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OFFERING MEMORANDUM

Itaú Unibanco Holding S.A.

Itaú Unibanco Holding S.A.

a *sociedade por ações* incorporated in the Federative Republic of Brazil
acting through its head office or its Grand Cayman Branch

US$10,000,000,000
Global Medium-Term Note Programme

Under the global medium-term note programme (the "**Programme**"), Itaú Unibanco Holding S.A. (acting through its head office or its Grand Cayman Branch) (the "**Issuer**") may from time to time issue medium-term notes denominated in U.S. dollars or in such other currencies as may be agreed with the Dealers (as defined below). Such notes will be either unsecured and unsubordinated obligations of the Issuer ranking equally in right of payment with its other present and future unsecured and unsubordinated indebtedness (the "**Senior Notes**") or unsecured and subordinated obligations of the Issuer subordinated in right of payment to its present and future Senior Liabilities (as defined in "Terms and Conditions of the Subordinated Notes") as described herein (the "**Subordinated Notes**" and, together with the Senior Notes, the "**Notes**"). The Notes will have maturities from 30 days in the case of Senior Notes and five years in the case of Subordinated Notes from the date of issue (except as set out herein). The Notes may bear interest on a fixed or floating rate basis, or be issued on a fully discounted basis and not bear interest. The maximum aggregate nominal amount of all Notes issued and outstanding under the Programme will not exceed US$10,000,000,000 (or its equivalent in other currencies at the time of agreement to issue), subject to any duly authorised increase as further described herein. Notes will be issued in one or more series (each a "**Series**") having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series may be issued in one or more tranches (each a "**Tranche**") on different issue dates. Each Series of the Senior Notes will be all in bearer form or all in registered form, and each Series of the Subordinated Notes will be all in registered form. Details applicable to each Tranche will be specified in final terms issued in respect of such Tranche (the relevant "**Final Terms**").

Payment of principal on the Subordinated Notes may be accelerated only in the case of certain events involving our bankruptcy, dissolution, suspension of payment on or failure or inability to pay all or a material part of (or of a particular type of) our debts generally as they become due or similar events. We will only be required to make payment on acceleration after we have been declared bankrupt, have been dissolved or suspend payment on or fail or are unable to pay all or a material part of (or of a particular type of) our debts generally as they become due. There will be no right of acceleration in the case of default in the performance of any of our covenants, including the payment of principal or interest in respect of the Subordinated Notes.

Prospective investors should consider the factors described under "Risk Factors" included in this Offering Memorandum.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme for the period of 12 months from the date of this Offering Memorandum to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market of that exchange (the "**Euro MTF Market**"). References in this Offering Memorandum to Notes being "listed" (and all related references) mean that such Notes have been admitted to trading on the Euro MTF Market. However, Notes may be issued under the Programme that will not be listed on the Euro MTF Market or any other stock exchange, and the Final Terms applicable to a Series will specify whether or not the Notes of such Series will be listed on the Euro MTF Market or any other stock exchange. With respect to the Programme and any listed Note issued under the Programme, there can be no assurance that a listing on the Euro MTF Market or any other stock exchange will be achieved prior to the launch date of the Programme or the issue date of any Notes or otherwise. This Offering Memorandum constitutes a prospectus for the purpose of the Luxembourg law of 10 July 2005 on prospectuses for securities and may be used in connection with listings on the official list of the Luxembourg Stock Exchange for a period of one year from the date hereof.

WE HAVE NOT REGISTERED AND WILL NOT REGISTER THE NOTES UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY (I) IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND (II) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT. BECAUSE THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED, THEY ARE SUBJECT TO RESTRICTIONS ON RESALES AND TRANSFERS DESCRIBED UNDER "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

The Notes may be offered by us through one or more dealers appointed from time to time by us (each a "**Dealer**" and together the "**Dealers**") on a continuous basis or through syndicated placements. The applicable Final Terms will specify the Dealer, Dealers or syndicate of Dealers through which the Notes of a particular Series will be offered. Notes may also be sold to a Dealer or Dealers as principal, at negotiated discounts or otherwise, and Notes may be sold to or through syndicates of financial institutions for which a Dealer will act as lead manager. We may also offer Notes directly to purchasers.

This Offering Memorandum should be read together with the applicable Final Terms, any supplemental information and any documents incorporated herein by reference.

Arrangers and Dealers

Goldman, Sachs & Co. **Itaú BBA** **Morgan Stanley**

The date of this Offering Memorandum is March 8, 2012.

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In this Offering Memorandum, except where otherwise specified or the context otherwise requires, all references to "**we**," "**us**," "**our**" or "**ourselves**" are references to Itaú Unibanco Holding S.A. ("**Itaú Unibanco Holding**") and its subsidiaries, except where otherwise specified or the context otherwise requires. The "**Issuer**" refers to Itaú Unibanco Holding, or any successor thereof, whether acting through its head office or its Grand Cayman Branch, except where otherwise specified or the context otherwise requires. The business of Itaú Unibanco Holding is described in this Offering Memorandum on a consolidated basis, except where otherwise specified or where the context otherwise requires. The term "**Brazil**" refers to the Federative Republic of Brazil. The phrase "**Brazilian government**" refers to the federal government of Brazil.

Itaú Unibanco Holding is the parent of two main operating subsidiaries: Itaú Unibanco S.A. ("**Itaú Unibanco**") and Banco Itaú BBA S.A. ("**Itaú BBA**"). Together with its subsidiaries and affiliates, Itaú Unibanco Holding is referred to in this Offering Memorandum as the "**Itaú Unibanco Group**". Itaú Unibanco carries on our commercial banking, consumer credit and other financial activities. Itaú BBA carries on our corporate and investment banking activities. On February 18, 2009, the Central Bank of Brazil (the "**Central Bank**") approved a series of transactions whereby the operations of Banco Itaú Holding Financeira S.A. (now Itaú Unibanco Holding) and its subsidiaries ("**Banco Itaú Holding**") and Unibanco Holdings S.A., including its subsidiary Unibanco — União de Banco Brasileiros S.A. ("**Unibanco**") and Unibanco's subsidiaries ("**Unibanco Holdings**"), were merged.

Prospective purchasers of the Notes should be aware that the Notes are not guaranteed by, nor do they constitute, an obligation of Itaú Unibanco or any other subsidiary of Itaú Unibanco Holding.

Having made all reasonable enquiries, the Issuer confirms that this Offering Memorandum, when taken together with the relevant Final Terms, contains all information with respect to the Issuer, its subsidiaries and affiliates taken as a whole and the Programme and the Notes to be issued under the Programme which is material in the context of the issue and offering of the Notes, that such information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts the omission of which would, in the context of the offering and issue of the Notes hereunder, make any statement in this Offering Memorandum, when taken together with the relevant Final Terms as a whole, misleading in any material respect. The Issuer accepts responsibility accordingly.

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Dealers and the Trustee (as defined hereinafter) to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Memorandum, see "Subscription and Sale".

You should rely only on the information contained in or incorporated into this Offering Memorandum. No person is authorised to give any information or to make any representation not contained in or incorporated into this Offering Memorandum and any information or representation not so contained or incorporated must not be relied upon as having been authorised by or on behalf of the Issuer, any of the Dealers or the Trustee. The information contained in this Offering Memorandum is accurate only as of the date of this Offering Memorandum and information incorporated by reference is accurate only as of the date of the document in which it is contained. The delivery of this Offering Memorandum at any time does not imply that the information contained in or incorporated into it is correct as at any time subsequent to its date, regardless of such time of delivery of this Offering Memorandum or of any sale of Notes.

This Offering Memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual document, all of which will be made available to you upon request to us when available, for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

In receiving this Offering Memorandum and any supplement (including any relevant Final Terms), you hereby acknowledge that (i) you have been afforded an opportunity to request from us and to review, and have received, all additional public information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained or incorporated by reference herein, (ii) you have had the opportunity to review all of the documents described or incorporated by reference herein, (iii) you have not relied on the Dealers or any person affiliated with the Dealers in connection with any investigation of the accuracy of such information or the investment decision and (iv) no person has been authorised to give any information or to make any representation concerning us or the Notes (other than as contained or incorporated by reference herein) and, if given or made, you should not rely upon any such other information or representation as having been authorised by us or the Dealers.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF OUR BUSINESS AND THE TERMS OF THE SECURITIES OFFERED BY THIS OFFERING MEMORANDUM, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A AND FOR LISTING OF THE NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE. THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS OFFERING MEMORANDUM, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

The Notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários* or "**CVM**"). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended.

Documents relating to an offering of Notes by this Offering Memorandum, as well as information contained therein, may not be supplied to the public in Brazil (as an offering of Notes by this Offering Memorandum is not a public offering of the Notes in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. The Dealers have agreed not to offer or sell the Notes in Brazil, except in circumstances which do not constitute a public offering or distribution of securities under applicable Brazilian laws and regulations.

This Offering Memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals (persons having professional experience in matters relating to investments) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) persons falling within Article 49(2)(a) to (d) of the Order or (iv) persons to whom this Offering Memorandum may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The Notes are only offered to, and no invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes may be proposed or made other than with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. For a description of certain restrictions on offers and sales of Notes and the distribution of this Offering Memorandum in the United Kingdom, see "Subscription and Sale".

This Offering Memorandum is not a prospectus which has been approved by the Financial Services Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000 (the "**FSMA**").

No invitation whether directly or indirectly may be made to members of the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

Neither this Offering Memorandum nor any other material relating to the Notes will be offered, sold, distributed or otherwise made available in the Grand Duchy of Luxembourg other than in compliance with the Law of 10 July 2005 on prospectuses for securities.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in

force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor any Dealer shall have any responsibility therefor.

We have prepared this Offering Memorandum solely for use in connection with the offer and sale of the Notes in the United States to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act ("**Regulation S**"). You agree that you will hold the information contained in this Offering Memorandum and the transaction contemplated hereby in confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. Notwithstanding anything to the contrary contained herein, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and U.S. federal income tax structure (as such terms are used in Sections 6011, 6111 and 6112 of the U.S. Internal Revenue Code of 1986, as amended, (the "**Code**") and the Treasury Regulations promulgated thereunder) of an offering of the Notes pursuant to this Offering Memorandum and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure.

Certain amounts included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

References herein to "**US$**," "**$**," "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**Brazilian *real,***" "**Brazilian *reais,***" "***real,***" "***reais***" or "**R$**" are to Brazilian *reais*, the official currency of Brazil since July 1, 1994, references to "**CI$**" are to Cayman Islands dollars, references to "**Euro**" and "**€**" are to the lawful currency of the member states of the European Union (the "**EU**") that adopt the single currency in accordance with the treaty, as amended, establishing the European Community, references to "**Yen**" are to the Japanese Yen, the official currency of Japan, and references to "**Sterling**" are to Pounds Sterling. References to "billions" are to thousands of millions.

Our operations are based primarily in Brazil and the financial statements contained in this Offering Memorandum are expressed in *reais*. The selling rate of *reais* for U.S. dollars on February 23, 2012 was R$1.7040 per US$1.00. Further information regarding the exchange rate system in Brazil is given under "Exchange Rates".

See "Risk Factors" in this Offering Memorandum for a description of certain factors relating to an investment in the Notes, including information about our business. None of us, the Dealers and any of our or their respective representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as stabilising manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

MARKET DATA

Certain industry data presented herein have been derived from the following sources: the Central Bank Information System (*Sistema de Informações do Banco Central* or "**SISBACEN**"), a database of information provided by financial institutions to the Central Bank; the Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing* or "**ABEL**"); the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social* or "**BNDES**"); the Brazilian Financial and Capital Market Association (*Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais* or "**ANBIMA**"); the National Monetary Council (*Conselho Monetário Nacional* or "**CMN**"); and the Superintendency of Private Insurance (*Superintendência de Seguros Privados* or "**SUSEP**"). Such data has been accurately reproduced and, as far as the Issuer can ascertain from data published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, such data have not been independently verified, and neither the Issuer nor any of the Dealers makes any representation as to the accuracy of such data.

ENFORCEABILITY OF JUDGMENTS

Cayman Islands

We have been advised by Maples and Calder, our Cayman Islands legal counsel, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in England, New York or Brazil, a judgment obtained in such jurisdiction will be recognised and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (i) is given by a foreign court of competent jurisdiction; (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Brazil

A final conclusive judgment for the payment of money rendered by any English court or any New York state or federal court sitting in New York City in respect of the Notes would be recognised in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction), and such courts would enforce such judgment without any retrial or re-examination of the merits of the original action only if such judgment has been previously ratified by the Brazilian Federal Superior Court of Justice (*Superior Tribunal de Justiça* or the "**Superior Court of Justice**"), such ratification being available only if:

- the judgment fulfils all formalities required for its enforceability under the laws of England or of the State of New York and the United States of America;
- the judgment contemplates an order to pay a determined sum of money;
- the judgment is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil or, after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment is authenticated by the Brazilian consulate in England or in the State of New York and is accompanied by a sworn translation into Portuguese; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of English or U.S. securities laws with respect to the Notes.

Further, we note that:

- civil actions may be brought before Brazilian courts in connection with the offer and sale of Notes under the Programme based solely on the securities laws of England or the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (provided that the provisions of such laws do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action);
- the ability of a judgment creditor to satisfy a judgment by attaching certain of our assets is limited by provisions of Brazilian law;
- pursuant to Article 835 of the Brazilian Code of Civil Procedure, a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the

litigation in Brazil and who does not own real property in Brazil, must post a bond to secure the payment of the defendant's legal fees and court expenses. The bond must have a value sufficient to satisfy the payment of court fees and the defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply (i) pursuant to Article 836 of the Brazilian Code of Civil Procedure, in case of collection claims based on an instrument (which does not include the Notes issued hereunder) that may be enforced in Brazilian courts without the review of its merit (*título executivo extrajudicial*) or counterclaims (*reconvenções*); and (ii) to the enforcement of foreign judgments which have been duly confirmed by the Superior Court of Justice;

- as a rule, interlocutory decisions ordering measures over the course of a procedure also need to be ratified by the Superior Court of Justice. These measures will be accomplished by a rogatory letter, and interested parties may challenge compliance by means of motions; and
- in addition to the ratification of a final decision, Brazilian law requires due process to obtain a writ of execution in order to enforce such decision. Such due process consists of certain enforcement proceedings to be carried out before federal courts pursuant to the Brazilian Code of Civil Procedure. No assurance can be given that such writ of execution would be obtained in a timely manner.

Notwithstanding the foregoing, no assurance can be given that the process described above can be conducted in a timely manner.

DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference in this Offering Memorandum the documents described below. This means:

- we can disclose important information to you by referring you to those documents;
- information incorporated by reference is considered to be part of this Offering Memorandum, even though it is not repeated in this Offering Memorandum; and
- information that we make available later on the Quarterly Update Web Site (as defined below) will automatically update and supersede the information in this Offering Memorandum.

As of the date of this Offering Memorandum, there are no documents incorporated by reference. We incorporate by reference in this Offering Memorandum the following documents that we will regularly make available to investors on our website at http://www.itauunibancoir.com/docs (the "**Quarterly Update Web Site**").

- our most recently published interim consolidated financial statements, from time to time, in each case prepared in accordance with accounting practices adopted in Brazil and applicable to institutions authorised to operate by the Central Bank ("**Brazilian GAAP**") and in the English language; and
- a quarterly MD&A (Management's Discussion and Analysis of Financial Conditions and Results of Operations) made available on the Quarterly Update Web Site subsequent to publication of our interim consolidated financial statements prepared in accordance with Brazilian GAAP, including a discussion of material recent developments since the date of our most recent consolidated financial statements.

All documents made available by us on the Quarterly Update Web Site from the date of this Offering Memorandum and prior to the termination of this Programme shall also be deemed to be incorporated by reference in this Offering Memorandum. References to this Offering Memorandum shall mean this document and all documents from time to time incorporated herein by reference. Upon publication of the annual update of this Offering Memorandum based on our most recent annual audited consolidated financial statements, we will remove from the Quarterly Update Web Site all documents made available thereon prior to such date and after such date such documents will be deemed no longer to be incorporated by reference into this Offering Memorandum.

We will, at the specified office of our Listing Agent (as hereinafter defined), provide, without charge, a copy of this Offering Memorandum and a copy of any or all of the documents incorporated herein by reference, where such documents will be available free of charge to any interested person. We have agreed to furnish to the Luxembourg Stock Exchange all such information as required by the rules of the Luxembourg Stock Exchange in connection with the listing on the Luxembourg Stock Exchange of the Notes. We shall, during the continuance of the Programme, prepare a supplement to this information memorandum whenever required by the rules of the Luxembourg Stock Exchange. Documents incorporated by reference after the date of this Offering Memorandum will not be published on the Luxembourg Stock Exchange website.

Other than the information made available to investors on the Quarterly Update Web Site in connection with this Programme, no information on our website, www.itau.com.br, is part of, or incorporated by reference in, this Offering Memorandum.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions including, among other risks:

- General economic, political and business conditions in Brazil and changes in inflation, interest rates, exchange rates and the performance of financial markets;
- Disruptions and volatility in the global financial markets;
- Difficulties in integrating acquired or merged businesses;
- Government regulations and tax laws and changes therein;
- Competition and industry consolidation;
- Increases in reserve and compulsory deposit requirements;
- Changes in our loan, securities and derivatives portfolios;
- Our exposure to Brazilian federal government debt;
- Incorrect pricing expectations and inadequate reserves;
- Effectiveness of our risk management policies;
- Failure in, or breach of, our operational or security systems or infrastructure;
- Losses associated with counterparty exposures;
- The ability of our controlling shareholder to direct our business;
- Regulation of our business on a consolidated basis;
- Integration of acquired and merged businesses; and
- Other risk factors as set forth under "Risk Factors".

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this Offering Memorandum might not occur. Our actual results and performance could differ substantially from those anticipated in such forward-looking statements.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The financial data set out in this Offering Memorandum is derived from and should be read in conjunction with the audited annual consolidated financial statements of Itaú Unibanco Holding as of and for the years ended December 31, 2011, 2010 and 2009 which are included elsewhere in this Offering Memorandum. Our audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 are referred to as our annual consolidated financial statements.

We maintain our books and records in *reais*, the official currency of Brazil, and prepare our consolidated financial statements and our financial statements for statutory and regulatory purposes in accordance with accounting practices adopted in Brazil and applicable to institutions authorised to operate by the Central Bank ("**Brazilian GAAP**"). Accounting principles and standards generally applicable under Brazilian GAAP include those established by Law No. 6,404, as amended, including by Law No. 11,638 ("**Brazilian Corporate Law**"), by the accounting pronouncements committee (*Comitê de Pronunciamentos Contábeis* or "**CPC**"), which began issuing standards in 2007, and by the federal accounting council (*Conselho Federal de Contabilidade* or "**CFC**"), while interpretative guidance was issued before the CPC became active by the Brazilian professional body of independent auditors (*Instituto dos Auditores Independentes do Brasil* or "**IBRACON**"). In the case of companies subject to regulation by the Central Bank, such as Itaú Unibanco Holding, the effectiveness of accounting pronouncements issued by accounting standard setters, such as the CPC, depends on approval of the pronouncement by the CMN and the Central Bank which also establishes the effective date of the pronouncements. In addition, the CVM and other regulatory entities, such as SUSEP and the Central Bank, provide additional industry-specific guidelines.

Unless expressly stated otherwise, all financial data included in this Offering Memorandum has been prepared in accordance with Brazilian GAAP. Brazilian GAAP differs in certain respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"). No reconciliation to U.S. GAAP of the consolidated financial statements presented in this Offering Memorandum has been prepared for the purposes of this Offering Memorandum or for any other purposes. There can be no assurance that a reconciliation would not identify material quantitative differences between our financial statements prepared in accordance with Brazilian GAAP and such financial statements as prepared on the basis of U.S. GAAP. This Offering Memorandum describes certain differences between Brazilian GAAP and U.S. GAAP. See "Annex A — Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP". In making an investment decision, investors must rely upon their own examination of the Issuer, the terms of the Notes offered by this Offering Memorandum and the financial information. Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and U.S. GAAP, and how those differences might effect the financial information herein.

On December 28, 2007, Law No. 11,638 was enacted, primarily to enable the convergence of Brazilian GAAP with International Financial Reporting Standards ("**IFRS**") and increase the transparency of financial statements in general. CMN Resolution No. 3,786, as amended, establishes that financial institutions meeting certain criteria, such as Itaú Unibanco Holding, are required to present consolidated financial statements in accordance with IFRS (as translated into Portuguese by IBRACON) for the year ended December 31, 2010. However, unlike IFRS, the Central Bank does not require presentation of comparative data for prior years. Under Central Bank Circular No. 3,516, publication of financial statements as of and for the year ended December 31, 2010 based on IFRS is required within 120 days of the end of such period. Accordingly, Itaú Unibanco Holding is required to present its consolidated financial statements based on IFRS to comply with CMN Resolution No. 3,786 and has published such financial statements.

As a result of the issuance of Law No. 11,638, in a parallel process, CPC has issued approximately 40 standards with the objective of making Brazilian GAAP similar to IFRS as described above. In the case of Itaú Unibanco Holding, effectiveness of the standards issued by CPC depends on approval of the standards by the Central Bank.

The CPC issued several standards for application beginning with the year ended December 31, 2008 and during 2009, 2010 and 2011 issued several additional standards. As of the date of this Offering Memorandum, five of those standards, which address impairment of assets, statements of cash flows, related parties disclosures and provisions, contingent liabilities and contingent assets, have been approved by the Central Bank and have been applied to our audited annual consolidated financial statements. We have applied those standards to our financial statements as described below:

- Impairment of Assets (CPC 01) and Statements of Cash Flows (CPC 03), beginning with the year ended December 31, 2008, prospectively (see Note 22(o) to our consolidated financial statements as of and for the year ended December 31, 2009);
- Related Parties Disclosures (CPC 05), beginning with the year ended December 31, 2009, prospectively (see Note 22(o) to our consolidated financial statements as of and for the year ended December 31, 2009);
- Provisions, Contingent liabilities and Contingent Assets (CPC 25), beginning with the year ended December 31, 2010, prospectively (see Note 4(o) to our consolidated financial statements as of and for the year ended December 31, 2010); and
- Events after the Reporting Period (CPC 24), beginning with the period ended March 31, 2011, prospectively.

Standards issued by the CPC but not approved by the Central Bank are not required to be applied by Itaú Unibanco Holding.

As presented in more detail in Note 22(l) to our annual consolidated financial statements as of and for the year ended December 31, 2011, we reclassified the following items as of and for the year ended December 31, 2010, for comparative purposes:

- In the balance sheet,
    - the reclassification of liabilities related to our credit card rewards programs from Other Liabilities – Credit Card Operations to Deferred Income; and
    - the reclassification of distribution – extension of guarantee from Technical Provision for Insurance, Pension Plan and Capitalization to Other Receivables – Receivables from Insurance and Reinsurance Operations.
- In the statement of income,
    - the reclassification of certain provisions for tax and social security payments from Other Operating Expenses to Other Operating Revenues. This reclassification refers to tax and social security contingencies reversed in 2010 which had initially been recorded as Other Operating Expenses which were subsequently reclassified to Other Operating Revenues. A substantial portion of such reversals occured as result of amnesty programs offered by the Brazilian government;
    - the reclassification of expenses related to our credit card rewards programs from Other Operating Expenses to Banking Service Fees – Credit Cards. This reclassification refers to provisions for credit card rewards previously presented as Other Operating Expenses. At the moment the rewards redemption occurs and it turns into an expense, it is then recognized as Other Operating Expenses; and
    - the reclassification of income from credit cards and securities brokerage activities from Banking Service Fees to Income from Bank Charges. A Central Bank regulation determined that all fees related to banking services should be presented in a specific line in the income statement. Therefore, the “Income from bank charges”

line was added in the income statement and all banking fees are now accounted for under this line.

In addition, our annual consolidated financial statements as of and for the year ended December 31, 2011 reflect a change in the basis for consolidating Financeira Itaú CBD S.A. from full to partial consolidation and Porto Seguro S.A. from consolidation to recognition under the equity method, which was also reflected as of and for the year ended December 31, 2010 for comparative purposes. See Notes 22(l) and 2(b), respectively, to our annual consolidated financial statements.

These adjustments are reflected in financial information as of and for the year ended December 31, 2010 in this Offering Memorandum and in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2011. However, financial information presented in this Offering Memorandum as of and for the years ended December 31, 2009, 2008 and 2007 does not reflect these adjustments. In addition, financial information in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2010 does not reflect these adjustments.

The financial statements included in this Offering Memorandum are prepared in accordance with Brazilian GAAP effective as of the date reported. As a result, the financial information presented in this Offering Memorandum may differ significantly from financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board and financial statements prepared in the future under IFRS or Brazilian GAAP (including financial information as of and for the year ended December 31, 2010 and 2009 that may be presented as comparative information). Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and IFRS.

SUMMARY

This summary highlights, and is qualified in its entirety by, information contained elsewhere or incorporated by reference in this Offering Memorandum. This summary does not contain all the information that may be important to prospective investors. Prospective investors should read this entire Offering Memorandum carefully, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, and our consolidated financial statements and related notes beginning on page B-1.

Overview

Itaú Unibanco Holding was ranked among the ten largest banks in the world in 2011 and was the largest bank in Brazil, each ranking based on market capitalisation, according to Bloomberg. Our principal operations are: (i) commercial banking (including insurance, pension plan and capitalisation products, credit cards, asset management and a variety of credit products and services for individuals, small and middle-market companies); (ii) Itaú BBA (corporate and investment banking); and (iii) consumer credit (financial products and services to our non-accountholders).

Our Ownership Structure

We are a financial holding company controlled by Itaú Unibanco Participações S.A. ("**IUPAR**"), a holding company jointly controlled by (i) Itaúsa, which is a holding company controlled by members of the Egydio de Souza Aranha family, and (ii) Companhia E. Johnston de Participações ("**E. Johnston**"), which is a holding company controlled by the former controlling shareholders of Unibanco, the Moreira Salles family. Itaúsa also owns directly 38.66% of the shares of our common stock. See "Principal Shareholders and Dividends".

History

We trace our origins to 1944, when members of the Egydio de Souza Aranha family founded Banco Federal de Crédito S.A. in São Paulo. Since 1973, we have operated through Banco Itaú S.A., now Itaú Unibanco Holding. Unibanco was founded by the Moreira Salles family in 1924, making it Brazil's oldest non-state owned bank at the time of the Association. On November 3, 2008, we announced the merger of the operations of Banco Itaú Holding (currently Itaú Unibanco Holding) and Unibanco Holdings. The result of this "Association" was the creation of Itaú Unibanco Holding. Since the final approval by the Central Bank on February 18, 2009, we have integrated the operations of the two banks.

Our legal and commercial name is Itaú Unibanco Holding S.A. We were incorporated on September 9, 1943 and registered under NIRE 35300010230. We are organised as a publicly held corporation for an unlimited period of time under the laws of Brazil. Our head offices are located at Praça Alfredo Egydio de Souza Aranha, 100, 04344-902, São Paulo, SP, Brazil and our telephone number is +55-11-5019-1267.

Competitive Strengths

We believe the following strengths provide us with significant competitive advantages and distinguish us from our competitors.

Premier banking brand in Brazil.

Our brands are very strong and very well recognised in Brazil. They represent quality and reliability and, with our large portfolio of products, help us to maintain a low customer turnover rate, especially among customers in the high income segment.

Large branch network in geographic areas with high economic activities.

We have an extensive network with 4,072 branches, 912 customer site branches ("**CSBs**") and 28,769 ATMs in Brazil and abroad, as of December 31, 2011. Our Brazilian branch network, while national in scope, is strategically concentrated in Southeast Brazil, the country's wealthiest region. Our branch network in other countries of the Southern Cone (Argentina, Chile, Paraguay, and Uruguay) is also positioned in regions with high levels of economic activity. A branch network in wealthier and key economic areas gives us a strong presence and a competitive advantage to offer our services to a broad range of customers and profit from selective market opportunities. Our

exclusive ATM network allows us to offer a wide range of products and services to our customers which we see as one of our competitive strengths.

Diverse line of products and services.

We are a multi-service bank offering a diverse line of products and services that are designed to address the needs of various types of clients, including corporate clients, small and medium-sized enterprises, retail customers, high-income individuals, private bank clients, non-accountholders and credit card users. We believe that this model creates opportunities to improve relationships with clients and thereby increase our market share. We expect to sustain our leading presence by capturing a solid and growing pipeline of transactions across a number of business segments.

Technology and electronic distribution channels as drivers for sales.

Our intensive use of technology and electronic distribution channels, which has contributed significantly to an increase in sales of products and services, is one of our most important competitive advantages. In 2011, we spent approximately R$4,000 million on information technology, approximately R$1,000 million for the purchase of hardware and software and approximately R$3,000 million for the cost of information technology ("IT") infrastructure, operation and maintenance. We have sophisticated technology that supports other remote banking access (call centres, Internet banking, etc.) and offers customers the ability to verify their statements and perform their transactions. Our sales teams can access client credit scores directly through mobile phones and credit proposals can be sent over the Internet by any broker registered in our systems.

Risk-based pricing model as a tool to manage risk while exploring opportunities.

Our risk-based pricing model is an important competitive advantage as it gives us a more precise dimension of the risk equation versus return in various scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risks. Depending on the product, each contract is individually priced using risk adjusted return on capital models that give us a better assessment of the market.

Business Strategy

Our board of directors is responsible for defining the guidelines of our strategy and that of our subsidiaries. Strategic decisions by our board of directors are supported by the strategy committee of the board, which provides data and information about strategic business issues. See "Management — Corporate Governance — Committees of the Board of Directors — Strategy Committee" The strategy committee's activities and responsibilities range from evaluating investment opportunities and budget guidelines to providing advice and support to the chief executive officer for the monitoring of our consolidated strategy. The strategy committee is supported by the economic scenarios sub-committee which provides macroeconomic data in order to support discussions on strategies, investments and budgets.

Expand our wholesale and investment bank operations abroad.

In 2011, we took significant steps to expand our wholesale and investment bank operations abroad. In Chile, we entered into an agreement with Munita, Cruzat & Claro ("**MCC**"), one of the leaders in third party wealth management services. Also in 2011, we acquired HSBC Bank's high net worth portfolio in Chile, making Itaú Chile a leader for high net worth individuals with a network of 84 branches in that country. In addition, Itaú Unibanco started operations in Switzerland through Banco Itaú Suisse, located in Zurich, to provide services to private clients, both Brazilian and Latin American, who seek global investment opportunities. Finally, in November 2011, Itaú BBA was authorised by the Central Bank to structure its wholesale and investment bank operations in Colombia, pending approval by local regulatory bodies, which is expected to be granted in 2012. Itaú BBA's target market in Colombia is composed of institutional investors and large companies present in Brazil. The products portfolio in Colombia will include loan operations, foreign trade financing, foreign exchange and derivatives, and investment bank activities, such as advising on mergers and acquisitions and access to capital markets.

Continue to improve efficiency.

During 2009 and 2010, we focused our efforts on completing the integration of the Unibanco branches and customer site branches, while maintaining service quality and increasing our customer base. After the completion of the integration of Itaú and Unibanco branches in 2010, we implemented the "Efficiency Project" during 2010 and 2011, which implements close budget management and monitoring of costs and revenues, the establishment of targets for each business unit and the promotion of a strong culture of operational efficiency. In 2011, we fully integrated all systems that still had Unibanco's legacy information on operations entered into prior to the integration of the branch network. This was the last remaining step to the integration of Banco Itaú Holding and Unibanco.

Grow our loan portfolio with the maintenance of asset quality.

The growth of our loan portfolio and the maintenance of asset quality are central issues to our strategy. We are constantly seeking to improve our models for risk management and our economic forecasts and scenario modelling. We intend to increase the average volume of credit operations to maintain and even grow our market share, depending on the product, market and customer type, including through the development of new products for specific client demographics.

Implement an advanced and fully integrated risk management approach that should position us for sustainable growth and enhanced profitability.

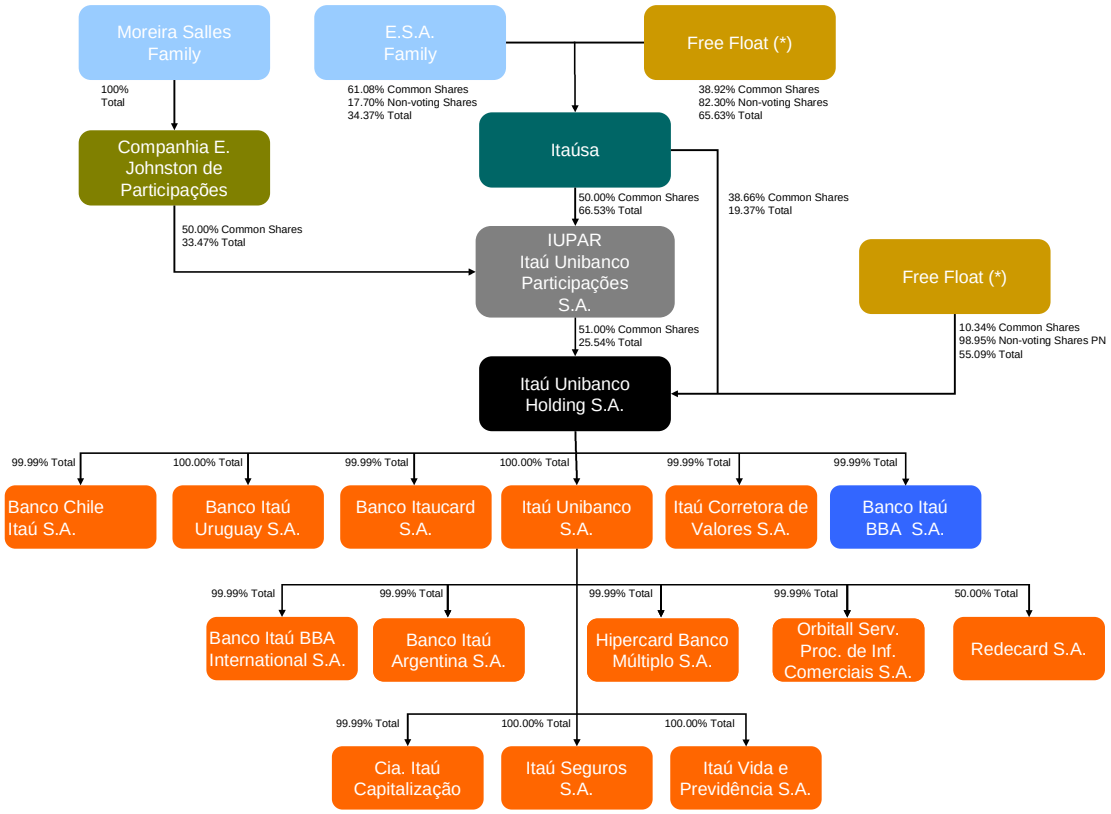
Our main strategic goals in risk management include: (i) the incorporation of best practice recommendations and the implementation of the advanced approaches under the second Basel Accord ("Basel II") and the third Basel Accord ("Basel III"), which should enhance profitability from more precise risk-based pricing and risk-adjusted performance measurement frameworks, which are important sources of competitive advantage; and (ii) developing and implementing a fully integrated risk management approach, through the integration of processes and systems to provide a comprehensive picture of risk exposures across risk types and from multiple viewpoints, as well as through the development of stress testing and risk appetite standards.

Develop strong relationships with our clients based on customer segmentation.

We will continue to work on our customer segmentation strategy in order to identify our customers' needs and enhance our relationship with our customer base, as well as to increase market penetration. A customer segment is a distinguishable part of our customer base that is subject to a specific set of needs that we focus on meeting. We believe that our customer segmentation tools and strategy provide us an important competitive advantage developed over the course of more than 25 years. We aim to fulfil clients' financial needs through a wide product portfolio, including cross-selling of banking and insurance products and sales through a variety of channels. It is also extremely important to deliver best-in-class customer service, in order to maintain and increase client satisfaction and increase portfolio profitability.

Organisation of the Itaú Unibanco Group

The following chart is a simplified overview of the direct and indirect ownership structure of the Itaú Unibanco Group as of December 31, 2011:



(*) Excluding controlling stockholder and treasury shares.

Ownership percentages above refer to the total of direct and indirect ownership. All of the above companies were organised and have their operations in Brazil, except Banco Itaú Argentina S.A. (Argentina), Banco Itaú BBA International, S.A. (Portugal), Banco Itaú Chile S.A. (Chile) and Banco Itaú Uruguay S.A. (Uruguay). For further information with respect to our significant subsidiaries, see Note 2(b) to our consolidated financial statements as of and for the year ended December 31, 2011.

THE OFFERING OF THE SENIOR NOTES

The following is a brief summary of the terms and conditions of the Senior Notes and is subject to and qualified in its entirety by the section "Terms and Conditions of the Senior Notes" in this Offering Memorandum and the amended and restated Trust Deed between Itaú Unibanco Holding and the Trustee (the "**Trust Deed**") relating thereto. Terms which are defined in other sections of the Offering Memorandum or in the section "Terms and Conditions of the Senior Notes" have the same meaning when used in this summary.

Issuer	Itaú Unibanco Holding S.A., acting through its head office or its Grand Cayman Branch.
Description	Global Medium-Term Note Programme.
Arrangers	Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs & Co., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC. Each of Banco Itaú BBA International, S.A. - London Branch and Itau BBA USA Securities, Inc. is an affiliate of the Issuer.
Dealers	Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs & Co., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC. Each of Banco Itaú BBA International, S.A. - London Branch and Itau BBA USA Securities, Inc. is an affiliate of the Issuer. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.
Trustee	The Bank of New York Mellon, acting through its New York branch.
London Paying Agent	The Bank of New York Mellon, acting through its London branch.
Principal Paying Agent	The Bank of New York Mellon, acting through its London branch, or such other Principal Paying Agent as specified in the relevant Final Terms.
Paying Agents	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York office and any other Paying Agent as specified in the relevant Final Terms.
Registrar	The Bank of New York Mellon.
Transfer Agents	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York branch.
Calculation Agent	The Bank of New York Mellon, acting through its London branch.
Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Offering	The Senior Notes have not been and will not be registered under the Securities Act. The Senior Notes will be offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S and inside the United States to QIBs in accordance with Rule 144A. See "Subscription and Sale".
Final Terms	The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to any Senior Notes and any other relevant provisions of such Senior Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Senior Notes and will be specified in the relevant Final Terms. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein.
Currency	Subject to compliance with all relevant laws, regulations and directives,

	any currency as may be agreed between the Issuer and the relevant Dealer(s).
Amount	Up to US$10,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of the Senior Notes. Under the amended and restated Dealer Agreement, among Itaú Unibanco Holding and the Dealers (the "**Dealer Agreement**"), the nominal amount of the Senior Notes which may be issued under the Programme may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of Senior Notes outstanding, Senior Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortisation yield formula as specified in the relevant Final Terms or, if none is specified in the relevant Final Terms, their face amount and Senior Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity from 30 days or such other minimum maturity and any maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price.....	The Senior Notes may be issued at their nominal amount or at a discount to or premium over their nominal amount.
Method of Issue.....	The Senior Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the issue date, the date on which interest commences to accrue and related matters), the Senior Notes of each Series being intended to be interchangeable with all other Senior Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche will be set out in the relevant Final Terms.
Form of the Senior Notes	The Senior Notes may be in bearer form ("**Bearer Notes**" comprising a "**Bearer Series**") or registered form ("**Registered Notes**" comprising a "**Registered Series**"). Subject as provided below, each Bearer Series will be represented on issue by a temporary global Note (a "**Temporary Global Note**") if (i) definitive Senior Notes are to be made available to holders of the Senior Notes following expiration of the period that is 40 days after the later of the commencement of offering of the relevant Tranche and the relevant closing date (the "**Distribution Compliance Period**") or (ii) such Senior Notes are being issued in compliance with the D Rules (as defined in "— Selling Restrictions"), otherwise such Series will be represented by a permanent global Note ("**Permanent Global Note**"). Each Registered Series will be represented on issue by a definitive global unrestricted Registered Note (each an "**Unrestricted Global Note**") or a definitive global restricted Registered Note (each a "**Restricted Global Note**"). See "Form of the Notes; Book Entry and Transfer".
Clearing Systems.....	Clearstream Banking, société anonyme ("**Clearstream**") and Euroclear Bank S.A./N.V. ("**Euroclear**") for Bearer Notes; Euroclear, Clearstream and The Depository Trust Company ("**DTC**") for Registered Notes.

Initial Delivery of the Senior Notes	On or before the issue date for each Tranche, the Temporary Global Note or Permanent Global Note representing Bearer Notes may be deposited with a common depositary for Euroclear and Clearstream or the Unrestricted Global Note or Restricted Global Note representing Registered Notes may be registered in the name of and deposited with a common nominee for Euroclear and Clearstream or a nominee of DTC. The Senior Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, *provided* that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Denomination.....	The Senior Notes will be issued in such denominations as may be specified in the applicable Final Terms and, in all cases, Senior Notes shall be issued in such other minimum denominations as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, or any laws or regulations applicable to the Issuer or the relevant specified currency, as the case may be, subject in all cases to changes in applicable legal or regulatory requirements. In the case of any Senior Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC (as amended), the minimum denomination shall be at least €100,000 and integral multiples of €1,000 thereafter (or its equivalent in any other currency as at the date of issue of the relevant Senior Notes). Registered Notes resold pursuant to Rule 144A shall be in denominations of at least US$200,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) and integral multiples of US$1,000 thereafter.
Fixed Rate Notes.....	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	Floating rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**"); or (ii) by reference to London Interbank Offered Rate ("**LIBOR**"), London Interbank Bid Rate ("**LIBID**"), London Interbank Mean Rate ("**LIMEAN**") or Euro Interbank Offer Rate ("**EURIBOR**") (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Floating rate Notes may have a maximum interest rate, a minimum interest rate or both.
Zero Coupon Notes.....	Zero coupon Notes do not bear interest but will ordinarily be issued at a discount to their nominal amount. The amount payable on early redemption of a zero coupon Note will be specified in the relevant Final Terms.

Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of dual currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
Index Linked Notes	Payments of principal or of interest in respect of index linked Notes will be calculated by reference to such index or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates	The length of the interest periods for the Senior Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. The Senior Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Senior Notes to bear interest at different rates in the same interest period. All such information will be specified in the relevant Final Terms.
Use of Proceeds	The net proceeds of any issue of Senior Notes will be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.
Consolidation, Merger or Sales of Assets	The Issuer may consolidate with or merge into any other corporation or convey or transfer (including in connection with a *cisão*), in one transaction or a series of transactions, all or substantially all of its properties or assets to any other person if it complies with specified requirements.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, any Senior Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC (as amended) must have a minimum redemption amount of at least €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Senior Notes).
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be specified in the relevant Final Terms.
Optional Redemption	The Final Terms issued in respect of each issue of Senior Notes will state whether such Senior Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) or the holders of the Senior Notes, and if so, the terms applicable to such redemption.
Early Redemption	Except as provided in "Optional Redemption" above, the Senior Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Senior Notes — Redemption and Purchase".
Status of the Senior Notes	The Senior Notes issued under the Programme will constitute direct, unsecured and unsubordinated obligations of the Issuer ranking at all times *pari passu* and without any preference among themselves.
Negative Pledge	Subject to certain exceptions described in "Terms and Conditions of the Senior Notes," so long as any Senior Note remains outstanding, the Issuer will not create or permit to subsist any Security (other than any Permitted Security) upon the whole or any part of the Issuer's assets,

	present or future, to secure any of the Issuer's Public External Indebtedness or any of the Issuer's Affected Guarantees without, at the same time or prior thereto and for so long as such other obligation is so secured, securing the Senior Notes equally and ratably therewith or providing such other security for the Senior Notes as shall be not materially less beneficial to holders of the Senior Notes at the Issuer's determination or as shall be approved by an Extraordinary Resolution of the holders of the Senior Notes. The terms "**Security**," "**Permitted Security**," "**Public External Indebtedness**," "**Affected Guarantee**" and "**Extraordinary Resolution**" are defined in "Terms and Conditions of the Senior Notes".
Covenant Defeasance.....	Upon satisfaction of the conditions set forth in Condition 11(c) in "Terms and Conditions of the Senior Notes," the Issuer at any time may terminate its obligations under certain covenants, including the covenant described in Condition 5 ("Negative Pledge") and the limitations described in Condition 19 ("Consolidation, Merger and Sales of Assets") and the occurrence of a Default specified in Condition 10(b) ("Events of Default — Breach of other obligations") or Condition 10(c) ("Events of Default — Cross default") shall be deemed not to be or result in an Event of Default.
Withholding Tax.....	All payments by or on behalf of the Issuer in respect of the Senior Notes and the coupons will be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of Senior Notes issued by Itaú Unibanco Holding through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of Senior Notes issued by Itaú Unibanco Holding S.A., Grand Cayman Branch (the "**Grand Cayman Branch**"), unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the holders of Senior Notes or, as the case may be, the couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in "Terms and Conditions of the Senior Notes — Taxation".
Further Issuances	The Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes of such series, to issue additional Notes of such Series so that the same shall be consolidated with, form a single issue with, and increase the aggregate nominal amount of, such Series of Notes.
Substitution	The Issuer may, with respect to any Series of Senior Notes issued by it (the "**Relevant Senior Notes**"), without the consent of any holder, substitute for itself any other entity organised in any country in the world as the debtor in respect of the Senior Notes and the Trust Deed (the "**Substituted Debtor**") if it complies with specified requirements. In connection with such substitution, the Issuer will, at its option, either continue to be an obligor on the Relevant Senior Notes together with the Substituted Debtor or be released from its obligations as obligor as long as it has agreed to guarantee the obligations of the Substituted Debtor in relation to outstanding Relevant Senior Notes.
Governing Law	English.

Listing	Application has been made for Senior Notes issued under the Programme to be listed on the Euro MTF Market of the Luxembourg Stock Exchange. The relevant Final Terms will specify whether or not the Senior Notes of the relevant Series will be listed on the Euro MTF Market (or any other stock exchange).
Selling Restrictions	United States, European Economic Area, United Kingdom, Brazil and the Cayman Islands. See "Subscription and Sale".
	Each Bearer Series will be issued in compliance with U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms state that Senior Notes are issued in compliance with U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Senior Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Senior Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Transfer Restrictions.....	There are restrictions on the transfer of the Senior Notes. See "Transfer Restrictions".
ERISA Considerations	The Senior Notes may not be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended, ("**ERISA**")) that is subject to Title I of ERISA, a "plan" subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Notes will not result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential purchasers should read the sections entitled "Certain ERISA and Other Considerations" and "Transfer Restrictions".

THE OFFERING OF THE SUBORDINATED NOTES

The following is a brief summary of the terms and conditions of the Subordinated Notes and is subject to and qualified in its entirety by the section "Terms and Conditions of the Subordinated Notes" in this Offering Memorandum and the Trust Deed relating thereto. Terms which are defined in other sections of the Offering Memorandum or in the section "Terms and Conditions of the Subordinated Notes" have the same meaning when used in this summary.

Issuer	Itaú Unibanco Holding S.A., acting through its head office or its Grand Cayman Branch.
Description	Global Medium-Term Note Programme.
Arrangers	Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs & Co., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC. Each of Banco Itaú BBA International, S.A. - London Branch and Itau BBA USA Securities, Inc. is an affiliate of the Issuer.
Dealers	Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs & Co., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC. Each of Banco Itaú BBA International, S.A. - London Branch and Itau BBA USA Securities, Inc. is an affiliate of the Issuer. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.
Trustee	The Bank of New York Mellon, acting through its New York branch.
London Paying Agent	The Bank of New York Mellon, acting through its London branch.
Principal Paying Agent	The Bank of New York Mellon, acting through its London branch, or such other Principal Paying Agent as specified in the relevant Final Terms.
Paying Agents	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York office and any other Paying Agent as specified in the relevant Final Terms.
Registrar	The Bank of New York Mellon.
Transfer Agents	The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon, acting through its London branch and The Bank of New York Mellon, acting through its New York branch.
Calculation Agent	The Bank of New York Mellon, acting through its London branch.
Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Offering	The Subordinated Notes have not been and will not be registered under the Securities Act. The Subordinated Notes will be offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S and inside the United States to QIBs in accordance with Rule 144A. See "Subscription and Sale".
Final Terms	The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to any Subordinated Notes and any other relevant provisions of such Subordinated Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Subordinated Notes and will be specified in the relevant Final Terms, to which the relevant subordination nucleus prepared in accordance with Resolution 3,444 will be annexed. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein. The term

	"**Resolution 3,444**" is defined in "Terms and Conditions of the Subordinated Notes".
Currency.....	Subject to compliance with all relevant laws, regulations and directives, any currency as may be agreed between the Issuer and the relevant Dealer(s).
Amount.....	Up to US$10,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of the Subordinated Notes. Under the Dealer Agreement, the nominal amount of the Subordinated Notes which may be issued under the Programme may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of the Subordinated Notes outstanding, the Subordinated Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortisation yield formula as specified in the relevant Final Terms or, if none is specified in the relevant Final Terms, their face amount and the Subordinated Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Maturities.....	Subject to compliance with all relevant laws, regulations and directives, any maturity from five years or such other minimum maturity and any maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price.....	The Subordinated Notes may be issued at their nominal amount or at a discount to or premium over their nominal amount.
Method of Issue.....	The Subordinated Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the issue date, the date on which interest commences to accrue and related matters), the Subordinated Notes of each Series being intended to be interchangeable with all other Subordinated Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche will be specified in the relevant Final Terms.
Form of the Subordinated Notes.....	The Subordinated Notes will be Registered Notes. Each Series will be represented on issue by an Unrestricted Global Note or a Restricted Global Note. See "Form of the Notes; Book Entry and Transfer".
Clearing Systems.....	Euroclear, Clearstream and DTC.
Initial Delivery of the Subordinated Notes.....	On or before the issue date for each Tranche, the Unrestricted Global Note or Restricted Global Note may be registered in the name of and deposited with a common nominee for Euroclear and Clearstream or a nominee of DTC. The Subordinated Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, *provided* that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Denomination.....	The Subordinated Notes will be issued in such denominations as may be specified in the applicable Final Terms and, in all cases, Subordinated Notes shall be issued in such other minimum denominations as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, or any laws

	or regulations applicable to the Issuer or the relevant specified currency, as the case may be, subject in all cases to changes in applicable legal or regulatory requirements. In the case of any Subordinated Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC (as amended), the minimum denomination shall be at least €100,000 and integral multiples of €1,000 thereafter (or its equivalent in any other currency as at the date of issue of the relevant Subordinated Notes). Registered Notes resold pursuant to Rule 144A shall be in denominations of at least US$200,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) and integral multiples of US$1,000 thereafter.
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	Floating rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating the ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Floating rate Notes may have a maximum interest rate, a minimum interest rate or both.
Dual Currency Notes.....	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of dual currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
Index Linked Notes.....	Payments of principal or of interest in respect of index linked Notes will be calculated by reference to such index or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates.....	The length of the interest periods for the Subordinated Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. The Subordinated Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Subordinated Notes to bear interest at different rates in the same interest period. All such information will be specified in the relevant Final Terms.
Deferral of Interest and Principal.....	Any payment on the Subordinated Notes will be deferred if the Issuer determines that it is, or such payment would result in it being, in non-compliance with its Risk-Based Capital Requirements. See Condition 17 of "Terms and Conditions of the Subordinated Notes". The term "**Risk-Based Capital Requirements**" is defined in "Terms and Conditions of the Subordinated Notes".
Use of Proceeds	The net proceeds of any issue of the Subordinated Notes will be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.
Consolidation, Merger or Sales of Assets	The Issuer may consolidate with or merge into any other corporation or convey or transfer (including in connection with a *cisão*), in one transaction or a series of transactions, all or substantially all of its

	properties or assets to any other person if it complies with specified requirements.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, any Subordinated Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC (as amended) must have a minimum redemption amount of at least €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Subordinated Notes).
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
Optional Redemption	Subject to the prior approval of the Central Bank, the Final Terms issued in respect of each issue of Subordinated Notes will state whether such Subordinated Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part), and if so, the terms applicable to such redemption.
Early Redemption.....	Subject to the prior approval of the Central Bank, the Subordinated Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons. See "Terms and Conditions of the Subordinated Notes — Redemption and Purchase".
Redemption for Regulatory Reasons ...	Subject to the prior approval of the Central Bank, the Subordinated Notes will be redeemable at the option of the Issuer prior to maturity if, subsequent to the time that the Subordinated Notes initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Subordinated Notes may not be included in the consolidated Tier 2 Capital of the Issuer. The terms "**Tier 2 Capital**" and "**Brazilian Governmental Authority**" are defined in "Terms and Conditions of the Subordinated Notes".
Events of Default.....	The Terms and Conditions of the Subordinated Notes contain limited events of default. Payment of principal of the Subordinated Notes may be accelerated only in the case of certain events involving our bankruptcy, dissolution, suspension of payment on or failure or inability to pay all or a material part of (or of a particular type of) our debts generally as they become due or similar events. We will only be required to make payment on acceleration after we have been declared bankrupt, have been dissolved or suspend payment on or fail or are unable to pay all or a material part of (or of a particular type of) our debts generally as they become due.
Amendments to the Terms and Conditions of the Subordinated Notes; Modification by the Issuer	We expect to qualify each Series of Subordinated Notes as Tier 2 Capital subject to Central Bank's approval. In relation to a Series of Subordinated Notes, the Central Bank may require us to amend certain terms and conditions of such Subordinated Notes as a condition to granting such approval. In relation to any Series of Subordinated Notes, the Issuer may (once per Series) and the Trustee shall, if requested by the Issuer acting in compliance with Condition 11(c) of the Terms and Conditions of the Subordinated Notes, without the consent of the

	holders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank in order to qualify such Subordinated Notes as Tier 2 Capital pursuant to Resolution 3,444. The Issuer will not be permitted to make any modifications without holders' consent if such modification would affect in any way the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. The term "**Resolution 3,444**" is defined in "Terms and Conditions of the Subordinated Notes". Other amendments to the terms and conditions of any Series of Notes (other than in respect of minor amendments required to cure inconsistencies, defects, ambiguities and similar matters) are subject to the prior consent of the holders as set out in Condition 11 in "Terms and Conditions of the Subordinated Notes".
Status of Subordinated Notes	The Subordinated Notes will be direct, unsecured and subordinated obligations of the Issuer and shall be subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with Condition 17 in "Terms and Conditions of the Subordinated Notes". The term "**Senior Liabilities**" is defined in "Terms and Conditions of the Subordinated Notes".
Covenant Defeasance.....	Upon satisfaction of the conditions set forth in Condition 20(c) in "Terms and Conditions of the Subordinated Notes," the Issuer at any time may terminate its obligations under the limitations described in Condition 18 ("Consolidation, Merger and Sales of Assets").
Withholding Tax.....	All payments by or on behalf of the Issuer in respect of the Subordinated Notes will be made without withholding or deduction for, or on account of, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of the Subordinated Notes issued by Itaú Unibanco Holding through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of the Subordinated Notes issued by the Grand Cayman Branch unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the holders of the Subordinated Notes of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in "Terms and Conditions of the Subordinated Notes — Taxation".
Further Issuances	The Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes of such series, to issue additional Notes of such Series so that the same shall be consolidated with, form a single issue with, and increase the aggregate nominal amount of, such Series of Notes.
Substitution	The Issuer may, with respect to any Series of Subordinated Notes issued by it (the "**Relevant Subordinated Notes**"), without the consent of any holder, substitute for itself the Substituted Debtor if it complies with specified requirements. In connection with such substitution, the Issuer will, at its option, either continue to be an obligor on the Relevant Subordinated Notes together with the Substituted Debtor or be released from its obligations as obligor as long as it has agreed to guarantee the obligations of the Substituted Debtor in relation to outstanding Relevant

	Subordinated Notes.
Governing Law	The Trust Deed, the Subordinated Notes, the Final Terms (including the summary of the Final Terms set out in section 5 of the subordination nucleus) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, provided that the provisions contained in Condition 17 of the Terms and Conditions of the Subordinated Notes, as amended by the subordination nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution 3,444, will be governed by and construed in accordance with the laws of Brazil. The terms "**Tier 2 Capital**" and "**Resolution 3,444**" are defined in "Terms and Conditions of the Subordinated Notes".
Listing	Application has been made for the Subordinated Notes issued under the Programme to be listed on the Euro MTF Market of the Luxembourg Stock Exchange (or any other stock exchange). The relevant Final Terms will specify whether or not the Subordinated Notes of the relevant Series will be listed on the Euro MTF Market (or any other stock exchange).
Selling Restrictions	United States, European Economic Area, United Kingdom, Brazil and the Cayman Islands. See "Subscription and Sale".
Transfer Restrictions.....	There are restrictions on the transfer of the Subordinated Notes. See "Transfer Restrictions".
ERISA Considerations	The Subordinated Notes may not be acquired by an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, a "plan" subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Subordinated Notes will not result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or holder of the Subordinated Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential purchasers should read the sections entitled "Certain ERISA and Other Considerations" and "Transfer Restrictions".

RISK FACTORS

The following section does not describe all the risks of an investment in the Notes. Prospective investors should carefully read this Offering Memorandum and any information incorporated by reference herein in its entirety, and consider, among other things, the risk factors with respect to Itaú Unibanco Holding, to Brazilian financial institutions and to Brazil not normally associated with investments in securities of United States, European and other similar issuers, including those risk factors set out below. Our business, results of operations, financial condition or prospects could be negatively affected if any of such risks occurs, and as a result, the trading price of the Notes could decline and you could lose all or part of your investment.

Prospective investors should further note that the risk factors described below are not the only risks we face or that relate to an investment in the Notes. These are the risks we consider material as of the date of this Offering Memorandum. There may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have similar effects to those set forth below.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could have a material adverse effect on our business, financial condition and results of operations.

The Brazilian government from time to time intervenes in the Brazilian economy and makes changes in policies and regulations. The Brazilian government's actions have involved, in the past, among other measures, changes in interest rates, changes in tax policies, price controls, capital control limits and restrictions on selected imports and, prior to the current floating exchange regime, currency devaluations. Our business, financial condition, and results of operations may be materially and adversely affected by changes in policies or regulations involving or affecting factors, such as:

- interest rates;
- reserve requirements;
- capital requirements;
- liquidity of capital, financial and credit markets;
- general economic growth, inflation and currency fluctuations;
- tax and regulatory policies;
- restrictions on remittances abroad and other exchange controls;
- increases in unemployment rates, decreases in wage and income levels and other factors that influence our customers' ability to meet their obligations with us; and
- other political, diplomatic, social and economic developments within and outside Brazil that affect the country.

As a bank in Brazil, the vast majority of our income, expenses, assets and liabilities are directly tied to interest rates. Therefore, our results of operations and financial condition are significantly affected by inflation, interest rate fluctuations and related government monetary policies, all of which may have a material adverse effect on the growth of the Brazilian economy and on us, including our loan portfolio, our cost of funding and our income from credit operations.

In addition, changes in administrations may result in changes in government policy that may affect us. Uncertainty over whether the Brazilian government in the future will implement changes in policies or regulations affecting these and other factors in the future may contribute to heightened volatility in the Brazilian securities markets and in the securities of Brazilian issuers, which in turn may have a material adverse effect on us.

Inflation and fluctuation in interest rates could have a material adverse effect on our business, financial condition and results of operations.

Inflation and interest rate volatility have in the past caused material adverse effects in the Brazilian economy. While the Brazilian government has been able to keep inflation close to target levels since the introduction of inflation targets in 1999, we cannot assure you that it will continue to be able to do so. Inflation, especially sudden increases in inflation, usually causes the loss of purchasing power. Also prolonged periods of high inflation provoke distortions in the allocation of resources. From 2004 to 2011, the average annual inflation was 5.4%. Expected inflation for 2012, as surveyed by the Central Bank, is 5.28%.

Measures to combat historically high rates of inflation have included tight monetary policies with high interest rates, resulting in restrictions on credit and short-term liquidity. Between 2005 and 2011, the base interest rate established by the Central Bank, which is the benchmark interest rate payable to holders of securities issued by the Brazilian government and traded through the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia*, or the "**SELIC**"), varied between 19.75% per year and 8.75% per year. Public expectations regarding possible future governmental actions in the economy, government intervention in the foreign exchange market and the effects of the downturn in the global financial markets have caused and may continue to cause interest rates to fluctuate. In addition, if Brazil experiences fluctuations in rates of inflation in the future, our costs and net margins may be materially and adversely affected, and government measures to combat inflation may include tightening monetary policy with high interest rates which may harm our business. Increases in the SELIC rate could materially and adversely affect us by reducing the demand for credit, increasing our cost of funds and increasing the risk of customer default. Conversely, decreases in the SELIC rate could also materially and adversely affect us by decreasing revenues on interest-earning assets and lowering our margins.

Exchange rate instability may have a material adverse effect on the Brazilian economy and our business, financial condition and results of operations.

The Brazilian currency fluctuates in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past implemented various economic plans and utilised a number of exchange rate regimes, including sudden devaluations, periodic mini-devaluations in which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, and dual exchange rates coupled with exchange controls. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank in buying or selling foreign currency. From time to time, the exchange rate between the *real* and the U.S. dollar and other currencies has fluctuated significantly. For example, the *real* depreciated 15.7%, 34.3% and 24.2% against the U.S. dollar in 2001, 2002 and 2008, respectively, and appreciated 22.3%, 8.8%, 13.4%, 9.5%, 20.7%, 34.2% and 4.5% against the U.S. dollar in 2003, 2004, 2005, 2006, 2007, 2009 and 2010, respectively. In 2011, the *real* depreciated 11.2% against the U.S. dollar from an exchange rate of R$1.67 per US$1.00 as of December 31, 2010 to an exchange rate of R$1.88 per US$1.00 as of December 31, 2011. The average exchange rate in 2011 was R$1.67 per US$1.00 compared with an average exchange rate of R$1.76 per US$1.00 in 2010.

Some of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar. As of December 31, 2011, 15.6% of our total liabilities and 15.0% of our total assets were denominated in, or indexed to, a foreign currency. Although as of December 31, 2011, our material foreign investments were economically hedged in order to mitigate effects arising out of foreign exchange volatility, including the potential tax impact of such investments, there can be no assurance that such hedging strategies will remain in place or will offset such effects. Therefore, a depreciation of the *real* could have several adverse effects on us, including (i) losses on our liabilities denominated in or indexed to foreign currencies, (ii) impairments to our ability to pay dollar-denominated or dollar-indexed liabilities by making it more costly for us to obtain the foreign currency required to pay such obligations, (iii) impairments to the ability of our borrowers to repay dollar-denominated or dollar-indexed liabilities to us and (iv) negatively affect the market price of our securities portfolio. Conversely, an appreciation of the Brazilian currency could cause us to incur losses on our assets denominated in or indexed to foreign currencies. Therefore, depending on the circumstances, either a depreciation or appreciation of the *real* could have a material adverse effect on our business, financial condition and results of operations.

Developments and the perception of risk of other countries may adversely affect the Brazilian economy and the market price of Brazilian securities.

Economic and market conditions in other countries, including the United States, the European Union and emerging market countries, may affect to varying degrees the market value of securities of Brazilian issuers. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have a material adverse effect on the market value of securities of Brazilian issuers, the availability of credit in Brazil and the amount of foreign investment in Brazil. Crises in the European Union, the United States and emerging market countries may diminish investor interest in securities of Brazilian issuers, including Itaú Unibanco Holding. This could materially and adversely affect the market price of our securities, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Banks located in countries considered to be emerging markets may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which could have a material adverse impact on our financial condition. In addition, the availability of credit to entities that operate within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and any factor that impacts market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could materially and adversely affect the price or availability of funding for entities within any of these markets.

Risks Relating to Our Business and the Banking Industry

We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil.

Beginning in late 2007, major financial institutions, including some of the largest global commercial and investment banks, and insurance companies experienced significant difficulties, especially lack of liquidity and depreciation of financial assets. These difficulties constricted the ability of a number of major global financial institutions to engage in further lending activity and caused losses. In addition, defaults by, and doubts about the solvency of certain financial institutions and the financial services industry generally led to market-wide liquidity problems and could lead to losses or defaults by, and bankruptcies of, other institutions.

We are exposed to the disruptions and volatility in the global financial markets because of their effects on the financial and economic environment in the countries in which we operate, especially Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability. We lend primarily to Brazilian borrowers and these effects could materially and adversely affect our customers and increase our non-performing loans and, as a result, increase the risk associated with our lending activity and require us to make corresponding revisions to our risk management and loan loss reserve models. For example, in 2009, we experienced an increase in our non-performing loans past due more than 90 days from 3.9% of total loans in December 31, 2008 to 5.6% December 31, 2009. As of December 31, 2011, our non-performing loans past due more than 90 days represented 4.88% of our total loan portfolio.

The global financial downturn has had significant consequences for Brazil and the other countries in which we operate, including stock, interest and credit market volatility, a general economic slowdown, and volatile exchange rates that may, directly or indirectly, materially and adversely affect the market price of Brazilian securities and have a material adverse effect on our business, financial condition and results of operations. In addition, institutional failures and disruption of the financial market in Brazil and the other countries in which we operate could restrict our access to the public equity and debt markets.

Continued or worsening disruption or volatility in the global financial markets could lead to further increase in negative effects on the financial and economic environment in Brazil and the other countries in which we operate, which could have a material adverse effect on us.

A failure in, or breach of, our operational or security systems could temporarily interrupt our businesses, increasing our costs and causing losses.

Although we have high profile information security controls, continuing investments in infrastructure, and operations and crisis management in place, our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly for a limited period of time or become temporarily

disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as: electrical or telecommunications outages; breakdowns, systems failures or other events affecting third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services; events arising from local or larger-scale political or social matters and cyber attacks.

Temporary interruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks could result in customer attrition, regulatory fines, penalties or intervention, reimbursement or other compensation costs.

Changes in applicable law and regulation may have a material adverse effect on our business.

Brazilian banks, including us, are subject to extensive and continuous regulatory review by the Brazilian government, principally by the Central Bank. We have no control over applicable law and government regulations, which govern all aspects of our operations, including regulations that impose:

- minimum capital requirements;
- reserve and compulsory deposit requirements;
- restrictions on credit card activities;
- minimum levels for federal housing and rural sector lending;
- funding restrictions;
- lending limits, earmarked lending and other credit restrictions;
- limits on investments in fixed assets;
- corporate governance requirements;
- limitations on charging of commissions and fees by financial institutions for services to retail clients and the amount of interest financial institutions can charge;
- accounting and statistical requirements; and
- other requirements or limitations in the context of the global financial crisis.

The regulatory structure governing Brazilian financial institutions, including banks, broker-dealers and leasing companies, and Brazilian insurance companies is continuously evolving. Moreover, there are several proposed bills under consideration in the Brazilian congress that, if signed into law as currently drafted, could materially affect us. Disruptions and volatility in the global financial markets resulting in liquidity problems at major international financial institutions could lead the Brazilian government to change laws and regulations applicable to Brazilian financial institutions based on such international developments.

In response to the global financial crisis which began in late 2007, national and intergovernmental regulatory entities, such as the Basel Committee on Banking Supervision, proposed reforms to prevent the recurrence of a similar crisis, including the Basel III framework and its new higher minimum regulatory capital requirements. In February 2011, the Central Bank issued preliminary guidance and an estimated timeline for implementation of the Basel III framework in Brazil. See "The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank — Capital Adequacy and Leverage/Regulatory Capital Requirements". In addition, the Central Bank of Brazil is expected to issue in the near future new rules for implementation of the Basel III framework in Brazil as detailed in notice of Public Hearing 40/2012 of February 17, 2012. See "The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank — Capital Adequacy and Leverage/Regulatory Capital Requirements — Implementation of Basel III in Brazil — Expected Future Rules". The effects of the implementation of the Basel III framework on Brazilian banks and particularly on our operations are yet unclear and may cause us to reassess our funding strategy.

The amendment of existing laws and regulations or the adoption of new laws and regulations could have a material adverse effect on our business, financial condition and results of operations, including our ability to provide loans, make investments or render certain financial services. See "The Brazilian Financial System and Banking Regulation".

Tax reforms may have a material adverse impact on our results of operations.

To maintain its fiscal policies, the Brazilian government regularly enacts reforms to tax and other assessment regimes. These reforms include the enactment of new taxes, changes in the bases of calculation or rates of assessments, including rates applicable solely to the banking industry, and occasional enactment of temporary taxes for designated governmental purposes. For example, in July 2011, the Brazilian government introduced a tax on securities transactions ("**IOF/Securities-Derivatives**") at the rate of 1.0% on the notional adjusted value of financial derivatives. Also, the government changed twice the tax charged on consumer financial transactions in 2011: an increase of 1.5% per year in April and a reduction of 0.5% per year in December. See "The Brazilian Financial System and Banking Regulation — Taxation — Taxation on Financial Transactions". The effects of these changes and any other changes that could result from the enactment of additional taxation cannot be quantified. These changes, however, may reduce our volume of operations, increase our costs or limit our profitability.

Future changes in tax policy that may affect financial operations include the creation of new taxes. Until 2007, certain financial transactions were subject to the provisional contribution on financial transactions (*Contribuição Provisória sobre a Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira*, or "**CPMF**"). However, much uncertainty exists as to whether the CPMF, or similar taxes, will be re-introduced in the future. Also, the Brazilian Congress may discuss broad tax reforms in Brazil to improve the efficiency of allocation of economic resources, as proposed by the executive branch of the Brazilian federal government. Major tax reforms in Brazil have been discussed over the last few years. We cannot predict if such tax reforms will be implemented in the future. The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified.

Increases in reserve and compulsory deposit requirements may have a material adverse effect on business, financial condition and results of operations.

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

Increases in reserve and compulsory deposit requirements reduce our liquidity to make loans and other investments and, as a result, may have a material adverse effect on business, financial condition and results of our operations.

The compulsory deposits generally do not yield the same return as other investments and deposits because a portion of compulsory deposits:

- do not bear interest;
- must be held in Brazilian federal government securities; and
- must be used to finance government programs, including a federal housing program and rural sector subsidies.

For more detailed information on compulsory deposits and capital requirements, see "The Brazilian Financial System and Banking Regulation".

As of December 31, 2011, we had R$92,323 million in interest-bearing compulsory deposits and R$5,730 million in non-interest-bearing compulsory deposits. For more detailed information on compulsory deposits, see "Selected Statistical Information — Central Bank Compulsory Deposits".

The increasingly competitive environment and consolidations in the Brazilian banking industry may have a material adverse effect on us.

The markets for financial and banking services in Brazil are highly competitive. We face significant competition from other large Brazilian and international banks, including Brazilian public banks. Competition has increased as a result of recent consolidations among financial institutions in Brazil and as a result of new regulations by CMN that facilitate the customer's ability to switch business between banks. See "The Brazilian Financial System and Banking Regulation". The increased competition may materially and adversely affect us by, among other things, limiting our ability to retain our existing consumer base, increase our customer base and to expand our

operations, reducing our profit margins on banking and other services and products we offer, and to the extent it limits investment opportunities.

Changes in the profile of our business may have a material adverse effect on our loan portfolio.

As of December 31, 2011, our loan and financing portfolio was R$345,483 million, compared to R$295,053 million as of December 31, 2010. Our allowance for loan losses was R$25,772 million, representing 7.5% of our total loan portfolio, as of December 31, 2011, compared to R$22,018 million, representing 7.5% of our total loan portfolio, as of December 31, 2010. The quality of our loan portfolio is subject to changes in the profile of our business resulting from organic growth and our merger and acquisition activity and is dependent on domestic and, to a lesser extent, international economic conditions. Adverse changes affecting any of the sectors to which we have significant lending exposure, political events within and external to Brazil and the variability of economic activity may have a material adverse impact on our business and our results of operations. Furthermore, our historic loan loss experience may not be indicative of our future loan losses.

In addition, our strategy includes efforts to significantly expand our loan portfolio as well as increase the number of clients, particularly individuals and small and middle-market companies, that we serve. Certain financial products we offer to individuals and other clients are generally characterised by higher margins, but also higher risks of default. A future increase in our loan portfolio, as well as a shift to higher margins and higher risk products, could result in increased default rates, which could have a material adverse effect on our financial condition and results of operations.

The value of our securities and derivatives positions are subject to market fluctuations due to changes in Brazilian or international economic conditions and may produce material losses.

As of December 31, 2011, investment securities represented R$178,334 million, or 20.9% of our assets, and derivative financial instruments, which are used to hedge against risks represented R$9,546 million, or 1.1% of our assets, and realised and unrealised gains and losses have had and will continue to have a significant impact on our results of operations. These gains and losses, which we record when investments in securities are sold or are marked to market (in the case of trading securities) or when our derivative financial instruments are marked to market, may fluctuate considerably from period to period and are impacted by domestic and international economic conditions. If, for example, we have entered into derivatives transactions to protect against decreases in the value of the *real* or in interest rates and the *real* increases in value or interest rates increase, we may incur financial losses. We cannot predict the amount of realised or unrealised gains or losses for any future period, and variations from period to period have no practical analytical value in helping us to make such a prediction. Such losses could materially and adversely affect our results of operations and financial condition. Gains or losses on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realise the appreciation or depreciation now existing in our consolidated investment portfolio or any portion thereof.

Exposure to Brazilian federal government debt could have a material adverse effect on us.

Like many other Brazilian banks, we invest in debt securities of the Brazilian government. As of December 31, 2011, approximately 9.8% of our total assets, and 44.6% of our securities portfolio, was comprised of debt securities issued by the Brazilian government. Any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on us.

If our pricing expectations are incorrect or our reserves for future policyholder benefits and claims are inadequate, the profitability of our insurance and pension products or our results of operations and financial condition may be materially and adversely affected.

Our insurance and pension plan business sets prices and establishes reserves for many of our insurance and pension products based upon actuarial or statistical estimates. The pricing of our insurance and pension products and the insurance and pension plans reserves carried to pay future policyholder benefits and claims are each based on models that include many assumptions and projections which are inherently uncertain and involve the exercise of significant judgment, including as to the levels of and timing of receipt or payment of premiums, contributions, benefits, claims, expenses, interest credits, investment results, interest rates, retirement, mortality, morbidity and persistency. Although we frequently review the pricing of our insurance and pensions products and the adequacy of

our insurance and pension plans reserves, we cannot determine with precision the ultimate amounts that we will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting our policy liabilities, together with future premiums and contributions will be sufficient for payment of benefits and claims. Significant deviations in actual experience from our pricing assumptions could have a material adverse effect on the profitability of our insurance and pension plans products. In addition, if we conclude that our reserves, together with future premiums, are insufficient to cover future policy benefits and claims, we would be required to increase our reserves and incur income statement charges for the period in which the determination is made, which may have a material adverse effect on our business, financial condition and results of operations.

Our market, credit and operational risk management policies, procedures and methods may not be fully effective in mitigating our exposure to unidentified or unanticipated risks.

Our market, credit and operational risk management policies, procedures and methods, including our statistical modelling tools, such as value at risk (VaR), stress test and sensitivity analyses, may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behaviour. We apply statistical and other tools to these observations to quantify of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modelling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits.

In addition, our businesses depend on the ability to process a large number of transactions securely, efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, information systems failures or breaches or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures for mitigating operational risk proves to be inadequate or is circumvented.

We may incur losses associated with counterparty exposures.

We face the possibility that a counterparty will be unable to honour its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into reinsurance agreements or loan facilities or other credit agreements under which counterparties have obligations to make payments to us; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. In addition, we routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients.

Our controlling shareholder has the ability to direct our business.

As of January 31, 2012, IUPAR, our controlling shareholder, directly owned 51.00% of our common stock and 25.54% of our total capital stock. See “Principal Shareholders and Dividends”. As a result, IUPAR has the power to control us, including the power to elect and remove our directors and officers and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganisations and the timing and payment of dividends. In addition, IUPAR is jointly controlled by Itaúsa, which is controlled by the Egydio de Souza Aranha family, and the former controlling shareholders of Unibanco, the Moreira Salles family. The interests of IUPAR, Itaúsa and the Egydio de Souza Aranha and Moreira Salles families may be different from your interests as a holder of the Notes.

We are subject to regulation on a consolidated basis and may be subject to liquidation or intervention on a consolidated basis.

The Central Bank treats us and our subsidiaries and affiliates as a single financial institution for regulatory purposes. While our consolidated capital base provides financial strength and flexibility to our subsidiaries and

affiliates, their activities could indirectly put our capital base at risk. In particular, any investigation of, or intervention by the Central Bank in, the affairs of any of our subsidiaries and affiliates could have a material adverse impact on our other subsidiaries and affiliates and ultimately on us.

If we or one or more of our subsidiaries become insolvent, the Central Bank has the prerogative to conduct the intervention or liquidation proceeding on a consolidated basis, merging Itaú Unibanco Holding with some or all of its subsidiaries ("**Merged Subsidiaries**"), instead of separately conducting the liquidation or intervention procedure at each entity. In the event of such a consolidation, creditors of Itaú Unibanco Holding, including holders of the Senior Notes and the Subordinated Notes, would have claims on the assets of both the Merged Subsidiaries and Itaú Unibanco Holding, but the claims of such creditors would rank equally in right of payment with the claims of all other senior or subordinated creditors, as the case may be, of the Merged Subsidiaries and Itaú Unibanco Holding. However, if the Central Bank separately conducts such liquidation or intervention proceeding, the holders of the Notes would not have a direct claim on the assets of such subsidiaries, and any indirect claim of the holders of the Notes on the assets of such subsidiaries would be subject to the prior claims of the creditors of such subsidiaries. The Central Bank also has the authority to carry out other corporate reorganisations or transfer control in the case of intervention or liquidation.

Integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us.

We have engaged in a number of mergers and acquisitions in the past and may make further acquisitions in the future as part of our growth strategy in the Brazilian financial services industry. We believe that these transactions will contribute to our continued growth and competitiveness in the Brazilian banking sector.

Any acquisition and merger of institutions and assets and the integration of such institutions and assets involves certain risks including the risk that:

- integrating new networks, information systems, personnel, financial and accounting systems, risk and other management systems, financial planning and reporting, products and customer bases into our existing business may run into difficulties, cause us to incur unexpected costs and operating expenses and place additional demands on management time;
- we may incur unexpected liabilities or contingencies relating to the acquired businesses;
- antitrust and other regulatory authorities may impose restrictions or limitations on the terms of the acquisition or merger, require disposition of certain assets or businesses or withhold their approval of such transaction; and
- the expected operation and financial synergies and other benefits from such mergers or acquisitions may not be fully achieved.

If we fail to achieve the business growth opportunities, cost savings and other benefits we anticipate from mergers and acquisition transactions, or incur greater integration costs than we have estimated, our results of operations and financial condition may be materially and adversely affected.

Risks Relating to the Notes

Obligations under the Notes may be subordinated to certain statutory liabilities.

Under Brazilian law, our obligations under the Notes will be subordinated to certain statutory preferences. In the event of our liquidation, certain claims, such as claims for salaries, wages, social security, taxes and court fees and expenses will have preference over any other claim, including the Notes. See "The Brazilian Financial System and Banking Regulation — Bank Insolvency — Repayment of Creditors in Liquidation" for a discussion of the legal regime affecting the priority of repayment of creditors.

The Subordinated Notes are subordinated obligations of the Issuer and the Issuer may defer payment on principal or interest in respect of Subordinated Notes.

The Subordinated Notes will be subordinated in right of payment to all present and future Senior Liabilities in accordance with Condition 17 in "Terms and Conditions of the Subordinated Notes". Senior Liabilities means all

liabilities of the Issuer, except for: (i) any securities or liabilities of the Issuer that form part of or will form part of the Issuer's regulatory capital (*patrimônio de referência*) in accordance with the terms of CMN Resolution No. 3,444 excluding any Second Priority Liabilities ("**Parity Liabilities**") and (ii) all types or classes of the Issuer's capital stock ("**Second Priority Liabilities**"). There is a significant risk that an investor in Subordinated Notes will lose all or some of his investment if the Issuer becomes insolvent.

In addition, the Issuer is entitled in certain circumstances to defer the due date for payment of any principal and interest due in respect of Subordinated Notes in accordance with Condition 17 in "Terms and Conditions of the Subordinated Notes". Although the Issuer may only opt to defer, and not to cancel, such payments, investors may not receive amounts in respect of interest or principal in respect of the Subordinated Notes on the scheduled payment date.

If we do not satisfy our obligations under the Subordinated Notes, your remedies will be limited.

Payment of principal of the Subordinated Notes may be accelerated only in the case of certain events involving our bankruptcy, dissolution, suspension of payment on or failure or inability to pay all or a material part of (or of a particular type of) our debts generally as they become due or similar events. There will be no right of acceleration in the case of a default in the performance of any of our covenants, including the payment of principal or interest in respect of the Subordinated Notes.

Even if the payment of principal of the Subordinated Notes is accelerated, our assets will be available to pay those amounts only after:

- all of our Senior Liabilities have been paid in full, as described above in "— The Subordinated Notes are subordinated obligations of the Issuer and the Issuer may defer payment on principal or interest in respect of Subordinated Notes"; and
- we have been declared bankrupt, have been dissolved or suspend payment on or fail or are unable to pay all or a material part of (or of a particular type of) our debts generally as they become due.

If, after these conditions are met, we make any payment from Brazil, we may be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil. See "— We may not be able to obtain necessary governmental authorisations".

We may amend certain terms and conditions of the Subordinated Notes without your prior consent to comply with Central Bank requirements to qualify the Subordinated Notes as Tier 2 Capital.

In order to qualify each Series of Subordinated Notes as tier 2 capital ("**Tier 2 Capital**" or "**Tier 2**"), Central Bank approval is required. We intend to seek Central Bank approval for each Series of Subordinated Notes. This approval is an administrative act and we cannot assure you that such approval will be granted by the Central Bank prior to the issuance of a Series of Subordinated Notes. The Central Bank may require us to amend certain terms and conditions so as to grant such approval. We may (one time per Series of Subordinated Notes), without the consent of holders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank to qualify such Subordinated Notes as Tier 2 Capital pursuant to CMN Resolution No. 3,444. We will not be permitted to make any modifications without holders' consent if such modification would in any way affect the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. Any amendment to the Subordinated Notes may adversely impact your rights as a holder and may adversely impact the market value of the Subordinated Notes.

The Notes will be unsecured and effectively subordinated to the rights of our existing and future secured creditors.

The Notes are unsecured and therefore do not have the benefit of any collateral. Accordingly, the Notes will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness, other than Public External Indebtedness, if any, with respect to which we are required to secure the Senior Notes equally and ratably pursuant to the negative pledge covenant applicable to the Senior Notes. This covenant is subject to important exceptions and permits us to incur a significant amount of secured indebtedness. Secured creditors will have a prior right to collateral securing their indebtedness in case of an event of default under

the secured indebtedness of us and our subsidiaries, to the exclusion of the holders of the Notes, even if we are in default under the Notes. In that event, such collateral would first be used to repay in full all indebtedness and other obligations secured by such secured creditors, resulting in all or a portion of the collateral being unavailable to satisfy the claims of the holders of the Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment to secured creditors of us or our subsidiaries of collateral in any foreclosure, dissolution, winding-up, liquidation, reorganisation, or other bankruptcy proceeding, holders of Notes will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such Notes, and potentially with all other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, holders of Notes should expect to receive less, ratably, than holders of secured indebtedness.

The Central Bank or Brazilian courts may, in certain circumstances including a liquidation of or intervention at Itaú Unibanco Holding or one or more of its subsidiaries, treat Itaú Unibanco Holding as a co-obligor of the debt of our subsidiaries.

Under Brazilian law, the Central Bank or Brazilian courts may, in certain circumstances including a liquidation of or intervention at Itaú Unibanco Holding or one or more of its subsidiaries, disregard the ownership structure of our subsidiaries and treat Itaú Unibanco Holding and its subsidiaries as jointly liable for the subsidiaries' debts. In this event, creditors of our subsidiaries may have claims against assets of Itaú Unibanco Holding that they would not have had in the absence of such action and such creditors' claims may rank equally in right of payment with Itaú Unibanco Holding's creditors.

We may not be able to obtain necessary governmental authorisations.

Under Brazilian law, the issue of Notes through our Grand Cayman Branch is not subject to the Central Bank's prior approval or registration. In the event we are required to pay any amount due in respect of the Notes from Brazilian sources, we will need the specific approval of the Central Bank. Any specific approval from the Central Bank may only be requested at such time as we remit the payment abroad, and will be granted by the Central Bank on a case-by-case basis. It is not certain that any such approval will be obtainable on a timely basis or at all at a future date.

In addition, where we are acting through our head office or the proceeds of the Notes are transferred to such head office, the issue of Notes is subject to certain registrations with the Central Bank, namely (i) registration of the financial terms of each transaction under the Electronic Declaratory Registry — Registry of Financial Transactions (*Registro Declaratório Eletrônico — Registro de Operações Financeiras* or "**ROF**") with the Central Bank or through the SISBACEN at least five days prior to the issue date for the issue of each Tranche under the Programme; (ii) registration with the Central Bank of the schedule of payments under the respective ROF in respect of each Tranche issued under the Programme, as soon as practicable after the issue date; (iii) further authorisation from the Central Bank to make payments outside Brazil in a specified currency other than scheduled payments of principal, interest, commissions, fees and expenses as contemplated by the ROF or to make any payments of principal, interest, commissions, fees and expenses provided for in the ROF earlier than the due date thereof or more than 120 days after their due date and (iv) prior authorisation to be granted by the Central Bank regarding the classification of Subordinated Notes as Tier 2 of the regulatory capital (*patrimônio de referência*).

Judgments of Brazilian courts enforcing our obligations under any Notes would be payable only in reais.

If proceedings were brought in Brazil seeking to enforce our obligations under the Notes, we would not be required to discharge our obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than Brazilian currency, which is payable in Brazil, may only be satisfied in Brazilian currency at the rate of exchange, as determined by the Central Bank, in effect on the date of payment. We cannot assure you that such rate of exchange will result in compensation equal to the amount invested in the Notes plus accrued interest, if any.

Exchange rates and exchange controls may affect the value of, or return on, the Notes.

Notes involving one or more foreign currencies are subject to general exchange rate and exchange control risks. An investment in Notes that are denominated or payable in, or the payment of which is linked to the value of, currencies (including *reais*) other than U.S. dollars or Euros entails significant risks. These risks include the

possibility of significant changes in rates of exchange between the U.S. dollar or Euro and the relevant currencies and the possibility of the imposition or modification of exchange controls by governments. These risks generally depend on economic and political events over which we have no control.

Exchange rates may affect an investment in the Notes. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any of the Notes. Depending on the specific terms of currency-linked Notes, depreciation against the U.S. dollar or Euro of the currency in which Notes are payable or to which payment on such Notes is linked, or changes in exchange rates between currencies, could result in a decrease in the effective yield of the Notes and could result in a loss of all or a substantial portion of the value of those Notes.

We have no control over exchange rates. Exchange rates can either float or be fixed by governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and Euro and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank or the imposition of regulatory controls or taxes, to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. As a consequence, these government actions could adversely affect the U.S. dollar or Euro-equivalent yields or payouts for Notes denominated or payable in currencies other than the U.S. dollar or Euro and currency-linked Notes.

Except to the extent, if any, set forth in the applicable Final Terms, we will not make any adjustment or change to the terms of Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting any relevant currency.

Some currencies may become unavailable. From time to time, governments have imposed, and may in the future impose, exchange controls that could affect the availability of a specific currency. Even if there are no actual exchange controls, it is possible that the currency in which Notes are payable will not be available when payments on such Notes are due.

Notes linked to currency prices, commodity prices, single securities, baskets of securities or indices entail significant risks.

In addition to potential currency risks as described above, an investment in currency-linked Notes and Notes linked to commodity prices, single securities, baskets of securities or indices presents certain significant risks not associated with other types of securities. Currency-linked Notes and Notes linked to commodity prices, single securities, baskets of securities or indices may present a high level of risk, and holders of Notes may lose their entire investment if they have purchased such Notes.

Holders of Notes may risk the loss of principal or interest on their investment. The principal amount of currency-linked Notes and Notes linked to commodity prices, single securities, baskets of securities or indices payable at maturity, and the amount of interest payable on an interest payment date may be determined by reference to one or more of the following (each, an "**index**"):

- currencies, including baskets of currencies;
- commodities, including baskets of commodities;
- securities, including baskets of securities; or
- any other index.

The direction and magnitude of the change in the value of the relevant index will determine either or both the principal amount of Notes linked to such index payable at maturity or the amount of interest payable on an interest payment date. The terms of particular Notes may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Accordingly, holders of Notes linked to an index may lose all or a portion of the principal invested in such Notes and may receive no interest on such Notes.

Volatility may affect the value of or return on Notes linked to indices. Certain indices are highly volatile. The expected principal amount payable at maturity of, or the interest rate on, Notes based on a volatile index may vary substantially from time to time. Because the principal amount payable at the maturity of, or interest payable on, Notes linked to an index is generally calculated based on the value of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on such Notes may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by, among other things, political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these could adversely affect the value of or return on Notes linked to such index.

The availability and composition of certain indexes may affect the value of or return on Notes linked to indexes. Certain indexes reference several different currencies, commodities, securities or other financial instruments. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value of the index is calculated. Such an alteration may result in a decrease in the value of or return on Notes which are linked to such index.

An index may become unavailable due to such factors as war, natural disasters, cessation of publication of the index, or suspension of or disruption in trading in the currency or currencies, commodity or commodities, security or securities or other financial instrument or instruments comprising or underlying such index. If an index becomes unavailable, the determination of principal of or interest on Notes linked to that index may be delayed or an alternative method may be used to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that such alternative methods of valuation will produce values identical to those that would be produced were the relevant index to be used. An alternative method of valuation may result in a decrease in the value of or return on Notes linked to an index.

Certain Notes may be linked to indexes that are not commonly utilised or have been recently developed. The lack of a trading history may make it difficult to anticipate the volatility or other risks to which such Notes are subject. In addition, there may be less trading in such indices or instruments underlying such indices, which could increase the volatility of such indices and decrease the value of or return on Notes relating thereto.

Certain possible consequences under the U.S. Foreign Account Tax Compliance Act ("FATCA")

Legislation incorporating provisions referred to as FATCA was passed in the United States on March 18, 2010. Under the FATCA provisions, it is possible that the Issuer (or if the Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement to be entered into with the U.S. Internal Revenue Service (the "**IRS**") or under applicable law) to (i) request certain information from holders or beneficial owners of Notes, which may be provided to the IRS, and (ii) withhold U.S. federal tax on some portion of payments made after December 31, 2016 with respect to the Notes if either (x) such information is not provided or (y) such payments are made to a foreign financial institution that has not entered into a similar agreement with the IRS (and is not otherwise required to comply with the FATCA regime under applicable law). If the Issuer or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of Notes, holders and beneficial owners of Notes will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

This description is based on guidance issued by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to the Notes.

FATCA is complex and its application to the Notes is uncertain. Prospective investors are advised to consult their own tax advisers as to the application of FATCA to the Notes.

An active trading market for the Notes may not develop.

