Financial Statements

Banco UBS Pactual S.A. and Subsidiaries

December 31, 2008 and 2007
with Report of Independent Auditors

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

FINANCIAL STATEMENTS

December 31, 2008 and 2007

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

Report of Independent Auditors

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

1. We have audited the accompanying balance sheet of Banco UBS Pactual S.A. and the consolidated balance sheet of Banco UBS Pactual S.A. and subsidiaries as of December 31, 2008 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 Bank's management. Our responsibility is to express an opinion on these financial statements

2. 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.

3. 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 December 31, 2008, and the results of their operations, changes in their shareholders' equity and their cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

4. Previously, we audited the individual and consolidated financial statements for the year ended December 31, 2007, presented for comparison purposes, including the balance sheet, the statements of income, of changes in shareholders' equity and of changes in financial position for the year then ended, on which we issued an unqualified opinion, dated February 14, 2008. As mentioned in Note 2, the changes introduced to accounting practices adopted in Brazil became effective as of January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with year 2008 financial statements, were prepared in accordance with the accounting practices adopted in Brazil effective through December 31, 2007.

5. The statement of cash flows for the year ended December 31, 2007, prepared in connection with the financial statements for the year ended December 31, 2008, was subject to the same auditing procedures described in paragraph 2 and, in our opinion, this statement is fairly presented, in all material respects, in relation to the overall financial statements mentioned in paragraph 4.

Rio de Janeiro, February 4, 2009

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



Eduardo Wellichen
Partner



Flávio Serpejante Peppe
Partner

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

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

BALANCE SHEETS
December 31, 2008 and 2007
(In thousands of reais)

	Consolidated		Banco UBS Pactual S.A.	
	2008	2007	2008	2007
Assets				
Current assets	**16,289,424**	20,781,686	**14,598,385**	16,737,764
Cash and cash equivalents	**61,028**	8,380	**699**	736
Short-term interbank investments	**3,145,979**	8,586,146	**2,562,294**	7,659,559
Open market investments	**2,360,793**	7,466,484	**2,360,793**	7,358,581
Interbank deposits	**785,186**	1,119,662	**201,501**	300,978
Marketable securities and derivative financial instruments	**4,784,775**	8,638,098	**3,854,229**	6,447,854
Own portfolio	**1,864,991**	2,668,328	**1,354,733**	1,325,811
Subject to repurchase agreements	**1,094,044**	459,878	**879,427**	-
Derivative financial instruments	**1,133,686**	563,448	**978,841**	265,148
Restricted deposits - Central Bank of Brazil	**-**	153,678	**-**	153,678
Subject to guarantees	**692,054**	4,792,766	**641,228**	4,703,217
Interbank transactions	**77,050**	398,368	**77,050**	398,368
Restricted deposits				
Central Bank of Brazil	**75,795**	397,728	**75,795**	397,728
SFH - Brazilian Housing System	**1,144**	590	**1,144**	590
Correspondents	**111**	50	**111**	50
Loans	**578,673**	627,607	**574,400**	624,933
Loans – private sector	**608,423**	653,857	**604,150**	651,183
Allowance for loan losses	**(29,750)**	(26,250)	**(29,750)**	(26,250)
Other receivables	**7,641,118**	2,515,790	**7,528,912**	1,599,017
Foreign exchange portfolio	**6,708,164**	838,138	**6,708,164**	838,138
Income receivable	**200,786**	478,678	**247,710**	134,756
Securities trading and brokerage	**562,315**	1,090,832	**436,821**	537,939
Sundry	**180,370**	108,646	**146,682**	88,688
Allowance for losses on other receivables	**(10,517)**	(504)	**(10,465)**	(504)
Other assets	**801**	7,297	**801**	7,297
Temporary investments	**-**	7,023	**-**	7,023
Other assets	**194**	197	**194**	197
Prepaid expenses	**607**	77	**607**	77
Long-term assets	**2,920,865**	2,048,063	**2,797,011**	2,019,829
Marketable securities and derivative financial instruments	**85,243**	46,444	**84,005**	45,499
Derivative financial instruments	**85,243**	46,444	**84,005**	45,499
Interbank transactions	**13,117**	10,912	**13,117**	10,912
Restricted deposits				
SFH - Brazilian Housing System	**13,117**	10,912	**13,117**	10,912
Loans	**1,016,626**	532,191	**1,010,819**	526,348
Loans – private sector	**1,032,971**	542,871	**1,027,164**	537,028
Allowance for loan losses	**(16,345)**	(10,680)	**(16,345)**	(10,680)
Other receivables	**1,805,879**	1,458,516	**1,689,070**	1,437,070
Foreign Exchange Portfolio	**1,113**	-	**1,113**	-
Income receivable	**81**	-	**65**	-
Securities trading and brokerage	**81**	619	**52**	-
Sundry	**1,811,371**	1,460,235	**1,694,607**	1,439,278
Allowance for losses on other receivables	**(6,767)**	(2,338)	**(6,767)**	(2,208)
Permanent assets	**60,548**	97,398	**1,542,545**	1,347,842
Investments	**5,389**	50,777	**1,487,918**	1,302,413
Subsidiary companies – in Brazil	**-**	-	**985,126**	838,627
Subsidiary companies – abroad	**-**	-	**500,459**	445,704
Other investments	**8,376**	52,909	**5,200**	20,096
Allowance for losses	**(2,987)**	(2,132)	**(2,867)**	(2,014)
Property and equipment in use	**32,647**	31,767	**32,212**	30,661
Other property and equipment in use	**45,011**	61,198	**44,156**	56,849
Accumulated depreciation	**(12,364)**	(29,431)	**(11,944)**	(26,188)
Deferred charges	**22,512**	14,854	**22,415**	14,768
Organization and expansion costs	**28,801**	25,230	**28,703**	25,139
Accumulated amortization	**(6,289)**	(10,376)	**(6,288)**	(10,371)
Total assets	**19,270,837**	22,927,147	**18,937,941**	20,105,435

See accompanying notes.

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

BALANCE SHEETS
December 31, 2008 and 2007
(In thousands of reais)

	Consolidated		Banco UBS Pactual S.A.	
	2008	2007	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**14,140,338**	17,821,104	**14,066,418**	15,042,837
Deposits	**2,665,947**	3,360,167	**3,333,056**	3,584,394
Demand deposits	**411,462**	1,228,994	**138,612**	1,068,918
Interbank deposits - related parties	**-**	-	**932,551**	304,800
Interbank deposits	**912,695**	-	**912,695**	-
Time deposits	**1,337,801**	2,087,222	**1,345,209**	2,166,658
Other deposits	**3,989**	43,951	**3,989**	44,018
Open market funding	**1,984,972**	5,163,132	**1,779,377**	4,590,249
Own portfolio	**1,068,472**	444,736	**862,877**	-
Third-party portfolio	**596,474**	2,713,034	**596,474**	2,584,887
Freely-traded portfolio	**320,026**	2,005,362	**320,026**	2,005,362
Funds from securities issued and accepted	**129,969**	1,022,731	**20,733**	-
Real estate bonds, mortgage bonds, debentures and similar securities	**20,733**	-	**20,733**	-
Liabilities for foreign securities	**109,236**	1,022,731	**-**	-
Interbank transactions	**-**	107	**-**	107
Unsettled receipts and payments	**-**	107	**-**	107
Borrowings	**477,324**	179,398	**474,882**	179,390
Foreign borrowings	**477,324**	179,398	**474,882**	179,390
Local onlending – official institutions	**2,793**	3,215	**2,793**	3,215
FINAME - Special Agency for Industrial Financing	**2,793**	3,215	**2,793**	3,215
Foreign onlending	**231,482**	177,599	**231,482**	177,599
Foreign onlending	**231,482**	177,599	**231,482**	177,599
Derivative financial instruments	**969,183**	557,322	**754,612**	287,595
Derivative financial instruments	**969,183**	557,322	**754,612**	287,595
Other liabilities	**7,678,668**	7,357,433	**7,469,483**	6,220,288
Collection of taxes and mandatory contributions	**440**	395	**237**	310
Foreign exchange portfolio	**6,719,714**	848,708	**6,719,714**	848,708
Social and statutory	**243,054**	806,010	**182,475**	609,562
Tax and social security	**197,903**	256,201	**82,744**	112,439
Securities trading and brokerage	**484,628**	5,390,194	**462,251**	4,611,053
Sundry	**32,929**	55,925	**22,062**	38,216
Long-term liabilities	**1,263,307**	1,275,391	**1,004,331**	1,231,946
Deposits	**354,855**	712,981	**354,855**	712,981
Time deposits	**354,855**	712,981	**354,855**	712,981
Local onlending – official institutions	**341**	2,630	**341**	2,630
FINAME - Special Agency for Industrial Financing	**341**	2,630	**341**	2,630
Derivative financial instruments	**78,196**	78,642	**78,196**	46,552
Derivative financial instruments	**78,196**	78,642	**78,196**	46,552
Other liabilities	**829,915**	481,138	**570,939**	469,783
Foreign exchange portfolio	**1,128**	-	**1,128**	-
Social and statutory	**404,439**	184,257	**227,079**	184,257
Tax and social security	**402,048**	276,290	**323,496**	267,330
Sundry	**22,300**	20,591	**19,236**	18,196
Deferred income	**1,977**	1,446	**1,977**	1,446
Shareholders' equity	**3,865,215**	3,829,206	**3,865,215**	3,829,206
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**	6,847	**7,079**	6,847
Income reserves	**877,272**	822,517	**877,272**	822,517
Retained earnings	**2,425,857**	2,444,835	**2,425,857**	2,444,835
Total liabilities and shareholders' equity	**19,270,837**	22,927,147	**18,937,941**	20,105,435

See accompanying notes.

