Other administrative expenses	**(64,926)**	(86,535)	**(57,275)**	(75,006)
Tax charges, other than income taxes	**(41,624)**	(75,296)	**(28,885)**	(48,440)
Equity pickup from subsidiaries	**-**	-	**23,530**	133,026
Other operating income	**120,450**	106,384	**66,066**	103,334
Other operating expenses	**(9,938)**	(25,988)	**(4,174)**	(18,154)
Operating income	**282,531**	459,609	**221,057**	527,263
Non-operating income	**6,656**	341,885	**2,223**	111,922
Income before taxes and profit sharing	**289,187**	801,494	**223,280**	639,185
Income and social contribution taxes	**(121,072)**	(11,942)	**(79,540)**	98,992
Provision for income tax	**(122,196)**	(149,623)	**(86,176)**	(37,637)
Provision for social contribution tax	**(71,974)**	(72,316)	**(51,755)**	(24,812)
Deferred tax assets	**73,098**	209,997	**58,391**	161,441
Employees' statutory profit or gain sharing	**(54,973)**	(221,667)	**(30,598)**	(170,292)
Net income for the six-month period	**113,142**	567,885	**113,142**	567,885
Number of outstanding shares at the end of the six-month period			**1,253,583,889**	1,253,583,889
Earnings per share – R$			**0.09**	0.45

See accompanying notes.

BANCO UBS PACTUAL S.A.

Statements of changes in shareholders' equity
Six-month periods ended June 30, 2009 and 2008
(In thousands of reais)

			Income reserves					
	Capital	Capital reserves	Legal	Unrealized income	Statutory	Total	Retained earnings	Total
Balances at December 31, 2008	**555,007**	**7,079**	**111,002**	**322,265**	**444,005**	**877,272**	**2,425,857**	**3,865,215**
Net income for the six-month period	**-**	**-**	**-**	**-**	**-**	**-**	**113,142**	**113,142**
Balances at June 30, 2009	**555,007**	**7,079**	**111,002**	**322,265**	**444,005**	**877,272**	**2,538,999**	**3,978,357**
Balances at December 31, 2007	555,007	6,847	111,002	267,510	444,005	822,517	2,444,835	3,829,206
Restatement of stock exchange membership certificate	-	176	-	-	-	-	-	176
Net income for the six-month period	-	-	-	-	-	-	567,885	567,885
Balances at June 30, 2008	555,007	7,023	111,002	267,510	444,005	822,517	3,012,720	4,397,267

See accompanying notes.

BANCO UBS PACTUAL S.A.

Statements of cash flows
Six-month periods ended June 30, 2009 and 2008
(In thousands of reais)

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Operating activities				
Net income for the six-month period	**113,142**	567,885	**113,142**	567,885
Adjusted net income	**5,497**	4,296	**(18,112)**	(128,899)
Equity pickup from subsidiaries	**-**	-	**(23,530)**	(133,026)
Depreciation and amortization	**5,497**	4,296	**5,418**	4,127
Adjusted net income	**118,639**	572,181	**95,030**	438,986
Increase in short-term interbank investments	**(132,926)**	(797,338)	**(116,132)**	(797,338)
Decrease in marketable securities and derivative instruments	**963,873**	2,526,211	**505,651**	1,862,514
Decrease in interbank transactions	**56,242**	195,525	**56,242**	195,525
(Increase) /decrease in loans	**566,359**	(91,508)	**584,073**	(92,590)
(Increase) /decrease in other receivables and other assets	**5,713,565**	(1,022,500)	**5,917,896**	(1,237,866)
Decrease in other liabilities	**(5,660,570)**	(1,036,214)	**(5,864,560)**	(680,761)
Decrease in deferred income	**(553)**	(292)	**(553)**	(292)
Cash generated from/(used in) operating activities	**1,624,629**	346,065	**1,177,647**	(311,822)
Investing activities				
Sale of investments	**2,064**	28,591	**813**	9,759
Sale of property and equipment in use	**1,277**	7,642	**1,277**	7,393
Acquisition of investments	**(720)**	(749)	**(720)**	(207)
Acquisition of property and equipment in use	**(1,477)**	(3,359)	**(1,477)**	(3,325)
Investment in deferred charges	**(1,369)**	(4,482)	**(1,369)**	(4,468)
Cash generated from/(used in) investing activities	**(225)**	27,643	**(1,476)**	9,152
Financing activities				
Decrease in deposits	**(397,872)**	(1,858,178)	**(226,166)**	(1,303,757)
Increase/(decrease) in open market funding	**(388,333)**	110,174	**(255,515)**	28,900
Increase/(decrease) in funds from securities issued and accepted	**(106,275)**	(754,893)	**2,961**	-
Decrease in borrowings and onlending	**(572,840)**	(46,904)	**(570,398)**	(46,943)
Cash generated from/(used in) financing activities	**(1,465,320)**	(2,549,801)	**(1,049,118)**	(1,321,800)
Increase / (decrease) in cash and cash equivalents	**159,084**	(2,176,093)	**127,053**	(1,624,470)
Cash and cash equivalents				
At beginning of the six-month period	**3,001,160**	7,517,405	**2,357,146**	6,583,174
At end of the six-month period	**3,160,244**	5,341,312	**2,484,199**	4,958,704
Increase / (decrease) in cash and cash equivalents	**159,084**	(2,176,093)	**127,053**	(1,624,470)

See accompanying notes.

1. Operations

Banco UBS Pactual S.A. (the Bank) is a multiple bank duly authorized to operate jointly with its subsidiaries in offering financial products and services related to commercial banking activities, including foreign exchange, investments, loans, financing, leasing and mortgage financing arrangements.

Transactions are conducted as part of a group of institutions, which participate jointly in the financial market, and certain transactions are carried out with the intermediation of other member entities of the UBS Group.

In April 2009, the shareholders entered into an agreement for sale of 100% of the Bank shares to BTG Investments. This operation is currently awaiting approval from the Central Bank of Brazil (BACEN).

2. Presentation of financial statements

The financial statements of the Bank and its subsidiaries were prepared in accordance with the accounting practices adopted in Brazil in association with the standards and instructions issued by BACEN, and are presented in conformity with the Chart of Accounts for Institutions of the National Financial System - COSIF.

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires that management use appropriate judgment to determine and record accounting estimates. The assets and liabilities subject to these estimates and assumptions basically refer to the deferred income tax asset and liability, allowance for losses on loan and other receivables, provision for the suspended collection of taxes and contributions, and provision for contingent liabilities. Actual results may significantly differ from these estimates due to the underlying inaccuracy of the determination process. The Bank and its subsidiaries review these estimates and assumptions on a regular basis.

3. Consolidated financial statements

Consolidated financial statements were prepared in accordance with consolidation criteria established by BACEN. Therefore, intercompany shareholdings, assets and liabilities and income and expenses were eliminated upon consolidation.

These consolidated financial statements include the stand-alone financial statements of Banco UBS Pactual S.A. and those of its direct and indirect subsidiaries, as follows:

	Share in total capital - %	
	2009	**2008**
Direct subsidiaries		
UBS Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	**99.99**	99.99
UBS Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99
UBS Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	**99.99**	99.99
UBS Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99
UBS Pactual Corporate Services Ltda.	**99.40**	99.40
UBS Pactual Securitizadora S.A.	**99.99**	99.99
UBS Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96
UBS Pactual Overseas Corporation	**-**	100.00
UBS Pactual Banking Limited	**100.00**	100.00
Indirect subsidiaries		
UBS Pactual Gestora de Investimentos Alternativos Ltda.	**99.98**	99.98
UBS Pactual WM Gestão de Recursos Ltda.	**99.99**	99.99
UBS Pactual Overseas Corporation	**100.00**	-

The financial statements of foreign subsidiaries, originally prepared in U.S. dollars, were translated into Brazilian reais at the commercial U.S. dollar exchange rate in force at the balance sheet dates.

In consolidated financial statements the effects of exchange gains/losses on investments abroad are recorded in lines comprising the statement of income, considering the nature of respective asset or liability accounts.

4. Significant accounting practices

The most significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are as follows:

a) Operating results are determined on the accrual basis of accounting.

b) Current and long-term assets are stated at their realizable values, including, when applicable, accrued interest and monetary (on a daily pro rata basis) and exchange variation, less the related unrealized income and/or allowance for losses.

c) Marketable securities are valued and classified in accordance with criteria established by BACEN's Circular No. 3068/01, into the following categories: I - trading; II - available for sale; and III - held to maturity. Marketable securities classified under category I are adjusted to market value, with the related adjustments having a corresponding entry in the statement of income; marketable securities classified under category II are recorded at acquisition cost plus accrued interest, which is recorded in the statement of income and adjusted to market value, with the related adjustments having a corresponding entry in a specific shareholders' equity account, net of tax effects; marketable securities classified into category III are valued at acquisition cost plus accrued interest and recorded in the statement of income.

d) Financial instrument-based transactions carried out on the Bank's own behalf or which do not comply with hedging criteria (mainly derivatives used to manage global risk exposure) are stated at market value, with the related gains and losses, whether realized or not, being recorded directly in the statement of income.