There is currently no market for new Notes to be issued under the Programme. Application has been made for the Notes to be issued under the Programme to be admitted for listing on the official list of the Luxembourg Stock Exchange and to be admitted to trade on the Euro MTF Market of the Luxembourg Stock Exchange. Even if the Notes are listed on this stock exchange, we may delist the Notes. A trading market for the Notes may not develop, or if a market for the Notes were to develop, the Notes may trade at a discount from their initial offering price, depending on many factors including prevailing interest rates, the market for similar securities, general economic

conditions and our financial condition. The dealers are not under any obligation to make a market with respect to the Notes and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the Notes. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be materially and adversely affected.

The prescription period of the Notes may not be respected by Brazilian courts.

The terms and conditions of the Notes provide that claims in respect of principal and interest will not be required to be made unless made within a period of ten years, in respect of principal, and five years, in the case of interest, while the Brazilian Civil Code provides that the times for prescription of principal and interest are five and three years, respectively. In the event enforcement proceedings are initiated in Brazil in connection with the Notes or a foreign judgment is brought for enforcement in Brazil after the prescription periods provided in the Brazilian Civil Code, there can be no assurance that a Brazilian court will respect the prescription periods provided in the terms of the Notes.

USE OF PROCEEDS

The net proceeds of any issue of Notes under the Programme are to be used by us for general corporate purposes, unless otherwise specified in the relevant Final Terms.

CAPITALISATION

The table below presents our capitalisation as of December 31, 2011. The information described below is derived from our consolidated financial statements as of and for the year ended December 31, 2011 included elsewhere in this Offering Memorandum. As of the date of this Offering Memorandum, there has been no material change in our capitalisation since December 31, 2011.

You should read the table below in conjunction with the information included in "Selected Financial and Other Information," "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, and related notes thereto, included elsewhere in this Offering Memorandum and other financial information included or incorporated by reference herein.

	As of December 31, 2011	
	in millions of	
	R$	US$ (1)
Current liabilities		
Deposits	159,456	85,007
Deposits received under securities repurchase agreements	81,813	43,615
Funds from acceptance and issuance of securities	29,459	15,705
Interbank accounts	121	64
Interbranch accounts	3,927	2,093
Borrowings and onlendings	29,010	15,465
Derivative financial instruments	4,139	2,207
Technical provisions for insurance, pension plan and capitalisation	10,470	5,582
Other liabilities	103,223	55,029
Total	**421,618**	**224,767**
Long-term liabilities		
Deposits	83,181	44,344
Deposits received under securities repurchase agreements	107,005	57,045
Funds from acceptance and issuance of securities	22,098	11,781
Borrowings and onlendings	27,592	14,710
Derivative financial instruments	2,668	1,422
Technical provisions for insurance, pension plan and capitalisation	63,284	33,737
Other liabilities	49,563	26,422
Total	**355,391**	**189,461**
Deferred income	**837**	**446**
Minority interest in subsidiaries	**2,139**	**1,140**
Stockholders' equity (2)	**71,347**	**38,036**
Total capitalisation (3)	**851,332**	**453,851**
Risk-based capital ratio (4)	**16.4%**	

(1) Convenience translation at R$1.8758 per U.S. dollar, the exchange rate in effect on December 31, 2011.

(2) Itaú Unibanco Holding's authorised and outstanding share capital consists of 2,289,284,300 common shares and 2,224,355,729 preferred shares, all of which are fully paid. For more information regarding our share capital see Note 16 to our consolidated financial statements as of and for the year ended December 31, 2011.

(3) Total capitalisation corresponds to the sum of total current liabilities, long-term liabilities, deferred income, minority interest in subsidiaries and stockholders' equity.

(4) Calculated on a fully consolidated basis, including our financial and non-financial subsidiaries.

EXCHANGE RATES

Before March 14, 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. The commercial market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from the Central Bank, such as registered investments by foreign persons and related remittances of funds abroad (including the payment of principal and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and registered with the Central Bank). The floating rate exchange market generally applied to specific transactions for which Central Bank approval was not required. Rates in the two markets were generally the same. On March 4, 2005, the CMN, through Resolution No. 3,265 effective March 14, 2005, as updated by CMN Resolution No. 3,568 of May 29, 2008, unified the two markets and allowed the exchange rate to float freely for all purposes. Recently, CMN issued Resolutions No. 3,844 and No. 3,845, both dated March 3, 2010, and the Central Bank issued Circulars No. 3,491, No. 3,492 and No. 3,493, all dated March 24, 2010, which consolidate and simplify certain exchange rules and related procedures. Currently, the Brazilian foreign exchange system allows the purchase and sale of foreign currency and the performance of international transfers in reais by any individual or legal entity, subject to certain regulatory procedures.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law allows the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance. We cannot predict whether the Brazilian government will impose remittance restrictions in the future. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

As of March 2, 2012, the U.S. dollar-*real* exchange rate was R$1.7245 to U$1.00.

The following tables set forth information on the selling rate for U.S. dollars as reported by the Central Bank for the periods and dates indicated.

	Exchange Rate of Brazilian Currency per US$1.00			
Year	**Low**	**High**	**Average[(1)]**	**Year-End**
2007	1.7325	2.1556	1.9300	1.7713
2008	1.5593	2.5004	1.8335	2.3370
2009	1.7024	2.4218	1.9905	1.7412
2010	1.6554	1.8811	1.7589	1.6662
2011	1.5345	1.9016	1.6709	1.8758
2012 (through March 2, 2012)	1.7024	1.8683	1.7243	1.7245

Source: Central Bank
(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

	Exchange Rate of Brazilian Currency per US$1.00			
Month	**Low**	**High**	**Average[(1)]**	**Year-End**
August 2011	1.5551	1.6334	1.5970	1.5872
September 2011	1.6040	1.9016	1.7498	1.8544
October 2011	1.6885	1.8856	1.7726	1.6885
November 2011	1.7270	1.8937	1.7905	1.8109
December 2011	1.7830	1.8758	1.8369	1.8758
January 2012	1.7389	1.8683	1.7897	1.7391
February 2012	1.7024	1.7376	1.7184	1.7092
March 2012 (through March 2, 2012)	1.7152	1.7245	1.7199	1.7245

Source: Central Bank
(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

SELECTED FINANCIAL AND OTHER INFORMATION

The following summary of our consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 presented under "— Income Statement Data" and "— Balance Sheet Data" has been derived from our consolidated financial statements for these respective periods prepared in accordance with Brazilian GAAP. Our consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009, included elsewhere in this Offering Memorandum, have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their reports appearing therein.

As discussed in "Presentation of Financial and Certain Other Information" and in Note 22(l) to our annual consolidated financial statements as of and for the year ended December 31, 2011, we adjusted certain items as of and for the year ended December 31, 2010, for comparative purposes. These adjustments are reflected in financial information as of and for the year ended December 31, 2010 in this Offering Memorandum and in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2011. However, financial information presented in this Offering Memorandum as of and for the years ended December 31, 2009, 2008 and 2007 does not reflect these adjustments. In addition, financial information in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2010 does not reflect these adjustments.

Investors should read and analyse the information below in conjunction with our audited financial statements and their related notes included in this Offering Memorandum in Annex B and the other financial information included elsewhere or incorporated by reference in this Offering Memorandum, and the sections entitled "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". The information below is qualified in its entirety by reference to our consolidated financial statements included elsewhere in this Offering Memorandum.

Income Statement Data

	As of December 31,		
	2011	**2010**	**2009**
	(in millions of R$)		
Income from financial operations			
Loan, lease and other credit operations	59,103	51,315	47,477
Securities and derivative financial instruments	26,061	18,714	23,994
Insurance, pension plan and capitalisation	5,930	4,513	4,576
Foreign exchange operations	914	980	9
Compulsory deposits	9,359	4,106	641
Total income from financial operations	**101,366**	**79,627**	**76,697**
Expenses on financial operations			
Interest on deposits (money market)	(46,250)	(30,082)	(26,297)
Technical provisions for pension plan and capitalisation	(5,239)	(3,928)	(3,992)
Borrowings and onlendings	(2,618)	(969)	(292)
Total expenses on financial operations	**(54,107)**	**(34,979)**	**(30,581)**
Income from financial operations before loan losses	**47,259**	**44,648**	**46,116**
Expense for allowance for loan losses	(19,912)	(14,121)	(16,399)
Income from recovery of credits written off as loss	5,488	4,209	2,234
Result of loan losses	(14,424)	(9,911)	(14,165)
Gross income from financial operations	**32,835**	**34,736**	**31,951**
Other operating income (expenses)			
Banking service fees	13,912	12,341	12,400
Asset management	2,608	2,486	2,249
Current account services	676	583	466
Credit cards	6,111	5,284	5,762
Sureties and credits granted	1,762	1,460	1,323
Receipt services	1,333	1,325	1,205
Other	1,423	1,203	1,395
Income from bank charges	5,135	4,760	2,772

	As of December 31,		
	2011	2010	2009
	(in millions of R$)		
Result from insurance, pension plan and capitalisation operations	2,714	2,100	2,432
Personnel expenses	(13,357)	(12,452)	(12,092)
Other administrative expenses	(14,100)	(13,598)	(11,593)
Tax expenses	(4,092)	(4,168)	(4,238)
Equity in earnings of affiliates	39	423	209
Other operating revenues	393	529	808
Other operating expenses	(5,192)	(4,415)	(5,292)
Total other operating income (expenses)	**(14,546)**	**(14,481)**	**(14,594)**
Operating income (losses)	18,289	20,255	17,357
Non-operating income	191	81	430
Income (Losses) before taxes on net income and profit sharing	**18,481**	**20,336**	**17,787**
Income tax and social contribution			
Due on operations for the period	(7,030)	(4,128)	(5,430)
Related to temporary differences	4,174	(1,758)	(1,222)
Total income tax and social distribution	**(2,855)**	**(5,886)**	**(6,652)**
Profit sharing			
Officers – Statutory – Law 6,404 of 12/15/1976	(192)	(261)	(205)
Total profit sharing	**(192)**	**(261)**	**(205)**
Minority interest in subsidiaries	**(813)**	**(866)**	**(864)**
Net income	**14,621**	**13,323**	**10,067**

Per Share Information

	As of December 31,		
	2011	2010	2009
	(in R$, except number of shares)		
Weighted average of the number of outstanding shares (in thousands)[(1)]	4,529,311	4,536,069	4,517,816
Net income per share[(1)(2)]	3.23	2.94	2.23
Book value per share[(1)(3)]	15.81	13.40	10.79

(1) Takes into account retroactively the effect of bonus shares of one bonus share per every ten shares previously owned, as approved at the annual shareholders' meeting on April 24, 2009.
(2) Calculated based on the weighted average of the number of outstanding shares.
(3) Calculated based on the number of outstanding shares at December 31 of each year.

	As of December 31,		
	2011	2010	2009
Dividends and interest on stockholders' equity per share (net of withholding taxes for interest on stockholders' equity)[(1)(2)](In R$)	0.97	0.86	0.79
Dividends and interest on stockholders' equity per share (net of withholding taxes for interest on stockholders' equity)[(1)(3)](In US$)	0.52	0.52	0.46

(1) Under Brazilian Corporate Law, we are allowed to pay interest on stockholders' equity as an alternative to paying dividends to our shareholders.
(2) Takes into account retroactively the effect of bonus shares of one bonus share per every ten shares previously owned, as approved at the annual shareholders' meeting on April 24, 2009.
(3) Convenience translation at the exchange rate in effect at the end of each period.

Balance Sheet Data

	As of December 31,		
	2011	2010	2009
	(in millions of R$)		
Asset			
Current Assets			
Cash and cash equivalents	10,633	10,097	10,594
Interbank investments	113,645	85,662	133,012
Securities and derivative financial instruments	147,704	155,987	95,275
Interbank accounts	98,224	85,941	13,991
Interbranch accounts	29	10	57
Loan, lease and other credit operations	180,493	158,906	140,671
Other receivables	68,548	64,456	56,312
Other assets	3,472	3,342	2,813
Total Current Assets	**622,748**	**564,402**	**452,726**
Long-Term Receivables			
Interbank investments	2,437	697	6,184
Securities and derivative financial instruments	40,176	30,575	24,913
Interbank accounts	670	572	522
Loan, lease and other credit operations	139,219	114,128	81,228
Other receivables	32,689	29,106	30,862
Other assets	1,485	984	1,545
Total Long-Term Receivables	**216,675**	**176,062**	**145,253**
Income from financial operations before loan losses			
Investments	2,717	3,250	2,187
Fixed assets	5,287	4,724	4,353
Operating lease assets	—	4	6
Goodwill	96	68	—
Intangible assets	3,810	2,934	3,748
Total Permanent Assets	**11,909**	**10,979**	**10,295**
Total Assets	**851,332**	**751,443**	**608,273**
Liabilities			
Current Liabilities			
Deposits	159,456	139,549	121,938
Deposits received under securities repurchase agreements	81,813	122,445	88,416
Funds from acceptance and issuance of securities	29,459	14,582	10,452
Interbank accounts	121	412	291
Interbranch accounts	3,927	3,256	2,787
Borrowings and onlending	29,010	21,778	14,478
Derivative financial instruments	4,139	3,979	3,335
Technical provisions for insurance, pension plan and capitalisation	10,470	9,269	9,214
Other liabilities	103,223	85,395	74,699
Total Current Liabilities	**421,618**	**400,665**	**325,610**
Long-Term Liabilities			
Deposits	83,181	63,139	68,834
Deposits received under securities repurchase agreements	107,005	77,211	43,519
Funds from acceptance and issuance of securities	22,098	11,010	6,868
Borrowing and onlending	27,592	25,560	20,214
Derivative financial instruments	2,668	1,726	2,141
Technical provisions for insurance, pension plan and capitalisation	63,284	51,282	43,190

	As of December 31,		
	2011	2010	2009
		(in millions of R$)	
Other liabilities	49,562	55,693	43,209
Total Long-Term Liabilities	**355,391**	**285,621**	**227,975**
Deferred Income	**836**	**766**	**466**
Minority Interest in Subsidiaries	**2,139**	**3,513**	**3,540**
Stockholders' Equity	**71,347**	**60,879**	**50,683**
Total Liabilities and Stockholders' Equity	**851,332**	**751,443**	**608,273**

Selected Consolidated Ratios

	As of December 31,		
	2011	2010	2009
Profitability and Performance			
Return on average assets[(1)]	1.8%	2.0%	1.6%
Return on average equity[(2)]	22.1%	24.1%	21.4%
Liquidity			
Loans and leases as a percentage of total deposits[(3)(4)]	142.4%	145.6%	128.9%
Capital			
Total equity as a percentage of total assets[(4)]	8.4%	8.1%	8.3%

(1) Net income divided by average total assets. For annual periods, it represents the ratio between net income and the average assets ((December + September + June + March + December)/5).
(2) Net income divided by average stockholder's equity. For annual periods, it represents the ratio between net income and the average equity ((December + September + June + March + December)/5).
(3) Loans and leases as of period-end divided by total deposits as of period-end.
(4) As of the end of the applicable period.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in connection with our audited consolidated financial statements and the notes thereto contained elsewhere in this Offering Memorandum as well as with "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Memorandum. Information is presented as of and for the years ended December 31, 2011, 2010 and 2009, and in the case of certain information related to our loans and leases and related allowances, also as of and for the years ended December 31, 2008 and 2007.

Data included in this section have been calculated in accordance with Brazilian GAAP.

As discussed in "Presentation of Financial and Certain Other Information" and in Note 22(l) to our annual consolidated financial statements as of and for the year ended December 31, 2011, we adjusted certain items as of and for the year ended December 31, 2010, for comparative purposes. These adjustments are reflected in financial information as of and for the year ended December 31, 2010 in this Offering Memorandum and in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2011. However, financial information presented in this Offering Memorandum as of and for the years ended December 31, 2009, 2008 and 2007 does not reflect these adjustments. In addition, financial information in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2010 does not reflect these adjustments.

Average Balance Sheet and Interest Rate Data

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related financial income and financial expense amounts (which comprise, in addition to interest income and expense, other amounts such as effect of valuation to fair value of securities and derivative financial instruments and foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities) and the average real yield/rate for each period. We calculated the average balances using quarterly book balances (December + September + June + March + December)/5) for the years ended December 31, 2011, 2010 and 2009. Non-accruing loans and leases are disclosed as non-interest earning assets in the table below.

	Year Ended December 31,								
	2011			2010			2009		
	Average balance	Financial income	Average yield (%)	Average balance	Financial income	Average yield (%)	Average balance	Financial income	Average yield (%)
	(in millions of R$, except percentages)								
Assets									
Interest-earning assets	673,300	101,366	15.1	552,529	79,627	14.4	493,109	76,697	15.6
Interbank investments	100,007	10,828	10.8	118,174	10,425	8.8	131,315	12,706	9.7
Interbank – central bank accounts	86,749	9,359	10.8	45,425	4,106	9.0	8,179	641	7.8
Securities and derivative instruments	184,786	22,077	11.9	138,063	13,782	10.0	128,420	15,873	12.4
Loans and leases	301,758	59,103	19.6	250,868	51,315	20.5	225,195	47,477	21.1
Non-interest-earning assets	129,318			111,110			122,651		
Cash and due from banks	11,837			10,907			11,841		
Other interbank and interbranch accounts	8,860			7,793			7,602		
Loan and lease and other credit operations - nonaccrual	17,528			14,816			14,579		
Other assets	4,223			4,663			4,774		
Other receivables	99,355			84,977			96,147		
Allowance for loan and lease losses	(23,704)			(22,847)			(22,529)		
Investments in unconsolidated companies	3,027			3,286			2,223		

Other permanent assets	8,192	7,513	8,013
Total assets	**802,618**	**663,639**	**615,760**

	Year Ended December 31,								
	2011			2010			2009		
	Average balance	Financial Expense	Average yield (%)	Average balance	Financial Expense	Average yield (%)	Average balance	Financial Expense	Average yield (%)
	(in millions of R$, except percentages)								
Liabilities									
Interest-bearing liabilities	579,055	54,111	9.3	469,159	34,980	7.5	413,805	30,581	7.4
Interest-bearing deposits	189,461	14,440	7.6	165,785	12,037	7.3	170,183	13,598	8.0
Savings deposits	61,482	3,992	6.5	52,586	3,127	5.9	42,372	2,473	5.8
Deposits from banks	2,374	169	7.1	1,830	137	7.5	2,791	224	8.0
Time deposits	125,606	10,278	8.2	111,369	8,773	7.9	125,020	10,901	8.7
Deposits received under repurchase agreements	197,732	22,173	11.2	158,517	15,031	9.5	126,475	12,322	9.7
Funds from acceptance and issuance of securities	35,622	7,833	22.0	20,780	1,696	8.2	19,021	(686)	(3.6)
Borrowings and onlendings	53,165	2,622	4.9	40,068	969	2.4	36,255	292	0.8
Other obligations – securitisation of foreign payment orders and subordinated debt	36,589	1,804	4.9	28,579	1,318	4.6	23,703	1,064	4.5
Technical provisions for insurance, pension plan and capitalisation	66,486	5,239	7.9	55,428	3,928	7.1	38,168	3,993	10.5
Non-interest-bearing liabilities	157,514			139,113			154,860		
Non-interest-bearing deposits	26,306			26,529			25,538		
Other non-interest-bearing liabilities	131,208			112,585			129,322		
Stockholders' equity	66,049			55,367			47,095		
Total liabilities and stockholders' equity	**802,618**			**663,639**			**615,760**		

Changes in Financial Income and Expenses — Volume and Rate Analysis

The following table sets forth the allocation of the changes in our financial income and expenses between average volume and changes in the average yields/rates for the year ended December 31, 2011 compared to 2010 (which was adjusted), and for the year ended December 31, 2009. Volume and rate variations have been calculated based on fluctuations of average balances over the period and changes in average yield/rates on interest-earning assets and interest-bearing liabilities from one period to the other. Volume change has been computed as the change in the average interest-earning assets or interest-bearing liabilities from one period to the other multiplied by the average yield/rate in the later period. Yield/rate change has been computed as the change in the yield/rate in the period multiplied by the average interest-earning assets or interest-bearing liabilities in the earlier period. We allocated the net change from the combined effects of volume and yield/rate proportionately to volume change and yield/rate change considering positive and negative effects.

	Increase/(Decrease) Due to Changes in: 2011/2010			Increase/(Decrease) Due to Changes in: 2010/2009		
	Volume	Yield/Rate	Net Change	Volume	Yield/Rate	Net Change
	(in millions of R$)			(in millions of R$)		
Interest-earning assets	**18,051**	**3,692**	**21,743**	**8,519**	**(4,889)**	**3,630**
Interbank investments	(842)	1,245	403	(1,246)	(1,070)	(2,317)
Interbank — central bank accounts	4,331	922	5,254	3,428	37	3,465
Securities and derivative instruments	5,245	3,053	8,298	1,722	(3,511)	(1,789)
Loans and leases	9,850	(2,062)	7,788	5,544	(1,274)	4,271
Interest-bearing liabilities	**9,191**	**9,940**	**19,131**	**2,770**	**1,716**	**4,486**
Interest-bearing deposits	1,754	649	2,402	(597)	(960)	(1,556)
Savings deposits	560	304	865	607	48	654
Deposits from banks	38	(6)	32	(71)	(6)	(78)
Time deposits	1,155	350	1,505	(1,132)	(1,001)	(2,133)
Deposits received under repurchase agreements	4,109	3,033	7,142	3,027	(320)	2,706
Funds from acceptance and issuance of securities	1,820	4,317	6,137	70	2,021	2,092
Borrowings and onlendings	396	1,257	1,653	34	644	678
Other obligations — securitisation of foreign payment orders and subordinated debt	390	95	485	224	30	255
Technical provisions for insurance, pension plan and capitalisation	840	471	1,311	(129)	150	21

Net Financial Margin and Spread

The following table sets forth our average interest-earning assets, average interest-bearing liabilities, net financial income and the comparative net financial margin and net financial spread for the years ended December 31, 2011, 2010 and 2009.

	Year Ended December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Total average interest-earning assets	673,300	552,529	493,109
Total average interest-bearing liabilities	579,055	469,159	413,805
Net financial income[(1)]	47,259	44,648	46,116
Average yield on average interest-earning assets[(2)]	15.1%	14.4%	15.6%
Average rate on average interest-bearing liabilities[(3)]	9.3%	7.5%	7.4%
Net interest spread[(4)]	5.7%	7.0%	8.2%
Net interest margin[(5)]	7.0%	8.1%	9.4%

(1) Total financial income less total financial expense, before loan losses.
(2) Total financial income divided by average interest-earning assets.
(3) Total financial expense before loan losses, divided by average interest-bearing liabilities.
(4) Difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.
(5) Net financial income divided by average interest-earning assets.

Return on Equity and Assets

The following table sets forth certain data with respect to return on equity and assets for the years ended December 31, 2011, 2010 and 2009.

	Year Ended December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Net income	14,621	13,323	10,067
Average total assets	802,618	663,639	615,760
Average stockholders' equity	66,049	55,367	47,095
Net income as a percentage of average total assets[(1)]	1.8%	2.0%	1.6%
Net income as a percentage of average stockholders' equity[(1)]	22.1%	24.1%	21.4%
Average stockholders' equity as a percentage of average total assets[(1)]	8.2%	8.3%	7.6%
Dividend payout ratio per share[(2)]	30.0%	29.3%	35.4%

(1) Calculated using quarter-end balances.

(2) Dividend and interest on stockholders' equity per share divided by earnings per share. Please see Note 16 to our consolidated financial statements for additional information on the computation of both dividends and interest on stockholders' equity and basic earnings per share.

Securities Portfolio

General

The following table sets forth our portfolio of trading assets, securities available for sale, held to maturity securities and derivative assets and liabilities as of December 31, 2011, 2010 and 2009. Our held-to-maturity securities are stated at amortised cost. See Notes 4 and 7 to our consolidated financial statements for a description of the accounting policies applied to account for our securities portfolio and for additional information on the portfolio maintained as of such dates.

	As of December 31,					
	2011	% of total	2010	% of total	2009	% of total
	(in millions of R$, except percentages)					
Trading Assets						
Government Securities - Domestic	**62,383**	**48.1%**	**69,499**	**52.2%**	**25,826**	**35.8%**
Financial Treasury Bills	28,087	21.7%	18,935	14.2%	9,586	13.3%
National Treasury Bills	13,472	10.4%	30,636	23.0%	7,066	9.8%
National Treasury Notes	19,618	15.1%	19,117	14.4%	8,462	11.7%
National Treasury/Securitization	36	0.0%	61	0.0%	487	0.7%
Brazilian External Debt Bonds	1,096	0.8%	667	0.5%	222	0.3%
Investments in non-exclusive Funds	74	0.1%	68	0.1%	3	0.0%
Other	-	0.0%	15	0.0%	-	0.0%
Government Securities - Abroad	**803**	**0.6%**	**9,352**	**7.0%**	**1,058**	**1.5%**
Argentina	225	0.2%	293	0.2%	178	0.2%
Central Bank	3	0.0%	86	0.1%	32	0.0%
National Treasury	222	0.2%	207	0.2%	146	0.2%
Russia	-	0.0%	45	0.0%	-	0.0%
Denmark	-	0.0%	-	0.0%	-	0.0%
Spain	-	0.0%	-	0.0%	-	0.0%
Korea	-	0.0%	-	0.0%	-	0.0%
Chile	51	0.0%	247	0.2%	78	0.1%
Uruguay	27	0.0%	24	0.0%	30	0.0%
Paraguay	-	0.0%	-	0.0%	-	0.0%
United States	292	0.2%	8,714	6.5%	748	1.0%
Mexico	205	0.2%	29	0.0%	10	0.0%
Other	3	0.0%	-	0.0%	14	0.0%
Corporate Securities	**8,779**	**6.8%**	**8,314**	**6.2%**	**6,726**	**9.3%**
Eurobonds and other	1,431	1.1%	1,453	1.1%	628	0.9%
Bank Deposit Certificates	1,085	0.8%	2,451	1.8%	2,258	3.1%
Shares	854	0.7%	1,442	1.1%	1,188	1.6%

	As of December 31,					
	2011	% of total	2010	% of total	2009	% of total
	(in millions of R$, except percentages)					
Debentures	1,407	1.1%	1,356	1.0%	1,591	2.2%
Promissory Notes	290	0.2%	-	0.0%	91	0.1%
Quotas of Funds	1,215	0.9%	1,017	0.8%	937	1.3%
Fixed Income	789	0.6%	611	0.5%	492	0.7%
Credit Rights	216	0.2%	190	0.1%	337	0.5%
Variable Income	210	0.2%	217	0.2%	108	0.1%
Securitized Real Estate Loans	22	0.0%	594	0.4%	33	0.0%
Financial Bills	2,475	1.9%	1	0.0%	-	0.0%
PGBL/VGBL Fund Quotas	**57,734**	**44.5%**	**46,051**	**34.6%**	**38,626**	**53.5%**
Total	**129,699**	**100.0%**	**133,216**	**100.0%**	**72,236**	**100.0%**
Total Trading Assets as a Percentage of Total Assets		**15.2%**		**17.7%**		**11.9%**
Available for Sale Securities						
Government Securities - Domestic	**18,329**	**40.3%**	**14,796**	**35.3%**	**15,884**	**40.1%**
Financial Treasury Bills	3,038	6.7%	6,031	14.4%	7,827	19.8%
National Treasury Bills	4,015	8.8%	51	0.1%	2,198	5.6%
National Treasury Notes	5,110	11.2%	3,707	8.9%	3,624	9.2%
National Treasury/Securitization	259	0.6%	264	0.6%	254	0.6%
Brazilian External Debt Bonds	5,906	13.0%	4,718	11.3%	1,979	5.0%
Other	1	0.0%	25	0.1%	2	0.0%
Government Securities - Abroad	**4,317**	**9.5%**	**4,558**	**10.9%**	**7,245**	**18.3%**
Portugal	-	0.0%	-	0.0%	27	0.1%
Austria	-	0.0%	-	0.0%	214	0.5%
Argentina	-	0.0%	-	0.0%	-	0.0%
Denmark	1,949	4.3%	2,014	4.8%	1,971	5.0%
Spain	418	0.9%	734	1.8%	1,093	2.8%
Korea	295	0.6%	236	0.6%	1,756	4.4%
Chile	995	2.2%	453	1.1%	1,274	3.2%
Paraguay	344	0.8%	257	0.6%	417	1.1%
Uruguay	268	0.6%	184	0.4%	475	1.2%
United States	-	0.0%	680	1.6%	18	0.0%
Mexico	11	0.0%	-	0.0%	-	0.0%
Norway	-	0.0%	-	0.0%	-	0.0%
Italy	-	0.0%	-	0.0%	-	0.0%
Other	37	0.1%	-	0.0%	-	0.0%
Corporate Securities	**22,884**	**50.3%**	**22,516**	**53.8%**	**16,453**	**41.6%**
Eurobonds and other	3,638	8.0%	3,843	9.2%	1,824	4.6%
Bank Deposit Certificates	275	0.6%	559	1.3%	264	0.7%
Shares	1,990	4.4%	2,445	5.8%	2,604	6.6%
Debentures	7,236	15.9%	6,634	15.8%	4,535	11.5%
Promissory Notes	646	1.4%	1,265	3.0%	1,626	4.1%
Quotas of Funds	806	1.8%	771	1.8%	1,271	3.2%
Fixed Income	17	0.0%	30	0.1%	304	0.8%
Credit Rights	755	1.7%	693	1.7%	743	1.9%
Variable Income	34	0.1%	48	0.1%	224	0.6%
Securitized Real Estate Loans	8,022	17.6%	6,988	16.7%	4,310	10.9%
Other	271	0.6%	11	0.0%	19	0.0%
Total Available for Sale Securities	**45,530**	**100.0%**	**41,870**	**100.0%**	**39,582**	**100.0%**
Total Available for Sale Securities as a Percentage of Total Assets		**5.3%**	**14,796**	**5.6%**		**6.5%**

	As of December 31,					
	2011	% of total	2010	% of total	2009	% of total
	(in millions of R$, except percentages)					
Held-to-Maturity Securities						
Government Securities - Domestic	**3,007**	**96.8%**	**2,989**	**94.3%**	**2,179**	**89.7%**
National Treasury Notes	2,812	90.6%	2,763	87.2%	1,941	79.9%
National Treasury Notes - M	-	0.0%	-	0.0%	-	0.0%
Brazilian External Debt Bonds	195	6.3%	226	7.1%	238	9.8%
Government Securities Abroad - Uruguay	**-**	**0.0%**	**16**	**0.5%**	**17**	**0.7%**
Corporate Securities	**98**	**3.2%**	**165**	**5.2%**	**234**	**9.6%**
Eurobonds and other	66	2.1%	130	4.1%	183	7.5%
Debentures	30	1.0%	31	1.0%	46	1.9%
Quotas of funds - Fixed income	-	0.0%	-	0.0%	-	0.0%
Securitized real estate loans(*)	2	0.1%	4	0.1%	5	0.2%
Other	-	0.0%	-	0.0%	-	0.0%
Total Held-to-Maturity Securities	**3,105**	**100.0%**	**3,170**	**100.0%**	**2,430**	**100.0%**
Total Held-to-Maturity Securities as a Percentage of Total Assets		**0.4%**		**0.4%**		**0.4%**
Derivative Financial Instruments						
Assets						
Futures	26	0.3%	-	0.0%	0	0.0%
Option premiums	3,145	32.9%	2,319	27.9%	2,211	37.2%
Forwards	1,844	19.3%	1,448	17.4%	68	1.1%
Swaps - difference receivable	2,750	28.8%	2,938	35.4%	2,579	43.4%
Credit Derivative	401	4.2%	261	3.1%	15	0.3%
Forwards	452	4.7%	612	7.4%	313	5.3%
Swaps with target flow	4	0.0%	-	0.0%	234	3.9%
Others	924	9.7%	729	8.8%	519	8.7%
Total Derivative Financial Instruments Assets	**9,546**	**100.0%**	**8,307**	**100.0%**	**5,939**	**100.0%**
Derivative Financial Instruments as Percentage of Total Assets		**1.1%**		**1.1**		**1.0%**
Liabilities						
Futures	-	0.0%	(56)	1.0%	(25)	0.5%
Option premiums	(2,607)	38.3%	(2,075)	36.4%	(1,989)	36.3%
Forwards	(817)	12.0%	(78)	1.4%	(67)	1.2%
Swaps - difference receivable	(2,796)	41.1%	(2,016)	35.3%	(2,114)	38.6%
Credit Derivative	(111)	1.6%	(127)	2.2%	(106)	1.9%
Forwards	(327)	4.8%	(1,110)	19.5%	(407)	7.4%
Swaps with target flow	(2)	0.0%	-	0.0%	(229)	4.2%
Others	(147)	2.2%	(243)	4.3%	(539)	9.8%
Total Derivative Financial Instruments Liabilities	**(6,807)**	**100.0%**	**(5,705)**	**100.0%**	**(5,476)**	**100.0%**
Derivative Financial Instruments as Percentage of Total Liabilities		**0.8%**		**0.8%**		**0.9%**

As of December 31, 2011, we held securities issued by the Brazilian federal government classified above as "Government Securities — Domestic" with an aggregate market value of R$83,720 million, which amount represented 117.3%, of our consolidated stockholders' equity as of that date. As of December 31, 2011, we did not hold securities of any other issuer which in the aggregate represented more than 10.0% of our consolidated stockholders' equity.

The following table sets forth our portfolio of trading assets, securities available for sale and held-to-maturity securities at its amortised cost and its fair value, as of December 31, 2011.

	As of December 31, 2011	
	Amortised Cost	**Fair Value**
	(in millions of R$)	
Trading Securities		
Government Securities - Domestic	**62,338**	**62,383**
Financial Treasury Bills	28,089	28,086
National Treasury Bills	13,498	13,472
National Treasury Notes	19,591	19,619
National Treasury/Securitization	36	36
Brazilian External Debt Bonds	1,050	1,096
Investments in Non-exclusive Funds	74	74
Government Securities - Abroad	**788**	**803**
Argentina	226	225
Central Bank	3	3
National Treasury	223	222
Chile	50	51
Uruguay	28	27
United States	280	292
Mexico	201	205
Other	3	3
Corporate Securities	**8,812**	**8,779**
Eurobonds and other	1,446	1,432
Bank Deposit Certificates	1,086	1,085
Shares	887	853
Debentures	1,406	1,407
Promissory Notes	290	290
Quotas of Funds	1,201	1,215
Fixed income	791	789
Credit rights	216	216
Variable income	194	210
Securitized real estate loans	21	22
Financial Bills	2,475	2,475
PGBL/VGBL Fund Quotas	**57,734**	**57,734**
Total Trading	**129,672**	**129,699**

	As of December 31, 2011	
	Amortised Cost	**Fair Value**
	(in millions of R$)	
Available-for-Sale Securities		
Government Securities - Domestic	**17,962**	**18,329**
Financial Treasury Bills	3,039	3,039
National Treasury Bills	4,028	4,015
National Treasury Notes	4,963	5,110
National Treasury/Securitization	264	258
Brazilian External Debt Bonds	5,667	5,906
Other	1	1
Government Securities - Abroad	**4,327**	**4,317**
Denmark	1,949	1,949
Spain	418	418
Korea	295	295
Chile	992	995
Paraguay	358	344
Uruguay	268	268
Mexico	10	11
Other	37	37
Corporate Securities	**22,522**	**22,884**
Eurobonds and other	3,554	3,638
Bank Deposit Certificates	274	275
Shares	1,996	1,990
Debentures	7,165	7,236
Promissory Notes	646	646
Quotas of Funds	802	806
Fixed Income	17	17
Credit Rights	755	755
Variable Income	30	34
Securitized Real Estate Loans	7,814	8,022
Other	271	271
Total Available-for-Sale Securities	**44,811**	**45,530**
Held-to-Maturity Securities		
Government Securities - Domestic	**3,007**	**3,600**
National Treasury Notes	2,812	3,405
Brazilian External Debt Bonds	195	195
Corporate Securities	**98**	**102**
Eurobonds and other	66	70
Debentures	30	30
Securitized Real Estate Loans	2	2
Total Held-to-Maturity Securities	**3,105**	**3,702**

Maturity Distribution

The following table sets forth the maturity distribution as of December 31, 2011 for our securities (trading assets, securities available for sale, held-to-maturity securities and derivative assets and liabilities), adjusted to their mark-to-market values.

	As of December 31,						
	Maturity						Total
	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days	Market Value
	(in millions of R$, except percentages)						
Trading Securities							
Government Securities - Domestic	**1,946**	**1,368**	**238**	**12,272**	**6,865**	**39,696**	**62,385**
Financial Treasury Bills	-	1,326	-	2,502	972	23,288	28,088
National Treasury Bills	-	-	216	8,489	2,262	2,505	13,472
National Treasury Notes	1,685	12	17	1,272	3,558	13,076	19,620
National Treasury/Securitization	-	15	5	4	5	7	36
Brazilian External Debt Bonds	187	15	-	5	68	820	1,095
Investments in non-exclusive Funds	74	-	-	-	-	-	74
Government Securities - Abroad	33	119	84	37	14	515	802
Argentina	12	106	48	37	-	21	224
Central Bank	-	-	-	-	-	3	3
National Treasury	12	106	48	37	-	18	221
Russia	-	-	-	-	-	-	-
Chile	16	10	25	-	-	-	51
Paraguay	-	-	-	-	-	-	-
Uruguay	3	1	11	-	12	-	27
United States	2	2	-	-	-	288	292
Mexico	-	-	-	-	-	205	205
Other	-	-	-	-	2	1	3
Corporate Securities	**2,251**	**7**	**408**	**797**	**2,289**	**3,026**	**8,778**
Eurobonds and other	-	7	4	31	219	1,170	1,431
Bank Deposit Certificates	10	-	296	448	170	160	1,084
Shares	853	-	-	-	-	-	853
Debentures	120	-	108	81	243	855	1,407
Promissory Notes	53	-	-	237	-	-	290
Fund Quotas	1,215	-	-	-	-	-	1,215
Fixed income	789	-	-	-	-	-	789
Credit rights	216	-	-	-	-	-	216
Variable income	211	-	-	-	-	-	211
Securitized Real Estate Loans	-	-	-	-	-	22	22
Financial Bills	-	-	-	-	1,657	819	2,476
PGBL/VGBL Fund Quotas	**57,734**	**-**	**-**	**-**	**-**	**-**	**57,734**
Total	**61,964**	**1,494**	**730**	**13,106**	**9,168**	**43,237**	**129,699**
Available-for-Sale Securities							
Government Securities - Domestic	**21**	**19**	**1**	**1,778**	**6,244**	**10,266**	**18,329**
Financial Treasury Bills	-	18	-	326	1,951	742	3,037
National Treasury Bills	-	-	-	1,450	682	1,885	4,017
National Treasury Notes	21	-	-	1	3,608	1,479	5,109
National Treasury/Securitization	-	-	-	-	-	259	259
Brazilian External Debt Bonds	-	1	1	-	3	5,901	5,906
Other	-	-	-	1	-	-	1
Government Securities - Abroad	**1,199**	**1,915**	**761**	**265**	**91**	**87**	**4,318**
Denmark	172	1,433	345	-	-	-	1,950
Spain	418	-	-	-	-	-	418
Korea	-	85	-	209	-	-	294
Chile	343	256	336	3	11	47	996

	As of December 31,						
	Maturity						Total Market Value
	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days	
	(in millions of R$, except percentages)						
Paraguay	225	42	2	21	25	28	343
Uruguay	4	99	78	32	55	1	269
Mexico	-	-	-	-	-	11	11
Other	37	-	-	-	-	-	37
Corporate Securities	**2,938**	**586**	**715**	**1,725**	**2,592**	**14,327**	**22,883**
Eurobonds and other	94	195	180	680	688	1,803	3,640
Bank Deposit Certificates	14	82	88	90	-	-	274
Shares	1,990	-	-	-	-	-	1,990
Debentures	2	-	-	464	1,195	5,575	7,236
Promissory Notes	-	116	297	232	-	-	645
Fund Quotas	802	-	-	-	-	4	806
Fixed income	13	-	-	-	-	4	17
Credit rights	755	-	-	-	-	-	755
Variable income	34	-	-	-	-	-	34
Securitized Real Estate Loans	36	91	150	243	704	6,797	8,021
Other	-	102	-	16	5	148	271
Total	**4,158**	**2,520**	**1,477**	**3,768**	**8,927**	**24,680**	**45,530**

	As of December 31,						
	Maturity						Total Carrying Value
	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days	
	(in millions of R$, except percentages)						
Held-To-Maturity Securities							
Government Securities - Domestic	**87**	**-**	**-**	**-**	**143**	**2,778**	**3,008**
National Treasury Notes	-	-	-	-	34	2,778	2,812
Brazilian External Debt Bonds	87	-	-	-	109	-	196
Corporate Securities	**-**	**-**	**-**	**33**	**51**	**13**	**97**
Eurobonds and other	-	-	-	-	51	13	64
Debentures	-	-	-	31	-	-	31
Securitized Real Estate Loans	-	-	-	2	-	4	2
Total	**87**	**-**	**-**	**33**	**194**	**2,791**	**3,105**

	As of December 31,						
	Maturity						Total Market Value
	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days	
	(in millions of R$, except percentages)						
Derivative Financial Instruments							
Assets							
Futures (Domestic)	-	52	5	-	(3)	(27)	27
Option Premiums	1,252	182	222	660	113	717	3,146
Forwards (Abroad)	631	362	155	208	148	340	1,844
Swaps - Difference Receivable	230	351	167	503	534	965	2,750
Credit Derivative	-	15	17	7	51	311	401
Forwards	97	101	73	67	44	68	450
Swaps with Target Flow	-	-	-	-	-	4	4
Others	55	509	6	35	96	223	924
Total	**2,265**	**1,572**	**645**	**1,480**	**983**	**2,601**	**9,546**
Liabilities							
Option Premiums	(1,204)	(290)	(235)	(711)	(154)	(12)	(2,606)
Forwards (Domestic)	(42)	(92)	(193)	(56)	(99)	(335)	(817)
Swaps - Difference Receivable	(211)	(177)	(116)	(533)	(497)	(1,262)	(2,796)

	As of December 31,						
	Maturity						Total
	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days	Carrying Value
	(in millions of R$, except percentages)						
Credit Derivative	-	(5)	(9)	(7)	(9)	(82)	(112)
Forwards (Abroad)	(69)	(67)	(61)	(49)	(47)	(34)	(327)
Swaps with Target Flow	-	-	-	-	-	(2)	(2)
Others	-	-	(5)	(6)	(111)	(25)	(147)
Total	**(1,526)**	**(631)**	**(619)**	**(1,362)**	**(917)**	**(1,752)**	**(6,807)**

The following table sets forth our securities portfolio by currency as of December 31, 2011, 2010 and 2009.

	Fair value		Amortized cost	Total
	Trading Assets[2]	Securities Available for Sale	Held to Maturity Securities	
		(in millions of R$)		
At December 31, 2011	**139,245**	**45,530**	**3,105**	**187,880**
Denominated in Brazilian currency	137,655	35,690	2,823	176,168
Denominated in Brazilian currency and indexed by foreign currency [1]	959	5,690	282	6,931
Denominated in foreign currency[1]	631	4,150	-	4,781
At December 31, 2010	**141,523**	**41,869**	**3,170**	**186,562**
Denominated in Brazilian currency	129,730	30,758	2,834	163,322
Denominated in Brazilian currency and indexed by foreign currency[1]	980	5,073	313	6,366
Denominated in foreign currency[1]	10,813	6,038	23	16,874
At December 31, 2009	**78,177**	**39,582**	**2,430**	**120,189**
Denominated in Brazilian currency	75,198	30,210	2,222	107,630
Denominated in Brazilian currency and indexed by foreign currency[1]	709	1,172	184	2,065
Denominated in foreign currency[1]	2,270	8,200	24	10,494

(1) Predominantly U.S. dollar.
(2) Includes derivatives transactions.

Central Bank Compulsory Deposits

We are required to either maintain certain deposits with the Central Bank or to purchase and hold federal government securities as compulsory deposits. The following table shows the amounts of these deposits at December 31, 2011, 2010 and 2009.

	As of December 31, 2011		As of December 31, 2010		As of December 31, 2009	
	R$	% of Total Compulsory Deposits	R$	% of Total Compulsory Deposits	R$	% of Total Compulsory Deposits
Non-interest-earning[1]	5,730	5.8%	4,742	5.5%	4,042	29.1%
Interest-earning[2]	92,323	94.2%	81,034	94.5%	9,827	70.9%
Total	**98,053**	**100.0%**	**85,776**	**100.0%**	**13,869**	**100.0%**

(1) Mainly related to demand deposits
(2) Mainly related to time and saving deposits

Loans and Leases

The following table presents our loan and lease portfolio by category of transaction. Substantially all of our loans are to borrowers domiciled in Brazil and are denominated in *reais*. Additionally, the majority of our loan portfolio is indexed to Brazilian base interest rates or to the U.S. dollar.

	As of December 31,				
	2011	2010	2009	2008	2007
Type of loans and leases[1]					
Loan operations	**274,537**	**220,560**	**164,684**	**158,826**	**73,508**
Loans and discounted trade receivables	147,708	121,832	100,605	102,133	44,686
Financing	97,551	76,997	47,951	42,391	20,511
Farming and agribusiness industries	5,939	5,425	5,143	5,654	3,654
Real estate financing	23,339	16,306	10,984	8,648	4,657
Lease operations	**26,722**	**37,765**	**47,212**	**50,098**	**28,502**
Credit card operations	**40,180**	**33,685**	**30,101**	**24,558**	**11,533**
Advances on exchange contracts[2]	**3,935**	**2,861**	**3,540**	**6,924**	**1,796**
Other sundry receivables[3]	**109**	**182**	**415**	**637**	**209**
Total operations with credit granting characteristics	**345,483**	**295,053**	**245,951**	**241,043**	**115,548**
Endorsements and sureties	51,530	38,374	32,431	30,895	12,041
Total with endorsements and sureties	**397,012**	**333,427**	**278,382**	**271,938**	**127,589**

(1) We consider non-accrual loans and leases all loans that are 60 days or more overdue as non-accrual loans and we discontinue accruing financial charges related to them. Non-accrual loans amounted to R$20,448 million, R$14,851 million, R$16,297 million, R$10,833 million and R$5,055 million as of December 31, 2011, 2010, 2009, 2008 and 2007, respectively. Non-accrual loans and leases are presented in the table above in the appropriate category of loan and lease.

(2) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Liabilities - Foreign Exchange Portfolio/ Other Receivables.

(3) Includes Securities and Receivables, Debt for Purchase of Assets, Endorsements and Sureties paid and Receivables from Export Contracts.

- Loans and discounted trade receivables include short and medium-term loans and financing for large, medium, and small companies, as well as loans for individuals. We also act as a financial agent for the Brazilian government through BNDES and its affiliates for the on-lending of money to target groups of private sector borrowers. Our trade financing activities focus on export, pre-export and import financing.

- Financing includes mainly operations for acquisition of vehicles, machinery and equipment for both individuals and businesses.

- Farming and agribusiness industries include agricultural loans primarily funded from Central Bank compulsory deposits. We extend agricultural loans principally to agro-industrial borrowers.

- Real estate financing consists mainly of loans for the construction, refurbishment, extension and acquisition of homes. We fund real estate loans primarily from Central Bank mandated portions of our savings account deposits. See “Business — Our Business — Commercial Banking — Real Estate Financing”. We extended real estate loans principally to retail bank customers to finance home acquisitions. Maturity is limited to 30 years.

- Lease operations include participating in the Brazilian leasing market through our subsidiary, Itauleasing. Our leasing portfolio mainly consists of automobiles leased to individuals and machinery and equipment leased to corporate and middle market borrowers.

Loan Approval Process

For a discussion of our loan approval process, see “Business — Risk Management — Credit Risk Management”.

Indexing

Most of our portfolio is denominated in reais. However, a portion of our portfolio is indexed to foreign currencies, primarily the U.S. dollar. The foreign currency portion of our portfolio consists of loans and financing for foreign trade and pass-through operations. Our loans indexed to foreign currencies or denominated in foreign

currencies represented 17.4%, 13.6% and 13.8% of our loan portfolio as of December 31, 2011, 2010 and 2009, respectively.

Loans and Leases – Maturity and Interest Rates

The following tables present an analysis of the distribution of the credit portfolio as of December 31, 2011 by maturity according to the type of loans and leases, as well as the classification of the portfolio between variable and fixed rates of interest by maturity.

	Current					
Type of loans and lease	**Due in 01 to 30 days**	**Due in 31 to 60 days**	**Due in 61 to 90 days**	**Due in 91 to 180 days**	**Due in 181 to 365 days**	**Over 365 days**
			(in millions of R$)			
Loan operations	**31,131**	**18,559**	**12,500**	**26,384**	**38,912**	**138,006**
Loans and discounted trade receivables ...	25,676	13,996	8,350	15,158	19,906	56,807
Financing.....	4,763	3,664	3,503	9,116	14,989	60,446
Farming and agribusiness loans	394	529	443	1,442	1,888	1,219
Real estate financing	299	371	204	668	2,129	19,535
Lease Operations	**1,706**	**1,323**	**1,243**	**3,540**	**6,395**	**11,488**
Credit card operations.....	**16,020**	**7,156**	**4,130**	**5,826**	**2,270**	**188**
Advances on exchange contracts	**545**	**585**	**509**	**1,105**	**992**	**-**
Other sundry receivables	**5**	**4**	**3**	**10**	**14**	**32**
Total operations with credit granting characteristics.....	**49,408**	**27,627**	**18,385**	**36,865**	**48,584**	**149,714**

	Overdue[1]							
Type of loans and lease	**Due in 01 to 14 days**	**Due in 15 to 30 days**	**Due in 31 to 60 days**	**Due in 61 to 90 days**	**Due in 91 to 180 days**	**Due in 181 to 365 days**	**Over 365 days**	**Total gross loans**
				(in millions of R$)				
Loan operations[2]	**2,182**	**664**	**1,031**	**906**	**1,924**	**2,302**	**33**	**274,537**
Loans and discounted trade receivables .	1,799	473	871	807	1,739	2,121	5	147,708
Financing.....	334	127	150	95	176	167	22	97,551
Farming and agribusiness loans	9	1	3	1	3	6	2	5,939
Real estate financing	40	63	8	3	7	8	4	23,339
Lease operations.....	**208**	**115**	**162**	**100**	**192**	**201**	**49**	**26,722**
Credit card operations.....	**568**	**272**	**271**	**385**	**1,105**	**1,866**	**124**	**40,180**
Advances on exchange contracts	**172**	**5**	**4**	**6**	**6**	**7**	**-**	**3,935**
Other sundry receivables	**5**	**2**	**3**	**6**	**17**	**10**	**-**	**109**
Total operations with credit granting characteristics.....	**3,135**	**1,058**	**1,471**	**1,401**	**3,243**	**4,386**	**206**	**345,483**

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Non-accrual loans and leases of R$20,448 million are presented in the table above in the appropriate category of loan and lease. Non-accrual loans and leases include in the case of loans payable in instalments both current and overdue instalments.

	Current						
	Due in 01 to 30 days	Due in 31 to 90 days	Due in 91 to 180 days	Due in 181 to 365 days	Due in one year to three years	Due after three years	More than three years
	(in millions of R$)						
Interest rate of loans to customers by maturity:							
Variable rates	6,385	14,270	10,093	12,047	30,644	7,992	27,145
Fixed rates	43,023	31,742	26,772	36,537	66,766	12,126	5,041
Total	**49,408**	**46,012**	**36,865**	**48,584**	**97,410**	**20,118**	**32,186**

	Overdue[1]					
	Due in 01 to 30 days	Due in 31 to 90 days	Due in 91 to 180 days	Due in 181 to 365 days	Due in one year or more	Total gross loans
	(in millions of R$)					
Interest rate of loans to customers by maturity:						
Variable rates	1,270	196	77	92	6	110,217
Fixed rates	2,923	2,676	3,166	4,294	200	235,266
Total[2]	**4,193**	**2,872**	**3,243**	**4,386**	**206**	**345,483**

(1) Defined as loans and leases contractually past due as to payment of interest or principal.
(2) Non-accrual loans and leases of R$20,448 million are presented in the table above in the appropriate category of loan and lease. Non-accrual loans and leases include in the case of loans payable in instalments both current and overdue instalments.

Loans and Leases Quality Information

The table below presents our non-accrual loans together with certain asset quality ratio for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

	2011	2010	2009	2008	2007
	(in millions of R$, except percentages)				
Non-accrual loans and leases and foreclosed assets	20,537	14,932	16,564	11,187	5,352
Non-accrual loans and leases	20,448	14,851	16,297	10,833	5,055
Foreclosed assets, net of reserves	89	81	267	354	297
Allowance for loan losses	25,772	22,018	24,052	19,972	7,926
Total loans and leases	345,483	295,053	245,951	241,043	115,548
Non-accrual loans and leases as a percentage of total loans	5.9%	5.0%	6.6%	4.5%	4.4%
Non-accrual loans and leases and foreclosed assets as a percentage of total loans	5.9%	5.1%	6.7%	4.6%	4.6%
Allowance for loan losses as a percentage of total loans	7.5%	7.5%	9.8%	8.3%	6.9%
Allowance for loan losses as a percentage of non-accrual loans and leases	126.0%	148.3%	147.6%	184.4%	156.8%
Allowance for loan losses as a percentage of non-accrual loans and leases and foreclosed assets	125.5%	147.5%	145.2%	178.5%	148.1%

Overseas Loans and Leases

Loans outstanding to foreign borrowers exceeded 1.0% of total assets in the case of borrowers from our subsidiaries and branches in Argentina, Chile, Europe, Paraguay and Uruguay. Total amounts outstanding to such borrowers, consisting of loans and leases, deposits in banks, securities, cash and cash equivalents and interbank and interbranch accounts as of December 31, 2011 amounted to R$37,229 million. The amounts have been translated to

reais from their amounts expressed in foreign currency (Argentine pesos, Chilean pesos, Euros, U.S. dollars, Paraguayan Guarani and Uruguayan pesos, respectively) using the exchange rate as of December 31, 2011.

The total outstanding amounts to Argentine, Chilean, European (consolidated), Paraguayan and Uruguayan borrowers of our foreign branches and subsidiaries as of December 31, 2011 consists of:

	As of December 31, 2011 (in millions of R$)
Cash and cash equivalents	
Interbank investments	
Securities and derivative financial instruments	4,501
Loans, leases and other credit operations	26,230
Total outstanding	37,229

Loans and Leases by Economic Activity

The following table presents the composition of our credit portfolio, including non-accrual loans, by economic activity of the borrower at each of the dates indicated.

	2011		2010		2009	
Economic Activities	**Loan portfolio**	**% of Loan portfolio**	**Loan portfolio**	**% of Loan portfolio**	**Loan portfolio**	**% of Loan portfolio**
			(in millions of R$, except percentages)			
PUBLIC SECTOR	**2,010**	**0.6%**	**1,166**	**0.4%**	**1,652**	**0.7%**
Generation, transmission and distribution of electric energy	412	0.1%	565	0.2%	720	0.3%
Chemical and petrochemical	613	0.2%	273	0.1%	288	0.1%
Other	985	0.3%	328	0.1%	644	0.3%
PRIVATE SECTOR	**343,472**	**99.4%**	**293,887**	**99.6%**	**244,298**	**99.3%**
COMPANIES	**188,118**	**54.5%**	**161,561**	**54.8%**	**131,499**	**53.4%**
INDUSTRY AND COMMERCE	**99,862**	**28.9%**	**85,113**	**28.8%**	**68,090**	**27.7%**
Food and beverages	16,588	4.8%	14,345	4.9%	10,698	4.3%
Autoparts and accessories	4,776	1.4%	3,867	1.3%	2,683	1.1%
Agribusiness capital assets	1,021	0.3%	848	0.3%	689	0.3%
Industrial capital assets	5,643	1.6%	5,172	1.8%	4,064	1.7%
Pulp and paper	2,330	0.7%	2,362	0.8%	1,647	0.7%
Distribution of fuels	2,195	0.6%	1,893	0.6%	1,605	0.7%
Electrical and electronic	6,977	2.0%	6,946	2.4%	5,805	2.4%
Pharmaceuticals	2,769	0.8%	2,099	0.7%	1,634	0.7%
Fertilizers, insecticides and crop protection	1,651	0.5%	1,314	0.4%	1,407	0.6%
Tobacco	275	0.1%	373	0.1%	523	0.2%
Import and export	1,895	0.5%	1,997	0.7%	1,579	0.6%
Hospital care materials and equipment	1,035	0.3%	919	0.3%	722	0.3%
Construction material	5,300	1.5%	4,399	1.5%	3,521	1.4%
Steel and metallurgy	7,534	2.2%	6,876	2.3%	5,645	2.3%
Wood and furniture	3,061	0.9%	2,711	0.9%	2,259	0.9%
Chemical and petrochemical	7,051	2.0%	5,331	1.8%	5,259	2.1%
Supermarkets	1,641	0.5%	1,089	0.4%	993	0.4%
Light and heavy vehicles	7,653	2.2%	5,942	2.0%	5,397	2.2%
Clothing	9,062	2.6%	7,683	2.6%	5,540	2.3%
Other – commerce	5,859	1.7%	4,941	1.7%	3,717	1.5%
Other – industry	5,546	1.6%	4,007	1.4%	2,703	1.1%
SERVICES	**70,649**	**20.4%**	**60,313**	**20.4%**	**48,705**	**19.8%**
Heavy construction (constructors)	3,737	1.1%	3,317	1.1%	2,879	1.2%
Financial	5,273	1.5%	5,331	1.8%	4,822	2.0%
Generation, transmission and distribution of electric energy	5,281	1.5%	5,216	1.8%	5,833	2.4%
Holding companies	3,265	0.9%	3,037	1.0%	2,917	1.2%
Real estate agents	11,368	3.3%	9,568	3.2%	7,101	2.9%
Media	3,093	0.9%	2,698	0.9%	2,232	0.9%
Service companies	4,753	1.4%	4,488	1.5%	3,186	1.3%
Health care	1,730	0.5%	1,954	0.7%	1,337	0.5%
Telecommunications	1,175	0.3%	1,059	0.4%	1,195	0.5%

Economic Activities	2011 Loan portfolio	2011 % of Loan portfolio	2010 Loan portfolio	2010 % of Loan portfolio	2009 Loan portfolio	2009 % of Loan portfolio
	(in millions of R$, except percentages)					
Transportation	15,962	4.6%	11,931	4.0%	9,819	4.0%
Other services	15,013	4.3%	11,714	4.0%	7,383	3.0%
PRIMARY SECTOR	**16,109**	**4.7%**	**13,948**	**4.7%**	**13,375**	**5.4%**
Agribusiness	13,729	4.0%	11,743	4.0%	11,411	4.6%
Mining	2,380	0.7%	2,205	0.7%	1,965	0.8%
OTHER COMPANIES	**1,497**	**0.4%**	**2,187**	**0.7%**	**1,279**	**0.5%**
INDIVIDUALS	**155,354**	**45.0%**	**132,326**	**44.8%**	**112,849**	**45.9%**
Credit cards	39,801	11.5%	33,892	11.5%	29,987	12.2%
Consumer Loans/overdraft	38,641	11.2%	27,518	9.3%	23,147	9.4%
Real estate financing	16,819	4.9%	10,790	3.7%	7,439	3.0%
Vehicles	60,093	17.4%	60,124	20.4%	52,276	21.3%
TOTAL	**345,483**	**100.0%**	**295,053**	**100.0%**	**245,951**	**100.0%**

As of December 31, 2011 there was no concentration of loans exceeding 10% of total loans not otherwise disclosed as a category of loans.

Rating of the Loan and Lease Portfolio

We present below the classification of our loan and lease portfolio based on the risk categories established by the Central Bank. The Central Bank categories apply to specific transactions and not to borrowers. In order to apply the Central Bank categories to transactions, we consider the classification of the borrower as a starting point. In addition, we also take into consideration any overdue time with respect to the transaction and the specific terms and purposes of the transactions (e.g., guarantees). The table below presents as of December 31, 2011 and 2010 our classification of the loan and lease portfolio, according to the Central Bank categories, and as of December 31, 2011 non-accrual loans and leases and the allowance corresponding to the loans and leases classified within each Central Bank category.

Central Bank categories	2011 Loans and leases	2011 % of total	2011 Non-accrual loans and leases	2011 Allowance for loan and lease losses	2010 Loans and leases	2010 % of total
	(in millions of R$, except percentages)					
AA	111,275	32.2%	-	-	49,370	16.7%
A	146,417	42.4%	-	(732)	142,581	48.3%
B	31,427	9.1%	-	(314)	56,025	19.0%
C	18,672	5.4%	1,406	(560)	16,120	5.5%
D	15,065	4.4%	2,579	(4,419)	11,169	3.8%
E	3,830	1.1%	2,242	(1,915)	4,580	1.6%
F	3,218	0.9%	2,007	(2,252)	2,868	1.0%
G	2,456	0.7%	1,828	(2,456)	1,781	0.6%
H	13,123	3.8%	10,387	(13,123)	10,558	3.6%
Total	**345,483**	**100.0%**	**20,448**	**(25,772)**	**295,053**	**100.0%**

Non-accrual loans and leases

We consider all loans that are 60 days or more overdue as to principal or interest payments non-accrual loans and leases and we discontinue accruing financial charges related to them. In 2011, we did not have any individually material non-accrual loans and leases.

Charge-offs

Loans and leases are charged off against the allowance when the loan is not collected or is considered permanently impaired. We normally charge off loans when they become 360 days overdue as to principal or interest payments. However, charge-offs may be recognised earlier than 360 days if we conclude that the loan is not recoverable.

Allowance for Loan and Lease Losses

The table below sets forth allowance for loan and lease losses for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

	2011	2010	2009	2008	2007
	(in millions of R$, except percentages)				
Balance at the beginning of period	**22,018**	**23,703**	**19,972**	**7,926**	**7,431**
Balance arising from acquisitions	**-**	**-**	**171**	**4,395**	**131**
Net increase for the period	**19,912**	**14,121**	**16,399**	**14,280**	**6,563**
Charge-offs	**(16,158)**	**(15,805)**	**(12,490)**	**(6,628)**	**(6,199)**
Loan operations	**(10,190)**	**(10,260)**	**(7,621)**	**(4,381)**	**(4,583)**
Loans and discounted trade receivables	(9,260)	(9,531)	(7,003)	(3,690)	(3,915)
Financing	(731)	(669)	(572)	(613)	(496)
Farming and agribusiness loans	(7)	(6)	(1)	(8)	(7)
Real estate financing	(192)	(55)	(44)	(70)	(165)
Lease operations	**(1,976)**	**(2,051)**	**(1,701)**	**(453)**	**(280)**
Credit card operations	**(3,423)**	**(2,770)**	**(2,700)**	**(1,599)**	**(1,263)**
Advances on exchange contracts[(1)]	**(322)**	**(439)**	**(365)**	**(172)**	**(28)**
Other sundry receivables[(2)]	**(248)**	**(285)**	**(103)**	**(23)**	**(45)**
Balance at the end of period	**25,772**	**22,018**	**24,052**	**19,972**	**7,926**
Ratio of charge-offs during the period to average loans outstanding during the period	5.1%	5.9%	4.7%	4.3%	6.3%
Ratio of allowance for loan losses to total loans and leases	7.5%	7.5%	9.8%	8.3%	6.9%

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Liabilities – foreign Exchange Portfolio / Other Receivables.

(2) Includes Securities and Receivables, Debt for Purchase of Assets, Endorsements and Sureties paid and Receivables from Export Contracts.

Allocation of the Allowance for Loan and Lease Losses

The following table sets forth our allocation of the allowance for loan and lease losses as of December 31, 2011, 2010, 2009, 2008 and 2007. The allocated amount of the allowance is expressed as a percentage of the related loan and lease amount with the corresponding percentage of the loan and lease category to total loans and leases.

	2011			2010			2009			2008			2007		
	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans[(1)]	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans[(1)]	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans[(1)]	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans[(1)]	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans[(1)]
	(in millions of R$, except percentages)														
Loan operations	**17,586**	**5.1%**	**79.5%**	**14,376**	**4.9%**	**74.3%**	**15,750**	**6.4%**	**67.0%**	**14,255**	**5.9%**	**65.9%**	**5,906**	**5.1%**	**63.5%**
Loans and discounted trade receivables	14,658	4.2%	42.8%	12,257	4.2%	41.3%	13,479	5.5%	40.9%	10,659	4.4%	42.4%	4,848	4.2%	38.6%
Financing	2,348	0.7%	28.2%	1,446	0.5%	26.1%	1,393	0.6%	19.5%	2,724	1.1%	17.6%	742	0.6%	17.7%
Farming and agribusiness loans	159	0.0%	1.7%	169	0.1%	1.8%	318	0.1%	2.1%	332	0.1%	2.3%	92	0.1%	3.2%
Real estate financing	420	0.1%	6.8%	505	0.2%	5.5%	560	0.2%	4.5%	540	0.2%	3.6%	224	0.2%	4.0%
Lease operations	**1,820**	**0.5%**	**7.7%**	**2,565**	**0.9%**	**12.8%**	**2,752**	**1.1%**	**19.2%**	**1,764**	**0.7%**	**20.8%**	**888**	**0.9%**	**24.7%**
Credit card operations	**6,254**	**1.8%**	**11.6%**	**4,930**	**1.7%**	**11.4%**	**5,199**	**2.1%**	**12.2%**	**3,539**	**1.5%**	**10.2%**	**1,060**	**0.9%**	**10.0%**
Advances on exchange contracts[(1)]	**79**	**0.0%**	**1.1%**	**89**	**0.0%**	**1.0%**	**246**	**0.1%**	**1.4%**	**346**	**0.1%**	**2.9%**	**22**	**0.0%**	**1.6%**
Other sundry receivables[(2)]	**33**	**0.0%**	**0.0%**	**58**	**0.0%**	**0.1%**	**105**	**0.0%**	**0.2%**	**68**	**0.0%**	**0.3%**	**50**	**0.0%**	**0.2%**
Total operations with credit granting characteristics	**25,772**	**7.5%**	**100.0%**	**22,018**	**7.5%**	**100.0%**	**24,052**	**9.8%**	**100.0%**	**19,972**	**8.3%**	**100.0%**	**7,926**	**6.9%**	**100.0%**

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Liabilities – foreign Exchange Portfolio / Other Receivables.

(2) Includes Securities and Receivables, Debt for Purchase of Assets, Endorsements and Sureties paid and Receivables from Export Contracts.

Renegotiated Loans

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(in millions of R$, except percentages)				
Renegotiated loans(*)	14,570	9,032	7,669	5,142	2,928
Allowance for loan losses	(6,105)	(4,214)	(4,017)	(2,498)	(1,525)
Allowance for loan losses/renegotiated loans	**41.9%**	**46.7%**	**52.4%**	**48.6%**	**52.1%**

(*) Includes debt consolidation, deferment or any other arrangement that modifies the original payment periods or conditions.

The following table set forth the amounts charged as expenses against allowance for loan losses and the amount of recoveries recognised in income of loans previously written-off for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(in millions of R$, except percentages)				
Allowance for loan losses - increase for the period	(19,912)	(14,121)	(16,399)	(14,280)	(6,563)
Recoveries of loans previously written-off	5,488	4,209	2,234	1,334	1,068
Allowance for loan losses net of recoveries	**(14,424)**	**(9,911)**	**(14,165)**	**(12,946)**	**(5,495)**

During the year ended December 31, 2007, we charged off credits in the total amount of R$6,199 million and as of December 31, 2007 our ratio of allowance for loan and lease losses to total loans and leases was 6.9%. The increase in the volume of credits written off in 2007 was a result of the growth of and the change in the mix of our credit portfolio, which occurred in the prior four years. However, the credit portfolio also presented an improvement in quality indicators during the year as a result of the adoption of improved credit policies. Our continuously developing risk models have permitted us to reach our goals of increasing our credit portfolio with improvements in quality indicators. Therefore, the growth in expenses with provision for loan and lease losses in 2007 was low when compared to the growth in our credit portfolio. Also, collection efforts resulted in an increase in the recovery of credits previously written off as losses.

During the year ended December 31, 2008, we charged off credits in the total amount of R$6,628 million and as of December 31, 2008 our ratio of allowance for loan and lease losses to total loans and leases was 8.3%. The increase in the provision for loan losses resulted from the impact of the economic downturn as well as a result of additional allowances that accounted for the expected deterioration of the macroeconomic scenario. The rapid deterioration of the economic cycle caused our nonperforming ratio to decline sharply.

During the year ended December 31, 2009, we charged off credits in the total amount of R$12,490 million and as of December 31, 2009 our ratio of allowance for loan and lease losses to total loans and leases was 9.8%. The increase in losses reflects the adverse economic environment and occurred in accordance with our forecasted scenario. Recent data indicate that leading indicators for default rates, such as first payment default rates, improved and we believe that this is a result of increased selectivity in our origination policies, our ongoing development of risk analysis procedures and an overall improvement in macroeconomic conditions in Brazil.

Beginning on December 31, 2010, the allowance for loan losses reflects the expected losses model employed in our credit risk management policies, based on the broad Basel II philosophy, which also reflects potential overdraft losses. This model replaces the previous one which reflected, in addition to expected losses, the concept of countercyclical provisions, which will be addressed as part of a required capital buffer under Basel III.

Considering the change of consolidation criteria, that excluded the effects of Porto Seguro and 50% of FIC in the portfolio, during the year ended in December 31, 2010, we charged off credits in the total amount of R$15,805 million and as of December 31, 2010 our ratio of allowances for loan and lease losses to total loans and leases was 7.5%. Our ratio of allowances for loan and lease losses to total loans and leases decreased by 2.3 percentage points compared to the previous year. It should be noted that the earlier text of 2010 considered 30% of Porto Seguro and 100% of FIC. The increase in the volume of credits written off in 2010 was a result of increased delinquency in 2009 combined with the strong growth of our credit portfolio.

During the year ended in December 31, 2011, we charged off credits in the total amount of R$16,158 million and as of December 31, 2011 our ratio of allowances for loan and lease losses to total loans and leases was 7.5%. The increase in the volume of credits written off in 2011 was a result of increased delinquency in 2010 combined with the strong growth of our credit portfolio. As of December 2011, our ratio of allowances for loan and lease losses to total loans and leases was equivalent to the previous year.

Average Deposit Balances and Interest Rates

The table below sets forth the average balances of deposits together with the average interest rates paid for each period presented.

	Year Ended December 31,					
	2011		2010		2009	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(in millions of R$, except percentages)					
Non-interest-bearing deposits	**26,306**		**26,529**		**25,538**	
Demand deposits and others	26,306		26,529		25,538	
Interest-bearing deposits	**189,461**	10.2%	**165,785**	9.7%	**170,183**	8.0%
Deposits from banks	2,374	7.1%	1,830	7.5%	2,791	8.0%
Savings deposits	61,482	6.5%	52,586	5.9%	42,372	5.8%
Time deposits	125,606	8.2%	111,369	7.9%	125,020	8.7%
Total	**215,767**		**192,314**		**195,721**	

The following tables set forth a breakdown of deposits by maturity as of December 31, 2011, 2010 and 2009:

	As of December 31, 2011				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(in millions of R$)				
Non-interest bearing deposits	**28,933**	**—**	**—**	**—**	**28,933**
Demand deposits	28,933	—	—	—	28,933
Other deposits	—	—	—	—	—
Interest bearing deposits	**98,752**	**19,850**	**11,920**	**83,181**	**213,703**
Savings deposits	67,170	—	—	—	67,170
Time deposits	30,917	19,167	11,475	82,909	144,468
Deposits from banks	665	683	445	272	2,065
Total	**127,685**	**19,850**	**11,920**	**83,181**	**242,636**

	As of December 31, 2010				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(in millions of R$)				
Non-interest bearing deposits	**26,443**	**—**	**—**	**—**	**26,443**
Demand deposits	25,537	—	—	—	25,537
Other deposits	906	—	—	—	906
Interest bearing deposits	**73,574**	**17,550**	**21,981**	**63,140**	**176,245**
Savings deposits	57,899	—	—	—	57,899
Time deposits	15,333	16,714	21,476	62,894	116,417
Deposits from banks	342	836	505	246	1,929
Total	**100,017**	**17,550**	**21,981**	**63,140**	**202,688**

	As of December 31, 2009				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(in millions of R$)				
Non-interest bearing deposits	**25,834**	**—**	**—**	**—**	**25,834**
Demand deposits	24,837	—	—	—	24,837
Other deposits	997	—	—	—	997
Interest bearing deposits	**65,178**	**16,191**	**14,737**	**68,834**	**164,939**
Savings deposits	48,222	—	—	—	48,222
Time deposits	16,374	15,437	14,175	68,685	114,671
Deposits from banks	582	754	562	149	2,046
Total	**91,012**	**16,191**	**14,737**	**68,834**	**190,773**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009, and the notes thereto, included elsewhere in this Offering Memorandum, as well as the information presented under "Presentation of Financial and Certain Other Information," "Selected Financial and Other Information," "Selected Statistical Information" and in the documents incorporated by reference herein.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those set forth in "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Overview

Our results of operations are significantly affected by the following key factors, among others.

Trends

We expect that several factors will affect our future results of operations, liquidity and capital resources, including:

- the Brazilian economic environment;
- Legal and regulatory developments;
- the effects of any continued international financial turmoil, including on our required liquidity and capital;
- the effects of inflation on our results of operations;
- the effects of fluctuations in the value of the *real* and interest rates on our net interest income; and
- any acquisitions we make in the future.

As part of our strategy, we continue to review opportunities to grow, both in Brazil and internationally.

In addition, you should read "Risk Factors" for a discussion of the risks we face in our business operations, which could affect our business, results of operations or financial condition.

Effects of the Global Financial Markets on our Financial Condition and Results of Operations

The global financial markets crisis has significantly affected the world economy since the last quarter of 2008. The crisis led to (i) recessions and increasing unemployment in the world's leading economies, (ii) a reduction in investments on a global scale, (iii) a decrease in commodities prices, (iv) a sharp decline in credit availability and liquidity and (iv) a general reduction in the levels of transactions in the capital markets worldwide. The world economy and the credit and capital markets substantially recovered in 2010 and early 2011 but the condition of the global financial markets deteriorated again in the second half of 2011.

Recent increased risk in the global financial markets resulted primarily from fiscal problems in Europe, such as the high debt levels that impair growth and the increased risk of a sovereign default. Worries regarding the fiscal crisis in Europe intensified in the third quarter of 2011 and the probability of a new global recession increased, with heightened risk aversion and volatility in financial markets. Markets fear sovereign or bank defaults and the lack of political coordination in Europe.

The Greek debt crisis spread to other highly indebted European countries, such as Italy, Spain and Portugal. A significant portion of these countries' debt is held by financial institutions, and their economic situation may impact the results of banks and investment funds. The fiscal crisis in Europe is expected to last for an extended period, and may include sovereign restructurings as well as the implementation of fiscal adjustment measures with the assistance of the European Central Bank.

Although the European Union has been taking measures to face these difficulties, a financial deterioration of any of these countries may impair growth of economies worldwide and, indirectly, Brazil's economy. Although we

have international operations and investments in certain European countries affected by the fiscal crisis, our exposure to the sovereign bonds of Greece, Ireland, Italy, Portugal and Spain ("**GIIPS**"), as well as to financial institutions and other corporations and small businesses and individuals domiciled in those countries is not significant when compared to our total assets or shareholders' equity. We are also indirectly exposed to the GIIPS countries through Banco BPI S.A. ("**Banco BPI**"), a Portuguese bank which is our equity investee. As disclosed in Note 15 to our consolidated financial statements, our investment in Banco BPI as of December 31, 2011 amounted to R$219 million based on the quoted market price of its shares.

The U.S. economy grew 1.7% in 2011, decelerating from 3.0% in 2010. Production was lifted by durable goods following the normalisation in the Japanese supply-chain after the early 2011 earthquake and tsunami. Consumer expenditure growth remained steady as households reacted to low real income growth. Inflation decelerated in the fourth quarter of 2011. We believe that economic growth in the U.S. will remain modest in 2012, as we assume that (i) households will again increase their savings rate in the next few quarters; (ii) fiscal policy will remain restrictive in 2012; and (iii) the European debt crisis is likely to impact U.S. exports and overall financial condition.

Finally, emerging markets, including Brazil and China, are experiencing the first signs of growth deceleration. China's government is gradually moving from a tightening policy to a more flexible stance. Similarly, Brazilian Central Bank started a monetary easing cycle. Although less growth is expected in 2012, emerging markets are expected to perform better than the developed world.

Our results of operations since the last quarter of 2008 have been partially negatively affected by the global financial markets crisis. Fiscal problems in advanced economies, sluggishness in the developed world and inflation and other issues in developing economies may have an impact on future growth in Brazil and, therefore, on our results of operations.

Brazilian Economic, Political and Social Conditions

As a Brazilian bank with most of our operations in Brazil, we are significantly affected by economic, political and social conditions in Brazil. In recent years, we have benefited from Brazil's generally stable economic environment, with average annual gross domestic product ("**GDP**") growth of approximately 4.2% from 2004 to 2010, which led to increased bank lending and deposits. The downward trend in inflation until recently had allowed the Central Bank to ease the benchmark interest rate payable to holders of securities issued by the Brazilian government and traded through the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia* or the "**SELIC**") from a high of 17.75% in December 2004 to a low of 8.75% in July 2009. The Central Bank started to reduce the SELIC interest rate in August, due to fears of an internationally driven deceleration of Brazilian economic activity. Since then, the government reduced the SELIC rate by 200 basis points, and was at 10.50% as of January 2012. As a proportion of GDP, bank lending expanded to 49.1% in December 2011 from 45.2% in December 2010. In addition, the Brazilian government reduced the manufactured products tax (*Imposto sobre Produtos Industrializados*, or "**IPI**") for domestic utilities and vehicles, in order to stimulate domestic activity. Further tax reductions could take place to further stimulate the Brazilian economy.

There are still concerns about the acceleration of inflation in Brazil. Consumer price inflation in 2011 is considerably above the levels reached in 2010, reflecting not only high commodity prices during 2011 but also an overheated labour market and inflationary inertia. The Consumer Price Index (*Índice de Preços ao Consumidor Amplo* or "**IPCA**") increased by 6.5% in 2011, compared to 5.9% in 2010. If inflation continues to rise, income of families may decrease in real terms and could eventually lead to higher delinquency rates in the Brazilian banking system. In addition, we have experienced some deterioration in non-performing loans in the very small and small companies market principally due to the increase in interest rates and other macroprudential measures taken by the Central Bank.

In 2010, Brazil experienced strong growth and GDP increased 7.5% from the previous year. This was primarily due to the Brazilian economy rebounding from negative growth in 2009, and also the result of rapid expansion of domestic demand, driven mainly by the recovery of consumer and investment expenditures as well as stimulative fiscal expenditures in 2010. Nonetheless, Brazilian GDP growth is expected to decelerate to 2.7% in 2011. Growth is moderating as a result of global deceleration, macroprudential measures taken in late 2010 by the Brazilian government and fiscal and monetary tightening. The Brazilian credit market showed moderate growth over the previous year, impacted by the effects of the macroprudential measures and the tightening of monetary policy in 2010. Total new consumer loans in Brazil increased by 4.4% in real terms in 2011 compared to 2010, after growing

15.4% in 2010 compared to 2009. Similarly, total new corporate loans in Brazil grew by 1.4% in 2011 compared to 2010 and by 2.5% compared to 2009.

The current account deficit (net balance from trade of goods and services and international transfers) reached 2.12% of GDP as of December 31, 2011, from 2.21% in 2010. Brazil's external solvency improved considerably, with US$352 billion in international reserves and US$297.3 billion in external debt as of December 31, 2011. Brazil's external liabilities excluding foreign direct investments (mainly foreign portfolio investments) decreased to US$784 billion as of December 31, 2011, from US$828 billion as of December 31, 2010. In addition, the Central Bank bought US$47.6 billion on the foreign exchange spot market until January 2012. The recent balance of payments results could increase exchange-rate volatility, potentially affecting our results. See "— Certain Effects of Foreign Exchange Rates on Our Net Interest Income".

We are also exposed to tax-policy and regulatory changes, which are sometimes adopted on short notice. For instance, in October 2010, the government increased the tax on financial transactions (*Imposto Sobre Operações Financeiras* or "**IOF**") to 6.0% applicable to foreign exchange transactions made by foreign residents for purposes of investing in the Brazilian financial and capital markets (the "**IOF/FX**"). The IOF/FX tax rates imposed on foreign exchange transactions have been recently modified and are currently imposed at a rate of 0.38%, with certain exceptions to this general rule. See "The Brazilian Financial System and Banking Regulation — Taxation — Tax on Financial Transactions".

In July 2011, with the enactment of Provisional Measure No. 539 and the Executive Decree No. 7,536, the Brazilian government imposed an IOF tax of 1% on the net derivatives positions of taxpayers who increase their net short position on the U.S. dollar/*real* exchange rate. Those measures reduced the liquidity in the currency market, contributing to increase volatility in the U.S. dollar-*real* exchange rate, which was R$1.7468 to US$1.00 as of January 31, 2012, from R$1.56 to US$1.00 as of June 30, 2011. Increased risk aversion along with an interruption in the U.S. dollar weakening process around the world contributed to this movement.

In addition, in 2008, a tax on withdrawals from checking accounts, or the CPMF, was abolished; there is a risk, however, that this may be imposed again. In July 2011, the Brazilian government resumed interventions in the currency market through administrative measures, requiring banks to deposit with the Central Bank the equivalent of 60% of their spot short dollar positions exceeding US$1 billion.

Furthermore, a number of regulatory changes for the domestic banking sector are under consideration, such as limits to compensation packages of financial institutions, additional disclosure of derivative transactions and further modifications to capital requirement models. These changes have the potential to adversely affect our operations and profitability.

On April 30, 2008, Standard & Poor's Rating Services upgraded the long-term rating of Brazil's sovereign foreign currency debt to BBB- from BB+, upgrading Brazil's rating to investment grade. On November 17, 2011, S&P further upgraded Brazil to BBB. On May 29, 2008, Fitch Ratings followed suit and upgraded Brazil to investment grade, raising its rating to BBB- from BB+, and on April 4, 2011, to BBB. On September 22, 2009, Moody's Investors Service Inc. raised Brazil's sovereign rating to Baa3 from Ba1, and on June 20, 2011 updated it to Baa2. These upgrades have contributed to further increase the inflow of foreign capital, which in turn has strengthened the *real*.

The table below shows the real GDP growth, the inflation rates, exchange rate variation and the interest rates in Brazil as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007:

	As of and for the year ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Real GDP growth %[(1)]	n.a.	7.5	(0.3)	5.2	6.1
Inflation rate %[(2)]	5.0	11.3	(1.4)	9.1	7.9
Inflation rate %[(3)]	6.5	5.9	4.3	5.9	4.5
Exchange rate variation %(R$/US$)[(4)]	(11.2)	4.5	34.2	(24.2)	20.7
TR – a reference interest rate %[(5)]	1.07	0.66	0.20	2.27	0.85
CDI (interbank interest rate) %[(5)]	10.87	10.64	8.61	13.49	11.11
SELIC – overnight interest rate %[(5)]	10.90	10.66	8.65	13.66	11.18
5 year CDS (basis points)[(6)]	161.6	111.3	122.5	300.5	103.0

(1) Source: Instituto Brasileiro de Geografia e Estatística ("**IBGE**")

(2) Source: General Price Index – Internal Availability (*Índice Geral de Preços - Disponibilidade Interna* or "**IGP-DI**"), as published by the Fundação Getulio Vargas.
(3) Source: IPCA, as published by IBGE.
(4) Source: Central Bank (accumulated rates for the period, negative numbers mean depreciation of the Brazilian *real*).
(5) Source: Central Bank. December interest rate - % per annum.
(6) Source: Bloomberg (period end).

Certain Effects of Foreign Exchange Rates on Our Net Interest Income

The variation of the *real* can affect our net interest income. A certain amount of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar. When the *real* depreciates, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and short-term borrowings, because the cost in *reais* of the related interest expense increases. At the same time, we realise gains on monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, due to increased interest income from such assets measured in *reais*. When the *real* appreciates, the effects are the opposite of those described above. Consequently, the management of the gap in foreign currencies can have material effects on our net income. Our foreign currency gap management also takes into account the tax effects of such positions. As the profits from exchange rate variation on investments abroad are not taxable, we aim to maintain sufficient hedges (a liability position in foreign exchange derivatives) to reduce the potential effects from our total foreign-exchange exposure, net of tax effects.

Unless otherwise indicated, the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" relates to our annual average interest rates and yields. Interest rates cited are measured in *reais* and include the effect of the variation of the *real* against foreign currencies.

Seasonality

Generally our retail banking and our credit card businesses have some seasonality, with increased levels of retail and credit card transactions during the Christmas season and a subsequent decrease of these levels at the beginning of the year. We also have some seasonality in our banking service fees related to collection services at the beginning of the year, which is when taxes and other fiscal contributions are generally paid.

Discussion of Critical Accounting Policies

General

Our main accounting policies are described in Note 4 to our annual consolidated financial statements. The preparation of the financial statements involves certain assumptions that are derived from historical experience and various other factors that we deem reasonable and relevant. While we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often requires our management to make judgements on matters that are inherently uncertain. The following discussion describes the areas that require the most judgement or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations.

Investors should read the following discussion in conjunction with our financial statements and the sections in this Offering Memorandum headed "Selected Statistical Information," "The Brazilian Financial System and Banking Regulation" and "Annex A — Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP".

Reclassification of certain items as of and for the year ended December 31, 2010

As discussed in "Presentation of Financial and Certain Other Information" and in Note 22(l) to our annual consolidated financial statements as of and for the year ended December 31, 2011, we adjusted certain items as of and for the year ended December 31, 2010, for comparative purposes. These adjustments are reflected in financial information as of and for the year ended December 31, 2010 in this Offering Memorandum and in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2011. However, financial information presented in this Offering Memorandum as of and for the years ended December 31, 2009, 2008 and 2007 does not reflect these adjustments. In addition, financial information in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2010 does not reflect these adjustments.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with Brazilian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used for, but not limited to, the calculation of the allowance for loan and lease losses, the selection of useful lives for certain assets, the determination of whether a specific asset or group of assets has been impaired, the expected realisable amount of deferred tax assets, the market value of certain financial instruments, the classification and computation of contingent liabilities and the amount of technical provisions for insurance, pension plans and capitalisation. The accounting estimates made in these contexts require management to make assumptions about matters that are highly uncertain. In each case, if management had made other estimates, or if changes in these estimates occur from period to period, it could have a material impact on our financial condition and results of operations. Therefore, actual results may differ from our estimates.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents our estimate of the probable losses on our loan and lease portfolio at the end of each reporting period. The allowance for loan losses is calculated taking into consideration the classification of loan losses in one of nine different risk levels (from AA through H). See "Selected Statistical Information—Loans and Leases—Rating of the Loan and Lease Portfolio". The classification of the risk levels is a judgement that takes into consideration the economic and political situation, credit quality trends, past experience and the portfolio's specific and global risks, as well as Central Bank and CMN guidelines. CMN rules specify a minimum allowance for loan losses and other extensions of credit in each rating category ranging from zero per cent (in the case of a credit that is not in arrears) to 100.0% (in the case of any credit that is more than 180 days in arrears). In addition to recognising allowances for loan and lease losses in accordance with the CMN minimum requirements, we also recognise an allowance that we identify as "generic," which represents our estimate of the allowance as of any given date based on our historic loss experience, which beginning in December 31, 2010, is measured using models employed in credit risk management based on Basel II. Beginning in December 31, 2008, we also recognised an "additional allowance," which represents an adjustment to our generic allowance considering the economic scenario. As of December 31, 2009 and in the first three quarters of 2010, we included as part of the "additional allowance" countercyclical provisions which, beginning on December 31, 2010, we no longer record as such; under the third Basel Accord ("**Basel III**"), countercyclical provisions will be addressed as part of a required capital buffer.

The methodologies to compute the generic allowance depend on several criteria including the criteria used to segment our loan portfolio, the period used to measure our historical losses, the specific method used to measure such historical losses, the impact of our loan granting criteria on losses over time and other factors. Additionally, the methodologies used to measure the additional allowance also depend on significant judgements, including the relationship between the level of loan losses observed and economic factors as of any given date. If our estimates differ from the amounts actually collected, additional provisions may be required.

Market Value of Financial Instruments

In accordance with Brazilian GAAP and specific rules of the Central Bank, we record some of our financial instruments at market value. Financial instruments recorded at market value on our balance sheet include mainly securities classified as trading, available-for-sale, and other trading assets, including derivatives. Securities classified as held-to-maturity are recorded at their amortised cost on our balance sheet, and their corresponding market values are disclosed in the notes to our annual consolidated financial statements.

Market value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable party. We estimate market value using quoted market prices when available. When quoted market prices are not available, we use a variety of sources, which include dealer quotes, pricing models and quoted prices of instruments with similar characteristics or discounted cash flows. The determination of market value when quoted market prices are not available involves judgement by our management. Similarly, judgement must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. While we believe our valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies and

assumptions to determine the market value of certain instruments could result in a different estimate of market value at the reporting date, which may affect the amount of revenue or loss recorded for a specific asset or liability. Judgements are also required to determine whether a decline in market value below amortised costs is permanent in available-for-sale or held-to-maturity securities, therefore requiring cost basis to be written down and recognition of related effects on our results of operations. Factors that are used by our management in determining whether a decline is permanent include mainly the observed period of the loss, the degree of the loss and the expectation, as of the date of analysis, as to the potential for realisation of the security.

Contingent Liabilities

We are currently party to civil, labour, tax and social security proceedings arising from the normal course of our business. We normally make provisions for these contingencies based on the following: (i) for lawsuits individually reviewed, on the opinion of internal and external legal counsel and the probability that financial resources will be required to settle the claim, where settlement amounts may be estimated with sufficient certainty and (ii) for lawsuits collectively evaluated, by using statistical references by group of lawsuits, type of legal body (small claims court or regular court) and claimant. We classify as "probable," "possible" or "remote" the risk that such contingencies arising from these proceedings will materialise into actual losses for us. We generally recognise provisions for these contingencies when we classify the loss related to these claims as probable. While we do not recognise provisions for contingencies whose risk we consider possible or remote, we disclose contingencies whose risk we consider possible. We measure contingency amounts by using models and criteria that, in spite of the uncertainty of these contingencies' terms and amounts, we feel accurately estimate their values. Although we believe that these contingencies are adequately reflected in our annual consolidated financial statements, their outcomes may result in obligations to pay amounts higher than the aggregate values of our contingency provisions, given the inherent difficulties in estimating the exact amounts involved in the claims made against us.

Recent Developments

On January 24, 2012, Itaú Unibanco Holding, acting through its Cayman Islands Branch, issued US$550 million of 6.20% subordinated notes due 2021, to be fungible with, to be consolidated and form a single series with, and to vote as a single class with its outstanding US$500 million of 6.20% subordinated notes due 2021 issued June 21, 2011.