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME
Years and semester ended December 31, 2008 and 2007
(In thousands of reais, except per share information)

	Consolidated			Banco UBS Pactual S.A.		
	2008	2008	2007	2008	2008	2007
	2nd Semester	Year	Year	2nd Semester	Year	Year
Financial income	**986,873**	**1,709,737**	3,520,898	**814,727**	**1,589,822**	3,313,969
Loans	**140,209**	**249,599**	263,095	**137,305**	**239,815**	261,720
Marketable securities	**771,357**	**1,338,642**	1,906,043	**637,318**	**1,268,898**	1,747,670
Derivative financial instruments	**-**	**-**	1,245,229	**-**	**-**	1,188,275
Foreign exchange	**71,988**	**111,214**	93,297	**36,785**	**70,827**	103,070
Compulsory investments	**3,319**	**10,282**	13,234	**3,319**	**10,282**	13,234
Financial expenses	**(692,910)**	**(1,093,706)**	(2,389,343)	**(731,662)**	**(1,154,991)**	(2,305,884)
Funding operations	**(658,676)**	**(1,189,973)**	(1,245,352)	**(705,836)**	**(1,240,747)**	(1,162,923)
Borrowings and onlending	**432,178**	**490,409**	(1,113,453)	**416,998**	**468,271**	(1,114,116)
Derivative financial instruments	**(417,879)**	**(352,955)**	-	**(394,291)**	**(341,328)**	-
Allowance for losses on loans and other receivables	**(48,533)**	**(41,187)**	(30,538)	**(48,533)**	**(41,187)**	(28,845)
Gross financial income	**293,963**	**616,031**	1,131,555	**83,065**	**434,831**	1,008,085
Other operating income (expenses)	**32,888**	**170,429**	991,217	**243,827**	**419,324**	927,967
Income from services rendered	**511,950**	**956,169**	1,822,534	**335,775**	**493,545**	988,882
Personnel expenses	**(366,531)**	**(591,774)**	(418,964)	**(230,184)**	**(307,217)**	(364,547)
Other administrative expenses	**(77,969)**	**(164,504)**	(180,086)	**(60,668)**	**(135,674)**	(138,552)
Tax charges, other than income taxes	**(76,132)**	**(151,428)**	(254,990)	**(58,015)**	**(106,455)**	(188,303)
Equity pickup from subsidiaries	**-**	**-**	-	**160,245**	**293,271**	621,222
Other operating income	**43,668**	**135,820**	41,385	**97,843**	**201,177**	18,930
Other operating expenses	**(2,098)**	**(13,854)**	(18,662)	**(1,169)**	**(19,323)**	(9,665)
Operating income	**326,851**	**786,460**	2,122,772	**326,892**	**854,155**	1,936,052
Non-operating income	**49,251**	**391,136**	420,682	**20,991**	**132,913**	140,002
Income before taxes and profit sharing	**376,102**	**1,177,596**	2,543,454	**347,883**	**987,068**	2,076,054
Income and social contribution taxes	**(73,081)**	**(85,023)**	904,167	**(58,405)**	**40,587**	1,150,525
Provision for income tax	**(23,049)**	**(171,848)**	(323,265)	**27,089**	**(10,548)**	(145,562)
Provision for social contribution tax	**(18,231)**	**(90,249)**	(108,769)	**13,431**	**(11,381)**	(44,270)
Deferred tax assets	**(31,801)**	**177,074**	1,336,201	**(98,925)**	**62,516**	1,340,357
Employees' statutory profit or gain sharing	**(32,089)**	**(253,756)**	(798,658)	**(18,546)**	**(188,838)**	(577,616)
Net income for the semester/year	**270,932**	**838,817**	2,648,963	**270,932**	**838,817**	2,648,963
Number of outstanding shares at the end of the semester/year				**1,253,583,889**	**1,253,583,889**	1,253,583,889
Earnings per share – R$				**0.22**	**0.67**	2.11

See accompanying notes.

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years and semester ended December 31, 2008 and 2007
(In thousands of reais, except dividends per share)

		Capital	Income reserves				Retained	
	Capital	reserves	Legal	Unrealized income	Statutory	Total	earnings	Total
Balances at December 31, 2006	296,693	4,798	59,339	200,522	237,354	497,215	401,775	1,200,481
Dividends distributed (R$ 0.23 per share)	-	-	-	-	-	-	(290,734)	(290,734)
Restatement of stock exchange membership certificate	-	940	-	-	-	-	-	940
Effects of merger of Banco UBS S/A	258,314	1,109	-	-	-	-	10,133	269,556
Net income for the year	-	-	-	-	-	-	2.648,963	2.648,963
Appropriation of net income								
Legal reserve	-	-	51,663	-	-	51,663	(51,663)	-
Statutory reserve	-	-	-	-	206,651	206,651	(206,651)	-
Unrealized income reserve	-	-	-	66,988	-	66,988	(66,988)	-
Balances at December 31, 2007	555,007	6,847	111,002	267,510	444,005	822,517	2,444,835	3,829,206
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	**-**	**232**	**-**	**-**	**-**	**-**	**-**	**232**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**838,817**	**838,817**
Appropriation of net income								
Unrealized income reserve	**-**	**-**	**-**	**54,755**	**-**	**54,755**	**(54,755)**	**-**
Dividends distributed (R$ 0.64 per share)	**-**	**-**	**-**	**-**	**-**	**-**	**(803,040)**	**(803,040)**
Balances at December 31, 2008	**555,007**	**7,079**	**111,002**	**322,265**	**444,005**	**877,272**	**2,425,857**	**3,865,215**
Balances at June 30, 2008	**555,007**	**7,023**	**111,002**	**267,510**	**444,005**	**822,517**	**3,012,720**	**4,397,267**
Restatement of stock exchange membership certificate	**-**	**56**	**-**	**-**	**-**	**-**	**-**	**56**
Net income for the semester	**-**	**-**	**-**	**-**	**-**	**-**	**270,932**	**270,932**
Appropriation of net income								
Unrealized income reserve	**-**	**-**	**-**	**54,755**	**-**	**54,755**	**(54,755)**	**-**
Dividends distributed (R$ 0.64 per share)	**-**	**-**	**-**	**-**	**-**	**-**	**(803,040)**	**(803,040)**
Balances at December 31, 2008	**555,007**	**7,079**	**111,002**	**322,265**	**444,005**	**877,272**	**2,425,857**	**3,865,215**

See accompanying notes.

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
Years and semester ended December 31, 2008 and 2007