   Derivative financial instruments intended as a hedge against risk exposures or to change the characteristics of financial assets and liabilities, and which (i) closely relate to the hedged item with regard to changes in its market value throughout the contract term; and, (ii) are considered to effectively hedge against the associated risk exposure, are classified as market risk hedge, with the financial assets and liabilities, as well as the related financial instruments, being recorded at market value, and gains and losses, whether realized or not, are directly posted or charged to the statement of income, as applicable.

4. Significant Accounting Practices --Continued

e) The fair value of marketable securities, derivatives and other rights and liabilities, as applicable, is calculated considering market quotes, pricing models, or the price of other similar financial instruments. Thus, actual results may differ from the estimates on the financial settlement of the operations.

f) The daily adjustments of futures operations are recorded as income or expenses as effectively earned or incurred. The premiums paid or received in connection with transactions involving stock options, other financial assets and commodities are recorded in related asset and liability accounts at the amounts paid or received, adjusted to market prices with a matching entry in the statement of income. The nominal value of purchase and sale agreements for stock and other financial assets and commodities traded in futures and options markets is recorded in memorandum accounts.

g) Forward transactions involving financial assets and commodities are recorded at the ending value of relevant contract, net of the difference between that value and the price of the asset or right, in proper asset or liability account. Income and expenses are recognized over the contract term.

h) Assets and liabilities resulting from swap and NDF transactions are recorded in the balance sheet at book value, with the adjustments to market value being matched in the statement of income, and no amounts receivable and payable being offset. The notional amount of contracts is recorded in memorandum accounts.

i) The allowance for losses on loans and other receivables is estimated based on an analysis of operations and specific risks of each portfolio, pursuant to criteria established by National Monetary Council (CMN) Resolution No. 2682/99.

j) Investments in subsidiaries are accounted for under the equity method. Stock exchange seats are recorded at acquisition cost and restated considering amounts informed by related institutions, with the resulting adjustments being recorded as capital reserves under shareholders' equity. Securities held under custody in CETIP – Custody and Settlement (CETIP) were restated through demutualization date. Other permanent investments are valued at acquisition cost, less allowance for losses, as applicable.

4. Significant accounting practices --Continued

k) Property and equipment in use are stated at acquisition cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Deferred charges mainly comprise leasehold improvements. Amortization is calculated on the straight-line basis considering the estimated period of use and/or lease.

l) Impairment of assets is recognized as loss in the income statement for the period whenever there is clear evidence of reduction in their recoverable value. This procedure is carried out at least every year end.

m) Current and long-term liabilities are stated at known or estimated values, including, as applicable, accrued charges and monetary (on a daily pro rata basis) and foreign exchange variation.

n) The provision for income and social contribution taxes is established based on accounting profit adjusted by additions and exclusions defined in tax legislation. Deferred income and social contribution taxes are calculated on temporary differences where the realization of such amounts is considered to be probable. Income tax is calculated at 15% plus a 10% surcharge on annual taxable profit in excess of R$ 240. Social contribution tax was calculated at 9% for the period until April 30, 2008 and at 15% as from May 2008.

4. Significant accounting practices --Continued

o) Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured and disclosed pursuant to the following criteria:

- Contingent assets - Contingent assets are not recognized in financial statements, unless there is evidence ensuring their realization and they are based on unappealable decisions.
- Contingent liabilities - These are recognized in financial statements when, based on the opinion of legal advisors and management, the risk of loss on a judicial or administrative proceeding is considered probable, and when amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the explanatory notes, while those classified as remote losses do not require the recording of provisions or disclosure.
- Legal liabilities - tax and social security - These refer to legal disputes challenging the legal and constitutional nature of some taxes and mandatory contributions. The amount under dispute is measured and accounted for.

p) Pursuant to CMN Resolution No. 3604/08, the cash flow statement account “Cash and cash equivalents” includes cash on hand and bank deposits, together with short-term highly liquid investments that are subject to insignificant risk of changes in value and maturity of 90 days or less.

q) Earnings per share are calculated based on the number of outstanding shares at the balance sheet dates.

5. Cash and cash equivalents

The balance of this account refers basically to deposits with first-tier banks abroad.

6. Short-term interbank investments

For purposes of disclosure in the statement of cash flows, short-term interbank investments maturing in 90 days or less are deemed as cash and cash equivalents.

a) Open market investments

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
i. By position/security type				
Own portfolio				
National Treasury Bills	**926,843**	-	**926,843**	-
National Treasury Notes	**603,261**	1,969,035	**603,261**	1,969,035
Corporate bonds	**16,798**	-	**-**	-
	1,546,902	1,969,035	**1,530,104**	1,969,035
Third-party portfolio				
Financial Treasury Bills	**300,507**	3,552,488	**300,507**	3,552,488
National Treasury Bills	**413,156**	123,562	**413,156**	123,562
National Treasury Notes	**207,422**	223,825	**207,422**	223,825
Sovereign debt bonds	**-**	31,230	**-**	-
	921,085	3,931,105	**921,085**	3,899,875
Short position				
National Treasury Notes	**162,019**	441,390	**162,019**	441,390
	2,630,006	6,341,530	**2,613,208**	6,310,300
ii. By maturity				
Up to 90 days	**2,291,231**	4,513,622	**2,291,231**	4,482,392
Over 90 days	**338,775**	1,827,908	**321,977**	1,827,908
	2,630,006	6,341,530	**2,613,208**	6,310,300

b) Interbank deposits

The balance of this account refers to highly liquid short-term interbank investments with first-tier banks.

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
i. By security				
Interbank deposits – CDI	**70,377**	157,708	**70,377**	157,708
Investments in foreign currency - Overnight	**789,842**	711,775	**115,368**	363,663
	860,219	869,483	**185,745**	521,371
ii. By maturity				
Up to 90 days	**860,219**	822,932	**185,745**	474,820
Over 90 days	**-**	46,551	**-**	46,551
	860,219	869,483	**185,745**	521,371

7. Marketable securities and derivative financial instruments

a) Marketable securities

Securities comprising the Bank's and its subsidiaries' own portfolio are classified as trading securities as follows:

	Consolidated			
	2009		2008	
	Cost	Market	Cost	Market
Own portfolio				
Federal Government securities				
Financial Treasury Bills	**1,174**	**1,174**	13,522	13,519
National Treasury Bills	**232,991**	**233,010**	589,939	589,886
National Treasury Notes	**179,905**	**180,074**	72,907	71,837
Bank Deposit Certificates	**292,252**	**292,529**	-	-
Debentures	**14,038**	**13,821**	19,591	18,691
Bank Credit Certificate	**104,012**	**103,736**	221,828	219,968
Real Estate Bond	**1,809**	**1,809**	3,629	3,629
Investment fund shares	**397,891**	**397,891**	327,601	327,601
Stock	**192,746**	**155,372**	674,806	644,533
Securities issued to cover court-ordered debts	**28,277**	**-**	28,277	10,917
Securitized credits	**3,676**	**4,042**	5,090	5,467
Corporate bonds **(i)**	**105,578**	**113,194**	38,820	39,166
T-Bill	**23,560**	**23,595**	34,880	35,003
	1,577,909	**1,520,247**	2,030,890	1,980,217
Subject to repurchase agreements				
Federal Government securities				
Financial Treasury Bills	**44,200**	**44,200**	12,543	12,541
National Treasury Bills	**347,416**	**347,553**	61,693	61,566
National Treasury Notes	**44,666**	**44,920**	204,420	202,706
Corporate bonds (i)	**95,950**	**98,781**	630,109	622,663
	532,232	**535,454**	908,765	899,476
Restricted deposits - Central Bank of Brazil				
Federal government securities				
Financial Treasury Bills	-	-	17,026	17,026
National Treasury Bills	-	-	3,009	3,003
National Treasury Notes	-	-	104,890	102,331
	-	-	124,925	122,360
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**-**	**-**	408,180	408,107
National Treasury Bills	**393,338**	**393,551**	433,963	432,905
National Treasury Notes	**242,130**	**243,042**	1,876,456	1,835,163
Stock	**59,681**	**64,126**	107,702	106,903
Bank Deposit Certificates	**19,661**	**19,714**	-	-
	714,810	**720,433**	2,826,301	2,783,078

(i) These refer to securities of Brazilian companies issued abroad, which are part of the portfolio of subsidiaries UBS Pactual Banking Limited and UBS Pactual Overseas Corporation.