On February 6, 2012, our board of directors declared interest on equity in the amount of R$0.41640 per share (or R$0.35394 per share, net of taxes) and authorised payment of interest on equity declared on December 16, 2011 in the amount of R$0.2880 per share (or R$0.2448, net of taxes). All such amounts are expected be paid on March 13, 2012 and total R$0.59874 per share, net of taxes. In addition, on February 6, 2012, our Board of Directors approved a 25% increase (i.e., from R$0.12 to R$0.15 per share) in the monthly dividend included in the calculation of our mandatory dividend under Brazilian corporate law, beginning with the payment to be made on April 2, 2012 and calculated based on our final shareholder base as of February 29, 2012.

On February 7, 2012 Itaú Unibanco Holding announced its intention to acquire, directly or through its affiliates, all outstanding shares of Redecard S.A. ("**Redecard**"), through a public tender offer (the "**Tender Offer**") aimed at (i) cancelling Redecard's authorisation as a publicly-held company registered with the CVM and (ii) delisting Redecard from the Novo Mercado Corporate Governance Listing Segment maintained by the São Paulo Stock Exchange (BM&FBOVESPA Bolsa de Valores, Mercadorias e Futuros, or "**BM&F Bovespa**").

The Tender Offer will target the acquisition of 336,390,251 common shares of Redecard, corresponding to 49.9859% of its share capital. The announced price to be offered for each of such shares will be R$35.00, payable in *reais*, a total offer of R$11.8 billion. We intend to fund the Tender Offer with available cash. Itaú BBA will act as advisor and intermediary institution of the Tender Offer. The completion of the Tender Offer is subject to regulatory approval.

Results of Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Highlights

Net income for the year ended December 31, 2011 was R$14,621 million, with an annualised return on average equity of 22.3%, compared to 24.1% for 2010. As of December 31, 2011, consolidated assets totalled R$851,332

million and total stockholders' equity was R$71,347 million. As of the same date, our solvency ratio on a fully consolidated basis was 16.4%.

The balance of credit transactions, including sureties and endorsements, was R$397,012 million as of December 31, 2011, a 19.1% increase compared to December 31, 2010. As of December 31, 2011, credit to individuals increased by 18.0%, while credit to companies increased by 17.9%, compared to December 31, 2010. With respect to credit to individuals, the highlights were mortgage loans, credit cards and personal loans, with increases of 66.7%, 18.0% and 47.0%, respectively. With respect to credit to companies, the very small, small and middle-sized companies portfolio increased 13.0% from December 31, 2010 to December 31, 2011, while the corporate portfolio increased 21.3% during the same period. The balance of sureties and endorsements was R$51,530 million on December 31, 2011, a 34.5% increase compared to December 31, 2010.

Our result of allowance for loan losses increased by 45.5% for the year ended December 31, 2011, when compared to the year ended December 31, 2010. Expenses for allowance for loan losses increased by 41.0% from R$14,121 million for the year ended December 31, 2010 to R$19,912 million for 2011, an increase of R$5,791 million. This growth is primarily due to increased default levels, the increase of our credit portfolio and also reflects the model of expected losses adopted in our credit risk management, based on the broad concept of Basel II, which considers potential losses for revolving loans. This model replaces a former one, which contained, besides expected loss, the concept of countercyclical provisions, which is treated as a capital cushion according to the Basel III precepts. The adoption of this model resulted in a R$1,573 million allowance reversal gross of taxes in the fourth quarter 2010. As of December 31, 2011, the ratio of 90-day non-performing loans as a percentage of our total credit portfolio increased to 4.9%, compared to 4.2% as of December 31, 2010. Credits under renegotiation, including extended, modified and deferred repayments, increased to 4.2% of our total portfolio as of December 31, 2011, compared to 3.1% as of December 31, 2010.

Our results of operations for the year ended December 31, 2011, when compared to the year ended December 31, 2010, reflected a significant impact from exchange rate variations. The exchange rate between the U.S. dollar and the *real* changed significantly. During the year ended December 31, 2011, the *real* depreciated 11.2% against the U.S. dollar, while in 2010 the *real* appreciated 4.3% against the U.S. dollar.

In 2011, there was a change in the basis for consolidating Financeira Itaú CBD S.A. from full to partial consolidation and Porto Seguro S.A. from consolidation to recognition under the equity method. See Note 2(b) to our annual consolidated financial statements.

Net Income

The table below shows the major components of our net income for the years ended December 31, 2011 and 2010.

	Year Ended December 31,		
	2011	**2010**	**Variation (%)**
		(in millions of R$)	
Income from financial operations	101,366	79,627	27.3%
Expenses of financial operations	(54,107)	(34,979)	54.7%
Income from financial operations before loan losses	47,259	44,648	5.8%
Result of loan losses	(14,424)	(9,911)	45.5%
Gross income from financial operations	32,835	34,736	(5.5)%
Other operating revenues (expenses)	(14,546)	(14,481)	0.4%
Operating income	18,289	20,255	(9.7)%
Non-operating income	191	81	135.8%
Income before taxes on income and profit sharing	18,481	20,336	(9.1)%
Income tax and social contribution expense	(2,855)	(5,886)	(51.5)%
Profit sharing	(192)	(261)	(26.4)%
Minority interest in subsidiaries	(813)	(866)	(6.1)%
Net income	**14,621**	**13,323**	**9.7%**

For the year ended December 31, 2011, our net income was influenced by provisions for contingencies related to civil litigation in connection with economic plans (an after-tax expense of R$285 million), Program for Settlement or Installment of Federal Taxes – Law No. 11,941 (an after-tax expense of R$509 million) and an

adjustment made to our investment in Banco BPI, which reflects its market value based on its share price on December 31, 2011 (an after-tax expense of R$245 million). See Note 22(k) to our interim consolidated financial statements.

Income from Financial Operations

The table below shows the major components of our income from financial operations for the years ended December 31, 2011 and 2010.

	Year Ended December 31,		
	2011	**2010**	**Variation (%)**
		(in millions of R$)	
Loan, lease and other credit operations	59,103	51,315	15.2%
Securities and derivative financial instruments	26,061	18,714	39.3%
Insurance, pension plan and capitalisation	5,930	4,513	31.4%
Foreign exchange operations	914	980	(6.7)%
Compulsory deposits	9,359	4,106	127.9%
Total income from financial operations	**101,366**	**79,627**	**27.3%**

Our income from financial operations increased by 27.3% from R$79,627 million for the year ended December 31, 2010 to R$101,366 million for 2011, an increase of R$21,739 million. This increase is primarily due to increases in income from compulsory deposits, income from securities and derivative financial instruments, income from insurance, pension plans and capitalisation products and income from loan, lease and other credit operations. The increase in income from compulsory deposits reflects the impact of new requirements implemented by the Central Bank during 2010, increasing significantly the required volume of such deposits. This increase was partially offset by a decrease in income from foreign exchange operations.

Income from Loan, Lease and Other Credit Operations

Our income from loan, lease and other credit operations increased by 15.2% from R$51,315 million for the year ended December 31, 2010 to R$59,103 million for the same period in 2011, an increase of R$7,788 million. This increase was mainly due to an increase in the volume of loans and lease transactions, in particular loans to companies, vehicle financing, credit card and personal loans, as well as an increase in the volume of loans and leases denominated in, or indexed to, foreign currencies.

The table below shows the performance of credit transactions with loans (including sureties and endorsements) classified by type of creditor (individuals and companies), further broken down by type of product for individuals and by size of customer for companies.

	Year Ended December 31,		
	2011	2010	Variation (%)
	(in millions of R$)		
Loans to individuals	**147,860**	**125,368**	**17.9%**
Credit card	38,961	33,030	18.0%
Personal credit	35,069	23,864	47.0%
Vehicles	60,093	60,118	0.0%
Mortgage loans[(1)]	13,450	8,067	66.7%
Rural loans[(1)]	287	289	(0.5)%
Loans to companies[(1)]	**228,474**	**193,663**	**18.0%**
Corporate	139,907	115,348	21.3%
Very small, small and middle market	88,567	78,315	13.1%
Loans to clients of subsidiaries located in Argentina/Chile/Uruguay/Paraguay	**20,678**	**14,397**	**43.6%**
Total of loan, lease and other credit operations (including sureties and endorsements)	**397,012**	**333,427**	**19.1%**

(1) Mortgage loan and rural loan portfolios are presented within loans to individuals or loans to companies, as appropriate, according to the type of client. As of December 31, 2011, the total mortgage loan portfolio totalled R$19,550 million and the total rural loan portfolio totalled R$5,939 million, compared to R$13,257 million and R$5,425 million, respectively, as of December 31, 2010.

The total balance of our loans, lease and other credit operations, including sureties and endorsements, was R$397,012 million as of December 31, 2011, a 19.1% increase compared to the balance of R$333,427 million as of December 31, 2010. Loans to individuals totalled R$147,860 million as of December 31, 2011, an increase of 17.9% compared to December 31, 2010. The balance of credit card lending increased by 18.0% from December 31, 2010 to December 31, 2011. Credit card lending is an increasingly important tool that we use to acquire new customers, particularly low-income individuals. Personal loans increased by 47.0% from December 31, 2010 to December 31, 2011 primarily as a result of growth in loan volume at Unibanco branches now integrated in the Itaú Unibanco network and the revision of credit lines along with growth in number of clients while vehicle financing remained steady compared to 2010. Mortgage loans to individuals increased by 66.7% from December 31, 2010 to December 31, 2011, resulting from the favourable Brazilian economic environment. Loans to companies totalled R$228,474 million as of December 31, 2011, an increase of 18.0% compared to December 31, 2010, driven primarily by a 21.3% increase in loans to large companies totalling R$139,907 million as of December 31, 2011. Loans to very small, small and middle market companies increased 13.1% compared to December 31, 2010, mainly in the subsegment of medium-sized companies. The balance of our loan portfolios in Argentina, Chile, Uruguay and Paraguay totalled R$20,678 million as of December 31, 2011, an increase of 43.6% compared to December 31, 2010, primarily driven by our growth of operations outside of Brazil, and also influenced by the appreciation of the *real* against these countries' currencies.

Income from Securities and Derivative Financial Instruments

Our income from securities and derivative financial instruments increased by 39.3%, or R$7,347 million, from R$18,714 million for the year ended December 31, 2010 to R$26,061 million for 2011. This increase in income from securities and derivative financial instruments reflects the higher base annual average rate (SELIC) in Brazil in 2011 (11.6%) compared to that of 2010 (9.8%), the increase in the average balance of securities in 2011 and higher gains from derivative financial instruments used to hedge the impact of exchange rate variation on our investments in subsidiaries outside of Brazil.

Income from Insurance, Pension Plan and Capitalisation

Our income from insurance, pension plan and capitalisation increased by 31.4%, from R$4,513 million for the year ended December 31, 2010 to R$5,930 million for 2011, an increase of R$1,417 million, mainly due to

increased revenues from pension plans, related to an increase in volume from operations and technical reserves from insurance, pension plan and capitalisation, and also due to the increase of average interest rates from period to period.

Income from Foreign Exchange Operations

Our income from foreign exchange operations decreased by 6.7%, or R$66 million, from R$980 million for the year ended December 31, 2010 to R$914 million for 2011. This decrease in income from foreign exchange operations was mainly due to lower arbitrage gains on foreign exchange operations.

Income from Compulsory Deposits

Our income from compulsory deposits increased by 127.9%, or R$5,253 million, from R$4,106 million for the year ended December 31, 2010 to R$9,359 million for 2011. Regulatory requirements related to compulsory deposits changed during 2010, increasing significantly the required volume of deposits and consequently impacting income from compulsory deposits. As of December 31, 2011, we had compulsory deposits of R$98,053 million compared to R$85,776 million as of December 31, 2010, of which R$92,323 million and R$81,034 million, respectively, were interest-earning.

Expenses of Financial Operations

The following table describes the main components of our expenses on financial operations in 2011 and 2010.

	Year Ended December 31,		
	2011	**2010**	**Variation (%)**
		(in millions of R$)	
Money market	46,250	30,082	53.7%
Technical provisions for pension plan and capitalisation	5,239	3,928	33.4%
Borrowings and onlending	2,618	969	170.2%
Total expenses of financial operations	**54,107**	**34,979**	**54.7%**

Our expenses of financial operations increased by 54.7% from R$34,979 million for the year ended December 31, 2010 to R$54,107 million for 2011, an increase of R$19,128 million, mainly due to the increase in expenses from money market transactions and to the increase in borrowings and onlending expenses as discussed below.

Expenses from Money Market Transactions

Our expenses from money market transactions increased by 53.7% from R$30,082 million for the year ended December 31, 2010 to R$46,250 million for 2011, an increase of R$16,168 million. This increase was mainly due to the increase in the annual average SELIC rate from 9.8% in 2010 to 11.6% in 2011 and the increase in the balance of deposits and also reflects the impact of exchange rate variations on liabilities denominated in, or indexed to, foreign currencies.

Expenses from Technical Provisions for Pension Plan and Capitalisation

Our expenses from technical provisions for pension plan and capitalisation operations increased by 33.4% from R$3,928 million for the year ended December 31, 2010 to R$5,239 million for 2011, an increase of R$1,311 million, mainly due to the increase in the volume of technical provisions for pension plans that increased 21.8% in 2011 from R$60,551 million to R$73,754 million.

Expenses from Borrowings and Onlending

Our expenses from borrowings and onlending increased by 170.2%, R$1,649 million, from R$969 million for the year ended December 31, 2010 to R$2,618 million for 2011, mainly due to the impact of exchange rate variations on borrowings and onlending denominated in, or indexed to, foreign currencies.

Income from Financial Operations before Loan Losses

Our income from financial operations before loan losses increased by 5.8% from R$44,648 million for the year ended December 31, 2010 to R$47,259 million for 2011, an increase of R$2,611 million, mainly as a result of the factors described above under "— Income from Financial Operations" and "— Expenses of Financial Operations".

Result of Loan Losses

Our result of loan losses increased 45.5% from R$9,911 million for the year ended December 31, 2010 to R$14,424 million for the same period in 2011, an increase of R$4,513 million. The following table describes the main components of our result of allowance for loan losses for the years ended December 31, 2011 and 2010.

	Year Ended December 31,		
	2011	**2010**	**Variation (%)**
		(in millions of R$)	
Expenses for allowance for loan losses	(19,912)	(14,121)	41.0%
Income from recovery of credits written off as loss	5,488	4,209	30.4%
Result of allowance for loan losses	**(14,424)**	**(9,911)**	**45.5%**

Expenses for Allowance for Loan Losses

Our expenses for allowance for loan losses increased by 41.0% from R$14,121 million for year ended December 31, 2010 to R$19,912 million for 2011, an increase of R$5,791 million. This growth is primarily due to increased default levels, the increase of our credit portfolio. In addition, since the fourth quarter of 2010, the additional provision for loan and lease losses began to reflect the model of expected loss adopted in our credit risk management, based on the broad concept of Basel II, which considers potential losses for revolving loans. This model replaces a former one, which contained, besides expected loss, the concept of countercyclical provisions, which is treated as a capital cushion according to the Basel III precepts. Due to the implementation of this model, we anticipated and complemented by R$270 million the minimum level required by CMN Resolution No. 2,682 in 2011.

As of December 31, 2011, the balance of the allowance for loan losses totalled R$25,772 million. Of this total, R$20,713 million relates to the minimum level required by CMN Resolution No. 2,682 and R$5,058 million relates to the complementary provision.

As of December 31, 2011, the balance of the allowance for loan losses in relation to our loan portfolio was equivalent to 7.5% flat to that of December 31, 2010.

The increase in renegotiations of loans previously written off as losses observed in 2011, resulted in an increase in the provision for loan and lease losses. For these renegotiations, we fully accrue the debit balance so as not to generate any result until a strong indication of this loan recovery is obtained. Under this practice, our provision expenses increase because the related loan has already been overdue, accrued and recognised as loss in the past. This expense growth is neutralised by the increase in the income from recovery of loans written off as losses, without impact on the net income.

Income from Recovery of Credits Written Off as Losses

Our income from recovery of credits written off as losses increased by 30.4% from R$4,209 million for the year ended December 31, 2010 to R$5,488 million for 2011, an increase of R$1.279 million. Our improved collection efforts were the main reason for this increase.

Gross Income from Financial Operations

Our gross income from financial operations decreased by 5.5% from R$34,736 million for the year ended December 31, 2010 to R$32,835 million for 2011, a decrease of R$1,901 million primarily due to increased expenses for loan losses.

Other Operating Revenues (Expenses)

The table below shows the main components of our other operating revenues (expenses) for the years ended December 31, 2011 and 2010.

	Year Ended December 31,		
	2011	2010	Variation (%)
	(in millions of R$)		
Banking service fees and income from bank charges	19,048	17,101	11.4%
Result from insurance, pension plan and capitalisation operations	2,714	2,100	29.2%
Personnel expenses	(13,357)	(12,452)	7.3%
Other administrative expenses	(14,100)	(13,598)	3.7%
Tax expenses	(4,092)	(4,168)	(1.8)%
Equity in earnings of affiliates and other investments	40	423	(90.5)%
Other operating revenues	393	529	(25.7)%
Other operating expenses	(5,192)	(4,415)	17.6%
Total other operating revenues (expenses)	**(14,546)**	**(14,481)**	**0.4%**

Banking Service Fees and Income from Bank Charges

Our banking service fees and income from bank charges increased by 11.4% from R$17,101 million for the year ended December 31, 2010 to R$19,048 million for 2011, an increase of R$1,947 million.

Banking service fees increased by 12.7% from R$12,341 million for the year ended December 31, 2010 to R$13,912 million for 2011, an increase of R$1,571 million. This increase was mainly due to increased revenues from credit card transactions, which increased R$827 million, or 15.7%, from R$5,284 million for the year ended December 31, 2010 to R$6,111 million for the same period in 2011, primarily due to a higher volume of invoice discounts for retailers, the growth in the number of credit card customers, the increased use of credit cards as the method of payment in commercial transactions and an increased offering of consumer credit lines, such as cash advances, offered by us through retailers. Fees from assets under management increased R$122 million, or 4.9%, from R$2,486 million for the year ended December 31, 2010 to R$2,608 million for the same period in 2011, due to an 11.0% increase in the volume of assets under management, which increased from R$363,818 million as of December 31, 2010 to R$403,906 million as of December 31, 2011. Income from sureties and credits granted increased by 20.7% from R$1,460 million for year ended December 31, 2010 to R$1,762 million for the same period in 2011, an increase of R$302 million. This change is related to an increase in our operational activity. We also had an increase of 18.3%, or R$220 million, in other banking service fees primarily due to higher revenues from the investment banking unit, mainly those related to economic and financial advisory activities.

Income from bank charges increased by 7.9% from R$4,760 million for the year ended December 31, 2010 to R$5,135 million for 2011, an increase of R$375 million, principally due to fees for loan transactions and service packages on a greater volume of transactions.

Result from Insurance, Pension Plan and Capitalisation Operations

Our result from insurance, pension plan and capitalisation operations increased by 29.2% from R$2,100 million for the year ended December 31, 2010 to R$2,714 million for 2011, an increase of R$614 million. The increase in our result from insurance, pension plan and capitalisation operations was mainly affected by the increases in premiums and contributions together with increases in the volume of sales of insurance products.

Personnel Expenses

Our personnel expenses increased by 7.3% from R$12,452 million for year ended December 31, 2010 to R$13,357 million for 2011, an increase of R$905 million. This increase in personnel expenses was mainly due to the impact of the labour union agreement reached in September 2010 which increased compensation by 7.5% for employees earning R$5,250 per month or less and by the greater of (i) 4.29% and (ii) a fixed amount of R$393.75 per month for employees earning over R$5,250 per month. The agreement also established an increase of 7.5% in benefits for all employees. Finally, the labour union agreement reached in September 2011 increased compensation

by 9.0% for all employees. The agreement also established an increase of 9.0% in benefits for all employees. In addition, we experienced a 3.2% decrease in the number of employees to a total of 104,542 employees as of December 31, 2011 compared to December 31, 2010, primarily because of the reductions in personnel as a result of restructuring initiatives in our consumer business unit which were intended to integrate systems and processes into a single platform in order to capture synergies across our consumer operations and in connection with a strategic review of certain businesses. As part of this review, certain positions within our consumer business were transferred to our retail partners.

Other Administrative Expenses

Our administrative expenses increased by 3.7% from R$13,598 million for the year ended December 31, 2010 to R$14,100 million for the same period in 2011, an increase of R$502 million. This increase in other administrative expenses was mainly due to our organic growth, in particular in the very small, small and middle market companies market. We also recorded increased expenses related to higher operating activity, especially those related to data processing and communication, services from third-parties, including marketing, advisory and consulting services, and financial system services. In addition, a portion of our expenses is subject to readjustment according to cumulative consumer inflation in Brazil which reached 6.5% in 2011 according to IBGE/IPCA.

Tax Expenses

Our tax expenses decreased by 1.8% from R$4,168 million for the year ended December 31, 2010 to R$4,092 million for 2011, a decrease of R$76 million. The decrease is mainly due to the results of the hedge in our investments in subsidiaries outside of Brazil by using foreign-currency denominated liabilities or derivative instruments which are deductible for purposes of Brazilian taxes.

Equity in Earnings of Affiliates and Other Investments

Our equity in earnings of affiliates and other investments decreased by 90.5% from R$423 million for the year ended December 31, 2010 to R$40 million for 2011, a decrease of R$383 million, due to an adjustment to our investment in Banco BPI in order to reflect its market value based on its share price on December 30, 2011.

Other Operating Revenues

Our other operating revenues decreased by 25.7% from R$529 million for the year ended December 31, 2010 to R$393 million for 2011, a decrease of R$136 million.

Other Operating Expenses

Our other operating expenses increased by 17.6% from R$4,415 million for the year ended December 31, 2010 to R$5,192 million for 2011, an increase of R$777 million, mainly due to an increase in provision for civil lawsuits.

Operating Income

Our operating income decreased by 9.7% from R$20,255 million for year ended December 31, 2010 to R$18,289 million for 2011, a decrease of R$1,966 million.

Non-Operating Income

Our non-operating income increased from R$81 million for the year ended December 31, 2010 to R$191 million for 2011, an increase of R$110 million.

Income before Taxes on Income and Profit Sharing

Our income before taxes on income and profit sharing decreased by 9.1% for the year ended December 31, 2010 from R$20,336 million to R$18,481 million for 2011, a decrease of R$1,855 million.

Income Tax and Social Contribution (Expense) Benefit

The table below shows the major components of our income tax and social contribution expense for the years ended December 31, 2011 and 2010.

	Year Ended December 31,		
	2011	**2010**	**Variation (%)**
	(in millions of R$)		
Income before income tax and social contribution	**18,481**	**20,336**	**(9.1)%**
Charges (income tax and social contribution) at the rates in effect	**(7,392)**	**(8,134)**	**(9.1)%**
Increase (decrease) to income tax and social contribution charges arising from:			
(Additions) exclusions	**4,537**	**2,248**	**101.8%**
Foreign exchange variation on investments abroad	1,097	(372)	(394.9)%
Interest on capital	1,662	1,496	11.1%
Dividends, interest on external debt bonds and tax incentives	281	298	(5.7)%
Prior periods increase (reversal)	885	626	41.4%
Other	611	201	204.3%
Total income tax and social contribution expense	**(2,855)**	**(5,886)**	**(51.5)%**

Income tax and social contribution decreased 51.5% to an expense of R$2,855 million for the year ended December 31, 2011 compared to an expense of R$5,886 million for 2010. The main factor that contributed to this increase was the results of the hedge in our investments in subsidiaries outside of Brazil by using foreign-currency denominated liabilities or derivative instruments which are deductible for purposes of Brazilian taxes.

Our total tax on income is composed of current income tax and deferred tax. Certain amounts of income and expenses are recognised in our income statement but do not affect our taxable basis and, conversely, certain amounts are taxable income or deductible expenses in determining our taxes on income but do not affect our income statement. Those items are known as "permanent differences". For Brazilian tax purposes, exchange rate gains and losses on our investments in subsidiaries abroad are not taxable if they represent a gain or are not deductible; if they represent a loss, they constitute a permanent difference. From an economic perspective, we hedge our investments in subsidiaries outside of Brazil by using foreign-currency denominated liabilities or derivative instruments. The gains or losses on derivative instruments and the exchange rate gains and losses on foreign-currency denominated liabilities are taxable or deductible for purposes of Brazilian taxes. During the year ended December 31, 2011, depreciation of the *real* against the foreign currencies in which our subsidiaries operate generated losses that were not deductible for tax purposes. The depreciation of the *real* generated taxable gains on derivatives instruments used as economic hedges and taxable exchange rate gains on liabilities used as economic hedges.

Profit Sharing

The profit sharing of members of our management decreased by 26.4% from R$261 million for the year ended December 31, 2010 to R$192 million for 2011, a decrease of R$69 million.

Minority Interest in Subsidiaries

Results from minority interest in subsidiaries decreased from an expense of R$866 million for the year ended December 31, 2010 to an expense of R$813 million for 2011, a decrease of R$53 million, principally as a result of decreased earnings from our minority interest in Redecard S.A. For additional information, see Note 16(e) to our interim consolidated financial statements.

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Presentation of Financial Information as of and for the Year Ended December 31, 2010

As discussed in "Presentation of Financial and Certain Other Information" and in Note 22(l) to our annual consolidated financial statements as of and for the year ended December 31, 2011, we adjusted certain items as of

and for the year ended December 31, 2010, for comparative purposes. These adjustments are reflected in financial information as of and for the year ended December 31, 2010 in this Offering Memorandum and in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2011. However, financial information presented in this section as of and for the year ended December 31, 2009 does not reflect these adjustments. In addition, financial information in our financial statements attached hereto in Annex B as of and for the year ended December 31, 2010 does not reflect these adjustments.

The following comparison of results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009 should be read together with Note 22(l) to our annual consolidated financial statements as of and for the year ended December 31, 2011.

Highlights

For the year ended December 31, 2010, our consolidated net income was R$13,323 million. As of December 31, 2010, our total stockholders' equity was R$60,879 million. Our annualised return on average equity was 24.1% in 2010. As of the same date, our solvency ratio on a fully consolidated basis was 15.4%, a 130 basis points decrease in comparison to December 31, 2009, mainly due to (i) changes in capital requirements rules, which excluded additional provisions for loan and lease losses from the Tier 1 capital calculation, and (ii) credit expansion. For more detail about the calculation of our regulatory capital, see Note 3 to our consolidated financial statements as of and for the year ended December 31, 2010.

During 2010 our main challenge was the completion of the integration of Unibanco branches and customer site branches throughout Brazil. With the completion of the integration, we were able to improve our processes and, accordingly, expand the volume of services and increase our customer base, while maintaining service quality.

We highlight the improvement of asset quality as the principal change in our financial condition for the year ended December 31, 2010. Our operations were positively affected by a decrease in nonperforming loans, mainly due to an improvement in the quality of our portfolio with individuals and companies, and an improvement in our recovery of loans previously written off as losses. Reduced delinquency levels are associated with the improving Brazilian economy, as well as the more conservative credit policies adopted by us since 2009.

As of December 31, 2010, the balance of credit transactions, including endorsements and guarantees, was R$333,427 million, a 19.8% increase compared to December 31, 2009. Credit to individuals increased by 16.3%, while credit to companies increased by 21.9% compared to December 31, 2009. During 2010, we maintained our strategy of increasing the volume of credit card lending, vehicle financing, mortgage loans and loans to very small, small and middle market companies, with loans to companies increasing at a higher rate than other segments.

Our results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009, reflected a significant impact from exchange rate variation. The exchange rate between the U.S. dollar and the *real* changed significantly. During the year ended December 31, 2010 the *real* appreciated 4.3% against the U.S. dollar, while in the year ended December 31, 2009 the *real* appreciated 25.5% against the U.S. dollar. The decrease in income from financial operations before loan losses, mainly due to lower gains from derivative financial instruments used to hedge our investments in subsidiaries abroad, resulted in a decrease in expenses related to income tax and social contribution.

On August 23, 2009, Itaú Unibanco Holding and Porto Seguro S.A. ("*Porto Seguro*") entered into an alliance to combine their respective homeowner and automobile insurance operations. As a consequence of this association, the results of Porto Seguro have been proportionally consolidated beginning with the fourth quarter of 2009, in light of our 30.0% interest in Porto Seguro. Thus, the financial statements as of and for the year ended December 31, 2010 present the effects from this association and consolidate our proportional interest in the results of operations of Porto Seguro in our consolidated statement of income and the financial position in our consolidated balance sheet. This association did not have a significant impact on our net income.

In 2011, there was a change in the basis for consolidating Financeira Itaú CBD S.A. from full to partial consolidation and Porto Seguro S.A. from consolidation to recognition under the equity method. See Note 2(b) to our annual consolidated financial statements.

Net Income

The table below shows the major components of our net income for years ended December 31, 2010 and 2009.

	Year Ended December 31,		
	2010	**2009**	**Variation (%)**
		(in millions of R$)	
Income from financial operations	79,627	76,697	3.8%
Expenses of financial operations	(34,979)	(30,581)	14.4%
Income from financial operations before loan losses	44,648	46,116	(3.2)%
Result of loan losses	(9,911)	(14,165)	(30.0)%
Gross income from financial operations	34,736	31,950	8.7%
Other operating revenues (expenses)	(14,481)	(14,594)	(0.8)%
Operating income	20,255	17,357	16.7%
Non-operating income	81	430	(81.2)%
Income before taxes on income and profit sharing	20,336	17,787	14.3%
Income tax and social contribution expense	(5,886)	(6,652)	(11.5)%
Profit sharing	(261)	(205)	27.3%
Minority interest in subsidiaries	(866)	(864)	0.2%
Net income	**13,323**	**10,067**	**32.3%**

In 2010, our net income was influenced by the following non-recurring transactions which are presented on an after tax basis: (i) the partial reversal of additional provisions for loan losses (income of R$1,038 million); (ii) the program for settlement or instalment payment of federal taxes — Law No. 11,941 (income of R$145 million); (iii) provisions for contingencies related to civil litigation in connection with economic plans (expense of R$467 million); (iv) provisions for fiscal contingencies related to tax and social security (expense of R$380 million); and (v) the recognition of expenses in connection with post-employment benefits (expense of R$35 million).

Income from Financial Operations

The table below shows the major components of our income from financial operations for the years ended December 31, 2010 and 2009.

	Year Ended December 31,		
	2010	**2009**	**Variation (%)**
		(in millions of R$)	
Loan, lease and other credit operations	51,315	47,477	8.1%
Securities and derivative financial instruments	18,714	23,994	(22.0)%
Insurance, pension plan and capitalisation	4,513	4,576	(1.4)%
Foreign exchange operations	980	9	10787.9%
Compulsory deposits	4,106	641	540.6%
Total income from financial operations	**79,627**	**76,697**	**3.8%**

Our income from financial operations increased by 3.8% from R$76,697 million for 2009 to R$79,627 million for 2010, an increase of R$2,930 million. This increase is primarily due to increases in income from loan, lease and other credit operations, income from compulsory deposits, income from foreign exchange operations and to a lesser extent the results of insurance, pension plans and capitalisation products, and were partially offset by the decrease in the result of securities and derivative financial instruments. The increase in income from compulsory deposits reflects the impact of new requirements implemented by the Central Bank during 2010, increasing significantly the required volume of deposits. See "The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank". The decrease in income from securities and derivatives financial instruments also reflects income associated with our risk management strategy and administration of gaps, particularly those associated with derivative instruments used to hedge our investments in subsidiaries abroad.

Income from Loan, Lease and Other Credit Operations

Our income from loan, lease and other credit operations increased by 8.1% from R$47,477 million for 2009 to R$51,315 million for 2010, an increase of R$3,838 million. This increase was mainly due to an increase in the

volume of loans and lease transactions, in particular in credit card, vehicle financing, mortgage loans and loans to companies, as well as gains on loans and leases denominated in or indexed to foreign currencies.

The table below shows the performance of credit transactions with loans (including sureties and endorsements) classified by type of creditor (individuals and companies), further broken down by type of product for individuals and by size of customer for companies.

	Year Ended December 31,		
	2010	2009	Variation (%)
	(in millions of R$)		
Loans to individuals	**125,368**	**107,812**	**16.3%**
Credit card	33,030	29,313	12.7%
Personal loans	23,864	20,627	15.7%
Vehicles	60,118	52,276	15.0%
Mortgage loans[(1)]	8,067	5,249	53.7%
Rural loans[(1)]	289	348	(17.0)%
Loans to companies[(1)]	**193,663**	**158,862**	**21.9%**
Corporate	115,348	95,832	20.4%
Very small, small and middle market	78,315	63,030	24.3%
Loans to clients of subsidiaries located in Argentina/Chile/Uruguay/Paraguay	**14,397**	**11,708**	**23.0%**
Total of loan, lease and other credit operations (including sureties and endorsements)	**333,427**	**278,382**	**19.8%**

(1) Mortgage loans and rural loans portfolios are presented within loans to individuals or loans to companies, as appropriate, according to the type of client. As of December 31, 2010, the total mortgage loan portfolio totalled R$13,257 million and the total rural loan portfolio totalled R$5,425 million, compared to R$8,510 million and R$5,143 million, respectively, as of December 31, 2009.

The total balance of our loans, lease and other credit operations, including sureties and endorsements, was R$333,427 million as of December 31, 2010, a 19.8% increase compared to the balance of R$278,382 million as of December 31, 2009. Loans to individuals totalled R$125,368 million as of December 31, 2010, an increase of 16.3% compared to December 31, 2009. The balance of credit card lending increased by 12.7% from December 31, 2009 to December 31, 2010. Credit card lending is an increasingly important tool that we use to acquire new customers, in particular low-income individuals. Personal loans increased by 16.0% from December 31, 2009 to December 31, 2010 and vehicle financing increased by 15.7% from December 31, 2009 to December 31, 2010, in both cases primarily as a result of overall growth in these markets in Brazil. Mortgage loans to individuals increased by 53.7% from December 31, 2009 to December 31, 2010, resulting from the favourable Brazilian economic environment. Loans to companies totalled R$193,663 million as of December 31, 2010, an increase of 21.9% compared to December 31, 2009, driven primarily by a 24.3% increase in loans to very small, small and middle market companies as part of our increased strategic focus on these clients. Loans to large companies totalled R$115,348 million as of December 31, 2010, an increase of 20.4% compared to December 31, 2009, in particular in BNDES onlending. The balance of our loan portfolios in Argentina, Chile, Uruguay and Paraguay totalled R$14,397 million as of December 31, 2010, an increase of 23.0% compared to December 31, 2009, primarily driven by the growth of operations abroad and the appreciation of the *real* against several of these currencies.

Income from Securities and Derivative Financial Instruments

Our income from securities and derivative financial instruments decreased by 22.0%, or R$5,280 million, from R$23,994 million for 2009 to R$18,714 million for 2010. This decrease in income from securities and derivative financial instruments reflects lower gains from derivative financial instruments used to hedge the impact of exchange rate variation on our investments in subsidiaries abroad. In 2009, we also took advantage of market opportunities arising out of volatility and movements in interest rates, which contributed to an increase in income for the period. Conversely, during 2010, we did not identify the same market conditions.

Income from Insurance, Pension Plan and Capitalisation

Our income from insurance, pension plan and capitalisation decreased by 1.4%, from R$4,576 million for 2009 to R$4,513 million for 2010, a decrease of R$63 million, mainly due to the variation of average interest rates from period to period.

Income from Foreign Exchange Operations

Our income from foreign exchange operations increased R$971 million, from R$9 million for 2009 to R$980 million for 2010, due to gains related to trades in foreign currencies.

Income from Compulsory Deposits

Our income from compulsory deposits increased R$3,465 million, from R$641 million for 2009 to R$4,106 million for 2010. Regulatory requirements related to compulsory deposits changed during 2010, increasing significantly the required volume of deposits and consequently impacting income from compulsory deposits. As of December 31, 2010, we had compulsory deposits of R$85,776 million compared to R$13,869 million as of December 31, 2009, of which R$81,034 million and R$9,827 million, respectively, were interest-earning. See "The Brazilian Financial System and Banking Regulation — Reserve Requirements".

Expenses of Financial Operations

The following table describes the main components of our expenses on financial operations in 2010 and 2009.

	Year Ended December 31,		
	2010	**2009**	**Variation (%)**
		(in millions of R$)	
Money market	30,082	26,297	14.4%
Technical provisions for pension plan and capitalisation	3,928	3,992	(1.6)%
Borrowings and onlending	969	292	231.8%
Total expenses of financial operations	**34,979**	**30,581**	**14.4%**

Our expenses of financial operations increased by 14.4% from R$30,581 million for 2009 to R$34,979 million for 2010, an increase of R$4,398 million, mainly due to the increase in money market expenses as discussed below.

Expenses from Money Market Transactions

Our expenses from money market transactions increased by 14.4% from R$26,297 million for 2009 to R$30,082 million for 2010, an increase of R$3,785 million. This increase was mainly due to the increase of R$67,706 million, or 51.3%, in deposits received under repurchase agreements, the increase in the SELIC rate from 8.75% to 10.75% and also reflects the impact of exchange rate variation on liabilities denominated in or indexed to foreign currencies.

Expenses from Technical Provisions for Pension Plan and Capitalisation

Our expenses from technical provisions for pension plan and capitalisation operations decreased by 1.6% from R$3,992 million for 2009 to R$3,928 million for 2010, a decrease of R$64 million, mainly due to the change in the basis for consolidating Porto Seguro S.A. from consolidation to recognition in 2010.

Expenses from Borrowings and Onlending

Our expenses from borrowings and onlending increased from R$292 million for 2009 to R$969 million for 2010, an increase of R$677 million, mainly due to the increase of R$12,720 million in our borrowings and onlending, as well as the impact of exchange rate variations on borrowings and onlending denominated in or indexed to foreign currencies.

Income from Financial Operations before Loan Losses

Our income from financial operations before loan losses decreased by 3.2% from R$46,116 million for 2009 to R$44,648 million for 2010, a decrease of R$1,468 million, mainly as a result of the factors described above under "— Income from Financial Operations" and "— Expenses of Financial Operations".

Result of Loan Losses

Our result of loan losses decreased by 30.0% from R$14,165 million for 2009 to R$9,911 million for 2010, a decrease of R$4,254 million. The following table describes the main components of our result of loan losses in 2010 and 2009.

	Year Ended December 31,		
	2010	**2009**	**Variation (%)**
		(in millions of R$)	
Expenses for allowance for loan losses	(14,121)	(16,399)	(13.9)%
Income from recovery of credits written off as loss	4,209	2,234	88.4%
Result of allowance for loan losses	**(9,911)**	**(14,165)**	**(30.0)%**

Expenses for Allowance for Loan Losses

Our expenses for allowance for loan losses decreased by 13.9% from R$16,399 million for 2009 to R$14,121 million for 2010, a decrease of R$2,278 million. During 2010, the asset quality of our loan portfolio improved significantly in comparison to the previous year. In 2009, the adverse effects of the international economic and financial crisis spread among industries and resulted in increased risk related to certain credit portfolios. Levels of non-performing loans increased at that time for individuals and companies generally, reflecting these adverse market conditions. However, in 2009 the Brazilian government adopted tax incentive packages to foster consumption and improvement in overall economic activity levels, which contributed to rapid improvement in credit quality. The Brazilian government maintained these incentives until the end of the first quarter of 2010.

As of December 31, 2009, after a reversal of R$1,687 million, the allowance for doubtful loans in excess of the minimum required by the Central Bank totalled R$6,104 million. This reversal was a result of the levels of provisions indicated by our credit models given the performance of our loan portfolio, which had been impacted by the international economic crisis.

In the last quarter of 2010, the additional provision for loan and lease losses began to reflect the model of expected loss adopted in our credit risk management, based on Basel II, which considers the potential loss for revolving lines of credit. This model replaces the former one, which also contained, as part of the "additional allowance," the concept of countercyclical provisions, which is treated as a capital cushion according to Basel III. The adoption of this model resulted in a R$1,573 million provision reversal in the fourth quarter of 2010, and resulted in an allowance in excess of the minimum required by the Central Bank of R$4,531 million.

As of December 31, 2010, the balance of the allowance for loan losses in relation to our loan portfolio was equivalent to 7.5% compared to 9.8% as of December 31, 2009.

Income from Recovery of Credits Written Off as Loss

Our income from recovery of credits written off as loss increased by 88.4% from R$2,234 million for 2009 to R$4,209 million for 2010, an increase of R$1,975 million. A better economic environment and our improved collection efforts in 2010 were the main causes for this increase.

Gross Income from Financial Operations

Our gross income from financial operations increased by 8.7% from R$31,950 million for 2009 to R$34,736 million for 2010, an increase of R$2,786 million.

Other Operating Revenues (Expenses)

The table below shows the main components of our other operating revenues (expenses) for the periods ended December 31, 2010 and 2009.

	Year Ended December 31,		
	2010	2009	Variation (%)
	(in millions of R$)		
Banking service fees and income from bank charges	17,101	15,172	12.7%
Result from insurance, pension plan and capitalisation operations	2,100	2,432	(13.7)%
Personnel expenses	(12,452)	(12,092)	3.0%
Other administrative expenses	(13,598)	(11,593)	17.3%
Tax expenses	(4,168)	(4,238)	(1.7)%
Equity in earnings of affiliates and other investments	423	209	102.4%
Other operating revenues	529	808	(34.5)%
Other operating expenses	(4,415)	(5,292)	(16.6)%
Total other operating revenues (expenses)	**(14,481)**	**(14,594)**	**(0.8)%**

Banking Service Fees and Income from Bank Charges

Our banking service fees and income from bank charges increased by 12.7% from R$15,172 million for 2009 to R$17,101 million for 2010, an increase of R$1,929 million.

Banking service fees decreased by 0.5% from R$12,400 million for 2009 to R$12,341 million for 2010, a decrease of R$59 million. This decrease was mainly due to the adjustments discussed above under "– Presentation of Financial Information as of and for the Year Ended December 31, 2010". Before these adjustments there was an increase of R$843 million mainly due to increased revenues from credit card transactions, primarily due to an increased use of credit lines, such as cash in advance, offered by us through retailers. Fees from assets under management increased by 10.5% from R$2,249 million for 2009 to R$2,486 million for 2010, an increase of R$237 million, due to the 9.0% increase in the volume of assets under management, which increased from R$333,869 million as of December 31, 2009 to R$363,818 million as of December 31, 2010. Sureties and credits granted increased by 10.4% from R$1,323 million for 2009 to R$1,460 million for 2010, an increase of R$137 million. This change is related to an increase in our operational activity and an improved economic environment for granting credit. We also had a decrease of 13.8%, or R$192 million, in other banking service fees. This decrease was mainly due to the adjustments discussed above under "– Presentation of Financial Information as of and for the Year Ended December 31, 2010". Before these adjustments there was an increase of R$139 million mainly related to the resumption of our investment bank and economic and financial advisory activities after a slower period following the international financial crisis that negatively impacted our performance in 2009.

Income from bank charges increased by 71.7% from R$2,772 million for 2009 to R$4,760 million for 2010, an increase of R$1,988 million (or an increase of R$438 million before giving effect to the adjustments discussed above under "– Presentation of Financial Information as of and for the Year Ended December 31, 2010"). The increase was principally due to fees for loan transactions and service packages on a greater volume of transactions.

Result from Insurance, Pension Plan and Capitalisation Operations

Our result from insurance, pension plan and capitalisation operations decreased by 13.7% from R$2,432 million for 2009 to R$2,100 million for 2010, a decrease of R$332 million (or an increase of R$226 million before giving effect to the adjustments discussed above under "– Presentation of Financial Information as of and for the Year Ended December 31, 2010"). The decrease in result from insurance, pension plan and capitalisation operations was mainly affected by the change in the basis for consolidating Porto Seguro S.A. from consolidation to recognition in 2010.

Personnel Expenses

Our personnel expenses increased by 3.0% from R$12,092 million for 2009 to R$12,452 million for 2010, an increase of R$360 million. This increase in personnel expenses was mainly due to the impact of the labour union agreement reached in September 2009, which provided for a 6.0% increase in compensation and benefits for our employees. In addition, we experienced a 6.3% increase in the number of employees to a total of 108,040 employees as of December 31, 2010 as a result of our organic growth, in particular in the very small, small and middle market companies and consumer credit segments. Finally, the labour union agreement reached in September 2010 increased compensation by 7.5% for employees earning R$5,250 per month or less and by the greater of (i) 4.29% and (ii) a

fixed amount of R$393.75 per month for employees earning over R$5,250 per month. The agreement also established an increase of 7.5% in benefits for all employees.

Other Administrative Expenses

Our other administrative expenses increased by 17.3% from R$11,593 million for 2009 to R$13,598 million for 2010, an increase of R$2,005 million. This increase in other administrative expenses was mainly due to expenses related to the migration of Unibanco branches to the "Itaú" platform and our organic growth, in particular in the very small, small and middle market companies segment. We also recorded increased expenses related to higher operating activity, especially those related to data processing, communication and maintenance, as well as marketing and advertising expenses related to the soccer World Cup and new institutional marketing campaigns.

Tax Expenses

Our tax expenses increased by 1.7% from R$4,238 million for 2009 to R$4,168 million for 2010, an increase of R$58 million. This increase in tax expenses was mainly due to increased operational activity.

Equity in Earnings of Affiliates and Other Investments

Our equity in earnings of affiliates and other investments increased by 102.4% from R$209 million for 2009 to R$423 million for 2010, an increase of R$214 million (or an increase of R$15 million before giving effect to the adjustments discussed above under "– Presentation of Financial Information as of and for the Year Ended December 31, 2010"), due to an increase in dividends received from other investments.

Other Operating Revenues

Our other operating revenues decreased by 34.5% from R$808 million for 2009 to R$529 million for 2010, a decrease of R$279 million, mainly related to the impact of the reversal of provisions for contingent assets and liabilities and legal liabilities (tax and social security) in 2009 in the amount of R$354 million.

Other Operating Expenses

Our other operating expenses decreased by 16.6% from R$5,292 million for 2009 to R$4,415 million for 2010, a decrease of R$877 million. During 2009, certain discrete events took place, such as the acquisition of our controlling interest in Redecard S.A. ("Redecard"), which led to goodwill amortisation expenses of R$557 million, and an expense of R$550 million related to contract renegotiations with Companhia Brasileira de Distribuição ("**CBD**") regarding Financeira Itaú CBD S.A., Crédito, Financiamento e Investimento ("**FIC**") joint venture in order to release Itaú Unibanco Holding from its exclusivity obligations.

Operating Income

Our operating income increased by 16.7% from R$17,357 million for 2009 to R$20,255 million for 2010, an increase of R$2,898 million.

Non-Operating Income

Our non-operating income decreased from R$430 million for 2009 to income of R$81 million for 2010, a decrease of R$349 million. During 2009, certain non-recurring events took place, such as the disposal of all of our shares in Companhia Brasileira de Meios de Pagamento — Visanet ("**Visanet**") and Visa Inc. ("**Visa**"), which led to income of R$345 million.

Income before Taxes on Income and Profit Sharing

Our income before taxes on income and profit sharing increased by 14.3% from R$17,787 million for 2009 to R$20,336 million for 2010, an increase of R$2,549 million.

Income Tax and Social Contribution Expense

The table below shows the major components of our income tax and social contribution expense for 2010 compared to 2009.

	Year Ended December 31,		
	2010	2009	Variation (%)
	(in millions of R$)		
Income before income tax and social contribution	20,336	17,787	14.3%
Charges (income tax and social contribution) at the rates in effect	(8,134)	(7,115)	14.3%
Increase/decrease to income tax and social contribution charges arising from:			
(Additions) exclusions	2,248	463	385.5%
Foreign exchange variation on investments abroad	(372)	(2,034)	(81.7)%
Interest on capital	1,496	1,478	1.2%
Dividends, interest on external debt bonds and tax incentives	298	465	(35.9)%
Prior periods increase (reversal)	626	650	(3.7)%
Other	201	(96)	(309.3)%
Total income tax and social contribution expense	**(5,886)**	**(6,652)**	**(11.5)%**

Income tax and social contribution expense decreased 11.5% to an expense of R$5,886 million for 2010 from an expense of R$6,652 million for 2009. The main factors that contributed to this decrease were: (i) the effect of exchange rates on our investments in subsidiaries abroad, resulting in an expense of R$372 million in 2010, in comparison to an expense of R$2,034 million in 2009; and (ii) dividends, interest on external debt bonds and tax incentives of R$298 million in 2010, a decrease of 35.9%, or R$167 million, compared to 2009.

Our total tax on income is composed of current income tax and deferred tax. Certain amounts of income and expenses are recognised in our income statement but do not affect our taxable basis and, conversely certain amounts are taxable income or deductible expenses in determining our taxes on income but do not affect our income statement. Those items are known as "permanent differences". For Brazilian tax purposes, exchange rate gains and losses on our investments in subsidiaries abroad are not taxable, if a gain, or not deductible, if a loss, and are a permanent difference. From an economic perspective, we hedge our investments in subsidiaries abroad by using foreign-currency denominated liabilities or derivative instruments. The gains or losses on derivative instruments and the exchange rate gains and losses on foreign-currency denominated liabilities are taxable or deductible for purposes of Brazilian taxes. During 2010, we experienced appreciation of the *real* against the foreign currencies in which our subsidiaries operate, generating losses that were not deductible for tax purposes. The appreciation of the *real* generated taxable gains on derivatives instruments used as economic hedge and taxable exchange rate gains on liabilities used as economic hedges.

Profit Sharing

The profit sharing of members of our management increased by 27.3% from R$205 million for 2009 to R$261 million for 2010, an increase of R$57 million. This increase was mainly a consequence of improved results of operations in 2010 compared to 2009.

Minority Interest in Subsidiaries

Results from minority interest in subsidiaries increased from an expense of R$864 million for 2009 to an expense of R$866 million for 2010, an increase of R$2 million. This increase was principally due to the improved results of our subsidiaries in 2010. For additional information, see Note 16(e) to our consolidated financial statements as of and for the year ended December 31, 2010.

Liquidity and Capital Resources

Our Superior Institutional Treasury Committee for Liquidity determines our policy regarding asset and liability management. See "Business — Risk Management". Our policy is to maintain a close match of our maturity, interest rate and currency exposures. In establishing our policies and limits, the Superior Institutional Treasury Committee for Liquidity considers our exposure limits for each market segment and product, and the volatility and correlation across different markets and products.

We have invested in improving risk management of the liquidity inherent in our activities. At the same time, we maintain a portfolio of bonds and securities with higher liquidity (an "operational reserve"), which represents a potential source for additional liquidity.

Management controls our liquidity reserves by projecting the resources that will be available for investment by our treasury department. The technique we employ involves the statistical projection of scenarios for our assets and liabilities, considering the liquidity profiles of our counterparties.

Short-term minimum liquidity limits are defined according to guidelines set by the Superior Institutional Treasury Committee for Liquidity. These limits aim to ensure sufficient liquidity, including upon the occurrence of unforeseen market events. These limits are revised periodically based on the projection of cash needs in atypical market situations (i.e., stress scenarios).

Management of liquidity makes it possible for us to simultaneously meet our operating requirements, protect our capital and exploit market opportunities. Our strategy is to maintain adequate liquidity to meet our present and future financial obligations and to capitalise on business opportunities as they arise. See "Business — Risk Management — Liquidity Risk Management".

Due to our stable sources of funding, which include a large deposit base, the large number of correspondent banks with which we have long-standing relationships as well as facilities in place pursuant to which we can access further funding, we have not historically experienced liquidity problems, despite the recent disruptions in the international financial markets. See "Risk Factors — Risks Relating to Our Business and the Banking Industry — We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil".

If successful, our Tender Offer for all outstanding shares of Redecard will require a material use of currently available liquidity. See "Recent Developments".

The following table sets forth our average deposits and borrowings for 2011, 2010 and 2009.

	Year Ended December 31,					
	2011		2010		2009	
	Average Balance	% of Total	Average Balance	% of Total	Average Balance	% of Total
	(in millions of R$, except percentages)					
Interest-bearing liabilities	**579,055**	**78.6%**	**469,159**	**77.1%**	**413,805**	**72.8%**
Interest-bearing deposits	189,461	25.7%	165,785	27.3%	170,183	29.9%
Savings deposits	61,482	8.3%	52,586	8.6%	42,372	7.5%
Deposits from banks	2,374	0.3%	1,830	0.3%	2,791	0.5%
Time deposits	125,606	17.1%	111,369	18.3%	12,502	22.0%
Deposits received under repurchase agreements	197,732	26.8%	158,517	26.1%	126,475	22.2%
Funds from acceptance and issuance of securities	35,622	4.8%	20,780	3.4%	19,021	3.3%
Borrowings and onlending	53,165	7.2%	40,068	6.6%	36,255	6.4%
Other obligation — Securitisation of foreign payment orders and subordinated debt	36,589	5.0%	28,579	4.7%	23,703	4.2%
Technical provisions for insurance, pension plan and capitalisation	66,486	9.0%	55,428	9.1%	38,168	6.7%
Non-interest bearing liabilities	**157,514**	**21.4%**	**139,113**	**22.9%**	**15,486**	**27.2%**
Non-interest bearing deposits	26,306	3.6%	26,529	4.4%	25,538	4.5%
Other non-interest bearing liabilities	131,208	17.8%	112,585	18.5%	129,322	22.7%
Total liabilities	**736,569**	**100.0%**	**608,272**	**100.0%**	**568,665**	**100.0%**

Our principal sources of funding are interest-bearing deposits, deposits received under repurchase agreements, onlending from government financial institutions, lines of credit with foreign banks and the issuance of securities abroad. For a more detailed description of our sources of funding, see "Business — Funding" and Note 10 to our consolidated financial statements as of and for the year ended December 31, 2010.

Our current funding strategy is to continue to use all our funding sources in accordance with their cost and availability and our general asset and liability management strategy. We consider our current level of liquidity to be adequate. The international financial turmoil magnified the importance of issues associated with funding and the liquidity of financial institutions around the world. In order to finance our operations, we intensified the use of liquidity provided by borrowings and onlending, funds from acceptance and issuance of securities and deposits received under repurchase agreements during 2010 and 2011. The balance of time deposits decreased its share on

the total funding in 2011 because we utilised less expensive funding sources, such as Brazilian debentures subject to repurchase which are reported under "deposits received under repurchase agreements" and are offered not only to institutional clients but also to private banking, corporate banking and top retail clients. This funding strategy is designed to provide better profitability through higher spreads on our savings deposits and higher fees earned on market funds.

Our ability to obtain funding depends on numerous factors, including our credit ratings, general economic conditions, investors' perception of emerging markets in general and of Brazil (in particular, prevailing economic and political conditions in Brazil and government regulations in relation to foreign exchange funding).

Some of our long-term debt provides for acceleration of the outstanding principal balance upon the occurrence of specified events, which are events ordinarily found in long-term financing agreements. As of December 31, 2011, none of these events, including any events of default or failure to satisfy financial covenants, had occurred and we have no reason to believe that it is reasonably likely that any of these events will occur in 2012.

Changes in Cash Flows

The following table sets forth the main variations in our cash flows during the years ended December 31, 2011, 2010 and 2009.

	For the Year Ended December 31,					
	2011	% of Total	2010	% of Total	2009	% of Total
	(in millions of R$, except percentages)					
Net cash provided by/used in operating activities	5,426	(152.2)%	(28,092)	106.1%	35,584	112.4%
Net cash provided by/used in investing activities	(1,555)	43.6%	(1,328)	5.0%	1,742	5.5%
Net cash provided by/used in financing activities	(7,436)	208.6%	2,943	(11.1)%	(5,674)	(17.9)%
Net increase (decrease) in cash and cash equivalents	**(3,565)**	**100.0%**	**(26,478)**	**100.0%**	**31,652**	**100.0%**

Operating Activities

Our cash flows from operating activities resulted in cash inflows of R$5,426 million for 2011, cash outflows of R$28,092 million for 2010 and cash inflows of R$35,584 million for 2009. In 2011, the changes in cash flows from operating activities resulted mainly from increases in loan, lease and other credit transactions and interbank deposits, partially offset by an increase in deposits and a decrease in deposits received under securities repurchase agreements. In 2010, the changes in cash flows from operating activities resulted mainly from increases in loan, lease and other credit transactions, in compulsory deposits required by the Central Bank and in securities and derivative financial instruments. These increases were partially offset by the increase in deposits and in deposits received under securities repurchase agreements. In 2009, decreases in interbank investments and increases in deposits received under securities repurchase agreements were the main causes for the increase in our cash flow from operating activities.

Investing Activities

Our cash flows from investing activities generated cash outflows of R$1,555 million for 2011, cash outflows of R$1,328 million for 2010 and cash inflows of R$1,742 million 2009. In 2011 and 2010, the increase in purchase of available-for-sale securities was the main cause for the outflows in our cash flow from investing activities compensated by funds received from sale of available-for-sale securities. In 2009, the decrease in cash flows from investing activities was primarily a result of decreased purchases of available-for-sale securities.

Financing Activities

Our cash flows from financing activities generated cash outflows of R$7,436 million for 2011, cash inflows of R$2,943 million for 2010 and cash outflows of R$5,674 million 2009. In 2011, the changes in cash flows from financial activities were primarily a result of an increase in subordinated debt partially offset by a decrease in subordinated debt and purchase of treasury shares. In 2010, the changes in cash flows from financing activities were primarily a result of increased issuances of subordinated bank deposit certificates in 2010. In 2009, dividends and interest on capital paid were the main reasons for the outflow in our capital flow from financing activities.

We paid dividends and interest on stockholders' equity in the amounts of approximately R$4,588 million, R$4,315 million and R$3,782 million in 2011, 2010 and 2009, respectively.

Capital

We are required to comply with Brazilian capital adequacy regulations under Central Bank rules, which require banks to have total capital equal to or greater than 11.0% of risk-weighted assets, in lieu of the 8% minimum capital requirement of the original Basel Accord, or Basel I, and Basel II. See "The Brazilian Financial System and Banking Regulation — Regulation by the Central Bank — Capital Adequacy and Leverage/Regulatory Capital Requirements". In addition, the Central Bank of Brazil is expected to issue in the near future new rules for implementation of the Basel III framework in Brazil, as detailed in the notice of Public Hearing 40/2012 of February 17, 2012. See "The Brazilian Financial System and Banking Regulation – Regulation by the Central Bank – Capital Adequacy and Leverage/Regulatory Capital Requirements – Implementation of Basel III in Brazil – Expected Future Rules".

As required by Central Bank rules, we currently measure our capital compliance according to two different methods: (i) by consolidating only our financial subsidiaries, and (ii) on a fully consolidated basis, including all of our financial and non-financial subsidiaries. We believe we have a solid capital base as measured by both methods. As of December 31, 2011, 2010 and 2009, our solvency ratio measured on a fully consolidated basis was 16.4%, 15.4% and 16.7%, respectively. The variation in our solvency ratio measured on a fully consolidated basis since December 31, 2009 was the result of several factors, including: (i) the impact of net income less payments of dividends and interest on stockholder's equity for each period and (ii) the issuance of subordinated debt, which factors were partially offset by (iii) an organic increase in our total risk-weighted assets, mainly due to the growth of lending transactions, and (iv) the changes in the weight applied to lending to individuals. See "The Brazilian Financial System and Banking Regulation – Regulation by the Central Bank – Capital Adequacy and Leverage/Regulatory Capital Requirements".

As approved by the Central Bank on January 13, 2012, issuances of our subordinated debt, which total R$198,000 million as of January 31, 2012, qualify as Tier 2 Capital.

In addition, issuances of our subordinated debt in the amount of R$108,400 million as of December 31, 2011 are pending Central Bank approval in order to qualify as Tier 2 Capital. After giving effect to such issuances, our Basel ratios would increase by 0.05%.

The following table sets forth our capital positions of total risk-weighted assets, as well as our minimum capital requirements under Central Bank rules, in each case as of December 31, 2011, 2010 and 2009, in each case on a fully consolidated basis, including our financial and non-financial subsidiaries.

	As of December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentages)		
Tier 1 Capital	71,601	62,240	57,706
Tier 2 Capital	21,565	18,652	12,837
Tier 1 plus Tier 2 Capital	**93,166**	**80,892**	**70,543**
Adjustments	(55)	(173)	(28)
Our Regulatory Capital	**93,111**	**80,719**	**70,515**
Minimum regulatory capital required	62,556	57,525	46,513
Excess over minimum regulatory capital required	**30,555**	**23,194**	**24,002**
Total risk-weighted assets	**568,693**	**522,952**	**422,840**
Our regulatory capital to risk-weighted assets ratio	**16.4%**	**15.4%**	**16.7%**

CMN Resolution No. 3,490, of August 29, 2007, which sets out the criteria currently applicable to our computation of our minimum regulatory capital required, has been in effect since July 1, 2008. For calculation of our risk portions, we follow the procedures of the following Central Bank circulars and circular letters:

- Circular No. 3,360, of September 12, 2007 for credit risk;
- Circulars No. 3,361, 3,362, 3,363, 3,364, 3,366 and 3,368, of September 12, 2007, 3,388, of June 4, 2008, and 3,389, of June 25, 2008 and Circular Letters No. 3,309 and 3,310, of April 15, 2008 for market risk; and

- Circular No. 3,383 and Circular Letters No. 3,315 and 3,316, of April 30, 2008 for operational risk. For calculation of our operational risk portion, we opted for the use of the standardised alternative approach.

Since January 1, 2010, the operational risk portion has been included in full in our total risk-weighted assets for purposes of our calculation of regulatory capital to risk weighted assets ratio, pursuant to Circular No. 3,383 of April 30, 2008.

Effective April 1, 2010, CMN Resolution No. 3,825 of December 16, 2009 revoked CMN Resolution No. 3,674, of December 30, 2008, which permitted the full addition to Tier 1 Capital of any allowance for loan losses in excess of the minimum amounts required by CMN Resolution No. 2,682 of December 21, 1999.

Beginning on June 30, 2010, Circular No. 3,476 of December 28, 2009 required that our minimum regulatory capital on a fully consolidated basis include an additional portion under regulatory capital to cover operational risk, which portion is calculated based on our weighted equity in the earnings of our subsidiaries and affiliated companies.

On November 11, 2011, the Central Bank enacted Circular No. 3,563, which amended Circular No. 3,360, of September 12, 2007, establishing certain measures to ease the capital requirements relating to certain retail transactions given the current economic scenario. See "The Brazilian Financial System and Banking Regulation — Regulations by the Central Bank — Capital Adequacy and Leverage/Regulatory Capital Requirements — Changes in Capital Allocation".

Circular No. 3,568, of December 21, 2011, amends the provisions of Circulars No 3,361, of September 12, 2007, No. 3,388, of June 4, 2008, No. 3,389, of June 25, 2008, No. 3,478 of December 24, 2009 and No. 3,498, of June 28, 2010, which set forth the procedures for calculation of the portion of regulatory capital related to market risk. The new calculation method will be adopted gradually from January 1, 2012, and will be fully effective on December 31, 2012. If these new rules had already been in effect on December 31, 2011, our solvency ratio would have been reduced by approximately 0.7%.

The funds obtained through the issuance of subordinated debt securities, which are considered Tier 2 Capital for purposes of our capital to risk-weighted assets ratio, are set forth below as of December 31, 2011:

Descrição

Name of security	Issue	Maturity	Return p.a.	Principal R$
Subordinated CDB				
	2007	2012	103,5% to 104% of CDI	4,970
			100% CDI + 0,35% to 0,45%	732
			IGPM + 7,31 to 7,35%	278
	2002	2012	102,5% of CDI	200
	2008	2013	100% to CDI + 0,50% to 0,60%	1,558
			106% to 107% of CDI	48
	2003	2013	102% of CDI	40
	2007	2014	100% to CDI + 0,35% to 0,60%	1,865
	2007	2014	IGPM + 7,35%	33
	2008	2014	112% of CDI	1,000
	2008	2015	119,8% of CDI	400
	2010	2015	113% to CDI	50
	2006	2016	100% to CDI + 0,47%[(1)]	466
	2010	2016	110% to 114% of CDI	2,664
	2010	2016	IPCA + 7,33%	123
	2010	2017	IPCA + 7,45%	367
			TOTAL	**14,793**
Subordinated financial bills				
	2010	2016	100 % to CDI + 1,35% to 1,36%	365
	2010	2016	112% to 112,5% of CDI	1,873
	2010	2016	IPCA + 7%	30
	2010	2017	IPCA + 6,95% to 7,2%	206
	2011	2017	108% to 112% of CDI	3,011
	2011	2017	IPCA + 6,15% to 7,8%	343
	2011	2017	IGPM + 6,55% to 7,6%	55

	2011	2017	100% to CDI + 1,29% to 1,52%	3,650
	2011	2018	IGPM + 7%	42
	2011	2018	IPCA + 7,53% to 7,7%	30
	2011	2019	109% to 109,7% to CDI	1
	2011	2021	109,25% to 110,5% to CDI	6
			TOTAL	**9,612**
Subordinated euronotes				
	2010	2020	6.2%	1,731
	2010	2021	5.8%	1,694
	2011	2021	5.8%	401
	2011	2021	6.2%	765
			TOTAL	**4,591**
Preferred shares				
	2002	2015	3.04%	1,389

(1) May be redeemed from November 2011.

Interest Rate Sensitivity

Management of interest rate sensitivity is a key component of our asset and liability policy. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. The pricing structure is matched when an equal amount of these assets or liabilities matures or re-prices. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while a positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest income. These relationships are as of one particular date only, and significant swings can occur daily as a result of both market forces and management decisions. Our interest rate sensitivity strategy takes into account rates of return, the underlying degree of risk, and liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds.

Our Superior Institutional Treasury Committee for Liquidity analyses the statement of income and risk information on a monthly basis and establishes limits for market risk exposure, interest rate positions and foreign currency positions. For more detailed information on the monitoring of our positions, see "Business — Risk Management — Market Risk Management".

The following table sets forth our interest-earning assets and interest-bearing liabilities as of December 31, 2011 and, therefore, does not reflect interest rate gap positions that may exist at other times. In addition, variations in interest rate sensitivity may exist within the re-pricing periods presented due to differing re-pricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held.

	Up to 30 days	% of Total	31-180 days	% of Total	181-365 days	% of Total	Over 1 year	% of Total	Total
Total interest-earning assets	**221,358**	**38.9%**	**133,971**	**23.5%**	**57,894**	**10.2%**	**155,735**	**27.4%**	**568,958**
Interbank investments	67,439	58.1%	42,761	36.8%	3,445	3.0%	2,437	2.1%	116,082
Central Bank deposits	98,053	84.5%	-	0.0%	-	0.0%	-	0.0%	98,053
Securities and Derivative Financial Instruments	2,266	23.7%	2,217	23.2%	1,479	15.5%	3,585	37.6%	9,547
Loans, lease and other credit operations	53,600	15.5%	88,993	25.8%	52,970	15.3%	149,713	43.4%	345,276
Total interest-bearing liabilities	**168,506**	**30.6%**	**69,182**	**12.6%**	**58,446**	**10.6%**	**334,825**	**60.8%**	**550,520**
Savings deposits	67,170	100.0%	-	0.0%	-	0.0%	-	0.0%	67,170
Time deposits	30,917	21.4%	19,167	13.3%	11,475	7.9%	82,909	57.4%	144,469
Interbank deposits	666	32.2%	683	33.1%	445	21.5%	272	13.2%	2,066
Deposits received under repurchase agreements	59,279	31.4%	11,396	6.0%	11,138	5.9%	107,005	56.7%	188,818
Funds from acceptance and issuance of securities	4,862	9.4%	15,756	30.6%	8,841	17.1%	22,098	42.9%	51,557
Borrowings and onlendings	4,026	7.1%	12,772	22.6%	12,213	21.6%	27,592	48.7%	56,603
Subordinated debt	60	0.2%	8,157	20.5%	2,502	6.3%	28,997	73.0%	39,716
Derivative Financial Instruments	1,526	22.4%	1,251	18.4%	1,362	20.0	2,668	39.2%	6,807
Mathematical provision of benefits to be granted and	-	0.0%	-	0%	10,470	26.4%	63,284	85.8%	73,754

	Up to 30 days	% of Total	31-180 days	% of Total	181-365 days	% of Total	Over 1 year	% of Total	Total
benefits granted									
Asset/liability gap	52,852	-85.2%	64,789	-104.5%	(552)	0.9%	(179,090)	288.8%	(62,001)
Cumulative gap	**52,852**		**117,641**		**117,089**		**(62,001)**		
Ratio of cumulative gap to total interest-earning assets	9.29%		20.68%		21%		-10.90%		

Exchange Rate Sensitivity

The greater part of our operations is denominated in or indexed to reais. We also have assets and liabilities denominated in foreign currency, mainly in U.S. dollars, as well as assets and liabilities, which, although denominated in *reais*, are dollar-indexed and, therefore, expose us to exchange rate risks. The Central Bank regulates our maximum open, short and long foreign currency positions. As of December 31, 2011, our net foreign currency position, including investments abroad was a liability totalling R$15,416 million. The gap management policy adopted by our Superior Institutional Treasury Committee for Liquidity takes into consideration the tax effects on this position. Since the profits from exchange rate variation on investments abroad are not taxed, we have set up a hedge (a liability in foreign exchange derivatives) of a sufficient amount, so that our total foreign exchange exposure, net of the tax effects, is consistent with our strategy of low exposure to risk.

Our foreign currency position is composed on the liability side of the issuance of securities in the international capital markets, credit from foreign banks to finance trade operations, and dollar-linked onlending from government financial institutions. The proceeds of these operations are mainly applied to dollar-linked lending operations and securities purchases.

The following tables set forth assets and liabilities classified by currency, including those in Brazilian *reais* and those denominated in or indexed to foreign currencies as of December 31, 2011. This table may not reflect currency gap positions at other times. Variations may also arise among the different currencies that are held.

	As of December 31, 2011		
	Total	**Brazilian *Real***	**Denominated in or Indexed to Foreign Currency**
		(in millions of R$)	
Assets			
Cash and cash equivalents	10,633	5,668	4,965
Short term interbank deposits	116,082	97,522	18,560
Securities	187,880	170,613	17,267
Loans	319,711	260,352	59,359
(Allowance for loan losses)	–	–	–
Other assets	205,117	178,797	26,320
Foreign exchange portfolio	26,450	5,817	20,633
Other	178,667	172,980	5,687
Permanent assets	11,909	10,957	952
Total assets	**851,332**	**723,909**	**127,423**
Derivatives — purchased positions	–	–	**52,858**
Futures	–	–	17,396
Options	–	–	7,696
Swaps	–	–	7,570
Other	–	–	20,196
Total assets after adjustments(a)	**–**	**–**	**180,281**

	As of December 31, 2011		
	Total	**Brazilian *Real***	**Denominated in or Indexed to Foreign Currency**
		(in millions of R$)	
Liabilities			
Deposits	242,637	185,889	56,748

Funds received under securities repurchase agreements	188,820	181,414	7,406
Funds from acceptances and issue of securities	51,557	34,601	16,956
Borrowings and onlendings	56,602	38,152	18,450
Interbank and Interbranch Accounts	4,048	2,006	2,042
Derivative financial instruments	6,807	4,827	1,980
Other liabilities	**152,785**	**125,782**	**27,003**
Foreign exchange portfolio	26,182	7,910	18,272
Other	126,603	117,872	8,731
Technical provisions of insurance, pension plans and capitalisation	73,754	72,626	1,128
Deferred income	836	517	319
Minority interest in subsidiaries	2,139	1,398	741
Stockholders' equity	71,347	71,347	–
Total liabilities	**851,332**	**718,559**	**132,773**
Derivatives — sold positions	–	–	**62,924**
Futures	–	–	33,177
Options	–	–	6,857
Swaps	–	–	7,527
Other	–	–	15,363
Total liabilities after adjustments(b)	–	–	**195,697**
Foreign exchange position(c = a - b)			(15,416)

Capital Expenditures

In 2010, we made capital expenditures related to the integration process of Unibanco branches under the "Itaú" brand, as well as the opening of new branches and other points of sale. Over the past three years, we also have made significant capital expenditures to automate and upgrade our branch network and develop specific programmes to improve the layout of several of our branches. In addition, we have made significant capital expenditures for computer systems, communications equipment and other technology designed to increase the efficiency of our operations, the services offered to our customers and our productivity.

The remodeling process in the retail service network, based on the new relationship model with clients, which reviews concepts of service and layouts, reached a total of 1,500 units remodeled at the end of 2011, of which 440 were remodeled in 2011.

The following table sets forth our capital expenditures for the years ended December 31, 2011, 2010 and 2009:

	For the Year Ended December 31,					
	2011	**% of Total**	**2010**	**% of Total**	**2009**	**% of Total**
	(in millions of R$, except percentages)					
Land and buildings	247	6.3%	208	8%	137	6.8%
Furniture and data processing equipment	1,342	34.3%	1,373	53.4%	969	48%
Leasehold improvements	229	5.8%	225	8.7%	90	4.5%
Software developed or obtained for internal use	981	25.1%	205	8%	220	10.9%
Right to manage investment funds	-	-	-	-	1	0.1%
Acquisition of rights to credit payroll	366	9.4%	182	7.1%	148	7.3%
Partnership for the promotion and offer of financial products and services	304	7.8%	195	7.6%	390	19.3%
Goodwill on purchase of investments	52	1.3%	68	2.6%	-	-
Other	390	10%	117	4.6%	63	3.1%
Total	**3,911**	**100.0%**	**2,573**	**100.0%**	**2,018**	**100.0%**

We expect that our capital expenditures in 2012 will not be substantially greater than our historical expenditure levels and will consist mainly of investments to continue the upgrade of our technology, customer service and back-office administrative systems, as well as continue to make internet-related investments. We anticipate that, in accordance with our practice during recent years, our capital expenditures in 2012 will be funded by our internal resources. We cannot assure you, however, that the capital expenditures will be made and, if made, that those expenditures will be made in the amounts currently expected.

After the completion of the integration of the Itaú and Unibanco branches in 2010, we implemented the "Efficiency Project", which favors budget management and matrix monitoring of costs and revenues, the

establishment of targets for each business unit and the dissemination of a strong culture of operational efficiency. The principles of this project establish the detailed analysis of all result indicators, sharing of best practices and matrix control.

Contractual Obligations

The table below summarises the maturity profile of our consolidated long-term debt, operating leases and other commitments as of December 31, 2011:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
			(in millions of R$)		
Long-term debt obligations	184,955	–	124,079	41,710	19,166
Operating and capital (finance) lease obligations	4,013	882	1,909	628	595
Guarantees and stand by letters of credit	51,530	11,502	5,314	1,910	32,804
Total	**240,498**	**12,384**	**131,302**	**44,248**	**52,565**

Quantitative and Qualitative Disclosures about Market Risk

Derivative Instruments Qualifying for Hedge Accounting

During 2011, 2010 and 2009, in connection with two cash flow hedge strategies, we designated certain exchange-traded future contracts ("**DI Futures**") as hedging instruments for variable-rate certificates of deposit and certain interest rate swaps as hedging instruments for variable rate redeemable preferred shares.

The hedging strategies aim to protect against changes in the interest cash flows for certain variable-interest rate subordinated certificates of deposit, attributable to changes in the interbank interest rate (Certificado de Depósito Interbancário or "**CDI**") and for certain variable-interest rate redeemable preferred shares, attributable to changes in the LIBOR. Such hedging strategies result in fixing the cash flows associated with the variability of the CDI rate and LIBOR. In order to hedge the variability in the cash flows of interest payments, we use DI Futures traded on the BM&FBOVESPA and swaps traded with third parties. Under the DI Futures contracts, a net payment is made or received for the difference between an amount computed as the notional amount multiplied by the CDI rate and the notional amount multiplied by a fixed rate.

The carrying amount as of December 31, 2011 of such variable-rate certificates of deposits and the notional amount of the related DI Futures were R$30,948 million. The carrying amount as of December 31, 2011 of such redeemable preferred shares and the notional amount of the related swaps were R$737 million. The hedge certificates of deposits and related DI Futures and the redeemable preferred shares and related swaps have maturities between 2012 and 2017. These instruments are included below in the discussion under "— Market Risk". See also Note 7 to our annual consolidated financial statements as of and for the year ended December 31, 2011.

Market Risk

Market risk is the possibility of losses resulting from fluctuations in the market values of positions held by a financial institution, including risks of transactions subject to variations in foreign exchange rates, interest rates, equities and commodities prices.

Market risk management is the process by which an institution plans, monitors and controls risks of variations in financial instruments market values, aiming optimisation of the risk-return ratio through adequate limits structure, models and management tools.

Itaú Unibanco uses proprietary systems to measure its consolidated market risk. The processing of these systems occurs mainly in São Paulo in a controlled access location with high availability, storage and data recovery, which has the infrastructure to ensure business continuity in case of a contingency (disaster recovery). We are currently assessing potential changes to our risk technology infrastructure to ensure continuing compliance with regulatory requirements and management guidelines.

The market risk control carried out by Itaú Unibanco covers all financial instruments contained in all portfolios of the companies controlled by Itaú Unibanco. In this respect, Itaú Unibanco's market risk management policy is in line with the principles of CMN Resolution No. 3,464, of June 26, 2007, constituting a set of principles that guide

the institution's strategy of market risk control and management in all conglomerate business units and legal entities of the Itaú Unibanco group.

Itaú Unibanco's strategy is based on a comprehensive and complementary use of methodologies as well as quantitative tools to estimate, monitor and manage risks, in line with best market practices.

In this context, Itaú Unibanco's risk management strategy is aimed at balancing corporate business goals, taking into account:

- Political, economic and market conditions;
- Market risk portfolio of the institution; and
- Expertise to operate in specific markets.

The market risk control is conducted by a group that is independent from the front office and that is responsible for performing the daily activities of risk measurement, evaluation and reporting by means of its control units established within the legal entities of the Itaú Unibanco group. Moreover, this independent group carries out the consolidated monitoring, evaluation and reporting of market risk information, including any extrapolations of risk limits, reporting of events to the responsible business unit and monitoring necessary actions to readjust a position or level of risk. For this purpose we have a structured process of communication and information in order to provide information to senior management committees and to ensure compliance with the requirements of Brazilian and foreign regulatory agencies.

The market risk management and control process is subject to periodic reviews, to ensure that it is aligned with best market practices and that it reflects continuous improvement processes implemented throughout Itaú Unibanco.

According to transaction classification criteria defined in CMN Resolution No. 3,464, of June 26, 2007, and in Central Bank Circular No. 3,354, of June 27, 2007, and the New Capital Accord – Basel II, Itaú Unibanco's financial instruments, including all transactions with derivatives, are segregated in trading and banking portfolios. Market risk assessment is performed using this same portfolio segregation.

The trading portfolio consists of all transactions, including derivatives, held with intent to trade in the short term or to hedge other financial instruments of this portfolio, and that have no restriction on their trading. They are intended for obtaining profit from the changes in actual or expected prices in the short term or arbitrage execution.

The banking portfolio is composed of transactions that are not classified in the trading portfolio. The banking portfolio consists of transactions held without intent to trade in the short term and their respective hedges, as well as transactions executed for the active management of financial risks, which transactions may be executed with or without derivatives.

Itaú Unibanco hedges transactions with clients and proprietary positions, including its foreign investments, aiming to mitigate risks derived from price fluctuations of the relevant market risk factors to keep such transactions within the exposure limits in effect. Derivatives are the instruments commonly used for these hedging activities. When these transactions are classified as hedge accounting, specific supporting documentation is provided, including the continuous follow-up of the hedge effectiveness (retrospective and prospective) and other changes in the accounting process, as defined by the internal policies of Itaú Unibanco.

The market risk exposures that underlie various financial instruments, including derivatives, are decomposed in risk factors. A risk factor refers to a market parameter whose variation impacts an institution's results. The main risk factors measured by Itaú Unibanco are as follows:

- Interest rates: risk of losses from transactions subject to interest rates variations, including:
    - Fixed income interest rates denominated in *reais*; and
    - Interest rate index linked interest rates.
- Foreign exchange linked: risk of losses from positions in transactions subject to the foreign exchange linked interest rate;
- Foreign exchange rates: risk of losses from positions in foreign currencies, in transactions subject to foreign exchange rate variation;

- Price-index linked: risk of losses from transactions subject to the variations of price-index linked interest rates; and
- Equities: risk of losses from transactions subject to equity price variations.

The Itaú Unibanco market risk management process is subject to the governance and hierarchy of committees and limits are specifically approved for risk management support, from aggregated risk indicators to granulated limits, aimed at effectiveness and coverage of control. These limits are calibrated based on evaluations of projected results on future balance sheets, amount of shareholder's equity and risk profile of each legal entity, and are defined in terms of risk measurement and used on the risk management process. These limits are monitored on a daily basis and results in excess of such limits are reported and discussed at the competent committees.

The limits structure is established and approved by the Superior Risk Policies Committee ("**CSRisc**"), after discussions and deliberations by the Superior Institutional Treasury Committee ("**CSTI**") regarding metrics and market risk limits.

In the last quarter of 2011, Itaú Unibanco improved its market risk limits control structure by making it more granular and aligned its business structure, breaking metrics into groups of risk factors, according to business units. This new control structure is intended to:

- Demonstrate to all levels of executives that the assumption of market risk is in line with risk-return objectives of the bank, promoting disciplined and well-informed dialogue about Itaú Unibanco's risk profile and its evolution;
- Increase transparency on how the business attempts to optimise its results;
- Provide early warning mechanisms to facilitate effective risk management, without obstructing business objectives; and
- Limit concentration risk.

In this control structure, limits are more granular than in the past, are monitored and trigger alerts starting discussions about the positions in question.

Market risk is analysed based on the following metrics:

- *Statistical Value at Risk (VaR)*: statistical metric that quantifies the maximum expected potential economic loss in normal market conditions, considering a defined holding period and confidence interval. Applied to group of risk factors;
- *Losses in Stress Scenarios (Stress Test)*: simulation technique to evaluate the impact, in the assets and liabilities portfolio, of various risk factors in extreme market situations (based on prospective scenarios);
- *Stop Loss Alert*: effective losses added to the potential maximum loss in bullish and bearish scenarios;
- *P&L to Be Realised ("**RaR**")*: evaluation of the difference between accrual and mark-to-market values, in normal and stressed scenarios, reflecting accounting asymmetries. It is one of the risk measures used to evaluate the banking portfolio risk at the management level; and
- *Earnings at Risk (EaR)*: metric that quantifies the impact of adverse changes in interest rates on financial results.

In addition to the risk metrics described above, sensitivity and loss control measures are also analysed. They include:

- *Gap Analysis*: accumulated exposure, by risk factor, of the cash flows, marked-to-market, positioned in their settlement dates;
- *Sensitivity (DV01)*: impact on the market value of cash flows when a 1.0 annual basis point change is applied to current interest rates;
- *Sensitivities to Various Risk Factors (Greek)*: partial derivatives of a portfolio of options on the price of the underlying asset, implied volatility, interest rate and time; and

- *Stop Loss*: maximum loss that a portfolio classified in the trading book is authorised to reach.

VaR – Consolidated Itaú Unibanco Holding S.A.

The internal VaR model used by Itaú Unibanco considers a one-day holding period and a 99% confidence level. Volatilities and correlations are estimated based on a methodology that confers higher weight to the most recent information.

The table below shows the Consolidated Global VaR, comprising the portfolios of Itaú Unibanco, Banco Itaú BBA International S.A. ("**Banco Itaú BBA International**"), Banco Itaú Argentina S.A. ("**Banco Itaú Argentina**"), Banco Itaú Chile S.A. ("**Banco Itaú Chile**"), Banco Itaú Uruguai S.A. ("**Banco Itaú Uruguai**") and Banco Itaú Paraguai S.A. ("**Banco Itaú Paraguai**"); showing where there are higher concentrations of market risk.

The consolidated Itaú Unibanco Holding S.A., maintaining its conservative management and portfolio diversification, kept its policy of operating within lower limits in relation to its capital.

In 2011, our average global VaR was R$142.0 million, or 0.20% of our consolidated stockholders' equity, as of December 31, 2011, compared to R$109.4 million in 2010, or 0.18% of our consolidated stockholders' equity, as of December 31, 2010.

Global VaR
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Group of Risk Factor				
Interest rate(*)	114.8	105.3	27.0	229.2
Foreign exchange linked	23.6	29.5	12.6	59.0
Foreign exchange rates	29.0	38.1	14.2	69.2
Price index linked	21.1	17.7	2.5	41.6
Equities	4.4	13.4	3.7	26.1
Banco Itaú BBA International	1.5	2.9	0.4	6.5
Banco Itaú Argentina	3.7	4.0	1.6	9.4
Banco Itaú Chile	5.3	5.3	1.9	10.3
Banco Itaú Uruguai	0.7	0.5	0.2	1.1
Banco Itaú Paraguai	0.2	0.6	0.2	1.7
Diversification effect(**)	(53.4)			
Total	**150.9**	**142.0**	**74.0**	**278.5**

(*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.
(**) Reduction of risk due to the combination of all risk factors.

Global VaR
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Group of Risk Factor				
Interest rate(*)	123.7	109.6	70.6	137.2
Foreign exchange linked	17.3	18.4	6.0	41.6
Foreign exchange rates	34.0	31.8	9.1	56.9
Price index linked	18.6	17.1	6.4	30.0
Equities	14.4	15.1	5.1	27.7
Banco Itaú BBA International	0.6	1.3	0.5	3.4
Banco Itaú Argentina	1.6	1.0	0.4	2.3
Banco Itaú Chile	3.3	5.1	2.6	9.4
Banco Itaú Uruguai	0.2	0.4	0.2	0.8

	December 31	Average	Minimum	Maximum
Banco Itaú Paraguai	0.9	0.6	0.2	1.6
Diversification effect(**)	(82.8)			
Total	**131.9**	**109.4**	**61.6**	**181.8**

(*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.
(**) Reduction of risk due to the combination of all risk factors.

VaR – Institutional Treasury

The Institutional Treasury maintains its risk management segregated in Banking and Trading Desks.

Banking Desk

The Banking Desk, which has a portfolio composed of commercial transactions and related financial instruments, increased the Global VaR of its portfolio in 2011. Conservative management of the portfolio composition enabled the average Global VaR to remain at lower levels in comparison to the bank's equity.

The average VaR of the Banking Desk portfolio was R$83.4 million as of December 31, 2011, compared to R$80.3 million as of December 31, 2010.

VaR of Banking Desk Portfolio
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Group of Risk Factor				
Interest rate(*)	95.2	88.1	22.7	193.0
Foreign exchange linked	23.6	24.9	8.6	46.3
Foreign exchange rates	4.9	2.8	0.0	15.3
Price index linked	17.9	11.7	2.4	33.8
Equities	5.0	4.8	2.7	7.9
Diversification effect(**)	(49.2)			
Total	**97.5**	**83.4**	**31.1**	**171.5**

(*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.
(**) Reduction of risk due to the combination of all risk factors.

VaR of Banking Desk Portfolio
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Group of Risk Factor				
Interest rate(*)	85.5	92.6	70.0	110.5
Foreign exchange linked	11.4	6.2	2.7	11.4
Foreign exchange rates	0.3	3.0	0.0	23.2
Price index linked	9.0	10.4	3.8	22.1
Equities	4.2	4.7	2.9	12.5
Diversification effect(**)	(33.7)			
Total	**76.6**	**80.3**	**54.5**	**108.0**

(*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.
(**) Reduction of risk due to the combination of all risk factors.

Since May 1, 2011, the VaR risk factors of the Overseas portfolio (*i.e.*, transactions not booked in Brazil) are managed together with the Banking Desk portfolio. In 2010, the average Global VaR of Overseas portfolio was R$7.9 million.

Trading Desk

The Institutional Treasury Trading Desk takes positions aiming to optimise risk-weighted results.

Effective market risk control enabled Itaú Unibanco to manage efficiently market changes, as well as maintain the continuous improvement of diversification and sophistication of its transactions.

The Trading Desk seeks the best domestic and foreign market opportunities, within the pre-established limits, and is intended to create a well-diversified risk exposure.

In this context, the risk assumed by the Institutional Treasury did not change significantly, strengthening Itaú Unibanco's tendency to incur only limited market risk exposures in relation to its capital.

To improve the management of their assets, the Flow Book Desk and Proprietary Trading Desk were unified, under the name Trading Desk, beginning June 1, 2011. In 2011, the average VaR of the Trading Desk portfolio was R$69.1 million, compared to an average VaR of the Flow Book Desk and Proprietary Trading Desk of R$9.5 million and R$46.3 million, respectively, in 2010.

VaR of Trading Desk Portfolio(**)
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Group of Risk Factor				
Interest rate(*)	28.3	35.8	12.4	88.1
Foreign exchange linked	7.5	11.5	5.5	27.1
Foreign exchange rates	32.7	40.0	21.4	68.9
Price index linked	4.7	6.9	0.9	24.5
Equities	3.3	7.5	1.5	15.1
Diversification effect(***)	(22.6)			
Total	**53.9**	**69.1**	**38.4**	**125.0**

(*) Adjusted to reflect the difference in Brazilian tax treatment of investments abroad and investments in Brazil.
(**) Desk created on June 1. 2011 (unifying the portfolios of the Flow Book Desk and Proprietary Trading Desk).
(***) Reduction of risk due to the combination of all risk factors.

VaR – Foreign Units

Itaú Unibanco's foreign units are financial institutions based in different countries that operate with local treasuries whose market risk exposures are monitored by local risk control groups. These treasury and risk control groups report to equivalent structures of Itaú Unibanco Holding. These foreign units are "Banco Itaú BBA International", "Banco Itaú Argentina", "Banco Itaú Chile", "Banco Itaú Uruguai" and "Banco Itaú Paraguai".

In 2011, the average VaR of Banco Itaú BBA International was R$2.9 million, or 0.19% of Banco Itaú BBA International's stockholders' equity as of December 31, 2011 compared to R$1.3 million in 2010, or 0.09% of Banco Itaú BBA International's stockholders' equity as of December 31, 2010.

VaR of Banco Itaú BBA International
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
EURIBOR	0.1	0.6	0.1	2.6
LIBOR	0.7	0.7	0.3	1.5

	December 31	Average	Minimum	Maximum
Foreign exchange rates	0.6	1.7	0.2	5.6
Other	0.3	0.1	0.0	0.5
Diversification effect(*)	(0.2)			
Total	**1.5**	**2.9**	**0.4**	**6.5**

(*) Reduction of risk due to the combination of all risk factors.

VaR of Banco Itaú BBA International
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
EURIBOR	0.3	0.5	0.0	1.2
LIBOR	0.4	0.7	0.2	1.9
Foreign exchange rates	0.2	0.3	0.1	1.3
Other	0.2	0.3	0.0	0.7
Diversification effect(*)	(0.5)			
Total	**0.6**	**1.3**	**0.5**	**3.4**

(*) Reduction of risk due to the combination of all risk factors.

In 2011, the average VaR of Banco Itaú Argentina was R$4.0 million, or 1.33% of Banco Itaú Argentina's stockholders' equity, as of December 31, 2011, compared to R$1.0 million in 2010, or 0.67% of Banco Itaú Argentina's stockholders' equity, as of December 31, 2010.