	Consolidated			Banco UBS Pactual S.A.		
	2008	2008	2007	2008	2008	2007
	2nd Semester	Year	Year	2nd Semester	Year	Year
Operating activities						
Net income for the semester/year	**270,932**	**838,817**	2,648,963	**270,932**	**838,817**	2,648,963
Adjusted net income	**5,030**	**9,326**	10,790	**(155,227)**	**(284,126)**	(612,141)
Equity pickup from subsidiaries	**-**	**-**	-	**(160,245)**	**(293,271)**	(621,222)
Depreciation and amortization	**5,109**	**9,405**	10,890	**5,018**	**9,145**	9,081
(Gain)/loss on the sale of other investments	**(79)**	**(79)**	-	**-**	**-**	-
Allowance for losses	**-**	**-**	(100)	**-**	**-**	-
Adjusted net income for the semester/year	**275,962**	**848,143**	2,659,753	**115,705**	**554,691**	2,036,822
(Increase) /decrease in short-term interbank investments	**1,668,612**	**871,274**	(560,308)	**1,668,612**	**871,274**	(560,308)
(Increase) /decrease in marketable securities and derivative instruments	**1,699,728**	**4,225,939**	2,332,813	**1,191,266**	**3,053,780**	2,572,126
(Increase) /decrease in loans	**(343,993)**	**(435,501)**	(540,113)	**(341,348)**	**(433,938)**	(617,008)
(Increase) /decrease in other receivables and other assets	**(4,443,695)**	**(5,466,195)**	(1,393,840)	**(4,937,533)**	**(6,175,399)**	(1,412,446)
(Increase) /decrease in interbank transactions	**123,481**	**319,006**	(360,103)	**123,481**	**319,006**	(360,103)
(Decrease) /increase in other liabilities	**1,706,226**	**670,012**	4,395,047	**2,031,112**	**1,350,351**	4,388,777
(Decrease) /increase in deferred income	**823**	**531**	(2,357)	**823**	**531**	(2,357)
Cash generated from/used in operating activities	**687,144**	**1,033,209**	6,530,892	**(147,882)**	**(459,704)**	6,045,503
Investing activities						
Sale of investments	**18,620**	**47,211**	30,250	**6,753**	**16,512**	11,963
Sale of shareholding	**-**	**-**	-	**-**	**-**	56
Sale of property and equipment in use	**1,030**	**8,672**	161	**805**	**8,198**	35
Acquisition of investments	**(764)**	**(1,513)**	(53,256)	**(323)**	**(530)**	(21,663)
Acquisition of shareholding	**-**	**-**	(6,220)	**-**	**-**	(139,465)
Acquisition of property and equipment in use	**(12,549)**	**(15,908)**	(19,870)	**(12,524)**	**(15,849)**	(19,547)
Investment in deferred charges	**(6,224)**	**(10,706)**	(9,290)	**(6,224)**	**(10,692)**	(8,973)
Dividends received from subsidiaries	**-**	**-**	-	**92,016**	**92,016**	22,076
Cash generated from/used in investing activities	**113**	**27,756**	(58,225)	**80,503**	**89,655**	(155,518)
Financing activities						
Increase/(decrease) in deposits	**805,832**	**(1,052,346)**	1,538,658	**694,293**	**(609,464)**	2,634,486
Increase/(decrease) in open market funding	**(3,288,334)**	**(3,178,160)**	(5,899,169)	**(2,839,772)**	**(2,810,872)**	(6,298,958)
Increase/(decrease) in borrowings and onlending	**396,002**	**349,098**	361,349	**393,607**	**346,664**	335,155
Increase/(decrease) in funds from securities issued and accepted	**(137,869)**	**(892,762)**	215,359	**20,733**	**20,733**	-
Funds from shareholders - effects of merger	**-**	**-**	269,556	**-**	**-**	269,556
Dividends distributed	**(803,040)**	**(803,040)**	(290,734)	**(803,040)**	**(803,040)**	(290,734)
Cash generated from/used in financing activities	**(3,027,409)**	**(5,577,210)**	(3,804,981)	**(2,534,179)**	**(3,855,979)**	(3,350,495)
Increase / (decrease) in cash and cash equivalents	**(2,340,152)**	**(4,516,245)**	2,667,686	**(2,601,558)**	**(4,226,028)**	2,539,490
Cash and cash equivalents						
At beginning of the semester/year	**5,341,312**	**7,517,405**	4,849,719	**4,958,704**	**6,583,174**	4,043,684
At end of the semester/year	**3,001,160**	**3,001,160**	7,517,405	**2,357,146**	**2,357,146**	6,583,174
Increase / (decrease) in cash and cash equivalents	**(2,340,152)**	**(4,516,245)**	2,667,686	**(2,601,558)**	**(4,226,028)**	2,539,490

See accompanying notes.

BANCO UBS PACTUAL S.A. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007
(In thousands of reais)

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.

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, considering the accounting guidelines set forth in Law No. 6404/76, with the changes introduced by Law No. 11638/07 and Provisional Executive Act (MP) No. 449/08 being adopted for the first time in 2008, in association with the standards and instructions issued by the Central Bank of Brazil (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 liabilities subject to these estimates and assumptions basically refer to the provision for the suspended collection of taxes and contributions. 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.

Pursuant to Resolution No. 3604/08 issued by the National Monetary Council (CMN), 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 an insignificant risk of changes in value and maturity of three months or less.

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 - %	
	2008	**2007**
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
UBS Pactual Serviços de Administração Ltda.	**-**	0.10
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 Serviços de Administração Ltda.	**-**	99.90
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 date.

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 CMN's 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. Futures and Commodities Exchange (BM&F) and São Paulo Stock Exchange (BOVESPA) seats 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) Current and long-term liabilities are stated at known or estimated values, including, where applicable, accrued charges and monetary (on a daily pro rata basis) and foreign exchange variation.

m) 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 through April 30, 2008 and at 15% as from May 2008.

n) 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.

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

5. Cash and Cash Equivalents

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

6. Short-term Interbank Investments

a) Open market investments

	Consolidated		Banco UBS Pactual S.A.	
	2008	**2007**	**2008**	**2007**
Own portfolio				
Financial Treasury Bills	**554,321**	2,174,014	**554,321**	2,174,014
National Treasury Bills	**1,277**	58,510	**1,277**	58,510
National Treasury Notes	**924,236**	580,871	**924,236**	580,871
	1,479,834	2,813,395	**1,479,834**	2,813,395
Third-party portfolio				
Financial Treasury Bills	**248,678**	2,200,336	**248,678**	2,200,336
National Treasury Bills	**88,752**	263,461	**88,752**	263,461
National Treasury Notes	**247,387**	122,671	**247,387**	122,671
Sovereign debt bonds	**-**	107,903	**-**	-
	584,817	2,694,371	**584,817**	2,586,468
Short position				
National Treasury Notes	**296,142**	1,958,718	**296,142**	1,958,718
	2,360,793	7,466,484	**2,360,793**	7,358,581

b) Interbank deposits

The balance of this account refers to highly liquid short-term interbank investments with first-tier banks. Amounts maturing up to three months are: Bank - R$ 2,356,447 (R$ 6,582,438 in 2007); consolidated - R$ 2,940,132 (R$ 7,509,025 in 2007).

	Consolidated		Banco UBS Pactual S.A.	
	2008	**2007**	**2008**	**2007**
Interbank deposits – CDI	**53,737**	151,865	**53,737**	151,865
Investments in foreign currency - Overnight	**731,449**	967,797	**147,764**	149,113
	785,186	1,119,662	**201,501**	300,978

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			
	2008		2007	
	Cost	Market	Cost	Market
Own portfolio				
Federal Government securities				
Financial Treasury Bills	**33,285**	**33,276**	15,298	15,295
National Treasury Bills	**108,524**	**108,527**	6,126	6,121
National Treasury Notes	**22,026**	**22,615**	91,336	90,695
Bank Deposit Certificates	**590,165**	**591,580**	155,492	155,492
Debentures	**19,273**	**18,906**	46,513	44,369
Bank Credit Certificate	**105,869**	**105,507**	143,633	143,939
Electronic Mortgage Notes	**2,741**	**2,741**	4,571	4,587
Investment fund shares	**386,126**	**386,126**	163,522	163,522
Stock	**231,880**	**157,778**	1,581,254	1,688,775
Securities issued to cover court-ordered debts	**10,917**	**10,917**	115,149	115,149
Securitized credits	**4,953**	**5,751**	5,252	5,073
Sovereign debt bonds	**-**	**-**	8,273	8,273
Corporate bonds (i)	**369,649**	**369,649**	200,497	200,665
T-Bill	**51,477**	**51,618**	26,253	26,373
	1,936,885	**1,864,991**	2,563,169	2,668,328
Subject to repurchase agreements				
Federal Government securities				
Financial Treasury Bills	**29,230**	**29,226**	-	-
National Treasury Bills	**275,708**	**278,544**	-	-
National Treasury Notes	**554,726**	**571,657**	-	-
Corporate bonds (i)	**220,182**	**214,617**	464,226	459,878
	1,079,846	**1,094,044**	464,226	459,878
Restricted deposits - Central Bank of Brazil				
Federal government securities				
Financial Treasury Bills	-	-	16,580	16,580
National Treasury Bills	-	-	1,733	1,714
National Treasury Notes	-	-	136,956	135,384
	-	-	155,269	153,678
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**50,828**	**50,826**	118,038	118,024
National Treasury Bills	**74,868**	**75,430**	416,330	415,442
National Treasury Notes	**460,681**	**472,448**	3,861,641	3,788,175
Stock	**91,094**	**93,350**	462,800	470,736
Bank Deposit Certificates	**-**	**-**	389	389
	677,471	**692,054**	4,859,198	4,792,766