7. Marketable securities and derivative financial instruments -- Continued

a) Marketable securities--Continued

	Banco UBS Pactual S.A.			
	2009		2008	
	Cost	Market	Cost	Market
Own portfolio				
Federal government securities				
Financial Treasury Bills	**1,174**	**1,174**	13,522	13,519
National Treasury Bills	**232,991**	**233,010**	589,939	589,886
National Treasury Notes	**176,879**	**177,096**	72,907	71,837
Bank Deposit Certificates	**292,252**	**292,529**	-	-
Debentures	**14,038**	**13,821**	19,591	18,691
Bank Credit Certificate	**104,012**	**103,736**	221,828	219,968
Real Estate Bond	**1,809**	**1,809**	3,629	3,629
Investment fund shares	**397,366**	**397,366**	326,232	326,232
Stock	**166,877**	**130,260**	155,808	142,382
Securities issued to cover court-ordered debts	**28,277**	**-**	28,277	10,917
Securitized credits	**3,676**	**4,042**	5,090	5,467
	1,419,351	**1,354,843**	1,436,823	1,402,527
Subject to repurchase agreements				
Federal government securities				
Financial Treasury Bills	**44,200**	**44,200**	12,543	12,541
National Treasury Bills	**347,416**	**347,553**	61,693	61,566
National Treasury Notes	**44,666**	**44,920**	204,420	202,706
	436,282	**436,673**	278,656	276,813
Restricted deposits - Central Bank of Brazil				
Federal government securities				
Financial Treasury Bills	-	-	17,026	17,026
National Treasury Bills	-	-	3,009	3,003
National Treasury Notes	-	-	104,890	102,331
	-	-	124,925	122,360
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	-	-	329,333	329,275
National Treasury Bills	**393,338**	**393,551**	433,963	432,905
National Treasury Notes	**201,191**	**202,751**	1,876,456	1,835,163
Stock	**57,971**	**62,385**	99,586	100,106
Bank Deposit Certificates	**19,661**	**19,714**	-	-
	672,161	**678,401**	2,739,338	2,697,449

7. Marketable securities and derivative financial instruments -- Continued

b) Derivative financial instruments

	Consolidated			
	2009			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**65,589**	**83,413**	**177,821**	**207,675**
Forward transactions – receivables and payables	**519,401**	**519,401**	**511,764**	**511,764**
Option premiums	**162,686**	**191,936**	**231,536**	**183,716**
Non Deliverable Forward (NDF)	**199,152**	**202,176**	**12,882**	**11,139**
	946,828	**996,926**	**934,003**	**914,294**
Current amount		**967,319**		**782,193**
Long-term amount		**29,607**		**132,101**

	Consolidated			
	2008			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	102,081	127,208	244,064	270,196
Forward transactions – receivables and payables	632,527	632,527	636,476	636,476
Option premiums	128,335	115,526	170,091	161,820
Non Deliverable Forward (NDF)	32,221	35,887	108,928	105,420
	895,164	911,148	1,159,559	1,173,912
Current amount		865,908		1,104,695
Long-term amount		45,240		69,217

7. Marketable securities and derivative financial instruments – Continued

b) Derivative financial instruments--Continued

	Banco UBS Pactual S.A.			
	2009			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**62,942**	**75,260**	**114,416**	**143,555**
Forward transactions – receivables and payables	**429,954**	**429,954**	**429,954**	**429,954**
Option premiums	**162,686**	**191,936**	**231,536**	**183,716**
Non Deliverable Forward (NDF)	**199,152**	**201,072**	**12,882**	**11,139**
	854,734	**898,222**	**788,788**	**768,364**
Current amount		**875,623**		**700,383**
Long-term amount		**22,599**		**67,981**

	Banco UBS Pactual S.A.			
	2008			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	101,367	117,657	194,471	203,070
Forward transactions – receivables and payables	64,950	64,950	64,950	64,951
Option premiums	125,002	110,352	166,647	158,005
Non Deliverable Forward (NDF)	32,221	35,798	108,928	105,188
	323,540	328,757	534,996	531,214
Current amount		302,904		478,507
Long-term amount		25,853		52,707

8. Credit operations

Loans are classified into risk levels in accordance with criteria established by CMN Resolution No. 2682/99.

This classification considers, among other aspects, a regular review of transactions, default levels, client's background and guarantees obtained, as applicable.

The allowance for loan losses is calculated considering the client's risk level classification, as defined in aforementioned Resolution.

8. **Credit operations**--Continued

Credit operations and other similar financing arrangements are as follows:

a) Credit operations

				Consolidated			
				2009		2008	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**9,813**	**-**	7,435	-
	Corporate	Commerce	AA	**14,492**	**-**	12,985	-
	Corporate	Services	AA	**1,397**	**-**	2,475	-
	Individual	-	AA	**39,397**	**-**	34,519	-
	Corporate	Manufacture	A	**23,040**	**(115)**	5,436	(27)
	Corporate	Commerce	A	**-**	**-**	29,171	(146)
	Corporate	Services	A	**66,575**	**(333)**	135,197	(675)
	Individual	-	A	**494,147**	**(2,471)**	272,750	(1,364)
	Corporate	Rural	B	**-**	**-**	8,390	(84)
	Corporate	Manufacture	B	**7,158**	**(72)**	115,918	(1,159)
	Corporate	Commerce	B	**41,831**	**(418)**	3,732	(37)
	Corporate	Services	B	**84,020**	**(840)**	173,448	(1,735)
	Individual	-	B	**1,968**	**(20)**	108,234	(1,082)
	Corporate	Manufacture	C	**10,205**	**(306)**	16,399	(492)
	Corporate	Commerce	C	**-**	**-**	684	(20)
	Corporate	Services	C	**22,263**	**(668)**	6,657	(200)
	Individual	-	C	**79,419**	**(2,383)**	106,906	(3,207)
	Corporate	Manufacture	D	**5,789**	**(579)**	-	-
	Corporate	Services	D	**33,796**	**(3,380)**	6	(1)
	Corporate	Manufacture	E	**24,189**	**(7,256)**	5,655	(1,696)
	Corporate	Manufacture	F	**28,292**	**(14,145)**	446	(223)
	Corporate	Manufacture	G	**39,620**	**(27,734)**	2,784	(1,949)
	Corporate	Services	G	**48,634**	**(34,044)**	-	-
	Corporate	Rural	H	**4,954**	**(4,954)**	-	-
	Corporate	Manufacture	H	**9,319**	**(9,319)**	-	-
				1,090,318	**(109,037)**	1,049,227	(14,097)
Financing	Corporate	Manufacture	A	**-**	**-**	10,080	(51)
	Corporate	Services	A	**-**	**-**	21,071	(105)
	Corporate	Rural	B	**-**	**-**	30,135	(301)
	Corporate	Manufacture	B	**3,498**	**(35)**	23,382	(234)
	Corporate	Manufacture	C	**2,777**	**(83)**	-	-
	Corporate	Manufacture	F	**3,363**	**(1,682)**	-	-
				9,638	**(1,800)**	84,668	(691)
Onlending FINAME/BNDES	Corporate	Rural	A	**734**	**(4)**	1,124	(6)
Securities financing				**39,091**	**-**	131,081	-
				1,139,781	**(110,841)**	1,266,100	(14,794)
Current amount				**663,487**	**(72,186)**	619,593	(9,041)
Long-term amount				**476,294**	**(38,655)**	646,507	(5,753)

8. **Credit operations**--Continued

a) Credit operations -- Continued

i. By type of client, business activity and risk level

				Banco UBS Pactual S.A.			
				2009		2008	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**1,568**	**-**	-	-
	Corporate	Commerce	AA	**14,492**	**-**	12,985	-
	Corporate	Services	AA	**1,397**	**-**	2,475	-
	Individual	-	AA	**39,397**	**-**	34,519	-
	Corporate	Manufacture	A	**23,040**	**(115)**	5,436	(27)
	Corporate	Commerce	A	**-**	**-**	29,171	(146)
	Corporate	Services	A	**66,575**	**(333)**	135,197	(675)
	Individual	-	A	**494,147**	**(2,471)**	272,750	(1,364)
	Corporate	Rural	B	**-**	**-**	8,390	(84)
	Corporate	Manufacture	B	**7,158**	**(72)**	115,918	(1,159)
	Corporate	Commerce	B	**41,831**	**(418)**	3,732	(37)
	Corporate	Services	B	**84,020**	**(840)**	173,448	(1,735)
	Individual	-	B	**1,968**	**(20)**	108,234	(1,082)
	Corporate	Manufacture	C	**10,205**	**(306)**	16,399	(492)
	Corporate	Commerce	C	**-**	**-**	684	(20)
	Corporate	Services	C	**22,263**	**(668)**	6,657	(200)
	Individual	-	C	**79,419**	**(2,383)**	106,906	(3,207)
	Corporate	Manufacture	D	**5,789**	**(579)**	-	-
	Corporate	Services	D	**33,796**	**(3,380)**	6	(1)
	Corporate	Manufacture	E	**24,189**	**(7,256)**	5,655	(1,696)
	Corporate	Manufacture	F	**28,292**	**(14,145)**	446	(223)
	Corporate	Manufacture	G	**39,620**	**(27,734)**	2,784	(1,949)
	Corporate	Services	G	**48,634**	**(34,044)**	-	-
	Corporate	Rural	H	**4,954**	**(4,954)**	-	-
	Corporate	Manufacture	H	**9,319**	**(9,319)**	-	-
				1,082,073	**(109,037)**	1,041,792	(14,097)
Financing	Corporate	Manufacture	A	**-**	**-**	10,080	(51)
	Corporate	Services	A	**-**	**-**	21,071	(105)
	Corporate	Rural	B	**-**	**-**	30,135	(301)
	Corporate	Manufacture	B	**3,498**	**(35)**	23,382	(234)
	Corporate	Manufacture	C	**2,777**	**(83)**	-	-
	Corporate	Manufacture	F	**3,363**	**(1,682)**	-	-
				9,638	**(1,800)**	84,668	(691)
Onlending FINAME/BNDES	Corporate	Rural	A	**734**	**(4)**	1,124	(6)
Securities financing				**19,542**	**-**	131,081	-
				1,111,987	**(110,841)**	1,258,665	(14,794)
Current amount				**643,132**	**(72,186)**	616,652	(9,041)
Long-term amount				**468,855**	**(38,655)**	642,013	(5,753)