VaR of Banco Itaú Argentina
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (Argentine peso)	2.9	4.2	1.8	10.0
Badlar(*)	2.0	0.7	0.1	2.1
Inflation index linked interest rate	0.0	0.0	0.0	0.2
LIBOR	3.8	1.8	0.3	7.3
Foreign exchange rates – Euros	0.2	0.2	0.0	1.1
Diversification effect(**)	(5.2)			
Total	**3.7**	**4.0**	**1.6**	**9.4**

(*) Badlar is the average rate offered by commercial banks based on a survey by the Central Bank of Argentina for time deposits over 1 million pesos with a maturity of 30 to 35 days.
(**) Reduction of risk due to the combination of all risk factors.

VaR of Banco Itaú Argentina
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (Argentine peso)	1.8	1.1	0.3	2.5
Badlar(*)	0.1	0.2	0.1	0.3
Inflation index linked interest rate	0.0	0.0	0.0	0.0
LIBOR	0.5	0.4	0.1	0.8
Foreign exchange rates – Euros	0.3	0.1	0.0	0.6
Diversification effect(**)	(1.2)			
Total	**1.6**	**1.0**	**0.4**	**2.3**

(*) Badlar is the average rate offered by commercial banks based on a survey by the Central Bank of Argentina for time deposits over 1 million pesos with a maturity of 30 to 35 days.
(**) Reduction of risk due to the combination of all risk factors.

In 2011, the average VaR of Banco Itaú Chile was R$5.3 million, or 0.27% of Banco Itaú Chile's stockholders' equity, as of December 31, 2011, compared to R$5.1 million in 2010, or 0.36% of Banco Itaú Chile's stockholders' equity, as of December 31, 2010.

VaR of Banco Itaú Chile
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (Chilean peso)	0.8	1.5	0.5	2.8
Inflation index linked interest rate	4.3	4.4	1.6	8.5
Dollar linked interest rate	1.9	0.9	0.3	2.1
Diversification effect(*)	(1.8)			
Total	**5.3**	**5.3**	**1.9**	**10.3**

(*) Reduction of risk due to the combination of all risk factors.

VaR of Banco Itaú Chile
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (Chilean peso)	1.1	1.5	0.6	4.7
Inflation index linked interest rate	3.5	4.9	2.1	8.1
Dollar linked interest rate	0.3	0.7	0.3	1.6
Diversification effect(*)	(1.5)			
Total	**3.3**	**5.1**	**2.6**	**9.4**

(*) Reduction of risk due to the combination of all risk factors.

In 2011, the average VaR of Banco Itaú Uruguai was R$0.5 million, or 0.13% of Banco Itaú Uruguai's stockholders' equity, as of December 31, 2011, compared to R$0.4 million in 2010, or 0.13% of Banco Itaú Uruguai's stockholders' equity, as of December 31, 2010.

VaR of Banco Itaú Uruguai
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (Uruguayan peso)	0.1	0.0	0.0	0.1
Inflation index linked interest rate	0.7	0.4	0.1	1.0
Dollar linked interest rate	0.1	0.3	0.1	0.7
Foreign exchange rate	0.0	0.2	0.0	0.6
Diversification effect(*)	(0.2)			
Total	**0.7**	**0.5**	**0.2**	**1.1**

(*) Reduction of risk due to the combination of all risk factors.

VaR of Banco Itaú Uruguai
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (Uruguayan peso)	0.0	0.1	0.0	0.2
Inflation index linked interest rate	0.2	0.2	0.1	0.3
Dollar linked interest rate	0.1	0.3	0.0	0.6
Foreign exchange rate	0.2	0.2	0.0	0.4
Diversification effect(*)	(0.2)			
Total	**0.2**	**0.4**	**0.2**	**0.8**

(*) Reduction of risk due to the combination of all risk factors.

In 2011, the average VaR of Banco Itaú Paraguai was R$0.6 million, or 0.14% of Banco Itaú Paraguai's stockholders' equity, as of December 31, 2011, compared to R$0.6 million in 2010, or 0.17% of Banco Itaú Paraguai's stockholders' equity, as of December 31, 2010.

VaR of Banco Itaú Paraguai
2011

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (guarani)	0.0	0.5	0.0	1.7
Dollar linked interest rate	0.2	0.2	0.1	0.5
Foreign exchange rate	0.0	0.0	0.0	0.3
Diversification effect(*)	(0.1)			
Total	**0.2**	**0.6**	**0.2**	**1.7**

(*) Reduction of risk due to the combination of all risk factors.

VaR of Banco Itaú Paraguai
2010

	December 31	Average	Minimum	Maximum
		(in millions of R$)		
Risk Factor				
Fixed income interest rate (guarani)	0.7	0.5	0.1	1.6
Dollar linked interest rate	0.2	0.2	0.1	0.2
Foreign exchange rate	0.2	0.2	0.1	0.3
Diversification effect(*)	(0.3)			
Total	**0.9**	**0.6**	**0.2**	**1.6**

(*) Reduction of risk due to the combination of all risk factors.

Backtesting

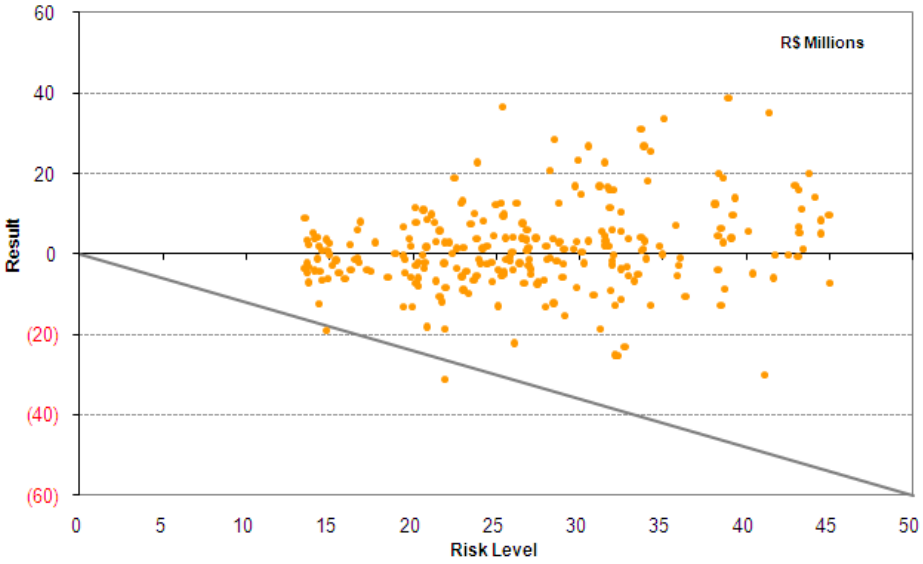
The effectiveness of the Value at Risk model is validated on a daily basis by the use of backtesting techniques that compare actual daily results with the percentage of cases where the results exceed pre-established limits of maximum potential loss. The number of violations to the VaR pre-established limits should be consistent, within an acceptable margin, with the hypothesis of 99% confidence intervals (*i.e.*, there is a 1% probability that financial losses could be greater than the losses estimated by the model). For the backtesting analysis presented below, the number of violations should be not higher than 7.

In order to illustrate the reliability of risk measures generated from the models used by Itaú Unibanco, we present below the backtesting graphs of the global exposure of the Banking Desk portfolio and the fixed income interest rate risk factor of the Banking Desk portfolio (the most significant risk factor for the Banking Desk), as well as the backtesting graph of the total Trading Desk portfolio, in each case for the period of the last 12 months. Due to the limited importance of the VaR amounts of the international operations, the following backtesting analyses refer only to the portfolio related to domestic operations.

The graphs show the adequacy level of the market risk models used by Itaú Unibanco, presenting the risk (absolute value) x return pairs for the period considered. Since the diagonal line represents the threshold where risk equals results, all the dots below this line indicate violations to the estimated risk.

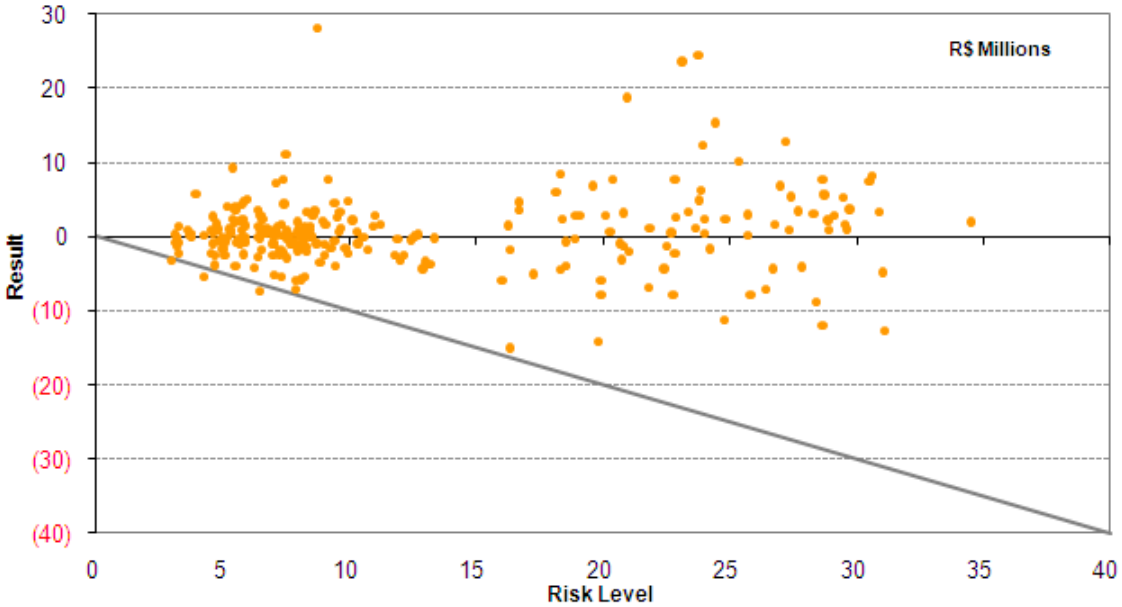
For the global VaR of the Banking Desk portfolio, financial losses exceeded the VaR estimated by the model on 2 days in the period, a result which is within the adopted confidence interval.

Backtest - Global VaR Banking Desk Portfolio



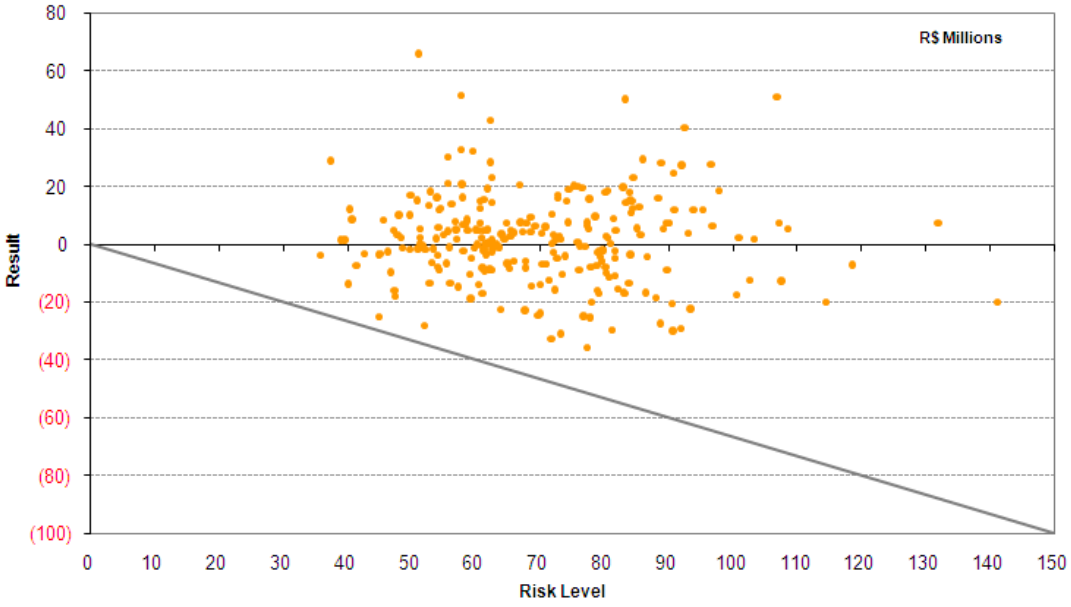
For the fixed income interest rate risk factor of the Banking Desk portfolio, financial losses exceeded the VaR estimated by the model on 3 days in the period, a result which is within the adopted confidence interval.

Backtest – Fixed Income Interest Rate Banking Desk Portfolio



For the global VaR of the Trading Desk portfolio, financial losses exceeded the VaR estimated by the model on no days in the period, a result which is within the adopted confidence interval.

Backtest - Global VaR Trading Desk Portfolio



BUSINESS

Overview

Itaú Unibanco Holding ranked among the ten largest banks in the world in 2011 and was the largest bank in Brazil, each ranking based on market capitalisation according to Bloomberg. Our principal operations are: (i) commercial banking (including insurance, pension plan and capitalisation products, credit cards, asset management and a variety of credit products and services for individuals, small and middle-market companies); (ii) Itaú BBA (corporate and investment banking); and (iii) consumer credit (financial products and services to our non-accountholders).

On October 24, 2010, Itaú Unibanco completed the integration of customer service locations throughout Brazil. In total, 998 branches and 245 CSBs of Unibanco were redesigned and integrated as Itaú Unibanco customer service locations, thus creating a network of approximately 4,700 units in the country under the "Itaú" brand. We have an extensive network with 4,072 branches, 912 CSBs and 28,769 ATMs in Brazil and abroad, as of December 31, 2011, we were elected or ranked:

- "The Best Private Banking Overall Services" in Brazil, according to the 2011 Annual Private Banking and Wealth Management Survey, coordinated by Euromoney magazine;
- the largest mutual fund manager among private banks in Brazil based on our assets under management, according to ANBIMA;
- the largest manager of private bank client assets, according to ANBIMA; and
- the top provider of securities services in Brazil by ANBIMA.

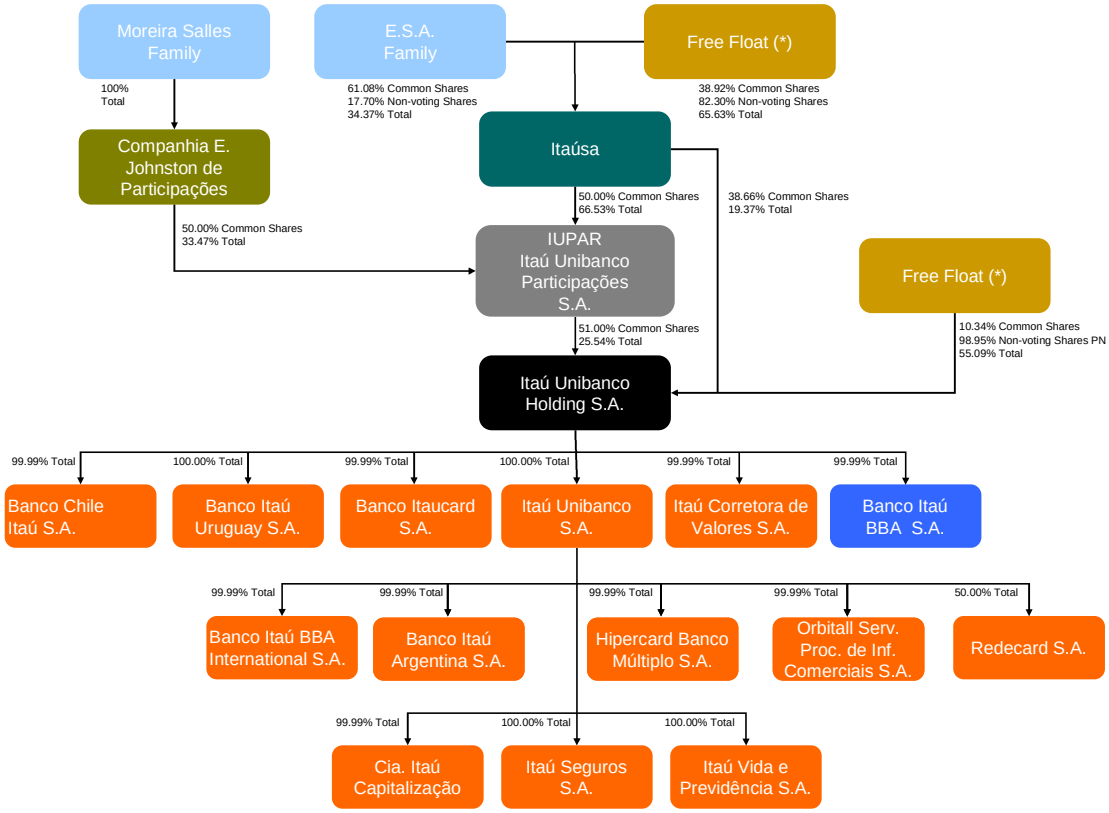
In addition, we received the following awards and recognition in 2011:

- "Bank of the Year 2011 – Bank of the Year in Brazil and Latin America" from The Banker magazine;
- The World's Most Sustainable Bank in the 2011 FT/IFC Sustainable Finance Awards, granted by the British newspaper Financial Times and the International Finance Corporation (IFC), the financial institution of the World Bank;
- Private Banker International Awards 2011 — Outstanding Private Banking in Latin America. Hosted by British magazine "Private Banker International"; and
- Top 1000 World Banks ranking, according to "The Banker" British magazine. Itaú Unibanco ranked first among Brazilian financial institutions.

Our Ownership Structure

We are a financial holding company controlled by IUPAR, a holding company jointly controlled by (i) Itaúsa, which is a holding company controlled by members of the Egydio de Souza Aranha family, and (ii) E. Johnston, which is a holding company controlled by the former controlling shareholders of Unibanco, the Moreira Salles family. Itaúsa also directly owned 38.66% of the shares of our common stock as of December, 31, 2011. See "Principal Shareholders and Dividends".

The following chart is a simplified overview of the direct and indirect ownership structure of the Itaú Unibanco Group as of December 31, 2011:



Ownership percentages above refer to the total of direct and indirect ownership. All of the above companies were organised and have their operations in Brazil, except Banco Itaú Argentina S.A. ("Banco Itaú Argentina"), Banco Itaú BBA International S.A. ("Banco Itaú BBA International"), Banco Itaú Chile S.A. ("Banco Itaú Chile") and Banco Itaú Uruguay S.A. ("Banco Itaú Uruguay"). For further information with respect to our significant subsidiaries, see Note 2(b) to our consolidated financial statements.

General

Our legal and commercial name is Itaú Unibanco Holding S.A. We were incorporated on September 9, 1943 and registered under NIRE 35300010230. We are organised as a publicly held corporation for an unlimited period of time under the laws of Brazil. Our head offices are located at Praça Alfredo Egydio de Souza Aranha, 100, 04344-902, São Paulo, SP, Brazil and our telephone number is +55-11-5019-1267.

History

We trace our origins to 1944, when members of the Egydio de Souza Aranha family founded Banco Federal de Crédito S.A. in São Paulo. Since 1973 we have operated through Banco Itaú S.A., now Itaú Unibanco. Unibanco was founded by the Moreira Salles family in 1924, making it Brazil's oldest non-state owned bank at the time of the Association.

On November 3, 2008, the controlling shareholders of Itaúsa and of Unibanco Holdings entered into an association agreement to combine the operations of Itaú Holding (now Itaú Unibanco Holding) and its subsidiaries and Unibanco Holdings, Unibanco and Unibanco's subsidiaries. To effect the Association, we carried out a corporate restructuring pursuant to which Unibanco Holdings and its subsidiary Unibanco became wholly owned subsidiaries of Itaú Unibanco Holding through a series of transactions:

- the merger of all shares of E. Johnston into Itaú Unibanco;
- the merger of all shares of Unibanco Holdings and Unibanco that were not already indirectly held by Itaú Unibanco into Itaú Unibanco; and

- the merger of all shares of Itaú Unibanco into Itaú Unibanco Holding.

A merger of shares means "incorporação de ações," as defined by article 252 of the Brazilian Corporate Law, and is a corporate restructuring where one company (A) exchanges its shares for shares of another company (B), and as a consequence the shareholders of B become shareholders of A, and A becomes the sole shareholder of B. The shareholders of each of Itaú Unibanco Holding, Itaú Unibanco, E. Johnston, Unibanco Holdings and Unibanco approved the transactions at extraordinary shareholders' meetings held on November 28, 2008. The transactions were approved by the Central Bank in February 2009, and the minutes of the shareholders' meetings reflecting the approval of the merger of shares were registered by the Commercial Registry of the State of São Paulo in March 2009. The Association was approved with no restrictions by CADE on August 18, 2010.

The shares of Itaú Unibanco Holding, including those issued in exchange for shares of Unibanco and Unibanco Holdings, commenced trading under the same symbol on March 31, 2009. In May 2009, the trading symbols were standardised to "ITUB" on all the stock exchanges where Itaú Unibanco Holding's securities are listed. At the extraordinary shareholders' meeting held on November 28, 2008, our shareholders approved the change of our corporate name from Banco Itaú Holding Financeira S.A. to Itaú Unibanco Banco Múltiplo S.A. At the extraordinary shareholders' meeting held on April 24, 2009, our shareholders approved a further change of our corporate name to Itaú Unibanco Holding S.A., which change was approved by the Central Bank on August 12, 2009. Finally, at the extraordinary shareholders' meeting held on April 30, 2009, the shareholders of Itaú Unibanco approved the change of the corporate name of Banco Itaú S.A. to Itaú Unibanco S.A., which change was approved by the Central Bank on December 30, 2009.

As a result of the Association, many initiatives were taken in order to complete the integration of the two banks. The main initiatives were:

- the adoption of a new corporate governance structure by the Board of Directors;
- the integration of the corporate, investment banking, brokerage, asset management, vehicle lending, private banking and treasury divisions, which have been operating on a unified basis since the first quarter of 2009;
- the interconnection of ATMs;
- reporting under a single annual report and the adoption of unified corporate governance policies and risk management; and
- the integration of Unibanco branches under the "Itaú" brand, which began in the first quarter of 2010.

As of December 31, 2011, we were the largest bank in Brazil based on market capitalisation according to Bloomberg.

Competitive Strengths

We believe the following strengths provide us with significant competitive advantages and distinguish us from our competitors.

Premier banking brand in Brazil.

Our brands are very strong and very well recognised in Brazil. They represent quality and reliability and, with our large portfolio of products, help us to maintain a low customer turnover rate, especially among customers in the high income segment.

Large branch network in geographic areas of high economic activities.

We have an extensive network with 4,072 branches, 912 CSBs and 28,769 ATMs in Brazil and abroad, as of December 31, 2011. Our Brazilian branch network, while national in scope, is strategically concentrated in Southeast Brazil, the country's wealthiest region. Our branch network in other countries of the Southern Cone (Argentina, Chile, Paraguay, and Uruguay) is also positioned in regions of high levels of economic activity. A branch network in wealthier and key economic areas gives us a strong presence and a competitive advantage to offer our services to a broad range of customers and profit from selective market opportunities. Our exclusive ATM

network allows us to offer a wide range of products and services to our customers which we see as one of our competitive strengths.

Diverse line of products and services.

We are a multi-service bank offering a diverse line of products and services that are designed to address the needs of various types of clients, including corporate clients, small and medium-sized enterprises, retail customers, high-income individuals, private bank clients, non-accountholders and credit card users. We believe that this model creates opportunities to improve our client relationships and thereby increase our market share. We expect to sustain our leading presence by capturing a solid and growing pipeline of transactions across a number of business segments.

Technology and electronic distribution channels as drivers for sales.

Our intensive use of technology and electronic distribution channels, which has contributed significantly to an increase in sales of products and services, is one of our most important competitive advantages. In 2011, we spent approximately R$4,000 million on information technology, approximately R$1,000 million for the purchase of hardware and software and approximately R$3,000 million for the cost of information technology ("**IT**") infrastructure, operation and maintenance. We have sophisticated technology that supports other remote banking access (call centres, Internet banking, etc.) and offers customers the ability to verify their statements and perform their transactions. Our sales teams can access client credit scores directly through mobile phones and credit proposals can be sent over the Internet by any broker registered in our systems.

Risk-based pricing model as a tool to manage risk while exploring opportunities.

Our risk-based pricing model is an important competitive advantage as it gives us a more precise dimension of the risk equation versus return in various scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risks. Depending on the product, each contract is individually priced using risk adjusted return on capital models that give us a better assessment of the market.

Business Strategy

Our board of directors is responsible for defining the guidelines of our strategy and that of our subsidiaries. Strategic decisions by our board of directors are supported by the strategy committee of the board, which provides data and information about strategic business issues. See "Management — Corporate Governance — Committees of the Board of Directors — Strategy Committee" The strategy committee's activities and responsibilities range from evaluating investment opportunities and budget guidelines to providing advice and support to the chief executive officer for the monitoring of our consolidated strategy. The strategy committee is supported by the economic scenarios sub-committee which provides macroeconomic data in order to support discussions on strategies, investments and budgets.

Expand our wholesale and investment bank operations abroad.

In 2011, we took significant steps to expand our wholesale and investment bank operations abroad. In Chile, we entered into an agreement with MCC, one of the leaders in third party wealth management services. Also in 2011, we acquired HSBC Bank's high net worth portfolio in Chile, making Itaú Chile a leader for high net worth individuals with a network of 84 branches in that country. In addition, Itaú Unibanco started operations in Switzerland through Banco Itaú Suisse, located in Zurich, to provide services to private clients, both Brazilian and Latin American, who seek global investment opportunities. Finally, in November 2011, Itaú BBA was authorised by the Central Bank to structure its wholesale and investment bank operations in Colombia, pending approval by local regulatory bodies, which is expected to be granted in 2012. Itaú BBA's target market in Colombia is composed of institutional investors and large companies present in Brazil. The products portfolio in Colombia will include loan operations, foreign trade financing, foreign exchange and derivatives, and investment bank activities, such as advising on mergers and acquisitions and access to capital markets.

Continue to improve efficiency.

During 2009 and 2010, we focused our efforts on completing the integration of the Unibanco branches and customer site branches, while maintaining service quality and increasing our customer base. After the completion of the integration of Itaú and Unibanco branches in 2010, we implemented the "Efficiency Project" during 2010 and 2011, which implements close budget management and monitoring of costs and revenues, the establishment of targets for each business unit and the promotion of a strong culture of operational efficiency. In 2011, we fully integrated all systems that still had Unibanco's legacy information on operations entered into prior to the integration of the branch network. This was the last remaining step to the integration of Banco Itaú Holding and Unibanco.

Grow our loan portfolio with the maintenance of asset quality.

The growth of our loan portfolio and the maintenance of asset quality are central issues to our strategy. We are constantly seeking to improve our models for risk management and our economic forecasts and scenario modelling. We intend to increase the average volume of credit operations to maintain and even grow our market share, depending on the product, market and customer type, including through the development of new products for specific client demographics.

Implement an advanced and fully integrated risk management approach should position us for sustainable growth and enhanced profitability.

Our main strategic goals in risk management include: (i) the incorporation of best practice recommendations and the implementation of the advanced approaches under Basel II and Basel III, which should enhance profitability from more precise risk-based pricing and risk-adjusted performance measurement frameworks, which are important sources of competitive advantage; and (ii) developing and implementing a fully integrated risk management approach, through the integration of processes and systems to provide a comprehensive picture of risk exposures across risk types and from multiple viewpoints, as well as through the development of stress testing and risk appetite standards.

Develop strong relationships with our clients based on customer segmentation.

We will continue to work on our customer segmentation strategy in order to identify our customers' needs and enhance our relationship with our customer base, as well as to increase market penetration. A customer segment is a distinguishable part of our customer base that is subject to a specific set of needs that we focus on meeting. We believe that our customer segmentation tools and strategy provide us an important competitive advantage developed over the course of more than 25 years. We aim to fulfil clients' financial needs through a wide product portfolio, including cross-selling of banking and insurance products and sales through a variety of channels. It is also extremely important to deliver best-in-class customer service, in order to maintain and increase client satisfaction and increase portfolio profitability.

Capital Expenditures

On January 27, 2012, we announced the construction of a new technology center, representing a total investment of approximately R$800 million. See "Business – Technology".

Acquisitions

Banco Carrefour

On April 14, 2011 Itaú Unibanco entered into a share purchase and sale agreement governing the acquisition by Itaú Unibanco of 49% of Banco Carrefour for the amount of R$725 million. Banco Carrefour is the entity responsible for the offering and distribution, on an exclusive basis, of financial, insurance and pension products and services through the distribution channels of Carrefour Comércio e Indústria Ltda., which operates under the "Carrefour" brand in Brazil. As of April 14, 2011, the "Carrefour" brand included 163 hypermarkets and supermarkets and related e-commerce channels, and had 7.7 million accounts and a credit portfolio (gross book value) of R$2,254 million as of December 31, 2010. This transaction is subject to the approval of the Central Bank.

Unibanco Participações Societárias

On July 29, 2011, we acquired, through a wholly-owned subsidiary, all remaining interests not previously owned in Unibanco Participações Societárias, an indirect investment subsidiary of Itaú Unibanco Holding, for approximately R$1.2 billion in cash.

HSBC Portfolio in Chile

On October 24, 2011, we completed the acquisition of HSBC's retail portfolio in Chile, which included, among others, 4 branches and the consumer credit and mortgage portfolios, ranking Itaú as the leader in the premium market, with a network of 88 branches in Chile.

MCC Securities

On August 1, 2011, Itaú Unibanco, through its subsidiaries, entered into certain agreements with MCC and acquired 50% plus one share issued by MCC Securities Inc. (Cayman Islands) ("**MCC Securities**"), forming a joint venture with MCC targeting Chilean high net worth clients.

Divestitures

Unibanco Saúde Seguradora

On December 16, 2009, Itaú Seguros S.A. ("**Itaú Seguros**"), and Itaú Unibanco entered into an agreement with a subsidiary of Tempo Participações S.A. for the sale of all the shares of Unibanco Saúde Seguradora held by Itaú Seguros and Itaú Unibanco, for R$55 million. The performance of Unibanco Saúde Seguradora in the 12-month period after the closing date of the transaction entitled Itaú Seguros and Itaú Unibanco to an additional payment of approximately R$50 million. CADE approved the transaction in December 2009. The Brazilian National Agency of Supplemental Health (*Agência Nacional de Saúde Suplementar*) ("**ANS**"), approved the transaction on April 1, 2010. The closing of the transaction occurred on April 29, 2010.

Allianz Seguros

On December 29, 2009, Allianz South America Holding B.V. entered into an agreement with Itaú Unibanco Holding for the purchase for R$109 million of the 14.03% indirect interest that Itaú Unibanco Holding held in Allianz Seguros. The transaction closed on January 14, 2010 and was approved by CADE in March 2010. We notified SUSEP of the transaction.

Activities

The table below presents income from financial operations before loan losses and fee and commission income data for each of our three business units, and such income and fees classified under corporate and treasury, for each of the years ended December 31, 2011, 2010 and 2009.

	Year Ended December 31,		
	2011	**2010**	**2009**
	(in millions of R$)		
Commercial banking	**42,852**	**36,231**	**32,465**
Income from financial operations before loan losses	31,937	26,985	24,247
Fee and commission income	10,915	9,246	8,218
Itaú BBA	**6,403**	**6,562**	**5,566**
Income from financial operations before loan losses	4,280	4,630	4,075
Fee and commission income	2,123	1,932	1,491
Consumer credit	**14,075**	**14,809**	**16,270**
Income from financial operations before loan losses	8,356	9,044	10,767
Fee and commission income	5,719	5,765	5,503
Corporate and treasury[(1)]	**2,995**	**4,171**	**6,987**
Income from financial operations before loan losses	2,686	3,989	7,027
Fee and commission income	309	182	(40)

	Year Ended December 31,		
	2011	2010	2009
	(in millions of R$)		
Total	**66,307**	**61,748**	**61,288**
Income from financial operations before loan losses	**47,259**	**44,648**	**46,116**
Fee and commission income	**19,048**	**17,101**	**15,172**

(1) Corporate and treasury includes the results related to the trading activities in our proprietary portfolio, trading related to managing currency, interest rate and other market risk factors, gap management and arbitrage opportunities in domestic and foreign markets. It also includes the results associated with financial income from the investment of our excess capital.

We mainly carry out our business activities in Brazil and we do not break down our revenues by geographic market within Brazil. Our revenues consisting of income from financial operations before loan losses, fee and commission income and insurance premiums, income on private retirement plans and capitalisation plans are divided between revenues earned in Brazil and abroad. The information in the table below presents revenues for each of the years ended December 31, 2011, 2010 and 2009 and is presented after eliminations upon consolidation.

	Year Ended December 31,		
	2011	2010	2009
	(in millions of R$)		
Interest income from loan and leases	**47,259**	**44,648**	**46,116**
Brazil	44,042	42,356	44,188
Abroad	3,217	2,292	1,927
Fee and commission income	**19,048**	**17,101**	**15,172**
Brazil	18,144	16,205	14,476
Abroad	904	896	696
Insurance premiums, income on private retirement plans and on capitalisation plans	**2,714**	**2,100**	**2,432**
Brazil	2,684	2,084	2,412
Abroad	31	16	20

The table below presents revenues abroad by business units for each of the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
	(in millions of R$)		
Commercial Bank	**3,081**	**2,467**	**2,117**
Argentina[(1)]	244	169	185
Chile[(2)]	444	500	443
Uruguay[(3)]	166	135	73
Other companies abroad[(4)]	2,227	1,663	1,416
Itaú BBA	**968**	**656**	**412**
Other companies abroad[(4)]	968	656	412
Itaú Unibanco – Credit Card	**103**	**105**	**114**
Argentina[(1)]	20	22	21
Chile[(2)]	17	18	14
Uruguay[(3)]	66	65	79

(1) Includes Banco Itaú Argentina S.A, Itaú Asset Management S.A., Sociedad Gerente de Fondos Comunes de Inversión, Itrust Servicios Inmobiliarios S.A.C.I (formerly known as Itrust Servicios Financieros S.A) and Itaú Sociedad de Bolsa S.A.

(2) Includes Itaú Chile Holdings, Inc., BICSA Holdings LTD., Banco Itaú Chile S.A., Itaú Chile Inversiones, Servicios y Administración S.A., Itaú Chile Corredor de Bolsa Ltda., Itaú Chile Corredora de Seguros Ltda., Itaú Chile Administradora General de Fondos S.A., Itaú Chile Securitizadora S.A., Recuperadora de Créditos Ltda. and Itaú Chile Compañia de Seguros de Vida S.A.

(3) Includes ACO Ltda., Banco Itaú Uruguay S.A., OCA Casa Financiera S.A., OCA S.A, and Unión Capital AFAP S.A.

(4) Includes Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo, and Nassau branches; Banco Itaú-BBA S.A - Nassau Branch; Itaú Unibanco Holding S.A - Grand Cayman branch and Unibanco Grand Cayman branch; only at December 31, 2010 Banco Itaú BBA S.A. Uruguay branch; IPI - Itaúsa Portugal Investimentos, SGPS Lda. (49%), Itaúsa Europa - Investimentos, SGPS, Lda., Itaú Europa, SGPS, Lda., Itaúsa Portugal - SGPS, S.A., Banco Itau BBA International, S.A , Itau BBA International (Cayman) Ltd., Banco Itaú Europa Luxembourg; Afinco Americas Madeira, SGPS, Soc. Unipessoal Ltda., Zux Cayman Company Ltd., Topaz Holding Ltd., United Corporate Services Inc. (previously Itaú USA Inc.), Itaú International Investment LLC, Albarus S.A., Banco Del Paraná S.A. and Garnet Corporation.

Our Business

Overview

We provide a broad range of banking services to a diverse customer base of individuals and corporate customers. We provide these services on an integrated basis through the following operational units:

- Commercial banking,
- Itaú BBA (corporate and investment banking),
- Consumer credit, and
- Treasury and Corporation.

The commercial banking business unit offers a wide range of banking services to a diversified base of individuals and companies. Services offered by the commercial banking segment include insurance, pension plan and capitalisation products, credit cards, asset management, credit products and customised products and solutions specifically developed to meet customers' demands. Our marketing strategies are adjusted for each customer profile and implemented through the most suitable distribution channels. We aim to increase the number of products used by our customers, thus diversifying our revenue sources. This segment is an important funding source for our operations and generates significant financial income and banking fees. The commercial banking segment is comprised of the following specialised areas and products:

- Retail banking (individuals);
- Public sector banking;
- Personnalité (banking for high-income individuals);
- Private banking (banking and financial consulting for wealthy individuals);
- Very small business banking;
- Small business banking;
- Middle-market banking;
- Credit cards;
- Real estate financing;
- Asset management;
- Corporate social responsibility fund;
- Securities services for third parties;
- Brokerage; and
- Insurance, private retirement and capitalisation products.

Itaú BBA is responsible for our corporate and investment banking activities. Itaú BBA's management model is based on building close relationships with its customers by obtaining an in-depth understanding of their needs and offering them customised solutions. Corporate activities include providing banking services to large corporations and investment banking activities include offering funding resources to the corporate segment, including through fixed and variable income instruments.

Through the consumer credit business unit, we implement our strategy of expanding our offering of financial products and services beyond our current accountholders. As such, this division oversees the financing of vehicles outside our branch network, credit cards to individuals who are not accountholders, and lending to lower income consumers.

Itaú Unibanco Holding also has a broad range of overseas operations and has built its international presence based on strategically positioned units in the Americas, Europe and Asia. This creates significant synergies in foreign trade finance, the placement of Eurobonds, offering more sophisticated financial transactions, and private banking operations.

Commercial Banking

Overview of Accountholder Products and Services

We have a large and diverse portfolio of products to address our customers' needs. The main available products to our accountholders are:

- *Credit*: personal loans, overdraft protection, payroll loans, vehicles, credit cards, mortgage and agricultural loans, working capital, trade note discount and export;
- *Investments*: pension plans, mutual funds, time deposits, demand deposit accounts, savings accounts and capitalisation plans; and
- *Services*: insurance (life, home, credit/cash cards, vehicles, loan protection, among others), exchange, brokerage and others.

Retail Banking

Our core business is retail banking, which serves individuals with a monthly income below R$10,000. In December 31, 2011, we had over 17.6 million customers and 4,484 branches and CSBs. Our retail banking operations are present in all Brazilian states and in cities that together represented more than 80.0%of Brazil's individual domestic consumption as of December 31, 2011.

We classify our retail clients in accordance with their income and profile:

- Itaú retail (*agências*) customers, who earn less than R$4,000 per month or R$5,000, depending upon the region; and
- Itaú Uniclass customers, who earn more than R$4,000 or R$5,000, depending upon the region;
- Specialised account managers provide services to Itaú Uniclass customers who also have access to certain customised products.

For the year ended December 31, 2011, credit products represented 63.8% of our consolidated revenue from retail banking, while investments represented 25.0% and services and other fee-based products represented 11.3%.

Our strategy is to offer high quality and differentiated banking products to our retail banking customers. As part of this strategy, Itaú Unibanco now serves two retail segments: (i) Itaú Uniclass serves customers with differentiated needs and who require a more diversified service with separate areas within branches; and (ii) Itaú retail serves all other customers. This diversified relationship concept is interwoven by "Itaú 30 horas," a convenience service that enables users to carry out banking transactions in ATMs, telephones, mobiles, on the internet and at the branches.

Public Sector

Our public sector business operates in all areas of the public sector, including the federal, state and municipal governments (in the executive, legislative and judicial branches). As of December 31, 2011, we had 2,315 public sector customers. To service these customers, we use platforms that are separate from the retail banking branches, with teams of specially trained managers who offer customised solutions in tax collection, foreign exchange services, administration of public agency assets, payments to suppliers, payroll for civil and military servants and retirement. Based on these platforms, we have a significant amount of business with public sector clients, particularly in those Brazilian states where we acquired previously state-owned financial institutions.

Itaú Personnalité

Itaú Unibanco began providing customised services to higher-income individuals in 1996 with the creation of Itaú Personnalité. Itaú Personnalité serves individuals who earn more than R$10,000 per month or have investments in excess of R$100,000.

Itaú Personnalité's focus is delivering (i) financial advisory services by its managers, who understand the specific needs of our higher-income customers; (ii) a large portfolio of exclusive products and services (iii) special benefits based on the type and length of relationship with the customer, including discounts on various products and services. Itaú Personnalité services its clients through a dedicated network comprised of 213 branches, located in the main Brazilian cities. Itaú Personnalité customers also have access to Itaú Unibanco network of branches and ATMs throughout the country, as well as internet and telephone banking.

Itaú Private Bank

Itaú Private Bank is a leading Brazilian bank in the global private banking industry, providing wealth management services to Latin American high net worth individuals. Approximately 600 employees are focused on offering financial consulting services to clients with at least US$1.5 million in investment assets. In addition, we provide our customers with a full range of banking products and services. As of December 31, 2011, our private banking activity for more than 9,900 clients had assets under management equivalent to US$82 billion, including US$66,169 million in Brazil, US$7,665 million in Luxembourg, US$5,942 million in the United States, US$424 million in Switzerland, US$27 million in the Bahamas, US$11 million in the Cayman Islands and US$1,392 million in Chile through MCC. Fees earned from our private banking customers are, in most cases, a function of assets under management.

Wealth management services are provided by teams of experienced relationship managers based in Brazil, United States, Luxembourg, Switzerland, Argentina, Uruguay, Chile and Paraguay, and supported by investment specialists who recommend the most appropriate solutions for each individual risk profile. We serve our customers' needs for offshore wealth management solutions in major jurisdictions through independent institutions: in the United States through Banco Itaú Europa International and Itaú Europa Securities, in Luxembourg through Banco Itaú Europa Luxembourg S.A., in Switzerland through Banco Itaú Suisse, in the Bahamas through Itaú Bank & Trust Bahamas and in the Cayman Islands through Itaú Bank & Trust Cayman. On August 21, 2011, Itaú Private Bank International entered into a joint venture with MCC to develop the Chilean private banking market. With over 28 years of experience, MCC is a leading wealth management services provider in Chile acknowledged for its expertise in global fixed income. The new institution will retain the name of Munita, Cruzat & Claro.

According to the 2011 Annual Private Banking and Wealth Management Survey, coordinated by Euromoney magazine, Itaú Private Bank was recognised as offering "The Best Private Banking Overall Services" in Brazil for the third consecutive year. In this latest ranking published in the February edition of Euromoney magazine, Itaú Private Bank was also named the "Best Private Banking Services Overall" in Peru and Top 5 "Best Private Banking Services Overall" in Latin America, being the only Latin-American bank included in this list. Euromoney's Private Banking Awards cover over 60 countries each year and provide a qualitative and quantitative review of the best services in private banking, by region and by areas of services. Factors such as market position, assets under management, profitability, ratio of clients to private bankers, and quality of services offered are considered in determining the rankings of top private banks.

In addition, we have received awards from Private Banker International magazine for "The Outstanding Private Bank – Latin America / 2011" and the recognition from The Banker & PWM magazines, subsidiaries of the Financial Times Group for "Best Private Bank in Latin America, 2011".

Very Small Business Banking

Our very small business banking office managers are trained to offer customised solutions and provide detailed advice on all products and services to very small companies. Our strategy is to capture the market opportunity by meeting the needs of these companies and their owners, particularly with respect to the management of cash flow and credit facilities.

As of December 31, 2011, we had 1,774 very small business banking offices located throughout Brazil and approximately 2,750 managers working for over 1,400,000 small business customers. In 2009, 2010 and 2011, we continued expanding our specialised services to companies with annual revenues below R$500,000 and set up 454,

487 and 136 additional offices, respectively, focused on very small business banking. In 2012, we expect to continue to expand our very small business banking operations.

Loans to very small businesses totaled R$6,150 million as of December 31, 2011.

Small Business Banking

We have structured our relationships with small business customers through the use of specialised offices since 2001. As of December 31, 2011, we had 377 offices located nationwide in Brazil and nearly 2,800 managers who worked for over 586,000 companies with annual revenues from R$500,000 to R$6 million.

All our managers are certified by ANBIMA, and throughout the year they receive training to offer the best solutions for each customer profile. Our customers rely on our ability to provide products, terms and rates customised to their needs.

Loans to small businesses totalled R$29.443 million as of December 31, 2011.

Middle-Market Banking

As of December 31, 2011, we had approximately 132,000 middle-market corporate customers that represented a broad range of Brazilian companies located in over 84 cities in Brazil. Our middle-market customers are generally companies with annual revenues from R$6 million to R$150 million. As of December 31, 2011, we had over 1,500 managers specialising in middle-market customers and 237 specialised offices located at key branches.

We offer a full range of financial products and services to middle-market customers, including deposit accounts, investment options, insurance, private retirement plans and credit products. Credit products include investment capital loans, working capital loans, inventory financing, trade financing, foreign currency services, equipment leasing services, letters of credit and guarantees. We also carry out financial transactions on behalf of middle-market customers, including interbank transactions, open market transactions and futures, swaps, hedging and arbitrage transactions. We also offer our middle-market customers collection services and electronic payment services. We are able to provide these services for virtually any kind of payment, including Internet office banking. We charge collection fees and fees for making payments, such as payroll, on behalf of our customers.

Consistent with customary lending practices in Brazil, our loan portfolio for our middle-market customers is composed predominantly of short-term products, defined as having a maturity of less than 12 months. Loans to middle-market businesses totalled R$53,261 million as of December 31, 2011.

Credit Cards and Commercial Agreements

We are the leading company in the Brazilian credit card market, based on transaction volume as of December 31, 2011. Our subsidiaries, Banco Itaucard S.A. ("Banco Itaucard") and Hipercard Banco Múltiplo S.A. ("Hipercard"), offer a wide range of products to 34.3 million credit card accounts as of December 31, 2011, including Itaú Unibanco's current accountholders and non-accountholders and also to clients from business partnerships and joint ventures. In the year ended December 31, 2011, the volume of credit cards transactions was R$154,186 million, a 20.3% increase from the prior year.

We have developed a strong presence in the consumer finance sector through our strategic alliances and commercial agreements with leading retailers in Brazil. Since 2001, when we established the first partnerships, these alliances have been supporting our credit card and consumer finance business through several products, such as co-branded credit cards, private label cards, personal loans and insurance.

Our main challenges in the credit card business are to continually increase activation and retention of our cardholder base and improve our portfolio profitability. To this end, our credit card division focuses on the development of new products, the enhancement of partnerships, cross-selling of banking and insurance products and sales through a variety of channels.

Real Estate Financing

As of December 31, 2011, we had approximately R$20.1 billion in outstanding real estate loans, already considering the sale of R$534.2 million of our mortgage portfolio for the *Fundo de Garantia por Tempo de Serviço* ("**FGTS**"), the Brazilian social security fund.

Given our expectation of growth over the next several years in the mortgage market in Brazil, we are investing in the operational platform in order to reduce costs and improve quality for our customers. We are also developing our distribution channels for mortgage loans by focusing on our branch network and developing our relationships with real estate brokers. We have partnerships with two of the largest real estate brokers in Brazil: LPS Brasil Consultoria de Imóveis S.A. ("**Lopes**") and Coelho da Fonseca Empreendimentos Imobiliários Ltda ("**Coelho da Fonseca**"). These two long-term partnerships provide us with exclusive real estate financing origination at a large number of locations throughout Brazil.

According to Brazilian regulations, financial institutions are required to allocate at least 65% of their savings accounts balances to fund mortgage financing, of which 80% must be used to finance properties with a value lower than R$500,000 and must have annual interest rates lower than 12%.

Asset Management

According to ANBIMA, as of December 31, 2011, we were the largest mutual fund manager among private banks in Brazil based on our assets under management. As of that date, we had total net assets under management of R$379,737 million on behalf of approximately 1.7 million customers. We also provide portfolio management services for pension funds, corporations, private bank customers and foreign investors. According to ANBIMA, as of December 31, 2011, we were the largest manager of private bank clients' assets and the second largest private manager of pension fund assets in Brazil, based on our assets under management. As of December 31, 2011, we had R$212,573 million of assets under management for pension funds, corporations and private bank customers.

As of December 31, 2011, we offered and managed about 1,584 mutual funds, which are mostly fixed-income and money market funds. For individual customers, we offered 141 funds to our retail customers and approximately 263 funds to our Itaú Personnalité customers. Private banking customers may invest in over 611 funds, including those offered by other institutions. Itaú BBA's capital markets group also provides tailor-made mutual funds to institutional, corporate and private banking customers.

In August 2011, Fitch Ratings, one of the largest international rating agencies in Brazil, maintained its M1 (bra) rating (the highest rating granted to an asset manager) of our asset management business unit. We have been in the top rating category since July 2003.

Corporate Social Responsibility

The Itaú Social Excellence Fund (*Fundo Itaú Excelência Social*) ("**FIES**"), launched in 2004, is a socially responsible investment fund. It invests in the shares of companies with superior corporate social responsibility practices with the goal of achieving higher long-term returns than those offered by the main Brazilian financial market indices. In addition to analysing the risks and returns of companies, fund managers take into account three fundamental criteria relating to companies: corporate social activities; environmental protection aspects and good corporate governance practices.

In addition, every year the fund manager donates 50% of FIES's accumulated asset management fees to social projects in the following categories: environmental education; employment education; and childhood education. The projects are selected by the FIES Advisory Board, which is comprised of market leaders and sustainability specialists. Since its launch in 2004, FIES donated R$16.5 million to social projects from 97 NGOs, which have supported 15,433 children and 1,572 educators.

As of December 31, 2011, FIES had net assets of R$220 million while the donations to social projects in the same year totalled more than R$3.4 million. Twenty projects were selected to receive R$120,000 each. Unicef Brazil received an amount of R$300,000 and R$725,000 was spent on analysing and visiting applicants' projects, training, monitoring and providing technical support for the selected projects. The selected organisations also have access to an online platform in which they can interact with other peer organisations and technical partners.

Securities Services

We provide securities services in the Brazilian capital markets, where we act as custodian, transfer agent and registrar. In December 2011, we were ranked the top provider of securities services in Brazil by ANBIMA. We provide registrar services to 235 companies listed on BM&F Bovespa, the Brazilian securities, commodities and futures exchange, which companies together represent 63% of the aggregate market capitalisation of that exchange.

As of December 31, 2011, Itaú Unibanco held assets of R$822,733 million in connection with securities services, representing 25.2% of the Brazilian market based on assets held. Our broad range of products relates to both domestic and international custody.

Our services also include acting as transfer agent, providing services related to debentures and promissory notes, custody and control services for mutual funds, pension funds and portfolios. We also provide trustee services and non-resident investor services, and act as custodian for depositary receipt programs. As of December 31, 2011, our specialised staff reached 755 employees.

Brokerage

Itaú Corretora de Valores S.A ("**Itaú Corretora**") has been providing brokerage services in BM&F Bovespa since 1965. The brokerage services are also provided to international customers via our broker-dealers in New York, Hong Kong and Dubai.

In 2011, Itaú Corretora was ranked fifth on the BM&F Bovespa equity trading volume, among all brokers, and sixth in number of commodities and derivatives contracts.

Insurance, Private Retirement and Capitalisation Products

Insurance

As of June 30, 2011, according to SUSEP, we were one of the leading providers of insurance in Brazil based on aggregate insurance premiums, including our indirect 30.0% share in Porto Seguro S.A. ("**Porto Seguro**"), and excluding health insurance and VGBL (private retirement plan providing annuity benefits). For regulatory purposes VGBL is considered life insurance. For the year ended December 31, 2011, our insurance premiums totalled approximately R$6,219 million.

Our main lines of insurance are (i) life and casualty (excluding VGBL; see "— Private Retirement Plans"), (ii) extended warranties and (iii) property, which accounted for 42.8%, 22.0% and 15.4% of insurance premiums, respectively, for the year ended December 31, 2011. Our policies are sold through our banking operations, independent local brokers, multinational brokers and other channels. We reinsure a portion of the risks we underwrite, particularly large marine property and casualty risks that exceed the retention limits we have established within regulatory limits.

Risks that exceed the retention limit must be ceded to licensed Brazilian reinsurers in accordance with Supplementary Law No. 126 published on January 15, 2007 and the SUSEP regulations published on December 17, 2007.

Our strategy to increase our level of penetration in the Brazilian insurance market varies by market. In the high risk market, we intend to grow our market share through independent local brokers and multinational brokerage firms. For individuals and small and medium company markets, we focus on operations within our banking client base to increase customer penetration. We are working on improving customer penetration in property and casualty insurance for small and medium companies. Our customer relationship management has implemented several advances and the development of specific products for different segments allows more efficient use of each marketing channel (our branches, telemarketing, Internet, ATMs and bank teller terminals).

In August 2009, Itaú Unibanco Holding and Porto Seguro entered into an operating agreement that provided for the offering and distribution, on an exclusive basis, of homeowner and automobile insurance products to customers of Itaú Unibanco Holding in Brazil and Uruguay, (the "**Porto Seguro Alliance**"). In connection with the Porto Seguro Alliance, Itaú Unibanco Holding transferred all the assets and liabilities related to its then current portfolio of homeowner and automobile insurance to Itaú Seguros de Auto e Residência S.A. ("**ISAR**"), all of the shares of which were subsequently transferred to Porto Seguro. In exchange, Porto Seguro issued shares representing 30.0% of its capital stock to Itaú Unibanco Holding and its affiliates. The controlling shareholders of Porto Seguro and Itaú Unibanco Holding established a new company named Porto Seguro Itaú Unibanco Participações S.A., ("**PSIUPAR**"), and transferred their shares of Porto Seguro to PSIUPAR. The controlling shareholders of Porto Seguro remained controlling shareholders of PSIUPAR, which became the parent company of Porto Seguro. Itaú Unibanco Holding is entitled to nominate two members of the board of directors of each of Porto Seguro and PSIUPAR. ISAR, which is directly controlled by Porto Seguro and indirectly controlled by PSIUPAR, is managed by Porto Seguro and utilises the trademarks "Porto Seguro," "Itaú Unibanco" and "Azul". As of August 2009, Itaú

Unibanco (through Itaú Seguros) had 3.4 million automobiles and 1.2 million homes insured, which were subsequently transferred to ISAR. In October 2009, SUSEP granted authorisation for the corporate acts related to the Porto Seguro Alliance. CADE approved the transaction on August 31, 2011.

In November, 2009, Itaú Seguros and XL Swiss Holding Ltd. ("**XL Swiss**"), a company controlled by XL Capital Ltd. ("**XL Capital**"), signed an agreement providing for the acquisition by Itaú Seguros of XL Swiss' participation in Itaú XL Seguros Corporativos S.A. ("**Itaú XL**"), such that Itaú XL would be wholly owned by us. In line with XL Capital's interest in continuing to operate in Brazil and our existing relationship with XL Capital, a separate arrangement has been entered into by which Itaú Seguros provides insurance to XL Capital's clients in Brazil and XL Capital's Global Program clients with operations in Brazil. These insurance policies are being reinsured by a reinsurance company of XL Capital incorporated in Brazil in the same way that they were reinsured before the acquisition mentioned herein. The acquisition by Itaú Seguros of 100% of the shares of Itaú XL held by XL Swiss was approved by SUSEP on October 6, 2010. On November 9, 2010, SUSEP approved the change of Itaú XL's corporate name to Itaú Unibanco Seguros Corporativos S.A.

In December 2009, Allianz South America Holding B.V. entered into an agreement with Itaú Unibanco Holding for the purchase of the 14.03% indirect interest that Itaú Unibanco Holding held in Allianz Seguros for R$109 million. Also in December 2009, Itaú Seguros and Itaú Unibanco entered into an agreement with a subsidiary of Tempo Participações S.A. for the sale of all the shares of Unibanco Saúde Seguradora held by Itaú Seguros and Itaú Unibanco for R$55 million. See "Capital Expenditures and Divestitures".

Private Retirement Plans

As of December 31, 2011, balances under private retirement plans (including VGBL but excluding our 30% interest in Porto Seguro) totalled R$63,275 million, an increase of 23.4% compared to December 31, 2010. As of December 31, 2011, we had R$64,035 million in assets related to our private retirement liabilities (including VGBL but excluding our 30% interest in Porto Seguro). As of June 30, 2011, we were the second largest private retirement plan manager in Brazil based on total liabilities according to SUSEP.

Capitalisation Products

Capitalisation products are savings account products that generally require a customer to deposit a fixed sum with us to be returned at the end of an agreed upon term, with accrued interest. In return, the customer is automatically entered into periodic drawings for the opportunity to win a significant cash prize. As of December 31, 2011, we had 11.6 million in capitalisation products outstanding, representing R$2,847 million in liabilities with assets that function as guarantees of R$2,848 million. We distribute these products through our retail network, electronic channels and ATMs. These products are sold by our subsidiary, Cia. Itaú de Capitalização S.A. During 2011, R$1,853 million of capitalisation products were sold and we distributed over R$31.5 million in cash prizes to 2,119 customers.

Itaú BBA

Itaú BBA is responsible for our corporate and investment banking activities. As of December 31, 2011, Itaú BBA offered a complete portfolio of products and services to approximately 2,600 companies and conglomerates in Brazil through a team of highly qualified professionals. Itaú BBA's activities range from typical operations of a commercial bank to capital markets operations and advisory services for mergers and acquisitions. These activities are fully integrated, which enables Itaú BBA to achieve a performance tailored to its clients' needs.

As of December 31, 2011, our corporate loan portfolio reached R$140.1 billion. Foreign currency loans were the main contributors to the growth of our corporate loan portfolio in 2011. On a consolidated basis, we had total outstanding foreign-currency loans of R$42.0 billion as of December 31, 2011, an increase of R$14.2 billion compared to December 31, 2010. See below and "— Funding" for a discussion of our on-lending activities.

In investment banking, the fixed income department was responsible for the issuance of debentures and promissory notes that totalled R$11.6 billion and securitisation transactions that amounted to R$3.5 billion in Brazil in 2011. According to ANBIMA, Itaú BBA was the leader in distribution of fixed income in 2011 with a 28.9% market share, thus maintaining the bank's historic leadership in the domestic fixed income market. In the international debt markets, Itaú BBA acted as joint bookrunner in issuances of US$3.1 billion of debt securities in 2011, earning the second place in Bloomberg of Brazilian-based corporate issuers including sovereign issuers. With

respect to equity issuances, Itaú BBA coordinated public offerings that totalled R$13.5 billion in 2011, and ranked first in ANBIMA's origination rankings in Brazil, with 31.8% of the market share in Brazil in 2011.

In addition, Itaú BBA advised 38 merger and acquisition transactions with an aggregate deal volume of R$22.8 billion in 2011, ranking second in Brazil based on net debt of target according to Thomson.

During 2011, Itaú Corretora acted as a broker dealer for transactions totalling R$191.4 billion on shares on the BM&F Bovespa for individual, institutional, foreign and company clients. During 2011, Itaú Corretora was in fifth place in the ranking of brokerages, with a 5.9% market share. Also, Itaú Corretora finished 2011 with a 7.9% market share and 100.7 million negotiated contracts on the Futures market, an increase of 21.4% when compared with 2010. See "— Commercial Banking — Brokerage".

Itaú BBA has a strong and evident commitment to environmental and social management that dates back to 2000 when Itaú BBA created its environmental management system. In 2004, Itaú Unibanco adopted the Equator Principles, being the first financial institution from emerging markets to adopt criteria to assess financing from a social and environmental perspective of risk. The Equator Principles were launched in 2003 and there are currently 73 financial institutions that have voluntarily committed themselves to incorporating the Equator Principles into project financing deals worth US$10 million or more. Itaú Unibanco's project finance deals, as defined by Basel II, conducted by Itaú BBA, must comply with the Equator Principles criteria. In 2011, six project finance deals were assessed using Equator Principles criteria representing about R$5.1 billion in total investment and approximately R$1.5 billion on Itaú BBA's share.

In addition to adopting the Equator Principles, Itaú Unibanco, represented by Itaú BBA, plays a leading role in the Equator Principles Steering Committee and Update Review Process Working Groups, having occupied the position of Chair of the Steering Committee from September 2008 until March 2010. As a consequence of its outstanding performance in sustainability, Itaú Unibanco was elected Sustainable Bank of The Year by FT/IFC Sustainable Finance Conference and Awards in 2011.

In 2007, Itaú Unibanco approved its first institutional Social and Environmental Risk Policy for credit deals and updated the policy in 2011. Itaú BBA, in compliance with the new policy, developed its own Social and Environmental Risk Policy for credit deals in order to address its clients' needs.

Itaú BBA has a multidisciplinary team responsible for social and environmental risk assessment in credit deals and for developing business opportunities including promoting sustainable products and green lines. In addition, in 2011, in order to develop Itaú BBA's capacity in dealing with social and environmental themes, the members of the environmental and social risk analysis team underwent 400 hours of training on biodiversity, sustainability in hydropower projects, legal environmental issues, social and environmental issues on oil and gas industry, among others. Itaú BBA's team attended and made presentations at events with Inter-American Development Bank, United Nations Environment Programme Finance Initiative and other financial institutions, such as the International Finance Corporation.

Itaú BBA focuses on the following products and initiatives in the international business unit: (1) structuring long-term, bilateral and syndicated financing; and (2) spot foreign exchange (whereby a foreign exchange purchase in *reais* or sale in foreign currency is completed in two business days), which exceeded US$71.4 billion in volume in 2011.

In August 2011, Itaú BBA was recognised by Institutional Investor magazine for the second consecutive year as the best research team in Brazil and for the first time as the best sales team in Latin America. Institutional Investor also recognised the investor relations team as the best in five out of eight categories of "*Latin America Investor Relations Perception*". In January 2012, Latin Finance awarded Itaú BBA as the "Best Investment Bank for Brazil" for 2011.

In October 2011, Itaú BBA was also recognised for the fourth consecutive year as "Domestic Cash Management Provider in Brazil" by Euromoney magazine.

Consumer Credit

Vehicle Financing

As of December 31, 2011, our portfolio of vehicle financing, leasing and consortium lending consisted of approximately 3.9 million contracts, of which approximately 71.5% were non accountholder customers. The

personal loan portfolio relating to vehicle financing, leasing and the National Industrial Finance Authority (*Financiamento de Máquinas e Equipamentos* or "**FINAME**") grew 1% to R$64,871 million in 2011 as compared to 2010, representing a market share in Brazil of approximately 33.1% as of December 31, 2011.

The vehicle financing sector in Brazil is dominated by banks and finance companies that are affiliated with vehicle manufacturers. According to ABEL, the Brazilian association of leasing companies, as of December 31, 2011, we were the largest leasing company in Brazil in terms of present value of lease operations.

We lease and finance vehicles through 13,532 dealers as of December 31, 2011. Sales are made through computer terminals instaled in the dealerships that are connected to our computer network. Each vehicle financing application is reviewed based on credit scoring and dealer scoring systems. The dealer scoring system analyses the credit quality and amount of business provided by each vehicle dealer. We usually grant credit approvals within 8 minutes, depending on the credit history of the customer. Approximately 77.9% of our credit approvals in 2011 were made instantaneously because we have developed scoring models that permit pre-approvals for our customers, which provide us with a very efficient tool and high credit approval performance. Currently, all of the applications are processed through the Internet, conferring more security and agility to the process of concession of credit, for the dealers, customers and us.

The truck financing division grew 25% in 2011 as compared to 2010, reaching R$8,441 million in December 31, 2011, including vehicle financing, leasing and FINAME. The financial volume of transactions relating to motorcycles reached R$1,472 million in 2011. Itaú Unibanco Holding has a partnership with MMC Automotores do Brasil Ltda. and SBV Automotores do Brasil Ltda. for exclusive financing of Mitsubishi and Suzuki brand vehicles. The financial volume of related transactions reached R$684 million in 2011, an increase of 10.9% compared to 2010. The agreement includes that Itaú Unibanco Holding will provide loans to Mitsubishi and Suzuki dealers and that dealers will offer our products and services to their customers.

Redecard

Redecard S.A. ("**Redecard**") is one of the two largest multi-brand acquirers of credit, debit and benefit card transactions in Brazil. Its activities include merchant acquiring, capturing, transmission, processing and settlement of credit and debit card transactions, prepayment of receivables to merchants, (resulting from sales made with credit cards), rental of point-of-sale ("**POS**") terminals, check verification through POS terminals, and the capture and transmission of transactions using coupons, private-label cards and loyalty programs. As of December 31, 2011, Redecard was present in all municipalities in Brazil with electric power and telecommunication.networks. We have held 50.0% plus one share of Redecard's capital stock since March 30, 2009, at which time Redecard became a subsidiary of Itaú Unibanco and its results were presented on a consolidated basis in our financial statements. In May 2010, Hipercard, also a subsidiary of Itaú Unibanco, entered into an agreement with Redecard, pursuant to which, beginning in the second quarter of 2010, Redecard started capturing Hipercard transactions and Hipercard had access to Redecard's nationwide infrastructure and network, which is expected to improve the efficiency and speed of Hipercard's merchant affiliations.

In 2011, Redecard's net income was R$1.4 billion, an increase of 0.3% compared to 2010. Net Operating Revenue for Redecard in 2011 totalled R$3.6 billion, representing an increase of 6.8% from 2010 due to the capture of R$230.5 billion in transactions with credit cards and debit cards, an increase of 25.2% from 2010. The number of transactions captured and processed reached 2.8 billion, representing an increase of 22.2% from 2010. In December 2011, Redecard had 1.1 million instaled POS terminals throughout Brazil.

The following table sets forth the financial volume of transactions in millions of *Reais* and the quantity of transactions of credit and debit cards processed by Redecard in 2011 and 2010:

	Financial volume		Transactions	
	2011	2010	2011	2010
	(millions of R$)		(millions)	
Redecard				
Credit cards	151,272	123,866	1,402	1,194
Debit cards	79,207	60,205	1,433	1,126
Total	230,478	184,071	2,835	2,320

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments" for a discussion on our intention to acquire all the outstanding shares of Redecard.

International Operations

Banco Itaú Argentina

Argentina is the third largest economy in Latin America by gross domestic product ("**GDP**"), Brazil's main trading partner and has one of the highest GDPs per capita in South America. We believe recent increases in banking penetration demonstrate that the Argentine financial system has ample growth potential. Banco Itaú Argentina's core business is retail banking, with approximately 281,000 customers in the Argentine middle and upper-income segment as of December 31, 2011. Compared with 2010, this represents a 6.3% increase in the number of customers. As of December 31, 2011, Banco Itaú Argentina had assets of R$3,416 million, loan and leasing operations of R$2,162 million, deposits totalling R$2,599 million and shareholders' equity of R$303 million. As of the same date, Banco Itaú Argentina had 81 branches 201 ATMs, and 22 CSBs.

Banco Itaú Chile

Banco Itaú Chile started its official activities on February 26, 2007, when BAC transferred the operations of BankBoston Chile and BankBoston Uruguay to us. This acquisition increased our presence in Latin America and expanded the scope of our operations. In addition, Itaú Chile Inversiones Servicios y Administración S.A. provides services related to collection, securitisation and insurance. In 2011, we also entered into an agreement with MCC for the joint development of third party wealth management services. Also in 2011, we acquired the high net worth portfolio of HSBC Bank.

As of December 31, 2011, our consolidated Chilean operations had R$16,669 million in assets, R$12,537 million in loans and leases, R$10,655 million in deposits and R$1,951 million in shareholders' equity. According to the Chilean banking and financial institutions regulator (*Superintendencia de Bancos e Instituciones Financieras* – SBIF), as of that same date, Banco Itaú Chile ranked eighth in the Chilean loans and leases market with a 3.95% market share and ranked fifth in number of demand deposit accounts in the private sector, with approximately 164,000 accounts.

Banco Itaú Chile offers several products such as factoring, leasing, corporate finance, mutual funds, insurance brokerage and trading, which are offered through different entities and different lines of business. The retail segment focuses on the upper-income segment that, as of December 31, 2011, accounted for 61.6% of Banco Itaú Chile's total revenues. As of December 31, 2011, Banco Itaú Chile had 62 ATMs and 88 branches, of which 66.7% were located in Santiago. Banco Itaú Chile's commercial banking segment offers a wide range of products to improve customer experience by building a competitive advantage based on service quality, products and processes for targeted customers (companies with annual revenues of between US$2 million and US$100 million). Banco Itaú Chile's global corporate banking segment offers local and international corporate finance capabilities such as syndications, private placements and securitisations. It also provides trade financing and global treasury services complementing Banco Itaú Chile's marketing strategy. Treasury products such as foreign exchange and derivatives are a key part of this strategy.

Banco Itaú Uruguay

Bank Itaú's operations in Uruguay include Banco Itaú Uruguay, the main credit card issuer, OCA S.A. ("OCA"), and the pension fund management company Unión Capital AFAP S.A. ("Unión Capital"), making Bank Itaú one of the leading financial operations in Uruguay. Banco Itaú Uruguay's strategy is to serve a broad range of customers through customised banking solutions. As of December 31, 2011, Bank Itaú's operations in Uruguay had R$4,815 million in assets, R$2,201 million in loans and leases, R$3,691 million in deposits and R$378 million in shareholders' equity.

Banco Itaú Uruguay ranks third in terms of asset volume among private banks in Uruguay, according to the Uruguayan Central Bank (Banco Central del Uruguay) ("BCU").

The retail banking business is focused on individuals and small business customers, with more than 181,500 customers as of December 31, 2011. The core branch network is located in the metropolitan area of Montevideo with 17 branches. In addition, Banco Itaú Uruguay has branches in Punta del Este, Tucuarembó, Salto, Paysandú y Mercedes Banco Itaú Uruguay has a leading position in the debit card segment of private banks in Uruguay with 18.5% market share as of December 31, 2011, according to BANRED, and a leading role as a credit card issuer (mainly Visa), with a 28.5% market share as of December 31, 2011 based on the aggregate amount of credit card

purchases in Uruguay according to Visanet Compañía Uruguaya de Medios de Procesamiento S.A. Retail products and services focus on the middle and upper-income segments, and also include current and savings accounts, payroll payment, self-service areas and ATMs in all branches, and phone and Internet banking. The wholesale banking division is focused on multinational companies, financial institutions, large and medium-sized corporations and the public sector. It provides lending, cash management, treasury, trade and investment services. Additionally, the private banking business unit provides a dedicated regional service (for both resident and non-resident customers), offering a full portfolio of local and international financial market products.

OCA is the main credit card issuer in Uruguay, with a 40.1% market share based on the aggregate amount of credit card purchases in Uruguay as of December 31, 2011, and an approximately 50.0% market share in terms of number of transactions processed. OCA performs the three main credit card operations: customer acquisition, issuance of cards and transaction processing. The main products offered by OCA are credit cards and consumer loans and it had approximately 405,000 customers, and a network of 21 branches, as of December 31, 2011.

Unión Capital is a pension fund management company which has been operating in Uruguay since 1996, when the current Uruguayan pension system was created. As of December 31, 2011, it had approximately 231,000 customers, managed US$1,280 million in pension funds, with a market share of 16.5%, according to the BCU.

Banco Itaú Paraguay

Banco Itaú Paraguay S.A. ("**Banco Itaú Paraguay**"), formerly known as Interbanco, was set up in Paraguay in 1978 and has become one of the largest banks in the Paraguayan financial market. In 1995, Interbanco was acquired by Unibanco, and the "Itaú" brand has been present in the country since July 12, 2010. Banco Itaú Paraguay has experienced significant growth since 1999, expanding the variety and quality of its services across the country. As of December 31, 2011, Banco Itaú Paraguay had 27 branches, approximately 295,000 customers and 204 ATMs.

Banco Itaú Paraguay's products and services operate under the following structure: corporate banking (small and medium-sized businesses, agribusiness, large companies, institutional clients) and consumer banking (individuals and payroll customers). Its main sources of income are consumer banking products, primarily credit cards. The retail segment also focuses on the payroll customers. Under corporate banking, Banco Itaú Paraguay has a well-established presence in the agribusiness segment, which has experienced attractive credit performance. Banco Itaú Paraguay has been the most profitable bank in Paraguay for the past seven years. As of December 31, 2011, Banco Itaú Paraguay had R$3,725 million in total assets, including R$2,364 million in loans and leases and R$2,665 million in deposits.

Banco Itaú Paraguay is also recognised by launching innovative products and services. It provides its customers several products and services, such as International Debit Card Cirrus Maestro and the Internet Banking Service Interhome Banking and also offers banking customer information through mobile phones with the Click Banking service.

Itaú Colombia

In November 2011, Itaú BBA was authorised by the Central Bank to structure its wholesale and investment bank operations in Colombia, pending approval by local regulatory bodies, which is expected to be granted in 2012. Itaú BBA's target market is composed of institutional investors and large companies present in Brazil. The products portfolio will include loan operations, foreign trade financing, foreign exchange and derivatives, and investment bank activities, such as advising on mergers and acquisitions and access to capital markets.

Banco Itaú BBA International

Banco Itaú BBA International, is a Portuguese-chartered bank controlled by Itaú Unibanco Holding. Banco Itaú BBA International focuses mainly on two lines of business:

- Corporate & Investment Banking — This segment supports the financial needs of companies with international presence and operations and is an important player in the segment of international financial operation associated with trading finance and investment relations between Latin America and Europe. The various services provided include the origination of structured financing and risk hedge operations, including exchange rate and interest rate derivatives, particularly involving European parent corporations of companies in Latin America, the financing of exports among Itaú

Unibanco's best corporate clients and European companies, advisory and financing services to European companies investing in Latin America, and also to Latin American companies undergoing internationalisation processes. This segment includes also all the activities conducted by Itaú Unibanco Group in the financial, capital and derivative markets, both to meet the needs for financing other activities of Itaú Unibanco Group and to develop financial intermediation activities and management of its assets. These activities involve funding and applications in interbank markets, the issue of debt securities and structured funding products, intermediation (creation and distribution) of debt securities for clients, particularly large companies and groups, clients of Itaú Unibanco Group, investment and trading securities, derivatives and structured products, with institutional investors and corporate clients.

- Private Banking — The international Private Banking business is conducted by Banco Itaú Europa Luxembourg, Banco Itaú Europa International, Itaú Bank & Trust Bahamas and Banco Itaú Suisse. This segment offers financial and asset management services for customers with high purchasing power by providing a diversified and specialised basis of investment funds, trading and managing on their account securities and other financial instruments, as well as by managing trusts and investment companies on behalf of customers. As part of our strategy, we are scaling down our Luxembourg activities and the private bank operations currently performed in Luxembourg will gradually be transferred to Switzerland.

As of December 31, 2011, Banco Itaú BBA International had US$6,750 million in assets, US$3,963 million in loans and leases, US$1,895 million in deposits and US$746 million in shareholders' equity.

Banco Itaú BBA International's corporate banking business offers several products, such as credit, derivatives and advisory services for European companies with Latin American subsidiaries.

The private banking business provides financial and asset management services to our Latin American customers, putting at their disposal a diversified and specialised range of investment funds, dealing in and managing securities and other financial instruments, trusts and investment companies on behalf of customers. Assets under management of the private banking business amounted to US$12,589 million as of December 31, 2011.

All of our transactions with Banco Itaú BBA International and its subsidiaries are on an arm's-length basis.

Other International Operations

Our other international operations have the following objectives:

(1) Support our customers in cross-border financial transactions and services:

The international units of Itaú Unibanco Holding are active in providing our customers with a variety of financial products such as trade financing, loans from multilateral credit agencies, off-shore loans, international cash management services, foreign exchange, letters of credit, guarantees required in international bidding processes, derivatives for hedging or proprietary trading purposes, structured transactions, and international capital markets offerings. These services are mainly offered through our branches in Nassau, New York, Cayman Islands, and Uruguay, as well as through Banco Itaú Argentina and Banco Itaú Chile.

Also among our international units, Itaú Unibanco Tokyo branch offers a portfolio of services and products that satisfy the banking needs of Brazilians living in Japan.

(2) Manage proprietary portfolios and raise funds through the issuance of securities in the international market:

Funds rising through the issuance of securities, certificates of deposit, commercial paper and trade notes can be executed by Itaú Unibanco's branches located in the Cayman Islands, Bahamas and New York, as well as through Itaú Bank Ltd. ("**Itaú Bank**"), a banking subsidiary incorporated in the Cayman Islands.

The proprietary portfolios are mainly held by Itaú Bank and Itaú Unibanco Cayman Islands branch. These offices also enhance our ability to manage our international liquidity. Itaú BBA's proprietary positions abroad are booked in the Itaú BBA's Nassau branch.

Through our international operations, we establish and monitor trade-related lines of credit from foreign banks and maintain correspondent banking relationships with money centres and regional banks throughout the world and oversee our other foreign currency-raising activities.

(3) Participate in the international capital markets as dealers:

Itaú BBA has equity and fixed income sales and trading teams in São Paulo, New York, London, Hong Kong and Tokyo. Besides having one of the largest sales and trading teams in Latin America, we have the largest research analyst team in Latin America and provide extensive coverage of over 176 listed companies in Brazil, Mexico, Chile, Colombia, Peru and Argentina. Our international fixed income and equity teams are active in trading and offering Brazilian and Latin American securities to institutional investors.

(4) In addition, we are also present and servicing our clients in Asia, especially in China, through Itaú BBA's representative office in Shanghai.

Trade Financing

As of December 31, 2011, our trade finance portfolio accounted for US$13,034 million, of which US$9,983 million was export related (both pre-export and post-export financing). Our export financing to larger corporate customers is generally unsecured, but some transactions require complex guarantees, particularly those originally structured to be syndicated. Our import financing business accounted for US$3,051 million as of December 31, 2011. For the year ended December 31, 2011, our total volume of foreign exchange transactions related to exports was approximately US$27,060 million and our total volume of foreign exchange transactions related to imports was approximately US$28,457 million.

Marketing and Distribution Channels

We provide integrated financial services and products to our customers through a variety of marketing and distribution channels. Our distribution network consists principally of branches, ATMs and CSBs, which are banking service centers located on corporate customers' premises.

The following table provides information relating to our branch network, CSBs and ATMs as of December 31, 2011 in Brazil and abroad:

	Branches	**CSBs**	**ATMs**
Itaú Unibanco	3,606	878	27,212
Itaú Personnalité	214	3	456
Itaú BBA	9	—	—
Total in Brazil	**3,829**	**913**	**28,844**
Itaú Unibanco abroad (excluding Latin America)	4	—	—
Argentina	81	22	201
Chile	88	—	62
Uruguay	43	1	38
Paraguay	27	8	204
Total	**4,072**	**944**	**29,349**

The following table provides information relating to the geographic distribution of our distribution network throughout Brazil as of December 31, 2011:

Region	**Branches**	**CSBs**	**ATMs**
South	639	119	3,945
Southeast	2,531	614	20,010
Center-west	294	66	1,688
Northeast	287	50	2,076
North	78	32	576
Total in Brazil	**3,829**	**881**	**28,295**

Branches

As of December 31, 2011, we had a network of 3,829 full service branches throughout Brazil. As of December 31, 2011, 79.8% of our branches were located in the States of São Paulo, Rio de Janeiro and Minas Gerais in the Southeast region, Paraná in the South, and Goiás in the Center-west. The branch network serves as a distribution network for all of the products and services we offer to our customers, such as credit cards, insurance plans and private retirement plans.

Customer Site Branches

As of December 31, 2011, we operated 881 CSBs throughout Brazil. The range of services provided at the CSBs may be the same as those provided at a full service branch, or more limited according to the size of a particular corporate customer and its needs. CSBs represent a low-cost alternative to opening full service branches. In addition, we believe CSBs provide us with an opportunity to target new retail customers while servicing corporate customers and personnel.

ATMs

As of December 31, 2011, we operated 28,295 ATMs throughout Brazil. Our customers may conduct almost all account, related operations through ATMs. ATMs are low cost alternatives to employee-based services and give us points of service at costs significantly lower than branches. We also have arrangements with other network operators such as the brands "Cirrus" and "Maestro" to allow our clients to use simplified services through their networks.

Property, Plants and Equipment

We own our principal executive offices located in São Paulo, Brazil and a number of other administrative buildings. The main offices and the main activities conducted in each of them are:

- Itaú Unibanco Centro Empresarial, located at Praça Alfredo Egydio de Souza Aranha, 100, São Paulo – head office, commercial department, back-offices and main administrative departments;
- Centro Administrativo Tatuapé, located at Rua Santa Virgínia/Rua Santa Catarina, 299, São Paulo – administrative center;
- Centro Técnico Operacional, located at Avenida do Estado, 5,533, São Paulo – data processing center;
- The wholesale and investment bank activities at Banco Itaú BBA S.A. in our leased office, located at: (a) Avenida Brigadeiro Faria Lima, 3,400, 3rd to 8th and 11th and 12th floors, São Paulo; (b) Avenida Nações Unidas, 7,815, Tower I – 3rd through 13th floors, Tower II – 5th floor, São Paulo; and (c) Avenida Brigadeiro Faria Lima, 3,311, 1st through 3rd floors, 13th and 14th floors;
- Centro Administrativo Unibanco, located at Rua João Moreira Sales, 130 – Jardim Monte Alegre – São Paulo – administrative center and data processing center;
- Edifício Unibanco, located at Av. Eusébio Matoso, 891 – Pinheiros – São Paulo – administrative center;
- Edifício Boa Vista, located at Rua Boa Vista, 162 – São Paulo – administrative center; and
- Edifício Barão de Iguape, located at Praça do Patriarca, 30/Rua Direita, 250 – São Paulo – administrative center.

We also lease a portion of our administrative offices and the majority of our branches at competitive market prices from third parties and under renewable leases with terms ending from the first semester of 2011 (which are in the process of being renewed under similar terms) to the fourth quarter of 2029. As of December 31, 2011, we owned 12% of our total administrative offices and branches (including electronic service points, banking sites and parking lots) and leased the remaining 88%. As of December 31, 2011, we also owned 32% of our central administrative buildings and branches and leased the remaining 68%.

In addition, on January 27, 2012, we announced the construction of a new technology center. See "Business – Technology".

Risk Management

We have implemented processes to comply with risk management rules adopted by the Central Bank in line with Basel II. Our required regulatory capital has the following components, pursuant to CMN Resolution No. 3,490:

- PEPR: the regulatory capital required to cover credit risk and other asset exposures not included in the other portions;
- PCAM: the regulatory capital required to cover market risk exposure related to gold and fluctuation of foreign currencies;
- PJUR: the regulatory capital required to cover market risk exposure in the trading book related to interest rate fluctuation;
- PCOM: the regulatory capital required to cover market risk exposure related to commodity price fluctuation;
- PACS: the regulatory capital required to cover market risk exposure in the trading book related to equity price fluctuation; and
- POPR: the regulatory capital required to cover operational risk exposure.

We manage our risk exposure using advanced methodologies aligned with Basel II requirements and therefore our risk management tools either already incorporate many of the features required by Basel II or we are in the process of including such requirements. Our efforts are concentrated on Basel II capital requirement rules related to credit, market and operational risks and we are in the process of implementing the advanced approaches defined in the Basel Accord. Additionally, Itaú Unibanco actively participates in discussions and studies on Basel III in Brazil and abroad. See "Management's Discussion and Analysis of Financial Conditional and Results of Operations — Liquidity and Capital Resources — Capital" for a discussion of our regulatory capital requirements and our calculation of regulatory capital. Moreover, in order to meet the provisions of CMN Resolution No. 3,988, Itaú Unibanco is establishing and implementing its capital management structure.

As part of our risk control tools, we developed and improved proprietary risk management systems that are in compliance with the Central Bank's regulations and aligned with international practices and procedures. These models are based on the following elements:

- Economic, financial and statistical analyses, which enable the evaluation of the effects of adverse events on our liquidity, credit and market positions;
- Market risks, using VaR to evaluate risk in the structural portfolio, and stress tests using independent scenarios, to evaluate our exposure on a consolidated basis in extreme situations;
- Credit risks tools, which typically involve credit analysis and behaviour scoring for retail portfolios and proprietary rating models for corporate customers. We also use credit portfolio management models to quantify and allocate economic capital;
- Operational risks, many of which have been evaluated through the use of internal databases and statistical models that monitor the frequency and the severity of internal events of loss to quantify the risks and allocate economic capital. We are in the process of extending statistical and scenario-based approaches to cover all material operational risks;
- Daily monitoring of positions in relation to pre-established market risk limits; and
- Simulations of alternatives for protection due to liquidity losses and contingency plans for crisis situations in different scenarios.

The Risk Control and Finance Division ("**ACRF**"), our corporate risk division, centralises credit, market, operational, liquidity, and insurance underwriting risk management. In addition, we have established committees responsible for risk management, structured as follows:

- The Capital and Risk Management Committee ("**CGRC**") advises our board of directors on its functions related to Itaú Unibanco's risks and capital management. The CGRC submits reports and

recommendations for the analysis of the board of directors with respect to: (i) supervision of Itaú Unibanco's risk management and control activities; (ii) review and approve capital management policies and strategies; (iii) determination of the minimum return expected on Itaú Unibanco's capital; (iv) supervision of incentives structures, including compensation; and (v) the improvement of Itaú Unibanco's risk culture. See "Management — Corporate Governance — Committees of our Board of Directors — Capital and Risk Management Committee".

- The Superior Risk Policies Committee ("**CSRisc**") is our superior risk and capital management body at the executive level, responsible for (i) establishing guidelines consistent with the policies on risk management; (ii) approving management-level risk policies with high impact on capital positions; (iii) defining decision authority levels for the lower level committees; (iv) setting limits combined by type of risk, and ensuring consistency of risk management across the Itaú Unibanco Group. In addition to the CSRisc, senior management oversight of risk management is performed through four committees: the Superior Institutional Treasury Committee ("**CSTI**") and the Superior Institutional Treasury and Liquidity Committee ("**CSTIL**"), the Superior Credit Committee ("**CSC**"), and the Superior Audit and Operational Risk Management Committee ("**CSAGRO**").

  - The CSTI and the CSTIL are responsible for assessing and establishing strategies for market and liquidity risks. CSTI establishes the exposure limits for market risk and the maximum loss limits of positions based on the limits determined by CSRisc. The limits are monitored on a daily basis and excesses are reported to the appropriate level. CSTIL establishes liquidity limits based on the limits determined by CSRisc, and monitors current and future levels of liquidity in order to manage cash flows.

  - The CSC is responsible for managing large corporate credit risks, including establishing corporate credit policies, coordinating internal rules on credit limits to grant financing and bank guarantees and determining the authority levels to approve credit transactions.

- The CSAGRO is responsible for operational risks and internal controls, including (i) managing risks associated with our processes and businesses; (ii) setting up guidelines for internal audits and management of operational risks; and (iii) analyzing the results from our internal controls and compliance system.

- The Superior Product Committee ("CSP") approves products, operations, services and processes in Itaú Unibanco, ensuring the adherence to the customer and unit needs, and is responsible for assessing potential risks for Itaú Unibanco and its public relations.

We believe that the deployment of the advanced approaches of Basel II and Basel III will benefit the institution as it will promote greater alignment of regulatory requirements and internal management, which are already based on sophisticated models for identifying, measuring and monitoring risks. Therefore, we are actively contributing to the adaptation and standardisation of Basel II and Basel III through active participation in discussions in several forums in Brazil and abroad and through dialogue with central banks.

Market Risk Management

Market risk is defined as the possibility of losses and reduction in capital as a result of fluctuations in the market prices of financial instruments. It includes, among other things, risks associated with interest rates, foreign exchange rates, commodity prices and stock prices. The market risk control carried out by Itaú Unibanco covers all financial instruments contained in all portfolios of the companies controlled by Itaú Unibanco. In this respect, Itaú Unibanco's market risk management policy is in line with the principles of CMN Resolution No. 3,464, of June 26, 2007, constituting a set of principles that guide the institution's strategy of market risk control and management in all conglomerate business units and legal entities of the Itaú Unibanco group.

To manage and control market risk, we have implemented internal risk management and valuation models. These models employ statistical and historical information with regard to interest and foreign exchange rates,

volatilities and trends, and seek to reduce the impact of market fluctuations on our liquidity, results of operations and financial condition. The internal VaR model used by Itaú Unibanco considers a one-day holding period and a 99% confidence level. Volatilities and correlations are estimated based on a methodology that confers higher weight to the most recent information.

Market risk control is managed by the Market Risk Control areas, which performs daily measurement, evaluation and reporting risk through risk control business units operating in each business unit. The market risk areas also monitors, evaluates and reports consolidated market risk information, to provide support to our superior committees and correspond with Brazilian and foreign regulatory agencies.

The main responsibilities of Superior Institutional Treasury Committee are to discuss and analyses the exposure limits for market risk and the maximum loss limits (VAR) of trading and banking portfolios (including conditions of stress for each risk type), which may include the establishing of additional controls and limits, the risk control models and procedures, matters and limits related to treasury operational risk.

Liquidity Risk Management

Liquidity risk is defined as the occurrence of imbalances between assets and liabilities, or a mismatch between payments and receipts, that may affect an institution's payment capabilities, taking into consideration the different currencies and settlement terms of its rights and obligations. Liquidity risk management aims to use best practices so as to avoid cash shortages and difficulties making payments.

Liquidity risk management is overseen by CSTIL, which analyses current and expected levels of liquidity and establishes limits related to liquidity, including the maximum levels of liquidity mismatch based on maturities and currencies and minimum levels of reserves in domestic and foreign currencies. It also establishes policies for raising and investing funds in the national and international markets and strategies for funding our portfolios. This committee reports to CSRisc and oversees the Institutional Treasury Management Committee, and bears the responsibility of setting limits regarding liquidity risk and developing criteria and models for liquidity risk assessment. In addition, the Cash Committee is responsible for implementing and controlling the established strategies for liquidity risk control.

We have a structure dedicated to improving monitoring and analysis of liquidity risk by applying statistical models and economic and financial forecasts of the variables that impact cash flows and the level of reserves in local and foreign currency.

In addition, we have established guidelines and limits, which compliance is periodically reviewed by technical committees to ensure an additional safety margin with respect to the minimum liquidity requirements based on our models. Our liquidity management policies and related limits are established based on prospective scenarios that are periodically reviewed in light of cash requirements due to atypical market conditions or arising from strategic decisions.

Pursuant to the requirements of CMN Resolution No. 2,804 and Central Bank Circular No. 3,393, we deliver our Liquidity Risk Statements (DRL) to the Central Bank monthly and the following items are regularly prepared and submitted to senior management for monitoring and support:

- Different scenarios for liquidity projections;
- Contingency plans for critical situations;
- Reports and charts to enable monitoring risk positions;
- Evaluation of funding costs and alternatives for funding sources; and
- Tracking and control of funding sources by counterparty type, maturity and other aspects.

Credit Risk Management

Credit risk is defined as the possibility of losses associated with the failure by the borrower or counterparty to fulfil their obligations. It includes, among other things, counterparty risk, country risk, currency transfer risk, guarantor risk, settlement risk and product concentration risk. Our continuous improvement in the process for decision-making and for credit risk management and control, guided by the best market practices, have made it possible for us to use methodologies based on mathematical modelling for risk analysis, including the following:

- Analysis of our credit portfolios and definition of credit limits using economic capital for credit risk as a measure of risk;
- A risk-adjusted return on capital model;
- Review of new products and credit policy changes that indicate increased risk;
- Quality of the portfolios by customer, industry group, product lines, line of business, and economic sector;
- Concentration and dispersion of the portfolios (by maturities, lines of business, currency, credit by customer and economic sector);
- Evolution of the profile of the portfolio and economic impacts arising therefrom (e.g., allowance for loan losses and allocated capital);
- Validation of customer rating models, probabilities of default, loss given default and exposure at default for market segments;
- Control of ratings change and volatility;
- Monitoring of the largest credits, including evolution of amounts borrowed, allowance and allocated economic capital for credit risk; and
- Assessment and risk control of changes in products, credit and collection policies that involve changes in risk parameters is overseen by CSC and CSRisc.