(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.			
	2008		2007	
	Cost	Market	Cost	Market
Own portfolio				
Federal government securities				
Financial Treasury Bills	**-**	**-**	15,298	15,295
National Treasury Bills	**108,524**	**108,527**	6,126	6,121
National Treasury Notes	**22,026**	**22,615**	91,336	90,695
Bank Deposit Certificates	**590,165**	**591,580**	152,761	152,761
Debentures	**19,273**	**18,906**	46,513	44,369
Bank Credit Certificate	**105,869**	**105,507**	143,633	143,939
Electronic Mortgage Notes	**2,741**	**2,741**	4,571	4,587
Investment fund shares	**384,846**	**384,846**	161,473	161,473
Stock	**176,723**	**103,343**	574,414	586,349
Securities issued to cover court-ordered debts	**10,917**	**10,917**	115,149	115,149
Securitized credits	**4,953**	**5,751**	5,252	5,073
	1,426,037	**1,354,733**	1,316,526	1,325,811
Subject to repurchase agreements				
Federal government securities				
Financial Treasury Bills	**29,230**	**29,226**	-	-
National Treasury Bills	**275,708**	**278,544**	-	-
National Treasury Notes	**554,726**	**571,657**	-	-
	859,664	**879,427**	-	-
Restricted deposits - Central Bank of Brazil				
Federal government securities				
Financial Treasury Bills	-	-	16,580	16,580
National Treasury Bills	-	-	1,733	1,714
National Treasury Notes	-	-	136,956	135,384
	-	-	155,269	153,678
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	-	-	43,243	43,248
National Treasury Bills	**74,868**	**75,430**	416,330	415,442
National Treasury Notes	**460,681**	**472,448**	3,861,641	3,788,175
Stock	**91,094**	**93,350**	453,197	456,352
	626,643	**641,228**	4,774,441	4,703,217

7. Marketable Securities and Derivative Financial Instruments – Continued

b) Derivative financial instruments

	Consolidated			
	Assets		Liabilities	
	2008			
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**172,463**	**181,915**	**275,781**	**283,431**
Forward transactions – receivables and payables	**169,237**	**169,237**	**155,045**	**155,045**
Option premiums	**130,394**	**322,204**	**194,765**	**556,565**
Non Deliverable Forward (NDF)	**550,764**	**545,573**	**54,188**	**52,338**
	1,022,858	**1,218,929**	**679,779**	**1,047,379**
Current amount		**1,133,686**		**969,183**
Long-term amount		**85,243**		**78,196**

	2007			
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	85,874	110,446	142,634	142,776
Forward transactions – receivables and payables	188,515	188,515	194,530	194,530
Option premiums	231,180	241,024	289,126	264,009
Non Deliverable Forward (NDF)	49,114	69,907	40,256	34,649
	554,683	609,892	666,546	635,964
Current amount		563,448		557,322
Long-term amount		46,444		78,642

7. Marketable Securities and Derivative Financial Instruments – Continued

b) Derivative financial instruments--Continued

	Banco UBS Pactual S.A.			
	Assets		Liabilities	
	2008			
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**168,798**	**178,593**	**198,857**	**206,095**
Forward transactions – receivables and payables	**17,799**	**17,799**	**17,812**	**17,811**
Option premiums	**130,393**	**322,203**	**194,764**	**556,564**
Non Deliverable Forward (NDF)	**550,764**	**544,251**	**54,188**	**52,338**
	867,754	**1,062,846**	**465,621**	**832,808**
Current amount		**978,841**		**754,612**
Long-term amount		**84,005**		**78,196**

	2007			
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	85,053	81,322	85,818	85,746
Forward transactions – receivables and payables	49,256	49,256	49,256	49,256
Option premiums	113,367	121,855	190,812	164,496
Non Deliverable Forward (NDF)	49,114	58,214	40,256	34,649
	296,790	310,647	366,142	334,147
Current amount		265,148		287,595
Long-term amount		45,499		46,552

8. Credit Operations

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

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			
				2008		2007	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**11,553**	**-**	14,523	-
	Corporate	Commerce	AA	**23,263**	**-**	18,036	-
	Corporate	Services	AA	**4,611**	**-**	2,596	-
	Individual	-	AA	**46,512**	**-**	41,706	-
	Corporate	Rural	A	**-**	**-**	6,523	(33)
	Corporate	Manufacture	A	**22,766**	**(114)**	5,801	(29)
	Corporate	Commerce	A	**29,821**	**(149)**	20,330	(102)
	Corporate	Services	A	**140,735**	**(704)**	150,070	(750)
	Individual	-	A	**650,129**	**(3,251)**	169,823	(849)
	Corporate	Manufacture	B	**56,458**	**(565)**	114,570	(1,146)
	Corporate	Commerce	B	**15,117**	**(151)**	109,923	(1,099)
	Corporate	Services	B	**176,648**	**(1,766)**	185,077	(1,851)
	Individual	-	B	**77,384**	**(774)**	102,141	(1,021)
	Corporate	Manufacture	C	**21,342**	**(640)**	8,472	(254)
	Corporate	Commerce	C	**213**	**(6)**	1,084	(33)
	Corporate	Services	C	**119,331**	**(3,579)**	33,736	(1,011)
	Corporate	Manufacture	D	**46,421**	**(4,642)**	2,899	(290)
	Individual	-	D	**115,255**	**(11,526)**	-	-
	Corporate	Manufacture	E	**8,716**	**(2,615)**	36,146	(10,844)
	Corporate	Rural	F	**4,954**	**(2,477)**	-	-
	Corporate	Manufacture	F	**9,236**	**(4,618)**	-	-
	Corporate	Manufacture	G	**2,161**	**(1,512)**	-	-
	Corporate	Manufacture	H	**5,568**	**(5,568)**	3,246	(3,246)
	Corporate	Commerce	H	**-**	**-**	14,178	(14,178)
	Corporate	Services	H	**1,016**	**(1,016)**	-	-
	Individual	-	H	**-**	**-**	75	(75)
				1,589,210	**(45,673)**	1,040,955	(36,811)
Discounted notes	Corporate	Services	B	**-**	**-**	317	(3)
Financing	Corporate	Rural	A	**-**	**-**	97	(1)
	Corporate	Manufacture	A	**-**	**-**	17,681	(88)
	Corporate	Manufacture	B	**14,664**	**(147)**	2,205	(22)
	Corporate	Manufacture	C	**9,052**	**(271)**	-	-
				23,716	**(418)**	19,983	(111)
Onlending FINAME/BNDES	Corporate	Rural	A	**699**	**(4)**	972	(5)
Securities financing				**27,769**	**-**	134,501	-
				1,641,394	**(46,095)**	1,196,728	(36,930)
Current amount				**608,423**	**(29,750)**	653,857	(26,250)
Long-term amount				**1,032,971**	**(16,345)**	542,871	(10,680)

8. **Credit Operations**--Continued

a) Credit operations -- Continued

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

				Banco UBS Pactual S.A.			
				2008		2007	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**1,473**	**-**	6,006	-
	Corporate	Commerce	AA	**23,263**	**-**	18,036	-
	Corporate	Services	AA	**4,611**	**-**	2,596	-
	Individual	-	AA	**46,512**	**-**	41,706	-
	Corporate	Rural	A	**-**	**-**	6,523	(33)
	Corporate	Manufacture	A	**22,766**	**(114)**	5,801	(29)
	Corporate	Commerce	A	**29,821**	**(149)**	20,330	(102)
	Corporate	Services	A	**140,735**	**(704)**	150,070	(750)
	Individual	-	A	**650,129**	**(3,251)**	169,823	(849)
	Corporate	Manufacture	B	**56,458**	**(565)**	114,570	(1,146)
	Corporate	Commerce	B	**15,117**	**(151)**	109,923	(1,099)
	Corporate	Services	B	**176,648**	**(1,766)**	185,077	(1,851)
	Individual	-	B	**77,384**	**(774)**	102,141	(1,021)
	Corporate	Manufacture	C	**21,342**	**(640)**	8,472	(254)
	Corporate	Commerce	C	**213**	**(6)**	1,084	(33)
	Corporate	Services	C	**119,331**	**(3,579)**	33,736	(1,011)
	Corporate	Manufacture	D	**46,421**	**(4,642)**	2,899	(290)
	Individual	-	D	**115,255**	**(11,526)**	-	-
	Corporate	Manufacture	E	**8,716**	**(2,615)**	36,146	(10,844)
	Corporate	Rural	F	**4,954**	**(2,477)**	-	-
	Corporate	Manufacture	F	**9,236**	**(4,618)**	-	-
	Corporate	Manufacture	G	**2,161**	**(1,512)**	-	-
	Corporate	Manufacture	H	**5,568**	**(5,568)**	3,246	(3,246)
	Corporate	Commerce	H	**-**	**-**	14,178	(14,178)
	Corporate	Services	H	**1,016**	**(1,016)**	-	-
	Individual	-	H	-	-	75	(75)
				1,579,130	**(45,673)**	1,032,438	(36,811)
Discounted notes	Corporate	Services	B	**-**	**-**	317	(3)
Financing	Corporate	Rural	A	**-**	**-**	97	(1)
	Corporate	Manufacture	A	**-**	**-**	17,681	(88)
	Corporate	Manufacture	B	**14,664**	**(147)**	2,205	(22)
	Corporate	Manufacture	C	**9,052**	**(271)**	-	-
				23,716	**(418)**	19,983	(111)
Onlending FINAME/BNDES	Corporate	Rural	A	**699**	**(4)**	972	(5)
Securities financing				**27,769**	**-**	134,501	-
				1,631,314	**(46,095)**	1,188,211	(36,930)
Current amount				**604,150**	**(29,750)**	651,183	(26,250)
Long-term amount				**1,027,164**	**(16,345)**	537,028	(10,680)