8. **Credit operations**--Continued

a) Credit operations--Continued

ii. By maturity

	Consolidated				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2009		
Loans	**40,433**	**230,698**	**343,797**	**475,390**	**1,090,318**
Financing	**-**	**8,109**	**941**	**588**	**9,638**
Onlending FINAME/BNDES	**-**	**418**	**-**	**316**	**734**
Securities financing	**-**	**39,091**	**-**	**-**	**39,091**
	40,433	**278,316**	**344,738**	**476,294**	**1,139,781**
			2008		
Loans	52,810	212,043	138,545	645,829	1,049,227
Financing	-	84,668	-	-	84,668
Onlending FINAME/BNDES	-	446	-	678	1,124
Securities financing	-	131,081	-	-	131,081
	52,810	428,238	138,545	646,507	1,266,100

	Banco UBS Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2009		
Loans	**40,433**	**230,698**	**342,991**	**467,951**	**1,082,073**
Financing	**-**	**8,109**	**941**	**588**	**9,638**
Onlending FINAME/BNDES	**-**	**418**	**-**	**316**	**734**
Securities financing	**-**	**19,542**	**-**	**-**	**19,542**
	40,433	**258,767**	**343,932**	**468,855**	**1,111,987**
			2008		
Loans	52,810	211,739	135,908	641,335	1,041,792
Financing	-	84,668	-	-	84,668
Onlending FINAME/BNDES	-	446	-	678	1,124
Securities financing	-	131,081	-	-	131,081
	52,810	427,934	135,908	642,013	1,258,665

8. **Credit operations**--Continued

b) Other receivables – credit-extension-like receivables

i. By type of client, business activity and risk level

				Consolidated and Banco UBS Pactual S.A.			
				2009		2008	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Securities and credits receivable **(i)**	Corporate	Manufacture	AA	**21,164**	**-**	20,702	-
	Corporate	Commerce	AA	**126**	**-**	608	-
	Individual	-	AA	**6,229**	**-**	413	-
	Corporate	Manufacture	A	**-**	**-**	3,713	(18)
	Corporate	Commerce	A	**-**	**-**	1,761	(9)
	Corporate	Services	A	**3,450**	**(17)**	13,131	(66)
	Corporate	Commerce	B	**104**	**(1)**	4,967	(50)
	Corporate	Services	B	**444**	**(4)**	9,862	(99)
	Corporate	Manufacture	C	**5,886**	**(177)**	4,217	(126)
	Corporate	Services	C	**39,228**	**(1,177)**	-	-
	Corporate	Services	D	**-**	**-**	128	(13)
	Corporate	Manufacture	F	**-**	**-**	85	(42)
	Corporate	Manufacture	G	**224**	**(157)**	-	-
	Corporate	Services	H	**-**	**-**	298	(298)
				76,855	**(1,533)**	59,885	(721)
Collaterals and guarantees honored	Corporate	Services	F	**1,244**	**(622)**	-	-
				78,099	**(2,155)**	59,885	(721)
Current amount				**68,282**	**(1,287)**	53,395	(711)
Long-term amount				**9,817**	**(868)**	6,490	(10)

(i) Refer to the acquisition of credit rights.

ii. By maturity

	Consolidated and Banco UBS Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	From 6 to 12 months	After 12 months	Total
			2009		
Securities and credit receivable	**2,130**	**50,279**	**15,873**	**8,573**	**76,855**
Collaterals and guarantees honored	**-**	**-**	**-**	**1,244**	**1,244**
	2,130	**50,279**	**15,873**	**9,817**	**78,099**
			2008		
Securities and credit receivable	1,116	50,359	1,920	6,490	59,885

8. **Credit operations**--Continued

c) Allowance

Changes in allowance for losses on credit operations and other receivables from credit-like operations over the six-month periods were as follows:

	Credit-extension-like receivables		Non-credit-extension-like receivables			
	Consolidated and Banco UBS Pactual S.A.		Consolidated		Banco UBS Pactual S.A.	
	2009	2008	2009	2008	2009	2008
Opening balances	**(46,685)**	(37,471)	**(16,694)**	(2,301)	**(16,642)**	(2,171)
Allowance reversal / (set up)	**(72,970)**	7,346	**(140,798)**	-	**(69,745)**	-
Credit written off as losses	**6,659**	14,610	**9,907**	854	**9,907**	854
Closing balances	**(112,996)**	(15,515)	**(147,585)**	(1,447)	**(76,480)**	(1,317)
Breaking down of closing balances						
Allowance for loan losses	**(110,841)**	(14,794)	**-**	-	**-**	-
Allowance for losses on other receivables	**(2,155)**	(721)	**(147,585)**	(1,447)	**(76,480)**	(1,317)
	(112,996)	(15,515)	**(147,585)**	(1,447)	**(76,480)**	(1,317)
Current amount	**(73,473)**	(9,729)	**-**	(51)	**-**	-
Long-term amount	**(39,523)**	(5,786)	**(147,585)**	(1,396)	**(76,480)**	(1,317)

Allowances for other credit-extension-like receivables refer to acquisition of credit rights, as stated in item b of this Note, whereas allowances for other non-credit-extension-like receivables basically refer to receivables from securities trading and brokerage, as shown on Note 10(b).

d) Renegotiation/recovery of written-off credits

The amount of R$ 57,283 under the Bank's credit portfolio refers to credits renegotiated in the six-month period ended June 30, 2009. Over the same period, credits written off as losses were recovered in the amount of R$ 176 (R$ 891 in 2008). No credits were renegotiated for the first six months of 2008.

9. Other credits/other liabilities

a) Foreign exchange portfolio

	Consolidated and Banco UBS Pactual S.A.			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased / saled	**526,184**	**524,024**	736,160	1,284,545
Rights on foreign exchange sales	**523,338**	**-**	1,291,180	-
(-) Advances in foreign currency received	**(58)**	**-**	-	-
(-) Advances in local currency received	**(1,996)**	**-**	(15,996)	-
Liabilities for foreign exchange purchases	**-**	**523,488**	-	739,718
	1,047,468	**1,047,512**	2,011,344	2,024,263
Current amount	**1,031,254**	**1,031,252**	2,011,344	2,024,263
Long-term amount	**16,214**	**16,260**	-	-

Guarantees given in connection with foreign exchange transactions carried out through BM&FBOVESPA S.A - Stock Exchange, Commodities and Future (BM&FBOVESPA) are represented by federal government securities in the amount of R$ 127,161 in the consolidated and in the Bank (R$ 66,494 and R$ 66,420 in the consolidated and in the Bank, respectively, in 2008).

b) Securities trading and brokerage

	Consolidated			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**9,319**	**47,028**	57,976	37,331
Debtors/creditors – pending settlement **(i)**	**434,246**	**374,482**	956,112	345,281
Escrow deposits – Margin	**3,893**	**-**	-	-
Swap intermediation transactions	**93**	**-**	3,467	-
Credits for stock loans	**-**	**159,393**	-	2,895,146
Other receivables/other payables for securities trading and brokerage **(ii)**	**-**	**32,803**	-	433,494
	447,551	**613,706**	1,017,555	3,711,252
Current amounts	**447,458**	**613,706**	1,017,189	3,711,252
Long-term amounts	**93**	**-**	366	-

9. Other receivables/other payables--Continued

b) Securities trading and brokerage--Continued

	Banco UBS Pactual S.A.			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**9,319**	**44,048**	56,712	27,089
Debtors/creditors – pending settlement **(i)**	**128,250**	**97,008**	411,725	353,445
Escrow deposits – Margin	**3,893**	**-**	-	-
Swap intermediation transactions	**61**	**-**	3,467	-
Credits for stock loans	**-**	**133,957**	-	2,857,463
Other receivables/other payables for securities trading and brokerage **(ii)**	**-**	**4,573**	-	17,245
	141,523	**279,586**	471,904	3,255,242
Current amount	**141,462**	**279,586**	471,538	3,255,242
Long-term amount	**61**	**-**	366	-

(i) Basically represented by amounts pending settlement within terms established in regulation, relating to transactions involving the purchase and sale of securities and financial asset agreements on BM&FBOVESPA, and abroad through first-tier stockbrokers, on the Bank's behalf or on behalf of third parties.