We prepare our credit policy on the basis of internal and external factors, relating to the economic environment in Brazil and abroad. Such factors include customer ratings, determined by advanced credit analysis and control instruments, levels of default, rates of return, quality of the portfolio, and economic capital allocated. We have focused on evaluating the risk/return ratio in our strategy to expand our assets. Our main concern is the quality of the credit portfolio and the creation of value for our shareholders. The decision-making process and the definition of our credit policy are centralised to ensure synchronised actions and optimise business opportunities.

Our CSC defines the credit approval authority levels for individual divisions. The approval authority depends on the professional skills and personal experiences of each individual with credit authority, and also considers the economic conditions and risk profile of the different divisions. In addition, each division has credit committees, composed of the credit managers and directors, that establish standards and limits, fix risk classifications and oversee the credit operation approval process, models and policies of that division. Depending on the amount and terms of a proposed loan, as well as on the risk rating of the potential borrower, the credit committee must consult with the CSC.

Within retail and very small, small and medium businesses, most types of loans to individuals and companies are subject to our automated credit process. When an account is established with us, we obtain information about the customer's income, net worth and professional standing (in the case of individuals). In addition, information from outside agencies, such as the Central Bank, is also gathered automatically and credit record and relationship history is continuously updated. Based on these data and advanced credit and behaviour scoring models, we assign each customer an aggregate credit limit. The customer must update new credit information at least annually.

There is a different credit review process for credit amounts higher than those available through the automated credit process and for categories of customer or types of credit not subject to the automated credit process, including credit operations in the middle market and corporate divisions. In these cases, we examine each application individually, verify data and carry out traditional credit analysis methodologies.

In addition, our credit business unit carries out technical support research on business groups and economic and industrial sectors within Brazil. This enables us to evaluate credit risk for companies in the middle market (with annual revenues in excess of R$6 million) and corporate divisions. Payroll deduction loans are evaluated at least on a yearly basis, or sooner, if something relevant comes to the attention of the credit business unit.

We give to each credit manager (manager of the credit business unit responsible for a team of credit analysts) a credit approval authorisation limit for each of several categories of loans. The amount of the limit depends upon the experience of the particular manager and economic conditions. Loans up to R$100 million require approval from

the credit committee, and may require approval from a senior credit authority, depending on the term of the proposed loan, the credit rating of the potential borrower and the allocated capital for the proposed loan. In addition, any proposed capital allocation greater than R$20 million is subject to the approval of the CSC.

Itaú BBA targets the large corporate divisions and its credit decision process is also based on the rating and size of the loan. There is no individual authority. The highest credit authority within Itaú BBA is represented by the president and the credit director who together can approve up to R$820 million, depending on the risk rating. Any loan above R$820 million must be submitted for CSC approval.

Operational Risk Management

Operational risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems or from external events. It includes legal risk, coupled with inadequacy or deficiency of contracts, as well as the penalties due to non-compliance with laws and punitive damages to third parties arising from the activities undertaken by an institution.

The sophistication of the banking businesses and the evolution of technologies have increased the complexity of our risk profiles and affected our operational risk management. As a result, we have established a specific structure for the operational risk distinct from the one traditionally applied to market and credit risks. The CSAGRO oversees operational risk management and establishes guidance for internal auditing. The committee analyses audit reports, establishes operational risk management guidelines and models and monitors internal controls, operational risks and legal compliance. Decisions regarding capital measurement models and risk control policies are made by the CSRisc.

In line with the principles established by the CMN, we established an operational risk management policy, which was approved by our audit committee and ratified by the board of directors. The operational risk management policy is applicable to Itaú Unibanco Holding. The policy is comprised of a set of principles, procedures and guidelines that provide for the management of products, services, activities, processes and systems' risks, also taking into consideration their nature and complexity. The policy defines the procedures for identifying, assessing, mitigating, monitoring and reporting in respect to operational risk, as well as its participants' roles and responsibilities.

Since July 1, 2008, the Central Bank has required financial institutions to allocate capital for operational risk, based on Basel II operational risk capital requirements guidelines. Itaú-Unibanco Holding has opted for the Alternative Standardized Approach ("**ASA**").

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital".

Insurance Underwriting and Portfolio Risk Management

Insurance underwriting and portfolio risk is the risk from an adverse economic scenario that contradicts the assumptions used in our underwriting policy and in estimating its reserves. This risk is managed by the same bodies that oversee operational risk as described above. Management of our insurance operations establishes our underwriting policies relating to retentions, protections, reinsurance programs and pricing, depending on the type of business. This approach is designed to maintain high quality underwriting, pricing discipline and reduce volatility in the results. The actuarial department analyses the adherence of the probability tables used in the pricing models to the experience of our portfolio. In the retail market, the prices of our insurance products are established according to proprietary scoring and rating systems based on data we gathered and analysed over many years, which underwriters use to assess and evaluate risks prior to quotation. This information provides specialised knowledge relating to industry segments and helps analyse risk based on account characteristics and pricing parameters. In the group life market, the prices of our insurance products are established according to rating systems based on an international actuarial table of mortality and the historical experience of our policies, the age of the group, the industry segments, the percentage of females and males and experience of each group and the financial health of the client. Property insurance underwriting is monitored through risk factors and pricing is based on exposure based on economic segment analysis, activity and level of severity risk, customer and similar companies experiences, financial health and customised management instruments. Our strategy for reinsurance underwriting is to work with a limited number of reinsurers in order to have a high pre-negotiated retention limit, which decreases our risk exposure. In addition, the underwriters analyse all of our accounts on an annual basis to manage risk associated with our

insurance portfolio. In addition we apply risk-adjusted return on capital model to the corporate segment to allocate enough capital to ensure business sustainability. The risk adjustment return on capital model allows us to quantify the exposure to risk based on statistical criteria.

Funding

Main Sources

Our principal source of funding is deposits. Deposits include non-interest bearing demand deposits, interest bearing savings account deposits, time deposits certificates sold to customers and interbank deposits from financial institutions. As of December 31, 2011, total deposits amounted to approximately R$243 billion, representing 41.9% of total funding As of December 31, 2010, total deposits amounted to approximately R$203 billion, representing 39.8% of total funding. Our savings deposits represent one of our major sources of funding which, as of December 31, 2011 and 2010, accounted for 27.7% and 28.6% of total deposits, respectively.

The following table sets forth a breakdown of our sources of funding as of December 31, 2011, 2010 and 2009.

	As of December 31,					
	2011		2010		2009	
	Millions of R$	% of Total Funding	Millions of R$	% of Total Funding	Millions of R$	% of Total Funding
Deposits	**242,638**	**41.9%**	**202,688**	**39.8%**	**190,772**	**48.0%**
Demand deposits	28,933	5.0%	25,538	5.0%	24,837	6.2%
Savings accounts	67,170	11.6%	57,899	11.4%	48,221	12.1%
Interbank	2,066	0.4%	1,929	0.4%	2,046	0.5%
Time deposits	144,469	24.9%	116,416	22.8%	114,671	28.9%
Other deposits	-	-%	906	0.2%	997	0.3%
Total short-term borrowings	**151,000**	**26%.1**	**159,784**	**31.3%**	**113,388**	**28.5%**
Own portfolio	43,471	7.5%	98,424	19.3%	35,948	9.0%
Third-party portfolio	36,538	6.3%	23,070	4.5%	51,799	13.0%
Free portfolio	1,805	0.3%	950	0.2%	669	0.2%
Bills of real estate loans	14,470	2.5%	8,260	1.6%	5,471	1.4%
Bills of credit related to Agribusiness	1,422	0.2%	2,660	0.5%	2,283	0.6%
Financial bills	2,544	0.4%	-	-%	-	-%
Mortgage notes	37	0.0%	48	0.0%	512	0.1%
Bills of exchange	-	-%	-	-%	-	-%
Debentures	1,039	0.2%	292	0.1%	238	0.1%
Foreign borrowings through securities	9,947	1.7%	3,322	0.7%	1,948	0.5%
Borrowings	17,972	3.1%	12,009	2.4%	8,509	2.1%
Onlending	11,037	1.9%	9,769	1.9%	5,969	1.5%
Securitisation of foreign payments orders	-	-%	-	-%	-	-%
Subordinated debt[(1)]	10,718	1.9%	980	0.2%	42	0.0%%
Total long-term debt	**185,691**	**32.1%**	**147,290**	**28.9%**	**93,284**	**23.5%**
Own portfolio	92,576	16.0%	66,472	13.0%	39,272	9.9%
Third-party portfolio	-	-%	-	-%	62	0.0%
Free portfolio	14,429	2.5%	10,740	2.1%	4,185	1.1%
Bills of real estate loans	1,280	0.2%	477	0.1%	585	0.1%
Bills of credit related to agribusiness	1,862	0.3%	114	0.0%	-	-%
Financial bills	11,764	2.0%	2,466	0.5%	-	-%
Mortgage notes	207	0.0%	254	0.0%	-	-%
Bills of exchange	-	-%	-	-%	-	-%
Debentures	-	-%	1,091	0.2%	2,527	0.6%
Foreign borrowings through securities	6,984	1.2%	6,608	1.3%	3,755	0.9%
Securitisation of foreign payments orders	-	-%	-	-%	-	-%

	As of December 31,					
	2011		2010		2009	
	Millions of R$	% of Total Funding	Millions of R$	% of Total Funding	Millions of R$	% of Total Funding
Borrowings	3,170	0.5%	3,640	0.7%	3,828	1.0%
Onlending	24,422	4.2%	21,920	4.3%	16,386	4.1%
Subordinated debt	28,997	5.0%	33,508	6.6%	22,684	5.7%
Total	**579,329**	**100.0%**	**509,762**	**100.0%**	**397,444**	**100.0%**

(1) Includes redeemable preferred shares (classified under minority interests in subsidiaries in our balance sheet) totalling R$741 million, R$658 million as of December 31, 2011 and 2010, respectively.

The following tables set forth a breakdown of deposits by maturity, as of December 31, 2011, 2010 and 2009:

	As of December 31, 2011				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(in millions of R$)				
Non-interest bearing deposits	**28,933**	**—**	**—**	**—**	**28,933**
Demand deposits	28,933	—	—	—	28,933
Other deposits	—	—	—	—	—
Interest bearing deposits	**98,752**	**19,850**	**11,920**	**83,181**	**213,703**
Savings deposits	67,170	—	—	—	67,170
Time deposits	30,917	19,167	11,475	82,909	144,468
Deposits from banks	665	683	445	272	2,065
Total	**127,685**	**19,850**	**11,920**	**83,181**	**242,636**

	As of December 31, 2010				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(in millions of R$)				
Non-interest bearing deposits	**26,443**	**—**	**—**	**—**	**26,443**
Demand deposits	25,537	—	—	—	25,537
Other deposits	906	—	—	—	906
Interest bearing deposits	**73,574**	**17,550**	**21,981**	**63,140**	**176,245**
Savings deposits	57,899	—	—	—	57,899
Time deposits	15,333	16,714	21,476	62,894	116,417
Deposits from banks	342	836	505	246	1,929
Total	**100,017**	**17,550**	**21,981**	**63,140**	**202,688**

	As of December 31, 2009				
	0-30 Days	31-180 Days	181-365 Days	Over 365 Days	Total
	(in millions of R$)				
Non-interest bearing deposits	**25,834**	**—**	**—**	**—**	**25,834**
Demand deposits	24,837	—	—	—	24,837
Other deposits	997	—	—	—	997
Interest bearing deposits	**65,178**	**16,191**	**14,737**	**68,834**	**164,939**
Savings deposits	48,222	—	—	—	48,222
Time deposits	16,374	15,437	14,175	68,685	114,671
Deposits from banks	582	754	562	149	2,046
Total	**91,012**	**16,191**	**14,737**	**68,834**	**190,773**

Other Sources

We also act as a financial agent through borrowing funds from the BNDES and from the FINAME and passing of such funds at a spread determined by the government to the targeted sectors of the economy. These borrowings are primarily in the form of credit lines that are directed by the government agencies through private banks to specific targeted sectors for economic development. As of December 31, 2011, we participated as on-lender in

BNDES and FINAME financed transactions valued at approximately R$35.4 billion. See "— Our Business — Itaú BBA".

We obtain U.S. dollar-denominated lines of credit from our correspondent banks to provide a source of trade finance funding for Brazilian companies. As of December 31, 2011, our total import and export funding was approximately R$21.1 billion.

In addition, we obtain foreign currency funds from the issuance of securities in the international capital markets, either by borrowing privately or by issuing debt securities generally to on-lend these funds in Brazil to Brazilian corporations and financial institutions. These on-lendings take the form of loans denominated in reais, which are indexed to the U.S. dollar. As of December 31, 2011, we had approximately R$16.9 billion outstanding of structured and financial transactions. Our international operations, including the Grand Cayman Branch, Itaú Unibanco's Grand Cayman and New York branches, and Itaú BBA's Nassau Branch, represent further funding vehicles for us, being responsible for issuing securities and establishing programmes for the issuance of several financial instruments. See "— Our Business — International Operations".

We also generate additional funds for our operations through the resale to our customers of securities issued by us and previously held in our treasury account. Our customers have the right to sell the securities back to us at their option until the maturity date. We pay interest on these securities funds at variable rates based on the Interbank Deposit Certificate. As of December 31, 2011, total funding under this financial product amounted to R$136.0 billion.

In addition, our leasing subsidiary periodically issues debentures, which represent another source of funding.

Technology

We are committed to offering the most advanced technology for the convenience of our customers. Therefore, we continuously invest in the development and improvement of our systems.

In 2011, our IT budget consisted of approximately R$3,000 million in expenditures, including application development, and R$1,000 million in investments, with 6,320 employees.

In 2011, we worked on improving our technology, focusing on increasing system efficiency and sustainable development and were able to make better use of our technology resources. We are also committed to better understanding and identifying our customers' various needs, and our Internet and Mobile Banking is now available 24 hours a day, 7 days a week. Also, in the second half of 2011, the process of integration between Itaú and Unibanco was completed. Today, 100% of the technology platforms are integrated and run in a single environment.

While we were working on branch migration, we disposed of our used hardware using sustainable means gaining 25% more space in our current data center, as well as reducing our power consumption by 40%.

For our environmentally sound and energy saving actions, Itaú Unibanco received the following awards and recognition:

- VII Prêmio Relatório Bancário (Banking Report Award)
    - •Prêmio Destaque – Melhor Data Center – Projeto NGDC – Next Generation Data Center (Best Data Center);
    - •Prêmio Excelência – Melhor Serviço de Mobile Banking – Aplicativos Itaú Mobile Banking; (Best Mobile Banking Services)
    - Prêmio Excelência – Melhor em Serviço Tablet – Aplicativo Itaú para Tablet (Best Tablet Service)
- Prêmio Datacenter Leaders Awards 2011
    - Melhorias em Eficiência Energética de Datacenters (Improvements in Electricity Efficiency in Data Centers)
- Prêmio Info Exame
    - Melhor CIO (Best Chief Information Officer)

- Banco Mais Conectado (Most Connected Bank)

We have workplace contingency and disaster recovery processes for our main businesses. The back-up site is located in Campinas, São Paulo. Both our primary and secondary data centers have dedicated uninterruptible power systems ("**UPS**") and generators that are designed to start automatically whenever a power outage occurs.

For 2012, our IT goal is to continue the modernisation of our current data center, which began in 2011 and includes the virtualisation of servers and the deployment of biometrics throughout the branch network as well as conclude the implementation of the demand management process, which further eliminates inefficiencies in IT processes relating to the demand of the business divisions.

In addition, on January 27, 2012, we announced the construction of a new technology center in which we will concentrate our data processing and storage equipment and is intended to become our main technology hub ("**Data Center**"). The Data Center will be set up on a 815 thousand-square-meter site in the city of Mogi Mirim, São Paulo respresenting a total investment of approximately R$800 million. The project is scheduled to be completed in 2014 and will feature approximately 60 thousand square meters of floor area and employ close to 400 direct employees on-site.

Competition

General

The last several years have been characterised by increased competition and consolidation in the financial services industry in Brazil.

Retail Banking

As of December 31, 2011, there were 139 multiple-service banks, 20 commercial banks, and numerous savings and loan, brokerage, leasing and other financial institutions in Brazil.

We, together with Banco Bradesco S.A. ("**Bradesco**"), Banco Santander (Brasil) S.A. ("**Banco Santander**") and HSBC Bank Brasil S.A. ("**HSBC**"), are the leaders in the non-state-owned multiple-services banking sector. As of September 30, 2011, these banks accounted for 40.0% of the Brazilian banking sector's total assets. We also face competition from state-owned banks. As of September 30, 2011, Banco do Brasil S.A. ("**Banco do Brasil**"), BNDES, and Caixa Econômica Federal ("**CEF**"), ranked first, fourth and fifth in the banking sector, respectively, accounting for 39.3% of the banking system's total assets.

The table below sets forth the total assets of the top 14 banks in Brazil, ranked according to their share of the Brazilian banking sector's total assets.

	As of September 30, 2011(*)	
	In billions of R$	**% of Total Assets**
Banco do Brasil(**)	907.7	18.0
Itaú Unibanco Holding	810.5	16.1
Bradesco	636.4	12.6
BNDES	567.9	11.2
CEF	507.3	10.0
Banco Santander	422.4	8.4
HSBC	152.3	3.0
Banco Votorantim	127.4	2.5
Safra	89.1	1.8
Citibank	62.3	1.2
BTG Pactual	59.5	1.2
Banrisul	36.8	0.7
Deutsche	33.5	0.7
Credit Suisse	28.2	0.6
Others	606.8	12.0

	As of September 30, 2011(*)	
	In billions of R$	% of Total Assets
Total	**5,048.1**	**100.0**

(*) Based on banking services, excluding insurance and pension funds.
(**) Includes the consolidation of 50.0% of Banco Votorantim S.A. based on Banco do Brasil ownership of a 50.0% interest in Banco Votorantim S.A.
Source: Central Bank, 50 Largest Banks and the Consolidated Financial System (September 2011).

With the Association and the establishment of Itaú Unibanco Holding, new business opportunities arose in the domestic market, in which the economies of scale have become crucial for competition. Itaú Unibanco Holding has a leading position in many areas in the domestic financial market. We achieved a market share of 16.2% based on total loans as of November 2011, positioning us at second place in the Brazilian market. Not considering the public banks, we had a leading position based on total loans with 27.8% of the Brazilian market share as of November 2011.

We also have a highly qualified team of employees. We intensified our presence in the Southern Cone (Argentina, Chile, Paraguay and Uruguay) to strengthen our operations in Latin America. Our long-term strategy is to move gradually to a global position, but our strategy gives priority to the consolidation of our presence in the domestic and regional markets.

Credit Cards

The Brazilian credit card market is highly competitive, growing at a compound annual growth rate of over 21.4% over the last three years, as of September 30, 2011, according to the Brazilian Association of Credit Card Companies and Services (Associação Brasileira das Empresas de Cartões de Crédito e Serviços). Itaú Unibanco's major competitors are Bradesco, Banco do Brasil and Banco Santander. Credit card companies, are increasingly adopting alliances and co-branding strategies and adapting relationship pricing policies (interest rates, cardholder fees and merchant fees) in order to strengthen their position in the market.

Asset Management

The asset management industry in Brazil is still at an early stage of development compared to foreign markets, with the activity dominated by commercial banks offering fixed-income funds to retail bank customers. The primary factors affecting competition in institutional funds are expertise and price. Our competition in the sector includes large and well-established banks such as Banco do Brasil and Bradesco as well as several other participants such as CEF, HSBC and Banco Santander.

Insurance

The Brazilian insurance market is highly competitive. Our primary competitors in this sector, excluding health insurance, are Bradesco, Banco do Brasil, CEF, Banco Santander and other related companies. On June 30, 2011, this industry consisted of approximately 114 insurance companies of various sizes, including 29 conglomerates and 46 independent companies. The Porto Seguro Alliance resulted in gains in scale and efficiency. Giving effect to our 30.0% ownership interest in Porto Seguro, we had insurance premiums as of June 2011, with 13.7% of Brazilian market share.

Private Retirement Plans and Capitalisation Products

Our primary competitors in private retirement plans and capitalisation products are controlled by large commercial banks, such as Bradesco, Banco do Brasil, Banco Santander and CEF, which, like us, take advantage of their branch network to gain access to the retail market.

Corporate and Investment Banking

In the wholesale credit market, Itaú BBA contends for the top spot against Banco do Brasil (including its 50.0% stake in Banco Votorantim) based on aggregate loan volume, where it is currently followed by Bradesco and Santander Brasil.

Itaú BBA also has a prominent position in the derivatives market, particularly in structured derivatives. In this market, its main competitors are the international banks, namely Banco Citibank S.A., Banco de Investimentos Credit Suisse (Brasil) S.A., HSBC, Banco JP Morgan S.A., Banco Morgan Stanley S.A. and Banco Santander.

Itaú BBA also has a leading position in the cash management market, where its main challengers are Banco do Brasil, Banco Santander and Bradesco. In 2011, Itaú BBA received the "Domestic Cash Management Provider in Brazil" award from Euromoney, for the third consecutive time.

In investment banking, Itaú BBA's main competitors include Banco Santander, Banco de Investimentos Credit Suisse (Brasil) S.A., Banco Merrill Lynch de Investimentos S.A., Banco Morgan Stanley S.A., Banco JP Morgan S.A., Bradesco and Banco BTG Pactual S.A. In 2011, Itaú BBA ranked in a top-one or two position in each of equity capital markets, debt capital markets and mergers and acquisitions.

Real Estate Financing

The main player in the Brazilian real estate market is CEF, a government owned bank. CEF is focused on real estate financing and, with its aggressive pricing strategy, is the leader in this market. This position is reinforced with the "Minha Casa, Minha Vida" federal program, which is responsible for the construction and financing of one million low income homes and for which CEF is the main operator. There are also two important private bank competitors: Banco Santander and Bradesco. Banco do Brasil, another government owned bank, is also becoming an important player in this market.

Litigation

Overview

We are party to numerous lawsuits and administrative proceedings that arise during the normal course of our business. We are routinely involved in consumer complaints filed with SUSEP and the Central Bank, which do not constitute administrative proceedings. We are not defendants in any material administrative proceeding with the CVM, SUSEP, the Central Bank or any municipalities.

Our financial statements only include reserves for probable losses that can be reasonably estimated and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. As of December 31, 2011, our provisions for such contingencies were R$15,990 million, of which R$8,645 million are related to tax contingencies, R$4,014 million are related to labour contingencies, R$3,166 million are related to civil contingencies and R$165 million to other contingencies. See Note 12 to our consolidated financial statements as of and for the year ended December 31, 2011. Our management believes that our provisions, including interest, for legal proceedings in which we are defendants are sufficient to cover probable losses that can be reasonably estimated in the event of unfavourable court decisions. It is currently not possible to estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have reserves. We believe that any potential liabilities related to these lawsuits and administrative proceedings will not have a material adverse effect on our financial condition or results. There are no material proceedings in which any of our directors, any member of our senior management or any of our affiliates is either a party adverse to us or to our subsidiaries or has a material interest adverse to us or our subsidiaries.

Civil Litigation

Litigation Arising from Government Monetary Stabilisation Plans

From 1986 to 1994, the Brazilian federal government implemented several consecutive monetary stabilisation plans to combat hyper-inflation. In order to implement these plans, the Brazilian federal government enacted several laws based on its power to regulate the monetary and financial systems as granted by the Brazilian federal constitution.

Holders of savings accounts during the periods when the monetary stabilisation plans were implemented have challenged the constitutionality of the laws that implemented those plans, claiming from the banks where they held their savings accounts additional amounts of interest based on the inflation rates applied to savings accounts under the monetary stabilisation plans.

We are defendants in numerous standardised lawsuits filed by individuals in respect of the monetary stabilisation plans. We record provisions for such claims upon receipt of summons to present a defence based on statistical criteria. Each provision may be adjusted based on the balance in the savings account statements of each plaintiff during the relevant periods.

In addition, we are defendants in class actions, similar to the lawsuits by individuals, filed by either (i) consumer protection associations or (ii) public attorneys' office (*Ministério Público*) on behalf of holders of savings accounts. Holders of savings accounts may collect any amount due based on such a decision. We record provisions when individual plaintiffs apply to enforce such decisions, using the same criteria used to determine provisions for individual lawsuits.

The Federal Supreme Court (*Supremo Tribunal Federal*) has issued some decisions in favour of the holders of savings accounts, but has not issued a final ruling with respect to the constitutionality of the monetary stabilisation plans as applicable to savings accounts. In relation to a similar dispute with respect to the constitutionality of monetary stabilisation plans as applicable to time deposits and other private agreements the Federal Supreme Court has decided that the laws were in accordance with the federal constitution. Due to this contradiction, the *Confederação Nacional do Sistema Financeiro* – Consif filed a special proceeding with the Federal Supreme Court (*Arguição de Descumprimento de Preceito Fundamental* nº 165 – ADPF, 165), in which the Central Bank has filed an amicus brief, arguing that holders of savings accounts did not incur actual damages and that the monetary stabilisation plans as applicable to savings accounts were in accordance with the federal constitution.

Other Civil Litigation

In addition to litigation arising from government monetary stabilisation plans, we are defendants in numerous civil lawsuits arising from the normal course of our business. We are not able to currently predict the total amounts involved in these claims, due to the nature of the matters disputed. However, we believe that any potential liabilities related to these lawsuits will not have a material adverse effect on our financial condition or results.

As of December 31, 2011, our total amount of provisions related to civil litigation, including the monetary stabilisation plans, was R$3,166 million.

Tax Litigation

We have certain tax disputes that arise from our ordinary business activities, mainly relating to the constitutionality or legality of certain taxes imposed on us. Contingent liabilities arising from tax disputes are computed according to the principal amount of taxes in dispute, subject to tax assessment notices, plus interest and, if applicable, penalties and other administrative charges.

A provision for such contingent liability is established if it involves a legal tax obligation, regardless of the probability of winning or losing the dispute. A legal tax obligation exists if the gain or loss of the related litigation depends directly on the determination that a currently enforceable law is or not unconstitutional. In any other situation, a provision is recognised if a loss is probable (prevailing in the litigation is less likely than a loss).

As of December, 31, 2011, our total amount of provisions related to taxes was $8,645 million. See Note 12 to our consolidated financial statements as of and for the year ended December 31, 2011, for details regarding the changes in the provisions and respective escrow deposits for tax and social security lawsuits.

The main types of tax disputes for which we have recognised provisions are as follows:

- PIS and COFINS: we claim those taxes should be levied on the revenue arising from sales of goods and services, instead of the total gross revenue.
- CSLL: we claim that this tax should be levied at the regular rate of 9.0%, instead of the increased CSLL rate for financial and insurance companies of 15.0%, which we believe unconstitutional.

- IRPJ and CSLL: we claim that the these taxes should be applied on profits earned abroad and argue the non-applicability of Normative Instruction of Federal Revenue Services (SRF) No. 213-02 to the extent it exceeds the legal text.
- PIS: we claim that the effectiveness of Constitutional Amendments No. 10 and 17 should not apply retroactively to tax periods prior to its effectiveness, during which the tax provisions of preceding Supplementary Law No. 07 should apply.

No provision is recognised in relation to tax litigation where prevailing is more likely than a losing. The total actual estimated risk in such litigation is R$5,930 million, which reflects the amount under dispute where a loss is possible. The main types of such tax disputes are detailed below:

- IRPJ, CSLL, PIS and COFINS: we claim certain tax credits that we have offset against other tax liabilities, which have not been recognised by tax authorities.
- IRPJ/CSLL: we defend that losses and discounts on receipt of credits are necessary operating expenses and therefore losses are deductible from loan operations and discounts are deductible upon their renegotiation and recovery.
- ISS: we defend that certain banking transactions do not generate service fees or income, but rather only interest and commissions, and that certain revenues are not listed under the law, and are therefore not subject to the ISS tax.
- INSS: we defend and claim that non-wage benefits, such as profit sharing, transportation voucher and flat bonus, are not subject social security taxes.
- IRPJ, CSLL, PIS and COFINS: we discuss the adequate accounting and tax treatment for amounts received due to onerous usufruct constitution.
- IRPJ, CSLL: we defend the deductibility of interest on capital declared to stockholders based on the Brazilian long-term interest rate ("**TJLP**") levied on the stockholders interest on capital for the year and for prior years.

In addition, we participated in the Program for Cash or Instalment Payment of Federal Taxes established by Law No. 11,941 of May 27, 2009, which allowed litigating taxpayers who agreed to discontinue the litigation to pay only the principal amount under dispute without penalties and interest applicable to such amounts. Under this program, we paid part of the disputed amounts in our litigation regarding PIS and COFINS based on total gross revenue as set forth by paragraph 1 of Article 3 of Law No. 9,718 of November 27, 1998, and recognised them under Legal Tax Liability.

A portion of the payments will be paid in instalments and are pending the consolidation of related debt by the tax authorities. They are no longer considered to be a provision for a contingency and, therefore, such amounts have been transferred to tax and social securities contributions liability. See Note 14(c) to our consolidated financial statements as of and for the year ended December 31, 2010. The net effect was a reduction of the tax liability of R$144.7 million for the year 2010, which was recorded in Other Operating Revenue. See Note 22(k) to our consolidated financial statements as of and for the year ended December 31, 2010.

Labour Litigation

Labour unions and former employees file lawsuits against us seeking compensation for alleged violations of their labour contract or related statutory rights. As of December 31, 2011, there were approximately 44,600 labour claims filed against us. Individual labour lawsuits against us are primarily related to overtime pay and salary parity. Collective labour lawsuits against us are primarily related to maintenance of healthcare plans, security rules, strikes and salary differences resulting from monetary stabilisation plans implemented by the Brazilian federal government. We are also defendants in labour lawsuits filed by the Public Labour Prosecutor Office related to union classification, outsourcing, occupational disease, health and safety, determination of working days, and compliance with minimum share of disabled personnel. For the fiscal year ended December 31, 2011, we paid approximately R$683 million in settlements with former employees and judgments imposed by the labour courts.

DESCRIPTION OF THE GRAND CAYMAN BRANCH

We were authorised by the Central Bank to operate our Grand Cayman Branch on December 3, 2004, principally for the purpose of obtaining short- to medium-term funding used for general corporate purposes. The Grand Cayman Branch's registered office is at the offices of Close Brothers (Cayman) Limited, Harbour Place, 4th Floor, 103 South Church Street, Grand Cayman, KY1-1102, Cayman Islands.

We were registered under Part IX of the Companies Law (2011 Revision) of the Cayman Islands as a foreign company on July 18, 2003 (and received a certificate of registration on change of name dated March 18, 2010) and were granted a Class B (unrestricted) banking licence on March 31, 2005 to operate in the Cayman Islands under the Banks and Trust Companies Law (2009 Revision) ("**Banks and Trust Companies Law**"). This licence allows the Grand Cayman Branch to conduct all types of banking business within and outside the Cayman Islands, but does not allow the Grand Cayman Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, *inter alia*, exempted or ordinary non-resident companies and other licensees.

The Grand Cayman Branch is a vehicle for the sourcing of funds in the international debt capital markets. The Grand Cayman Branch's results of operations are consolidated in the consolidated financial statements of Itaú Unibanco Holding. As of December 31, 2011, the capital account of the Grand Cayman Branch was US$50 million and it had total assets of US$3,097 million. Since its inception, the Grand Cayman Branch has invested all of its capital in deposits with the Grand Cayman Branch (formerly the Banco Itaú S.A., Grand Cayman branch) and has not engaged in any other business.

The liabilities of the Grand Cayman Branch are first covered by the total resources of the Grand Cayman Branch, but under Brazilian law we are ultimately responsible for all obligations of the Grand Cayman Branch. The Grand Cayman Branch is part of us and has no separate legal status or existence. The CMN has issued regulations with respect to the operating and maintaining of offshore branches by Brazilian financial institutions as prescribed by CMN Resolution No. 2,723. See "The Brazilian Financial System and Banking Regulation — Regulation of Presentation of Financial Statements".

The Grand Cayman Branch does not maintain management separate from our own. The Grand Cayman Branch does, however, maintain its own administrative staff, headed by its general manager. The operations of the Grand Cayman Branch are controlled by our board of executive officers, who maintain corporate authority over the Grand Cayman Branch.

MANAGEMENT

We are managed by our *Conselho de Administração*, or board of directors, and our *Diretoria*, or board of officers.

Pursuant to our bylaws, our board of directors must be composed of a minimum of ten and a maximum of 14 directors elected by our shareholders at the annual shareholders' meeting. Our board of directors meets regularly eight times a year and extraordinarily any time it deems necessary.

Our board of officers must be composed of a minimum of five and a maximum of 20 members. Our board of officers is elected by our board of directors.

All of our directors and officers are elected for a term of one year and can be re-elected. Set forth below are the names, positions and dates of birth of the members of our board of directors and board of officers as of the date hereof. The members of our board of directors were elected on April 25, 2011 at our annual shareholders' meeting and the members of our board of officers were elected on April 28, 2011 at a meeting of our board of directors (except for Mr. Rodrigo Luís Rosa Couto, elected on December 16, 2011), respectively.

Pursuant to Brazilian law, the election of each member of our board of directors and our board of officers must be approved by the Central Bank. Under Brazilian law, an acting director or officer retains his or her position until he or she is reelected or a successor is elected.

As determined pursuant to our corporate governance policy, we have three directors who are independent. See "Principal Differences between Brazilian and U.S. Corporate Governance Practices – Majority of Independent Directors"

The business address for correspondence with each of our directors and officers is Praça Alfredo Egydio de Souza Aranha, 100, 04344-902, São Paulo, SP, Brazil.

Directors:

Name	Position	Date of Birth
Pedro Moreira Salles	Chairman	10/20/1959
Alfredo Egydio Arruda Villela Filho	Vice Chairman	11/18/1969
Roberto Egydio Setubal	Vice Chairman	10/13/1954
Alcides Lopes Tápias(*)	Director	09/16/1942
Alfredo Egydio Setubal	Director	09/01/1958
Candido Botelho Bracher	Director	12/05/1958
Fernando Roberto Moreira Salles	Director	05/29/1946
Francisco Eduardo de Almeida Pinto	Director	12/14/1958
Gustavo Jorge Laboissiere Loyola(*)	Director	12/19/1952
Henri Penchas	Director	02/03/1946
Israel Vainboim	Director	06/01/1944
Pedro Luiz Bodin de Moraes(*)	Director	07/13/1956
Ricardo Villela Marino	Director	01/28/1974

(*) Independent director.

Officers:

Name	Position	Date of Birth
Roberto Egydio Setubal	President and Chief Executive	10/13/1954
Alfredo Egydio Setubal	Executive Vice President	09/01/1958
Candido Botelho Bracher	Executive Vice President	12/05/1958
Caio Ibrahim David	Executive Officer	01/20/1968
Claudia Politanski	Executive Officer	08/31/1970
Marcos de Barros Lisboa	Executive Officer	08/02/1964
Ricardo Baldin	Executive Officer	07/14/1954
Sérgio Ribeiro da Costa Werlang	Executive Officer	06/23/1959

Name	Position	Date of Birth
Carlos Eduardo de Souza Lara	Officer	03/17/1967
Eduardo Hiroyuk Miyaki	Officer	06/11/1972
Emerson Macedo Bortoloto	Officer	07/25/1977
Jackson Ricardo Gomes	Officer	08/21/1957
Marco Antonio Antunes	Officer	10/31/1959
Rogério Paulo Calderón Peres	Officer	02/02/1962
Rodrigo Luis Rosa Couto	Officer	08/08/1975

Set forth below are the summary biographical descriptions of our directors and officers. As described, some of the members of our board of directors and board of officers also perform senior management functions at our subsidiaries and at Itaúsa and its subsidiaries.

Mr. Pedro Moreira Salles has been chairman of our board of directors since February 2009 (with investiture (*i.e.*, the date on which he assumed such role after approval of his election by the Central Bank) on February 19, 2009) and was our executive vice president from November 2008 to August 2009. He worked at Unibanco since 1989, where he served as vice chairman of the board of directors from 1991 to 1997, chairman of the board of directors from 1997 to 2004, and again as vice chairman of the board of directors from 2004 until November 2008. At Unibanco, he also held the post of chief executive officer from April 2004 to November 2008. At Unibanco Holdings he served as vice chairman of the board of directors and chief executive officer. He served as chairman of the boards of directors of Unibanco Seguros and Banco Fininvest S.A. and vice chairman of the board of AIU Seguros S.A. He is currently a member of the board of IBMEC and was previously a member of the board of Instituto Empreender Endeavor Brasil, as well as the president of the board of PlaNet Finance Brasil. Mr. Pedro Moreira Salles has a bachelor's degree, *magna cum laude*, in Economics and History from the University of California, Los Angeles. He also attended the international relations masters program at Yale University and the OPM - Owners/President Management Program at Harvard University.

Mr. Alfredo Egydio Arruda Villela Filho has been the vice chairman of our board of directors since November 2002 (with investiture on March 10, 2003). He has served as president and CEO of Itaúsa since September 2008 and was a member of the board of directors of Itaúsa from 1995 to 2008. He is the chairman of the board of directors of Itautec S.A., or Itautec, and vice chairman of the boards of directors of Duratex S.A., or Duratex, and of Elekeiroz S.A., or Elekeiroz. Mr. Villela Filho has a bachelor's degree in Mechanical Engineering from the Mauá Engineering School of the Instituto Mauá de Tecnologia (IMT) and a post-graduate degree in Business Administration from Fundação Getúlio Vargas (FGV).

Mr. Roberto Egydio Setubal has been the vice chairman of our board of directors since March 2003 (with investiture on March 10, 2003). He has served as a director since April 1995 and president and chief executive officer since April 1994. He served as our general manager from 1990 to 1994. He has served as executive vice president of Itaúsa since May 1994 and chairman of the board of directors of Itaú BBA since February 2003. Mr. Roberto Setubal was the president of the FEBRABAN and of the Brazilian National Federation of Banks (*Federação Nacional de Bancos*, or FENABAN, from April 1997 to March 2001. He was a member of the board of directors of Petróleo Brasileiro S.A. — PETROBRÁS from March 2002 to January 2003. He is currently a board member of the IIF and of the International Monetary Conference and serves on the international advisory committee of the Federal Reserve Bank of New York and the international advisory committee of the New York Stock Exchange, or NYSE. Mr. Roberto Setubal has a bachelor's degree in Production Engineering from Escola Politécnica of the Universidade de São Paulo (USP) and a master of science degree in Engineering from Stanford University.

Mr. Alcides Lopes Tápias has been a member of our board of directors since November 2002 (with investiture on March 10, 2003). He has been a member of the audit committee of Itaú Unibanco Holding since 2004. He is a partner in Aggrego Consultores and a member of its advisory board and a member of the board of directors and of the audit, finance and actuarial, human resources and information technology committees of Medial Saúde S.A. He served on the board of directors of Tigre S.A. — Tubos e Conexões from 1995 to 1999 and again since 2004. He was the president of FEBRABAN from 1991 to 1994 and chairman of the board of Camargo Corrêa S.A. from 1996 to 1999, of Usinas Siderúrgicas de Minas Gerais — Usiminas S.A. from 1997 to 1999 and of São Paulo Alpargatas S.A. from 1996 to 1999. He was the Minister for Development, Industry and Commerce of the Brazilian government from September 1999 to July 2001. He was also a member of the trustee board of the Antonio Prudente Foundation Cancer Hospital from 1999 to 2005 and the Advisory Council of the BMF&BOVESPA (formerly the

BM&F — Futures and Commodities Exchange) from 2003 to 2008. He also served as the president of the fiscal council of Cia. de Bebidas das Américas — AMBEV from 2005 to 2008. Mr. Tápias has a bachelor's degree in Business Administration from Universidade Mackenzie (MACKENZIE) and a bachelor's degree in law from Faculdades Metropolitanas Unidas (FMU).

Mr. Alfredo Egydio Setubal has been a member of our board of directors since April 2007 (with investiture on June 29, 2007) and has served as executive vice president since April 29, 1996 (with investiture on July 3, 1996). He has served as our investor relations officer since 1995. He is currently responsible for our wealth management and capital markets services divisions, with primary responsibility for communications with capital markets, for increasing the transparency of financial and strategic information through improvements in the quality, relevance, timeliness, reliability and comparability of information and for managing relations with the CVM, the Central Bank and other official capital markets authorities. He served as our executive officer between 1993 and 1996 and managing officer between 1988 and 1993. He has been a member of the board of directors of Itaúsa since September 2008. He was a member of ANBIMA from 1994 to August 2003 and its president from August 2003 to August 2008. He has been a member of the board of directors of the Securities Dealers' Association (*Associação das Empresas Distribuidoras de Valores ADEVAL*), since 1993, of BM&FBOVESPA (formerly BOVESPA) since 1996, of the Brazilian Association of Listed Companies (*Associação Brasileira das Companhias Abertas ABRASCA*), since 1999, and of BM&FBOVESPA (formerly BOVESPA) since August 2007. He was a member of the board of directors of the Brazilian Settlement and Custody Company (*Companhia Brasileira de Liquidação e Custódia CBLC*), from 1998 to 2003. He was president of the board of directors of the Brazilian Institute of Investor Relations (*Instituto Brasileiro de Relações com Investidores IBRI*), from 2000 to 2003 and a member since 2004. He has served as the finance officer of the Museum of Modern Art of São Paulo — MAM since 1992. Mr. Alfredo Setubal has a bachelor's and a post-graduate degree in Business Management from Fundação Getúlio Vargas (FGV).

Mr. Candido Botelho Bracher has been a member of our board of directors since November 2008 (with investiture on February 19, 2009) and the executive vice president of our board of officers since May 2, 2005 (with investiture on August 1, 2005). He is currently responsible for our corporate treasury division. He has been a member of the board of directors of Itaú BBA since February 2003, CEO since April 2005, and is responsible for the commercial, capital markets and human resources divisions and was vice president of the board of officers from February 2003 to April 2005. He served as an officer at Banco BBA Creditanstalt S.A. from 1988 to 2003. He has served as executive vice president of Unibanco since November 2008. He is a member of the board of directors of Pão de Açúcar S.A. and of BM&FBOVESPA (formerly BOVESPA). Mr. Bracher has a degree in Business Administration from the Fundação Getúlio Vargas (FGV).

Mr. Fernando Roberto Moreira Salles has been a member of our board of directors since November 2008 (with investiture on February 19, 2009). He was vice chairman of the board of directors of E. Johnston. He has been chairman of the boards of directors of Companhia Brasileira de Metalurgia e Mineração since 2008 and of Brasil Warrant Administração de Bens e Empresas S.A. since 1988. He has been an officer of Editora Schwarcz Ltda. since 1988. He served as vice chairman of the board of directors of Unibanco from 1976 to 1988. He has been a member of the advisory board of Fundação Roberto Marinho since 1996 and a member of the board of directors of Instituto Moreira Salles, serving as president of the board from 2001 to 2008. Mr. Fernando Moreira Salles has a degree in Finance and Capital Markets from the Fundação Getúlio Vargas (FGV).

Mr. Francisco Eduardo de Almeida Pinto has been a member of our board of directors since November 2008 (with investiture on February 19, 2009). During 1982, he was a financial assistant at Visius — Instituto Boavista de Seguridade Social. From 1983 to 1984, he served as the technical department manager at Saga Investimentos e Participações do Brasil Ltda. From 1984 to 1993, he was at Banco da Bahia Investimentos (currently Banco BBM S.A.), most recently as finance officer. From 1993 to 1994, he served as deputy governor of monetary policy at the Central Bank. From 1994 to 1995 he served as general officer of Banco da Bahia Investimentos S.A., and during 1995 as general officer of Unibanco Asset Management. He was the managing partner at Radix Gestão de Recursos Financeiros Ltda. from 1996 to 1998 and the chief financial officer of BBA Capital DTVM (and its successor, BBA Icatu Investimentos DTVM) from 1998 to 2002. From 2002 to 2007, he worked for his own account. Since 2007 he has been a director at Brasil Warrant Administração de Bens e Empresas S.A. and from 2007 to 2008 he served on the board of directors of Unibanco. Since 2008 he has been a director of BW Gestão de Investimentos Ltda. Mr. Almeida Pinto graduated from the Pontifícia Universidade Católica do Rio de Janeiro (PUC) in Economics.

Mr. Gustavo Jorge Laboissiere Loyola has been a member of our board of directors since April 2006 (with investiture on July 31, 2006). He has also been a member of our audit committee since May 2007, and since September 2008 he has served as its president. He was president of our fiscal council from March 2003 to April 2006. He has been a partner and an officer of Gustavo Loyola Consultoria S/C since February 1998 and a member of the board of directors of Caramuru Alimentos S.A. and Mabel Alimentos S.A., since April 2008 and August 2006, respectively. He was the governor of the Central Bank from November 1992 to March 1993 and from June 1995 to August 1997, as well as the deputy governor for the Financial System Regulation and Organisation from March 1990 to November 1992. He was a partner and an officer of MCM Consultores Associados Ltda. from August 1993 to May 1995, assistant officer of Banco de Investimento Planibanc S.A. from February to October 1989 and operating officer of Planibanc Corretora de Valores S.A. from November 1987 to January 1989. Mr. Loyola has a bachelor's degree in Economics from Universidade de Brasília and a master's degree and Ph.D. in Economics from the Fundação Getúlio Vargas (FGV).

Mr. Henri Penchas has been a member of our board of directors since November 2002 (with investiture on March 10, 2003) and served as senior vice president from April 1997 to April 2008, executive vice president from 1993 to 1997 and executive officer from 1988 to 1993. He was an executive officer of Itaúsa from December 1984 to April 2008, has been its investor relations officer since 1995 and its executive vice president since April 2009. He has also been the chief executive officer of Duratex since April 2009. Mr. Penchas was the vice president of the board of directors of Itaú BBA from February 2003 to April 2008. Mr. Penchas has a bachelor's degree in Mechanical Engineering from the Universidade Mackenzie (MACKENZIE) and a post-graduate degree in finance from the Fundação Getúlio Vargas (FGV).

Mr. Israel Vainboim has been a member of our board of directors since November 2008 (with investiture on February 19, 2009). He was elected to the board of directors of Unibanco in 1988 and to the board of directors of Unibanco Holdings in 1994. He was chairman of Unibanco from 1988 to 1992. He has served as executive chairman of Unibanco Holdings since 1992. He joined Unibanco in 1969. He has served on the board of directors of Souza Cruz S.A., Iochpe Maxion S.A., *E-Bit Tecnologia em Marketing* S.A., Vinhedo Investimentos Ltda., Casa da Cultura de Israel, Museu de Arte Moderna de São Paulo — MAM and Hospital Israelita Albert Einstein. Mr. Vainboim has a bachelor's degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro (UFRJ), and a master's degree in Business Administration, or MBA, from Stanford University.

Mr. Pedro Luiz Bodin de Moraes has been a member of our board of directors since November 2008 (with investiture on February 19, 2009). He was a partner in Itaú Holding and a member of the board of directors of Unibanco, from April 2003 to November 2008. He was an officer and partner at Banco Icatu S.A. from 1993 to 2002. He served as deputy governor for monetary policy at the Central Bank from 1991 to 1992 and officer of BNDES from 1990 to 1991. Mr. Bodin de Moraes has a bachelor's and master's degree in economics from the Pontifícia Universidade Católica do Rio de Janeiro (PUC-RJ) and a Ph.D. in economics from Massachusetts Institute of Technology (MIT).

Mr. Ricardo Villela Marino has been a member of our board of directors since April 2008 (with investiture on June 2, 2008) and has served as executive vice president of Itaú Unibanco since September 2009 (with investiture on February 2, 2010). He is currently responsible for our human resources and international division. He served as our senior managing officer from May 2005 to August 2006, managing officer from April 2004 to April 2005, head of the derivatives dealing desk (heading the team responsible for the structuring and sale of derivative products to middle market companies, institutional investors and private individuals) from 2003 to 2004 and head of business intelligence (responsible for the implementation of new technologies and methodologies which have helped us become a leader in the credit card industry in Brazil) from 2002 to 2003. He has served as chairman of Federación Latino Americana de Bancos, or FELABAN, since November 2008. He was a manager of the emerging markets' equities portfolio covering Argentina, Chile, Peru, Colombia and South Africa and of the relations with governments, banks and manager of companies in each of these countries at Goldman Sachs Asset Management in London. Mr. Villela Marino has a degree in Business Administration from MIT Sloan School of Management, Cambridge, a master's degree in Business Administration with specialisation in Financial Administration and bachelor's degree in Mechanical Engineering from the Escola Politécnica of the Universidade de São Paulo (USP).

Mr. Caio Ibrahim David has been a member of our board of officers since May 2010 (with investiture on December 3, 2010). He joined the group in 1987 as a trainee, with expertise as a controller and in risk management. He has been an executive officer of Itaú BBA since April 2008 and is responsible for finance, market intelligence and operations of corporate investment bank and institutional treasury. He has been a vice-chairman of the board of

directors of Redecard since May 2010. He has been an executive officer of Itauseg Participações S.A. and member of the board of directors of BFB Leasing S.A. Arrendamento Mercantil and Dibens Leasing S.A. - Arrendamento Mercantil, all since April 2010. He has been alternate chairman of the board of directors of Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento since April 2010. Additionally, he worked at Bankers Trust in New York as an associate in the area of Global Risk Management in 1998. He has bachelor degree in Engineering from the Universidade Mackenzie (MACKENZIE) (1986-1990), post-graduate degree in Economics and Finance (1992-1993) from the Universidade de São Paulo (USP) and master in Controllership also from the Universidade de São Paulo (USP) (1994-1997) and an MBA from the New York University (1997-1999) with major in finance, accounting and international business.

Ms. Claudia Politanski has been a member of our board of officers since November 2008 (with investiture on November 27, 2008) and is currently responsible for our legal division and serves as general legal counsel. She joined Unibanco in 1991 and was elected executive officer of Unibanco in 2007. Ms. Politanski has a law degree from the Universidade de São Paulo (USP). She also holds a master's degree in law, or L.L.M., from the University of Virginia and an MBA from the Fundação Dom Cabral, Minas Gerais.

Mr. Marcos de Barros Lisboa has been a member of our board of officers since April 2009 (with investiture on September 1, 2009) and is currently responsible for our operational risk and efficiency divisions. He was elected executive officer of Unibanco in July 2006. From 2001 to 2003, he was the academic director of the graduate school of economics of Fundação Getúlio Vargas (FGV), Rio de Janeiro. He was also the Secretary of Economic Policy at the Finance Ministry of Brazil from 2003 to 2005 and the chief executive officer of the IRB from 2005 to 2006. He was elected to the boards of directors of AIG Brasil Cia. de Seguros and Unibanco AIG Consultoria de Investimentos Ltda. in 2008. He holds a bachelor's degree and a master's degree in Economics from the Universidade Federal do Rio de Janeiro (UFRJ) and a Ph.D. in Economics from the University of Pennsylvania. Mr. Lisboa held academic positions at the department of economics at Stanford University and at the Fundação Getúlio Vargas (FGV).

Mr. Ricardo Baldin has been a member of our board of officers since April 2009 (with investiture on September 1, 2009) and is currently responsible for our internal audit division. In 1977 he joined PricewaterhouseCoopers as a trainee and was a partner there for 18 years. As an independent auditor, he was the leading partner in the area of financial institutions. He was also the partner responsible for PricewaterhouseCoopers' financial institutions group in South America, where he was responsible for coordinating various projects in the region, including the evaluation of the Ecuadorian financial system. He was an officer of the National Association of Financial, Administrative and Accounting Executives and was also responsible for the financial institutions group at IBRACON for several years. Mr. Baldin has a bachelor's degree in accounting science from the Universidade do Vale do Rio dos Sinos, Rio Grande do Sul, and university extension courses in Management and Finance from the Fundação Dom Cabral and the Fundação Getúlio Vargas (FGV).

Mr. Sérgio Ribeiro da Costa Werlang has been a member of our board of officers since April 30, 2003 (with investiture on October 1, 2003) and has served as our chief risk executive officer since May 2008. He is currently responsible for our risk and financial controls divisions. He was our senior managing officer from March 2002 to March 2003. He has been a member of Itaú BBA since April 2005. He was a deputy governor for economic policy for the Central Bank from February 1999 to September 2000 and an executive officer of Banco BBM S.A. from October 1997 to December 1998. He was an officer for research and administrative resources and asset management of Banco BBM S.A. from 1994 to 1998. Mr. Werlang has a degree in Naval Engineering from the Universidade Federal do Rio de Janeiro (UFRJ), a master's degree in mathematical economics from Instituto de Matemática Pura e Aplicada do Rio de Janeiro and a Ph.D. in economics from Princeton University.

Mr. Carlos Eduardo de Souza Lara has been a member of our board of officers since November 2010 (with investiture on December 3, 2010). He is also a member, since September 2010, of the board of officers of Banco Itauleasing S.A., Banco Itaucard, Banco Itaucred Financiamentos S.A., or Itaucred, and BFB Leasing S.A. Arrendamento Mercantil. He began his career in Banco Mantrust - SRL S.A., in December 1991. From February 1993 to June 1993, he was a manager at Indústrias Gessy Lever Ltda. He worked at Banco Inter-American Express S.A. between July 1993 and March 2000, holding various positions, the last of which was as foreign exchange director. He also worked for Deutsche Bank S.A. between March 2000 and April 2001. He joined the group in April 2001 as the head of broker-dealer services involving equities and commodities. From August 2005 to July 2008, he worked as Treasury Superintendent. He is a member of the IIF Liquidity Risk Management Committee and ANDIMA's (National Association of Financial Market Institutions) Asset Pricing Committee. He had

graduated in Electrical Engineering from the Escola Politécnica of the Universidade de São Paulo (USP) in December 1992. He obtained a Master's Degree in Mathematical Modeling applied to Finance from the Economic and Business Administration Department of the Universidade de São Paulo (USP) and the Institute for Mathematics and Statistics also of the Universidade de São Paulo (USP), in December 2002. He is an affiliate member of CREA (Regional Council for Engineering, Architecture and Agronomy) – Electrical Engineering – Electronics category – Telecommunications; CVM Independent Investment Agent, and holds ANBID (National Association of Investment Banks) CPA-20.

Mr. Eduardo Hiroyuki Miyaki has been a member of our board of officers since April 2011 (with investiture on August 1, 2011). He has been an officer of Itaú Unibanco since June 2010. He was the manager and compliance officer of the Money Laundering Prevention program of the Itaú Unibanco Group from 1996 to 2003 and, from 2003 until 2004, he was the manager responsible for its internal audit department for our treasury and asset management units. Mr. Miyaki was also the manager of our internal audit of treasury, capital markets, insurance and securities units from 2005 to 2010, when he became a managing director of Itaú Unibanco. He holds a degree in Civil Engineering from the Universidade de São Paulo (USP), a postgraduate degree in sanitation from Federal University of Gunma Province in Japan and an a post-graduate degree in Business Administration from the Fundação Getúlio Vargas (FGV). Mr. Miyaki also holds an MBA in International Finance and Business from the Leonard Stern School of Business of New York University.

Mr. Emerson Macedo Bortoloto has been a member of our board of officers since September 2011 (with investiture on November 1, 2011). He joined us in July 2003, holding positions in the Internal Audit group. Since November 2008, he has been responsible for the evaluation of processes related to Market, Credit and Operational Risks in addition to Auditing Projects and Continuous Auditing. Previously, Mr. Bortoloto held positions in the Itaú Unibanco group in Coordination and Management, where he was responsible for auditing the processes of Information Technology and Analysis and Concession of Retail Credit. He also worked at Ernst & Young Auditores Independentes from May 2001 to June 2003, as well as at Banco Bandeirantes S.A. between 1992 and 2001, where he was responsible for conducting IT and operational processes audits. He holds a degree in Data Processing Technology from the Faculdades Integradas TIBIRIÇA and a postgraduate degree in Auditing and Consultancy in Information Security from FASP – Faculdades Associadas de São Paulo. In 2004, he was awarded a CISA certification issued by ISACA. Mr. Bortoloto holds an MBA in Internal Auditing from FIPECAFI.

Mr. Jackson Ricardo Gomes has been a member of our board of officers since August 1995 (with investiture on September 29, 1995) and is currently responsible for our credit risk, insurance and operational divisions. He began working for the Itaú Unibanco Holding in 1983 as an analyst in the area of economic control. He was a department manager from 1988 to 1989 and general manager/superintendent from 1990 to 1995. He has been an officer of Itaucred since December 2003, of Banco Itaucard since April 2000, and a managing officer of Banco Itauleasing S.A. since April 2000. Mr. Gomes has a degree in Aeronautical Engineering from the Instituto Tecnológico da Aeronáutica and an MBA from the University of Chicago.

Mr. Marco Antonio Antunes has been a member of our board of officers since May 2005 (with investiture on August 1, 2005) and is currently responsible for our accounting division. He was the manager of the budget control department from December 1990 to May 1997 and general manager from June 1997 to February 2000. He has been an officer of Itaucred since February 2003, of Banco Itaucard since July 2000, and a managing officer of Banco Itauleasing S.A. since April 2003. Mr. Antunes holds a degree in Metallurgical Engineering from Universidade Presbiteriana Mackenzie (MACKENZIE)and a specialisation (master's degree level) in accounting and finance from the Universidade de São Paulo (USP).

Mr. Rogério Paulo Calderón Peres has been a member of our board of officers since April 2011 (with investiture on August 1, 2011). He has been an officer of Itaú Unibanco since April 2009 and member of the Disclosure and Trading Committee of Itaú Unibanco Holding since June 2009. Mr. Calderón was an executive officer of Unibanco from 2007 to April 2009 and of Grupo Bunge from 2003 to 2006. Mr. Calderón was a member of the board of directors of Fertilizantes Fosfatados S.A. – Fosfertil, Ultrafertil S.A. and Fertifos S.A., an officer of Bunge Brasil S.A. and Fertifos S.A. and member of the audit committee of Fundação Bunge, Bungeprev — Fundo Múltiplo de Previdência Privada and Fosfertil from 2003 to 2006. From 1981 to 2003 he was a partner at PricewaterhouseCoopers's audit, tax and consulting divisions. Mr. Calderón holds a degree in Business Administration from the Fundação Getúlio Vargas (FGV), a degree in Accounting from Fundação Paulo Eiró and has completed a postgraduate course from the E-Business Education Series from Darden Graduate School of Business Administration of University of Virginia. He also attended courses at the Summer Executive Business

School at the University of Western Ontario Canada, the Center for Executive Development Faculty of Princeton University, Management of Continuing Education and Training Professionals in Arundel, England, and Executive Business Development at Fundação Getúlio Vargas (FGV).

Mr. Rodrigo Luis Rosa Couto has been a member of our board of officers since December, 2011 (with investiture pending approval by the Central Bank). He joined us in 2008, holding a position in the corporate risk management sector. Previously, Mr. Couto worked at McKinsey & Company as an Associate from September 2005 to February 2008, as well as at the Central Bank from 1998 to 2003. He holds a degree in Business from Universidade Federal do Rio Grande do Sul and an MBA in Finance from the Wharton School, University of Pennsylvania.

There are no pending legal proceedings in which any of our directors, nominees for director, or officers is a party adverse to us. We have no knowledge of any arrangement or understanding with major shareholders, customers, suppliers or any other person pursuant to which any person was selected as a director or executive officer, except the shareholders' agreement between Itaúsa and E. Johnston to govern their relationship regarding IUPAR, Itaú Unibanco Holding and its subsidiaries. See "Principal Shareholders and Dividends — Shareholders' Agreements".

Compensation

For the year ended December 31, 2011, the aggregate compensation accrued by us for all members of the board of directors and the board of officers of the Itaú Unibanco Group for services rendered during that year in all capacities was approximately R$617.6 million. This figure includes salaries in the amount of approximately R$271.0 million, a profit-sharing plan in the amount of approximately R$191.9 million and contributions to employer-sponsored pension plans in the amount of approximately R$5.0 million. Except for the highest and lowest compensation received by a director and an officer, without identification of the individual recipients, we are not required under Brazilian law to, and we do not, disclose the compensation of our directors, officers and members of our administrative, supervisory or management bodies on an individual basis.

Our officers and members of our board of directors receive additional benefits generally provided to our employees, such as medical and dental assistance, which benefits totalled approximately R$3.7 million for the year ended December 31, 2011.

Regarding the disclosure of the highest and lowest compensation received by a director and an officer, on March 2, 2010, the Brazilian Institute of Financial Executives – IBEF Rio de Janeiro filed, on behalf of affiliated executives, an ordinary proceeding requesting an injunction, in which the legality of this disclosure requirement is being challenged on the grounds that it would cause great discomfort to the executives and would violate their individual rights and guarantees. We do not intend to make this disclosure until the matter is finally determined, especially in light of our view that our executives' rights to judicial review would otherwise be curtailed.

We have established a profit sharing plan for our management and the plan and its rules have been approved by our board of directors. Under the terms of such plan, each member of our management (including our board of directors and board of officers) who is a beneficiary of the plan is assigned semi-annually a base amount for computation of payments under the profit sharing plan. The final amount of the payment to an individual is based on the consolidated results of the Itaú Unibanco Group, the results of the business unit to which the individual belongs and the individual's performance. This individual amount is determined by multiplying the base amount by an index applicable to all participants, which depends on our level of return on stockholders' equity.

In addition, we have granted options to our management under our stock option plan described below.

Finally, during 2011, the members of our fiscal council and the alternate members received monthly compensation of R$12,000 and R$5,000, respectively.

Our directors have not entered into any service contract with us or any of our subsidiaries providing for benefits upon termination of employment.

Share Ownership

Except for the stock indirectly owned by our controlling shareholders (owned through their participation in IUPAR and Itaúsa), the members of our board of directors and our board of officers, on an individual basis and as a group, beneficially own less than 1.0% of the shares of our common stock and less than 1.0% of the shares of our preferred stock.

Stock Option Plan

We have been issuing stock options as compensation since 1995. Accordingly, part of our management's variable compensation is in the form of stock options, which we believe reinforces their commitment to our performance. Our stock option plan has been instituted with the purpose of integrating officers into our medium and long-term development. Our shareholders, at the general extraordinary meetings, held on April 24, 2009 and April 26, 2010, included the board of directors, senior employees of Itaú Unibanco Holding and senior employees and management members of its controlled companies as beneficiaries of the plan. We believe that this will allow them to benefit from additional value that their work created for Itaú Unibanco Holding. Our stock option plan is designed to retain the services of directors and officers and to obtain highly qualified employees.

Our stock option plan is governed by the personnel committee, whose members are appointed by our board of directors. The personnel committee periodically designates members of our management to whom stock options are granted in the quantities specified. Stock options may also be granted to the members of management of controlled companies or to senior employees of Itaú Unibanco Holding or such controlled companies. Our board of directors may modify the decisions of the personnel committee in their first meeting after the date the options are granted. If not modified, the options granted by the personnel committee are confirmed. The personnel committee may only grant options if our profits are sufficient to permit the distribution of the mandatory dividend in accordance with Brazilian Corporate Law. The amount of options granted in any given year may not exceed 0.5% of our total shares at the end of the relevant fiscal year. If in a specific fiscal year, the amount of stock options granted during such year is below the 0.5% maximum limit of the total number of shares, the difference may be added to options granted in any one of seven subsequent fiscal years.

The options have an exercise period of between five and ten years from the date of their issuance and they may only be exercised after a vesting period determined by the personnel committee and outside blackout periods. The vesting period varies, at the personnel committee's discretion, from one to seven years from the date of issuance of the options. Blackout periods are time periods during which the CVM forbids management from trading shares of the company with person with which they are affiliated and therefore no options may be exercised.

The exercise price of an option is determined by the personnel committee at the time of the grant and can be restated up to the month prior to the exercise of the option. In determining the exercise price, the personnel committee considers the average prices of our preferred shares of BM&FBOVESPA during the last three months prior to the issuance of the option. An adjustment of up to 20.0% more or less than the average price is permitted.

At the general extraordinary meeting held on April 24, 2009, our shareholders also approved the assumption by Itaú Unibanco Holding of all the rights and obligations that Unibanco and Unibanco Holdings had under their respective stock option plans. After this assumption, the options held by the respective beneficiaries to acquire shares issued by Unibanco and Unibanco Holdings were exchanged for options to acquire shares of Itaú Unibanco Holding at the same exchange ratio used for the Association.

The general extraordinary meeting held on April 24, 2009 also created a new mechanism for the granting of options to beneficiaries who are considered to have had outstanding performance and have potential according to the criteria established by the personnel committee and through the use of performance and leadership evaluation tools. The personnel committee may grant options for which the strike price is paid through the obligation of the beneficiary to invest up to 20.0% of the portion of his or her bonus that is tied to profits and results in shares of Itaú Unibanco Holding. The beneficiaries to whom these options are granted must keep ownership of the shares unaltered and with no encumbrances of any nature from the date the option is granted until the exercise of the option. This mechanism was expanded at the general extraordinary meeting held on April 26, 2010 in order to (i) permit a portion or the full net amount of the bonus to be invested in shares and (ii) allow the personnel committee to impose additional conditions on the exercise of the shares.

In addition, the general extraordinary meeting held on April 26, 2010, established that the shares which the beneficiaries receive through the exercise of options may be subject to additional restrictions in accordance with resolutions adopted by the personnel committee such as minimum holding periods.

On April 25, 2011, our shareholders approved modifications to the Stock Option Plan in order to (i) adjust the rule for termination of the beneficiary holding options; (ii) adjust the term for defining the price of simple options; and (iii) expressly provide that the beneficiaries, upon investing their bonuses in the stock option program and thereby receiving bonus options, may acquire stock directly from our treasury.

See Note 16f of our consolidated financial statements as of and for the year ended December 31, 2011, for additional information on our stock option plan and the issuance of options.

Our model of compensation of directors and officers described above is expected to change in view of the requirements of Resolution No 3,921, issued on November 25, 2010 by the CMN. Resolution No 3,921 establishes new rules related to the compensation of directors and officers of financial institutions. The compensation may be fixed or variable. Variable compensation may be based on specific criteria set forth in Resolution No. 3,921 and is required to be compatible with the financial institution's risk management policies. At least 50.0% of the variable compensation must be paid in stock or stock-based instruments and at least 40.0% of the variable compensation must be deferred for future payment by at least three years and is subject to claw-backs, based on the result of the institution and business unit during the period of deferral. These rules took effect on January 1, 2012 and are applicable to compensation based on the services rendered during the year of 2012. In addition, financial institutions that are publicly-held companies or required by the Central Bank to establish an audit committee must also establish a compensation committee prior to the first shareholders' meeting of 2012. Such committee must follow the requirements set forth in Resolution No. 3,921.

As of December 31, 2011, we had 69,845,113 options to be exercised by our officers and employees, comprising 443 beneficiaries of simple options (including Itaú Unibanco and the original Unibanco stock option plans) and 216 beneficiaries of partner options (including Itaú Unibanco, Itaú BBA and Unibanco's original stock option plans).

In 2011, 14,447,900 options were granted under the Stock Option Plan. The granting dates were February 28, April 19, August 19 and November 4, 2011.

Corporate Governance

Shareholders' Meetings

Under Brazilian Corporate Law, shareholders at a general meeting of shareholders may decide all matters relating to our business objectives and pass resolutions deemed necessary for the protection of our interests. Shareholders voting at a general meeting have the exclusive power, among others, to:

- amend our bylaws;
- appoint, elect and dismiss members of our board of directors at any time;
- appoint members of the fiscal council;
- receive the yearly accounts prepared by management and accept or reject management's financial statements, including the appropriation of net income and the distributable amount for payment of the mandatory dividend and allocation to the various reserve accounts;
- accept or reject the valuation of assets contributed by a shareholder in consideration for the issuance of capital stock;
- pass resolutions to reorganise our legal form, merge, consolidate or split, dissolve and liquidate, appoint and dismiss our liquidators and examine our accounts;
- decide with respect to the financial statements and the distribution and allocation of profits;
- decide with respect to the management report and the board of executive officers' accounts;

- establish the aggregate and annual compensation of the members of the board of directors and the board of officers, specifying the amount applicable to each one of these bodies;
- decide on retained profits or the constitution of reserves; and
- decide on plans for stock option grants of shares issued by the company or by its controlled companies.

It is the responsibility of our board of directors to call a shareholders' meeting. The first notice of the shareholders' meeting must be published no later than 15 days before the date of the meeting on the first call. Brazilian Corporate Law establishes that under specified circumstances, the meeting may also be convened by the fiscal council or any shareholder.

The notice of a shareholders' meeting must be published three times, on different dates, in official newspapers widely circulated in São Paulo, Brazil, setting forth the place, date and time of the meeting, the day's agenda and, in the event of an amendment to our bylaws, a description of the proposed change. In addition to the requirements of Brazilian Corporate Law, we also publish notices in three different languages (Portuguese, English and Spanish) on our website and email our subscribed investors and shareholders, as well as through CVM, BM&FBOVESPA, the SEC, the NYSE and the BCBA (Bolsa de Comercio de Buenos Aires).

As a general rule, Brazilian Corporate Law provides that a quorum for a shareholders' meeting consists of shareholders representing at least 25% of a company's issued and outstanding voting capital stock, on the first date the meeting is called, and, if a quorum is not reached, any percentage of the company's voting capital stock on a second date the meeting is called.

Generally, our meetings are held with a quorum representing two thirds of our voting capital. In order to attend a shareholders' meeting, a shareholder must present a document evidencing his or her identity and proof of deposit issued by the financial institution responsible for the bookkeeping of our stock.

A shareholder may be represented at a shareholders' meeting by an attorney-in-fact appointed by proxy less than a year before the meeting, and such attorney-in-fact must be our shareholder, any of our officers, a lawyer or a financial institution. An investment fund must be represented by its investment fund officer.

Board of Directors and Board of Officers Powers

Pursuant to Brazilian Corporate Law and our bylaws, our board of directors has powers to, among other things:

- establish the general guidelines of Itaú Unibanco Holding;
- elect and remove the members of our board of officers and establish their functions;
- appoint officers to comprise the boards of officers of certain controlled companies as specified;
- supervise the management of our board of officers, examine at any time company accounts and documents, request information on contracts already signed or to be signed and any other acts;
- convene shareholders' meetings;
- opine on the annual report and management's financial statements to be submitted to the shareholders' meetings;
- decide on budgets for results and investments and respective action plans;
- appoint and remove independent auditors;
- appoint and remove the members of our audit committee and approve the operational rules that the audit committee may establish for its own functioning;
- decide on the distribution of interim dividends and interest on stockholders' equity;
- decide on buy-back transactions on a non-permanent basis;
- decide on the purchase and writing of put and call options supported by the shares issued by the company for the purposes of cancellation, holding as treasury stock or sale;

- decide on the institution of committees to handle specific issues within the scope of the board of directors;
- elect and remove the members of our audit committee;
- approve the operational rules that our audit committee may establish for its own functioning and oversee the committee's activities through its reports;
- approve direct or indirect investments and divestments in corporate interests for amounts higher than 15% of the book value of our company as registered in the last audited balance sheet; and
- decide on the increase of capital within the limit of the authorised capital.

Our board of directors may be composed of a minimum of ten and a maximum of 14 directors elected by our shareholders at the annual shareholders' meeting. The directors elect one chairman and three vice-chairmen from among their peers. At the annual shareholders' meeting held on April 25, 2011, our shareholders reelected the thirteen members of our current board of directors for a term of one year, such term ending upon the election of directors at the annual shareholders' meeting to be held in 2012. Pursuant to our bylaws, the age limit for holding a position on our board of directors is 70 years old.

Our board of officers is responsible for our day-to-day management and representation of Itaú Unibanco Holding before third parties. It may be composed of a minimum of five and a maximum of 20 members. On April 28, 2011, our board of directors reelected the 13 members of our current board of officers, which consists of the president, two executive vice presidents, five executive officers and five officers, who collectively comprise our board of officers, all for a term of one year, such term ending at the board meeting following the 2012 annual shareholders' meeting. Additionally, Mr. Eduardo Hiroyuk Miyaki and Mr. Rogério Paulo Calderón Peres were elected as officers for a term of one year. Also, on September 21, 2011, Mr. Emerson Macedo Bortoloto was elected as officer for a term ending at the board meeting following the 2012 general shareholders' meeting and took office on November 1, 2011. Mr. Bortoloto replaced Wagner Roberto Pugliese, who served as an officer of Itaú Unibanco Holding until June 3, 2011.

Statutory Bodies

Fiscal Council

According to Brazilian Corporate Law, the adoption of a fiscal council is voluntary. Our fiscal council has been established annually since 2000, even when our bylaws granted non-permanent status to our fiscal council. The fiscal council may be adopted on a permanent or temporary basis. The fiscal council is an independent body elected by shareholders annually to supervise the activities of management and independent auditors. The responsibilities of the fiscal council are established by the Brazilian Corporate Law and encompass the oversight of management's compliance with the laws and bylaws, the issuance of a report included in the annual and quarterly reports and certain matters submitted for shareholders' approval and calling of shareholders' meetings and the reporting of specific adverse matters arising at those meetings. Our fiscal council is composed of the following individuals, each of whom serves for a term of one year and was elected on April 25, 2011 at the annual shareholders' meeting:

Name	Position	Date of Birth
Iran Siqueira Lima(*)	President	05/21/1944
Alberto Sozin Furuguem(*)	Member	02/09/1943
Artemio Bertholini(**)	Member	04/01/1947
Ernesto Rubens Gelbcke(**)	Alternate	12/01/1943
José Caruso Cruz Henriques(*)	Alternate	12/31/1947
João Costa(*)	Alternate	08/10/1950

(*) Members appointed by the controlling block of shareholders.
(**) Members appointed by the holders of preferred shares.

Audit Committee

In accordance with CMN regulations, all financial institutions that (i) have regulatory capital equal to or in excess of R$1 billion; (ii) manage third-party funds of at least R$1 billion; or (iii) hold deposits and manage third-party funds in an aggregate amount of at least R$5 billion, are required to have an in-house audit committee. Audit committees are required to be created under an express provision in the bylaws of the respective financial institution and are required to be composed of at least three members, one of which must be a financial expert, who should rotate every five years. The members of the audit committee will only be allowed to be part of the committee again after three years following the maximum five-year office term.

Audit committee members of publicly held financial institutions may not (i) be or have been in the previous twelve months: (a) an officer of the institution or its affiliates, (b) an employee of the institution or its affiliates, (c) an officer, manager, supervisor, technician, or any other member of the team involved in auditing activities at the institution, or (d) a member of the institution's fiscal council or that of its affiliates; and (ii) be a spouse or relative (first or second-degree relative) of the persons described in items (i)(a) or (i)(c).

Audit committee members of publicly held financial institutions are also prohibited from receiving any compensation from the institution or its affiliates other than as a member of the audit committee. In the event an audit committee member of the institution is also a member of the board of directors of the institution or its affiliates, such member must opt for compensation related to only one of the positions.

Our audit committee reports to the board of directors and its principal functions are to oversee:

- the quality and integrity of the financial statements of Itaú Unibanco Holding;
- the compliance with legal and regulatory requirements;
- the performance, independence and quality of the services rendered by the independent auditors of Itaú Unibanco Holding;
- the performance, independence and quality of the work performed by the internal auditors of Itaú Unibanco Holding;
- the quality and the effectiveness of the internal controls and risk management systems of Itaú Unibanco Holding;
- recommendations for improvement or change of policies and procedures; and
- recommendations for hiring and replacement of independent auditors to the board of directors.

According to Central Bank regulations, the audit committee is required to be a statutory body, created by a shareholders' resolution, which is separate from the board of directors. Notwithstanding the requirement of separate corporate bodies, the members of the audit committee may be members of the board of directors, provided that they meet certain independence requirements. In addition, under Brazilian law, the hiring of the independent auditor is a function reserved exclusively for the board of directors of a company. However, Brazilian regulation permits the creation of a single committee for an entire group of companies.

Independent auditors and the audit committee must immediately notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of the same, including:

- non-compliance with legal and regulatory norms that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the administration of said institution;
- relevant fraud perpetrated by entity employees or third parties; and
- errors that result in significant mistakes in the accounting records of the entity.

Our audit committee is comprised of the following individuals, each of whom serves for a one year term and was elected by our board of directors.

Name	Position
Gustavo Jorge Laboissiere Loyola	President
Alkimar Tibeiro Moura	Member
Eduardo Augusto de Almeida Guimarães	Member
Guy Almeida Andrade	Member and Financial Expert
Luiz Alberto Fiore	Member

Our board of directors has determined that one of the members of our audit committee, Mr. Guy Almeida Andrade, is an audit committee financial expert and meets the requirements set forth by the SEC and the NYSE. Our audit committee financial expert, along with the other members of our audit committee, are independent pursuant to CMN Resolution No. 3,198, which requires that such members not be, or have been in the last year, an officer or employee of the company or its affiliates or an employee with managerial responsibilities in the internal audit division of the company. Mr. Andrade is an expert in U.S. GAAP, which is the accounting standard used by us in our primary financial statements filed with the SEC. Other members of our audit committee are experts in accounting practices adopted in Brazil and we believe the skills, experience and education of our audit committee members qualify them to carry out all of their duties as members of the audit committee, including overseeing the preparation of our U.S. GAAP financial statements. In addition, our audit committee has the ability to retain independent auditors, financial advisers or other consultants, advisers and experts whenever it deems appropriate.

See above for the biography of Gustavo Jorge Laboissiere Loyola. Set forth below are brief biographical descriptions of Messrs. Alkimar Ribeiro Moura, Eduardo Augusto de Almeida Guimarães, Guy Almeida Andrade and Luiz Alberto Fiore.

Mr. Alkimar Ribeiro Moura has been a member of our audit committee since May 2010. He was an independent member on the Supervisory Board of BM&FBOVESPA Supervisão de Mercados (BSM) from October 2007 to September 2010. Previously, he was a member of the board of Banco Nossa Caixa S.A. from May 2006 to February 2007 and of Cia. Brasil de Seguros from May 2001 to February 2003. He was a member of the board of Banco Bandeirantes S.A. from May 1999 to December 2000, and chief executive officer of the Banco do Brasil Banco de Investimentos (BBBI), and executive vice-president for Finance and Capital Markets of the Banco do Brasil S.A., from April 2001 to January 2003. In the Central Bank, he was deputy governor for Financial System Regulations and Organization, from February 1996 to September 1997, deputy governor for monetary policy from March 1994 to February 1996, and deputy governor for public debt and open market operations from January 1987 to January 1988. Mr. Moura has a degree in economics from the Universidade Federal de Minas Gerais, a master's degree from University of California, Berkeley, USA in 1966, and a Ph.D. in economics from Stanford University.

Mr. Eduardo Augusto de Almeida Guimarães has been a member of our audit committee since December 2008. He was a member of the audit committee of Unibanco from April 2004 to December 2008. He previously held the positions of president of the IBGE from 1990 to 1992, National Treasury Secretary at the Ministry of Finance from 1996 to 1999, CEO of the BANESPA from 1999 to 2000, and CEO of Banco do Brasil from 2001 to 2003. He has been a member of the boards of directors of various companies such as Banco do Brasil, CEF, BNDES Participações S.A. and Banco Nossa Caixa S.A. He has also undertaken various academic functions, such as professor and dean of the Economics Institute of the Universidade Federal of Rio de Janeiro, lecturer in the Economics Departments of both the Pontifícia Universidade Católica of Rio de Janeiro (PUC), and the Universidade Federal Fluminense. Mr. Guimarães has a degree in civil engineering, a degree in economics, a master's degree in production engineering from the Universidade Federal do Rio de Janeiro, and a Ph.D. in economics from the University of London.

Mr. Guy Almeida Andrade has been a member of our audit committee since December 2008. He was a member of the audit committee of Unibanco from April 2004 to December 2008. He began his career in 1974 at Magalhães Andrade S/S Auditores Independentes, where he became a partner in 1982, a position he currently holds. In 1984, he joined an intern program at Dunwoody & Co., Toronto, Canada. In 1983 he was admitted to the Chamber of Independent Auditors of IBRACON. Currently, Mr. Andrade is member of board of directors of IBRACON. From 2002 to 2004, he was president of the National Executive Board of IBRACON. In 2000, he was elected as a member of the board of directors of the International Federation of Accountants — IFAC, headquartered in New York, a position he held until November 2006. Mr. Andrade was the chairman of IFAC's audit committee, from 2003 to 2006. He was also a member of IFAC's nominating committee, from 2007 to 2010. Mr. Guy Almeida Andrade has a bachelor's degree in accounting from the Universidade de São Paulo, and a bachelor's degree in business administration from Universidade Mackenzie.

Mr. Luiz Alberto Fiore has been a member of our audit committee since February, 2012 (with investiture pending of approval by the Central Bank). He began his career in 1971 at PriceWaterhouseCoopers. In 1973, he joined Deloitte Touche Tohmatsu, where he became a partner in the External Audit and Corporate Finance areas in 1985 and member of the Executive Committee and of the board of directors of Deloitte do Brasil in 1987. In 1998, he became a representative for Latin America of the International Board of Deloitte Corporate Finance, continuing at Deloitte until 2010. Mr. Luiz Alberto Fiore has a bachelor's degree in Business Management from Universidade Católica (ESAN-PUC) and a bachelor's degree in Accounting Sciences from Universidade Mackenzie.

Committees of the Board of Directors

The information provided below relates to the members of the strategy, risks and capital management, appointment and corporate governance, personnel and compensation committees elected on April 28, 2011.

The board of directors generally appoints members to each committee from the members of our board of directors, however, key employees of Itaú Unibanco Holding and specialists in each specific committee area may be invited to be members of a committee. Members are appointed on an annual basis.

Strategy Committee

Our strategy committee is responsible for corporate strategy, investments and budget.

With respect to corporate strategy, the committee: (i) supports the board of directors in its discussions with the board of officers regarding the strategic guidelines with respect to business matters; (ii) issues opinions and recommendations on the strategic guidelines and provides input for the board of directors' discussions and decisions; and (iii) takes the initiative in the discussion of key matters and those of a high impact nature.

Regarding investments, the committee: (i) reviews investment opportunities presented by the board of officers which have a relevant impact on the business; and (ii) issues opinions and recommendations on investment opportunities presented, providing input and support to the discussions and decisions of the board of directors.

As to the budget, the committee: (i) proposes budgetary guidelines; (ii) conducts a thorough discussion with the board of officers in order to establish budgetary guidelines; (iii) conducts discussions with the board of officers and makes a recommendation on the budget for the current year to the board of directors; and (iv) advises and supports the CEO in monitoring corporate strategy in relation to the budget.

Further, the strategy committee also establishes an economic scenarios sub-committee, made up of key employees of Itaú Unibanco Holding and its controlled companies that have recognised expertise in macroeconomy. Such sub-committee supplies macroeconomic input to the strategy committee to provide support for its considerations in defining strategy, investments and budgets.

The following members of our board of directors were appointed to our strategy committee: Pedro Moreira Salles, Roberto Egydio Setubal, Ricardo Villela Marino, Henri Penchas and Israel Vainboim.

Capital and Risk Management Committee

Our capital and risk management committee is responsible for supporting the board of directors in the performance of its functions related to Itaú Unibanco's risk and capital management, submitting reports and recommendations for the analysis of the board of directors with respect to: (i) supervision of Itaú Unibanco's risk management and control activities, for the purpose of ensuring their adequacy to the risk levels assumed and to the complexity of operations, as well as complying with regulatory requirements; (ii) review and approve capital management policies and strategies that establish mechanisms and procedures aimed at maintaining capital compatible with the risks incurred by the institution; (iii) determination of the minimum return expected on the capital of Itaú Unibanco as a whole and of its business lines, as well as performance monitoring; (iv) supervision of incentive structures, including compensation, aimed at ensuring their alignment with risk control and value creation objectives; and (v) promotion of the improvement of Itaú Unibanco's risk culture.

The following members of our board of directors were appointed to our capital and risk management committee: Roberto Egydio Setubal, Gustavo Jorge Laboissière Loyola, Pedro Luiz Bodin de Moraes, Francisco Eduardo de Almeida Pinto and Candido Botelho Bracher.

Appointment and Corporate Governance Committee

Our appointment and corporate governance committee is responsible for certain corporate governance matters, such as the selection, appointment and assessment of members of our board of directors and CEO.

In connection with corporate governance matters, the committee: (i) analyses and opines on potential situations of conflicts of interest between the directors and companies that are part of the Itaú Unibanco Group based on criteria established by the board of directors, in particular (a) situations arising from external activities undertaken by members of the board of directors or the board of officers in the statutory bodies of other companies which are not part of the Itaú Unibanco Holding, and (b) transactions between directors and companies which are part of the Itaú Unibanco Holding; (ii) proposes the division among the directors of the fixed aggregate compensation established by the annual shareholders meeting; (iii) recommends changes in the composition of the board of directors and its committees; and (iv) recommends changes to the structure of committees, including the creation and dissolution of committees.

In connection with selection and appointment of members of the board of directors and the CEO, the committee: (i) identifies, analyses and proposes candidates for the board of directors to be presented at the annual shareholders meeting, and determines, if elected, whether the candidate will be deemed an internal (also an officer of the company), external (not an officer of the company) or independent (not elected by the controlling shareholder, among other independence requirements) director; (ii) periodically reviews criteria for defining independent, external and internal directors pursuant to best practice governance principles and applicable regulations, recommends to the board of directors any modifications that may be necessary and re-evaluates the standing of each director in the light of any new independence criteria that may be established; (iii) assesses the functioning of the board of directors; (iv) discusses and makes recommendations on the succession of the chairman of the board of directors; (v) discusses and makes recommendations on the succession of the CEO; and (vi) assists in the identification of directors qualified to fill vacancies on the board committees, including the appointment and corporate governance committee, and is specifically required to provide an opinion with respect to the independence and financial specialisation of members of the audit committee.

With respect to the assessment of members of the board of directors and the CEO, the committee: (i) recommends processes for evaluating the board of directors, individual directors, the chairman of the board, the committees and the CEO; and (ii) provides support with respect to evaluation methodology and to the board of directors, individual directors, chairman of the board, committees and CEO.

The following members of the board of directors were appointed to the appointment and corporate governance committee: Pedro Moreira Salles, Alfredo Egydio Arruda Villela Filho, Alfredo Egydio Setubal, Henri Penchas, Israel Vainboim and Fernando Roberto Moreira Salles.

Personnel Committee

Since 2009, the personnel committee has been in charge of establishing compensation principles and practices, as well as stock options and overseeing recruiting, training and retaining talented employees. In view of the creation of the compensation committee by our board of directors at a meeting held on February 17, 2011, in response to CMN Resolution No. 3,921, some of the responsibilities of the personnel committee regarding the establishment of the main compensation policies and principles of the Itaú Unibanco Group were transferred to the compensation committee.

Our personnel committee is responsible for establishing the compensation policy of the Company's directors and officers and staff, defining stock options, attracting, recruiting, training and retaining talented employees.

Regarding compensation and stock options, the personnel committee, among other functions: (i) establishes and revises the policy for compensation of the Company's directors and officers and staff; (ii) proposes various forms of fixed and variable compensation in addition to benefits and special programs for recruiting and severance; and (iii) approves the granting of stock options of Itaú Unibanco Holding, as the committee responsible for the institutional decisions within the scope of the stock option plans sponsored by Itaú Unibanco Holding.

With respect to recruitment and training issues, the committee: (i) proposes guidelines for recruitment, evaluation and career development policies of the companies which are part of Itaú Unibanco Holding, ensuring the preparation of successors for all key positions; (ii) discusses, monitors and advises the board of officers on the career of key personnel within Itaú Unibanco Holding (varying from 100 to 150 persons) identified not necessarily

according to hierarchical function; (iii) monitors the performance of key employees of Itaú Unibanco Holding, evaluating their results in comparison with established targets; (iv) monitors the results of the trainee program, including recruitment during the year, development of the trainees from previous years and an overall analysis of the program; (v) tracks the evaluation system used by the board of officers to evaluate Itaú Unibanco Holding's employees and analyses compliance with the established guidelines; (vi) assists in the establishment of mentoring guidelines; (vii) advises on skills necessary for Itaú Unibanco Holding to achieve its medium term goals while complying with ethical and moral principles; (viii) reviews the profiles of the principal employees to be hired, recommending their engagement to the CEO and, if hiring an officer, to the board of directors; (ix) recommends general recruitment policies; (x) tracks what companies in the same sector are seeking in regard to their key employees; (xi) advises on the engagement of consultants and specialists for assisting in the hiring process; (xii) monitors the number of employees per business unit compared with established targets; (xiii) discusses the culture and training needs; (xiv) tracks policies with respect to courses and training programs for training personnel; and (xv) assists in the definition of continuing education programs.

The following members of our board of directors were appointed to our personnel committee: Pedro Moreira Salles, Roberto Egydio Setubal, Ricardo Villela Marino, Francisco Eduardo de Almeida Pinto and Candido Botelho Bracher.

Compensation Committee

On February 17, 2011, our board of directors created the compensation committee.

The main functions of the compensation committee currently include: (i) discussion and analysis of the existing compensation models of Itaú Unibanco Holding, Itaú Unibanco and Itaú BBA (including the treasury operations); (ii) proposal of a compensation package for the CEO of Itaú Unibanco Holding for approval by the board of directors; and (iii) evaluation and approval of the compensation packages proposed by the CEO for the executive vice-presidents of Itaú Unibanco and Itaú BBA and for their respective CEOs, including fixed and variable compensation components, benefits and long-term incentive compensation.

The impact of CMN Resolution No. 3,921, as well as other legislation relating to existing compensation practices in countries in which our subsidiaries operate, is being reviewed by the compensation committee.

See "The Brazilian Financial System and Banking Regulation — Compensation of Directors and Officers".

The following members of our board of directors were appointed to our compensation committee: Pedro Moreira Salles, Arruda Villela Filho Alfredo Egydio, Henri Penchas, Israel Vainboim and Pedro Bodin.

Committees of the Board of Officers

Disclosure and Trading Committee

Our disclosure and trading committee's main responsibility is to manage our trading and disclosure policies. It covers a range of internal actions in order to improve the flow of information and oversee the ethical conduct of the management and employees in order to: (i) ensure the transparency, quality, equality and accuracy of the information rendered to shareholders, investors, press, government authorities and other capital market entities; (ii) address and implement the criteria established by us so that Itaú Unibanco Holding's management, shareholders, controllers and employees, as well as third parties that have a relationship with us, may comply with ethical and legal standards in the trading of our securities; (iii) evaluate the guidelines and procedures under our trading policy and guidelines for disclosure of an act or material fact and for maintaining confidentiality of certain information established by our disclosure policy, as well as the prior analysis of the content of announcements to the press; (iv) monitor and regulate compliance by management and other employees of Itaú Unibanco Holding to our policies; and (v) investigate cases of breach of our policies, notifying any infractions to the board of directors.