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
			2008		
Loans	**13,890**	**314,965**	**229,228**	**1,031,127**	**1,589,210**
Financing	**-**	**17,628**	**4,560**	**1,528**	**23,716**
Onlending FINAME/BNDES	**-**	**-**	**383**	**316**	**699**
Securities financing	**-**	**27,769**	**-**	**-**	**27,769**
	13,890	**360,362**	**234,171**	**1,032,971**	**1,641,394**
			2007		
Loans	1,518	374,759	122,484	542,194	1,040,955
Discounted notes	-	317	-	-	317
Financing	-	19,886	50	48	19,984
Onlending FINAME/BNDES	-	-	342	629	971
Securities financing	-	134,501	-	-	134,501
	1,518	529,463	122,876	542,871	1,196,728

	Banco UBS Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2008		
Loans	**13,890**	**314,607**	**225,313**	**1,025,320**	**1,579,130**
Financing	**-**	**17,628**	**4,560**	**1,528**	**23,716**
Onlending FINAME/BNDES	**-**	**-**	**383**	**316**	**699**
Securities financing	**-**	**27,769**	**-**	**-**	**27,769**
	13,890	**360,004**	**230,256**	**1,027,164**	**1,631,314**
			2007		
Loans	1,518	374,759	119,810	536,351	1,032,438
Discounted notes	-	317	-	-	317
Financing	-	19,886	50	48	19,984
Onlending FINAME/BNDES	-	-	342	629	971
Securities financing	-	134,501	-	-	134,501
	1,518	529,463	120,202	537,028	1,188,211

8. **Credit Operations**--Continued

b) Other receivables

Other receivables, which refer to the acquisition of credit rights, are as follows:

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

				Consolidated and Banco UBS Pactual S.A.			
				2008		2007	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Securities and credit receivable	Corporate	Manufacture	AA	**10,665**	**-**	8,832	-
	Corporate	Commerce	AA	**-**	**-**	111	-
	Individual	-	AA	**-**	**-**	282	-
	Corporate	Manufacture	A	**6,097**	**(30)**	11,859	(59)
	Corporate	Commerce	A	**243**	**(1)**	3,173	(16)
	Corporate	Services	A	**28,714**	**(144)**	12,373	(62)
	Corporate	Manufacture	B	**28,398**	**(284)**	16,606	(166)
	Corporate	Commerce	B	**209**	**(2)**	2,756	(27)
	Corporate	Services	B	**136**	**(1)**	4,218	(42)
	Corporate	Manufacture	C	**-**	**-**	1,987	(60)
	Corporate	Services	D	**-**	**-**	360	(36)
	Corporate	Commerce	H	**-**	**-**	73	(73)
	Corporate	Services	H	**128**	**(128)**	-	-
				74,590	**(590)**	62,630	(541)
Current amount				**68,075**	**(557)**	57,325	(504)
Long-term amount				**6,515**	**(33)**	5,305	(37)

ii. By maturity

	Consolidated and Banco UBS Pactual S.A.									
			Due							
Type of credit	Overdue		Up to 6 months		From 6 to 12 months		After12 months		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Securities and credit receivable	**6,704**	387	**50,184**	53,355	**11,187**	3,583	**6,515**	5,305	**74,590**	62,630

8. Credit Operations--Continued

c) Allowance

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

	Consolidated and Banco UBS Pactual S.A.	
	2008	**2007**
Opening balances	**(37,471)**	(10,915)
Allowance reversal / (set up)	**(25,201)**	(28,845)
Credit written off as losses	**15,987**	2,289
Closing balances	**(46,685)**	(37,471)
Breaking down of closing balances		
Allowance for loan losses	**(46,095)**	(36,930)
Allowance for losses on other receivables	**(590)**	(541)
	(46,685)	(37,471)
Current amount	**(30,307)**	(26,754)
Long-term amount	**(16,378)**	(10,717)

d) Renegotiation/recovery of written-off credits

For the year ended December 31, 2008, credits written off as losses were recovered in the amount of R$ 933. No credits were renegotiated for the years ended December 31, 2008 and 2007.

9. Other Credits/Other Liabilities

a) Foreign exchange portfolio

	Consolidated and Banco UBS Pactual S.A.			
	2008		**2007**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Unsettled exchange purchases / sales	**2,830,529**	**3,897,042**	393,313	455,309
Rights on foreign exchange sales	**3,888,672**	**-**	455,792	**-**
(-) Advances in foreign currency received	**(9,345)**	**-**	**-**	**-**
(-) Advances in local currency received	**(579)**	**-**	(10,967)	**-**
Liabilities for foreign exchange purchases	**-**	**2,823,800**	-	393,399
	6,709,277	**6,720,842**	838,138	848,708
Current amount	**6,708,164**	**6,719,714**	838,138	848,708
Long-term amount	**1,113**	**1,128**	-	-

9. Other Receivables/Other Payables --Continued

a) Foreign exchange portfolio --Continued

Guarantees given in connection with foreign exchange transactions carried out through BM&FBOVESPA are represented by federal government securities in the amount of R$ 37,387 (R$ 117,203 in 2007) in the Bank and R$ 37,466 (R$ 17,273 in 2007) in the consolidated.

b) Securities trading and brokerage

	Consolidated			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**167,760**	**85,161**	24,087	23,775
Debtors/creditors – pending settlement (i)	**333,204**	**254,243**	1,065,918	367,524
Escrow deposits – Margin	**61,248**		-	-
Credits for stock loans	**-**	**116,732**	-	4,001,952
Other receivables/other payables for securities trading and brokerage (ii)	**184**	**28,492**	1,446	996,943
	562,396	**484,628**	1,091,451	5,390,194
Current amounts	**562,315**	**484,628**	1,090,832	5,390,194
Long-term amounts	**81**	**-**	619	-

	Banco UBS Pactual S.A.			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**172,142**	**80,114**	24,019	15,068
Debtors/creditors – pending settlement (i)	**203,795**	**271,177**	513,183	392,868
Escrow deposits – Margin	**60,781**	**-**	-	-
Credits for stock loans	**-**	**103,865**	-	3,961,447
Other receivables/other payables for securities trading and brokerage (ii)	**155**	**7,095**	737	241,670
	436,873	**462,251**	537,939	4,611,053
Current amount	**436,821**	**462,251**	537,939	4,611,053
Long-term amount	**52**	**-**	-	-

(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 to be settled within terms established in regulation and for swap intermediation transactions.

10. Other Credits

a) Income receivable

	Consolidated		Banco UBS Pactual S.A.	
	2008	**2007**	**2008**	**2007**
Dividends and bonuses	**1,368**	2,253	**137,385**	2,324
Receivables from provided service	**104,859**	129,736	**104,859**	129,736
Management and performance fees				
For investment funds and portfolios	**93,439**	341,601	**4,627**	-
Commissions on technical advisory services	**8**	2,284	**14**	14
Commissions on guarantees	**298**	1,040	**298**	1,040
Others	**895**	1,764	**592**	1,642
	200,867	478,678	**247,775**	134,756
Current amounts	**200,786**	478,678	**247,710**	134,756
Long-term amounts	**81**	-	**65**	-

b) Sundry

	Consolidated		Banco UBS Pactual S.A.	
	2008	**2007**	**2008**	**2007**
Deferred tax assets	**1,559,320**	1,384,071	**1,439,638**	1,377,122
Legal deposits:				
- Social security financing tax (COFINS) – suspended collection	**184,940**	-	**182,313**	-
- Social contribution tax (CSL) - suspended collection	**10,212**	9,459	**9,224**	8,480
- Social integration program tax (PIS) - suspended collection	**8,710**	7,750	**7,547**	6,587
- Income tax (IRPJ) - suspended collection	**7,902**	7,239	**6,069**	5,626
- Fine by BACEN	**14,158**	12,460	**14,158**	12,460
- Other	**5,461**	5,377	**3,425**	3,229
Recoverable taxes	**38,690**	32,479	**29,171**	19,858
Tax incentive options	**1,317**	2,171	**1,317**	2,171
Credits receivable (i)	**137,664**	62,630	**137,664**	62,630
Other	**23,367**	45,245	**10,763**	29,803
	1,991,741	1,568,881	**1,841,289**	1,527,966
Current amount	**180,370**	108,646	**146,682**	88,688
Long-term amount	**1,811,371**	1,460,235	**1,694,607**	1,439,278

(i) Relate to credit rights acquired as described in Note 8(b).