(ii) Basically represented by liabilities for the sale of shares and fixed-income securities to be settled within terms established in regulation.

10. Other credits

a) Income receivable

	Consolidated		Banco UBS Pactual S.A.	
	2009	2008	2009	2008
Dividends and bonuses	**1,148**	5,488	**93,231**	5,559
Receivables from provided service	**38,539**	107,928	**38,539**	107,928
Management and performance fees for investment funds and portfolios	**59,388**	99,167	**4,715**	-
Commissions on technical advisory services	**-**	802	**6**	14
Foreign investment income	**25**	191	**25**	191
Commissions on guarantees	**178**	738	**178**	738
Others	**694**	1,726	**212**	1,271
	99,972	216,040	**136,906**	115,701
Current amounts	**99,907**	215,525	**136,841**	115,186
Long-term amounts	**65**	515	**65**	515

10. Other credits--Continued

b) Sundry

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Deferred tax assets	**1,632,466**	1,592,404	**1,498,029**	1,539,845
Legal deposits:				
Social security financing tax (COFINS) – suspended collection	**217,060**	74	**213,310**	74
Social contribution tax (CSL) - suspended collection	**10,276**	9,662	**9,443**	8,682
Social integration program tax (PIS) - suspended collection	**8,948**	8,423	**7,785**	7,260
Income tax (IRPJ) - suspended collection	**7,866**	7,415	**6,240**	5,779
Fine by BACEN	**14,540**	12,762	**14,540**	12,762
Social security contribution tax (INSS)	**10,955**	-	**10,955**	-
Other	**4,986**	5,387	**3,917**	3,310
Recoverable taxes	**33,374**	27,108	**25,256**	13,833
Tax incentive options	**1,317**	1,317	**1,317**	1,317
Credits receivable (i)	**76,855**	59,885	**76,855**	59,885
Receivables from securities trading and brokerage	**246,480**	-	**175,376**	-
Others	**21,943**	36,057	**8,719**	30,848
	2,287,066	1,760,494	**2,051,742**	1,683,595
Current amount	**393,952**	97,652	**368,872**	92,862
Long-term amount	**1,893,114**	1,662,842	**1,682,870**	1,590,733

(I) Relate to acquisition of credit rights as described in Note 8(b).

11. Investments in subsidiaries - Bank

	Subsidiaries					
	Capital		Shareholders' equity		Net income (loss)	
	2009	2008	2009	2008	2009	2008
Brazilian companies:						
UBS Pactual Asset Management S.A. DTVM	**3,474**	3,474	**219,398**	202,904	**53,566**	(24,340)
UBS Pactual Corretora de Títulos e Valores Mobiliário S.A.	**161,870**	161,870	**536,138**	554,296	**1,183**	150,437
UBS Pactual Serviços Financeiros S.A. DTVM	**31,670**	31,670	**133,557**	128,967	**9,485**	24,235
UBS Pactual Corretora de Mercadorias Ltda.	**2,500**	2,500	**156,738**	149,300	**7,438**	57,744
UBS Pactual Serviços de Administração Ltda. (i)	**-**	**-**	**-**	-	**-**	11,019
UBS Pactual Corporate Services Ltda.	**1**	1	**4,345**	4,003	**160**	(119)
UBS Pactual Securitizadora S.A.	**100**	100	**100**	100	**-**	-
UBS Pactual Agente Comercializador de Energia Ltda.	**5**	5	**100**	6	**94**	1
Foreign companies:						
UBS Pactual Overseas Corporation (ii)	**-**	1,591	**-**	275,032	**-**	(31,187)
UBS Pactual Banking Limited	**333,332**	22,275	**452,541**	95,624	**(36,008)**	1,286

	Parent Company					
	Equity participation		Investment book value		Equity income (loss) (iv)	
	2009	2008	2009	2008	2009	2008
Brazilian companies:						
UBS Pactual Asset Management S.A. DTVM	**99.99**	99.99	**219,398**	202,904	**53,566**	(24,252)
UBS Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99	**536,138**	554,296	**1,183**	150,613
UBS Pactual Serviços Financeiros S.A. DTVM	**99.99**	99.99	**133,557**	128,967	**9,485**	24,323
UBS Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99	**156,738**	149,300	**7,438**	57,744
UBS Pactual Serviços de Administração Ltda.(i)	**-**	-	**-**	-	**-**	11
UBS Pactual Corporate Services Ltda.	**99.40**	99.40	**4,320**	3,979	**160**	(119)
UBS Pactual Securitizadora S.A.	**99.99**	99.99	**100**	100	**-**	-
UBS Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96	**100**	6	**94**	1
Goodwill on investment in UBS Pactual Serviços Financeiros S.A. DTVM (iii)			**6,240**	7,165	**(462)**	(231)
			1,056,591	1,046,717	**71,464**	208,090
Foreign companies:						
UBS Pactual Overseas Corporation (ii)	**-**	100.00	**-**	275,032	**-**	(65,714)
UBS Pactual Banking Limited	**100.00**	100.00	**452,524**	95,607	**(47,934)**	(9,350)
			452,524	370,639	**(47,934)**	(75,064)
			1,509,115	1,417,356	**23,530**	133,026

(i) On May 15, 2008 this company was took over by UBS Pactual Serviços Financeiros S.A. DTVM.
(ii) On November 19, 2008, the Bank used the investment held in this subsidiary to increase the capital of UBS Pactual Banking Limited.
(iii) Goodwill based on future profits expected, realizable in 10 years.
(iv) Any differences between net income of subsidiaries and the equity adjustment refer to the restatement of stock exchange membership certificate (as for Brazilian subsidiaries) and exchange variations on investments abroad (as for subsidiaries abroad).

12. Open market funding

Open market funding is backed by the following securities:

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Own portfolio				
Financial Treasury Bills	**44,168**	12,531	**44,168**	12,531
National Treasury Bills	**345,654**	61,276	**345,654**	61,276
National Treasury Notes	**44,059**	199,106	**44,059**	199,106
Corporate bonds	**72,777**	619,467	**-**	-
	506,658	892,380	**433,881**	272,913
Third-party portfolio				
Financial Treasury Bills	**300,329**	3,552,203	**300,329**	3,552,203
National Treasury Bills	**413,152**	123,561	**413,152**	123,561
National Treasury Notes	**207,667**	225,903	**207,667**	225,903
Corporate bonds	**-**	34,690	**-**	-
	921,148	3,936,357	**921,148**	3,901,667
Freely-traded portfolio				
Financial Treasury Bills	**168,833**	444,569	**168,833**	444,569
	1,596,639	5,273,306	**1,523,862**	4,619,149

13. Funds from securities issued and accepted – liabilities for foreign securities

These refer to Commercial Papers in the amount of US$ 129,751 thousand, maturing by August 25, 2008 and Enhanced Dual Currency in the amount of US$ 38,584 thousand maturing by December 12, 2008. These securities were issued abroad by subsidiaries UBS Pactual Overseas Corporation and UBS Pactual Banking Limited.

14. Foreign borrowings

This balance is basically represented by a revolving credit facility amounting to US$ 50,000 thousand (US$ 94,100 thousand in 2008), maturing by July 2, 2009 (January 21, 2009 in 2008).

15. Other liabilities

a) Social and statutory

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Employees' profit sharing	**30,598**	220,679	**18,649**	170,274
Bonuses payable (i)	**414,187**	222,612	**230,669**	127,676
	444,785	443,291	**249,318**	297,950
Current amount	**30,598**	232,730	**18,649**	179,086
Long-term amount	**414,187**	210,561	**230,669**	118,864

(i) These refer to the employees' retention plan as a result of the acquisition of Banco Pactual S.A. by UBS AG, payable in installments over 2011, 2012 and 2013.

b) Tax and social security

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Taxes and mandatory contributions payable	**-**	22	**-**	-
Provision for income taxes (i)	**40,449**	114,881	**-**	-
Taxes and contributions payable	**172,831**	116,450	**95,816**	66,828
Deferred income and social contribution taxes (ii)	**188,188**	84,164	**188,140**	83,542
Taxes with suspended collection:				
Social integration program tax (PIS) (iii) (iv)	**31,226**	29,042	**26,289**	25,303
Social security financing tax (COFINS) (iv) (v)	**233,415**	172,540	**229,505**	171,016
Social contribution tax (CSL) (iii) (iv)	**13,191**	12,669	**11,879**	11,366
Income tax (IRPJ) (iv)	**1,460**	1,395	**1,460**	1,395
Others (iv)	**6,452**	7,247	**5,466**	6,261
	687,212	538,410	**558,555**	365,711
Current amount	**290,884**	240,275	**241,115**	107,300
Long-term amount	**396,328**	298,135	**317,440**	258,411

(i) These refer to the provision for income and social contribution taxes, net of prepaid amounts.