Our disclosure and trading committee is comprised of our principal investor relations officer and from two to ten persons elected annually among the members of the board of directors, board of officers or controlled companies and specialists in capital markets.

Principal Differences Between Brazilian and U.S. Corporate Governance Practices

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than those applied to U.S. listed companies. Under the NYSE rules, we are only required to: (i) have an audit committee or audit board that meets certain requirements, as discussed below; (ii) provide certification by our chief executive officer to the NYSE each year that he is not aware of any violation by the company of NYSE corporate governance listing standards; (iii) submit an executed written affirmation annually to the NYSE and submit an interim written affirmation each time a change occurs to the board or any of our committees subject to Section 303A of the NYSE rules; and (iv) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

Majority of Independent Directors

The NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company.

Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, Brazilian Corporate Law, the Central Bank and the CVM have established rules that require directors to meet certain qualification requirements relating to professional qualifications and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's officers and directors and our directors meet the qualification requirements of Brazilian Corporate Law, the Central Bank and the CVM. Our corporate governance policy discloses the criteria used by our board of directors to determine if a director is independent. According to those criteria, three of our directors are considered independent. Brazilian Corporate Law requires that our directors be elected by our shareholders at an annual shareholders' meeting. Three of our directors, Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal and Alfredo Egydio Setubal, are members of the Egydio de Souza Aranha family and two of our directors, Pedro Moreira Salles and Fernando Roberto Moreira Salles, are members of the Moreira Salles family. The families are owners of IUPAR, the controlling shareholder for Itaú Unibanco Holding. Currently we have three independent directors: Alcides Lopes Tápias, Gustavo Jorge Laboissiere Loyola and Pedro Luiz Bodin de Moraes.

Executive Sessions

NYSE rules require that non-management directors meet at regularly scheduled executive sessions without the presence of management. Brazilian Corporate Law does not have a similar provision. According to Brazilian Corporate Law, up to one-third of the members of the board of directors can be elected from management. Our president Roberto Setubal, our executive vice presidents Alfredo Egydio Setubal and Candido Botelho Bracher and the executive officer of Itaú Unibanco, Ricardo Villela Marino, are members of our board of directors. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors do not typically meet in executive sessions. Our board of directors consists of nine non-management directors.

Committees

NYSE rules require that listed companies have a nominating and corporate governance committee and a compensation committee composed entirely of independent directors and governed by written charters addressing the committees' required purposes and detailing their required responsibilities. The responsibilities of the nominating and corporate governance committee include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. The responsibilities of the compensation committee, in turn, include, among other things, reviewing and approving corporate goals and objectives relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending non-chief executive officer compensation, incentive-compensation and equity-based plans to the board.

We are not required under applicable Brazilian Corporate Law to have a nominating committee, corporate governance committee and compensation committee. However, we have an appointment and corporate governance

committee, a personnel committee and a compensation committee. Pursuant to our bylaws, our directors are elected by our shareholders at an annual shareholders' meeting. Aggregate compensation for our directors and officers is established by our shareholders. The personnel committee is responsible for the management of our stock option plan, which was approved by our shareholders. This plan defines the objectives, guidelines, conditions, limits, characteristics of the plan to be followed by the personnel committee and grants the committee authority for deciding certain issues relating to the plan.

Audit Committee and Audit Committee Additional Requirements

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate; (ii) meets the SEC rules regarding audit committees for listed companies; (iii) has at least one member who has accounting or financial management expertise; and (iv) is governed by a written charter addressing the committee's required purpose and annual performance evaluation of the audit committee and detailing its required responsibilities.

Brazilian banking law (Central Bank Resolution No. 3,198) requires us to have an audit committee of at least three members, and Brazilian Corporate Law requires us to have a fiscal council, which is composed of three to five members. Pursuant to Brazilian Corporate Law and Central Bank Resolution No. 3,198, the fiscal council members are elected at the annual shareholders' meeting and the audit committee is elected by the board of directors among its members and independent members, one of which must be a financial expert, provided that, according to our bylaws, its chairman must be also a member of our board of directors.

The fiscal council operates independently from our management and from our external auditors. Its main function is to examine the financial statements for each fiscal year and provide a formal report to our shareholders. We have a fiscal council that consists of three members and three alternates and which meets once a month.

According to the SEC, foreign private issuers are exempt from the audit committee requirements if the issuer meets certain requirements. We believe that our audit committee is able to act independently in performing the responsibilities of an audit committee under Sarbanes-Oxley, satisfies the other requirements of the exemption of Rule 10A-3(c)(3) and therefore is in compliance with Rule 10A-3 of the Exchange Act. Our audit committee, to the extent permitted under Brazilian law, performs all the functions required of an audit committee under Rule 10A-3. As required by Brazilian law, our board of directors and audit committee are separate corporate bodies. In addition, under Brazilian law, the authority to hire independent auditors is reserved exclusively for a company's board of directors. Therefore, our board of directors acts as our audit committee, as permitted under Rule 10A-3(c)(3)(v) of the Exchange Act, for the purpose of the appointment of our independent auditors. Our audit committee is currently composed of four members, one of whom is also member of our board of directors.

Shareholder Approval of Equity Compensation Plans

NYSE rules require that stockholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, including material increases in the number of shares available under the plans, with limited exceptions. Under Brazilian Corporate Law, shareholders must approve all stock option plans. In addition, any issuance of new shares that exceeds our authorised share capital is subject to shareholder approval.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We comply with the corporate governance guidelines imposed by applicable Brazilian law. We believe the corporate governance guidelines applicable to us under Brazilian law are consistent with the guidelines established by the NYSE. We have adopted standards beyond what is required by applicable Brazilian law: we voluntarily adhere to BM&FBOVESPA's Level 1 of Corporate Governance and have tag-along rights for all shareholders, regardless of their voting rights.

In addition, we have adopted (i) the Policy of Material Information Disclosure, which deals with the public disclosure of all relevant information as per CVM Rule No. 358 guidelines; and (ii) the Policy on Trading of Securities, which restricts the trading in securities during certain periods and requires management to publicly announce all transactions relating to our securities, and which was an optional device included in the CVM Rule No. 358. Going beyond the requirements of applicable Brazilian law, in July 2002 we created the disclosure and trading committees, which were unified in the disclosure and trading committee in April 2006.

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. However, we adopted a code of ethics in 2000 which regulates the conduct of our managers in connection with the registration and control of financial and accounting information and their access to privileged and non-public information. In 2004, we included a supplement to our code of ethics in order to comply with the requirements of Sarbanes-Oxley and the NYSE rules. In October 2005, we announced our newly and updated code of ethics, and this code was reviewed in February 2010 in connection with the Association.

Internal Audit

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control.

Our internal auditing directorate has the independence from management to conduct methodologically structured examinations, analyses, surveys and fact-finding to evaluate the integrity, adequacy, effectiveness and efficiency of the information systems processes and internal controls related to our risk management. The directorate reports directly to our board of directors and interacts with the audit committee and, in carrying out its duties, the internal auditing directorate has access to all documents, records, systems, locations and people involved with the activities under review.

Sarbanes-Oxley Act of 2002

We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarise and disclose this information within the time periods specified in the rules of the SEC. Although the maintenance of such controls and procedures is required by the Sarbanes-Oxley Act of 2002, financial information prepared in accordance with Brazilian GAAP is not subject to such Act.

Employees

General

The following table sets forth the number of our employees as of December 31, 2011, 2010 and 2009:

	As of December 31,		
	2011	**2010**	**2009**
Employees (on a consolidated basis)	**104,542**	**108,040**	**101,640**
Brazil	98,258	102,316	96,240
Abroad	6,284	5,724	5,400
Argentina	1,566	1,514	1,376
Chile	2,334	2,043	2,012
Uruguay	1,099	1,071	983
Paraguay	650	517	461
Europa	213	212	345
Others	422	367	223

Employees from each of our operations segments as of December 31, 2011, 2010 and 2009 are presented in the folowing table:

	December 31,		
	2011	**2010**	**2009**
Commercial Banking	95,534	93,430	89,360
Itaú BBA	3,024	2,387	2,310
Consumer Credit	5,941	12,133	9,888

	December 31,		
	2011	**2010**	**2009**
Corporate and Treasury	43	90	82
Total	**104,542**	**108,040**	**101,640**

The number of our employees decreased by 3.2% from December 31, 2010 to December 31, 2011.

Our employees are represented by one of the 203 labour unions in Brazil, which consist of banking labour unions in various localities in which we operate.

Since 1986, the banking industry in Brazil has been the target of strikes organised by labour unions, usually during wage negotiations in the third quarter of each year. During a strike, part of the normal activities of our branches suffers from temporary disruptions. Despite the disruptions to our retail banking operations and, to a lesser extent, our corporate banking operations, we have not historically suffered significant losses due to strikes.

The FENABAN represents banking institutions as employers and negotiates with the two entities representing the employees, the National Federation of Financial Industry Workers (*Confederação Nacional dos Trabalhadores do Ramo Financeiro* — CONTRAF), and the National Federation of Credit Industry Workers (*Confederação Nacional dos Trabalhadores nas Empresas de Crédito* — CONTEC). They carry out annual wage negotiations to update salaries, banks' overtime pay levels and other benefits. The negotiation takes place in September of each year. We traditionally set the salary structure of our employees above these levels.

We seek to maintain good relationships with our employees and with the labour unions, which represent them.

Itaú Unibanco Holding, through sponsored enterprises, offers its employees 19 pension plans that are administered by nine entities described below, eight of which are closed pensions funds and one of which is an open pension fund. The plans' main objective is to provide a supplement to Brazilian federal social security benefits. Twelve of the plans are defined benefit plans, under which the calculation of the benefit amount on retirement is determined by a set formula. Three are defined contribution plans, under which contribution amounts are fixed and the benefit amount is proportional to investment returns over time and four are variable contribution plans under which contribution amounts vary by participant and the benefit amount also depends on investment returns over time. New employees can participate in a defined contribution plan managed by Itaú Vida e Previdência S.A.

The plans are administered by the following entities (closed pension funds):

- Fundação Itaubanco manages the following plans: PAC, Itaubanco CD Plan, PBF, 002 plan, Itaulam defined benefit plan and variable contribution plan;
- Funbep - Fundo de Pensão Multipatrocinado manages the following plans: Funbep I and Funbep II;
- Prebeg - Caixa de Previdência dos Funcionários do BEG manages the PREBEG plan;
- Fundação Bemgeprev manages the ACMV plan;
- Itaubank Sociedade de Previdência Privada manages the Itaubank plan;
- Itaú Fundo Multipatrocinado manages the following plans: Itaú defined benefit plan and Itaú defined contribution plan;
- UBB PREV – Previdência Complementar manages the following plans Futuro Inteligente plan, basic plan and IJMS plan;
- Fundação Banorte that manages the following plans: Plano I and Plano II;

Our pension plans are managed in accordance with our corporate governance principles, which aim to ensure that participants receive superior retirement benefits through plan management. As required by Brazilian regulatory agencies, actuarial valuations are made by the actuary responsible for each plan each year. During 2011 we made contributions to the pension plans at levels required by actuarial standards. We made contributions to our pension plans of approximately R$41.9 million in 2011.

Training and Development

Personnel development is one of our main values, and we make an effort to train high performance teams engaged and motivated by sustainable development. The Itaú Unibanco Business School, provides continuing education in three areas: business (knowledge management of different business areas), leadership (knowledge management for development of leaders) and corporate skills (knowledge management of general application and certification preparation programs). The continuing education of our teams and leaders promotes a high level of discussion on themes such as ethics, sustainability, meritocracy and efficiency.

PRINCIPAL SHAREHOLDERS AND DIVIDENDS

In accordance with our bylaws, our capital stock is divided into two classes of shares: common shares (*ações ordinárias*) and preferred shares (*ações preferenciais*). Each common share entitles its holder to one vote at meetings of our shareholders, and there are no differences in the voting rights conferred by each of our common shares. The preferred shares are non-voting.

The following table sets forth certain information as of January 31, 2012, with respect to (i) any person known to us to be the beneficial owner of more than 5.0% of our outstanding common shares; and (ii) any person known to us to be the beneficial owner of more than 5.0% of our outstanding preferred shares.

	Common Shares		Preferred Shares		Total	
	Total Number of Shares	% of Total	Total Number of Shares	% of Total	Total Number of Shares	% of Total
	(Per share, except percentage amounts)					
IUPAR – Itaú Unibanco Participacões S.A.	1,167,536,100	51.00%	0	0.00%	1,167,536,100	25.54%
Itaúsa – Investimentos Itaú S.A.	885,142,900	38.66%	77,100	0.00%	885,220,000	19.37%
BlackRock	0	0.00%	159,335,737	6.98%	159,335,737	3.48%
Others	236,605,300	10.34%	2,065,346,882	90.52%	2,301,952,182	50.36%
Subtotal	2,289,284,300	100.00%	2,224,759,719	100.00%	4,514,044,019	98.76%
Treasury stock(*)	2,100	0.00%	56,889,981	2.49%	56,892,081	1.24%
Total	**2,289,286,400**	**100.00%**	**2,281,649,700**	**100.00%**	**4,570,936,100**	**100.00%**

(*) Does not include Itaú Unibanco stock held by Itaubanco defined contribution plan in excess of the individual accounts of participants in the amount of 1,500,000 common shares.

Itaú Unibanco Holding is a financial holding company controlled by IUPAR, a holding company jointly controlled by (i) Itaúsa, a holding company controlled by members of the Egydio de Souza Aranha family and (ii) E. Johnston, a holding company controlled by the former controlling shareholders of Unibanco, the Moreira Salles family. Itaúsa also directly owned 38.66% of the shares of our common stock as of January 31, 2011. Three of our directors, Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal and Alfredo Egydio Setubal, are members of the Egydio de Souza Aranha family and two of our directors, Pedro Moreira Salles and Fernando Roberto Moreira Salles, are members of the Moreira Salles family.

In accordance with Article 12 of CVM Rule No. 358, BlackRock, Inc. informed us on March 30, 2011 that it owned preferred shares representing approximately 7% of the issued preferred shares of Itaú Unibanco Holding for investment purposes only.

On April 25, 2011, our shareholders approved a reverse split of our common and preferred shares in the proportion of 100 shares to one share of the same type in order to adjust our shareholder base to reduce administrative costs and improve the efficiency of our book-entry system. Our shareholders also approved a simultaneous stock split of one share to 100 shares, which will maintain the market price of our shares at an appropriate level to ensure liquidity. The transaction, which was ratified by the Central Bank, was completed on November 21, 2011.

The table below contains information regarding our shares and American Depository Shares ("**ADS**") according to our internal share record as of January 31, 2012:

	Number of Shares
Common shares	2,289,286,400
Preferred shares	2,281,649,700
Preferred shares represented by ADS	878,609,115
Total	**5,449,545,215**

Shareholders' Agreement

Itaúsa and E. Johnston

Itaúsa, a holding company controlled by the Egydio de Souza Aranha family, and E. Johnston, a holding company controlled by the Moreira Salles family, have a shareholders' agreement that governs their relationship regarding IUPAR, Itaú Unibanco Holding and its subsidiaries. Its main provisions are described below.

Corporate Governance

The board of directors of IUPAR is composed of four members: two appointed by Itaúsa and two by E. Johnston, and its board of officers is composed of four officers: two appointed by Itaúsa and two by E. Johnston. The board of directors of Itaú Unibanco Holding is composed of up to fourteen members, out of which six are jointly appointed by Itaúsa and E. Johnston.

Lock-up Period, Right of First Refusal and Tag-Along Rights

The shares issued by IUPAR may not be transferred by its shareholders to third parties until November 3, 2018. After this period, in case one of the parties decides to transfer shares of IUPAR, the other party may choose to (i) exercise its right of first refusal to acquire the shares, (ii) exercise its tag-along right, in the exact same terms and conditions or (iii) waive both its rights of first refusal and tag-along. Itaúsa may freely transfer the shares issued by Itaú Unibanco Holding that are directly owned by it. In case the parties decide to jointly transfer the totality of their shares issued by IUPAR, Itaúsa may exercise its tag-along right in order to include all or part of the shares issued by Itaú Unibanco Holding that are directly owned by Itaúsa.

Term

The shareholders' agreement is in effect for a period of twenty years from January 27, 2009, and may be automatically renewed for successive periods of ten years, unless otherwise terminated upon one year's prior written notice by any of the shareholders.

General

Brazilian Corporate Law generally requires that the bylaws of each Brazilian corporation specify a minimum percentage of the distributable profit of the corporation (adjusted net profit, as defined in Article 202 of Brazilian Corporate Law), comprising normal dividends and interest on stockholders' equity, that must be distributed to the shareholders as described below. Under our bylaws, we are required to distribute to our shareholders each fiscal year an amount equal to not less than 25.0% of our adjusted net profit. This is referred to as the mandatory dividend. Under Brazilian Corporate Law, the mandatory dividend may be paid in the form of normal dividends or in the form of interest on stockholders' equity. Our board of directors may also declare the payment of interim dividends from retained earnings and profit reserves. Any payment of interim dividends or payment of interest on stockholders' equity will be netted against the amount of the mandatory dividend for that fiscal year. In addition, under our bylaws, each share is entitled to a priority minimum annual dividend of R$0.022, which amount is reduced from the mandatory dividend payable.

The principal difference between dividends and interest on stockholders' equity is their tax treatment. For tax purposes, interest on stockholders' equity is limited to the daily average of the Brazilian long-term interest rate (*Taxa de Juros de Longo Prazo* or "**TJLP**") as determined by the Central Bank, over the taxable year, and cannot exceed the greater of (i) 50.0% of adjusted net profit for the period in respect of which the payment is made (after the deduction of CSL, but before taking into account the amount of such interest on stockholders' equity and the provision for IRPJ, as described in "Taxation"), and (ii) 50.0% of the sum of retained earnings and profit reserves. Any payment of interest on stockholders' equity to holders of preferred shares, whether Brazilian residents or not, including holders of ADSs, is subject to Brazilian withholding tax at the rate of 15%, or 25% if the shareholder is a resident or domiciled in a tax haven jurisdiction or a privileged tax regime, pursuant to Normative Ruling No. 1,037 of 2010, as amended. The amount paid to shareholders as interest on stockholders' equity, net of any withholding tax, may be included as part of the mandatory dividend. In such cases, we are required to distribute to shareholders an amount sufficient to ensure that the net amount received by shareholders, after the payment by us of applicable withholding taxes in respect of the distribution of interest on stockholders' equity, is at least equal to the mandatory

dividend. See "The Brazilian Financial System and Banking Regulation - Taxation on Financial Transactions – Corporate Income Tax and Social Contribution on Profits".

Under Brazilian Corporate Law, a company is allowed to suspend payment of the mandatory dividend in respect of common shares and preferred shares if management reports to shareholders at a meeting that the distribution would be incompatible with the financial circumstances of the company and the shareholders ratify this decision at a meeting. In this case, the fiscal council must prepare and issue an opinion about the report of management and management must provide an explanation to the CVM within five days of the shareholders' meeting, justifying the decision. The distributable amount that was not distributed will be recorded as a special reserve and, if not absorbed by losses in subsequent fiscal years, should be paid as dividends as soon as the company's financial situation permits.

Payment of Dividends

We are required to hold an annual shareholders' meeting by no later than April 30 of each year at which the annual dividend may be declared or ratified. Additionally, interim dividends may be declared by our board of directors. According to Brazilian Corporate Law, the payment of dividends must occur prior to the end of the fiscal year in which the dividend was declared. A shareholder has a three-year period from the dividend payment date to claim dividends in respect of its shares, after which we have no liability for that payment. Shareholders who do not reside in Brazil must generally register with the Central Bank to have dividends and interest on stockholders' equity, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil.

Dividend Policy

We currently pay dividends and interest on stockholders' equity equal to the mandatory dividend, subject to any determination by our board of directors that such distribution would be inadvisable in view of our financial condition and provided that our board of directors determines to pay solely the minimum, non-cumulative preferred dividend in respect of the preferred shares. We currently intend to pay a fixed amount of dividends monthly, which is equal to R$0.015 per share. At the end of a fiscal year, we intend to pay any difference between this monthly dividend and our minimum annual dividend of R$0.022 per share.

The record date in Brazil for the monthly payment is the last business day of the preceding month and in the United States the record date is three business days after the Brazilian record date. The payment of the dividend is the first business day of the following month.

On February 9, 2011, our disclosure and trading committee approved a formal policy regarding dividends and interest on stockholders' equity, as described above.

History of Dividend Payments

The following table sets forth the dividends and interest on stockholders' equity paid to or declared for holders of our common shares and preferred shares since 2009.

	Dividend	
	Amount	Per Share
	(in millions of R$)	(R$)
Year		
2011	5,054	1.12
2010	4,482	0.99
2009	3,977	0.92

We also paid our shareholders a dividend of R$0.012 per share, net of taxes in Brazil, on February 1, 2012.

On February 6, 2012, our board of directors declared interest on equity in the amount of R$0.41640 per share (or R$0.35394 per share, net of taxes) and authorised payment of interest on equity declared on December 16, 2011 in the amount of R$0.2880 per share (or R$0.2448, net of taxes). All such amounts are expected be paid on March 13, 2012 and total R$0.59874 per share, net of taxes. In addition, on February 6, 2012, our Board of Directors approved a 25% increase (i.e., from R$0.12 to R$0.15 per share) in the monthly dividend included in the

calculation of our mandatory dividend under Brazilian corporate law, beginning with the payment to be made on April 2, 2012 and calculated based on our final shareholder base as of February 29, 2012.

RELATED PARTY TRANSACTIONS

We engage in a number of transactions with related parties. The granting of credit to officers, directors or affiliates of financial institutions is subject to restrictions under Brazilian law. In addition, under Brazilian law, financial institutions may not grant loans, advances or guarantees to:

- any individual, or the immediate family members of such individual, or entity that controls the financial institution or any entity under common control with the financial institution;
- any officer, director or member of the fiscal council of the financial institution, or the immediate family members of such individual, or entity in which such individual directly or indirectly holds more than 10.0% of the capital stock;
- any entity controlled by the financial institution; or
- any entity in which the financial institution directly or indirectly holds more than 10.0% of the capital stock or which directly or indirectly holds more than 10.0% of the financial institution's capital stock.

As of the date of this Offering Memorandum, we believe that we are in compliance with the restrictions under Brazilian law. Brazilian law does not limit our ability to enter into transactions in the interbank market with our affiliates that are financial institutions. See "The Brazilian Financial System and Banking Regulation".

Transactions between related parties are disclosed in compliance with CVM Resolution No. 642, of October 7, 2010, and CMN Resolution No. 3,750 of June 30, 2009. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices, as well as under reciprocal conditions. Transactions with companies whose results are consolidated with ours were eliminated from our consolidated financial statements.

The unconsolidated related parties with whom we entered into transactions are the following:

- Itaúsa, its controlling companies and certain subsidiaries, including Itautec, Duratex, Elekeiroz and Itaúsa Empreendimentos S.A.;
- Fundação Itaubanco, Funbep — Fundo de Pensão Multipatrocinado, PREBEG, Fundação Bemgeprev, Itaubank Sociedade de Previdência Privada, UBB — Prev Previdência Complementar, and Fundação Manoel Baptista da Silva de Seguridade Social, closed-end private pension entities, that administer supplementary retirement plans sponsored by Itaú Unibanco Holding and its subsidiaries; and
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema and Associação Clube "A," not-for profit entities sponsored by Itaú Unibanco Holding and its subsidiaries.

Our transactions with these related parties are described in the table below.

	Itaú Unibanco Holding(*)						Itaú Unibanco Holding Consolidated					
	Asset/(Liabilities)			Revenue/(Expenses)			Asset/(Liabilities)			Revenue/(Expenses)		
	12/31/2011	12/31/2010	12/31/2009	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2009	12/31/2011	12/31/2010	12/31/2009	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2009
Interbank investments	**26,289**	**10,419**	**6,851**	**2,311**	**919**	**474**	**1,836**	**726**	–	**189**	**112**	–
Itaú Unibanco S.A.	26,289	10,419	6,851	2,311	919	474	–	–	–	–	–	–
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	619	427	–	56	35	–
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	236	282	–	31	18	–
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	–	–	–	–	–	–	981	–	–	102	59	–
Outras	–	–	–	–	–	–	–	17	–	–	–	–
Securities and derivative financial instruments	–	–	**-**	**–**	**(2)**	**–**	–	–	–	–	–	–
Itaú Unibanco S.A.	–	–	(1)	**–**	(2)	**–**	–	–	–	–	–	–
Deposits	**(4,832)**	**(3,344)**	**(899)**	**(446**	**(270)**	**(70)**	**(77)**	**(92)**	**(59)**	–	–	–
Itaú Unibanco S.A.	(4,832)	(3,344)	(899)	(446	(270)	(70)		–	–	–	–	–
Duratex S.A.	–	–	–	–	–	–	(2)	(46)	(18)	–	–	–
Elekeiroz S.A.	–	–	–	–	–	–	–	(31)	–	–	–	–
Itautec S.A.	–	–	–	–	–	–	–	(8)	–	–	–	–
Porto Seguro S.A.	–	–	–	–	–	–	–	(2)	–	–	–	–
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	(57)	–	–	–	–	–
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	(18)	–	–	–	–	–
Ponto Frio Leasing S.A. Arrendamento Mercantil	–	–	–	–	–	–		(5)	–	–	–	–
ITH Zux Cayman Company Ltd.	–	–	–	–	–	–			(41)	–	–	–
Repurchase agreements	–	–	–	–	–	–	**(100)**	**(104)**	**(49)**	**(21)**	**(19)**	**4**
Itaúsa Empreendimentos S.A.	–	–	–	–	–	–	–	(52)	(48)			4
Duratex S.A.	–	–	–	–	–	–	–	(8)	–	(4)	(2)	–
Elekeiroz S.A.	–	–	–	–	–	–	–	–	–	(3)	(2)	–
Itautec S.A.	–	–	–	–	–	–	–	(18)	–		–	–
FIC Promotora de Venda Ltda.	–	–	–	–	–	–	(6)	(6)	–	(1)	–	–
Facilita Promotora S.A.	–	–	–	–	–	–	(7)	–	–	(1)	–	–
Olimpia Promoção e Serviços S.A.	–	–	–	–	–	–	(2)	(9)	–	–	–	–
Banco Investcred Unibanco S.A.	–	–	–	–	–	–	(14)	(9)	–	(1)	(1)	–
Maxfácil Participações S.A.	–	–	–	–	–	–	(64)	–	–	(7)		–
Porto Seguro S.A.	–	–	–	–	–	–	–	–	–		(12)	–
Outras	–	–	–	–	–	–	(7)	(2)	(1)	(4)	(2)	–
Amounts receivable from/payable to related parties	**(4)**	–	**1**	**(5**	**(5)**	–	**(97)**	**(81)**	**(73)**	–	**(63)**	**(103)**
Itaú Unibanco S.A.	(4)	–	2	–	–	–	–	–	–	–	–	–
Itaú Corretora de Valores S. A.	–	–	(1)	(5	(5)	–	–	–	–	–	–	–
Itaúsa Investimentos S.A.	–	–	–	–	–	–	–	–	(73)	–	(63)	(103)
Porto Seguro S.A.	–	–	–	–	–	–	11	39	–	–	–	–
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	–	6	–	–	–	–
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	(1)	(1)	–	–	–	–
Olimpia Promoção e Serviços S.A.	–	–	–	–	–	–	–	–	–	–	–	–
Banco Investcred Unibanco S.A.	–	–	–	–	–	–	–	–	–	–	–	–
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	–	–	–	–	–	–	(1)	(25)	–	–	–	–
Fundação Itaubanco	–	–	–	–	–	–	1	–	–	–	–	–
Fundação BEMGEPREV	–	–	–	–	–	–	(3)	(13)	–	–	–	–
FUNBEP - Fundo de Pensão Multipatrocinado	–	–	–	–	–	–	–	–	–	–	–	–
Caixa de Prev. Dos Func. Do Banco BEG - PREBEG	–	–	–	–	–	–	(9)	–	–	–	–	–

	Itaú Unibanco Holding(*)						Itaú Unibanco Holding Consolidated					
	Asset/(Liabilities)			Revenue/(Expenses)			Asset/(Liabilities)			Revenue/(Expenses)		
	12/31/2011	12/31/2010	12/31/2009	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2009	12/31/2011	12/31/2010	12/31/2009	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2009
UBB Prev Previdência Complementar	–	–	–	–	–	–	(19)	(17)	–	–	–	–
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	–	–	–	–	–	–	(76)	(79)	–	–	–	–
Outras	–	–	–	–	–	–	–	11	–	–	–	–
Banking service fees	–	–	–	–	–	–	–	–	–	**(16)**	**4**	**18**
Fundação Itaubanco	–	–	–	–	–	–	–	–	–	21	10	9
FUNBEP - Fundo de Pensão Multipatrocinado	–	–	–	–	–	–	–	–	–	5	3	2
Itaúsa Investimentos S.A.	–	–	–	–	–	–	–	–	–	1	–	2
UBB Prev Previdência Complementar	–	–	–	–	–	–	–	–	–	1	3	3
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	–	–	–	(20)	2	–
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	–	–	–	–	–	–	–	–	–	(2)	–	–
Porto Seguro S.A.	–	–	–	–	–	–	–	–	–	(26)	(18)	–
Outras	–	–	–	–	–	–	–	–	–	4	4	2
Rent expenses	–	–	–	–	–	–	–	–	–	**(38)**	**(29)**	**(32)**
Itaúsa Investimentos S.A.	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Fundação Itaubanco	–	–	–	–	–	–	–	–	–	(27)	(15)	(24)
FUNBEP - Fundo de Pensão Multipatrocinado	–	–	–	–	–	–	–	–	–	(10)	(8)	(7)
Paraná Companhia de Seguros	–	–	–	–	–	–	–	–	–	–	–	–
Outras	–	–	–	–	–	–	–	–	–	(1)	(5)	–
Donation expenses	–	–	–	–	–	–	–	–	–	**(57)**	**(45)**	**(50)**
Instituto Itaú Cultural	–	–	–	–	–	–	–	–	–	(56)	(44)	(39)
Instituto Unibanco de Cinema	–	–	–	–	–	–	–	–	–	–	–	(10)
Associação Clube "A"	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
Data processing expenses	–	–	–	–	–	–	–	–	–	**(315)**	**(296)**	**(274)**
Itautec S.A.	–	–	–	–	–	–	–	–	–	(315)	(296)	(274)
Non-operating income	–	–	–	–	–	–	–	–	–	**48**	–	–
Itaúsa Investimentos S.A.	–	–	–	–	–	–	–	–	–	48	–	–

(*) In addition to the aforementioned operations, Itaú Unibanco Holding and non-consolidated parties, as an integral part of the Agreement for Apportionment of Common Costs of the Itaú Unibanco group, paid, from January 1 to December 31, 2011, the amount of R$8 (R$17 from January 1 to December 31, 2010) in view of the use of the common structure.

	Itaú Unibanco Holding(*)				Itaú Unibanco Holding Consolidated			
	Asset/(Liabilities)		Revenue/(Expenses)		Asset/(Liabilities)		Revenue/(Expenses)	
	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
Interbank investments	**10,418**	**6,851**	**919**	**474**	**–**	**–**	**–**	**–**
Itaú Unibanco S.A.	10,418	6,851	919	474	–	–	–	–
Securities and derivative financial instruments	**–**	**(1)**	**(2)**	**–**	**–**	**–**	**–**	**–**
Itaú Unibanco S.A.	–	(1)	(2)	–	–	–	–	–
Deposits	**3,344**	**(899)**	**(270)**	**(70)**	**(85)**	**(58)**	**–**	**–**
Itaú Unibanco S.A.	3,344	(899)	(270)	(70)	–	–	–	–
Duratex S.A.	–	–	–	–	(46)	(18)	–	–
Elekeiroz S.A.	–	–	–	–	(31)	–	–	–
Itautec S.A.	–	–	–	–	(8)	–	–	–
ITH Zux Cayman Company Ltd.	–	–	–	–	–	(41)	–	–
Repurchase agreements	**–**	**–**	**–**	**–**	**(79)**	**(48)**	**(4)**	**4**
Itaúsa Empreendimentos S.A.	–	–	–	–	(52)	(48)	–	4
Duratex S.A.	–	–	–	–	(8)	–	(2)	–
Elekeiroz S.A.	–	–	–	–	–	–	(2)	–
Itautec S.A.	–	–	–	–	(18)	–	–	–
Outras	–	–	–	–	(1)	(1)	–	–
Amounts receivable from/payable to related parties	**–**	**1**	**(5)**	**(5)**	**(108)**	**(73)**	**–**	**–**
Itaú Unibanco S.A.	–	2	–	–	–	–	–	–
Itaú Corretora de Valores S. A.	–	(1)	(5)	(5)	–	–	–	–
Itaúsa Investimentos S.A.	–	–	–	–	–	(73)	–	–
Fundação Itaubanco	–	–	–	–	–	–	–	–
Fundação BEMGEPREV	–	–	–	–	(13)	–	–	–
FUNBEP–Fundo de Pensão Multipatrocinado	–	–	–	–	–	–	–	–
Caixa de Prev. Dos Func. Do Banco BEG–PREBEG	–	–	–	–	–	–	–	–

	Itaú Unibanco Holding(*)				Itaú Unibanco Holding Consolidated			
	Asset/(Liabilities)		Revenue/(Expenses)		Asset/(Liabilities)		Revenue/(Expenses)	
	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
UBB Prev Previdência Complementar	–	–	–	–	(17)	–	–	–
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	–	–	–	–	(79)	–	–	–
Outras	–	–	–	–	1	–	–	–
Banking service fees	**–**	**–**	**–**	**–**	**–**	**–**	**(45)**	**(85)**
Fundação Itaubanco	–	–	–	–	–	–	10	9
FUNBEP–Fundo de Pensão Multipatrocinado	–	–	–	–	–	–	3	2
Itaúsa Investimentos S.A.	–	–	–	–	–	–	(63)	(101)
UBB Prev Previdência Complementar	–	–	–	–	–	–	3	3
Outras	–	–	–	–	–	–	2	2
Rent expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**(32)**
Itaúsa Investimentos S.A.	–	–	–	–	–	–	(1)	(1)
Fundação Itaubanco	–	–	–	–	–	–	(15)	(24)
FUNBEP–Fundo de Pensão Multipatrocinado	–	–	–	–	–	–	(8)	(7)
Paraná Companhia de Seguros	–	–	–	–	–	–	(4)	–
Outras	–	–	–	–	–	–	(1)	–
Donation expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(44)**	**(49)**
Instituto Itaú Cultural	–	–	–	–	–	–	(44)	(39)
Instituto Unibanco de Cinema	–	–	–	–	–	–	–	(10)
Associação Clube "A"	–	–	–	–	–	–	–	(1)
Data processing expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(296)**	**(274)**
Itautec S.A.	–	–	–	–	–	–	(296)	(274)

(*) In addition to the aforementioned operations, Itaú Unibanco Holding and non-consolidated parties, as an integral part of the Agreement for Apportionment of Common Costs of the Itaú Unibanco group, paid, from January 1 to December 31, 2011, the amount of R$8 (R$17 from January 1 to December 31, 2010) in view of the use of the common structure.

The transactions in the table above generally consist of:

- Interbank investments, which are investments in other financial institutions;
- Securities and derivative financial instruments, which are investments in fixed-income securities, available for sale and include financial treasury bills, national treasury bills, national treasury notes, government securities abroad, Eurobonds, bank deposit certificates, debentures, swaps, forwards, options and futures contracts;
- Deposits, which are funds received as deposits from other entities;
- Repurchase agreements, which are funds received from security repurchase agreements for financial treasury bills, national treasury bills, national treasury notes, government securities abroad, Eurobonds, bank deposit certificates, debentures, swaps, forwards, options and futures contracts;
- Amounts receivable from and payable to related parties, which arise from custody fees and risk management fees;
- Banking service fees, which arise from affiliate portfolio management fees, custody fees, risk management fees and social security and investment management fees;
- Rent expenses, which consist of rent for space used by not-for profit entities sponsored by us;
- Donation expenses, which consist of donations for investment in projects of not-for profit entities sponsored by us; and
- Data processing expenses, which consist of expenses for processing services, including expert technical assistance and maintenance of equipment, provided by Itautec.

In addition to the aforementioned transactions, Itaú Unibanco Holding and non-consolidated entities are parties to an agreement for apportionment of common costs, pursuant to which such subsidiaries pay Itaú Unibanco Holding for certain services and office space provided by Itaú Unibanco Holding. In connection with such agreement, the non-consolidated entities paid Itaú Unibanco Holding R$8.0 million, R$16.6 million and R$8.9 million in 2011, 2010 and 2009, respectively.

THE BRAZILIAN FINANCIAL SYSTEM AND BANKING REGULATION

The basic institutional framework of the Brazilian financial system was established in 1964 through Law No. 4,595 of December 31, 1964 (the "**Banking Reform Law**"). The Banking Reform Law regulates the national financial system, composed of the CMN, the Central Bank, Banco do Brasil, the BNDES, and many financial institutions from the public and private sectors. This legislation created the CMN, as the regulatory agency responsible for establishing currency and credit policies promoting economic and social development, as well as for the operation of the financial system. This law confers on the CMN powers to set the loan and capital limits, approve monetary budgets, establish exchange and interest rate policies, oversee activities related to stock markets, regulate the organisation and operation of financial institutions in the public and private sectors, give authority to the Central Bank over issuing banknotes and setting reserve requirement levels, and setting out general guidelines related to the banking and financial markets.

Principal Regulatory Agencies

The CMN

The CMN, the highest authority responsible for monetary and financial policies in Brazil, is responsible for the overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies. The CMN is chaired by the minister of finance and includes the minister of planning budget and management and the president of the Central Bank. The CMN is authorised to regulate the credit operations which Brazilian financial institutions are engaged in, to regulate the Brazilian currency, to supervise Brazil's reserves of gold and foreign exchange, to determine Brazilian saving and investment policies and to regulate the Brazilian capital markets. In this regard, the CMN also oversees the activities of the Central Bank and the CVM.

The Central Bank

The Central Bank is responsible for implementing the policies established by the CMN, related to monetary policy and exchange control matters, regulating public and private sector Brazilian financial institutions, monitoring and registration of foreign investment in Brazil and overseeing the Brazilian financial markets. The president of the Central Bank is appointed by the president of Brazil subject to ratification by the Brazilian senate, to perform his duties for an indefinite term. Since January 2011, the president of the Central Bank has been Mr. Alexander Antônio Tombini.

The CVM

The CVM is the body responsible for regulating the Brazilian securities and derivative markets in accordance with the general regulatory framework determined by the CMN. The CVM also regulates its participants, such as companies whose securities are traded on the Brazilian securities markets, investment funds, investors, financial intermediaries and others such as securities custodians, asset managers, independent auditors, securities analysts and consultants.

SUSEP

The Superintendence of Private Insurance ("**SUSEP**"), a body subject to the Ministry of Finance, established by Decree Law No. 73, of November, 21, 1966, is responsible for the supervision and control of insurance, open private pension plans, capitalisation and reinsurance businesses in Brazil.

CNSP

The National Private Insurance Council (*Conselho Nacional de Seguros Privados* or "**CNSP**"), also established by Decree Law No. 73, regulates (together with SUSEP) insurance, open private pension plans, capitalisation and reinsurance businesses in Brazil. The CNSP is chaired by the minister of finance or his representative and includes the superintendent of private insurance and representatives of the ministry of justice, the ministry of social welfare, the Central Bank and the CVM.

Principal Limitations and Restrictions on Financial Institutions

Under Brazilian banking laws and regulations, financial institutions may not:

- operate in Brazil without the prior approval of the Central Bank and carry out transactions that fail to comply with principles of selectivity of transactions, adequate guarantees, liquidity and risk diversification;
- invest in the equity of another company unless the investment receives the prior approval of the Central Bank, based upon certain standards established by the CMN. Those investments may, however, be made through the investment banking business unit of a multiple-service bank or through an investment bank;
- own real estate unless the institution occupies that property. When real estate is transferred to a financial institution in satisfaction of a debt, the property must be sold within one year, except if otherwise authorised by the Central Bank; and
- lend more than 25.0% of their capital calculated in accordance with CMN Resolution No. 3,444 as the basis for their regulatory capital to any single person or group.

Principal Financial Institutions

Public Sector

The federal and state governments of Brazil control several commercial banks and financial institutions devoted to fostering economic development, primarily with respect to the agricultural and industrial sectors. State development banks act as independent regional development agencies in addition to performing commercial banking activities. In the last decade, several public sector multiple-service banks have been privatised and acquired by Brazilian and foreign financial groups. Government-controlled banks include:

- Banco do Brasil, which is a federal government-controlled bank. Banco do Brasil provides a full range of banking products to the public and private sectors;
- BNDES, which is the federal government-controlled development bank primarily engaged in the provision of medium- and long-term finance to the Brazilian private sector, including to industrial companies, either directly or indirectly through other public and private sector financial institutions;
- CEF, which is a federal government-controlled multiple-service bank and the principal agent of the national housing finance system. CEF is involved principally in deposit-taking, savings accounts and the provision of financing for housing and urban infrastructure; and
- other federal public sector development and multiple-service banks, including those controlled by the various state governments.

Private Sector

The private financial sector includes commercial banks, investment, finance and credit companies, investment banks, multiple-service banks, securities dealers, stock brokerage firms, credit co-operatives, leasing companies, insurance companies and others. In Brazil, the largest participants in the financial markets are financial conglomerates involved in commercial banking, investment banking, financing, leasing, securities dealing, brokerage and insurance. As of December 1, 2011, there were 578 financial institutions operating in the private sector, including:

- commercial banks — approximately 19 private sector commercial banks engaged in wholesale and retail banking, being particularly active in demand deposits and lending for working capital purposes;
- investment banks — approximately 14 private investment banks engaged primarily in time deposits, specialised lending, and securities underwriting and trading; and
- multiple-service banks (*bancos múltiplos*) — 137 private sector multiple-service banks providing, through different departments, a full range of commercial banking, investment banking (including

securities underwriting and trading), consumer financing and other services including fund management and real estate financing.

In addition to the above, the Central Bank also supervises the operations of consumer credit companies (*financeiras*), securities dealerships (*distribuidoras de títulos e valores mobiliários*), stock brokerage companies (*corretoras de valores*), leasing companies (*sociedades de arrendamento mercantil*), savings and credit associations (*associações de poupança e empréstimo*) and real estate credit companies (*sociedades de crédito imobiliário*).

Regulation by the Central Bank

Overview

The Central Bank implements the currency and credit policies established by the CMN, and controls and supervises all public- and private-sector financial institutions. Any amendment to a financial institution's bylaws, any increase in its capital or any establishment or transfer of its principal place of business or any branch (whether in Brazil or abroad) must be approved by the Central Bank. Central Bank approval is necessary to enable a financial institution to merge with or acquire another financial institution or in any transaction resulting in a change of control of a financial institution. See also "— Antitrust Regulation". The Central Bank also determines minimum capital requirements, permanent asset limits, lending limits and mandatory reserve requirements. No financial institution may operate in Brazil without the prior approval of the Central Bank.

The Central Bank monitors compliance with accounting and statistical requirements. Financial institutions must submit annual and semi-annual audited financial statements, quarterly financial statements, subject to a limited review, as well as monthly unaudited financial statements, prepared in accordance with the Central Bank rules, all of which must be filed with the Central Bank. Publicly held financial institutions must also submit quarterly financial statements to the CVM, which are subject to a limited review. In addition, financial institutions are required to disclose to the Central Bank all credit transactions, foreign exchange transactions, export and import transactions and any other related economic activity. This disclosure is usually made on a daily basis by computer and through periodic reports and statements. A financial institution and the corporate entities or individuals which control such financial institution have a duty to make available for inspection by the Central Bank its corporate records and any other document which the Central Bank may require in order to carry out its activities.

Capital Adequacy and Leverage/Regulatory Capital Requirements

Existing Requirements

Since January 1995, Brazilian financial institutions have been required to comply with Basel I on risk-based capital adequacy, modified as described below.

In general, Basel I and Basel II require banks to maintain a ratio of capital to assets and certain off-balance sheet items, determined on a risk-weighted basis, of at least 8.0%. At least half of the required capital must consist of Tier 1 Capital, and the balance must consist of Tier 2 Capital. Tier 1 Capital includes equity capital (*i.e.*, common shares and non-cumulative permanent preferred shares), share premium, retained earnings and certain disclosed reserves less goodwill. Tier 2 Capital, or supplementary capital, includes "hidden" reserves, asset revaluation reserves, general loan loss reserves, subordinated debt and other quasi-equity capital instruments (such as cumulative preferred shares, long-term preferred shares and mandatory convertible debt instruments). There are also limitations on the maximum amount of certain Tier 2 Capital items. To assess the capital adequacy of banks under the risk-based capital adequacy guidelines, a bank's capital is evaluated on the basis of the aggregate amount of its assets and off-balance sheet exposures, such as financial guarantees, letters of credit and foreign currency and interest rate contracts, which are weighted according to their categories of risk.

Brazilian legislation closely tracks the provisions of Basel II standardised or basic approaches for credit, market and operational risks. Among the key differences between Brazilian legislation and Basel II are:

- the minimum ratio of capital to assets determined on a risk-weighted basis is 11.0%;
- the risk-weighting assigned to certain assets and off-balance sheet exposures differs slightly from those set forth in Basel II, including a risk weighting of 300.0% on deferred tax assets other than temporary differences, and certain types of lending to individuals;

- the ratio of capital to assets of 11.0% mentioned above must be calculated according to two different methods: by consolidating only our financial subsidiaries and on a fully consolidated basis since July 2000, *i.e.*, including all financial and non-financial subsidiaries. In making these consolidations, Brazilian financial institutions are required to take into account all investments made in Brazil or abroad in which the financial institution holds, directly and indirectly, individually or together with another partner, including through voting agreements: (i) partner rights that ensure a majority in adopting corporate resolutions of the invested entity; (ii) power to elect or dismiss the majority of the management of the invested entity; (iii) operational control of the invested company characterised by common management; and (iv) effective corporate control of the invested entity characterised by the total equity interest held by its management, controlling individuals or entities, related entities and the equity interest held, directly or indirectly, through investment funds. Upon preparation of the consolidated financial statements, the financial institutions that are related by actual operational control or by operation in the market under the same trade name or trademark must also be considered for consolidation purposes;

- since July 1, 2008, the Central Bank has required financial institutions to set aside a portion of their equity to cover operational risk based on Basel II's guidelines on operational risk capital requirements. Itaú Unibanco Holding has opted for the Alternative Standardized Approach (ASA), which requires a financial institution to set aside 12.0% to 18.0% of its financial intermediation average gross income or a percentage of its average volume of loans, depending on the line of business, according to regulatory classification, to cover operational risks; and

- undisclosed or "hidden" reserves are not included within the definition of Tier 2 Capital under Brazilian law and regulation.

For limited purposes, the Central Bank establishes the criteria for the determination of regulatory capital for Brazilian financial institutions. In accordance with those criteria established by CMN Resolution No. 3,444, the capital of the banks is divided into Tier 1 Capital and Tier 2 Capital.

Tier 1 Capital is represented by shareholders' equity plus balance of credit income account and blocked deposits account in order to mitigate the capital deficiency, excluding the balance of debt income account, revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, non-realised earnings related to available-per-sale securities market value adjustments and certain tax credits in accordance with Resolution No. 3,059, as amended, established by CMN.

Tier 2 Capital is represented by revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, subordinated debt and hybrid instruments and non-realised earnings related to available-for-sale securities market value adjustments. As mentioned above, Tier 2 Capital must not exceed Tier 1 Capital. In addition, preferred redeemable stock with original maturity of less than 10 years plus the amount of subordinated debt is limited to 50.0% of the amount of Tier 1 Capital.

Regulatory capital is represented by the sum of Tier 1 Capital and Tier 2 Capital and, together with the deductions described in Note 3 to our consolidated financial statements as of and for the year ended December 31, 2011, is taken into consideration for the purposes of defining the operational limits of financial institutions.

Basel III Framework

On December 16, 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued its new Basel III framework, which was revised and republished on June 1, 2011. The Basel III framework includes higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, and the introduction of a new leverage ratio and two liquidity standards. The new rules will be phased in gradually and, as with other Basel directives, these will not be self-effectuating. Rather, each country must adopt them by legislation or regulation to be imposed upon that country's home banks.

The Basel III framework will require banks to maintain: (i) a minimum common equity capital ratio of 4.5%, (ii) a minimum Tier 1 Capital ratio of 6% and (iii) a minimum total capital ratio of 8%. In addition to the minimum capital requirements, Basel III will require a "capital conservation buffer" of 2.5% and each national regulator is

given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. The Basel Committee phased in the three basic minimum requirements first, beginning on January 1, 2013, with a longer period for banks to comply with the capital conservation buffer, the "countercyclical buffer" and other requirements, beginning on January 1, 2016.

Basel III also introduces a new leverage ratio. A supervisory monitoring period began on January 1, 2011 and a parallel semi-annual testing run period of a minimum Tier 1 Capital leverage ratio of 3% will begin in January 1, 2013 and run until January 1, 2017. Basel III will require banks to disclose their leverage ratio and its components beginning January 1, 2015.

In addition, Basel III aims to improve risk coverage by reforming the treatment of counterparty credit risk ("**CCR**"). Going forward, affected banks generally will, among other things, be required to determine their capital requirement for CCR using stressed inputs and be subject to a capital charge for potential mark-to-market losses associated with counterparties' deteriorating credit-worthiness.

In relation to liquidity, Basel III implements a liquidity coverage ratio ("**LCR**") and a net stable funding ratio ("**NSFR**"). The LCR will require affected banks to maintain sufficient high-quality liquid assets to cover the net cash outflows that could be encountered under a potential liquidity disruption scenario over a thirty-day period. The NFSR establishes a minimum amount of stable sources of funding a bank will be required to maintain based on the liquidity profiles of the bank's assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments over a one-year period. Basel III provides for an observation period which began in 2011 and it is contemplated that the LCR and the NSFR, including any revisions, will be introduced as minimum standards beginning January 1, 2015 and 2018, respectively.

In addition, on January 13, 2011, the Basel Committee expanded on the Basel III capital rules with additional requirements, also referred to generally as the "January 13 Annex", applicable to non-common Tier 1 Capital or Tier 2 Capital instruments issued by internationally active banks. These requirements are in addition to the criteria detailed in the Basel III capital rules outlined above. To be included in additional Tier 1 Capital or Tier 2 Capital, the January 13 Annex requires an instrument issued by an internationally active bank to have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon a "trigger event". A "trigger event" is the earlier of: (i) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority. The additional requirements will apply to all instruments issued after January 1, 2013; otherwise, qualifying instruments issued prior to that date will be phased out over a ten-year period, beginning on January 1, 2013.

On November 4, 2011, the Basel Committee published the final document addressing the assessment methodology for determining the systemically important financial institutions ("**G-SIFIs**") and the amount of additional regulatory capital requirements that G-SIFIs should meet and the arrangements by which such additional requirements will be phased in. The assessment methodology is based on an indicator-based measurement approach. The selected indicators reflect a G-SIFI's (i) size, (ii) interconnectedness, (iii) lack of readily available substitute or financial institution infrastructure for the services they provide; (iv) global, or cross-jurisdictional, activity; and (v) complexity, each of them receiving an equal weight of 20.0% in the assessment. The magnitude of additional loss absorbency requirements for G-SIFIs proposed by the Basel Committee ranges from 1% to 2.5% of risk-weighted assets to be met with Common Equity Tier 1 only, as defined in the Basel III framework. The additional loss absorbency requirement for G-SIFIs will be phased-in in parallel with the "capital conservation" and "countercyclical" buffers between January 1, 2016 and year end 2018, becoming fully effective on January 1, 2019.

The Issuer has not been classified as a G-SIFI by the Basel Committee.

Implementation of Basel III in Brazil

On February 17, 2011, the Central Bank issued Notice No. 20,615, or Notice 20,615, containing preliminary guidance and an estimated schedule for the implementation of Basel III in Brazil. It is intended that, in general, the higher minimum capital requirements and new capital conservation and countercyclical capital buffers and revised risk-based capital measures will be implemented in Brazil earlier than the timeline recommended by the Basel Committee.

Brazilian banks' minimum total capital ratio will be calculated as the sum of three components:

- regulatory capital (patrimônio de referência);
- a capital conservation buffer (to enhance the loss absorption ability of financial institutions); and
- a countercyclical capital buffer (to address the risk of the build-up of excess credit growth).

Brazilian banks' regulatory capital will continue to comprise two tiers, Tier 1 Capital and Tier 2 Capital, and qualification of financial instruments as Tier 1 Capital or Tier 2 Capital will be based on the ability of such instruments to absorb losses at a viable financial institution. Tier 1 Capital will be further divided into two portions: Common Equity Tier 1 Capital (common equity capital and profit reserves) and Additional Tier 1 Capital (hybrid debt and equity instruments authorised by the Central Bank). Existing hybrid instruments and subordinated debt already approved by the Central Bank as Additional Tier 1 Capital or Tier 2 Capital are expected to continue to qualify as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, provided that such instruments comply with Basel III requirements as implemented by the Central Bank, including the mandatory conversion clauses required under the January 13 Annex. If such instruments do not comply with these requirements as implemented by the Central Bank, it is expected that, beginning January 1, 2013, 10% of the nominal value of such instruments will be deducted annually from the amount that qualifies as Additional Tier 1 Capital or Tier 2 Capital.

A maximum leverage ratio of 3% is expected to Brazilian banks from January, 2018, with certain disclosure requirements applicable from January 1, 2015. A LCR to address short-term liquidity risk and a NSFR to address long-term liquidity risk are also expected to apply to Brazilian banks from January 1, 2015 and 2018, respectively, with certain calculation and monitoring requirements applicable from January 15, 2012.

The following table, based on Notice 20,615, presents the current estimated schedule for implementation by the Central Bank of the principal changes related to capital adequacy and leverage requirements under Basel III.

	From January 1,						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Common Equity Tier 1	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier 1 Capital	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Regulatory Capital	11.0%	11.0%	11.0%	9.875%	9.25%	8.625%	8.00%
Capital Conservation Buffer	-	-	-	0.625%	1.25%	1.875%	2.5%
Countercyclical Capital Buffer	-	Up to 0.625%	Up to 1.25%	Up to 1.875%	Up to 2.5%	Up to 2.5%	Up to 2.5%

As part of the implementation of the Basel III framework, on June 30, 2011 the CMN enacted Resolution No. 3,988, which sets forth that Brazilian financial institutions shall implement a structure of capital management compatible with the nature of their transactions, the complexity of the products and services they offer, as well as with the extent of their exposure to risks. Capital management is defined as a process that includes: (i) monitoring and controlling the financial institution's capital; (ii) assessing capital needs in light of the risks to which the financial institution is subject; and (iii) setting goals and conducting goal and capital planning in order to anticipate capital needs due to changes in market conditions. Financial institutions shall provide to the general public a report describing the structure of their capital management at least on an annual basis. An officer shall be appointed by each financial institution by January 31, 2012 to be responsible for the processes and controls of the structures of capital management, which shall be fully implemented by December 31, 2012.

Implementation of Basel III in Brazil — Expected Future Rules

New rules implementing Basel III in Brazil are expected to be issued by the Central Bank in the near future. The Central Bank may, however, impose different rules implementing Basel III from the preliminary guidance outlined in Notice 20,615. On February 17, 2012, the Central Bank announced a process for public comment ("Public Hearing 40/2012"), proposing new regulations for implementing Basel III in Brazil. The public comment period is 90 days, ending on May 17, 2012. Under the proposed regulations, capital requirements would be increased in 2017 to a maximum of 13.0% of risk-weighted assets, of which 2.5% will only be required as a countercyclical measure, with phase-in of the modifications beginning in 2013. Capital requirements would be applied at the consolidated enterprise level (*consolidado prudencial*), as determined by the Central Bank. The proposed regulations define the criteria for calculation of various elements of a financial institution's risk-weighted assets and also address which instruments would qualify as regulatory capital, introducing the possibility that

regulatory capital could include debt securities that may be written off or that are convertible into equity under certain circumstances (whereas conversion into equity may still be subject to further legislative changes). The Public Hearing 40/2012 proposed regulations are not definitive, are subject to comment by market participants, may require changes in legislation and may be significantly changed by the Central Bank upon their final implementation.

Until definitive rules implementing Basel III in Brazil are issued, the existing capital rules described above under "— Capital Adequacy and Leverage/Regulatory Capital Requirements" continue to be in force.

Changes in Capital Allocation

On November 11, 2011, CMN and the Central Bank revised certain capital adequacy rules and on December 22, 2011 revised certain reserve requirement rules (see "— Reserve Requirements" below).

On November 11, 2011, the Central Bank enacted Circular No. 3,563 ("**Circular 3,563/11**") which amended Circular No. 3,360, of September 12, 2007, establishing certain measures to ease the capital requirements relating to certain retail transactions given the current economic scenario. Circular 3,563/11 reduced the credit risk factor, from 150% to 75% or 100%, applicable to (i) payroll loans, (ii) guaranteed financings for vehicle acquisition or vehicle leasing with a term of up to 60 months, (iii) other individual loans without specific purpose with a term of up to 36 months and (iv) other individual loans without specific purpose with a term longer than 60 months and entered into or renegotiated after November 11, 2011. In contrast, Circular 3,563/11 increased the credit risk factor applicable to long-term individual financings, establishing that a 300% credit risk factor is applicable to individual loans without specific purpose, including payroll loans with a term longer than 60 months entered into or renegotiated on or before November 11, 2011. In addition, Circular 3,563/11 revoked the requirement of a minimum of 20% payment of the outstanding balance on credit cards which would be applicable as of December 1, 2011, maintaining the minimum payment requirement at 15% of the outstanding balance. Finally, Circular 3,563/11 authorised the deduction of provisions from benefits to be paid from financial institutions' exposure to investment funds with special purpose (*Fundos de Investimentos Especialmente Constituidos* – FIE) relating to pension plan funds of the type *Vida Gerador de Benefício Livre* - VGBL or *Plano Gerador de Benefício Livre* – PGBL.

Reserve Requirements

The Central Bank currently imposes several reserve requirements on Brazilian financial institutions and such reserve amounts must be deposited with the Central Bank. Reserve requirements are a mechanism to control the liquidity of the Brazilian financial system. These reserve requirements are applied to a wide range of banking activities and transactions, such as demand deposits, savings deposits and time deposits.

Subsequent to the most intense periods of the global financial crisis in 2008 and 2009, the CMN and the Central Bank have enacted the following measures in order to provide the Brazilian financial system with greater stability:

- Increases in the rate for demand deposit reserve requirements from 42.0% until July 2010 to a rate of 43.0% from July 2010 to July 2012, 44.0% from July 2012 to July 2014 and 45.0% as of July 2014;
- Increases in the additional rate for demand and time deposit reserve requirements from 8.0% to 12.0% (for savings deposits the rate was maintained at 10.0%);
- Limitation on deductibility from the additional rate for demand, savings and time deposit reserve requirements for financial institutions with consolidated Tier 1 Capital of (i) less than R$2 billion has been increased from R$2 billion to R$2.5 billion, and (i) equal to or greater than R$2 billion and less than R$5 billion has been increased from R$1.5 billion to R$2 billion;
- Increase in the reserve requirement for time deposits from 15.0% to 20.0%;
- Limitation on deductibility from time deposit reserve requirements for financial institutions with consolidated Tier 1 Capital of (i) less than R$2 billion has been increased from R$2 billion to R$3 billion, (ii) equal to or greater than R$2 billion and less than R$5 billion has been increased from R$1.5 billion to R$2.5 billion, and (iii) greater than R$5 billion has been maintained at zero;
- Limitation on deductibility from time deposit reserve requirements of certain transactions concluded before June, 11, 2011 with smaller financial institutions with consolidated Tier 1 Capital of less than R$2.5 billion (including: (x) interbank deposits with such smaller financial institutions; (y) investments in debt securities issued by such smaller financial institutions, and (z) any loan portfolio

purchased from such smaller financial institutions) has been reduced from 45.0% to 36.0% of a financial institution total demand deposit reserve requirements;

- Financial bills issued by financial institutions have been exempted from reserve requirements; and
- Creation of a cash reserve requirement for financial institutions with foreign exchange operations, effective as of April, 4, 2011, corresponding to 60.0% of the amount of daily short position taken in foreign currencies in excess of the lower of (i) the amount exceeding US$1 billion or the Tier 1 Capital, whichever is lower, or (ii) the regulatory capital of the financial institution.

On December 22, 2011, the Central Bank issued Circular No. 3,569 ("**Circular 3,569/11**"), amended on February 10, 2012 by Circular No. 3,576 ("**Circular 3,576/12**"), consolidating and redefining term deposit reserve requirements applicable to commercial banks, multiservice banks, development banks, investment banks, foreign exchange banks, savings banks and credit, financing and investment companies. The percentage of term deposit reserves eligible to earn interest will be limited to 80% beginning February 2012, 75% beginning April 2012, 70% beginning June 2012 and 64% beginning August 2012. The Central Bank also (i) redefined the transactions where the counterparty is a smaller financial institution that can be deducted from time deposit reserve requirements and (ii) reduced the Tier 1 Regulatory Capital criterion (*Patrimônio de Referência, Nível I*) applicable to smaller financial institutions from R$2.5 billion to R$2.2 billion for purposes of deductibility from time deposit reserve requirements. Interbank deposit transactions with a smaller financial institution for purposes of such deduction must be concluded before June 29, 2012. In addition, the reduction of term deposit reserve requirements of R$1 billion now applies to financial institutions with Tier I Regulatory Capital ranging between R$5 billion to R$15 billion, instead of from R$5 billion to R$7 billion as previously set forth by Circular No. 3,569/11.

On January 23, 2012, the Central Bank issued Circular No. 3,573, which set forth new rules regarding deductions linked to rural credit financing with agricultural funding for compulsory reserves over demand deposits. The Central Bank allowed deductions corresponding to the: (i) daily average balance of rural credit financings with agricultural funding relating to the 2012 second crop, 2012 winter crop and 2012 northeastern crop contracted between January 1, 2012 and June 30, 2012, and mandatory funds established in the Manual of Rural Lending; and (ii) daily average balance of investments in Interfinancial Deposits Linked to Rural Lending, which funds shall be used in the transactions mentioned in (i) above. Deductions for both (i) and (ii) above are limited to 5% of the requirement calculated under Circular No. 3,274, dated February 2, 2005. Financial institutions are still permitted to deduct from their demand deposit reserve requirements the amount of voluntary instalments of contributions to the Brazilian federal deposit guarantee plan (*Fundo Garantidor de Créditos* ("**FGC**").

As of December 31, 2011, we had required reserves funded in cash of R$98,053 million compared to R$85,776 million as of December 31, 2010, of which R$92,323 million and R$81,034 million, respectively, earn interest. The significant increase in reserve amounts from December 31, 2009 to December 31, 2010 is primarily the result of the introduction of amendments by the Central Bank and the CMN to the requirements as described above and that such reserve amounts be funded entirely in cash.

Foreign Currency Exposure

The total exposure in gold, foreign currency and other assets and liabilities indexed or linked to the foreign exchange rate variation undertaken by financial institutions, and their direct and indirect subsidiaries, on a consolidated basis, may not exceed 30.0% of their regulatory capital, in accordance with CMN Resolution No. 3,488.

Liquidity and Fixed Assets Investment Regime

In accordance with CMN Resolution No. 2.669, the Central Bank prohibits Brazilian financial institutions, including us, from holding, on a consolidated basis, permanent assets in excess of 50.0% of their adjusted regulatory capital. Permanent assets include investments in unconsolidated subsidiaries as well as real estate, equipment and intangible assets.

Lending Limits

In accordance with the CMN Resolution No. 2,844, a financial institution, on a consolidated basis, may not extend loans or advances, grant guarantees, enter into credit derivative transactions, underwrite or hold in its

investment portfolio securities of any customer or group of affiliated customers that, in the aggregate, exceed 25.0% of the financial institution's regulatory capital.

Treatment of Past Due Debts

In accordance with CMN Resolution No 2,682, Brazilian financial institutions are required to classify their credit transactions (including leasing transactions and other transactions characterised as credit advances) at different levels and make provisions according to the level attributed to each such transaction. The classification is based on the financial condition of the customer, the terms and conditions of the transaction and the period of time during which the transaction has been in arrears, if any. For purposes of Central Bank requirements, transactions are classified as level AA, A, B, C, D, E, F, G or H, with AA being the highest classification. Credit classifications must be reviewed on a monthly basis and, apart from to additional provisions required by the Central Bank which are deemed necessary by management of those financial institutions, provisions required to be made vary from 0.5% of the value of the transaction, in the case of level A transactions, to 100.0% in the case of level H transactions.

Provision for Loan Losses for Income Tax Deduction Purposes

Brazilian financial institutions are allowed to deduct loan losses as expenses for purposes of determining their taxable income. The period during which these deductions may be made depends on the amounts, maturities and types involved in the transaction, in accordance with article 9 of Law No. 9,430 of December 27, 1996.

Foreign Currency Loans

Financial institutions in Brazil are permitted to borrow foreign-currency denominated funds in the international markets (either through direct loans or through the issuance of debt securities) for any purpose including on-lending those funds in Brazil to Brazilian corporations and financial institutions without the prior written consent of the Central Bank, in accordance with CMN Resolution No. 3,844. The Central Bank may establish limits on the term, interest rate and general conditions of such international loan transactions (including the issuance of bonds and notes by financial institutions). Currently, there are no limits imposed on such transactions, but the inflow of funds to, deriving from or for, loans, including the issuance of notes in the international market, whose average minimum payment term is no longer than 720 days is subject to the IOF/FX tax, at a rate of 6.0%. However, if the average minimum term of the loan is longer than 720 days, the IOF/FX tax is reduced to zero. Moreover, if a loan transaction with a minimum term longer than 720 days is settled partially or completely before completion of the 720 days term, the IOF/FX tax would be 6.0%, plus interest and penalty. The Central Bank frequently changes these regulations in accordance with the economic scenario and the monetary policy of the Brazilian government.

Cross-border loans between individual or legal entities (including banks) resident or domiciled in Brazil and individual or legal entities resident or domiciled abroad are no longer subject to the prior approval of the Central Bank, but are subject to the prior registration with the Central Bank.

Foreign Currency Position

Transactions involving the sale and purchase of foreign currency in Brazil may only be conducted by institutions authorised to do so by the Central Bank. The Central Bank imposes limits on the foreign exchange sale and purchase positions of institutions authorised to operate in the foreign exchange markets. These limits vary according to the type of financial institution conducting foreign exchange transactions, the foreign exchange sale positions held by those institutions, as well as the shareholders' equity of the relevant institution. There is no current limit to long or short positions in foreign currency for banks authorised to carry out transactions on the foreign exchange market. In accordance with the Central Bank Circular No. 3,401, other institutions within the national financial system are not allowed to have short positions in foreign currency, although there are no limits in respect to foreign exchange long positions.

On July 8, 2011, the Central Bank enacted Circular No. 3,548, creating a cash reserve requirement for financial institutions with foreign exchange operations, effective as of July 11, 2011, corresponding to 60.0% of the average amount of the last five days foreign exchange short position in excess of the lower of (i) US$1 billion or (ii) the Tier I regulatory capital of the financial institution.

On November 30, 2011, the CMN issued Resolution No. 4,033 which established new rules governing investments by Brazilian banks of foreign currency reserves held outside of Brazil. Among other changes,

Resolution No. 4,033 authorised banks with regulatory capital exceeding R$5 billion to lend funds raised through external funding activities to (i) Brazilian companies, (ii) their offshore subsidiaries and (iii) foreign companies, provided that the majority of such foreign company's voting stock belongs to a shareholder that is, directly or indirectly, an individual or legal entity resident or domiciled in Brazil. Resolution No. 4,033 also authorised banks to acquire, in the primary market, bonds issued or guaranteed by the above mentioned companies.

On January 26, 2012, the Central Bank enacted Resolution No. 4,051, setting forth that securities brokerage firms, securities dealerships and foreign exchange brokerage firms may carry on foreign exchange transactions with clients for prompt settlement of up to US$100,000. Furthermore, Resolution No. 4,051 establishes guidelines for granting advances on foreign exchange contracts ("**ACC**") and advances on delivered commercial papers ("**ACE**") relating to service export agreements, limiting them to the services indicated by the Ministry of Development, Industry and Foreign Trade. Finally, Resolution No. 4,051 generally consolidates the policies in effect regarding exports, modifying current CMN Resolution No. 3,568.

Transactions with Affiliates

Law No. 7,492 of June 16, 1986, which sets forth crimes against the Brazilian financial system, establishes the extension of credit by a financial institution to any of its controlling shareholders, directors or officers and certain family members of such individuals and any entity controlled directly or indirectly by such financial institution or which is subject to common control with such financial institution as a crime. Violations of Law No. 7,492 are punishable by two to six years' imprisonment and a fine. On June 30, 1993, the CMN issued Resolution No. 1,996, which requires any such transaction to be reported to the public ministry's office.

Brazilian banking laws and regulations also impose prohibitions on the extension of credit or guarantee to any company which holds more than 10.0% of the financial institution's capital and to any company in which they hold more than 10.0% of the capital. This limitation is also applicable in respect to directors and officers of the financial institution and certain of their relatives, as well to those companies in which such persons hold more than 10.0% of the capital.

Establishment of Offices and Investments Abroad

For a Brazilian financial institution to establish foreign offices or directly or indirectly maintain equity interests in financial institutions outside Brazil, it must obtain the prior approval of the Central Bank, which will depend on the applicant Brazilian bank being able to meet certain criteria, including:

- the Brazilian financial institution must have been in operation for at least six years;
- the Brazilian financial institution's paid-in capital and shareholders' equity must meet the minimum levels established by Central Bank regulations for the relevant financial institution plus an amount equal to 300.0% of the minimum paid-in capital and shareholders' equity required by Central Bank regulations for commercial banks;
- the Central Bank must be assured of access to information, data and documents regarding the transactions and accounting records of the branch for its global and consolidated supervision; and
- the Brazilian financial institution must present to the Central Bank a study on the economic and financial viability of the subsidiary, branch or investment and the expected return on investment.

Within 180 days of Central Bank approval, the Brazilian financial institution must submit a request to open the branch to the competent foreign authorities and begin operations within one year. Failure to fulfil these conditions may result in cancellation of the authorisation.

Compensation of Directors and Officers of Financial Institutions

On November 25, 2010, the CMN issued Resolution No. 3,921, which established new rules related to the compensation of directors and officers of financial institutions. The compensation of directors and officers may be fixed or variable. Variable compensation may be based on specific criteria set forth in Resolution No. 3,921 and is required to be compatible with the financial institution's risk management policies. At least 50.0% of variable compensation must be paid in stock or stock-based instruments and at least 40.0% of variable compensation must be deferred for future payment by at least 3 years and is subject to claw-backs, based on the result of the institution and

business unit during the period of deferral. These new rules took effect on January 1, 2012 and are applicable to compensation of directors and officers based on the services rendered during the year of 2012. In addition, financial institutions that are publicly-held companies or required by the Central Bank to establish an audit committee must also establish a compensation committee prior to the first shareholders' meeting of 2012. Such committee must follow the requirements set out in Resolution No. 3,921.

Other

On July 28, 2011 the CMN enacted Resolution No. 3,998, supplemented by Central Bank Circular No. 3,553, both effective as of August 22, 2011, which requires that financial institutions in Brazil register assignments of the following types of credit transactions: (i) payroll loans and (ii) vehicle leases. Under Resolution No. 3,998, financial institutions must appoint an officer responsible for registration procedures and specified controls related to these credit transactions and the assignment thereof. The information required to be disclosed upon registration of these credit transactions and their assignment includes: (i) name of the assignor and assignee, (ii) name of the financial institution that granted the underlying credit, (iii) certain information with respect to the credit transaction being assigned (*e.g.*, identity of the debtor, specified dates, any guarantees, amounts payable, instalments, etc.) and (iv) details of the credit assignment transaction (*e.g.*, amounts assigned, portion of the credit transaction subject to the assignment, specified dates, any guarantees involved). Such registration must be made before a clearing house duly authorised to act as such by the Central Bank.

Bank Insolvency

Insolvency Regime

Financial institution insolvency is largely a matter handled by the Central Bank. The Central Bank will commence and oversee all administrative proceedings, whether for, or in avoidance of, liquidation.

Law No. 11,101, as amended (the "**Brazilian Insolvency Law**"), was sanctioned by the president on February 9, 2005, became effective in June 2005 and was amended in June and November 2005; it has significantly reshaped and modernised bankruptcy law in Brazil, until then governed by rules originating in 1945. Among the more important innovations introduced by such law are the following: (i) the availability of reorganisation arrangements that, subject to flexible statutory terms and conditions, may be structured under varying forms so as to enable a debtor deemed by its creditors to have business potential to effectively attempt to financially restructure; and (ii) in the event of bankruptcy, the ranking of secured debts ahead of tax liabilities.

While the insolvency of financial institutions remains governed by specific regimes set forth in Law No. 6,024 of March 13, 1974 and Presidential Decree No. 2.321 of February 25, 1987 (intervention, extrajudicial liquidation and temporary special administration regime, each of which is discussed in further detail below), they are subject to the Brazilian Insolvency Law, to the extent applicable, on an ancillary basis, until such time as a specific set of rules is enacted. These specific regimes are imposed by the Central Bank to avoid bankruptcy of financial institutions.

Intervention

The Central Bank may intervene in the operations of a bank in the following circumstances:

- if there is a material risk for creditors, resulting from mismanagement;
- if the bank fails to remedy material violation of the Brazilian banking laws or regulations after notice of the Central Bank; or
- if intervention is an alternative to liquidation.

Beginning with the date it is ordered, by the Central Bank, an intervention suspends actions or foreclosures related to payable obligations of the financial institutions, prevents early termination or maturity of obligations of the financial institution, and freezes pre-existing deposits.

The intervention may cease:

- at the discretion of the Central Bank if the controlling shareholders or interested third parties take over the administration of the financial institution under intervention after having provided the guarantees required by the Central Bank;

- when the situation of the financial institution is regularised as determined by the Central Bank; or
- when extrajudicial liquidation or bankruptcy of the entity is ordered by the Central Bank or by the relevant courts, respectively.

Extrajudicial Liquidation

An extrajudicial liquidation of any financial institution (with the exception of public financial institutions controlled by the Brazilian government) may be carried out by the Central Bank if it can be established that:

- debts of the financial institution are not being paid when due;
- the financial institution is deemed insolvent;
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors;
- management of the relevant financial institution has materially violated Brazilian banking laws or regulations; or
- upon cancellation of its operating authorisation, a financial institution's ordinary liquidation proceedings are not carried out within 90 days or are carried out with delay representing a risk to its creditors, at the Central Bank's discretion.

Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institution's officers or by the intervener appointed by the Central Bank in the intervention proceeding.

Extrajudicial liquidation (i) suspends actions or foreclosures related to the financial institution, during which time no other action or foreclosure may be commenced, (ii) accelerates the term of its obligations and (iii) interrupts the statute of limitations with regard to the obligations of the financial institution. In addition, interest ceases accruing on the obligations of the financial institution until all its obligations to third parties are duly paid.

Extrajudicial liquidation proceedings may cease:

- at the discretion of the Central Bank if the controlling shareholder or interested third parties take over the administration of the financial institution after having provided the guarantees required by the Central Bank;
- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent public registry;
- when converted to an ordinary liquidation; or
- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime (*Regime de Administração Especial Temporária*, or "**RAET**"), which is a less severe form of Central Bank intervention in private and non-federal public financial institutions and which allows institutions to continue to operate normally. The RAET may be imposed by the Central Bank in the following circumstances:

- the financial institution continually participates in transactions contrary to economic and financial policies established by federal law;
- the financial institution fails to comply with the compulsory reserves rules;
- the financial institution has operations or circumstances which call for an intervention;
- illegal or management misconduct exists; or
- the institution faces a shortage of assets.

The main purpose of the RAET is to assist with the recovery of the financial condition of the institution under special administration. Although the RAET does not affect the day-to-day business operations, liabilities or rights

of the financial institution, which continue to operate in its ordinary course, the Central Bank has the authority to order corporate reorganisations of the financial institution and its subsidiaries, including changing the corporate type, merger or other types of business consolidations, spin-off or change of control of the financial institution under such regime.

Repayment of Creditors in Liquidation

In the event of the extrajudicial liquidation of a financial institution or a liquidation of a financial institution under the terms of a bankruptcy proceeding, employees' wages and related labour claims up to a certain amount, secured credits and indemnities and tax claims enjoy the highest priority of any claims against the bankruptcy estate. The FGC, a deposit insurance system, guarantees a maximum amount of R$70,000 of certain deposits and credit instruments held by an individual with a financial institution (or financial institutions of the same financial group). The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that handle customer deposits, currently at 0.0125% per month, in accordance with CMN Resolution No. 3,400, as amended. The payment of unsecured credit, including regular retail customer deposits not payable under the FGC, is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges. Additionally, deposits and credit instruments raised outside of Brazil are not payable by the FGC, in accordance with CMN Resolution No. 3,400.

CMN Resolution No. 3,692 of March 26, 2009, authorises financial institutions to raise funds by means of time deposits guaranteed by the FGC up to a certain amount provided that such deposits (i) have a minimum term of twelve months and a maximum term of sixty months, (ii) are not callable before their term (applicable only for deposits raised after May, 2009), and (iii) are limited to an amount assessed considering bank's Tier 1 reference net worth and bank's time deposits, whichever is higher, per deposit of the same bank, limited to R$5 billion. CMN Resolution No. 3,931, enacted on December 3, 2010, reduced the volume of deposits that financial institutions can accept with the guarantee granted by FGC by 20.0% every year from January 2012 to January 2016, thereby ending such guarantee by 2016.

Brazilian Payment and Settlement System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the Bank of International Settlements. The Brazilian payment and settlement system began operating in April 2002. The Central Bank and the CVM have the power to regulate and supervise this system. Pursuant to these rules, all clearing houses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks previously borne by the Central Bank. The most important principles of the Brazilian payment and settlement system are:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, are liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

Foreign Banks and Foreign Investments

Foreign Banks

The establishment in Brazil of new branches by foreign financial institutions (financial institutions which operate and have a head office offshore), as well as the acquisition of equity interests by foreign financial institutions in Brazilian financial institutions, is prohibited, except when duly authorised by the Brazilian government, in accordance with international treaties, the policy of reciprocity and the interest of the Brazilian government. Once authorised to operate in Brazil, a foreign financial institution is subject to the same rules, regulations and requirements that are applicable to any other Brazilian financial institution.

Foreign Investments in Brazilian Financial Institutions

Foreign investment in Brazilian financial institutions by individuals or companies is permitted only if specific authorisation is granted by the Brazilian government, in accordance with international treaties, the policy of reciprocity and the interest of the Brazilian government. Once authorisation is granted, Brazilian law sets forth the following rules concerning foreign investment in Brazil and the remittance of capital outside of Brazil:

- foreign and Brazilian investors must be treated equally, unless legislation states otherwise,
- any foreign entity that directly owns shares of Brazilian companies must be registered with the corporate taxpayer registry (*Cadastro Nacional de Pessoa Jurídica* or "**CNPJ**");
- foreign direct investments, repatriations and profit remittances must be registered electronically with the Central Bank;
- the Central Bank may require that Brazilian companies provide information regarding the foreign equity interests in those Brazilian companies, and any other information in connection with the relevant foreign investment in Brazil; and
- Brazilian companies must provide in their financial statements relevant foreign investments, obligations and credits.

On December 9, 1996, a presidential decree authorised the acquisition by non-Brazilians of non-voting shares issued by Brazilian financial institutions as well as the offering abroad of depositary receipts representing those shares. Also in December 1996, the CMN approved a resolution specifically authorising the global offering of depositary receipts representing non-voting shares of Brazilian financial institutions. Therefore, in these specific cases, authorisation from the Brazilian government is not necessary. For cases involving the acquisition of non-voting shares issued by Brazilian financial institutions, foreign investors must also observe the abovementioned requirements concerning registration with the corporate taxpayer registry and with the Central Bank.

Internal Compliance Procedures

All financial institutions must have in place internal policies and procedures to control their activities, their financial, operational and management information systems, and their compliance with all regulations applicable to them.

Audit Committee

For information regarding our audit committee and our audit committee financial experts, see "Management — Statutory Bodies — Audit Committee".

Exemptions from the Listing Standards for Audit Committees

Under the listed company audit committee rules of the NYSE and the SEC, we must comply with Rule 10A-3 of the Exchange Act (Listing Standards Relating to Audit Committees). Rule 10A-3 requires that we either establish an audit committee composed of members of the board of directors that meets specified requirements, or designate and empower a board of auditors or similar body to perform the role of the audit committee in reliance on the general exemption for audit committees of foreign private issuers set forth in Rule 10A-3(c)(3) of the Exchange Act.

In accordance with Central Bank regulations, we have established a body similar to the audit committee of the board of directors of a U.S. company, which we are required to call an "audit committee". For more information, see "Management — Corporate Governance — Statutory Bodies — Audit Committee".

Our audit committee, to the extent permitted under Brazilian law, performs all the functions required of an audit committee under Rule 10A-3. As required by Brazilian law, our board of directors and audit committee are separate corporate bodies. Only one of the four members of our audit committee is also a member of our board of directors. In addition, under Brazilian law, the function of hiring independent auditors is a power reserved exclusively for a company's board of directors. Therefore, our board of directors acts as our audit committee, as permitted under Rule 10A-3(c)(3)(v) of the Exchange Act for the purpose of the appointment of our independent auditors.

Except in these respects, our audit committee is comparable to, and performs the functions of, an audit committee of the board of directors of a U.S. company. We believe that our audit committee is able to act

independently in performing the responsibilities of an audit committee under Sarbanes-Oxley, satisfies the other requirements of the exemption of Rule 10A-3(c)(3) and therefore is in compliance with Rule 10A-3 of the Exchange Act.

Regulation of Independent Auditors

CMN Resolution No. 3,198, of May 27, 2004, as amended, establishes the rules governing external audit services provided to financial institutions.

In accordance with CMN Resolution No. 3,198, financial statements and financial information of financial institutions must be audited by independent auditors who are (i) registered with the CVM, (ii) certified as banking analyst experts by the CFC and IBRACON, and (iii) meet certain independence requirements.

In order to maintain their banking analyst certification, the responsible partner and the audit team members with management duties must (i) pass a new exam organised by the CFC and the IBRACON within a period not to exceed three years of the last approval; or (ii) perform independent audit in financial institutions and attend a continuing professional education program.

At least every five consecutive fiscal years, the responsible partner and the audit team members with management duties must be replaced. Such former auditors may only be re-engaged after three fiscal years have passed since their prior engagement.

CMN Resolution No. 3,198 also prohibits the engagement and maintenance of independent auditors by financial institutions in the event that: (i) any of the circumstances of impediment or incompatibility for the provision of audit services provided for in the rules and regulations of the CVM, CFC or IBRACON arise; (ii) any ownership interest or any asset or liability in the audited financial institution held by the audit firm or members of the audit team involved in the audit work of the financial institution exists; and (iii) the payment of fees representing at least 25% or more of the total annual fees of the independent auditor. Additionally, the audited institution is prohibited from hiring partners and audit team members in management positions that were involved in the audit work for the financial institution for the past 12 months.

In connection with the audit work for the financial institution, in addition to the audit report, the independent auditor must prepare the following reports:

- an assessment of the internal control and risk management procedures of the financial institution, including the electronic data processing system, showing any deficiencies found; and
- a description of any non-compliance with legal and regulatory provisions that have, or may have, a significant impact on the audited financial statements or operations of the audited financial institution.

These reports, as well as working papers, mail, service agreements and other documents related to the audit work must be made available to the Central Bank for at least five years.

Under Brazilian law, our financial statements must be prepared in accordance with Brazilian GAAP. Financial institutions must have their financial statements audited every six months. Quarterly financial statements filed with the CVM must be reviewed by a financial institution's independent auditors. CVM Rule No. 381 requires public companies, including financial institutions, to disclose information relating to services from independent auditors, other than the audit work, that represented 5.0% of more of the fees paid to the independent accounting firm.

In addition, CMN Resolution No. 3,786, of September 24, 2009, requires that, beginning December 31, 2010, our annual consolidated financial statements be prepared in accordance with IFRS, and accompanied by an independent audit report on such financial statements. See "Presentation of Financial and Certain Other Information".

Regulation of Presentation of Financial Statements

CMN Resolution No. 2,723 of May 31, 2000, as amended, establishes certain rules on consolidation of financial statements by financial institutions. According to this Resolution, financial institutions, except for credit unions, are required to prepare their financial statements on a consolidated basis, including investments in companies in which they hold, directly or indirectly, solely or jointly, (i) the right to nominate or designate a majority of the company's

board of directors; (ii) the right to appoint or dismiss the majority of the officers and directors of the company; or (iii) operational or corporate control. Such resolution is applied by the Central Bank to us on a group-wide basis.

Rules Governing the Collection of Bank and Credit Card Fees

The collection of bank fees and commissions is extensively regulated by the CMN and by the Central Bank. CMN Resolution No. 3,919, effective as of March 1, 2011, amended the existing rules seeking standardisation of the collection of bank fees and the cost of credit transactions for individuals. According to these rules, bank services to individuals are divided into the following four groups: (i) essential services; (ii) priority services; (iii) special services; and (iv) specific or differentiated services. Banks are not able to collect fees in exchange for supplying essential services to individuals with regard to checking accounts, such as (i) supplying a debit card; (ii) supplying ten checks per month to accountholders who meet the requirements to use checks, as per the applicable rules; (iii) supplying a second debit card (except in cases of loss, theft, damage and other reasons not caused by the bank); (iv) up to four withdrawals per month, which can be made at a branch of the bank, using checks or in ATM terminals; (v) supplying up to two statements describing the transactions during the month, to be obtained through branch counters or ATM terminals; (vi) inquiries over the internet; (vii) up to two transfers of funds between accounts held by the same bank, per month, at a branch counter, through ATM terminals or over the internet; (viii) clearance of checks; and (ix) supplying, by February 28th of each year, a consolidated statement describing, on a month-by-month basis, the fees charged over the preceding year with regard to checking accounts and savings accounts. Certain services rendered to individuals with regard to savings accounts also fall under the category of essential services and, therefore, are exempt from the payment of fees. CMN Resolution No. 3,919 prohibits banks from collecting fees for supplying essential services in connection with deposit and savings accounts where clients agree to access and use their accounts by electronic means only. In the case of these exclusively electronic deposit and savings accounts, banks are only authorised to collect fees for supplying essential services when the client voluntarily elects to obtain personal service at the banks' branches or client service locations.

Priority services are the ones rendered to individuals with regard to checking accounts, transfers of funds, credit transactions, leasing, standard credit cards and records and are subject to the collection of fees by the financial institutions only if the service and its nomenclature are listed in Appendix I. CMN Resolution No. 3,919 also states that commercial banks must offer to their individual clients a "standardised package" of priority services, whose content is defined by Appendix II to such resolution. Banking clients must have the option to acquire individual services, instead of adhering to the package.

The collection of fees in exchange for the supply of special services (including, among others, services relating to rural credit, currency exchange market and on-lending of funds from the real estate financial system, for example) are still governed by the specific provisions found in the laws and regulations relating to such services.

The regulation authorises financial institutions to collect fees for the performance of specific or differentiated services, provided that the account holder or user shall be informed of the conditions for use and payment or the fee and charging method are defined in the contract. Some of the specific or differentiated services are (i) approval of signatures; (ii) management of investment funds; (iii) rental of safe deposit boxes; (iv) courier services; (v) custody and brokerage services, (vi) endorsement of clients debts (aval/guarantee); (vii) pledge of credit instruments; and (viii) foreign currency exchange, among others.

Other changes included in CMN Resolution No. 3,919 are: (i) prohibition from charging fees for amending adhesion contracts, except in the cases of asset replacement in leasing transactions and early liquidation or amortisation, cancelation or termination; (ii) prohibition from including services related to credit cards and other services not subject to fees in service packages that include priority, special and/or differentiated services; (iii) subscription to service packages must be through a separate contract; (iv) information given to the customer with respect a service package must include the value of each service included in the package, the number of times that each service may be utilised per month, and the total price of the package; (v) a customer's annual banking statement must separately identify default interest, penalties and other costs charged on loans and leasing transactions; (vi) registration fees cannot be cumulatively charged; (vii) overdraft fees can be charged, at most, once for the last 30 days.

CMN Resolution No. 3,919 also established new rules applicable to credit card, including types of fees that can be charged for services rendered by financial institutions, information to be disclosed in credit card invoices and agreement and creation of two types of credit cards: (i) a basic credit cards with certain basic services, which was classified as a prior service; and (ii) a differentiated credit card, with rewards and other benefits to the consumer,

which was classified as a differentiated service. In addition, Central Bank Circular No. 3,512 established a minimum amount that credit card holders must pay monthly on outstanding credit card balances: 15.0% as of June, 2011.

In addition, CMN regulations establish that all debits related to the collection of fees must be charged to a bank account only if there are sufficient funds to cover such debits in such account thus forbidding overdrafts caused by the collection of banking fees. Furthermore, a minimum of 30 days notice must precede any increase or creation of fees, while fees related to priority services and the "standardised package" can be increased only after 180 days from the date of the last increase (whereas reductions can take place at any time). With respect to credit cards, a minimum of 45 days notice is required for any increase or creation of fees, and such fees can only be increased after 365 days from the date of last increase. The period of 365 days is also applicable to changes in rewards or benefits program rules.

Finally, CMN Resolution No 3,919 also established that, as of March 2012, financial institutions must supply, by February 28th of each year, a consolidated statement describing, on a month-by-month basis, the fees, interest, late fees, fines, and other expenses charged over the preceding year with respect to any credit and leasing transactions.

Regulation of Internet and Electronic Commerce

Although Brazil does not have a comprehensive legislation regulating electronic commerce, since 2001 the legal validity of electronic documents in Brazil is ruled by Provisional Measure No. 2,200, which establishes a government controlled digital certification system, aimed at guaranteeing the authenticity, integrity and legal validity of electronic documents and ensuring the security of electronic transactions. However, there are currently several bills relating to internet and electronic commerce regulation in the Brazilian Congress. The proposed legislation, if enacted, will reinforce the legal effect, validity and enforceability of information in the form of electronic messages, allowing parties to enter into an agreement, make an offer and accept one through electronic messages.

Considering the increasing use of electronic channels in the Brazilian banking sector, the CMN enacted Resolution No. 2,817 on February 22, 2001, as amended by CMN Resolution No. 2,953 of April, 25, 2002, allowing Brazilian residents to open deposit bank accounts by electronic means, which includes the internet, ATM machines, telephone and other communication channels. This regulation sets forth specific rules on the opening and use of bank accounts via electronic means, including: (i) requirements contained in CMN Resolution No. 2,025 for verification of the identity of the customer; and (ii) transfers of amounts are allowed only between accounts of the same accountholders or in the event of liquidation of investment products and funds, to an account of the same accountholders of the investment products/funds.