11. Investments in Subsidiaries - Bank

	Subsidiaries					
	Capital		Shareholders' Equity		Net income (loss)	
	2008	2007	2008	2007	2008	2007
Brazilian Companies:						
UBS Pactual Asset Management S.A. DTVM	**3,474**	**3,474**	**165,831**	227,155	**(61,440)**	204,281
UBS Pactual Corretora de Títulos e Valores Mobiliários S.A.	**161,870**	**161,870**	**601,141**	403,683	**197,712**	204,247
UBS Pactual Serviços Financeiros S.A. DTVM	**31,670**	**31,599**	**141,021**	104,573	**36,262**	75,652
UBS Pactual Corretora de Mercadorias Ltda.	**2,500**	**2,500**	**157,694**	91,556	**66,138**	57,574
UBS Pactual Serviços de Administração Ltda. (iv)	**-**	**10**	**-**	60,021	**11,334**	27,573
UBS Pactual Corporate Services Ltda.	**1**	**1**	**4,184**	4,122	**62**	372
UBS Pactual Securitizadora S.A.	**100**	**100**	**100**	100	**-**	-
UBS Pactual Agente Comercializador de Energia Ltda.	**5**	**5**	**6**	6	**1**	1
Foreign Companies:						
UBS Pactual Overseas Corporation (v)	**2,336**	**1,771**	**365,217**	340,746	**(72,978)**	124,819
UBS Pactual Banking Limited	**399,185**	**24,787**	**500,476**	104,975	**(36,008)**	7,181
UBS Pactual Americas Investment Corporation S.A. (ii)	**-**	**-**	**-**	-	-	(34)

	Parent Company					
	Equity participation		Investment book value		Equity income (loss)	
	2008	2007	2008	2007	2008	2007
Brazilian Companies:						
UBS Pactual Asset Management S.A. DTVM	**99.99**	99.99	**165,831**	227,155	**(61,324)**	204,461
UBS Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99	**534,955**	403,683	**197,944**	208,423
UBS Pactual Serviços Financeiros S.A. DTVM	**99.99**	99.99	**124,072**	104,573	**36,378**	75,706
UBS Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99	**149,300**	91,556	**66,138**	58,077
UBS Pactual Serviços de Administração Ltda.(iv)	**-**	0.10	**-**	60	**11**	58
UBS Pactual Corporate Services Ltda.	**99.40**	99.40	**4,159**	4,098	**62**	370
UBS Pactual Securitizadora S.A.	**99.99**	99.99	**100**	100	**-**	-
UBS Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96	**6**	6	**1**	1
UBS Corretora de Câmbio e Valores Mobiliários S.A. (i)	**-**	-	**-**	-	**-**	8,294
Goodwill on investment in UBS Pactual Serviços Financeiros S.A. DTVM (iii)			**6,703**	7,396	**(694)**	(1,156)
			985,126	838,627	**238,516**	554,234
Foreign Companies:						
UBS Pactual Overseas Corporation (v)	**-**	100.00	**-**	340,746	**(9,046)**	80,096
UBS Pactual Banking Limited	**100.00**	100.00	**500,459**	104,958	**63,801**	(13,074)
UBS Pactual Americas Investment Corporation S.A. (ii)	**-**	100.00	**-**	-	**-**	(34)
			500,459	445,704	**54,755**	66,988
			1,485,585	1,284,331	**293,271**	621,222

(i) On August 1, 2007, the Bank used the investment held in this subsidiary to increase the capital of UBS Pactual Corretora de Títulos e Valores Mobiliários S.A.
(ii) This company's operations were discontinued on November 30, 2007.
(iii) Goodwill based on future profits expected, realizable in 10 years.
(iv) On May 15, 2008 this company was took over by UBS Pactual Serviços Financeiros S.A. DTVM
(v) On November 19, 2008, the Bank used its investment held in this subsidiary to increase the capital of UBS Pactual Banking Ltda.

11. Investments in Subsidiaries - Bank --Continued

Any differences between net income of subsidiaries and the equity adjustment refer to the restatement of stock exchange seats (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.	
	2008	**2007**	**2008**	**2007**
Own portfolio				
Financial Treasury Bills	**29,155**	-	**29,155**	-
National Treasury Bills	**276,932**	-	**276,932**	-
National Treasury Notes	**556,790**	-	**556,790**	-
Corporate bonds	**205,595**	444,736	**-**	-
	1,068,472	444,736	**862,877**	-
Third-party portfolio				
Financial Treasury Bills	**248,661**	2,199,576	**248,661**	2,199,576
National Treasury Bills	**88,733**	263,523	**88,733**	263,523
National Treasury Notes	**259,080**	121,788	**259,080**	121,788
Corporate bonds	**-**	128,147	**-**	-
	596,474	2,713,034	**596,474**	2,584,887
Freely-traded portfolio				
Financial Treasury Bills	**320,026**	2,005,362	**320,026**	2,005,362
	1,984,972	5,163,132	**1,779,377**	4,560,249

13. Funds from Securities Issued and Accepted – Liabilities for Foreign Securities

In the consolidated financial statements, these refer to Enhanced Dual Currency in the amount of US$ 46,758 thousand (US$ 169,266 thousand in 2007) maturing by April 24, 2009 (by May 12, 2008, in 2007). In 2007, these include Commercial Papers in the amount of US$ 408,215 thousand maturing by March 25, 2008. These securities were issued abroad by subsidiaries UBS Pactual Overseas Corporation and UBS Pactual Banking Ltda.

14. Foreign Borrowings

As of December 31, 2008, this item is represented in the Bank's financial statements by a revolving credit facility amounting to US$ 1,045 thousand (US$ 100,477 thousand in 2007), maturing by December 31, 2009 (by December 31, 2008, in 2007).

15. Other Liabilities

a) Corporate and statutory liabilities

These refer to the provision for employees' profit sharing and 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.	
	2008	**2007**	**2008**	**2007**
Taxes and mandatory contributions payable (on net profit)	**100,418**	164,620	**-**	69,417
Provision for income taxes (i)	**183**	21,070	**-**	-
Taxes and contributions payable (on net profit)	**183,168**	117,426	**99,789**	89,936
Deferred income and social contribution taxes (ii)	**50,617**	20,921	**50,209**	19,800
Taxes with suspended collection:				
- Social integration program tax (PIS) – suspended collection (iii) (iv)	**30,230**	43,259	**25,827**	38,617
- Social security financing tax (COFINS) – suspended collection (iv) (v)	**213,277**	143,640	**210,650**	142,730
- Social contribution tax (CSL) – suspended collection (iii) (iv)	**12,946**	12,444	**11,639**	11,144
- Income tax (IRPJ) – suspended collection (iv)	**1,430**	1,368	**1,430**	1,368
- Other (iv)	**7,682**	7,743	**6,696**	6,757
	599,951	532,491	**406,240**	379,769
Current amount	**197,903**	256,201	**82,744**	112,439
Long-term amount	**402,048**	276,290	**323,496**	267,330

(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$ 188,635 (R$ 11,310 in 2007) - consolidated, and R$ 183,429 (R$ 8,963 in 2007) - Bank.

(v) The constitutionality of article 3, Law No. 9.718/98 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.	
	2008	2007	2008	2007
Cashier's checks	**1,070**	4,786	**1,070**	4,786
Provision for accounts payable	**24,299**	28,788	**15,245**	14,835
Provision for contingent liabilities	**22,076**	20,367	**19,236**	18,196
Payable for placement of securities	**3,614**	13,745	**3,614**	13,745
Other	**4,170**	8,830	**2,133**	4,850
	55,229	76,516	**41,298**	56,412
Current amount	**32,929**	55,925	**22,062**	38,216
Long-term amount	**22,300**	20,591	**19,236**	18,196

16. Shareholders' Equity – Bank

a) Capital

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

b) Capital reserves

These relate to the restatement of BM&F, 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.

The Board Meeting held on December 2, 2008 approved the distribution of dividends in the amount of R$ 803,040.

g) Retained earnings

These represent earnings recorded prior to the introduction of CMN's Resolution No. 3605/08, to be appropriated by December 31, 2010.