(ii) These refer to income and social contribution taxes due on the market appreciation of marketable securities and derivatives and on unrealized gains on derivatives, in compliance with Law No. 11051/04.

(iii) This refers basically to: a) CSL - rates applicable for years 1997/1998 were challenged based on the constitutional principle of equality; and b) PIS - precedence and limited retrospection of constitutional amendments 01/94-10/96 and 17/97 were legally challenged.

(iv) Legal deposits were made in connection with these contingencies, which are recorded as "Other receivables - sundry", in the amount of R$ 220,807 (R$ 13,630 in 2008) - consolidated, and R$ 214,475 (R$ 11,064 in 2008) - Bank.

(v) The constitutionality of article 3, Law No. 9718/98 is under discussion. The Bank and its subsidiaries have an injunction allowing the payment of Cofins on service revenues only.

15. Other liabilities--Continued

c) Sundry

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Provision for accounts payable	**29,988**	32,785	**17,901**	18,046
Provision for contingent liabilities	**20,398**	20,669	**19,084**	18,498
Payable for placement of securities	**-**	20,935	**-**	20,935
Others	**1,463**	8,185	**1,276**	6,384
	51,849	82,574	**38,261**	63,863
Current amount	**30,963**	61,680	**19,177**	45,365
Long-term amount	**20,886**	20,894	**19,084**	18,498

16. Shareholders' equity – Bank

a) Capital

Fully subscribed and paid-up capital comprises 1,253,583,889 shares, all registered common shares with no par value.

b) Capital reserves

These relate to the restatement of Future and Commodities Exchange (BM&F), São Paulo Stock Exchange (BOVESPA) and CETIP stock exchange membership certificate.

c) Legal reserve

This reserve is established at the rate of 5% of net income, before any other appropriation, and shall not exceed 20% of capital.

d) Statutory reserve

In accordance with the Bank's by-laws, this reserve aims at preserving the Bank's working capital and is to be established at an amount not exceeding total capital.

16. Shareholders' equity - Bank --Continued

e) Unrealized income reserve

This reserve was established considering undistributed dividends obtained in investments in foreign subsidiaries.

f) Profit distribution

Shareholders are entitled to annual dividends of at least 25% of net income, adjusted in accordance with article 202 of Law No. 6404/76.

g) Retained earnings

The amount of R$ 2,425,857 corresponding to earnings recorded prior to the introduction of CMN Resolution No. 3605/08 will be appropriated by December 31, 2010. The remaining balance referring to earnings for the six-month period will be allocated by the year end.

17. Derivative financial instruments

The Bank and its subsidiaries actively engage in risk intermediation activities involving derivative financial instruments, providing the necessary hedge for their own needs and for that of their clients, with a view to reducing their exposure to market, currency and interest rate risks. Certain derivative financial instruments may be associated with operations involving marketable securities or rights and obligations. The risks underlying these operations are managed by means of strict control policies, the establishment of strategies, definition of limits, among other monitoring techniques.

The transactions carried out in Brazil are traded, registered or held in custody by BM&FBOVESPA and CETIP S.A. – OTC Clearing House (CETIP S.A.); transactions carried out abroad are traded and registered with first-tier brokers.

17. Derivative financial instruments--Continued

Guarantees given are as follows:

	Consolidated		Banco UBS Pactual S.A	
	2009	**2008**	**2009**	**2008**
Federal government securities	**509,432**	2,609,681	**469,141**	2,530,923
Stock	**64,126**	106,903	**62,385**	100,106
Guarantees	**110,000**	260,000	**110,000**	260,000
Bank Deposit Certificates	**19,714**	-	**19,714**	-
	703,272	2,976,584	**661,240**	2,891,029

The notional values of transactions involving financial instruments are recorded in memorandum accounts and relevant adjustments/premiums are recorded in balance sheet accounts.

Commitments undertaken as a result of transactions involving derivatives, maturing up to October 1, 2018 (May 2, 2018 in 2008), as shown below, take into consideration the provisions of BACEN Circular No. 3229/04, which determines the exclusion of contracts in foreign currency, gold and other assets subject to foreign exchange exposures maturing on the first workday following the calculation of the foreign exchange exposure.

17. Derivative financial instruments --Continued

a) By index

	Consolidated			
	2009		2008	
	Long Position	Short position	Long position	Short Position
Futures contracts				
Foreign currency	**966,793**	**991,488**	6,902,738	8,147,458
Interest rate	**9,215,220**	**824,842**	11,653,003	2,546,387
Indexes	**31,528**	**116,375**	3,103,030	244,920
	10,213,541	**1,932,705**	21,658,771	10,938,765
Swap transactions				
Foreign currency	**999,751**	**1,262,470**	1,004,925	636,592
Interest rate	**1,417,966**	**939,321**	2,139,295	3,635,818
Indexes	**259,089**	**504,353**	755,033	969,423
	2,676,806	**2,706,144**	3,899,253	5,241,833
Non-deliverable forward - NDF				
Foreign currency	**1,098,827**	**582,611**	1,930,860	471,956
Interest rate	**689,152**	**1,017,457**	191,311	1,715,757
	1,787,979	**1,600,068**	2,122,171	2,187,713
Deliverable forward - DF				
Foreign currency	**15,116**	**13,833**	567,577	571,526
Forward contracts				
Foreign currency	**73,776**	**92,437**	-	64,950
Interest rate	**-**	**263,741**	-	-
	73,776	**356,178**	-	64,950
Options contracts				
Financial assets				
Call option	**724,486**	**438,248**	9,822	15,686
Put option	**1,133,901**	**563,015**	66,634	65,416
	1,858,387	**1,001,263**	76,456	81,102
Stock				
Call option	**268,150**	**287,549**	22,127	640
Put option	**72,583**	**146,698**	1,181	20,199
	340,733	**434,247**	23,308	20,839
Fixed income				
Call option	**-**	**-**	357,103	417,290
	2,199,120	**1,435,510**	456,867	519,231

17. Derivative financial instruments --Continued

a) By index--Continued

	Banco UBS Pactual S.A.			
	2009		2008	
	Long position	Short position	Long position	Short position
Futures contracts				
Foreign currency	**966,793**	**991,488**	4,080,367	8,063,335
Interest rate	**9,215,220**	**824,842**	11,653,003	2,546,387
Indexes	**31,528**	**116,375**	3,103,030	244,920
	10,213,541	**1,932,705**	18,836,400	10,854,642
Swap transactions				
Foreign currency	**937,703**	**1,199,868**	1,004,925	636,592
Interest rate	**1,417,966**	**939,321**	892,302	1,420,057
Indexes	**259,089**	**504,353**	374,821	170,956
	2,614,758	**2,643,542**	2,272,048	2,227,605
Non-deliverable forward - NDF				
Foreign currency	**1,098,827**	**582,611**	1,612,739	157,462
Interest rate	**689,152**	**1,017,457**	191,311	1,715,757
	1,787,979	**1,600,068**	1,804,050	1,873,219
Forward contracts				
Foreign currency	**73,776**	**92,437**	-	64,950
Interest rate	**-**	**263,741**	-	-
	73,776	**356,178**	-	64,950
Options contracts				
Financial assets				
Call option	**724,486**	**438,248**	9,822	15,686
Put option	**1,133,901**	**563,015**	66,634	65,416
	1,858,387	**1,001,263**	76,456	81,102
Stock				
Call option	**268,150**	**287,549**	20,099	-
Put option	**72,583**	**146,698**	-	18,989
	340,733	**434,247**	20,099	18,989
Fixed income				
Call option	**-**	**-**	357,103	417,290
	2,199,120	**1,435,510**	453,658	517,381