On March 26, 2009, the CMN enacted Resolution No. 3,694 requiring that all financial institutions offering products and services to their clients through electronic means must guarantee security, secrecy and reliability in all electronic transactions and disclose, in clear and precise terms, the risks and responsibilities involving the product or service acquired through such channel.

In addition, the Central Bank also permits, under CMN Resolution No. 3,919 of November, 25, 2010, the opening of deposit bank and savings accounts, accessed and used exclusively through electronic means. See "— Rules Governing the Collection of Bank and Credit Card Fees" above.

Anti-Money Laundering Regulations

The Brazilian anti-money laundering law (Law No. 9,613, as amended), or the AML Law, makes it a crime to hide or disguise the nature, origin, location, disposal, movement or ownership of goods, rights or finances coming, directly or indirectly, from the following crimes: (i) illegal trafficking of narcotic substances; (ii) terrorism and terrorism financing; (iii) smuggling or trafficking weapons or munitions; (iv) extortion through kidnapping; (v) acts against Brazilian public administration; (vi) acts against the national financial system; (vii) acts conducted by a criminal organisation; or (viii) acts against a foreign public administration.

The AML Law also created the Council of Control of Financial Activities (*Conselho de Controle de Atividades Financeiras*, or "**COAF**"), which is the Brazilian financial intelligence unit that operates under the Ministry of Finance. COAF has a central role in the Brazilian system of fighting against money laundering and terrorism

financing, and the legal responsibility to coordinate mechanisms for international cooperation and information exchange.

According to the AML Law and complementary regulations enacted by the Central Bank, financial institutions must have internal controls procedures in order to:

- identify and know their customer, which includes determining whether the customer is a Politically-Exposed Person ("**PEP**"), as well as identifying the beneficial owners in the related transaction, if any. These records must be kept up to date;
- compile an analysis of new products and services with respect to anti-money laundering issues;
- maintain records of all financial services or transactions held on behalf of, or for, a customer. The record system must allow the identification of: (i) any transaction or series of transactions involving amounts that exceed R$10,000 and belong to the same customer or conglomerate in one calendar month; and (ii) operations that reveal a pattern of activity that suggests a scheme to avoid identification;
- pay special attention to (i) unusual transactions, or proposed transactions, related to the parties involved, amounts, forms of execution and the instruments used, or that have no apparent economic or legal basis; (ii) transactions or proposed transactions involving PEPs, persons from countries with which Brazil has a high number of financial and commercial transactions or countries bordering Brazil or with ethnic, linguistic or political ties to Brazil; (iii) evidence of fraud in customer or transaction identification; (iv) customers or transactions involving unidentifiable beneficial owners; (v) operations originated from or destined to countries that do not fully comply the Financial Action Task Force Recommendations; and (vi) situations where it is not possible to keep a customer's identification records up to date. Financial institutions must have enhanced monitoring programs, check if a certain customer or transaction must be reported to COAF and evaluate if they want to begin or maintain a relationship with a customer;
- report suspicious transactions to COAF, including all cash transactions equal to or above R$100,000, which must be reported automatically in the same day of transaction;
- keep the records referred to above for at least five years or ten years, depending on the nature of information, even after ending a customer relationship or closing a transaction; and
- define criteria for employee hiring and maintain an employee anti-money laundering training.

Non-compliance with any of the obligations indicated above subjects the financial institution and its managers to penalties varying from fines (from 1.0% to 200.0% of the amount of the transaction, 200.0% of the profit generated thereby, or a fine of up to R$200,000) to rendering its managers ineligible for the exercise of any functions in financial institutions and the revocation of the financial institution's license to operate.

Politically-Exposed Persons

PEPs are public agents who occupy or have occupied a relevant public function (for example heads of state or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials), over the past five years, in Brazil or other countries, territories and foreign jurisdictions. It also includes their family members and close associates. Financial institutions must develop and implement internal procedures to identify PEPs and obtain special approval of a more senior staff member than otherwise would be authorised to approve relationships, such as directors, prior to establishing any relationship with those individuals. They must also adopt reinforced and continuous surveillance actions with regard to transactions with PEPs and report all the suspicious transactions to COAF.

Banking Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. The only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) the disclosure of information with the express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the provision to credit reference agencies of information based on data from the

records of subscribers of cheques drawn on accounts without sufficient funds and defaulting debtors; (iv) the provision by financial institutions and credit card companies to competent authorities of information relating to the occurrence of, or suspicions as to a criminal or other unlawful act; (v) as otherwise expressly allowed by Supplementary Law No. 105 of January 10, 2001; and (vi) the disclosure of information in compliance with a judicial order. Supplementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities pursuant to an existing treaty.

Finally, a breach of bank confidentiality may be ordered by judicial authority when necessary to investigate any torts or crimes. With the exception of instances permitted by Supplementary Law No. 105 and other instances permitted by judicial order, a breach of bank confidentiality is a crime punished by one to four years of confinement, and fine.

The Consumer Defence Code and Banking Client Protection Regulation

In 1990, the Brazilian Consumer Defence Code (*Código de Defesa do Consumidor*, or the "**CDC**") was enacted to establish rules for consumers' protection and governs the relationship between product and service providers and consumers. After a long controversy over the extent to which CDC applies to financial services, the Brazilian Supreme Court decided in a final judgment that the CDC also applies to transactions between financial institutions and their clients. Based on this decision, CMN and the Central Bank focused their regulation and supervisory role to issues that are specific to financial services, which includes: (i) ombudsman services organised as a free communication channel between customers and financial institutions under the supervision of an ombudsmen officer (CMN Resolution No. 3,849); (ii) early liquidation of loans (CMN Resolution No. 3,516); (iii) standards for disclosure and transparency requirements for consumer credit products and financial services, such as the total cost of credit transactions (CMN Resolution No. 3,517); (iv) liability prevention and control in financial transactions (CMN Resolution No. 3,694); (v) collection of bank fees and commissions (CMN Resolution No 3,919).

Besides the banking client protection regulation enforced by CMN and the Central Bank, the basic consumer rights guaranteed by the CDC regarding the relationship between financial institutions and their clients include: (i) the imposition of a reverse burden of proof in court; (ii) financial institutions must ensure that customers are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect against abusive practices; (iii) financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services; (iv) financial institutions are liable for any damages caused to their customers by misrepresentations in their publicity or information provided; and (v) interest charges in connection with personal credit and consumer directed credit transactions must be proportionally reduced in case of early payment of debts.

With respect to consumer's rights, Decree No. 6,523 directed the CDC to establish general rules on Customer Service Assistance (*Serviço de Atendimento ao Consumidor*, or "**SAC**"), by phone for information, clarification of doubts, complaints, and agreements regarding suspension or cancellation, and Law No. 11,785 amended CDC's article 54 to define that in adhesions agreements, the font size may not be smaller than a size 12.

Antitrust Regulation

A new Brazilian Antitrust law (Law No 12,529) was enacted on November 30, 2011 and will become effective with respect to transactions consummated on or after May 30, 2012. According to the new regime, transactions resulting in economic concentration must be previously submitted to CADE for approval if any of the parties had, in the last fiscal year, gross revenues of R$400 million or more and the other party had gross revenues of R$30 million or more in the same period. The current criterion subjecting a transaction to CADE's approval if it involves 20% or more market share will no longer apply once the new law comes into effect. The closing of a transaction before its approval by CADE will subject the parties to fines ranging from R$60,000 to R$60 million. The prior approval requirement set forth in new law may delay the closing of transactions that we submit to CADE after the new law comes into effect.

Financial conglomerates submit merger and acquisitions transactions in various industries, including the insurance and pension plan industries, to SBDC for approval. Merger and acquisition transactions in the banking industry, however, must be submitted to the Central Bank, as financial institutions depend on the approval of the Central Bank in order to merge with or acquire another financial institution. The exclusive authority of the Central Bank to review and approve merger and acquisition transactions involving financial institutions was confirmed in August, 2010, by the Superior Court of Justice, in a decision still subject to further review. Although the outcome of

this case will not automatically become a binding precedent for financial institutions in general, an overruling of this decision could nevertheless make it advisable for financial institutions to submit any merger or acquisition transactions in the banking industry to the SBDC, in addition to the submission of such transactions to the Central Bank.

Asset Management Regulation

Asset management is regulated by the CMN and the CVM. CMN and CVM regulations stipulate that institutions must segregate their asset management activities from their other activities.

Certain investment funds within the asset management industry, such as private equity investment funds are also regulated by ANBIMA, which enacts additional rules and policies, especially with respect to the offering, marketing and advertising of financial products and services.

Investment funds are subject to the regulation and supervision of the CVM and are managed by companies authorised by the CVM to manage investment fund portfolios. Investment funds may invest in instruments available in the financial and capital markets, including fixed income instruments, stocks, debentures and derivative products, provided that, in addition to the denomination of the fund, a reference to the relevant type of fund is included.

According to CVM Instruction No. 409, of August 18, 2004, as amended, investment funds may be classified as (i) short term funds; (ii) referenced funds; (iii) fixed income funds; (iv) stocks funds; (v) exchange funds; (vi) external debt funds; and (vii) multi-market funds.

Investment funds are subject to certain restrictions with respect to the composition of their portfolios and the classification of their investors, including, among other things, restrictions on the types of securities, financial assets and operations, limits per issuer and limits by type of financial assets. Such restrictions are set forth in CVM regulations.

In addition, the CVM regulations establish criteria for the registration and accounting evaluation of titles, securities, financial instruments and derivatives. Pursuant to such regulations, fund managers must mark their securities to market; hence, the fund's portfolio assets must be accounted for at their fair market value, instead of their expected yield to maturity.

The CVM has also enacted rules to regulate private equity funds, credit rights investment funds, real estate investment funds and other specified investment funds. The rules of CVM Instruction No. 409 are applicable to each and every investment fund registered with the CVM to the extent they are not contrary to the provisions of specific rules applicable to such funds.

Leasing Regulations

The basic legal framework governing leasing transactions is established by Law No. 6,099 of September 12, 1974, as amended, Ordinance No. 564, of November 3, 1978 of the Ministry of Finance and the regulations issued thereunder by the CMN from time to time, in particular CMN Resolution No. 2,309 of August 28, 1996.

Law No. 6,099, as amended, sets forth the general guidelines for the tax treatment of leasing transactions and provides that all leasing transactions are subject to the control and supervision of the Central Bank according to standards established by the National Monetary Council. CMN Resolution No. 2,309 provides the types of leasing, the legal requirements of a leasing contract and other relevant guidelines applicable to the product. The Ministry of Finance's Ordinance No. 564 establishes the loss/profit recognition, for purposes of taxation of leasing transactions, and, in particular, establishes that the guaranteed residual amount of a leasing transaction is the value contractually guaranteed by the leaseholder as a minimum that will be received by the lessor after the sale of the leasehold item to a third-party, if the purchase option is not exercised. Furthermore, the laws and regulations applicable to financial institutions, such as those related to reporting requirements, capital adequacy and leverage, assets composition limits and treatment of doubtful loans, are generally also applicable to leasing companies.

Taxation

We describe below the main corporate taxes that may impact financial transactions entered into by companies of the Itaú Unibanco Group, as well as a description of the main taxes on financial transactions.

Overview

The table below summarises the main taxes imposed on our activities. For a more detailed analysis, investors should consult their tax advisers.

Tax	Rate	Calculation of Taxable Profit
IRPJ	15.0% plus 10.0%	Net income with adjustments (exclusions, additions, and deductions).
CSLL	15.0% or 9.0%	Net income with adjustments (exclusions, additions, and deductions).
COFINS	4.0%	Gross revenue minus specific deductions
PIS	0.65%	Gross revenue minus specific deductions
ISS	2.0% to 5.0%	Service value

Corporate Income Tax and Social Contribution on Profits

Currently, Brazilian companies are subject to the corporate income tax (*imposto de renda da pessoa juridica*) ("**IRPJ**") and the social contribution on profits (*contribuição social sobre o lucro liquido*) ("**CSLL**").

According to the tax regime adopted by each company, the IRPJ and CSLL may be imposed on an adjusted tax basis (taxable income regime), which is subject to adjustments (deductions, additions and exclusions) upon the ascertainment of the tax due at the end of the fiscal year (*e.g.*, operating costs, expenses, provisions and equity accounting).

The IRPJ is imposed at a rate of 15.0% and a surtax of 10.0% is applicable when the total amount of profit exceeds R$20,000 per month or R$240,000 per year (imposing a total rate of 25.0% on the amount of profit exceeding R$20,000 per month).

The CSLL is generally imposed at a rate of 9.0%. Law No. 11,727 of June 23, 2008, established that as of May 1, 2008, the CSLL rate on income of financial, insurance and similar companies increased to 15.0%. The following companies are considered financial, insurance and similar companies for this purpose: private insurance and capitalisation companies, banks of any type, securities underwriters, foreign exchange and securities brokerages, credit, financing and investment companies, real estate loan companies, credit card management companies, leasing companies, credit cooperatives and savings and loan associations. The increased CSLL rate is applicable to us and many of our subsidiaries and affiliates. Brazilian financial institutions, including us, are disputing the constitutionality of a higher CSLL tax rate that applies only to financial, insurance and similar companies. The amounts in dispute are accounted for as a tax liability provision in our balance sheet.

Brazilian companies can offset the historical nominal amount of tax losses against results of subsequent years at any time (*i.e.*, with no limitations with respect to time periods), *provided* that such offsetting does not exceed 30.0% of the annual taxable income of such future year.

Companies pay the IRPJ and CSLL taxes based on their worldwide income rather than on income solely from Brazilian operations. Therefore, profits, capital gains and other income obtained abroad by Brazilian entities will be computed in the determination of their net income. In addition, profits, capital gains and other income from foreign branches or income from subsidiaries or foreign corporations controlled by a Brazilian entity will also be computed in the calculation of such entity's profits, in proportion to its participation in such foreign companies' capital. The Brazilian company is allowed to deduct income tax paid abroad, up to the amount of Brazilian income taxes imposed on such income.

Taxation of Profit Distribution

Dividends paid by a Brazilian company, including stock dividends and other dividends paid to a investor domiciled either in Brazil or abroad, are currently not subject to withholding income tax in Brazil to the extent that

these amounts are related to profits generated on or after January 1, 1996. Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, according to the tax legislation applicable to each corresponding year.

Law No. 9,249 of December 26, 1995, as amended, allows a Brazilian corporation to make, instead of dividend distributions, distributions that are treated as interest on net equity and that constitute deductible expenses for purposes of calculating the IRPJ and CSLL. These distributions may be paid in cash. For tax purposes, this interest is limited to the daily average of the TJLP, as determined by the Central Bank, over the taxable year, and the amount of payments and deduction may not exceed the greater of (i) 50.0% of net income (after the deduction of CSLL, but before taking into account the amount of such interest on net equity and the provision for IRPJ) for the period in respect of which the payment is made; and (ii) 50.0% of the sum of retained profits and profit reserves.

Any payment of interest on net equity is subject to withholding income tax at the rate of 15.0%, or 25.0% in the case of a shareholder who is resident or domiciled in a tax haven jurisdiction (see "Taxation"). These payments may be qualified, at their net value, as part of any mandatory dividend.

Taxes on Revenue – Contribution on Social Integration Program and Social Security Financing Contribution

In addition to IRPJ and CSLL, Brazilian companies are subject to the following taxes on revenues: contribution on social integration program (*contribuição para o programa da integração social*) ("**PIS**") and social security financing contribution (*contribuição social para o financiamento da seguridade social*) ("**COFINS**").

According to Law 9.718 of November 27, 1998, as amended, financial institutions must pay contribution to PIS at a rate of 0.65% and COFINS at a rate of 4.0%. In general, PIS and COFINS are charged on companies' gross revenues, with some exemptions. In the case of financial institutions, certain additional deductions are provided by law so that the taxation basis is similar to the gross profit margin. Certain of our financial subsidiaries are currently claiming that the PIS and COFINS should be levied only on their revenue from the sale of goods and services, and not on revenues from financial and other activities. The amounts in dispute are accounted for as a tax liability provision on our balance sheet.

Non-financial companies that calculate IRPJ and CSLL based on the taxable income regime are required to calculate PIS and COFINS contributions according to the non-cumulative regime. Under this regime, PIS is imposed at a rate of 1.65% and COFINS is imposed at a rate of 7.6%. The calculation basis of these contributions is the gross revenue earned by the company, however, the taxpayer can offset credits arising from the application of the same rates on the value paid on the purchase of certain inputs used in the production process of the company. Currently, under such non-cumulative regime, financial income (except, for example, for income from interest on net equity) of non-financial companies is not subject to PIS and COFINS.

Service Tax

The tax on services (*imposto sobre serviços de qualquer natureza*) ("**ISS**") is generally imposed on the price of value of services rendered (*e.g.*, bank services) and charged by the municipality where our branch or office that renders the service is located. The tax rates vary from 2.0% up to the maximum rate of 5.0%, depending on the municipality.

Tax on Financial Transactions

The tax on financial transactions (*imposto sobre operações de crédito, câmbio e seguro, e sobre operações relativas a títulos e valores mobiliários*) ("**IOF**") is imposed on foreign exchange, insurance, credit, securities and derivatives transactions. The IOF rate may be changed by a decree from the executive branch (which is effective beginning on its publication date) rather than a law.

The IOF on foreign exchange transactions ("**IOF/FX**") tax is imposed on several foreign exchange transactions. Its applicable rates may be increased up to 25.0%. The IOF/FX tax rates imposed on foreign exchange transactions recently have been modified and are currently imposed at a rate of 0.38%, with the following main important exceptions:

- the IOF/FX tax is imposed at a rate of 6.0% on the inflow of funds to Brazil deriving from, or for, loans, including the issuance of notes in the international market, whose average minimum payment

term is no longer than 720 days (if the average minimum term of the loan is longer than 720 days, and for foreign financing the IOF/FX rate is 0.0%);

- the IOF/FX is imposed at a rate of 6.0% on the inflow of funds into Brazil in connection with settlement of foreign exchange transactions by foreign investors, including simultaneous foreign exchange transactions, with the purpose of investing in the Brazilian financial and capital markets, except, for example, for the transactions set out below;
- the IOF/FX is imposed at a rate of 0.0% on the inflow of funds into Brazil in connection with the settlement of foreign exchange transactions by foreign investors that involve variable-income investments on stock exchanges or on futures and commodities exchanges, in compliance with the regulations issued by the CMN, except for derivative transactions giving rise to predetermined income;
- the IOF/FX is imposed at a rate of 0.0% on the inflow of funds into Brazil from December 1, 2011 in connection with the settlement of foreign exchange transactions by foreign investors for the purchase of shares as a result of public offerings registered or exempt from registration with the CVM or for the subscription of shares, provided that in each case the issuer is a publicly-held company whose shares are admitted to trade in a stock exchange;
- IOF/FX tax is imposed at a rate of 0.0% on the inflow of funds into Brazil in connection with the settlement of foreign exchange transactions carried out on or after December 1, 2011 by a foreign investor, including simultaneous foreign exchange transactions, to purchase units in private equity funds (*Fundo de Investimento em Participações*) ("**FIP**") and emerging companies funds (*Fundo de Investimento em Empresas Emergentes*) ("**FIEE**"), as well as units in investment funds that invest in units of FIPs and FIEEs that are established in accordance with regulation issued by CVM;
- the IOF/FX is imposed at a rate of 0.0% on the outflow of funds from Brazil in connection with the settlement of foreign exchange transactions for the purpose of repatriating funds of foreign investors out of the Brazilian financial and capital markets, with some exceptions;
- IOF/FX tax is imposed at a rate of 0.0% on the outflow of funds from Brazil in connection with foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors;
- IOF/FX tax is imposed at a rate of 0.0% on the inflow of funds into Brazil from December 1, 2011, deriving from the cancelling of depositary receipts to invest in shares tradable in a stock exchange;
- IOF/FX tax is imposed at a rate of 6.38% on foreign exchange transactions in accordance with obligations of credit card management companies or commercial or multiple banks, as credit card issuers, and deriving from the purchase of goods and services made abroad by their credit card users; and
- IOF/FX tax is imposed at a rate of 0.0% on the inflow of funds into Brazil in connection with the acquisition of publicly-traded bonds and securities acquired on or after January 1, 2011, *provided* some conditions are met.

Depending upon the type of inflow of foreign funds into Brazil, the IOF/FX may be levied on the outflow and inflow of funds. It may also be levied when the type of investment is changed. In many cases, the outflow and inflow of funds will require simultaneous foreign exchange transactions.

The IOF tax is also imposed on insurance transactions upon the receipt of a premium ("**IOF/Insurance**"). In insurance transactions, the IOF/Insurance tax will be imposed at a highest rate of 25.0%. Currently, the rates imposed vary from 0.0% to 7.38% according to the type of insurance purchased.

The IOF tax is also imposed on credit transactions, including financing, discounts and factoring ("**IOF/Credit**"). Currently, individuals pay IOF/Credit at a rate of 0.0068% per day, until the total amount of IOF/Credit due reaches a limit of 2.5% in a period of 365 days, in most credit transactions; and companies pay IOF tax at a rate of 0.0041% per day, until the total amount of IOF/Credit due reaches a limit of 1.5% in a period of 365 days. An additional IOF/Credit tax rate of 0.38% is also imposed on any credit transaction.

The IOF tax is also imposed on the acquisition, assignment, redemption, renegotiation or payment for settlement of securities, even though these transactions are carried out on stock, commodities and futures exchanges

("**IOF/Securities**"). The rate of the IOF/Securities with respect to many securities transactions is currently 0.0%, although certain transactions may be subject to specified rates. The President has the legal authority to increase the rate to a maximum of 1.5% of the amount of the taxed transaction per day for the period during which the investor holds the securities, up to the amount equal to the gain on the transaction. Currently, there is a short-term IOF/Securities tax on fixed income and investments in fund quotas with a holding period of less than 30 days. If the investor sells, redeems, assigns, resells or renews fixed income and investments in fund quotas within 30 days of the original investment, IOF/Securities is levied at a rate of 1.0% per day, with certain maximum limits based on a regressive percentage of the total fixed income gain for a security reaching zero and for a maturity equal to or higher than 30 days. Finally, the IOF/Securities tax is levied at a rate of 1.5% on the assignment of shares traded in the Brazilian stock market in order to permit the issuance of depositary receipts to be negotiated overseas.

On July 27, 2011, the Brazilian government enacted Decree No. 7,536, which introduced a tax on securities transactions ("**IOF/Securities-Derivatives**") at the rate of 1% on the notional adjusted value of financial derivatives, the value of which is affected by exchange rates and which results in an increase in the net sold exposure of the holder ("**Derivative Contract**"). On the same date, the Brazilian government enacted Provisional Measure No. 539, which sets forth that institutions authorised to register Derivative Contracts will be responsible for charging and collecting the IOF/Securities-Derivatives amounts due.

According to Decree No. 7,563, enacted on September 15, 2011, the IOF/Securities-Derivatives taxpayer is the holder of the Derivative Contract, but the entities or institutions authorised to register the Derivative Contracts are responsible for the calculation and collection of this tax. In the event it is not possible for them to calculate and collect the IOF/Securities-Derivatives due by the taxpayer, such entities and institutions must provide the necessary information for the calculation of the tax base, through intermediaries and authorised participants, by the tenth business day of the month following the occurrence of a taxable event to: (i) the taxpayer resident or domiciled in Brazil; (ii) the legal representative of the taxpayer resident or domiciled abroad; and (iii) the manager of funds and investment clubs. Any such information relating to taxable events occurring between July 27, 2011 and November 30, 2011 should have been provided by December 14, 2011. On November 3, 2011, the Brazilian Revenue Office enacted Normative Ruling No. 1,207 which further regulated the terms, conditions and tax base of the IOF/Securities-Derivatives.

On December 8, 2011, Provisional Measure No. 539 was converted into Law No. 12,543 ("**Law No. 12,543**"), which further provides that legal entities that carry out export transactions may deduct from their IOF due the amount of IOF/Securities-Derivatives assessed on derivatives hedge transactions or, in the event such discount is not possible, such entities may require a refund or offset against other federal taxes and certain social contributions. Law No. 12,543 also grandfathered the IOF/Securities-Derivatives assessment on taxable events between July 27 and September 15, 2011. On December 27, 2011, the Ministry of Finance enacted Ruling No. 560, which postponed to January 31, 2012 the collection of the IOF/Securities-Derivatives assessed from September 16 to December 31, 2011. Under Brazilian law, the Brazilian government is authorised to increase the IOF/Securities-Derivatives rate up to 25% of the notional adjusted value at any time. IOF/Securities-Derivatives may be subject to further regulation and the related rules may be changed.

The table below summarises IOF tax, which is imposed on financial transactions (such as foreign exchange, insurance transactions, credit or those transactions related to securities), as explained above. For a more detailed analysis, investors should consult their tax advisers.

Transaction Type	**Rate (general rule subject to change by executive decree)**
International Loans	IOF/FX: 6.0% (average minimum payment term is no longer than 720 days)
	IOF/FX: 0.0% (average minimum payment term is no longer than 720 days and foreign financing)
Foreign Investments in Brazilian Financial and Capital Markets	IOF/FX: 6.0% (general rule for inflow of funds)
	IOF/FX: 0.0% (general rule for variable income investments; purchase of shares outside of the stock exchange as a result of public offerings; and investments in FIPs and FIEEs and units of investment funds that invest in units of such funds).

Transaction Type	Rate (general rule subject to change by executive decree)
	IOF/FX: 0.0% (general rule for outflow of resources, including repatriation of funds and remittance of interest on net equity and dividends.)
Credit Card	IOF/FX: 6.38%
Insurance Transactions	IOF/Insurance: 0.0% to 7.38%
Loans and Credits	IOF/Credit: 0.0041% (companies) and 0.0068% (individuals) per day, until it reaches the limit of 1.5% or 2.5%, respectively, up to a limit of 365 days, plus 0.38%
Securities	IOF/Securities: 0.0% to 1.0% (general rule)
	IOF/Securities: 1.5% (assignment of shares in order to permit issuances of depository receipts)
Securities-Derivatives	IOF/Securities-Derivatives: 1.0%

Income Taxes Imposed on Financial Investments

Foreign investors that receive payments derived from Brazilian sources, or gains related to Brazilian assets, will be subject to the Brazilian income tax. Under Brazilian law, income tax on capital gains and income from financial transactions carried out in the Brazilian financial and capital market vary depending on the domicile or residence of the investor, the type of registration of the investment held by the investor with the Central Bank and the manner in which the transaction is carried out.

For foreign investors who invested in the Brazilian financial and capital markets, in accordance with CMN Resolution No. 2,689, and are not located in a jurisdiction considered a "tax haven jurisdiction" (see "Taxation — Brazil"), the income tax is imposed, in general, pursuant to a special regime, as follows:

- capital gains from the sale of stock on Brazilian stock exchanges or income derived from derivatives traded on the Brazilian stock and future exchanges are exempted, except if related to combined transactions in derivatives with a predetermined income;
- income tax will be imposed at a rate of 10.0% on income from stock funds, swaps and other transactions on futures market not carried out through a Brazilian stock exchange; and
- income tax will be imposed at a rate of 15.0% on income from all other fixed income investments made through a Brazilian stock exchange or over-the-counter market and on gains earned therefrom.

Foreign investors that invested in the Brazilian financial and capital markets, in accordance with CMN Resolution No. 2,689, and are located in a tax haven jurisdiction are subject to income tax, in general, pursuant to rules applicable to Brazilian individuals, as follows:

- on income from financial transactions (variable income) at a rate of 15.0%;
- on income from fixed income, including public bonds, at rates varying from 22.5% to 15.0% (the rates vary according to the transaction type and terms); and
- income from other long and short-term investment funds at rates varying from 22.5% to 15.0%, according to the investment period.

The table below is a summary of the income taxation relating to the foreign investment in the Brazilian financial and capital market located in a non-tax haven jurisdiction and a tax haven jurisdiction. It does not purport to be a complete analysis of all tax considerations relating to investments in Brazil. For a more detail analysis the prospective investors should consult their tax advisers.

Transaction Type (Under CMN Resolution No. 2,689)	Rate for	
	Foreign investor located in a non-tax haven jurisdiction	**Foreign investor located in a tax haven jurisdiction**
Capital gains from stock and derivatives and other variable income securities traded on the stock and futures exchange	0.0%	15.0%
Swap transactions	10.0%	22.5% to 15.0%
Other over-the-counter derivatives	10.0%	15.0%
Fixed income securities, including structured fixed income combinations (rates may vary according to the transaction type and term)	15.0%	22.5% to 15.0%
Income from public bonds (provided certain requirements are observed)	0.0%	22.5% to 15.0%
Short-term fixed income investment funds	15.0%	22.5% to 20.0%
Long-term fixed income investment funds	15.0%	22.5% to 15.0%
Income from stock funds	10.0%	15.0%

Finally, Provisional Measure No. 517 of December 31, 2010, converted into Law 12,431 of June 24, 2011, provides that income from publicly-traded bonds and securities acquired as of January 1, 2011, of non-resident investors that are not resident or domiciled in tax haven jurisdictions are subject to the withholding income tax at a 0.0% rate. To be eligible for this benefit, the following requirements must be met: (i) the bonds and securities must have been issued by private non-financial entities in accordance with the rules set forth by the CMN; (ii) the bonds must have weighted average maturity greater than four years, (iii) the issuer may not repurchase the bonds or securities within the first two years after issuance, (iv) the remuneration must be linked to predetermined rates and related to certain inflation indices; (v) the buyer has no agreement or commitment to resell; (vi) income payments, if any, must take place no more frequently than once per 180 day period; (vii) the bonds must be traded in regulated markets; and (viii) the issuer must demonstrate the allocation of the proceeds from the issuance to investment projects.

Insurance Regulation

The Brazilian insurance system is governed by three regulatory agencies: the CNSP, SUSEP and the ANS. With governmental approval, an insurance company may offer all types of insurance with the exception of workers' compensation insurance, which is provided exclusively by the National Institute of Social Welfare (*Instituto Nacional do Seguro Social* or "**INSS**"). Insurance companies are required to sell policies through qualified brokers. In accordance with Brazilian insurance legislation, health plans/insurance must be sold separately from other types of insurance by a specialised company that is subject to the rules of the ANS, the agency responsible for private health plans and insurance.

Insurance companies must set aside reserves to be invested in specific types of securities. As a result, insurance companies are among the main investors in the Brazilian financial market and are subject to the rules of the CMN regarding the investment of technical reserves.

Insurance companies are exempt from ordinary bankruptcy procedures and instead are subject to a special procedure administered by SUSEP or by ANS, the insurance sector regulators, except when the assets of the insurance company are not sufficient to guarantee at least half of the unsecured credits or procedures relating to acts that may be considered bankruptcy-related crimes. Dissolutions may be either voluntary or compulsory. The Minister of Finance is responsible for the institution of compulsory dissolutions of insurance companies under SUSEP's regulation and ANS is responsible for the dissolution of health insurance companies.

There is currently no restriction on foreign investments in insurance companies.

According to Brazilian law, insurance companies must buy reinsurance to the extent their liabilities exceed their technical limits under SUSEP rules. For several years, reinsurance activities in Brazil were carried out on a monopoly basis by the Brazilian Reinsurance Institute (*IRB – Brasil Resseguros S.A.* or "**IRB**"). On January 16, 2007, Supplementary Law No. 126 came into force, providing for the opening of the Brazilian reinsurance market to other reinsurance companies. This supplementary law specifically established new policies related to reinsurance, retrocession and its intermediation, coinsurance operations, contracting insurance products abroad and insurance sector foreign currency operations.

The main changes introduced by Supplementary Law No. 126 are summarised below. Three types of reinsurers are established by such law:

- Local reinsurer: a reinsurer with its head office in Brazil, incorporated as a corporation (*sociedade por ações*) and having as its exclusive purpose the performance of reinsurance and retrocession transactions;
- Admitted reinsurer: a non-resident reinsurer, registered with SUSEP to carry out reinsurance and retrocession transactions, with a representative office in Brazil, which complies with the requirements of Supplementary Law No. 126 and the applicable rules regarding reinsurance and retrocession activities; and
- Eventual reinsurer: a non-resident reinsurer, registered with SUSEP to carry out reinsurance and retrocession transactions, without a representative office in Brazil, which complies with the requirements of Supplementary Law No. 126 and the applicable rules regarding reinsurance and retrocession activities.

An eventual reinsurer cannot be resident in a country considered as a tax-haven jurisdiction, as defined in Supplementary Law No. 126.

An admitted or eventual reinsurer must comply with the following requirements:

- to be duly incorporated, according to the laws of their countries of origin, in order to underwrite local and international reinsurance in the fields that they intend to operate in Brazil and present evidence that they have carried out their operations in their respective countries of origin for at least five years;
- to have economic and financial capacity equal to or higher than the minimum established by CNSP;
- to have a rating issued by rating agencies recognised by SUSEP equal to or higher than the minimum established by CNSP;
- to have a duly appointed resident attorney-in-fact in Brazil with full administrative and judicial powers; and
- to comply with additional requirements established by CNSP and SUSEP.

In addition to the requirements mentioned above, an admitted reinsurer must keep a foreign currency account with SUSEP and periodically submit their financial statements to SUSEP, pursuant to the rules enacted by CNSP.

Entering into reinsurance and retrocession contracts in Brazil or abroad must occur either through direct negotiation between the involved parties or an authorised broker. Foreign reinsurance brokers may be authorised to operate in Brazil, according to the law and additional requirements established by SUSEP and CNSP.

Reinsurance operations relating to survival life insurance and private pension plans may only be offered by local reinsurers.

With due observance of the rules enacted by CNSP, insurance companies, when transferring their risks in reinsurance, have to transfer to local reinsurers 40.0% of said risks.

The technical reserves of local reinsurers and funds deposited in Brazil for purposes of guaranteeing admitted reinsurers' local activities will be managed according to the rules of the CMN. IRB continues to be authorised to carry out reinsurance and retrocession activities in Brazil as a local reinsurer.

THE CAYMAN ISLANDS REGULATORY SYSTEM

Banks and trust companies wishing to carry on business from within the Cayman Islands must be licensed by the Cayman Islands Monetary Authority ("**CIMA**") under the Banks and Trust Companies Law, whether or not such business is actually to be carried on in the Cayman Islands.

Under the Banks and Trust Companies Law, there are two main categories of banking licences: a category "A" licence, which permits unrestricted domestic and offshore business, and a category "B" licence, which permits only offshore business. According to the official website of CIMA (www.cimoney.com.ky), as of December 2011, there were 15 banks holding category "A" licences and 219 banks holding category "B" licences. The holder of a category "B" licence may have an office in the Cayman Islands and conduct business with other licensees and offshore companies, but, except in limited circumstances, may not conduct business locally with the public or residents in the Cayman Islands.

There are no specific ratio or liquidity requirements under the Banks and Trust Companies Law for holders of a bank licence which are not incorporated in the Cayman Islands, but CIMA expects observance of prudent banking practices and the Banks and Trust Companies Law imposes a minimum net worth requirement on the holder of a bank licence (other than a restricted category "B" licence) of an amount of not less than CI$400,000 or, in the case of licensees holding a restricted category "B" or a restricted trust licence, CI$20,000.

TERMS AND CONDITIONS OF THE SENIOR NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will apply to the Senior Notes referred to in such Final Terms.

The Senior Notes are constituted by an amended and restated Trust Deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated March 17, 2011 and made between Itaú Unibanco Holding S.A. (the "**Bank**") and The Bank of New York Mellon (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders. In these terms and conditions, the "**Issuer**" means the Bank, or any successor thereto, acting through its head office or through its Grand Cayman Branch, as specified in the Senior Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Senior Notes and the related Coupons (where applicable in the case of interest-bearing Senior Notes in bearer form) relating to them (the "**Coupons**"). Copies of the Trust Deed and of the Agency Agreement (as amended from time to time, the "**Agency Agreement**") dated March 29, 2010 and made among the Issuer, the Trustee and the Agents are available for inspection during usual business hours at the specified offices of each of the Trustee and the principal paying agent, the paying agent in London, the other paying agents, the calculation agent, the registrar, the replacement agent and the transfer agents for the time being. Such persons are referred to below respectively as the "**Principal Paying Agent**", the "**London Paying Agent**", the "**Paying Agents**" (which expression shall include the London Paying Agent but shall not include the Principal Paying Agent), the "**Calculation Agent**", the "**Registrar**", the "**Replacement Agent**" and the "**Transfer Agents**" and together as the "**Agents**". The Noteholders and the Holders of the Coupons (if any) (the "**Couponholders**") and, where applicable in the case of interest-bearing Senior Notes in bearer form, talons for further Coupons (the "**Talons**") are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and of the relevant Final Terms and are deemed to have notice of those applicable to them of the Agency Agreement. The expression "Coupons" shall, where the context so requires, include Talons. References in these Terms and Conditions to Senior Notes are to Senior Notes of the relevant Series and references to Coupons are to Coupons relating to the Senior Notes of the relevant Series. References in these Terms and Conditions to the Final Terms are to the Final Terms as prepared in relation to the Senior Notes of the relevant Tranche or Series. The Final Terms in relation to any Senior Notes may specify other terms and conditions which shall, to the extent specified or to the extent inconsistent with the following Terms and Conditions, replace the following Terms and Conditions for the purposes of such Senior Notes.

1. Form, Denomination, Title, Specified Currency and Final Terms

(a) *Form:* The Senior Notes of the Series of which the Senior Note to which these Terms and Conditions are attached are issued either in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") and as senior notes (the "**Senior Notes**"), and Senior Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination. These Terms and Conditions must be read accordingly. The Specified Denomination of each Senior Note is specified in the relevant Final Terms.

A definitive Senior Note will be issued to each Holder of Registered Note(s) in respect of its registered holding or holdings (each a "**Definitive Registered Note**"). Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar.

Any Senior Note, the principal amount of which is repayable in instalments (an "**Instalment Note**"), will have endorsed thereon a grid for recording the repayment of principal.

Bearer Notes which bear interest are issued with Coupons and, where appropriate, Talons attached.

(b) *Denomination:* "**Specified Denomination**" means the denomination or denominations specified in the relevant Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination (if any). Specified Denominations for Registered Notes will be the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

(c) *Title:* Title to Bearer Notes, the Coupons relating thereto and, where applicable, the Talons relating thereto shall pass by delivery. Title to Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Senior Note, Coupon or Talon shall be

deemed to be and may be treated as the absolute owner of such Senior Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Senior Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Terms and Conditions, "**Noteholder**" and, in relation to a Senior Note, Coupon or Talon, "**Holder**", means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), "**Series**" means Senior Notes which have identical terms and conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters, and "**Tranche**" means, in relation to a Series, those Senior Notes of such Series which have the same Issue Date.

(d) *Specified Currency:* The Specified Currency of any Senior Note and, if different, any Specified Principal Payment Currency or Specified Interest Payment Currency, are as specified in the relevant Final Terms. All payments of principal in respect of a Senior Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Senior Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Final Terms and Additional Terms:* References in these Terms and Conditions to terms specified on a Senior Note shall be deemed to include references to terms specified in the relevant Final Terms issued in respect of a Tranche which includes such Senior Note (each the "**Final Terms**").

(f) *Interpretation:* Capitalised terms used in these Terms and Conditions in respect of a Senior Note, and not specifically defined in these Terms and Conditions, have the meaning given to them specified on the Senior Note or in the relevant Final Terms issued in respect of a Tranche which includes such Senior Note. Additional provisions relating to the Senior Notes may be contained in the Final Terms or specified on the Senior Note and will take effect as if originally specified in these Terms and Conditions. The Final Terms in respect of index linked interest Senior Notes, Instalment Notes, dual currency Senior Notes and other types of Senior Notes the terms of which are not specifically provided for herein, shall set out in full all terms applicable to such Senior Note.

2. Definitions

"**Accounting Principles**" means, at the election of the Issuer, (a) accounting principles generally accepted by the accounting profession in Brazil at such time or (b) International Financial Reporting Standards and applicable accounting requirements published by the International Accounting Standards Board, as in effect from time to time.

"**Affected Guarantee**" means any obligation of a person which by its terms guarantees for the benefit of all current and future Holders of any series or tranche of Public External Indebtedness of any other person the payment of such Public External Indebtedness, including, without limitation, an obligation to pay or purchase such Public External Indebtedness, an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Public External Indebtedness; provided that any such obligation by its terms is traded with such Public External Indebtedness upon any trade of such Public External Indebtedness.

"**Alternative Payment Mechanism**" has the meaning given to it in the relevant Final Terms.

"**Amortisation Yield**" has the meaning given to it in the relevant Final Terms.

"**Amortised Face Amount**" has the meaning given to it in Condition 7(d)(i)(B).

"**Arrears Rate**" has the meaning given to it in the relevant Final Terms.

"**Bearer Notes**" has the meaning given to it in Condition 1(a).

"**Benchmark**" has the meaning given to it in Condition 6(II)(b).

"**Brazil**" means the Federative Republic of Brazil.

"**Brazilian Currency**" means lawful currency of Brazil.

"**Brazilian Governmental Authority**" means, as applicable, the government of Brazil, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Issuer.

"**Broken Amount**" has the meaning given to it in the relevant Final Terms.

"**Business Centre**" has the meaning given to it in the relevant Final Terms.

"**business day**" has the meaning given to it in Condition 8(a)(iii).

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates, and, in this context, the following expressions shall have the following meanings:

(a) the "**Floating Rate Business Day Convention**", in which case interest on a Senior Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Interest Period specified in the relevant Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, *provided* that:

(i) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day in that calendar month;

(ii) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and

(iii) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Senior Note will be the last day which is a Relevant Business Day in the calendar month which is the Interest Period specified in the relevant Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(b) the "**Modified Following Business Day Convention**", in which case interest on a Senior Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(c) the "**Following Business Day Convention**", in which case interest on a Senior Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or

(d) the "**Preceding Business Day Convention**", in which case interest on a Senior Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(e) such other Business Day Convention as may be specified in the relevant Final Terms.

"**Calculation Agent**" has the meaning given to it in the relevant Final Terms, *provided* that for the purposes of Condition 6(II)(b)(iv), it has the meaning given to it in the ISDA Definitions.

"**Central Bank**" means the Central Bank of Brazil or any Brazilian Governmental Authority that replaces the Central Bank of Brazil in its current functions applicable to these Terms and Conditions.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Covenant Defeasance**" has the meaning given to it in Condition 11(b).

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Senior Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

(a) if "**Actual/365**" or "**Actual/Actual — ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(c) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(d) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(e) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

(f) if "**Actual/Actual — ISMA**" is specified in the relevant Final Terms, (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (B) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(g) if "**Bus/252**" is specified in the relevant Final Terms, the number of Relevant Business Days in the Calculation Period divided by 252.

"**Defeased Notes**" has the meaning given to it in Condition 11(a).

"**Definitive Registered Note**" has the meaning given to it in Condition 1(a).

"**Designated Maturity**" has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 6(II)(b)(iv), the meaning given to it in the ISDA Definitions.

"**Determination Date**" means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Documents**" has the meaning given to it in Condition 13(c)(ii).

"**DTC**" has the meaning given to it in Condition 8(b)(iii).

"**DTC business day**" has the meaning given to it in Condition 8(b)(i).

"**Early Redemption Amount**" has the meaning given to it in the relevant Final Terms.

"**Euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Euro Exchange Date**" has the meaning given to it in Condition 21(c)(ii)(x).

"**Euro Exchange Notice**" has the meaning given to it in Condition 21(c)(ii)(x).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty.

"**Event of Default**" has the meaning given to it in Condition 10.

"**Exchange**" has the meaning given to it in Condition 6(II)(f).

"**Exchange Act**" has the meaning given to it in Condition 20(b).

"**Exchange Date**" has the meaning given to it in Condition 3(e).

"**External Indebtedness**" means Indebtedness which by its terms is payable (or at the option of the Holder thereof may be paid) (i) in a currency other than the lawful currency of the Federative Republic of Brazil ("**Brazil**") and (ii) outside of Brazil.

"**Extraordinary Resolution**" has the meaning given to it in Condition 13(a).

"**Final Instalment Amount**" has the meaning given to it in the relevant Final Terms.

"**Final Redemption Amount**" has the meaning given to it in Condition 7(a).

"**Final Terms**" has the meaning given to it in Condition 1(e).

"**Fixed Coupon Amount**" or "**Fixed Coupon Amounts**" has the meaning given to it in the relevant Final Terms.

"**Fixed Rate Note**" has the meaning given to it in Condition 6(I).

"**Floating Rate**" has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 6(II)(b)(iv), the meaning given to it in the ISDA Definitions.

"**Floating Rate Note**" has the meaning given to it in Condition 6(II).

"**Floating Rate Note Provisions**" has the meaning given to it in the relevant Final Terms.

"**Floating Rate Option**" has the meaning given to such term in the ISDA Definitions.

"**Government Obligation**" means (x) any security that is (i) a direct obligation of the United States of America or any country in the Euro-zone for the payment of which the full faith and credit of the United States of America or any country in the Euro-zone, as the case may be, is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or any country in the Euro-zone the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or any country in the Euro-zone, as the case may be, which, in either case under the preceding clause (i) or (ii) is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any Government Obligation that is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any Government Obligation that is so specified and held, *provided* that (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

"**Holder**" has the meaning given to it in Condition 1(c).

"**Indebtedness**" of a person means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised by such person (including money raised by acceptances and leasing); *provided, however*, that Indebtedness shall not include (a) any Indebtedness owed by the

Issuer or any Subsidiary to any other Subsidiary or the Issuer or (b) any sale of assets by the Issuer or any Subsidiary where such sale is subject to an obligation by, or an option of, the Issuer or any Subsidiary to repurchase such assets at a future date.

"**Instalment Amount**" has the meaning given to it in Condition 7(a).

"**Instalment Note**" has the meaning given to it in Condition 1(a).

"**Interest Amount**" has the meaning given to it in Condition 6(II)(d).

"**Interest Commencement Date**" means, in the case of the first issue of a Senior Note or Senior Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Determination Date**" means, in respect of any Interest Period, the date which falls that number of days specified in the relevant Final Terms on which banks and foreign exchange markets are open for business in the Relevant Banking Centre prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

"**Interest Payment Date**" has the meaning given to it in the relevant Final Terms.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

"**ISDA Definitions**" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

"**ISDA Determination**" has the meaning given to it in the relevant Final Terms.

"**ISDA Rate**" has the meaning given to it in Condition 6(II)(b)(iv).

"**Issue Date**" means, in respect of any Senior Note or Senior Notes, the date of issue of such Senior Note or Senior Notes.

"**Issuer Request**" means a written request signed in the name of the Issuer by an authorised officer of the Issuer.

"**Long Maturity Note**" has the meaning given to it in Condition 8(g)(i).

"**Margin**" means the percentage rate per annum specified in the relevant Final Terms.

"**Maturity Date**" has the meaning given to it in the relevant Final Terms.

"**Maximum Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**Minimum Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**New Residence**" has the meaning given to it in Condition 13(c)(iii).

"**Noteholder**" has the meaning given to it in Condition 1(c).

"**Opinion of Counsel**" means a written opinion of counsel from any person which may include, without limitation, counsel for the Issuer, whether or not such counsel is an employee of the Issuer, in all cases in form and substance reasonably acceptable to the Trustee.

"**Optional Redemption Amount**" has the meaning given to it in the relevant Final Terms.

"**Optional Redemption Date**" has the meaning given to it in the relevant Final Terms.

"**Original Withholding Level**" has the meaning given to it in the relevant Final Terms.

"**Participating Member State**" has the meaning given to it in Condition 21(b).

"**Permitted Security**" means:

(a) any Security in existence on the date of the Trust Deed and any extension, renewal or replacement thereof; *provided* that the aggregate amount of Indebtedness permitted to be secured under this clause (a) shall not exceed the amount so secured on the date of the Trust Deed;

(b) any Security granted in connection with the securitisation of, or other financing related to, (x) any payment rights or other receivables, including but not limited to receivables related to real estate and leasing activities, or (y) amounts paid or payable pursuant to payment instructions (including inter-bank payment instructions or advice of payment) received or to be received;

(c) any Security granted in connection with the incurrence of, or granted by means of any payment made to a trustee of amounts due in respect of, any Indebtedness which has the benefit of an insurance policy (or other arrangement having similar effect, including, without limitation, any Security granted in connection with a letter of credit) to provide for payments to Holders of such Indebtedness during any period in respect of which such trustee must wait before making a claim and receiving payment in respect thereof under any such insurance policy (or other arrangement having similar effect) in circumstances where the obligor on such Indebtedness is subject to restrictions on its ability to convert Brazilian Currency into the currency specified for scheduled payments on such Indebtedness or to use, transfer, control or access funds designated for such scheduled payments due to actions or measures taken or approved (or the failure to take or approve actions or measures) by the government of Brazil;

(d) any Security granted in connection with any equity-linked notes or deposits or credit-linked notes or deposits received by the Issuer or any subsidiary of the Issuer, but only to the extent that such Security is limited to the equity security or credit obligation to which such equity-linked notes or deposits or credit-linked notes or deposits are linked, as the case may be (and to the proceeds thereof);

(e) any Security (i) existing on any property or assets at the time of their acquisition by the Issuer or any Subsidiary, (ii) existing on any property or assets of a person at the time such person is acquired by the Issuer or any Subsidiary or is merged into or consolidated with the Issuer or any Subsidiary or (iii) granted upon or with respect to any property or assets hereafter acquired to secure the purchase price of such property or assets or to secure Indebtedness incurred solely for the purpose of financing all or any part of cost of the acquisition of such property or assets, and, in the case of each of the foregoing clauses (i), (ii) and (iii), any extension, renewal or replacement of such Security which is limited to the original property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) covered thereby and which secures any extension, renewal or replacement of the original secured financing; *provided*, *however*, that, in the case of (iii) above, the maximum sum secured by such Security shall not exceed the purchase price of such property or assets or the Indebtedness incurred solely for the purpose of financing the acquisition of such property or assets;

(f) any Security arising by operation of law; any Security for taxes, assessments or other governmental charges; or merchants', carriers', mechanics' or other similar Security arising in the ordinary course of business;

(g) any Security in respect of Indebtedness incurred in connection with any sale and leaseback of any property or assets in an aggregate principal amount at any time outstanding not exceeding U.S.$150.0 million; *provided* that such sale and leaseback is effected at fair value, as determined by the Issuer;

(h) any Security created solely in favour of or granted to the Central Bank or the central bank of any country, or any person acting on behalf of or for the account of the Central Bank or such other central bank;

(i) any Security created in connection with the banking business of the Issuer or any Subsidiary for the export or import of goods and services, whether in the primary or secondary markets, and in connection with the financing thereof (including to secure foreign trade lines extended to the Issuer or any Subsidiary);

(j) any Security in the form of assignments to third parties, with recourse, of amounts due in respect of pre-export finance, bankers acceptances, discounts and other similar facilities provided in the ordinary course of business;

(k) any Security created in favour of or granted to any multinational monetary agency, clearinghouse, stock exchange, brokerage firm or correspondent bank in connection with the trading activities of the Issuer or any of its subsidiaries, and not intended as securing Indebtedness independent of trading activities;

(l) any Security created to secure or pre-fund any amount payable, other than principal, on subordinated Public External Indebtedness that is intended to qualify as regulatory capital;

(m) any Security created to secure a variation in the amount payable under any Public External Indebtedness from the time of issuance of such Public External Indebtedness which amount is linked to a price, rate or index, other than an interest rate, inflation index or foreign exchange rate;

(n) any Security created in connection with or necessary to implement, with respect to any Indebtedness, defeasance pursuant to the terms of such Indebtedness, or to implement any equivalent mechanism under applicable law;

(o) any Security created in connection with any non-deposit, recourse debt instrument, or covered bond, that is secured directly or indirectly by perfected security interests under applicable law on assets held or owned by the issuer thereof consisting of, among other things, eligible mortgage loans, vehicle loans, public-sector debt, leasing receivables, credit card receivables, payroll loans and rural loans (*crédito rural*), and which debt instrument may permit substitution of cash or United States Treasury or agency securities or other investment-grade collateral for the initial collateral as necessary to manage the cover pool; or

(p) any other Security securing Public External Indebtedness in an aggregate principal amount at any time outstanding not exceeding an amount in Brazilian Currency equal to 1.0% of the total consolidated assets of the Issuer reflected in the consolidated financial statements of the Issuer prepared in accordance with Accounting Principles as at the end of the most recently ended fiscal quarter of the Issuer for which such a balance sheet is available.

For purposes of determining compliance with the limitation set forth in clause (g) above with respect to Indebtedness denominated in a currency other than U.S. dollars, the U.S. dollar-equivalent principal amount measured of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred, *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than the U.S. dollar (or in a different currency from such Indebtedness so being refinanced), and such refinancing would cause the U.S. dollar-denominated limitation in clause (g) above to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated limitation shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

For purposes of determining compliance with the limitation described in clause (p) above with respect to Indebtedness denominated in a currency other than Brazilian Currency, the Brazilian Currency-equivalent principal amount of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred, provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than Brazilian Currency (or in a different currency from such Indebtedness so being refinanced), and such refinancing would cause the Brazilian Currency limitation described in clause (p) above to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if created in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality.

"**Potential Event of Default**" means an event or circumstance which would, with the giving of notice, lapse of time, issue of a certificate or fulfillment of any other requirement provided for in Condition 10, become an Event of Default.

"**Primary Source**" has the meaning given to it in the relevant Final Terms.

"**Private Placement Legend**" has the meaning given to it in Condition 3(f).

"**Proceedings**" has the meaning given to it in Condition 23(b).

"**Public External Indebtedness**" means any External Indebtedness consisting of bonds, debentures, notes or other similar debt securities that are or are intended to be quoted or listed, or are ordinarily quoted or listed, on any stock exchange, automated trading system, over-the-counter or other organized securities market; *provided, however*, that Public External Indebtedness shall not include (i) any privately negotiated derivatives transactions, such as an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option, credit default swap or any other similar agreement (including any option to enter into any of the foregoing), including, but not limited to, all transactions privately negotiated and entered into under the terms and conditions of the ISDA® Master Agreement (and any Schedule, Confirmation, Credit Support Annex and other documents related thereto) as published by the International Swap Dealer Association, Inc. or any substitute entity thereof; (ii) sale of securities subject to repurchase agreement or option to repurchase such securities, including, but not limited to, other transactions privately negotiated and entered into under the terms and conditions of the TBMA/ISMA® Global Master Repurchase Agreement (and any annex, confirmation, credit support document and other documents related thereto) as published by the International Securities Market Association and the Bond Market Association or any substitute entity thereof; and (iii) any transactions involving derivatives that at the time of entering into such transaction are quoted, listed or ordinarily traded on any stock exchange, automated trading system, over-the-counter or other organized securities market.

"**Rate Multiplier**" means the percentage rate or number applied to the relevant Rate of Interest, as specified in the relevant Final Terms.

"**Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**Record Date**" has the meaning given to it in Condition 8(b)(i).

"**Redemption Notice**" has the meaning given to it in Condition 7(f).

"**Redenomination Date**" has the meaning given to it in Condition 21(b).

"**Reference Banks**" has the meaning given to it in the relevant Final Terms.

"**Reference Price**" has the meaning given to it in the relevant Final Terms.

"**Reference Rate**" means, for any Senior Note, the bid, offered or mean of bid and offered rate, as specified in the relevant Final Terms, for the floating rate specified in the relevant Final Terms.

"**Register**" has the meaning given to it in Condition 1(a).

"**Registered Notes**" has the meaning given to it in Condition 1(a).

"**Relevant Banking Centre**" means, for any Senior Note, the Relevant Banking Centre specified in the relevant Final Terms or, if none is so specified, the banking centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

"**Relevant Business Day**" means:

i. in the case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Relevant Financial Centre; or

i. in the case of Euro, a TARGET Business Day; and

ii. in the case of any currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Business Centre(s) specified in the relevant Final Terms.

"**Relevant Date**" has the meaning given to it in Condition 9.

"**Relevant Financial Centre**" means the principal financial centre for the relevant currency (which in the case of Euro shall be Europe), as specified in the relevant Final Terms.

"**Relevant Notes**" has the meaning given to it in Condition 13(c).

"**Relevant Time**" means the local time in the Relevant Banking Centre at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Centre or, if no such customary local time exists, 11.00 A.M. in the Relevant Banking Centre and for this purpose "local time" means, with respect to Europe as a Relevant Banking Centre, Brussels time.

"**Reset Date**" has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 6(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

"**Screen Rate Determination**" has the meaning given to it in the relevant Final Terms.

"**Securities Act**" has the meaning given to it in Condition 3(f).

"**Security**" means any mortgage, pledge, lien, hypothecation, security interest, sale-leaseback arrangement or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil.

"**Senior Notes**" has the meaning given to it in Condition 1(a).

"**Series**" has the meaning given to it in Condition 1(c).

"**Significant Subsidiary**" means any subsidiary of the Issuer the total assets of which exceeded 10% of the total consolidated assets of the Issuer as reflected in the consolidated financial statements of the Issuer prepared in according with Accounting Principles at the end of the most recent fiscal year of the Issuer for which a balance sheet is available.

"**Specified Currency**" has the meaning given to it in the relevant Final Terms.

"**Specified Denomination**" has the meaning given to it in Condition 1(b).

"**Specified Interest Payment Currency**" has the meaning given to it in the relevant Final Terms.

"**Specified Interest Payment Date**" means each date which falls on the last day of the Interest Period specified in the relevant Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Senior Note, in each case as adjusted by the Business Day Convention specified in the relevant Final Terms.

"**Specified Principal Payment Currency**" has the meaning given to it in the relevant Final Terms.

"**Subsidiary**" means in relation to a company or corporation, a company or corporation which is controlled, directly or indirectly, by the first mentioned company or corporation. For this purpose, a company or corporation shall be treated as being controlled by another if; (i) more than half of the voting shares of such company or corporation is owned, directly or indirectly, by the first mentioned company or corporation; and (ii) the composition of the majority of the board of the directors (in the absence of a board of directors, the majority of the executive officers) of such company or corporation is determined by the first mentioned company or corporation.

"**Substituted Debtor**" has the meaning given to it in Condition 13(c).

"**Successor Corporation**" has the meaning given to it in Condition 19(a).

"**Swap Transaction**" for the purposes of Condition 6(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

"**TARGET Business Day**" means a day on which the TARGET System is operating.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on November 19, 2007 or any successor thereto.

"**Taxes**" has the meaning given to it in Condition 9.

"**Terms and Conditions**" means these terms and conditions as amended and supplemented by the relevant Final Terms in relation to a Series of Senior Notes.

"**Tranche**" has the meaning given to it in Condition 1(c).

"**Treaty**" means the treaty establishing the European Community, as amended.

"**Zero Coupon Note**" has the meaning given to it in Condition 6(III).

"**Zero Coupon Note Provisions**" has the meaning given to it in the relevant Final Terms.

3. Transfers of Registered Notes, Issue of Definitive Registered Notes and Exchange of Bearer Notes

(a) *Transfer of Registered Notes:* A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Registered Note issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note, a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued to the transferee upon transfer of such Registered Note will, within three Relevant Business Days of receipt of such form of transfer, be mailed at the risk of the Holder entitled to the new Definitive Registered Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge:* Registration of transfer or exchange will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Terms and Conditions, unless the context otherwise requires, the amount payable on redemption of a Senior Note) of that Senior Note, (ii) during the period of 60 days prior to any date on which Senior Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 7(e) or (iii) after notice has been delivered for redemption in whole or in part of any Registered Note in accordance with Condition 7.

(d) *Regulations:* All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any Holder of a Registered Note upon request.

(e) *Exchange of Bearer Notes for Registered Notes:* If so specified in the relevant Final Terms, the Holder of any Bearer Notes may exchange some or all of such Bearer Notes for an aggregate principal amount of Registered Notes equal to the aggregate principal amount of Bearer Notes being so exchanged upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of any Transfer Agent together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Coupons and any Talon appertaining thereto, other than the Coupon in respect of the next payment of interest falling due after the date the relevant Bearer Note has been surrendered for exchange (the "**Exchange Date**") where the Exchange Date is after the Record Date for such payment of interest and is on or before the date on which such payment of interest falls due. A Definitive Registered Note will be issued upon the exchange of a Bearer Note for a Registered Note and will, within three Relevant Business Days of receipt of such written request for exchange, be mailed at the risk of the Holder entitled to the Definitive Registered Note to such address as may be specified in such written request for exchange.

(f) *Private Placement Legend:* Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the "**Private Placement Legend**") for the purpose of Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), set forth in the form of a Registered Note scheduled to the Agency Agreement, the Registrar shall deliver only Registered Notes that also bear such legend, unless the Issuer otherwise determines in compliance with applicable law.

4. Status

The Senior Notes (which will specify their status in the relevant Final Terms as senior) and Coupons of all Series comprising Senior Notes constitute direct, unsecured (subject to Condition 5) and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons shall, save for such exceptions as may be provided

by applicable legislation and subject to Condition 5, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

5. Negative Pledge

So long as any Senior Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist any Security (other than any Permitted Security) upon the whole or any part of the Issuer's assets, present or future, to secure (i) any of the Issuer's Public External Indebtedness or (ii) any of the Issuer's Affected Guarantees without, at the same time or prior thereto and for so long as such other obligation is so secured, securing the Senior Notes equally and ratably therewith or providing such other security for the Senior Notes as shall be not materially less beneficial to Holders of the Senior Notes at the Issuer's determination or as shall be approved by an Extraordinary Resolution of Holders of Senior Notes. Nothing contained herein shall prevent or inhibit the granting of unsecured sureties or guarantees of any description, including performance bonds at the request of and for account of customers in favour of third parties in the ordinary course of business.

6. Interest

One or more of the following provisions apply to each Senior Note, as specified in the relevant Final Terms.

(I) Fixed Rate Notes

This Condition 6(I) applies to a Senior Note in respect of which the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable (a "**Fixed Rate Note**").

(a) *Interest Rate and Accrual:* Each Senior Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified in the relevant Final Terms. Such interest is payable in arrears on each Interest Payment Date in each year and on the Maturity Date specified in the relevant Final Terms if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Senior Note may be specified in the relevant Final Terms as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount. If the Senior Notes are in more than one Specified Denomination, the amount of interest payable in respect of each Senior Note for any Interest Period shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

The first payment of interest on a Senior Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Senior Note will be the amount specified in the relevant Final Terms as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified in the relevant Final Terms as being the final Broken Amount.

Interest will cease to accrue on each Senior Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event, interest will continue to accrue, both before and after judgment, in the manner provided in this Condition 6(I) and at the rate equal to the sum of the rate provided in this Condition 6(I) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 6(I) plus the Arrears Rate.

(b) *Calculations:* Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first Interest Period, the period between the Interest Commencement Date and the first Interest Payment Date) or, in the case of the final Interest Period, the period between the final Interest Payment Date and the Maturity Date) will be calculated using the applicable Day Count Fraction.

(II) Floating Rate Notes

This Condition 6(II) applies to a Senior Note in respect of which the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable (a "**Floating Rate Note**").

(a) *Specified Interest Payment Dates:* Each Senior Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof and such interest will be payable in arrears on each Specified Interest Payment Date.

(b) *Rate of Interest:* Each Senior Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Terms (each a "**Benchmark**"). The dates on which interest shall be payable on a Senior Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Senior Note on each such date and on any other date on which interest becomes payable in respect of such Senior Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Senior Note shall be as set out below, unless otherwise specified in the relevant Final Terms. Subject to Condition 6(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified in the relevant Final Terms, be determined by the Calculation Agent on the basis of the following provisions:

i. At or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, the Calculation Agent will:

(A) in the case of a Senior Note which specifies that the Primary Source for the Floating Rate shall be derived from a specified page, section or other part of a particular information service (each as specified in the relevant Final Terms), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and

(B) in the case of a Senior Note that specifies that the Primary Source for the Floating Rate shall be the Reference Banks specified in the relevant Final Terms and in the case of a Senior Note falling within Condition 6(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest is to be determined by reference to the arithmetic mean of quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 6(II)(b)(i)(A)(y) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre of each of the Reference Banks specified in the relevant Final Terms (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 6(II)(b)(i)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in an amount that is representative in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 6(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.

ii. If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 6(II)(b)(i)(B) in respect of a Senior Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined in accordance with Condition 6(II)(b)(i)(B) on the basis of the Reference Rates quoted by those Reference Banks.

iii. If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 6(II)(b)(i)(B), only one or none of such Reference Banks provide such Reference Rates, the Rate of Interest for the relevant Interest Period shall be the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre or, if the Specified Currency is Euro, in Europe, *provided* that, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of

Interest shall, subject as provided below, be the Rate of Interest in effect for the last preceding Interest Period to which Condition 6(II)(b)(i)(A) or (B) or Condition 6(II)(b)(ii) applied.

iv. In the case of a Senior Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall, subject as provided below, be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (iv), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (iv), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(c) *Minimum/Maximum Rates:* If a Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest applicable to that Senior Note shall in no event be less than it and if a Maximum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest applicable to that Senior Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 6(II) and calculate the amount of interest payable (the "**Interest Amount**") in respect of each Specified Denomination of the relevant Senior Notes (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin or Rate Multiplier to each Specified Denomination (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes), and multiplying such product by the applicable Day Count Fraction and rounding, if necessary, the resultant figure to the nearest sub-unit of the relevant currency. The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties and the Calculation Agent shall have no liability whatsoever in connection with the exercise of its powers and duties hereunder or otherwise in connection with the Senior Notes, absent gross negligence or willful misconduct. For this purpose a "sub-unit" means, in the case of any currency other than dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of dollar, means one cent.

(e) *Calculation of Other Amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, promptly after the time or times at which any such amount is to be determined or calculated, notify the relevant amount to the Issuer and the Noteholders. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(f) *Notification of Rate of Interest and Interest Amount:* The Calculation Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Specified Interest Payment Date and any other amount required to be determined by it to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 20(a)) and if the relevant Senior Notes are for the time being listed on any stock exchange (each an "**Exchange**"), the Exchange, as soon as possible after their determination but in no event later than three Relevant Business Days after their determination. The Interest Amount and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Interest Accrual:* Interest will cease to accrue on each Senior Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event interest will continue to accrue, both before and after judgment, in the manner

provided in this Condition 6(II) (both before and after judgment) and at the rate equal to the sum of the rate provided in this Condition 6(II) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 6(II) plus the Arrears Rate.

(h) *Calculation Agent and Reference Banks:* The Issuer will procure that, so long as any Senior Note to which this Condition 6(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Senior Note and, so long as the Primary Source for Floating Rate for such Senior Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Senior Note the determination of interest for which falls within Condition 6(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Senior Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount or any other amount to be calculated by the Calculation Agent pursuant to the relevant Final Terms, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(III) Zero Coupon

This Condition 6(III) applies to a Senior Note in respect of which the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable (a "**Zero Coupon Note**").

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Terms and Conditions are not applicable. Where a Senior Note becomes repayable prior to its Maturity Date and is not paid when due, (x) the amount due and payable in respect of such Senior Note shall be the Amortised Face Amount of such Senior Note as determined in accordance with Condition 7(d)(i)(B) and (y) interest will accrue on such Amortized Face Amount at the rate per annum equal to the sum of the Amortization Yield as specified in the relevant Final Terms (or, if no such amount is specified, the amount equal to the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Senior Note from the Issue Date to the date on which the Senior Note becomes due and payable calculated at a rate per annum (expressed as a percentage)) plus the Arrears Rate. Where a Senior Note is to be redeemed on its Maturity Date, any overdue principal of such Senior Note shall bear interest at a rate per annum (expressed as a percentage) equal to the sum of (a) the Amortisation Yield specified in the relevant Final Terms (or, if no such amount is specified, the amount equal to the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Senior Note from the Issue Date to the date on which the Senior Note becomes due and payable calculated at a rate per annum (expressed as a percentage)) plus the Arrears Rate. In each case, such interest shall continue to accrue (on the same basis as referred to in Condition 6(I)) (both before and after judgment) to the Relevant Date.

7. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed or purchased and cancelled, each Senior Note will be redeemed at its redemption amount ("**Final Redemption Amount**"), being its nominal amount or such other amount as is specified in the relevant Final Terms or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amount**") as may be specified in the relevant Final Terms, on the applicable Maturity Date specified in the relevant Final Terms.

(b) *Purchases:* The Issuer and any of its Subsidiaries may at any time purchase some or all Senior Notes of a Series at any price (*provided* that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise. The Senior Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder thereof to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 13 and 14, except that Senior Notes so held which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to so act with respect to such Senior Notes and that the pledgee is not

the Issuer or any Subsidiary, or any other obligor upon the Senior Notes or any Subsidiary of such other obligor. Senior Notes so purchased or acquired by the Issuer or any Subsidiary in the ordinary course of its business as a dealer in securities may be reissued or resold, together with such unmatured Coupons and unexchanged Talons, and Senior Notes so reissued or resold shall, for all purposes, be deemed to form part of the original Series of Senior Notes in which they were issued.

(c) *Redemption of Senior Notes for Taxation Reasons:* Any Series of Senior Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Senior Notes the interest basis for which is specified in the relevant Final Terms as Fixed Rate or Zero Coupon Notes) or on any Specified Interest Payment Date (in the case of Senior Notes the interest basis for which is specified in the relevant Final Terms as Floating Rate), on giving not less than 30 days nor more than 45 days notice to the Noteholders in accordance with Condition 20(a) (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified, at the nominal amount specified in the relevant Final Terms (in each case together with interest accrued to, but excluding, the date fixed for redemption) or (in the case of Senior Notes the interest basis for which is specified in the relevant Final Terms as Zero Coupon) at their Amortised Face Amount (as determined in accordance with Condition 7(d)(i)(C)), if (a) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with Condition 9) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified in the relevant Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series and (b) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, *provided* that no such notice of redemption shall be given earlier than 90 days (or such other period specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Senior Notes then due (or in the case of Senior Notes which bear interest at a Floating Rate, a number of days which is equal to the aggregate of the number of days falling within the current Interest Period applicable to the Senior Notes plus 75 days). Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (b) above, in which event it shall be conclusive and binding on the Noteholders.

(d) *Early Redemption of Senior Notes:*

i. *Zero Coupon Notes:* This Condition 7(d)(i) applies to a Zero Coupon Note that is a Senior Note.

(A) The amount payable in respect of any Senior Note upon redemption of such Senior Note pursuant to Condition 7(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Senior Note unless otherwise specified in the relevant Final Terms.

(B) Subject to Condition 7(d)(i)(C), the "**Amortised Face Amount**" of any Senior Note shall be the sum of (A) the Reference Price specified in the relevant Final Terms and (B) the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Senior Note from the Issue Date to the date on which the Senior Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified in the relevant Final Terms applied to the Reference Price in the manner specified in the relevant Final Terms. Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purpose of this Condition 7(d) or, if none is so specified, a Day Count Fraction of 30/360.

(C) If the amount payable in respect of any Senior Note upon redemption of such Senior Note pursuant to Condition 7(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 10, is not paid when due, the amount due and payable in respect of such Senior Note shall be the Amortised Face Amount of such Senior Note, except that Condition 8 shall have effect as though the reference therein to the date on which the Senior Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this

Condition 7(d)(i)(C) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the nominal amount of such Senior Note together with any interest which may accrue on such Senior Note in accordance with Condition 6(III).

ii. *Other Senior Notes:* The Early Redemption Amount payable in respect of any Senior Note (other than Senior Notes described in Condition 7(d)(i) above), upon redemption of such Senior Note pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount together with accrued interest to, but excluding, the date fixed for redemption, unless otherwise specified in the relevant Final Terms.

(e) *Redemption of Senior Notes at the Option of the Issuer (Call Option):* If so specified in the relevant Final Terms, the Issuer may, on giving to the Holder of such Senior Note irrevocable notice in accordance with Condition 20(a) of not less than 30 days nor more than 45 days (or such other notice period as specified in the relevant Final Terms), redeem or (at the option of the Issuer) procure the purchase of all or, if so specified in the relevant Final Terms, some of the Senior Note of the relevant Series, on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Senior Notes that at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount (Call) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to, but excluding, the date fixed for redemption or purchase. All Senior Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 7(e). If the Senior Notes are to be redeemed in part only: (i) in the case of Bearer Notes, the Senior Notes to be redeemed or purchased shall be selected by the drawing of lots in such European city as the Trustee approves and in such manner as the Trustee considers appropriate and (ii) in the case of Registered Notes, the Senior Notes shall be redeemed or purchased *pro rata* to their principal amounts, *provided* that the amount redeemed or purchased in respect of each Registered Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Senior Notes to be so redeemed or purchased. In case of the redemption or purchase of part only of a Registered Note, a new Registered Note in respect of the remaining balance shall be issued in accordance with Condition 3.

(f) *Redemption of Senior Notes at the Option of Noteholders (Put Option):* If so specified in the relevant Final Terms, the Issuer shall, at the option of the Holder of such Senior Note of the relevant Series, redeem or (at the option of the Issuer) procure the purchase of such Senior Note on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Senior Notes at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount (Put) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to, but excluding, the date fixed for redemption or purchase. To exercise such option the Holder must deposit such Senior Note (in the case of an interest-bearing Senior Note in bearer form, together with all unmatured Coupons other than any Coupon maturing on or before the date of redemption) with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices during normal business hours, together with a duly completed irrevocable notice of redemption ("**Redemption Notice**") specifying, in case of a Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the Specified Denomination), in the form obtainable from any Agent not more than 60 nor less than 46 days (or such other deposit period as may be specified in the relevant Final Terms) prior to the relevant date for redemption. No Senior Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified in the relevant Final Terms of the commencement of any period for the deposit of Senior Notes for redemption pursuant to this Condition 7(f) shall be given by the Issuer to Noteholders in accordance with Condition 20(a).

(g) *Cancellation:* All Senior Notes redeemed in accordance with this Condition 7, and any unmatured Coupons or Talons attached to them, will be cancelled promptly. Any Senior Notes purchased in accordance with this Condition 7, and any unmatured Coupons or Talons purchased with them, may at the option of the Issuer be

cancelled or may be resold. Senior Notes which are cancelled following any redemption or purchase made in accordance with this Condition 7 may at the option of the Issuer be re-issued together with any unmatured Coupons or Talons.

(h) *Purchase or Redemption by Issuer:* For purposes of paragraphs (b), (c), (e) and (f) with respect to a purchase or redemption, as the case may be, that may be made by the Issuer, references to the Issuer shall include the Bank, or any successor thereto, acting through its head office or any branch office.

8. Payments

(a) *Bearer Notes:*

i. *Payments of Principal and Interest*

Payments of principal and interest in respect of Bearer Notes will, subject to Condition 8(a)(ii), be made against presentation and surrender (*provided* the payment is payment of the Final Instalment Amount) of the relevant Bearer Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States:

(A) in respect of payments denominated in a Specified Currency (or, if different, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be) other than U.S. dollars, at the option of the Holder either by a cheque drawn in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with a bank in the Relevant Financial Centre of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or in the case of Euro, in a city in which banks have access to the TARGET System; or

(B) in respect of payments denominated in U.S. dollars, subject to Condition 8(a)(ii), at the option of the Holder either by a U.S. dollar cheque drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States; or

(C) as may otherwise be specified in the relevant Final Terms as an Alternative Payment Mechanism.

Subject to Condition 8(a)(ii), no payment of principal or interest in respect of Bearer Notes shall be made by cheque mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States.

ii. *Payments in the United States*

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made at the specified office of any Paying Agent in New York City in the same manner as Condition 8(a)(i)(B) if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided under Condition 8(a)(i)(B) when due, (b) payment in full of such amounts at all offices of such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law. For the purposes of these Terms and Conditions, the "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

iii. *Payments on Business Days*

Subject as provided on a Senior Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8(a), "**business day**" means a day on which commercial banks are open for business and for dealings in foreign currencies in the Relevant Financial Centre of the Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, and:

(A) in the case of payment in Euro, a day which is a TARGET Business Day; and

(B) in the case of Bearer Notes in definitive form, a day on which commercial banks are open for business and for dealings in foreign currencies in the relevant place of presentation.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest accrued on a Bearer Note the interest basis for which is specified in the relevant Final Terms as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) *Registered Notes:*

i. *Payments of Principal and Interest*

Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the Principal Paying Agent on the due date for payment to the person shown on the Register (or, in case of joint Holders, the first-named) at the close of business (local time in the place of the specified office of the Principal Paying Agent) (i) in the case of a Registered Note registered in the name of, or the name of a nominee for, DTC, on the fifteenth DTC business day before the due date for payment thereof; and (ii) in the case of a Registered Note deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear or Clearstream, Luxembourg, one day on which Euroclear or Clearstream, Luxembourg, as the case may be, is open for business before the due date for payment thereof (the "**Record Date**"):

(A) by cheque drawn on, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with, a bank in the Relevant Financial Centre of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or, in the case of Euro, in a city in which banks have access to the TARGET System; or

(B) as may otherwise be specified in the relevant Final Terms as an Alternative Payment Mechanism,

subject in each case to Condition 8(b)(iii). For the purposes of this Condition 8(b), "**DTC business day**" means any day on which DTC is open for business.

Payments of principal in respect of Registered Notes will only be made against (except for, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Definitive Registered Note at the specified office of any Transfer Agent. Upon application by the Holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment in respect of a Registered Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Centre or, in the case of Euro, in a city in which banks have access to the TARGET System. Details of the account to which a registered Holder's payments will be made should be notified by the Holder to the specified office of the Principal Paying Agent before the Record Date preceding the relevant payment date. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Registered Note with a nominal amount equal to the remaining unpaid nominal amount.

ii. *Payment Initiation*

Where payment is to be made by transfer to an account in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the risk of the Holder of such Senior Note) on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Registered Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Definitive Registered Note is surrendered.

iii. *Payments Through The Depository Trust Company*

Registered Notes, if so specified on them, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("**DTC**"). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 8(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency or in respect of which payments are to be made in a Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, in accordance with the following provisions. The amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payable by the Principal Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, by wire transfer of same day funds to the designated bank account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, of the DTC participants entitled to receive the relevant payment.

(c) *Delay in Payment*. Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Senior Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Registered Note (if required to do so) or if a cheque mailed in accordance with Condition 8(b)(ii) arrives after the due date for payment.

(d) *Payment Not Made in Full:* If the amount of principal or interest which is due on any Bearer or Registered Note, as the case may be, is not paid in full, the Registrar will annotate the Register with a record of, or the Paying Agent will endorse on the Bearer Note or Coupon a statement indicating, the amount of principal or interest, if any, in fact paid on such Bearer or Registered Note, as the case may be.

(e) *Payments Subject to Law, etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) *Appointment of Agents:* The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Replacement Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The Issuer reserves the right at any time, with the prior approval of the Trustee which shall not be unreasonably withheld, to vary or terminate the appointment of any Agent, to appoint another Registrar, Replacement Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer will at all times maintain (i) a Principal Paying Agent in respect of each Series of Senior Notes, (ii) a London Paying Agent, (iii) a Registrar and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Senior Notes are listed is the Luxembourg Stock Exchange shall be Luxembourg, (v) a Paying Agent having a specified office in a member state of the European Union, which member state will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (vi) a Calculation Agent and (vii) a Replacement Agent. In addition, the Issuer shall promptly appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 8(a)(ii). Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 20(a).

(g) *Unmatured Coupons and Unexchanged Talons:*

i. Bearer Notes the interest basis for which is specified in the relevant Final Terms as being Fixed Rate, other than Senior Notes which are specified to be long maturity notes (being Senior Notes whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 6(I)(a), each such Senior Note being a "**Long Maturity Note**"), should be surrendered for payment of principal together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to

the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment on such Senior Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 12). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Senior Note.

ii. If so specified on a Bearer Note, upon the due date for redemption of any Bearer Note either the interest basis for which is specified in the relevant Final Terms as being Floating Rate at any time or which is a Long Maturity Note, unmatured Coupons relating to such Senior Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

iii. Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Senior Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

iv. Where any Bearer Note either the interest basis for which is specified in the relevant Final Terms as being Floating Rate at any time or which is a Long Maturity Note, is presented for redemption without all unmatured Coupons relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption of such Bearer Note shall be made only against the provisions of such indemnity by the Noteholder as the Issuer may require.

(h) *Talons:* Except where such Talon has become void pursuant to Condition 8(g)(iii), on or after the Interest Payment Date or, as the case may be, the Specified Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Senior Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the London Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 12 or the due date for the payment of which would fall after the due date for the redemption of the relevant Senior Note). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

(i) *Satisfaction of Obligations:* Every payment of any sum due in respect of Senior Notes or Coupons made to the Principal Paying Agent as provided for herein shall, to such extent, be a good discharge to the Issuer. In the event there is a default by the Principal Paying Agent in any payment to any Paying Agent or by any Paying Agent in any payment on the Senior Notes to any Holder in accordance with these Terms and Conditions, the Issuer shall pay such additional amounts as will result in receipt by such Holder of such amount as would have been received by it had no such default occurred.

9. Taxation

All payments by or on behalf of the Issuer in respect of the Senior Notes and the Coupons will be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of Senior Notes issued by the Issuer acting through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of Senior Notes issued by the Issuer acting through its Grand Cayman Branch, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Senior Note or Coupon:

(a) where such withholding or deduction is imposed by reason of the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Senior Note or Coupon having some connection with Brazil, the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax, other than the mere holding of such Senior Note or Coupon; or

(b) where such withholding or deduction could have been lawfully avoided if the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Senior Note or Coupon had complied with a request addressed to such Holder or beneficial owner (or third party) to provide certification,

identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder or beneficial owner (or third party); *provided* that the Issuer shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 20(a); or

(c) where such withholding or deduction is imposed on a payment to or for the account of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any amendment thereof or any other European Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or amendment; or

(d) where such withholding or deduction would have been avoided by presenting the relevant Senior Note or Coupon to another Paying Agent in a member state of the European Union; or

(e) in respect of any Tax which is payable otherwise than by withholding or deduction; or

(f) in respect of any inheritance, gift, estate, personal property, sales or transfer Tax; or

(g) surrendered or presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Senior Note or Coupon would have been entitled to additional amounts on surrendering or presenting the same for payment on the last day of such period of 30 days.

As used in these Terms and Conditions, "**Relevant Date**" in respect of any Senior Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 20(a) that such moneys have been so received and are available for payment. References in these Terms and Conditions to "**principal**" shall be deemed to include "**Amortised Face Amount**", "**Final Redemption Amount**", "**Optional Redemption Amount**" and "**Early Redemption Amount**" and any premium payable in respect of the Senior Notes and any reference to "**principal**" or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition 9 or any undertaking given in addition to or in substitution for it under the Trust Deed.

10. Events of Default

If any of the following events (each an "**Event of Default**"), as modified by, or such other events as may be specified in, the Final Terms occurs and is continuing, the Trustee if instructed in writing by Holders of at least one third in nominal amount of the Senior Notes of such Series then outstanding or if so directed by an Extraordinary Resolution of Noteholders of such Series shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Senior Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified in the relevant Final Terms or, if none is so specified, at the nominal amount specified in the relevant Final Terms together with accrued interest to the date of redemption or, in relation to Zero Coupon Notes, the Amortised Face Amount of such Senior Notes:

(a) *Non-payment:* The Issuer fails to pay any principal or interest (if any) in respect of any of the Senior Notes of such Series on the date when due and, with respect to principal, such failure continues for a period of three days and, with respect to interest, such failure continues for a period of ten days; or

(b) *Breach of other obligations:* The Issuer fails to perform or comply with any one or more of its other material obligations under the Senior Notes of such Series or the Trust Deed and such failure continues for a period of 30 days after written notice of such default shall has been given to the Issuer by the Trustee; or

(c) *Cross default:* (i) acceleration of any Indebtedness of the Issuer or any Significant Subsidiary if such acceleration has been effective for at least two Relevant Business Days, or (ii) any Indebtedness of the Issuer is not paid when due or, as the case may be, within any applicable grace period and such non-payment has continued for at least two Relevant Business Days since the later of the date on which such payment was due and the expiry of any applicable grace period, *provided* that the aggregate amount of such Indebtedness in respect of which one or more of the events mentioned above in this Condition 10 have occurred equals or exceeds an amount equal to 0.8% of the regulatory capital of the Issuer as at the end of the most recently ended fiscal quarter of the Issuer as set forth in the relevant report to the Central Bank for such period by the Issuer. For purposes of determining compliance with the limitation described in this paragraph (c), the Brazilian Currency-equivalent principal amount of such Indebtedness

shall be calculated based on the relevant currency exchange rate in effect on the end of the most recently ended fiscal quarter of the Issuer for which a balance sheet is available; or

(d) *Dissolution and insolvency:* The Issuer (a) is dissolved other than in connection with a consolidation, merger or reorganization not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Senior Notes are assumed by the successor entity, (b) suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due, (c) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy law or (d) consents to the commencement against it of an involuntary case in bankruptcy or any other action or proceeding, or a proceeding is commenced in an involuntary case in bankruptcy if such proceeding is not dismissed on or before the 60th day after the entry thereof or if any such dismissal or stay ceases to be in effect; or

(e) *Analogous events:* Any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to in paragraph (d).

Such acceleration is subject to the condition that any time after the principal of the Senior Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Holders of at least two thirds in the nominal amount of the Senior Notes of the affected Series then outstanding by written notice to the Issuer and the Trustee may rescind and annul such declaration and its consequences solely with respect to such Senior Notes, subject to certain conditions, but no such rescission and annulment shall affect any subsequent default or shall impair any right consequent thereon.

11. Covenant Defeasance

(a) The Issuer may at its option, at any time, elect to have terminated the obligations of the Issuer with respect to outstanding Senior Notes of a Series as set forth in this Condition 11 and elect to have Condition 11(b) be applied to all of the outstanding Senior Notes of such Series (the "**Defeased Notes**"), upon compliance with the conditions set forth below in Condition 11(c), Condition 11(b) may be applied to the Defeased Notes to the Maturity Date or relevant Optional Redemption Date.

(b) Upon the Issuer's exercise of the option under Condition 11(a), (i) the Issuer shall be released from its obligations under any covenant or provision contained in Condition 5 and the provisions of Condition 19 shall not apply, and (ii) the occurrence of any event specified in Condition 10(b) or (c) shall be deemed not to be or result in an Event of Default, in each case with respect to the Defeased Notes on and after the date the conditions set forth below are satisfied (hereinafter, "**Covenant Defeasance**"), and the Senior Notes shall thereafter be deemed not to be outstanding for the purposes of any direction, waiver, consent or declaration or act of Noteholders (and the consequences of any thereof) in connection with such covenants or provisions, but shall continue to be deemed outstanding for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the Defeased Notes, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant or provision, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or provision or by reason of any reference in any such covenant or provision to any other provision herein or in any other document and such omission to comply shall not constitute a Potential Event of Default or an Event of Default, but, except as specified above, the remainder of these Terms and Conditions and the Trust Deed shall be unaffected thereby.

(c) The following shall be the conditions to application of Condition 11(b) to the outstanding Senior Notes:

i. The Issuer shall have irrevocably deposited or caused to be deposited with the Trustee, in trust, money or Government Obligations, or a combination thereof, in amounts as will be sufficient (without reinvestment), to pay and discharge the principal of, and premium, if any, and interest, if any, on the Defeased Notes to the Maturity Date or relevant Optional Redemption Date in accordance with these Terms and Conditions and the Trust Deed;

ii. No Event of Default specified in Condition 10(a) shall have occurred and be continuing on the date of such deposit;

iii. Such deposit shall not result in a breach or violation of, or constitute an Event of Default under, these Terms and Conditions or the Trust Deed;

iv. The Issuer either: (i) shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Defeased Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred or (ii) shall indemnify each beneficial owner of a Defeased Note against any additional U.S. federal income tax thereafter imposed on such beneficial owner (net of any U.S. federal income tax savings) as a consequence of such Covenant Defeasance; and

v. The Issuer shall have delivered to the Trustee a certificate signed by two authorised officers and an Opinion of Counsel, each to the effect that all conditions precedent provided for in this Condition 11(c) relating to the Covenant Defeasance have been complied with. In rendering such Opinion of Counsel, counsel may rely on a certificate signed by two authorised officers as to compliance with the foregoing paragraphs (i), (ii) and (iii) of this Condition 11(c) or as to any matters of fact.

(d) Subject to the provisions of Condition 11(e), all money and Government Obligations (including the proceeds thereof) deposited with the Trustee (or such other person that would qualify to act as successor trustee under the Agency Agreement, collectively and solely for purposes of this Condition 11(d), the "**Trustee**") pursuant to Condition 11(c)(i) in respect of the Defeased Notes shall be held in trust and applied by the Trustee in accordance with the provisions of such Senior Notes and these Terms and Conditions and the Trust Deed to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Noteholders of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except as requested by the Issuer or to the extent required by law.

The Issuer shall pay and indemnify the Trustee and its agents and hold them harmless against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Condition 11(c)(i), or the principal, premium, if any, and interest, if any, received in respect thereof, other than any such tax, fee or other charge that by law is for the account of the Holders of the Defeased Notes.

Anything in this Condition 11 to the contrary notwithstanding, the Trustee shall deliver to the Issuer, any money or Government Obligations held by it as provided in Condition 11(c)(i) in respect of which:

i. it receives an Issuer Request; and

ii. after consultation with a nationally recognized accounting or investment banking firm, it is informed in a written certification from such firm that such money or Government Obligations are in excess of the amount that would then be required to be deposited to effect an equivalent Covenant Defeasance,

provided that, no liability, whatsoever, shall attach to the Trustee and it shall be fully protected and have no liability in relying on such written certification.

(e) If the Trustee or Paying Agent is unable to apply any money or Government Obligations in accordance with Condition 11(b), as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Issuer under these Terms and Conditions and the Trust Deed shall be revived and reinstated as though no deposit had occurred pursuant to Condition 11(b), until such time as the Trustee or Paying Agent is permitted to apply all such money and Government Obligations in accordance with Condition 11(b); *provided*, *however*, that if the Issuer makes any payment of principal, premium, if any, or interest, if any, on any Senior Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Senior Notes to receive such payment from the money and Government Obligations held by the Trustee or Paying Agent.

(f) The Trustee shall pay to the Issuer upon Issuer Request any money held by it for the payment of principal, premium, if any, or interest, if any, that remains unclaimed for two years after the Maturity Date or the relevant Optional Redemption Date, as the case may be. After payment to the Issuer, Noteholders entitled to money must look to the Issuer for payment as unsecured general creditors unless an applicable abandoned property law designates another person. No liability whatsoever shall be owed by the Trustee or Paying Agent to the Issuer or the Noteholders with respect to such money, absent gross negligence or willful misconduct.

12. Prescription

Claims against the Issuer for payment in respect of the Senior Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

13. Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders:* The Trust Deed contains provisions (which shall have the effect as if incorporated herein) for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Senior Notes of such Series (including these Terms and Conditions insofar as the same may apply to such Senior Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 20% in nominal amount of the Senior Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Senior Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing Holders of Senior Notes of the relevant Series whatever the nominal amount of the Senior Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Senior Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Instalment Amount (if any) of the Senior Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Senior Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified in the relevant Final Terms of any Series a Minimum Rate of Interest or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest or such Maximum Rate of Interest, (v) to change the method of calculating the Amortised Face Amount (if any) of any Series, (vi) to change the currency or currencies of payment of the Senior Notes of any Series or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Senior Notes of the relevant Series for the time being outstanding. An "**Extraordinary Resolution**" is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of at least 75% of the votes cast. A written resolution of Holders of not less than 75% in nominal amount of the Senior Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all Holders of Senior Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any).