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; 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	
	2008	**2007**	**2008**	**2007**
Federal government securities	**561,238**	4,204,368	**510,491**	4,129,662
Stock	**93,350**	470,736	**93,350**	456,352
Guarantees	**100,000**	161,250	**100,000**	161,250
Other	**-**	389	**-**	-
	754,588	4,836,743	**703,841**	4,747,264

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 May 2, 2018, as shown below, take into consideration the provisions of BACEN's 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			
	2008		2007	
	Long Position	Short position	Long position	Short Position
Futures contracts				
Foreign Currency	**30,054,479**	**16,048,661**	5,091,525	3,422,994
Interest rate	**12,545,135**	**7,398,782**	5,160,874	3,158,274
Indexes	**596,567**	**380,903**	3,103,738	18,937
	43,196,181	**23,828,346**	13,356,137	6,600,205
Swap transactions				
Foreign Currency	**1,703,285**	**1,588,019**	228,137	806,243
Interest rate	**1,541,541**	**1,544,937**	4,529,000	24,104,743
Indexes	**673,867**	**815,008**	23,424,720	3,838,283
	3,918,693	**3,947,964**	28,181,857	28,749,269
Non-deliverable forward - NDF				
Foreign Currency	**2,351,290**	**452,134**	15,628,880	14,424,797
Interest rate	**389,782**	**1,795,704**	501,523	1,691,896
	2,741,072	**2,247,838**	16,130,403	16,116,693
Deliverable forward - DF				
Foreign Currency	**62,960**	**56,965**	164,608	118,236
Forward contracts				
Foreign Currency	**17,799**	**-**	32,678	16,578
Options contracts				
Financial assets				
Call option	**307,129**	**515,838**	15,351	17,625
Put option	**4,655**	**11,273**	59,798	12,486
	311,784	**527,111**	75,149	30,111
Stock				
Call option	**10,419**	**-**	132,191	128,987
Put option	**-**	**59,614**	19,373	13,900
	10,419	**59,614**	151,564	142,887
Fixed income				
Call option	**150,673**	**166,458**	145,116	178,336
	472,876	**753,183**	371,829	351,334

17. Derivative Financial Instruments --Continued

a) By index--Continued

	Banco UBS Pactual S.A.			
	2008		2007	
	Long position	Short position	Long position	Short position
Futures contracts				
Foreign Currency	**30,054,479**	**16,048,661**	1,829,055	3,126,975
Interest rate	**12,545,135**	**7,398,782**	5,160,874	3,158,274
Indexes	**596,567**	**380,903**	3,103,738	18,937
	43,196,181	**23,828,346**	10,093,667	6,304,186
Swap transactions				
Foreign Currency	**1,628,378**	**1,513,049**	228,137	806,243
Interest rate	**1,541,541**	**1,544,937**	1,564,678	918,414
Indexes	**434,482**	**575,900**	189,376	214,787
	3,604,401	**3,633,886**	1,982,191	1,939,444
Non-deliverable forward – NDF				
Foreign Currency	**2,326,607**	**428,772**	1,675,478	461,540
Interest rate	**389,782**	**1,795,704**	501,523	1,691,896
	2,716,389	**2,224,476**	2,177,001	2,153,436
Forward contracts				
Foreign Currency	**17,799**	**-**	32,678	16,578
Options contracts				
Financial assets				
Call option	**307,129**	**515,838**	15,351	17,625
Put option	**4,655**	**11,273**	59,798	12,486
	311,784	**527,111**	75,149	30,111
Stock				
Call option	**10,419**	**-**	26,217	30,675
Put option	**-**	**59,614**	7,533	13,900
	10,419	**59,614**	33,750	44,575
Fixed income				
Call option	**150,673**	**166,458**	145,116	178,336
	472,876	**753,183**	254,015	253,022

17. Derivative Financial Instruments--Continued

b) By maturity

	Consolidated				
	2008				2007
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**29,680,012**	**9,674,984**	**3,841,185**	**43,196,181**	13,356,137
Short position	**21,320,586**	**1,683,625**	**824,135**	**23,828,346**	6,600,205
Swap transactions					
Notional value	**1,092,440**	**679,541**	**1,834,702**	**3,606,683**	28,683,386
Short position	**1,214,807**	**770,752**	**1,933,134**	**3,918,693**	28,181,857
Long position	**1,196,325**	**773,725**	**1,977,914**	**3,947,964**	28,749,269
Non-deliverable forward - NDF					
Notional value	**1,302,996**	**776,745**	**182,327**	**2,262,068**	16,186,515
Short position	**1,508,661**	**1,022,101**	**210,310**	**2,741,072**	16,130,403
Long position	**1,333,304**	**760,585**	**153,949**	**2,247,838**	16,116,713
Deliverable forward - DF					
Notional value	**34,512**	**108,454**	**-**	**142,966**	159,154
Short position	**15,091**	**47,869**	**-**	**62,960**	164,608
Long position	**14,949**	**42,016**	**-**	**56,965**	118,236
Forward contracts					
Short position	**-**	**-**	**17,799**	**17,799**	32,678
Long position	**-**	**-**	**-**	**-**	16,578
Options contracts					
Financial assets					
Long position	**262,492**	**48,845**	**447**	**311,784**	75,149
Short position	**519,762**	**2,659**	**4,690**	**527,111**	30,111
Shares					
Long position	**9,523**	**896**	**-**	**10,419**	151,564
Short position	**46,391**	**13,223**	**-**	**59,614**	142,887
Fixed income					
Long position	**-**	**-**	**150,673**	**150,673**	145,116
Short position	**-**	**-**	**166,458**	**166,458**	178,336

17. **Derivative Financial Instruments**—Continued

b) By maturity--Continued

	Banco UBS Pactual S.A.				
	2008				2007
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**29,680,012**	**9,674,984**	**3,841,185**	**43,196,181**	10,093,668
Short position	**21,320,586**	**1,683,625**	**824,135**	**23,828,346**	6,304,185
Swap transactions					
Notional value	**1,092,440**	**534,219**	**1,665,945**	**3,292,604**	1,913,367
Short position	**1,214,807**	**627,274**	**1,762,320**	**3,604,401**	1,982,190
Long position	**1,196,325**	**628,403**	**1,809,158**	**3,633,886**	1,939,444
Non-deliverable forward - NDF					
Notional value	**1,279,634**	**776,745**	**182,327**	**2,238,706**	2,234,928
Short position	**1,483,978**	**1,022,101**	**210,310**	**2,716,389**	2,177,001
Long position	**1,309,942**	**760,585**	**153,949**	**2,224,476**	2,153,436
Forward contracts					
Short position	**-**	**-**	**17,799**	**17,799**	32,678
Long position	**-**	**-**	**-**	**-**	16,578
Options contracts					
Financial assets					
Long position	**262,492**	**48,845**	**447**	**311,784**	75,149
Short position	**519,762**	**2,659**	**4,690**	**527,111**	30,111
Shares					
Long position	**9,523**	**896**	**-**	**10,419**	33,751
Short position	**46,391**	**13,223**	**-**	**59,614**	44,575
Fixed income					
Long position	**-**	**-**	**150,673**	**150,673**	145,116
Short position	**-**	**-**	**166,458**	**166,458**	178,336

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 credit 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 are 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 take 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:

	2008	2007
Assets		
Cash and cash equivalents	**-**	3
Other receivables		
Income receivable	**136,040**	77
Securities trading and brokerage	**117,615**	-
Sundry	**485**	383
	254,140	463
Liabilities		
Deposits		
Demand deposits	**1,120**	100,883
Interbank deposits - related parties	**932,551**	304,800
Time deposits	**242,581**	202,327
Other deposits	**-**	67
Borrowings		
Foreign borrowings	**-**	14
Other payables		
Securities trading and brokerage	**145,938**	89,327
Sundry	**143**	207
	1,322,333	697,625
Income	**73**	94
Expenses	**(99,022)**	(24,624)

20. Borrowing and onlending expenses

At December 31, 2008, the balance of borrowing and onlending expenses is positive mainly due to the devaluation of borrowed shares, in the amount of R$ 620,349.

21. Income from Services Rendered

	Consolidated		Banco UBS Pactual S.A.	
	2008	**2007**	**2008**	**2007**
Management fees and performance bonuses for investment funds and portfolio	**313,152**	654,287	**35,638**	-
Stock exchange brokerage	**188,323**	208,678	**9,153**	35,419
Technical advisory services	**402,301**	625,788	**399,274**	622,088
Commission on the placement of securities	**40,471**	314,496	**37,485**	313,242
Other services	**11,922**	19,285	**11,995**	18,133
	956,169	1,822,534	**493,545**	988,882

22. Other operating income (expenses)

In 2008, other operating income stated in the consolidated financial statements substantially represents foreign exchange gains on services provided abroad (R$ 22,825). In the Bank's financial statements, this represents income from interest on equity (R$ 51,703). In 2007, other operating income stated in the Bank's financial statements substantially represents monetary restatement of recoverable taxes and recovered charges and expenses. In the consolidated financial statements, this also includes foreign exchange variations on transactions carried out by subsidiaries UBS Pactual Overseas Corporation and UBS Pactual Banking Limited.