17. Derivative financial instruments--Continued

b) By maturity

	Consolidated				
	2009				2008
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**748,964**	**8,269,775**	**1,194,802**	**10,213,541**	21,658,771
Short position	**1,742,669**	**96,326**	**93,710**	**1,932,705**	10,938,765
Swap transactions					
Notional value	**690,618**	**176,048**	**1,623,568**	**2,490,234**	5,824,990
Short position	**761,708**	**201,226**	**1,713,872**	**2,676,806**	3,899,253
Long position	**763,969**	**192,056**	**1,750,119**	**2,706,144**	5,241,833
Non-deliverable forward – NDF					
Notional value	**1,088,944**	**497,797**	**42,446**	**1,629,187**	1,706,413
Short position	**1,213,884**	**527,596**	**46,499**	**1,787,979**	2,122,171
Long position	**1,102,520**	**454,141**	**43,407**	**1,600,068**	2,187,713
Deliverable forward - DF					
Notional value	**27,497**	**-**	**-**	**27,497**	544,249
Short position	**15,116**	**-**	**-**	**15,116**	567,577
Long position	**13,833**	**-**	**-**	**13,833**	571,526
Forward contracts					
Short position	**-**	**-**	**73,776**	**73,776**	-
Long position	**-**	**47,873**	**308,305**	**356,178**	64,950
Options contracts					
Financial assets					
Long position	**1,756,147**	**102,240**	**-**	**1,858,387**	76,456
Short position	**981,509**	**17,720**	**2,034**	**1,001,263**	81,102
Stock					
Long position	**316,478**	**24,255**	**-**	**340,733**	23,308
Short position	**365,757**	**32,403**	**36,087**	**434,247**	20,839
Fixed income					
Long position	**-**	**-**	**-**	**-**	357,103
Short position	**-**	**-**	**-**	**-**	417,290

17. Derivative financial instruments—Continued

b) By maturity--Continued

	Banco UBS Pactual S.A.				
	2009				2008
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**748,964**	**8,269,775**	**1,194,802**	**10,213,541**	18,836,400
Short position	**1,742,669**	**96,326**	**93,710**	**1,932,705**	10,854,642
Swap					
Notional value	**690,618**	**176,048**	**1,560,966**	**2,427,632**	2,223,103
Short position	**761,708**	**201,226**	**1,651,824**	**2,614,758**	2,272,048
Long position	**763,969**	**192,056**	**1,687,517**	**2,643,542**	2,227,605
Non-deliverable forward – NDF					
Notional value	**1,088,944**	**497,797**	**42,446**	**1,629,187**	1,396,162
Short position	**1,213,884**	**527,596**	**46,499**	**1,787,979**	1,804,050
Long position	**1,102,520**	**454,141**	**43,407**	**1,600,068**	1,873,219
Forward contracts					
Short position	**-**	**-**	**73,776**	**73,776**	-
Long position	**-**	**47,873**	**308,305**	**356,178**	64,950
Options contracts					
Financial assets					
Long position	**1,756,147**	**102,240**	**-**	**1,858,387**	76,456
Short position	**981,509**	**17,720**	**2,034**	**1,001,263**	81,102
Stock					
Long position	**316,478**	**24,255**	**-**	**340,733**	20,099
Short position	**365,757**	**32,403**	**36,087**	**434,247**	18,989
Fixed income					
Long position	**-**	**-**	**-**	**-**	357,103
Short position	**-**	**-**	**-**	**-**	417,290

18. Risk management

a) Market risk

The various scenarios envisaged for market behavior are properly simulated by means of the Value-at-Risk calculation model and especially via stress tests, which allows the identification of the main risk components to be controlled. The development of computer systems that support the decision-making process enables the efficient performance of the investment process as a whole - including the selection, analysis, monitoring, optimization and simulation. The Value-at-Risk is calculated using historical simulation methodologies and, where necessary, the Monte Carlo simulation. The stress tests are conducted using three different models: historical stress test, worst case scenario and hypothetical stress test.

b) Credit risk

All the counterparties of the Bank and its subsidiaries are subjected to careful credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Credit Committee regularly establishes and reviews the credit limits for the counterparties of the Bank and its subsidiaries. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

c) Liquidity risk

The Bank and its subsidiaries manage the liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from first-tier counterparties at extremely competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a low level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

18. Risk Management--Continued

d) Operating risk

The Bank and its subsidiaries have a strong tradition in operational risk management, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to complying with the requirements of regulatory agencies, to rapidly adjusting to changes and to estimate future trends, among which proposals in the New Basel Capital Accord are to be highlighted.

19. Transactions with the UBS Pactual Group

The UBS Pactual Group companies invest their cash and cash equivalents mainly in funding products offered by Banco UBS Pactual S.A.

The balance of transactions involving the Bank and its subsidiaries, which are carried out at arm's length, is reflected in the following accounts:

	Banco UBS Pactual S.A.	
	2009	**2008**
Assets		
Cash and cash equivalents	**-**	62
Other receivables		
Income receivable	**92,093**	77
Securities trading and brokerage	**25,629**	-
Sundry	**239**	11,627
	117,961	11,766
Liabilities		
Deposits		
Demand deposits	**752**	8,963
Interbank deposits - related parties	**951,496**	569,700
Time deposits	**273,333**	369,330
Other deposits	**-**	65
Other payables		
Securities trading and brokerage	**5,945**	5,686
Sundry	**298**	727
	1,231,824	954,471
Income	**36**	36
Expenses	**(62,927)**	(33,405)

20. Income from services rendered

	Consolidated		Banco UBS Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Management fees and performance bonuses for investment funds and portfolio	**106,446**	183,396	**27,790**	-
Stock exchange brokerage	**51,463**	105,157	**1,198**	4,685
Technical advisory services	**51,905**	111,881	**50,968**	110,255
Commission on the placement of securities	**7,448**	37,168	**5,697**	36,176
Other services	**2,709**	6,617	**2,745**	6,654
	219,971	444,219	**88,398**	157,770

21. Other operating income (expenses)

The balance of other operating income recorded in the consolidated and the Bank's financial statements basically refers to the reversal of operating provisions, especially that related to employees' profit sharing for year 2008 and income from portfolio management.

Other operating expenses recorded in the consolidated and the Bank's financial statements basically represent foreign exchange expenses on portfolio management income receivable and restatement of payable income taxes and contributions.

22. Non-operating income

In 2009, non-operating income refers to gains on the sale of CETIP S.A. shares. In 2008, this balance refers to gains on the sale of BM&F S.A and BOVESPA Holding S.A. shares.

23. Income and social contribution taxes

The reconciliation of income tax (IRPJ) and social contribution tax (CSL) expenses with the figure obtained by applying relevant tax rate on income before taxes is shown below:

	2009		2008	
	IRPJ	**CSL**	**IRPJ**	**CSL**
Income before income tax, social contribution tax and employees' profit or gain sharing – parent company	**223,280**	**223,280**	639,185	639,185
Profit sharing	**(30,598)**	**(30,598)**	(170,292)	(170,292)
Tax base – parent company	**192,682**	**192,682**	468,893	468,893
Tax rate	**25%**	**15%**	25%	15%
Income and social contribution taxes – subsidiaries	**(48,158)**	**(28,902)**	(117,223)	(70,334)
Non-deductible provisions	**1,751**	**1,051**	21,838	13,203
Net income from subsidiaries abroad	**(8,661)**	**(5,197)**	(324)	(195)
Results from mark-to-market valuation	**62,181**	**37,308**	(9,796)	(5,934)
Provision for taxes with suspended collection	**(2,195)**	**(1,316)**	(1,983)	-
Amortization of goodwill	**110,382**	**66,229**	110,382	66,229
Permanent additions/exclusions - net effect (i)	**7,008**	**4,284**	33,532	20,127
Income tax recoverable - subsidiaries abroad	**-**	**-**	11	-
Result from unsettled derivatives	**23,995**	**14,447**	46,884	28,186
Tax loss carryforwards	**(146,303)**	**(87,904)**	(83,309)	(51,282)
Current provision – parent bank	**-**	**-**	11	-
Results from mark-to-market valuation	**(62,181)**	**(37,308)**	9,796	5,934
Unrealized gains (losses) on derivatives	**(23,995)**	**(14,447)**	(47,444)	(30,746)
Deferred provision – parent company	**(86,176)**	**(51,755)**	(37,637)	(24,812)
Total provision – parent company	**(86,176)**	**(51,755)**	(37,637)	(24,812)
Tax loss carryforwards	**146,303**	**87,904**	83,309	51,282
Non-deductible provisions	**(1,654)**	**(1,062)**	(21,278)	(10,643)
Provision for taxes with suspended collection	**2,195**	**1,316**	1,983	-
Goodwill upon Bank's acquisition	**(110,382)**	**(66,229)**	(110,382)	(66,229)
CSL – rate change **(ii)**	**-**	**-**	-	233,399
Deferred tax assets – parent company	**36,462**	**21,929**	(46,368)	207,809
Income and social contribution taxes – parent company	**(49,714)**	**(29,826)**	(84,005)	182,997
Current provision – subsidiaries	**(36,275)**	**(20,372)**	(112,421)	(47,567)
Deferred provision – subsidiaries	**255**	**153**	435	63
Deferred tax assets – subsidiaries	**8,045**	**6,662**	31,378	17,178
Income and social contribution taxes – consolidated	**(77,689)**	**(43,383)**	(164,613)	152,671

(i) These refer basically to equity income (loss) from subsidiaries.
(ii) This refers to the method used as from May 2008, as per Brazilian Regulatory Instruction No. 810/2008.

23. Income and social contribution taxes--Continued

Deferred income and social contribution taxes are established and recorded in accordance with criteria defined by BACEN Circular No. 3059/02, considering relevant realization period.