In 2008, other operating expenses recorded in the consolidated and the Bank's financial statements basically represent foreign exchange expenses on services provided abroad. In 2007, other operating expenses recorded in the Bank's financial statements basically represent monetary restatement of taxes and contributions whose collection has been suspended and other amounts payable. In the consolidated financial statements, this item also includes foreign exchange variations on transactions carried out by subsidiaries UBS Pactual Overseas Corporation and UBS Pactual Banking Limited.

23. Non-operating Income

In 2008, non-operating income refers to gains on the public offering of BM&F and BOVESPA shares.

24. 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:

	2008		2007	
	IRPJ	**CSL**	**IRPJ**	**CSL**
Income before income tax, social contribution tax and employees' profit or gain sharing – parent company	**987,068**	**987,068**	2,076,054	2,076,054
Profit sharing	**(188,838)**	**(188,838)**	(577,616)	(577,616)
Tax base – parent company	**798,230**	**798,230**	1,498,438	1,498,438
Tax rate	**25%**	**15%**	25%	9%
Income and social contribution taxes – subsidiaries	**(199,533)**	**(119,734)**	(374,586)	(134,859)
Non-deductible provisions	**(71,049)**	**(42,630)**	(65,525)	(23,589)
Net income from subsidiaries abroad	**-**	**-**	(33,166)	(11,940)
Results from mark-to-market valuation	**(49,406)**	**(29,644)**	(39,815)	(14,333)
Temporary additions - Provision for taxes with suspended collection – COFINS	**(5,490)**	**(5,277)**	(22,219)	-
Amortization of goodwill	**220,765**	**132,459**	202,368	72,852
Permanent additions/exclusions - net effect (i)	**77,542**	**46,665**	158,505	57,376
Income tax recoverable - subsidiaries abroad	**-**	**-**	688	-
Supplement to/reversal of prior year's provision	**6,236**	**2,245**	6,831	2,535
Result from unsettled derivatives	**65,604**	**39,484**	(34,263)	(12,149)
Tax loss carrforwards	**(38,432)**	**(21,323)**	-	-
Current provision – parent company	**6,237**	**2,245**	(201,182)	(64,107)
Results from mark-to-market valuation	**48,844**	**30,302**	26,689	14,333
Unrealized gains on derivatives	**(65,628)**	**(42,648)**	34,263	7,446
Provision for negative goodwill on investments	**-**	**(1,280)**	(5,332)	(1,942)
Deferred provision – parent company	**(16,784)**	**(13,626)**	55,620	19,837
Total provision – parent company	**(10,548)**	**(11,381)**	(145,562)	(44,270)
Tax loss carryforwards	**37,398**	**20,703**	-	-
Non-deductible provisions	**68,638**	**58,869**	67,839	24,319
Temporary additions - Provision for taxes with suspended collection	**5,490**	**5,277**	22,219	-
Tax credit on goodwill upon Bank's acquisition	**(220,765)**	**(83,891)**	901,456	324,524
CSL – rate change (ii)	**-**	**170,797**	-	-
Deferred tax assets – parent company	**(109,239)**	**171,755**	991,514	348,843
Income and social contribution taxes – parent company	**(119,787)**	**160,374**	845,952	304,573
Current provision – subsidiaries	**(162,693)**	**(79,309)**	(177,586)	(64,457)
Deferred provision – subsidiaries	**569**	**144**	(117)	(42)
Deferred tax assets – subsidiaries	**74,958**	**40,721**	(2,887)	(1,269)
Income and social contribution taxes – consolidated	**(206,953)**	**121,930**	665,362	238,805

(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.

24. 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		Banco UBS Pactual S.A.	
		Rate	2008	2007	2008	2007
Tax loss carryforward - fiscal year ended December 31, 1998 (i)	CSL	18%	**-**	1,824	**-**	-
Accumulated tax loss carryforward (i)	IRPJ	25%	**20,703**	769	**20,703**	-
Accumulated tax loss carryforward (i)	CSL	(vi)	**37,398**	272	**37,398**	-
Temporary additions (ii)	CSL	(vi)	**16,656**	31,211	**15,214**	30,174
Temporary additions (ii)	IRPJ	25%	**28,396**	90,350	**25,993**	88,116
Tax credit on goodwill upon Bank's acquisition (iv)	CSL	(vi)	**408,415**	324,524	**408,415**	324,524
Tax credit on goodwill upon Bank's acquisition (iv)	IRPJ	25%	**680,691**	901,456	**680,691**	901,456
Non-deductible provisions	CSL	15%	**2,604**	-	**2,604**	-
Non-deductible provisions	IRPJ	25%	**4,340**	-	**4,340**	-
Non-deductible provisions (v)	CSL	15%	**114,109**	-	**73,869**	-
Non-deductible provisions (v)	IRPJ	25%	**197,550**	-	**123,116**	-
Temporary additions – provision for taxes with suspended collection – COFINS (iii)	CSL	15%	**5,277**	-	**5,277**	-
Temporary additions – provision for taxes with suspended collection – COFINS (iii)	IRPJ	25%	**39,748**	30,478	**39,028**	30,233
Temporary additions – provision for taxes with suspended collection - PIS (iii)	CSL	(vi)	**928**	557	**928**	557
Temporary additions – provision for taxes with suspended collection - PIS (iii)	IRPJ	25%	**2,505**	2,630	**2,062**	2,062
Total			**1,559,320**	1,384,071	**1,439,638**	1,377,122

(i) In 2008, credits arising from income and social contribution tax loss carryforwards were recorded in the amount of R$ 58,101 (R$ 4,282 in 2007).
(ii) Tax credits arising from temporary additions are expected to be realized within 10 years.
(iii) Expected to be realized in 2009.
(iv) Tax credits arising from goodwill determined on the acquisition of the bank recognized in connection with the merger of its parent company UBS Brasil Participações Ltda shall be amortized over 5 years. In 2008, the amount of R$ 324,524 was realized. Because of the change in the CSLL tax rate in May 2008, the balance was adjusted by R$ 170,797.
(v) In the consolidated financial statements, the amount of R$ 95,854 is expected to be realized in 2009, and the amount of R$ 71,935 is expected to be realized in 2011, 2012 and 2013. In the Bank's financial statements, the amount of R$ 72,989 is expected to be realized in 2009, and the amount of R$ 41,332 is expected to be realized in 2011, 2012 and 2013.
(vi) The rates of 15% in 2008 and 9% in 2007.

24. 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$ 1,097,843 (R$ 1,048,368 in 2007) in the consolidated financial statements and R$ 1,017,247 (R$ 1,043,766 in 2007) in the Bank's financial statements.

Deferred tax liabilities were recognized in the amount of R$ 50,617 (R$ 20,921 in 2007) in the consolidated financial statements and R$ 50,209 (R$ 19,800 in 2007) in the Bank's financial statements, as mentioned in Note 15(b).

25. 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.	
	2008	2007	2008	2007
Interbank deposits	**95**	-	**95**	1
Time deposits	**311**	293	**304**	293

b) Commitments and responsibilities

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

	Consolidated		Banco UBS Pactual S.A.	
	2008	2007	2008	2007
Co-obligation and risks for guarantees given (i)	**813,508**	377,862	**813,508**	377,862
Responsibility for the management of investment funds and portfolio management (ii)	**63,579,554**	94,228,415	**5,832,531**	8,099,654
Securities under custody (iii)	**31,131,088**	75,134,555	**29,807,258**	74,249,598
Securities trading and brokerage (iv)	**195,805,484**	165,711,605	**83,750,454**	69,329,801

(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, 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.

26. Retirement and Pension Plan

In 2008 the Bank and its subsidiaries launched a PGBL plan (an income tax deductible private pension plan - an IRA-type 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 is consistent with payments made by each employee.

27. Contingencies

The Bank's management evaluates existing contingencies in relation to legal proceedings filed against the Bank 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.

28. Operating Limits

The minimum capital consistent with the risk level underlying financial exposures (Basel Accord) and the maximum risk spread and capital expenditures are determined on a consolidated basis (Economic and Financial Consolidation), pursuant to criteria established by CMN's Resolution No. 2723/00.

At December 31, 2008 and 2007, operating limits are fully complied with.

The risk level underlying financial exposures for the Bank and its subsidiaries is as follows:

	2008	2007
Required assets	**3,539,207**	3,799,785
Assets required based on operating risks	**1,597,662**	1,938,138