Deferred tax assets, included in "Other receivables - Sundry" (Note 10(b)), are shown below:

	Consolidated			
	2009		2008	
	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward (i)	**179,789**	**-**	83,309	-
Accumulated tax loss carryforward (i)	**-**	**106,258**	-	51,282
Temporary additions:				
Goodwill upon Bank's acquisition (ii)	**570,309**	**342,186**	791,074	474,644
Provision for employees' profit sharing (iii)	**7,650**	**4,456**	-	-
Provision for taxes with suspended collection - COFINS (iv)	**50,644**	**12,067**	40,433	2,723
Provision for bonuses payable (v)	**140,105**	**80,884**	74,772	43,193
Provision for taxes with suspended collection - PIS (vi)	**2,642**	**1,159**	2,384	928
Valuation allowance – securities and investments (vi)	**7,069**	**4,242**	4,340	2,604
Goodwill on investment acquisition (vi)	**751**	**-**	1,050	-
Provision for civil contingencies (vi)	**613**	**368**	-	-
Provision for labor contingencies (vi)	**2,344**	**1,406**	2,667	1,255
Allowance for loan losses (vii)	**55,677**	**33,406**	9,841	5,905
Provision for payables for securities trading and brokerage (viii)	**17,776**	**10,666**	-	-
Total	**1,035,369**	**597,098**	1,009,870	582,534

	Banco UBS Pactual S.A.			
	2009		2008	
	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward (i)	**179,789**	**-**	83,309	-
Accumulated tax loss carryforward (i)	**-**	**106,258**	-	51,282
Temporary additions:				
Goodwill upon Bank's acquisition (ii)	**570,309**	**342,186**	791,074	474,644
Provision for employees' profit sharing (iii)	**4,662**	**2,797**	-	-
Provision for taxes with suspended collection - COFINS (iv)	**47,845**	**10,568**	38,231	1,625
Provision for bonuses payable (v)	**78,719**	**47,231**	43,504	26,103
Provision for taxes with suspended collection - PIS (vi)	**2,062**	**928**	2,062	928
Valuation allowance – securities and investments (vi)	**7,069**	**4,242**	4,340	2,604
Goodwill on investment acquisition (vi)	**751**	**-**	1,050	-
Provision for civil contingencies (vi)	**613**	**368**	-	-
Provision for labor contingencies (vi)	**1,593**	**956**	2,090	1,253
Allowance for loan losses (vii)	**55,677**	**33,406**	9,841	5,905
Total	**949,089**	**548,940**	975,501	564,344

(i) Expected to be realized between 2012 and 2018.
(ii) Tax credits arising from goodwill determined on the acquisition of the bank recognized in connection with the merger of its parent entity UBS Brasil Participações Ltda shall be amortized until 2011.
(iii) Expected to be realized in 2010.
(iv) The amount of R$ 55,451 (consolidated) and R$ 54,078 (Bank) is expected to be realized in 2010, whereas R$ 7,260 (consolidated) and R$ 4,335 (Bank) is to be realized in 2013
(v) The amount of R$ 73,663 (consolidated) and R$ 41,983 (Bank) is expected to be realized each year in 2011, 2012 and 2013.
(vi) The amount of R$ 415 is expected to be realized in 2010 and the remainder in year 2013.
(vii) Expected to be realized between 2014 and 2018.
(viii) Expected to be realized in up to 5 years. For present value calculation purposes, credits were deemed to be realized in the 5th year.

23. Income and social contribution taxes--Continued

Considering the expected realization of deferred tax assets, the present value of the credits is estimated to be R$ 1,008,694 (R$ 1,069,386 in 2008) in the consolidated and R$ 913,606 (R$ 907,254 in 2008) in the Bank.

Deferred tax liabilities were recognized in the amount of R$ 188,188 (R$ 84,164 in 2008) in the consolidated and R$ 188,140 (R$ 83,542 in 2008) in the Bank, as mentioned in Note 15(b).

24. Other Information

a) Deposits

Interbank and time deposits issued at market rates have the following weighted average maturity terms:

	Number of days			
	Consolidated		Banco UBS Pactual S.A.	
	2009	2008	2009	2008
Interbank deposits	**56**	297	**60**	12
Time deposits	**343**	485	**377**	449

b) Commitments and responsibilities

The main commitments and responsibilities of the Bank and its subsidiaries are as follows:

	Consolidated		Banco UBS Pactual S.A.	
	2009	2008	2009	2008
Co-obligation and risks for guarantees given (i)	**579,022**	349,943	**579,022**	349,943
Responsibility for the management of investment funds and portfolio management (ii)	**70,530,786**	84,186,483	**10,915,787**	5,346,463
Securities under custody (iii)	**31,128,268**	39,094,903	**30,053,096**	37,821,467
Securities trading and brokerage (iv)	**185,098,109**	324,389,331	**92,697,357**	125,135,057

(i) This refers basically to guarantees given in connection with stock exchange transactions.

(ii) This considers the total equity value of investment funds and portfolios.

(iii) This reflects third-party positions of private and government securities under custody of SELIC and CETIP S/A, respectively, recorded at their issue prices, in case of variable-rate securities, or the redemption price, in case of fixed-rate securities. This also includes clients' shares under custody of BM&FBOVESPA at the price of R$ 1.00 per share.

(iv) This represents the price of derivative purchase and sale agreements related to third party operations.

25. Retirement and pension plan

The Bank and its subsidiaries sponsor a PGBL plan (an income tax deductible private pension plan) having as participants all their employees. The portion supported by sponsors corresponds to a rate computed on payroll, ranging from 2% to 7% and matching the contributions made by each employee.

26. Contingencies

The Bank and its subsidiaries' management evaluates existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings, whenever necessary. Management's judgment is based on the opinion of its outside lawyers regarding the expected outcome for each proceeding.

The UBS Pactual financial conglomerate has challenged in court the legal nature of some taxes and mandatory contributions. Relevant tax amounts have been fully provided for, although there are good chances of a favorable outcome, according to the opinion or assessment of the Bank's outside lawyers. The following legal disputes are to be mentioned:

COFINS – Challenge of the legal grounds for the levy of COFINS under rules established by Law No. 9718/98.

PIS – Challenge of the levy of PIS established by Constitutional Amendments No. 10 of 1996 and No. 17 of 1997.

CSL – Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

No significant contingencies have been assessed as possible losses by outside lawyers.

27. Operating limits

In accordance with the recommendations contained in the New Basel Accord (Basel II), BACEN disclosed the computation methodology for the Reference shareholders' equity and Required reference shareholders' equity as from July 1, 2008 by way of CMN Resolutions Nos. 3444/07 and 3490/07. In addition, the guidelines for determining Credit, Market, and Operating risks were established by BACEN Circulars Nos. 3360/07, 3361/07 to 3.366/07, 3368/07, 3383/08, 3388/08 and 3389/08.

The Basel index is calculated based on the consolidated financial statements comprising all subsidiaries.

	2009
Reference shareholders' equity (PR)	**3,974,787**
Shareholders' equity	**3,978,357**
Tax credits excluded from PR tier I	**(3,570)**
Required reference shareholders' equity (PRE)	**1,167,605**
Credit risk	**699,071**
Market risk	**310,007**
Operating risk	**158,527**
Excess PR: (PR-PRE)	**2,807,182**
Basel index: (PRx100)/PRE/0.11)	**37.45%**

The Bank opted for the foundation approach to measure its Operating risk.

On June 2, 2009 a Bank Deposit Certificate (CDB) classified as a subordinated debt instrument was sold, having increased Reference assets by R$ 288,497.

Prior to the New Basel Capital Accord (Basel II), the minimum capital limits compatible with the degree of financial exposure risk (Basel Accord) and the maximum risk diversification limits were determined in a consolidated basis (economic and financial consolidation) pursuant to criteria established by CMN Resolution No. 2723/00.

At June 30, 2008, the risk level underlying financial exposures for the Bank and its subsidiaries is as follows:

	2008
Reference assets	**4,355,043**
Assets required based on operating risks	**1,558,702**
Basel index	**30.73%**

27. Operating limits--Continued

The capital expenditures limit - as determined by CMN by way of Resolution No. 2283/96, as amended by Resolution No. 2669/99 and reworded by Resolutions Nos. 2743/00 and 3426/06 – is also calculated on a consolidated basis, comprising all subsidiaries:

	2009	2008
Capital expenditures limit (50%):	**1,986,496**	2,176,394
Reference shareholders' equity	**3,974,787**	4,355,043
Stock exchange membership certificate	**(1,795)**	(2,254)
Capital expenditures limit status:	**208,853**	707,914
Permanent assets	**55,276**	65,635
Stock exchange membership certificate	**(1,795)**	(2,254)
Variable income securities under current assets	**155,372**	644,533
Margin	**1,777,643**	1,468,480

At June 30, 2009 and 2008, all operating limits are duly complied with.