(b) *Modification, Waiver and Determination:* The Trustee and the Issuer may, without the consent of the Noteholders or Couponholders, agree to any modification of any of the provisions of the Trust Deed, the Final Terms of any Series of Senior Notes and the Senior Notes of any Series (i) which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) to cure any ambiguity or inconsistency, (iii) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer, (iv) to add guarantees with respect to the Senior Notes, (v) to secure the Senior Notes, (vi) to provide for any assumption by an Successor Corporation under Condition 19 and (vii) to make any other modification that does not materially affect the rights of Noteholders under the Senior Notes or the Trust Deed. For the purposes of the foregoing, the Trustee shall be entitled to request and to rely on such Opinions of Counsel and advice as it deems necessary and shall not be responsible to anyone for any loss occasioned by so acting. The Trustee shall (x) agree to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, the Final Terms and the Senior Notes, in each case, in respect of any Series of Senior Notes or (y) determine that any Event of Default or Potential Event of Default in respect of any Series of Senior Notes will not be treated as such if, in each case, instructed in writing by Noteholders of at least 25% of the nominal amount of the Senior Notes then outstanding of such Series. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 20(a) as soon as practicable.

(c) *Substitution:* The Issuer may, with respect to any Series of Senior Notes issued by it (the "**Relevant Notes**"), without the consent of any Holder, substitute for itself any other entity organized in any country in the world as the debtor in respect of the Senior Notes and the Trust Deed (the "**Substituted Debtor**") upon notice by the Issuer and the Substituted Debtor to be given in accordance with Condition 20(a), *provided* that:

i. the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;

ii. the Issuer and the Substituted Debtor have entered into such documents (the "**Documents**") as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Holder of the Relevant Notes to be bound by these Terms and Conditions, and the provisions of the Trust Deed and the Agency Agreement as the debtor in respect of such Relevant Notes in place of the Issuer (or any previous substitute under this Condition 13(c));

iii. if the Substituted Debtor is resident for tax purposes in a country (the "**New Residence**") other than Brazil, the Documents contain an undertaking or such other provisions as may be necessary to ensure that each Holder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 9 with, where applicable, the substitution of references to Brazil with references to the New Residence;

iv. unless the Substituted Debtor is the Issuer's successor (A) the Issuer guarantees the obligations of the Substituted Debtor in relation to outstanding Relevant Notes or (B) the Issuer remains a co-obligor on the Relevant Notes;

v. the Substituted Debtor and the Issuer have obtained all material governmental approvals and consents required by applicable law for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance of the Issuer of its obligations under the guarantee or co-obligation referred to above (if any) as they relate to the obligations of the Substituted Debtor under the Documents;

vi. each applicable listing authority or Exchange shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be admitted to listing or trading by the applicable listing authority and Exchange; and

vii. if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Relevant Notes and any related Coupons.

Upon such substitution, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Relevant Notes and the Trust Deed with the same effect as if the Substituted Debtor had been named as the Issuer therein, and the Issuer shall be released from its obligations under the Relevant Notes and under the Trust Deed, unless the Issuer remains a co-obligor on the Relevant Notes pursuant to paragraph (c)(iv)(B) of this Condition 13.

After a substitution pursuant to this Condition 13(c), the Substituted Debtor may, without the consent of any Holder, effect a further substitution. All the provisions specified above shall apply to effect the further substitution. After a substitution pursuant to the above, any Substituted Debtor may, without the consent of any Holder, reverse the substitution.

(d) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, or the Noteholders or Couponholders in respect of Senior Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment, whatsoever, and including in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

14. Enforcement

At any time after the Senior Notes of any Series become due and payable, the Trustee shall, if instructed in writing by the Holders of at least one-third in nominal amount of the Senior Notes of such Series then outstanding or if directed by an Extraordinary Resolution of Noteholders of such Series and on such terms and conditions (if any)

as shall be specified in such instructions or direction, institute such proceedings against the Issuer to enforce the terms of the Trust Deed, the Senior Notes and the Coupons, *provided* that the Trustee shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee, for its relief from responsibility and for the limitation of its duties and powers thereunder. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee under the Trust Deed is The Bank of New York Mellon, a New York state chartered bank, which has its principal place of business at 101 Barclay Street, 4E, New York, NY 10286, United States of America. Pursuant to the Trust Deed, the Noteholders may by Extraordinary Resolution remove any Trustee, provided that the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. A copy of the Trust Deed is available for inspection during usual business hours at the principal place of business of the Trustee.

16. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If any Bearer Note, Coupon, Talon or Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the London Paying Agent (in the case of Bearer Notes, Coupons and Talons) or a Transfer Agent (in the case of Registered Notes) (each, in such capacity, the "**Replacement Agent**") subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Replacement Agent may require (*provided* that the requirement, in the case of the Issuer only, is reasonable in the light of prevailing market practice). Any replacement Senior Note will bear a notation stating the serial number of the Senior Note which it replaces or is deemed to replace and, in the case of an Instalment Note, a record of the amount and date of each payment made prior to the date of the replacement in respect of the Instalment Note to be replaced (as evidenced by the notations on the schedule of payments endorsed on the Instalment Note to be replaced or, if such Instalment Note, has been lost, stolen or destroyed, the payment records of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes) will be noted by or on behalf of the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) issuing such replacement Senior Note on the schedule of payments endorsed thereon. Mutilated or defaced Senior Notes, Coupons, Talons or Definitive Registered Notes must be surrendered before replacements will be issued.

17. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Senior Notes of any Series in all respects (or in all respects except for the Issue Date, the date on which interest commences to accrue and related matters) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Senior Notes of any Series). References in these Terms and Conditions to the Senior Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Senior Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Senior Notes of any Series) shall be constituted under the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the Holders of securities of other series (including the Senior Notes of any other Series) where the Trustee so decides.

18. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation, liability or relationship of agency or trust for or with any Holder.

19. Consolidation, Merger or Sales of Assets

The Issuer may, without the consent of the Holders of any Series of Senior Notes, consolidate with or merge into any other corporation or convey or transfer (including in connection with a *cisão*), in one transaction or a series of transactions, all or substantially all of its properties or assets to any other person, *provided* that:

(a) the corporation formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer (including in connection with a *cisão*) all or substantially all of the properties and assets of the Issuer (the "**Successor Corporation**") shall be obliged to assume the due and punctual payment of the principal of and interest on all the Senior Notes and all other obligations of the Issuer under the Trust Deed, the Agency Agreement and the Senior Notes;

(b) immediately after giving effect to such transaction, no Event of Default with respect to any Senior Note shall have occurred and be continuing; and

(c) after any public announcement of, but in any event prior to the completion of any such consolidation, merger, conveyance or transfer, the Issuer has delivered to the Trustee (i) a certificate signed by two authorised officers of the Issuer stating that such consolidation, merger, conveyance or transfer complies with this Condition 19 and that all conditions precedent herein provided for relating to such transaction (other than the condition precedent set out in (b) above) have been complied with and (ii) an opinion of independent counsel of recognised standing to the effect that the Successor Corporation has validly assumed the obligations to be assumed by it pursuant to clause (a) above and that the Trust Deed, the Agency Agreement and the Senior Notes constitute legal, valid and binding obligations of the Successor Corporation, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganisation or other laws of general applicability relating to or affecting the enforcement of creditor's rights and to general principles of equity; *provided* that in giving such Opinion of Counsel may rely on a certificate signed by an authorised officer of the Issuer.

No Successor Corporation shall have the right to redeem the Senior Notes unless the Issuer would have been entitled to redeem the Senior Notes in similar circumstances.

Upon the consolidation, merger, conveyance or transfer (including in connection with a *cisão*) in accordance with this Condition 19, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Notes with the same effect as if the Successor Corporation had been named as the issuer of the Senior Notes herein and the Issuer will automatically be released and discharged from all obligations and covenants under the Trust Deed, the Agency Agreement and the Senior Notes.

20. Notices and Provision of Information

(a) *Notices:* Notices to Holders of Registered Notes will be mailed to them at their respective addresses in the Register (or in the case of joint Holders, to the address of the first-named in the Register) and shall be published (so long as the Senior Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange designated for such purposes pursuant to the rules of the Luxembourg Stock Exchange or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the Holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe, and (so long as the Senior Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange designated for such purposes or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication in both such newspapers as provided above and will, if published more than once on different dates or in a different manner, be deemed to have been given on the date of the last publication in both such newspapers as provided above.

So long as Bearer Notes are represented by a global note and such global note is held on behalf of a clearing system, notices required to be given to holders of such Bearer Notes may be given by delivery of the relevant notice to that clearing system rather than by publication as required above, except that, so long as the relevant Bearer Notes are listed on the Luxembourg Stock Exchange, notices shall be published on the website of the Luxembourg Stock Exchange designated for such purposes.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the Holders of Bearer Notes in accordance with this Condition 20(a).

(b) *Provision of Information:* For so long as any of its Senior Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer undertakes that it will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish on request to any Holder of such restricted securities, or to any prospective purchaser thereof, such information as is required to be provided pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with the resale of such restricted securities.

21. Redenomination, Renominalisation and Reconventioning

(a) This Condition 21 is applicable to the Senior Notes only if it is specified in the relevant Final Terms as being applicable.

(b) If the country of the Specified Currency becomes or announces its intention to become a member state of the European Community adopting the Euro as its lawful currency in accordance with the Treaty (a "**Participating Member State**"), the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date for redenomination (the "**Redenomination Date**"), being an Interest Payment Date under the Senior Notes falling on or after the date on which such country becomes a Participating Member State.

(c) Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

i. the Senior Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Senior Note equal to the principal amount of that Senior Note in the Specified Currency, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however*, that, if the Issuer determines, with the agreement of the Principal Paying Agent or, in the case of Registered Notes, the Registrar, that then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Senior Notes are then listed and the Paying Agents of such deemed amendments;

ii. if Senior Notes have been issued in definitive form:

(x) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Senior Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Senior Notes and Coupons denominated in Euro are available for exchange (*provided* that such Senior Notes and Coupons are available) and no payments will be made in respect thereof;

(y) the payment obligations contained in all Senior Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Senior Notes in accordance with this Condition 21) shall remain in full force and effect; and

(z) new Senior Notes and Coupons denominated in Euro will be issued in exchange for Senior Notes and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent or, in the case of Registered Notes, the Registrar, may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

iii. all payments in respect of the Senior Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Community.

(d) Following redenomination of the Senior Notes pursuant to this Condition 21, where Senior Notes have been issued in definitive form, the amount of interest due in respect of the Senior Notes will be calculated by reference to the aggregate principal amount of the Senior Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant Holder.

(e) If the Floating Rate Notes provisions for Floating Rate Notes specified in Condition 6(II) are specified in the relevant Final Terms as being applicable and the Primary Source for the Floating Rate is as specified in Condition 6(II)(b)(i)(A) as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second Relevant Business Day before the first day of the relevant Interest Period.

22. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Senior Notes under the Contracts (Rights of Third Parties) Act 1999.

23. Governing Law and Jurisdiction

(a) *Governing Law:* The Trust Deed, the Senior Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction:* The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will apply to the Subordinated Notes referred to in such Final Terms.

The Subordinated Notes are constituted by an amended and restated Trust Deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated March 17, 2011and made between Itaú Unibanco Holding S.A. (the "**Bank**") and The Bank of New York Mellon (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders. In these terms and conditions the "**Issuer**" means the Bank, or any successor thereto, acting through its head office or through its Grand Cayman Branch, as specified in the Subordinated Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Subordinated Notes. Copies of the Trust Deed and of the Agency Agreement (as amended from time to time, the "**Agency Agreement**") dated March 29, 2010 and made among the Issuer, the Trustee and the Agents available for inspection during usual business hours at the specified offices of each of the Trustee and the principal paying agent, the paying agent in London, the other paying agents, the calculation agent, the registrar, the replacement agent and the transfer agents for the time being. Such persons are referred to below respectively as the "**Principal Paying Agent**", the "**London Paying Agent**", the "**Paying Agents**" (which expression shall include the London Paying Agent but shall not include the Principal Paying Agent), the "**Calculation Agent**", the "**Registrar**", the "**Replacement Agent**" and the "**Transfer Agents**" and together as the "**Agents**". The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and of the relevant Final Terms and are deemed to have notice of those applicable to them of the Agency Agreement. References in these Terms and Conditions to Subordinated Notes are to Subordinated Notes of the relevant Series. References in these Terms and Conditions to the Final Terms are to the Final Terms as prepared in relation to the Subordinated Notes of the relevant Tranche or Series. The Final Terms in relation to any Subordinated Notes may specify other terms and conditions which shall, to the extent specified or to the extent inconsistent with the following Terms and Conditions, replace the following Terms and Conditions for the purposes of such Subordinated Notes.

1. Form, Denomination, Title, Specified Currency and Final Terms

(a) *Form*: The Subordinated Notes of the Series of which the Subordinated Note to which these Terms and Conditions are attached are issued in registered form and as subordinated notes in accordance with these Terms and Conditions and Resolution 3,444 (the "**Subordinated Notes**"), and Subordinated Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination. These Terms and Conditions must be read accordingly. The Specified Denomination of each Subordinated Note is specified in the relevant Final Terms.

A definitive Subordinated Note will be issued to each Holder of Subordinated Note(s) in respect of its registered holding or holdings (each a "**Definitive Note**"). Each Definitive Note will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar.

Any Subordinated Note, the principal amount of which is repayable in instalments (an "**Instalment Note**"), will have endorsed thereon a grid for recording the repayment of principal.

(b) *Denomination*: "**Specified Denominations**" will be the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

(c) *Title*: Title to Subordinated Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Subordinated Note shall be deemed to be and may be treated as the absolute owner of such Subordinated Note for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Subordinated Note shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Terms and Conditions, each of "**Noteholder**" and "**Holder**" means the person in whose name a Subordinated Note is registered, "**Series**" means Subordinated Notes which have identical terms and conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters, and

"**Tranche**" means, in relation to a Series, those Subordinated Notes of such Series which have the same Issue Date.

(d) *Specified Currency*: The Specified Currency of any Subordinated Note and, if different, any Specified Principal Payment Currency or Specified Interest Payment Currency, are as specified in the relevant Final Terms. All payments of principal in respect of a Subordinated Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Subordinated Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Final Terms and Additional Terms*: References in these Terms and Conditions to terms specified in the relevant Final Terms issued in respect of a Tranche which includes such Subordinated Note (each the "**Final Terms**"), shall be deemed to include terms specified in the Subordination Nucleus set out as Exhibit A to the relevant Final Terms, issued in respect of a Tranche which includes such Subordinated Notes.

(f) *Interpretation*: Capitalised terms used in these Terms and Conditions in respect of a Subordinated Note, and not specifically defined in these Terms and Conditions, have the meaning given to them specified on the Subordinated Note or in the relevant Final Terms issued in respect of a Tranche which includes such Subordinated Note. Additional provisions relating to the Subordinated Notes may be contained in the Final Terms or specified on the Subordinated Note and will take effect as if originally specified in these Terms and Conditions. The Final Terms in respect of index linked interest Subordinated Notes, Instalment Notes, dual currency Subordinated Notes and other types of Subordinated Notes the terms of which are not specifically provided for herein, shall set out in full all terms applicable to such Subordinated Note.

2. Definitions

"**Affiliate**" means any legal entity related to the Issuer within the same financial conglomerate or economic/financial consolidated group.

"**Alternative Payment Mechanism**" has the meaning given to it in the relevant Final Terms.

"**Arrears Rate**" has the meaning given to it in the relevant Final Terms.

"**Bankruptcy Event**" has the meaning given to it in Condition 17(b).

"**Benchmark**" has the meaning given to it in Condition 5(II)(b).

"**Brazil**" means the Federative Republic of Brazil.

"**Brazilian Governmental Authority**" means, as applicable, the government of Brazil, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Issuer.

"**Broken Amount**" has the meaning given to it in the relevant Final Terms.

"**Business Centre**" has the meaning given to it in the relevant Final Terms.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates, and, in this context, the following expressions shall have the following meanings:

(a) the "**Floating Rate Business Day Convention**", in which case interest on a Subordinated Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Interest Period specified in the relevant Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, *provided* that:

(i) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day in that calendar month;

(ii) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and

(iii) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Subordinated Note will be the last day which is a Relevant Business Day in the calendar month which is the Interest Period specified in the relevant Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(b) the "**Modified Following Business Day Convention**", in which case interest on a Subordinated Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(c) the "**Following Business Day Convention**", in which case interest on a Subordinated Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or

(d) the "**Preceding Business Day Convention**", in which case interest on a Subordinated Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(e) such other Business Day Convention as may be specified in the relevant Final Terms.

"**Calculation Agent**" has the meaning given to it in the relevant Final Terms, *provided* that for the purposes of Condition 5(II)(b)(iv), it has the meaning given to it in the ISDA Definitions.

"**Central Bank**" means the Central Bank of Brazil or any Brazilian Governmental Authority that replaces the Central Bank of Brazil in its current functions applicable to these Terms and Conditions.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Covenant Defeasance**" has the meaning given to it in Condition 20(b).

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Subordinated Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

(a) if "**Actual/365**" or "**Actual/Actual-ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(c) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(d) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first

day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(e) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

(f) if "**Actual/Actual-ISMA**" is specified in the relevant Final Terms, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(g) if "**Bus/252**" is specified in the relevant Final Terms, the number of Relevant Business Days in the Calculation Period divided by 252.

"**Dealer Agreement**" means the amended and restated dealer agreement dated the date of the Trust Deed between the Issuer, Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs and Co. and Morgan Stanley & Co. Incorporated and includes any agreement by which any additional dealers accede to such dealer agreement.

"**Defeased Notes**" has the meaning given to it in Condition 20(a).

"**Definitive Note**" has the meaning given to it in Condition 1(a).

"**Designated Maturity**" has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 5(II)(b)(iv), the meaning given to it in the ISDA Definitions.

"**Determination Date**" means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Documents**" has the meaning given to it in Condition 11(d)(ii).

"**DTC**" has the meaning given to it in Condition 7(c).

"**DTC business day**" has the meaning given to it in Condition 7(a)(ii).

"**Early Redemption Amount**" has the meaning given to it in the relevant Final Terms.

"**Euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Euro Exchange Date**" has the meaning given to it in Condition 21(c)(ii)(x).

"**Euro Exchange Notice**" has the meaning given to it in Condition 21(c)(ii)(x).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty.

"**Event of Default**" has the meaning given to it in Condition 9.

"**Exchange**" has the meaning given to it in Condition 5(II)(f).

"**Exchange Act**" has the meaning given to it in Condition 19(b).

"**Extraordinary Resolution**" has the meaning given to it in Condition 11(a).

"**Final Redemption Amount**" has the meaning given to it in Condition 6(a).

"**Final Terms**" has the meaning given to it in Condition 1(e).

"**Fixed Coupon Amount**" or "**Fixed Coupon Amounts**" has the meaning given to it in the relevant Final Terms.

"**Fixed Rate Note**" has the meaning given to it in Condition 5(I).

"**Floating Rate**" has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 5(II)(b)(iv), the meaning given to it in the ISDA Definitions.

"**Floating Rate Note**" has the meaning given to it in Condition 5(II).

"**Floating Rate Note Provisions**" has the meaning given to it in the relevant Final Terms.

"**Floating Rate Option**" has the meaning given to such term in the ISDA Definitions.

"**Government Obligation**" means (x) any security that is (i) a direct obligation of the United States of America or any country in the Euro-zone for the payment of which the full faith and credit of the United States of America or any country in the Euro-zone, as the case may be, is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or any country in the Euro-zone the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or any country in the Euro-zone, as the case may be, which, in either case under the preceding clause (i) or (ii) is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any Government Obligation that is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any Government Obligation that is so specified and held, *provided* that (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

"**Holder**" has the meaning given to it in Condition 1(c).

"**Instalment Amount**" has the meaning given to it in Condition 6(a).

"**Instalment Note**" has the meaning given to it in Condition 1(a).

"**Interest Amount**" has the meaning given to it in Condition 5(II)(d).

"**Interest Commencement Date**" means, in the case of the first issue of a Subordinated Note or Subordinated Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Determination Date**" means, in respect of any Interest Period, the date which falls that number of days specified in the relevant Final Terms on which banks and foreign exchange markets are open for business in the Relevant Banking Centre prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

"**Interest Payment Date**" has the meaning given to it in the relevant Final Terms.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

"**ISDA Definitions**" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

"**ISDA Determination**" has the meaning given to it in the relevant Final Terms.

"**ISDA Rate**" has the meaning given to it in Condition 5(II)(b)(iv).

"**Issue Date**" means, in respect of any Subordinated Note or Subordinated Notes, the date of issue of such Subordinated Note or Subordinated Notes.

"**Issuer Request**" means a written request signed in the name of the Issuer by an authorised officer of the Issuer.

"**Margin**" means the percentage rate per annum specified in the relevant Final Terms.

"**Maturity Date**" has the meaning given to it in the relevant Final Terms.

"**Maximum Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**Minimum Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**New Residence**" has the meaning given to it in Condition 11(d)(iii).

"**Noteholder**" has the meaning given to it in Condition 1(c).

"**Opinion of Counsel**" means a written opinion of counsel from any person which may include, without limitation, counsel for the Issuer, whether or not such counsel is an employee of the Issuer, in all cases in form and substance reasonably acceptable to the Trustee.

"**Optional Redemption Amount**" has the meaning given to it in the relevant Final Terms.

"**Optional Redemption Date**" has the meaning given to it in the relevant Final Terms.

"**Original Withholding Level**" has the meaning given to it in the relevant Final Terms.

"**Parity Liabilities**" means, with respect to the Issuer, any securities or liabilities that have been or will be deemed part of the Issuer's regulatory capital (*Patrimônio de Referência*) in accordance with and established by Resolution 3,444, except for the Second Priority Liabilities.

"**Participating Member State**" has the meaning given to it in Condition 21(b).

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality.

"**Potential Event of Default**" means an event or circumstance which would with the giving of notice, lapse of time, issue of a certificate or fulfillment of any other requirement provided for in Condition 9 become an Event of Default.

"**Primary Source**" has the meaning given to it in the relevant Final Terms.

"**Private Placement Legend**" has the meaning given to it in Condition 3(e).

"**Proceedings**" has the meaning given to it in Condition 23(b).

"**Rate Multiplier**" means the percentage rate or number applied to the relevant Rate of Interest, as specified in the relevant Final Terms.

"**Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**Record Date**" has the meaning given to it in Condition 7(a).

"**Redenomination Date**" has the meaning given to it in Condition 21(b).

"**Reference Banks**" has the meaning given to it in the relevant Final Terms.

"**Reference Rate**" means, for any Subordinated Note, the bid, offered or mean of bid and offered rate, as specified in the relevant Final Terms, for the floating rate specified in the relevant Final Terms.

"**Register**" has the meaning given to it in Condition 1(a).

"**Regulatory Event**" means, subsequent to the time that the Subordinated Notes initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Subordinated Notes may not be included in the consolidated Tier 2 Capital of the Issuer.

"**Relevant Banking Centre**" means, for any Subordinated Note, the Relevant Banking Centre specified in the relevant Final Terms or, if none is so specified, the banking centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

"**Relevant Business Day**" means:

(a) in the case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Relevant Financial Centre; or

(b) in the case of Euro, a TARGET Business Day; and

(c) in the case of any currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Business Centre(s) specified in the relevant Final Terms.

"**Relevant Date**" has the meaning given to it in Condition 8.

"**Relevant Financial Centre**" means the principal financial centre for the relevant currency (which in the case of Euro shall be Europe), as specified in the relevant Final Terms.

"**Relevant Notes**" has the meaning given to it in Condition 11(d).

"**Relevant Time**" means the local time in the Relevant Banking Centre at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Centre or, if no such customary local time exists, 11.00 A.M. in the Relevant Banking Centre and for this purpose "**local time**" means, with respect to Europe as a Relevant Banking Centre, Brussels time.

"**Reset Date**" has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 5(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

"**Resolution 2,099**" means Resolution No. 2,099 of August 17, 1994 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

"**Resolution 3,444**" means Resolution No. 3,444 of February 28, 2007 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

"**Risk-Based Capital Requirements**" has the meaning given to it in Condition 17(c)(i).

"**Screen Rate Determination**" has the meaning given to it in the relevant Final Terms.

"**Second Priority Liabilities**" means all types or classes of the Issuer's capital stock.

"**Securities Act**" has the meaning given to it in Condition 3(e).

"**Senior Liabilities**" means all liabilities of the Issuer, except for the Parity Liabilities and the Second Priority Liabilities.

"**Series**" has the meaning given to it in Condition 1(c).

"**Specified Currency**" has the meaning given to it in the relevant Final Terms.

"**Specified Denomination**" has the meaning given to it in Condition 1(b).

"**Specified Interest Payment Currency**" has the meaning given to it in the relevant Final Terms.

"**Specified Interest Payment Date**" means each date which falls on the last day of the Interest Period specified in the relevant Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Subordinated Note, in each case as adjusted by the Business Day Convention specified in the relevant Final Terms.

"**Specified Principal Payment Currency**" has the meaning given to it in the relevant Final Terms.

"**Subordinated Notes**" has the meaning given to it in Condition 1(a).

"**Subordination Nucleus**" means the subordination nucleus prepared in accordance with Resolution 3,444, as annexed to the relevant Final Terms.

"**Substituted Debtor**" has the meaning given to it in Condition 11(d).

"**Successor Corporation**" has the meaning given to it in Condition 18(a).

"**Swap Transaction**", for the purposes of Condition 5(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

"**TARGET Business Day**" means a day on which the TARGET System is operating.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on November 19, 2007 or any successor thereto.

"**Taxes**" has the meaning given to it in Condition 8.

"**Terms and Conditions**" means these terms and conditions as amended and supplemented by the relevant Final Terms in relation to a Series of Subordinated Notes.

"**Tier 2 Capital**" means any capital raised by the Issuer or by its Affiliates, which was or will be authorized by the Central Bank as Tier 2 of the regulatory capital (*patrimônio de referência*), as set forth in Resolution 3,444.

"**Tranche**" has the meaning given to it in Condition 1(c).

"**Transaction Documents**" means the Trust Deed, the Agency Agreement, the Dealer Agreement and the relevant Subordinated Notes (other than the Subordination Nucleus annexed thereto).

"**Treaty**" means the treaty establishing the European Community, as amended.

3. Transfers of Subordinated Notes and Issue of Definitive Subordinated Notes

(a) *Transfer of Subordinated Notes*: A Subordinated Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Note issued in respect of the Subordinated Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Subordinated Note a new Definitive Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Note to be issued to the transferee upon transfer of such Subordinated Note will, within three Relevant Business Days of receipt of such form of transfer, be mailed at the risk of the Holder entitled to the new Definitive Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge*: Registration of transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods*: No Noteholder may require the transfer of a Subordinated Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Terms and Conditions, unless the context otherwise requires, the amount payable on redemption of a Subordinated Note) of that Subordinated Note, (ii) during the period of 60 days prior to any date on which Subordinated Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 17(d)(iii) or (vi) after any notice has been delivered for redemption in whole or in part of any Subordinated Note in accordance with Condition 17(d).

(d) *Regulations*: All transfers of Subordinated Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Subordinated Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any Holder of a Subordinated Note upon request.

(e) *Private Placement Legend*: Upon the transfer, exchange or replacement of Subordinated Notes bearing the private placement legend (the "**Private Placement Legend**") for the purpose of Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), set forth in the form of a Subordinated Note scheduled to the Agency Agreement, the Registrar shall deliver only Subordinated Notes that also bear such legend, unless the Issuer otherwise determines in compliance with applicable law.

4. Status

The Subordinated Notes (which will specify their status in the relevant Final Terms as subordinated) constitute direct, unsecured and subordinated obligations of the Issuer and shall be subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with the provisions of Condition 17. The Subordinated Notes shall rank *pari passu* and without preference among themselves and equally with all other present and future unsecured and subordinated obligations of the Issuer under the terms of Resolution 3,444 (other than those preferred by mandatory provisions of law).

5. Interest

One or more of the following provisions apply to each Subordinated Note, as specified in the relevant Final Terms.

(I) Fixed Rate Notes

This Condition 5(I) applies to a Subordinated Note in respect of which the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable (a "**Fixed Rate Note**").

(a) *Interest Rate and Accrual*: Each Subordinated Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified in the relevant Final Terms. Such interest is payable in arrears on each Interest Payment Date in each year and on the Maturity Date specified in the relevant Final Terms if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Subordinated Note may be specified in the relevant Final Terms as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount. If the Subordinated Notes are in more than one Specified Denomination, the amount of interest payable in respect of each Subordinated Note for any Interest Period shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

The first payment of interest on a Subordinated Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Subordinated Note will be the amount specified in the relevant Final Terms as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified in the relevant Final Terms as being the final Broken Amount.

Interest will cease to accrue on each Subordinated Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event interest will continue to accrue, both before and after judgment, in the manner provided in this Condition 5(I) and at the rate equal to the sum of the rate provided in this Condition 5(I) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 5(I) plus the Arrears Rate.

(b) *Calculations*: Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first Interest Period, the period between the Interest Commencement Date and the first Interest Payment Date) or, in the case of the final Interest Period, the period between the final Interest Payment Date and the Maturity Date) will be calculated using the applicable Day Count Fraction.

(II) Floating Rate Notes

This Condition 5(II) applies to a Subordinated Note in respect of which the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable (a "**Floating Rate Note**").

(a) *Specified Interest Payment Dates*: Each Subordinated Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof and such interest will be payable in arrears on each Specified Interest Payment Date.

(b) *Rate of Interest*: Each Subordinated Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Terms (each a "**Benchmark**"). The dates on which interest shall be payable on a Subordinated Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Subordinated Note on each such date and on any other date on which interest becomes payable in respect of such Subordinated Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Subordinated Note shall be as set out below, unless otherwise specified in the relevant Final Terms. Subject to Condition 5(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified in the relevant Final Terms, be determined by the Calculation Agent on the basis of the following provisions:

(i) At or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, the Calculation Agent will:

(A) in the case of a Subordinated Note which specifies that the Primary Source for the Floating Rate shall be derived from a specified page, section or other part of a particular information service (each as specified in the relevant Final Terms), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and

(B) in the case of a Subordinated Note that specifies that the Primary Source for the Floating Rate shall be the Reference Banks specified in the relevant Final Terms and in the case of a Subordinated Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest is to be determined by reference to the arithmetic mean of quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A)(y) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre of each of the Reference Banks specified in the relevant Final Terms (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(b)(i) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in an amount that is representative in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.

(ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Subordinated Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined in accordance with Condition 5(II)(b)(i)(B) on the basis of the Reference Rates quoted by those Reference Banks.

(iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B), only one or none of such Reference Banks provide such Reference Rates, the Rate of Interest for the relevant Interest Period shall be the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre or, if the Specified Currency is Euro, in Europe, *provided* that, if the banks so selected by the Calculation

Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied.

(iv) In the case of a Subordinated Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall, subject as provided below, be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (iv), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (iv), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(c) *Minimum/Maximum Rates*: If a Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest applicable to that Subordinated Note shall in no event be less than it and if a Maximum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest applicable to that Subordinated Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5(II) and calculate the amount of interest payable (the "**Interest Amount**") in respect of the minimum Specified Denomination for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin or Rate Multiplier to the minimum Specified Denomination, and multiplying such product by the applicable Day Count Fraction and rounding, if necessary, the resultant figure to the nearest sub-unit of the relevant currency. The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties and the Calculation Agent shall have no liability whatsoever in connection with the exercise of its powers and duties hereunder or otherwise in connection with the Subordinated Notes, absent gross negligence or willful misconduct. For this purpose a "sub-unit" means, in the case of any currency other than dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of dollar, means one cent.

(e) *Calculation of Other Amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, promptly after the time or times at which any such amount is to be determined or calculated, notify the relevant amount to the Issuer and the Noteholders. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(f) *Notification of Rate of Interest and Interest Amount*: The Calculation Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Specified Interest Payment Date and any other amount required to be determined by it to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 19(a)) and if the relevant Subordinated Notes are for the time being listed on any stock exchange (each an "**Exchange**"), the Exchange, as soon as possible after their determination but in no event later than three Relevant Business Days after their determination. The Interest Amount and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Interest Accrual*: Interest will cease to accrue on each Subordinated Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event interest will continue to accrue, both before and

after judgment, in the manner provided in this Condition 5(II) and at the rate equal to the sum of the rate provided in this Condition 5(II) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 5(II) plus the Arrears Rate.

(h) *Calculation Agent and Reference Banks*: The Issuer will procure that, so long as any Subordinated Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Subordinated Note and, so long as the Primary Source for Floating Rate for such Subordinated Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Subordinated Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Subordinated Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount or any other amount to be calculated by the Calculation Agent pursuant to the relevant Final Terms, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(III) Deferral of Interest on Subordinated Notes

Subordinated Notes, whether such Subordinated Notes are Fixed Rate Notes or Floating Rate Notes, shall be subject to the provisions relating to deferral of interest set forth in Condition 17.

6. Redemption and Purchase

(a) *Final Redemption*: Unless previously redeemed or purchased and cancelled, and subject as provided in Condition 6(d), each Subordinated Note will be redeemed at its redemption amount ("**Final Redemption Amount**") being its nominal amount or such other amount as is specified in the relevant Final Terms or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amount**") as may be specified in the relevant Final Terms, on the applicable Maturity Date specified in the relevant Final Terms.

(b) *Repurchases*: The Issuer and any of its Affiliates may repurchase Subordinated Notes in the open market or otherwise only in accordance with the provisions set forth in Condition 17. For purposes of paragraphs (d) (i), (ii), (iii) and (iv) of Condition 17 with respect to a repurchase or redemption, as the case may be, that may be made by the Issuer, references to the Issuer shall include the Bank, or any successor thereto, acting through its head office or any branch office.

(c) *Redemption of Subordinated Notes*: Subordinated Notes may be redeemed at the option of the Issuer only in accordance with the provisions set forth in Condition 17. Subordinated Notes may not be redeemed at the option of Noteholders of Subordinated Notes.

(d) *Deferral of Principal on Subordinated Notes*: Subordinated Notes shall be subject to the provisions relating to deferral of principal payments thereon set forth in Condition 17.

(e) *Cancellation*: All Subordinated Notes redeemed will be cancelled promptly. Any Subordinated Notes purchased in accordance with Condition 17(d) subject as otherwise specified in the relevant Final Terms, may at the option of the Issuer, be cancelled or may be resold. Subordinated Notes which are cancelled following any redemption or purchase made in accordance with Condition 17(d), subject as otherwise specified in the relevant Final Terms, may at the option of the Issuer be re-issued.

7. Payments

(a) *Payments of Principal and Interest*: Payments of principal and interest in respect of Subordinated Notes will be made or procured to be made by the Principal Paying Agent on the due date for payment to the person shown on the Register (or, in case of joint Holders, the first named) at the close of business (local time in the place of the

specified office of the Principal Paying Agent) (i) in the case of a Registered Note registered in the name of, or the name of a nominee for, DTC, on the fifteenth DTC business day before the due date for payment thereof; and (ii) in the case of a Registered Note deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear or Clearstream, Luxembourg, one day on which Euroclear or Clearstream, Luxembourg, as the case may be, is open for business before the due date for payment thereof (the "**Record Date**"):

(i) by cheque drawn on, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with, a bank in the Relevant Financial Centre of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or, in the case of Euro, in a city in which banks have access to the TARGET System; or

(ii) as may otherwise be specified in the relevant Final Terms as an Alternative Payment Mechanism,

subject in each case to Condition 7(c). For the purposes of this Condition 7, "**DTC business day**" means any day on which DTC is open for business.

Payments of principal in respect of Subordinated Notes will only be made against (except for, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Definitive Note at the specified office of any Transfer Agent. Upon application by the Holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment in respect of a Subordinated Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Centre or, in the case of Euro, in a city in which banks have access to the TARGET System. Details of the account to which a registered Holder's payments will be made should be notified by the Holder to the specified office of the Principal Paying Agent before the Record Date preceding the relevant payment date. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Note with a nominal amount equal to the remaining unpaid nominal amount.

(b) *Payment Initiation*: Where payment is to be made by transfer to an account in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the risk of the Holder of such Subordinated Note) on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Definitive Note is surrendered.

(c) *Payments Through The Depository Trust Company*: Subordinated Notes, if so specified on them, will be issued in the form of one or more Definitive Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("**DTC**"). Payments of principal and interest in respect of Subordinated Notes denominated in U.S. dollars will be made in accordance with Conditions 6(a) and (b). Payments of principal and interest in respect of Subordinated Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency or in respect of which payments are to be made in a Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, in accordance with the following provisions. The amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payable by the Principal Paying Agent or its agent to DTC with respect to Subordinated Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, by wire transfer of same day funds to the designated bank account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, of the DTC participants entitled to receive the relevant payment.

(d) *Delay in Payment*: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Subordinated Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Note (if required to do so) or if a cheque mailed in accordance with Condition 7(b) arrives after the due date for payment.

(e) *Payment Not Made in Full*: If the amount of principal or interest which is due on any Subordinated Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Subordinated Note.

(f) *Payments Subject to Law, etc.*: All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(g) *Appointment of Agents*: The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Replacement Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The Issuer reserves the right at any time, with the prior approval of the Trustee, which shall not be unreasonably withheld, to vary or terminate the appointment of any Agent, to appoint another Registrar, Replacement Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer will at all times maintain (i) a Principal Paying Agent in respect of each Series of Subordinated Notes, (ii) a London Paying Agent, (iii) a Registrar and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Subordinated Notes are listed is the Luxembourg Stock Exchange, shall be Luxembourg, (v) a Paying Agent having a specified office in a member state of the European Union, which member state will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (vi) a Calculation Agent and (vii) a Replacement Agent. Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 19(a).

(h) *Satisfaction of Obligations*: Every payment of any sum due in respect of Subordinated Notes made to the Principal Paying Agent as provided for herein shall, to such extent, be a good discharge to the Issuer. In the event there is a default by the Principal Paying Agent in any payment to any Paying Agent or by any Paying Agent in any payment on the Subordinated Notes to any Holder in accordance with these Terms and Conditions, the Issuer shall pay such additional amounts as will result in receipt by such Holder of such amount as would have been received by it had no such default occurred.

8. Taxation

All payments by or on behalf of the Issuer in respect of the Subordinated Notes will be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of Subordinated Notes issued by the Issuer acting through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of Subordinated Notes issued by the Issuer acting through its Grand Cayman Branch, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Subordinated Note:

(a) where such withholding or deduction is imposed by reason of the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Subordinated Note having some connection with Brazil, the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax, other than the mere holding of such Subordinated Note; or

(b) where such withholding or deduction could have been lawfully avoided if the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Subordinated Note had complied with a request addressed to such Holder or beneficial owner (or third party) to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder or beneficial owner (or third party); *provided* that the Issuer shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 19(a); or

(c) where such withholding or deduction is imposed on a payment to or for the account of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any amendment thereof or

any other European Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or amendment; or

(d) where such withholding or deduction would have been avoided by presenting the relevant Subordinated Note to another Paying Agent in a member state of the European Union; or

(e) in respect of any Tax which is payable otherwise than by withholding or deduction; or

(f) in respect of any inheritance, gift, estate, personal property, sales or transfer Tax; or

(g) surrendered or presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Subordinated Note would have been entitled to additional amounts on surrendering or presenting the same for payment on the last day of such period of 30 days.

As used in these Terms and Conditions, "**Relevant Date**" in respect of any Subordinated Note means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 19(a) that such moneys have been so received and are available for payment. References in these Terms and Conditions to "**principal**" shall be deemed to include "**Final Redemption Amount**", "**Optional Redemption Amount**" and "**Early Redemption Amount**" and any premium payable in respect of the Subordinated Notes and any reference to "**principal**" or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Events of Default

If an Event of Default described in paragraphs (b) and (c) below, as modified by, or such other events as may be specified in, the Final Terms occurs and is continuing, the Trustee if instructed in writing by Holders of at least one third in nominal amount of the Subordinated Notes of such Series then outstanding or if so directed by an Extraordinary Resolution of Noteholders of such Series shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Subordinated Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified in the relevant Final Terms or, if none is so specified, at the nominal amount specified in the relevant Final Terms together with accrued interest to the date of redemption of such Subordinated Notes. However, the Issuer will only be required to make payment on acceleration after it has been declared bankrupt, has been dissolved or suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due, and those payments will be subject to the subordination provisions set forth in Condition 17.

Such acceleration is subject to the condition that any time after the principal of the Subordinated Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Holders of at least two thirds in the nominal amount of the Subordinated Notes of the affected Series then outstanding by written notice to the Issuer and the Trustee may rescind and annul such declaration and its consequences solely with respect to such Subordinated Notes, subject to certain conditions, but no such rescission and annulment shall affect any subsequent default or shall impair any right consequent thereon.

There is no right of acceleration in the case of default in the payment of principal of or interest on the Subordinated Notes, as described in Condition 9(a). Notwithstanding the foregoing or any other provision of these Terms and Conditions or the Trust Deed, in the event of the Issuer's failure to pay any principal or interest on the Subordinated Notes when it becomes due and payable, the Noteholders will have the right to institute a suit, including a summary proceeding for the enforcement of such payment.

Any of the following events shall be an "**Event of Default**":

(a) *Non-Payment*: Subject to Condition 17, the Issuer fails to pay any principal or interest (if any) in respect of any of the Subordinated Notes of such Series on the date when due and, with respect to principal, such failure continues for a period of three days and, with respect to interest, such failure continues for a period of ten days; or

(b) *Dissolution and insolvency*: The Issuer (a) is dissolved other than in connection with a consolidation, merger or reorganization not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Subordinated Notes are assumed by the successor entity, (b) suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due, (c) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy law or (d) consents to the commencement against it of an involuntary case in bankruptcy or any other action or proceeding, or a proceeding is commenced in an involuntary case in bankruptcy if such proceeding is not dismissed on or before the 60th day after the entry thereof or if any such dismissal or stay ceases to be in effect; or

(c) *Analogous events*: Any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to in paragraph (b).

10. Prescription

Claims against the Issuer for payment in respect of the Subordinated Notes shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*: The Trust Deed contains provisions (which shall have the effect as if incorporated herein) for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Subordinated Notes of such Series (including these Terms and Conditions insofar as the same may apply to such Subordinated Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 20% in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing Holders of Subordinated Notes of the relevant Series whatever the nominal amount of the Subordinated Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Subordinated Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Instalment Amount (if any) of the Subordinated Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Subordinated Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified in the relevant Final Terms of any Series a Minimum Rate of Interest or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest or such Maximum Rate of Interest, (v) to change the currency or currencies of payment of the Subordinated Notes of any Series or (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding. An "**Extraordinary Resolution**" is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of at least 75% of the votes cast. A written resolution of Holders of not less than 75% in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all Holders of Subordinated Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed).

(b) *Modification, Waiver and Determination*: The Trustee and the Issuer may, without the consent of the Noteholders, agree to any modification of any of the provisions of the Trust Deed, the Final Terms of any Series of Subordinated Notes and the Subordinated Notes of any Series (i) which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) to cure any ambiguity or inconsistency, (iii) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer, (iv) to provide for any assumption by an Successor Corporation under Condition 18 and (v) to make any other modification that does not materially affect the rights of Noteholders under the Subordinated Notes or the Trust Deed. For the

purposes of the foregoing, the Trustee shall be entitled to request and to rely on such Opinions of Counsel and advice as it deems necessary and shall not be responsible to anyone for any loss occasioned by so acting. The Trustee shall (x) agree to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, the Final Terms and the Subordinated Notes, in each case, in respect of any Series of Subordinated Notes or (y) determine that any Event of Default or Potential Event of Default in respect of any Series of Subordinated Notes will not be treated as such if, in each case, instructed in writing by Noteholders of at least 25% of the nominal amount of the Subordinated Notes then outstanding of such Series. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 19(a) as soon as practicable.

(c) *Modification by the Issuer*: In relation to a series of Subordinated Notes, the Issuer may (once per Series) and the Trustee shall, if requested by the Issuer acting in compliance with the remainder of this Condition 11(c), without the consent of the Noteholders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank in order to qualify such Subordinated Notes as Tier 2 Capital pursuant to Resolution 3,444. The Issuer will not be permitted to make any modifications without Noteholders' consent if such modification would affect in any way the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. The Trustee shall agree to any modification of the terms and conditions of any Subordinated Notes which two authorized officers or attorneys of the Issuer shall have certified in writing to the Trustee is permitted in accordance with the provisions of this Condition 11(c), *provided* that the Trustee shall not be bound to assent to or to execute any modification to any Subordinated Note which would have the effect of (i) changing, increasing or adding to the obligations or duties of the Trustee or (ii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed or the terms and conditions of the Subordinated Notes. The Trustee may rely absolutely on any such certificate and shall not be bound to make any further enquiries and shall have no liability whatsoever to any Noteholder for so doing.

(d) *Substitution*: The Issuer may, with respect to any Series of Subordinated Notes issued by it (the "**Relevant Notes**"), without the consent of any Holder, substitute for itself any other entity organized in any country in the world as the debtor in respect of the Subordinated Notes and the Trust Deed (the "**Substituted Debtor**") upon notice by the Issuer and the Substituted Debtor to be given in accordance with Condition 19(a) *provided* that:

(i) the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;

(ii) the Issuer and the Substituted Debtor have entered into such documents (the "**Documents**") as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Holder of the Relevant Notes to be bound by these Terms and Conditions and the provisions of the Trust Deed and the Agency Agreement as the debtor in respect of such Relevant Notes in place of the Issuer (or any previous substitute under this Condition 11(d);

(iii) if the Substituted Debtor is resident for tax purposes in a country (the "**New Residence**") other than Brazil, the Documents contain an undertaking or such other provisions as may be necessary to ensure that each Holder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 8 with, where applicable, the substitution of references to Brazil with references to the New Residence;

(iv) unless the Substituted Debtor is the Issuer's successor, (A) the Issuer guarantees the obligations of the Substituted Debtor in relation to outstanding Relevant Notes or (B) the Issuer remains a co-obligor on the Relevant Notes;

(v) the Substituted Debtor and the Issuer have obtained all material governmental approvals and consents required by applicable law for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance of the Issuer of its obligations under the guarantee or co-obligation referred to above (if any) as they relate to the obligations of the Substituted Debtor under the Documents;

(vi) each applicable listing authority or Exchange shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be admitted to listing and/or trading by the applicable listing authority and Exchange; and

(vii) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Relevant Notes.

Upon such substitution, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Relevant Notes and the Trust Deed with the same effect as if the Substituted Debtor had been named as the Issuer therein, and the Issuer shall be released from its obligations under the Relevant Notes and under the Trust Deed, unless the Issuer remains a co-obligor on the Relevant Notes pursuant to paragraph (d)(iv)(B) of this Condition 11.

After a substitution pursuant to this Condition 11(d), the Substituted Debtor may, without the consent of any Holder, effect a further substitution. All the provisions specified above shall apply to effect the further substitution. After a substitution pursuant to the above, any Substituted Debtor may, without the consent of any Holder, reverse the substitution.

(e) *Entitlement of the Trustee*: In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or the Noteholders in respect of Subordinated Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment, whatsoever, and including in respect of any tax consequences of any such exercise upon individual Noteholders.

12. Enforcement

At any time after the Subordinated Notes of any Series become due and payable, the Trustee shall, if instructed in writing by the Holders of at least one-third in nominal amount of the Subordinated Notes of such Series then outstanding or if directed by an Extraordinary Resolution of Noteholders of such Series and on such terms and conditions (if any) as shall be specified in such instructions or direction, institute such Proceedings against the Issuer to enforce the terms of the Trust Deed, the Subordinated Notes, and the Coupons, *provided* that the Trustee shall have been indemnified to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee and Amendments to Resolution 3,444

(a) *Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee for its relief from responsibility and for the limitation of its duties and powers thereunder. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee under the Trust Deed is The Bank of New York Mellon, a New York state chartered bank, which has its principal place of business at 101 Barclay Street, 4E, New York, NY 10286, United States of America. Pursuant to the Trust Deed, the Noteholders may by Extraordinary Resolution remove any Trustee, provided that the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. A copy of the Trust Deed is available for inspection during usual business hours at the principal place of business of the Trustee.

(b) *Amendments to Resolution 3,444*

The Issuer shall notify the Trustee promptly in writing if the *Conselho Monetário Nacional* (National Monetary Council of Brazil) or the Central Bank (i) effects and publishes in the *Diário Oficial* (Official Gazette) any amendment to Resolution 3,444; or (ii) publishes any notice on the website of the Central Bank setting out a proposed change to Resolution 3,444. Upon receipt of a written notice from the Issuer of a proposed change or an actual change to Resolution 3,444 in accordance with the foregoing, neither the Trustee nor any Paying Agent shall be required to take any action or to refrain from taking any action that may cause it to incur, in its sole discretion, any loss, liability, damage or expense, *provided* that under no circumstances shall this provision affect a Paying Agent's obligation to make payments to Noteholders of interest or principal that are due and payable if such payments have been made by the Issuer to a Paying Agent. To the extent that the consent or authorization of the Central Bank or any other Brazilian Governmental Authority is required for the Issuer's, the Trustee's or an Agent's

performance under the Subordinated Notes, the Trust Deed or the Agency Agreement, neither the Trustee nor any Agent shall have any duty or obligation to determine whether such approval, consent or authorization is required or have any duty or obligation to obtain such consent. The Issuer shall notify the Trustee and the Agents, as applicable, in writing, if the approval, consent or authorization of the Central Bank or such other Brazilian Governmental Authority, as applicable, is required for the Issuer's or the Trustee's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement and whether or not such consent has been obtained by the Issuer.

14. Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Transfer Agent (in such capacity, the "**Replacement Agent**") subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Replacement Agent may require (*provided* that the requirement, in the case of the Issuer only, is reasonable in the light of prevailing market practice). Any replacement Definitive Note will bear a notation stating the serial number of the Definitive Note which it replaces or is deemed to replace and, in the case of an Instalment Note, a record of the amount and date of each payment made prior to the date of the replacement in respect of the Instalment Note to be replaced (as evidenced by the notations on the schedule of payments endorsed on the Instalment Note to be replaced or, if such Instalment Note, has been lost, stolen or destroyed, the payment records of the Registrar will be noted by or on behalf of the Registrar issuing such replacement Instalment Note on the schedule of payments endorsed thereon. Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the Subordinated Notes of any Series in all respects (or in all respects except for the Issue Date, the date on which interest commences to accrue and related matters) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Subordinated Notes of any Series). References in these Terms and Conditions to the Subordinated Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Subordinated Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Subordinated Notes of any Series) shall be constituted under the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the Holders of securities of other series (including the Subordinated Notes of any other Series) where the Trustee so decides.

16. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation, liability or relationship of agency or trust for or with any Holder.

17. Terms of Subordination

(a) Form, Subscription in Cash and Maturity

(i) *Form*: Subordinated Notes will be issued as registered notes.

(ii) *Subscription and payment in cash*: Subordinated Notes may be issued in one or more Series or Tranches, consideration for which shall be paid to the Issuer in cash at the date of issue thereof.

(iii) *Maturity*: The Subordinated Notes shall not, without the prior approval of the Central Bank, have a maturity date, be redeemed, or amortized prior to five (5) years from their issuance date.

(b) Status; Subordination Provisions

(i) *Status*: Subordinated Notes constitute unsecured and subordinated obligations of the Issuer.

(ii) *Subordination*: Subordinated Notes are subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with this Condition 17(b).

Subject to applicable law, (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon the Issuer's winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings (each a "**Bankruptcy Event**"), and (B)(i) Subordinated Notes shall rank *pari passu* with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the Subordinated Notes shall rank *pari passu* with the rights and claims of holders of the Parity Liabilities and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer's Second Priority Liabilities; *provided* that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a *cisão*) of its properties, assets and liabilities substantially as an entirety to another corporation in accordance with Condition 18 shall not be deemed a Bankruptcy Event for the purposes of this Condition 17 if the Central Bank has approved such consolidation, merger, transfer or conveyance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such Successor Corporation pursuant to the terms of Resolution 3,444.

(c) Deferral of Interest and Principal

(i) Any payment (of principal, interest or any other amount) on the Subordinated Notes on any Interest Payment Date, the Maturity Date or any other date, as applicable, shall not be due at that time and the Issuer will defer that payment of interest or principal or any other amount relating thereto in full if the Issuer determines that it is, or if such payment would result in it being, in noncompliance with then applicable capital adequacy requirements or operational limits as set out in Resolution 3,444 or Resolution 2,099 or its financial ratios fall below the minimum levels required by regulations applicable to the Issuer either existing at the date of the Subordination Nucleus as specified in the relevant Final Terms or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority (the "**Risk-Based Capital Requirements**").

(ii) Upon the occurrence of sub-paragraph (i) above, the Issuer will defer payments of interest or principal or any other amount in full until the date no later than the number of days specified in the relevant Final Terms after the date it is no longer in violation of the Risk-Based Capital Requirements and the payment of that interest or principal amount or other amount, or any portion thereof, would no longer cause the Issuer to violate the Risk-Based Capital Requirements.

(iii) The deferral of any payment in accordance with this Condition 17(c) will not constitute an Event of Default under the Subordinated Notes.

(iv) Deferred interest amounts will be determined on each Interest Payment Date only for the purpose of calculating the interest accruing thereafter on amounts in arrears. Such amounts in arrears will bear interest at the Rate of Interest for such Subordinated Notes plus the Arrears Rate as specified in the relevant Final Terms. The Issuer will use reasonable efforts to give not more than the maximum number of Relevant Business Days' notice specified in the relevant Final Terms and not less than the minimum number of Relevant Business Days' notice specified in the relevant Final Terms to the Noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable. If amounts in arrears are at any time only partially payable:

(A) all amounts in arrears will be payable before additional interest on those amounts;

(B) all amounts in arrears will be payable in the order of the Interest Periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and

(C) all amounts in arrears or additional interest on those amounts, as the case may be, for any Interest Period will be paid *pro rata* to the Noteholders.

(d) Redemption, Repurchase and Guaranty or Insurance

(i) *Repurchases*: Subject to the prior approval of the Central Bank (in accordance with art. 9, VI and §3, of Resolution 3,444) or any other applicable Brazilian Governmental Authority, if then required, the Issuer or any Affiliate may at any time repurchase some or all of a Series of Subordinated Notes in the open market or

otherwise in any manner and at any price, *provided* that the Issuer is in compliance with the Risk-Based Capital Requirements and that such repurchase would not cause the Issuer to fail to be in compliance with such Risk-Based Capital Requirements. Subordinated Notes so repurchased, while held by or on behalf of the Issuer or any of its Affiliates, shall not entitle the Noteholder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 11 or 12. Subordinated Notes so purchased or acquired by the Issuer or any Affiliate in the ordinary course of its business as a dealer in securities may be reissued or resold and Subordinated Notes so reissued or resold shall, for all purposes, be deemed to form part of the original Series of Subordinated Notes in which they were issued.

(ii) *Optional Redemption for Taxation Reasons*: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes at its option in whole, but not in part, at any time, on giving not less than 30 days nor more than 45 days notice to the Noteholders in accordance with Condition 19(a) (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified, at the nominal amount specified in the relevant Final Terms (in each case together with interest accrued to, but excluding, the date fixed for redemption) if (i) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with Condition 8) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified in the relevant Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands, or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, *provided* that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Subordinated Notes then due (or in the case of Subordinated Notes which bear interest at the Floating Rate, a number of days which is equal to the aggregate number of days falling within the current Interest Period applicable to the Subordinated Notes plus 75 days). Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this Condition 17(d)(ii) subject as otherwise specified in the relevant Final Terms, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, which shall be conclusive and binding on the Noteholders.

(iii) *Optional Redemption due to a Regulatory Event*: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19(a) (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to, but excluding, the date fixed for redemption) if the Issuer certifies to the Trustee immediately prior to the giving of such notice that a Regulatory Event has occurred, *provided*, *however*, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Regulatory Event is or is reasonably expected to be effective. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this Condition 17(d)(iii), the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the Issuer is entitled to effect such a redemption or to cause such purchase in lieu of redemption pursuant to this Condition 17(d)(iii), and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption. Concurrently, the Issuer will deliver to the Trustee a written Opinion of Counsel stating, among other things, that a Regulatory Event has occurred and that all governmental approvals necessary for the Issuer to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

(iv) *Redemption of Subordinated Notes at the Option of the Issuer (Call Option)*: If so provided in the relevant Final Terms, the Issuer may, after the fifth anniversary of such Subordinated Notes and subject to the prior approval of the Central Bank, on giving to the Holder of such Subordinated Note irrevocable notice in accordance with Condition 19(a) of not less than 30 nor more than 45 days (or such other notice period as specified in the relevant Final Terms) redeem or procure the purchase of all or, if so specified in the relevant Final Terms, some of the Series of Subordinated Notes of which such Subordinated Note forms part, on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Subordinated Notes which at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount less, in the case of any Instalment Note, the aggregate amount of instalments that shall become due and payable under any Condition (which amount, if to the extent not then paid, remains due and payable) together with interest accrued to, but excluding, the date fixed for redemption or purchase. All Subordinated Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 17(d)(iv). If only some of the Subordinated Notes of a Series are to be redeemed or purchased at any time, the Subordinated Notes to be redeemed or purchased shall be redeemed or purchased *pro rata* to their principal amounts, *provided* always that the amount redeemed or purchased in respect of each Subordinated Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Subordinated Notes to be so redeemed or purchased. In case of the redemption or purchase of part only of a Subordinated Note, a new Subordinated Note in respect of the remaining balance shall be issued in accordance with Condition 3.

(v) *No Redemption at the Option of the Noteholders*: Subordinated Notes may not be redeemed at the option of the Noteholders.

(vi) *No Guarantee or Insurance*: Subordinated Notes are unsecured and subordinated obligations of the Issuer and do not benefit from any guarantee or insurance issued pursuant to any insurance policy or similar structure that compromises the subordination of the Subordinated Notes and/or requires or allows payments or transfers of funds to the Noteholders, directly or indirectly, by the Issuer or any Affiliate.

(vii) *Conflict of Provisions and Amendments*

(A) *Conflicts*: In the event of conflict between the provisions of this Condition 17 and any other provision set forth in any Transaction Document with respect to any Series of Subordinated Notes, the provisions of this Condition 17, as amended by the Subordination Nucleus, shall prevail, as per art. 7, II, of Resolution 3,444 and any such conflicting provision shall be null and void.

(B) *Amendments*: In accordance with art. 7, III and paragraph two, of Resolution 3,444, the execution of any amendment, change or revocation of any provision of this Condition 17 is subject to the prior consent of the Central Bank, if required pursuant to applicable regulations then in effect.

18. Consolidation, Merger or Sales of Assets

The Issuer may, without the consent of the Holders of any Series of Subordinated Notes, consolidate with or merge into any other corporation or convey or transfer (including in connection with a *cisão*), in one transaction or a series of transactions, all or substantially all of its properties or assets to any other person, *provided* that:

(a) the corporation formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer (including in connection with a *cisão*) all or substantially all of the properties and assets of the Issuer (the "**Successor Corporation**") shall be obliged to assume the due and punctual payment of the principal of and interest on all the Subordinated Notes and all other obligations of the Issuer under the Trust Deed, the Agency Agreement and the Subordinated Notes;

(b) immediately after giving effect to such transaction, no Event of Default with respect to any Subordinated Note shall have occurred and be continuing; and

(c) after any public announcement of, but in any event prior to the completion of any such consolidation, merger, conveyance or transfer, the Issuer has delivered to the Trustee (i) a certificate signed by two authorised officers of the Issuer stating that such consolidation, merger, conveyance or transfer complies with this Condition 18

and that all conditions precedent herein provided for relating to such transaction (other than the condition precedent set out in (b) above) have been complied with and (ii) an opinion of independent counsel of recognised standing to the effect that the Successor Corporation has validly assumed the obligations to be assumed by it pursuant to clause (a) above and that the Trust Deed, the Agency Agreement and the Subordinated Notes constitute legal, valid and binding obligations of the Successor Corporation, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganisation or other laws of general applicability relating to or affecting the enforcement of creditor's rights and to general principles of equity; *provided* that in giving such Opinion of Counsel may rely on a certificate signed by an authorised officer of the Issuer.

No Successor Corporation shall have the right to redeem the Subordinated Notes unless the Issuer would have been entitled to redeem the Subordinated Notes in similar circumstances.

Upon the consolidation, merger, conveyance or transfer (including in connection with a *cisão*) in accordance with this Condition 18, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Subordinated Notes with the same effect as if the Successor Corporation had been named as the issuer of the Subordinated Notes herein and the Issuer will automatically be released and discharged from all obligations and covenants under the Trust Deed, the Agency Agreement and the Subordinated Notes.

19. Notices and Provision of Information

(a) *Notices*. Notices to Holders of Subordinated Notes will be mailed to them at their respective addresses in the Register (or in the case of joint Holders, to the address of the first-named in the Register) and shall be published (so long as the Subordinated Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange designated for such purposes pursuant to the rules of the Luxembourg Stock Exchange or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

(b) *Provision of Information*. For so long as any of its Subordinated Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act the Issuer undertakes that it will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish on request to any Holder of such restricted securities, or to any prospective purchaser thereof, such information as is required to be provided pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with the resale of such restricted securities.

20. Covenant Defeasance

(a) The Issuer may at its option, at any time, elect to have terminated the obligations of the Issuer with respect to outstanding Subordinated Notes of a Series as set forth in this Condition 20 and elect to have Condition 20(b) be applied to all of the outstanding Subordinated Notes of such Series (the "**Defeased Notes**"), upon compliance with the conditions set forth below in Condition 20(c). Condition 20(b) may be applied to the Defeased Notes to the Maturity Date or relevant Optional Redemption Date.

(b) Upon the Issuer's exercise of the option under Condition 20(a), the provisions of Condition 18 shall not apply with respect to the Defeased Notes on and after the date the conditions set forth below are satisfied (hereinafter, "**Covenant Defeasance**"), and the Subordinated Notes shall thereafter be deemed not to be outstanding for the purposes of any direction, waiver, consent or declaration or act of Noteholders (and the consequences of any thereof) in connection with such covenants or provisions, but shall continue to be deemed outstanding for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the Defeased Notes, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant or provision, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or provision or by reason of any reference in any such covenant or provision to any other provision herein or in any other document and such omission to comply shall not constitute a Potential Event of Default or an Event of Default, but, except as specified above, the remainder of these Terms and Conditions and the Trust Deed shall be unaffected thereby.

(c) The following shall be the conditions to application of Condition 20(b) to the outstanding Subordinated Notes:

(i) The Issuer shall have irrevocably deposited or caused to be deposited with the Trustee, in trust, money or Government Obligations, or a combination thereof, in amounts as will be sufficient (without reinvestment), to pay and discharge the principal of, and premium, if any, and interest, if any, on the Defeased Notes to the Maturity Date or relevant Optional Redemption Date in accordance with these Terms and Conditions and the Trust Deed;

(ii) No Event of Default specified in Condition 9(a) shall have occurred and be continuing on the date of such deposit;

(iii) Such deposit shall not result in a breach or violation of, or constitute an Event of Default under, these Terms and Conditions or the Trust Deed;

(iv) The Issuer either: (i) shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Defeased Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred or (ii) shall indemnify each beneficial owner of a Defeased Note against any additional U.S. federal income tax thereafter imposed on such beneficial owner (net of any U.S. federal income tax savings) as a consequence of such Covenant Defeasance; and

(v) The Issuer shall have delivered to the Trustee a certificate signed by two authorised officers and an Opinion of Counsel, each to the effect that all conditions precedent provided for in this Condition 20(c) relating to the Covenant Defeasance have been complied with. In rendering such Opinion of Counsel, counsel may rely on a certificate signed by two authorised officers as to compliance with the foregoing paragraphs (i), (ii) and (iii) of this Condition 20(c) or as to any matters of fact.

(d) Subject to the provisions of Condition 20(f), all money and Government Obligations (including the proceeds thereof) deposited with the Trustee (or such other person that would qualify to act as successor trustee under the Agency Agreement, collectively and solely for purposes of this Condition 20(d), the "**Trustee**") pursuant to Condition 20(c)(i) in respect of the Defeased Notes shall be held in trust and applied by the Trustee in accordance with the provisions of such Subordinated Notes and these Terms and Conditions and the Trust Deed to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Noteholders of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except as requested by the Issuer or, to the extent required by law.

The Issuer shall pay and indemnify the Trustee and its agents and hold them harmless against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Condition 20(c)(i), or the principal, premium, if any, and interest, if any, received in respect thereof, other than any such tax, fee or other charge that by law is for the account of the Holders of the Defeased Notes.

Anything in this Condition 20 to the contrary notwithstanding, the Trustee shall deliver to the Issuer any money or Government Obligations held by it as provided in Condition 20(c)(i) in respect of which:

i. it receives an Issuer Request; and

ii. after consultation with a nationally recognized accounting or investment banking firm, it is informed in a written certification from such firm that such money or Government Obligations are in excess of the amount that would then be required to be deposited to effect an equivalent Covenant Defeasance,

provided that, no liability, whatsoever, shall attach to the Trustee and it shall be fully protected and have no liability in relying on such written certification.

(e) If the Trustee or Paying Agent is unable to apply any money or Government Obligations in accordance with Condition 20(b), as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Issuer under these Terms and Conditions and the Trust Deed shall be revived and reinstated as though no deposit had occurred pursuant to Condition 20(b), until such time as the Trustee or Paying Agent is permitted to apply all such money and Government Obligations in accordance with Condition 20(b); *provided*, *however*, that if the Issuer makes any payment of principal, premium, if any, or interest, if any, on any Subordinated Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Subordinated Notes to receive such payment from the money and Government Obligations held by the Trustee or Paying Agent.

(f) The Trustee shall pay to the Issuer upon Issuer Request any money held by it for the payment of principal, premium, if any, or interest, if any, that remains unclaimed for two years after the Maturity Date or the relevant Optional Redemption Date, as the case may be. After payment to the Issuer, Noteholders entitled to money must look to the Issuer for payment as unsecured general creditors unless an applicable abandoned property law designates another person. No liability whatsoever shall be owed by the Trustee or Paying Agent to the Issuer or the Noteholders with respect to such money, absent gross negligence or willful misconduct.

21. Redenomination, Renominalisation and Reconventioning

(a) This Condition 21 is applicable to the Subordinated Notes only if it is specified in the relevant Final Terms as being applicable.

(b) If the country of the Specified Currency becomes or, announces its intention to become a member state of the European Community adopting the Euro as its lawful currency in accordance with the Treaty (a "**Participating Member State**"), the Issuer may, without the consent of the Holders of Subordinated Notes, on giving at least 30 days' prior notice to the Holders of Subordinated Notes and the Paying Agents, designate a date for redenomination (the "**Redenomination Date**"), being an Interest Payment Date under the Subordinated Notes falling on or after the date on which such country becomes a Participating Member State.

(c) Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

(i) the Subordinated Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Subordinated Note equal to the principal amount of that Subordinated Note in the Specified Currency, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however*, that, if the Issuer determines, with the agreement of the Registrar then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Holders of Subordinated Notes, each stock exchange (if any) on which the Subordinated Notes are then listed and the Paying Agents of such deemed amendments;

(ii) if Subordinated Notes have been issued in definitive form:

(x) the payment obligations contained in all Subordinated Notes denominated in the Specified Currency will become void on the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Holders of Subordinated Notes that replacement Subordinated Notes denominated in Euro are available for exchange (*provided* that such Subordinated Notes are available) and no payments will be made in respect thereof, but all other obligations of the Issuer thereunder (including the obligation to exchange such Subordinated Notes in accordance with this Condition 21) shall remain in full force and effect; and

(y) new Subordinated Notes denominated in Euro will be issued in exchange for Subordinated Notes denominated in the Specified Currency in such manner as the Registrar, may specify and as shall be notified to the Holders of Subordinated Notes in the Euro Exchange Notice; and

(iii) all payments in respect of the Subordinated Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Community.

(d) Following redenomination of the Subordinated Notes pursuant to this Condition 21, where Subordinated Notes have been issued in definitive form, the amount of interest due in respect of the Subordinated Notes will be calculated by reference to the aggregate principal amount of the Subordinated Notes presented for payment by the relevant Holder.

(e) If the Floating Rate Notes provisions for Floating Rate Notes specified in Condition 5(II) are specified in the relevant Final Terms as being applicable and the Primary Source for the Floating Rate is as specified in

Condition 5(II)(b)(i)(A) as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second Relevant Business Day before the first day of the relevant Interest Period.

22. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Subordinated Notes under the Contracts (Rights of Third Parties) Act 1999.

23. Governing Law and Jurisdiction

(a) *Governing Law*: The Trust Deed, the Subordinated Notes, the Final Terms (including the summary of the Final Terms set out in section 5 of the Subordination Nucleus) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, *provided* that the provisions contained in Condition 17, as amended by the Subordination Nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.

(b) *Jurisdiction*: The courts of England have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.

(c) *Agent for Service of Process*: The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

FORM OF THE NOTES; BOOK ENTRY AND TRANSFER

Bearer Notes

Bearer Notes of each Tranche of a Series of the Senior Notes will initially be represented by a Temporary Global Note or by a Permanent Global Note (together, the "**Global Notes**"), each without coupons, which will be deposited with a common depositary on behalf of Clearstream and Euroclear on the relevant issue date. Interests in the Temporary Global Note will be exchanged in whole or in part for interests in a Permanent Global Note representing Bearer Notes of the relevant Tranche, not earlier than the expiration of the Distribution Compliance Period, and upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Permanent Global Note and any definitive Senior Note, talon and coupon will bear the following legend:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE".

The sections of the Code referred to in the legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of Bearer Notes or any related coupons.

Summary of Provisions Relating to Bearer Notes while in Global Form

Each Permanent Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Senior Notes set out in this document. The following is a summary of certain such provisions:

(a) *Noteholders:* So long as the common depository is the bearer of a Global Note, the common depositary for Euroclear and Clearstream will be considered the sole holder of the Senior Notes represented by such Global Note for all purposes under the Trust Deed, the Agency Agreement among Itaú Unibanco Holding, the Trustee and Paying Agents (the "**Agency Agreement**"), and such Senior Notes. Owners of beneficial interests in a Global Note will not be considered the holders of such Global Note (or any Senior Notes represented thereby).

(b) *Exchange:* A Temporary Global Note is exchangeable in whole or in part (free of charge to the holder) for interests in the Permanent Global Note representing Bearer Notes not earlier than the expiration of the Distribution Compliance Period, and upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. A Permanent Global Note is exchangeable (in the case of clause (iii), at the option of the issuer) in whole, but not in part (free of charge to the holder), for definitive Bearer Notes if (i) the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by such holder giving notice to the London Paying Agent, (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the holders of the Notes represented by such Permanent Global Note and the Trustee has been advised by counsel that in connection with such proceeding, it is necessary or appropriate for the Trustee to obtain possession of such Notes, or (iii) the Issuer is obligated to pay additional amounts as provided or referred to in the Terms and Conditions of the Senior Notes as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the applicable issue date. If so specified in the relevant Final Terms, a Temporary Global Note or a Permanent Global Note is exchangeable in whole or in part for Registered Notes in accordance with its terms.

On or after any Exchange Date (as defined below), the holder of the Permanent Global Note may surrender the Permanent Global Note to, or to the order of, the London Paying Agent. In exchange for the Permanent Global Note, the relevant Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated definitive Bearer Notes (having attached to them all coupons and talons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in Schedule 1 to the

Trust Deed or (if so specified in the relevant Final Terms) Registered Notes. On exchange in full of the Permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder.

"**Exchange Date**" means a day falling not less than 40 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in which the relevant clearing system is located.

(c) *Payments:* No payments will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal, premium (if any) and interest in respect of Bearer Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bearer Notes, surrender of the Permanent Global Note to or to the order of the London Paying Agent, Principal Paying Agent or such other Paying Agent as shall have been notified to the holders of the Senior Notes for such purpose. A record of each payment so made will be endorsed in the appropriate exhibit to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bearer Notes. Payments will be made to the common depository for Euroclear and Clearstream and, upon receipt of any such payment of a Global Note held by a common depository, it is expected that Euroclear and Clearstream will credit participants' accounts with payment in amounts proportionate to their beneficial interests in the principal amount of such Global Notes as shown on the records of Euroclear or Clearstream, as the case may be.

(d) *Prescription:* Claims against the Issuer in respect of principal and interest in respect of a Global Note will be prescribed and become void unless such Global Note is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in "Terms and Conditions of the Senior Notes").

(e) *Meetings:* The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of the Senior Notes and, at any such meeting, as having one vote in respect of each minimum Specified Denomination of Bearer Notes for which such Global Note may be exchanged.

(f) *Purchase and cancellation:* Cancellation of any Bearer Note permitted under "Terms and Conditions of the Senior Notes" to be cancelled following its purchase will be effected by reduction in the nominal amount of the relevant Global Note and evidenced by the appropriate notation in the relevant exhibit to such Global Note.

(g) *Call option:* The Issuer's call option in Condition 7(e) in "Terms and Conditions for the Senior Notes" may be exercised by the Issuer giving notice to the holders of the Senior Notes in accordance with Condition 7(e) and such notice shall be required to contain the certificate numbers of Senior Notes drawn for redemption in the case of a partial redemption of Senior Notes.

(h) *Put option:* The put option of the holders of the Senior Notes in Condition 7(f) in "Terms and Conditions for the Senior Notes" may be exercised by the holder of a Global Note giving notice to the London Paying Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in Condition 7(f).

Registered Notes

Registered Notes of each Tranche of a Series that are sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by interests in either a European unrestricted global Note or a DTC unrestricted global Note, each without coupons, and (i) in the case of a European unrestricted global Note, deposited with a common depositary for, and registered in the name of a common nominee of, Clearstream and Euroclear on its issue date (each a "**European Unrestricted Global Note**"); or (ii) in the case of a DTC unrestricted global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date (each a "**DTC Unrestricted Global Note**"). We refer to the DTC Unrestricted Global Notes together with the European Global Notes as Unrestricted Global Notes.

Registered Notes of each Tranche of a Series that are sold to QIBs pursuant to Rule 144A ("**Restricted Notes**") will initially be represented by a Restricted Global Note without interest coupons and (i) in the case of a European Restricted Global Note, deposited with a common depositary for, and registered in the name of a common nominee of, Clearstream and Euroclear on its issue date (each a "**European Restricted Global Note**" and, together with any European Unrestricted Global Note, the "**European Global Notes**"); or (ii) in the case of a DTC Restricted Global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date (each a

"**DTC Restricted Global Note**" and, together with any DTC Unrestricted Global Note, the "**DTC Global Notes**"). We refer to the DTC Restricted Global Notes together with the European Global Notes as Restricted Global Notes. Beneficial interests in a European Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream. Beneficial interests in a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Individual definitive Registered Notes will only be available in certain limited circumstances as described herein. Any Restricted Global Note will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under "Transfer Restrictions".

Book-Entry Ownership

Bearer Notes

The Issuer will make applications to Clearstream and Euroclear for acceptance in their respective book-entry systems in respect of any Bearer Series. In respect of Bearer Notes, a Temporary Global Note or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream and Euroclear. Each Temporary Global Note or Permanent Global Note will have an ISIN number and a Common Code. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream and Euroclear.

Registered Notes

The Issuer will make applications to Clearstream and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a European Unrestricted Global Note or a European Restricted Global Note. Each European Global Note will have an ISIN number and a Common Code.

The Issuer and the Dealer(s) with respect to a Tranche of Notes will make application to DTC for acceptance in its book entry settlement system of the Notes represented by each DTC Restricted Global Note or DTC Unrestricted Global Note. Each DTC Global Note will have a CUSIP number and an ISIN number.

Each DTC Restricted Global Note and each European Restricted Global Note will be subject to restrictions on transfer contained in a legend appearing on the front of each such Note, as set out under "Transfer Restrictions". In certain circumstances, as described below in "— Transfers of Registered Notes," transfers of interests in a DTC Restricted Global Note or a European Restricted Global Note may be made such that the legend is no longer applicable.

The custodian with whom the DTC Restricted Global Note or DTC Unrestricted Global Note is deposited (the "**Custodian**") and DTC will electronically record the nominal amount of the Notes held within the DTC system. In the case of Notes represented by a DTC Unrestricted Global Note, until the expiration of the Distribution Compliance Period, investors in Notes of such Series may hold their interests in a DTC Unrestricted Global Note only through Clearstream or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in such system, or indirectly through organisations which are participants in DTC. Clearstream and Euroclear will hold interests in a DTC Unrestricted Global Note on behalf of their accountholders through customers' securities accounts in Clearstream's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in a DTC Unrestricted Global Note in customers' securities accounts in the depositaries' names on the books of DTC. The Bank of New York Mellon will initially act as depositary for each of Euroclear and Clearstream. Investors may hold their interests in a DTC Restricted Global Note directly through DTC, if they are participants in the DTC system, or indirectly through organisations which are participants in such system. Investors in Notes represented by a European Restricted Global Note or a European Unrestricted Global Note may hold their interests in such Note only through Clearstream or Euroclear.

Payments of the principal of, and interest on, each DTC Restricted Global Note or DTC Unrestricted Global Note registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such DTC Restricted Global Note or DTC Unrestricted Global Note. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such DTC Global Notes held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with

securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any DTC Restricted Global Note or DTC Unrestricted Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of: (i) a DTC Restricted Global Note and either a DTC Unrestricted Global Note or a European Unrestricted Global Note; or (ii) a European Restricted Global Note and a European Unrestricted Global Note. Individual definitive Registered Notes will only be available (a) in the case of Registered Notes sold under Regulation S ("**Unrestricted Notes**"), in amounts specified in the applicable Final Terms (*provided* that, in the case of any Notes to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC, Unrestricted Notes will only be available in amounts of €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Senior Notes) and integral multiples of €1,000 thereafter, and (b) in the case of Restricted Notes, in amounts of US$100,000 (or its equivalent in other currencies) rounded upwards as agreed between the Issuer and the relevant Dealer(s), and integral multiples of US$1,000 thereafter, in certain limited circumstances described below.

Individual Definitive Registered Notes

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream and Euroclear or for DTC will not be permitted unless: (i) in the case of DTC Restricted Global Notes and DTC Unrestricted Global Notes, DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depositary with respect to the DTC Restricted Global Note and DTC Unrestricted Global Notes, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of European Unrestricted Global Notes and European Restricted Global Notes, Clearstream or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the holders of the Notes under the Notes and the Trustee has been advised by counsel that in connection with such proceeding, it is necessary or appropriate for the Trustee to obtain possession of the Notes; or (iv) the Issuer is obligated to pay additional amounts as provided or referred to in the Terms and Conditions of the Senior Notes or the Terms and Conditions of the Subordinated Notes as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the applicable issue date. In such circumstances (and in the case of clause (iv), at the option of the Issuer), the Issuer will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holder(s) of the Notes. A person having an interest in a DTC Global Note or a European Global Note must provide the Registrar with:

- a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and
- in the case of a DTC Restricted Global Note or a European Restricted Global Note only, a fully completed and signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Registered Notes issued pursuant to this paragraph shall bear the legends applicable to transfers pursuant to Rule 144A.

Transfers of Registered Notes

Transfers of interests in DTC Global Notes or European Global Notes within DTC, Clearstream or Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Restricted Global Note to such persons may be limited.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Restricted Global Note or DTC Unrestricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Until the expiration of the Distribution Compliance Period, beneficial interests in a DTC Unrestricted Global Note for such Series may be held only through Clearstream or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note to a transferee who wishes to take delivery of such interest through a DTC Restricted Global Note or a European Restricted Global Note (as the case may be); *provided* that any such transfer made on or prior to the expiration of the Distribution Compliance Period relating to the Notes represented by such DTC Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Thereafter, the Registrar will make appropriate entries in the Register. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note or a European Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant DTC Global Notes.

Beneficial interests in a European Unrestricted Global Note may be held only through Clearstream or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note or a European Unrestricted Global Note to a transferee who wishes to take delivery of such interest through the DTC Restricted Global Note or the European Restricted Global Note (as the case may be) for the same Series of Notes; *provided* that any such transfer made on or prior to the expiration of the Distribution Compliance Period relating to the Notes represented by such European Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such DTC Unrestricted Global Note or European Unrestricted Global Note (as the case may be) will only be made upon request through (i) Clearstream or Euroclear by the holder of an interest in the European Unrestricted Global Note or (ii) through DTC by the holder of an interest in the DTC Unrestricted Global Note, to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the DTC Restricted Global Note or details of the account at Euroclear or Clearstream to be credited with the relevant interest in the European Restricted Global Note, as the case may be. Transfers at any time by a holder of any interest in the DTC Restricted Global Note or a European Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note or a European Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S or Rule 144A and giving details of the account at DTC, Euroclear or Clearstream, as the case may be, to be credited and debited, respectively, with an interest in the relevant global Registered Notes.

In addition, subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions," cross market transfers between DTC and directly or indirectly through Clearstream or Euroclear accountholders will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant global Registered Notes will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred

to the credit of the designated account for the transferee. Transfers will be effected on the later of: (i) three business days after the trade date for the disposal of the interest in the relevant global Registered Note resulting in such transfer; and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Restricted Global Notes and DTC Unrestricted Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Restricted Global Notes or DTC Unrestricted Global Notes are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note, as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Restricted Global Note or DTC Unrestricted Global Note for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the global Registered Notes among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream or Euroclear, or their respective direct or indirect participants or accountholders, of their respective obligations under the rules and procedures governing their operations.

While a DTC Restricted Global Note or DTC Unrestricted Global Note is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream or Euroclear.

Pre-Issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant issue date, which could be more than three business days following the date of pricing. Under Rule 15c61 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant issue date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant issue date should consult their own adviser.

U.S. Dollar Equivalent

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another currency shall be determined, at the discretion of the Issuer, either as of the date of agreement to issue such Notes (the "**Agreement Date**") or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case, on the basis of the Exchange Rate on the relevant date of calculation applied to the aggregate nominal amount of such Notes. As used herein, the "**Exchange Rate**" means the spot rate for the sale of U.S. dollars against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the relevant Issuer at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The U.S. dollar equivalent of any zero coupon Note and any other Note issued at a discount shall be calculated, in relation to the specified currency, in the manner specified above and with the Exchange Rate so determined to apply in respect of any other U.S. dollar equivalent determination for the same Notes and, in relation to the nominal amount, by reference to the amortisation yield formula as specified in "Terms and Conditions of the Senior Notes" and "Terms and Conditions of the Subordinated Notes" as of the same dates as specified in the preceding paragraph or, if no formula is so specified, the nominal amount of such Notes. The U.S. dollar equivalent of a Note issued at a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer from the relevant issue of Notes.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES OR COUPONS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

Brazil

The following is a general description of certain Brazilian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Brazil of acquiring, holding and disposing of Notes and receiving payments of interest, principal or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.

Individuals resident in Brazil and Brazilian companies are taxed in Brazil on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of branches of foreign companies domiciled in Brazil are generally taxed in Brazil in the same manner as Brazilian companies, and non-residents of Brazil in general are taxed in Brazil only when income is derived from Brazilian sources or gains are realised on the disposal of assets located within Brazil.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an investor (individual, entity, trust or organisation) not resident or domiciled in Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, generally are subject to Brazilian withholding tax. The rate of withholding tax with respect to such debt obligations is generally 15.0% as provided for in Article 10 of the Normative Ruling No. 252, enacted by the tax authority as of December 3, 2002.

However, if a payment of interest is made by the Issuer with respect to Notes issued by the Grand Cayman Branch to a holder that is a non-resident of Brazil, based on the fact that the Issuer is considered to be domiciled outside of Brazil for tax purposes, such payment will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payment is made with resources held by us outside of Brazil. Notwithstanding this, considering the general and ambiguous scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

Brazil and Japan are signatories to a treaty (the "**Japan Treaty**") for the avoidance of double taxation. Under the Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other types of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. As long as such payments are made by the Issuer to a beneficiary that is a tax resident of Japan and is qualified for the Japan Treaty benefits under the Notes, such payments will be subject to the 12.5% rate of Brazilian withholding tax. The Issuer will make payments to the Principal Paying Agent pursuant to the "Terms and Conditions of the Senior Notes" and to the "Terms and Conditions of the Subordinated Notes". If such Principal Paying Agent is a tax resident of Japan and qualified for the Japan Treaty benefits, such payments may qualify for the 12.5% rate of Brazilian withholding tax under the Japan Treaty, although this is not certain. If the Issuer is not able to rely on the Japan Treaty with respect to such payments, and in relation to payments being made by the Issuer to a beneficiary that is not a tax resident of Japan, any such payments will be subject to Brazilian withholding tax at the rate indicated above.

In accordance with the "Terms and Conditions of the Senior Notes" and to the "Terms and Conditions of the Subordinated Notes," the Issuer is required to pay such additional amounts as will result in the receipt by a holder of the Notes of such amounts as would have been received by such holders of the Notes had no such withholding or deduction been required, subject to certain limitations. Brazilian tax laws authorise the paying source to pay the income or earnings net of taxes and, therefore, to assume the cost of the applicable tax.

Gains on the sale or disposal of the Notes generated outside Brazil by a non-resident or non-domiciliary of Brazil, other than a branch, subsidiary or an affiliated company of a Brazilian as defined under Brazilian tax law, to another non-resident or non-domiciliary of Brazil should not be subject to Brazilian taxes. Article 26 of Law No.

10,833, enacted on December 29, 2003, established that, as from February 1, 2004, capital gains realised on the disposal of assets located in Brazil by non-residents or non-domiciliaries of Brazil, whether to other non-resident or non-domiciliaries of Brazil or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding income tax at a general rate of 15% (a 25% rate may apply if the foreign beneficiary is located in a jurisdiction deemed to be a tax haven for Brazilian tax purposes). Although the scope of Law No. 10,833 is yet unclear, the Issuer believes that the Notes will be treated as located outside of Brazil and will not fall within such provision. However, Brazilian tax authorities may determine that the gains generated abroad on the sale or disposal of the Notes by non-residents of Brazil should be taxable in Brazil.

Additionally, Law No. 11,727 of June 23, 2008, created the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes income at a maximum rate lower than 20.0%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out substantial economic activity in the country or said territory or (b) conditioned upon the non-exercise of substantial economic activity in the country or said territory; (iii) does not tax proceeds generated abroad or taxes such proceeds at a maximum rate lower than 20.0%; or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. The concept of "privileged tax regime" should apply only for the purposes of Brazilian transfer pricing rules and thin capitalisation rules, and, in principle, does not imply in a higher rate of withholding tax on income and capital gains earned by non-Brazilian holders. Please note that the entities currently deemed as privileged tax regimes by the Brazilian tax authorities are listed on Normative Ruling No. 1,037 of June 4, 2010.

Pursuant to Decree No. 6,306 of December 14, 2007, as amended, foreign exchange transactions are subject to the IOF/FX. Under the IOF regulations currently in force, the President is empowered to establish the applicable IOF/FX rate. Such IOF/FX rate can be increased at any time up to a rate of 25.0%. The above-mentioned Decree sets forth that the current general IOF/FX rate is 0.38%, although there are some exceptions, such as the inflow of proceeds into Brazil in connection with foreign financing or loans with a minimum average term longer than 720 days, which is subject to a 0.0% IOF/FX rate. However, the inflow of proceeds into Brazil derived from or destined to loans with minimum average terms of less than 720 days is subject to a 6.0% IOF/FX rate.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil; nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the Notes outside Brazil (as noted above, the Issuer belives that the Notes will be treated as located outside of Brazil), except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

The table below is a summary of the income taxation relating to the Notes, as described above. It does not purport to be a complete analysis of all tax considerations.

	Rate for		
Payment Type	**Foreign investor located in a non-tax haven jurisdiction**	**Foreign investor located in a tax haven jurisdiction**	**Foreign investor located in a country with which Brazil has signed a Treaty**
Interest on notes issued to foreign investors by a Brazilian company	15.0%	15.0% (pursuant to Normative Ruling No. 252)	15.0% (or at a reduced rate pursuant to such Treaty)
Interest on notes issued to foreign investors by a Brazilian company through a branch or subsidiary located outside Brazil (*e.g.*, Grand Cayman Branch)	NA	NA	NA

Cayman Islands

The following summary is a general description of certain Cayman Islands tax aspects of the Notes and does not purport to be a comprehensive description of the tax aspects of the Notes. This summary is based upon the tax laws of the Cayman Islands as in effect on the date of this Offering Memorandum and is subject to any prospective or retroactive change in Cayman Islands law that may come into effect after such date. Prospective purchasers should consult their tax advisers as to the tax laws and specific tax consequences of acquiring, holding and disposing of the Notes.

Under existing Cayman Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands as is an original Bearer Note if brought into the Cayman Islands (to the extent that any Notes are issued in bearer form).

EU Savings Directive

The EU has adopted a directive (Council Directive 2003/48/EC, the "**EU Savings Directive**") regarding the taxation of savings income. The Directive requires countries that are member states of the EU to provide the tax authorities of other member states of the EU with the details of payments of interest and other similar income paid by a person within its jurisdiction to an individual who is the beneficial owner of such interest or other similar income or to certain other persons resident in another Member State, with the exception of Austria and Luxembourg, who are instead required to operate a withholding system for a transitional period unless during such period they elect otherwise (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other similar income may request that no tax be withheld). A number of non-EU countries and territories have adopted measures similar to the EU Savings Directive by either applying the withholding system or the automatic exchange of information procedure.

U.S. Federal Income Taxation

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below) who purchase the Notes in an offering of Notes at their issue price (determined as set forth below) and hold the Notes as capital assets within the meaning of section 1221 of the Code. This discussion does not address all of the tax considerations that may be relevant to U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special rules under U.S. federal income tax laws, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders who hold the Notes as part of a "straddle," "hedging," "conversion" or other integrated transaction, U.S. Holders who mark their securities to market for U.S. federal income tax purposes or U.S. Holders whose functional currency is not the U.S. dollar. In addition, this discussion does not address the effect of any state, local or non-U.S. tax laws or any U.S. federal estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, the Treasury Regulations promulgated thereunder and administrative and judicial pronouncements, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion does not address the U.S. federal income tax considerations relating to the purchase, ownership or disposition of (i) Bearer Notes, (ii) credit linked Notes, (iii) index linked interest Notes, (iv) dual currency Notes, (v) Notes with a maturity later than 30 years from the date of issuance, (vi) Notes that do not unconditionally require payments at least equal in the aggregate to their issue price (as determined below), (vii) "contingent payment debt instruments" (under applicable Treasury Regulations), or (viii) certain variable rate debt instruments (under applicable Treasury Regulations), and a general discussion of any materially different federal income tax considerations relating to any such Notes will be included in the applicable Final Terms if such Notes are offered to U.S. Holders.

For purposes of this discussion, the term "**U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust with respect to

which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to such investment generally will depend in part upon the status and activities of such entity and its partners. Such an entity should consult its own tax advisers regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of such Note.

The determination of whether a particular Series of the Subordinated Notes should be classified as indebtedness or equity for U.S. federal income tax purposes depends on the terms of the Subordinated Notes of such Series. The Issuer intends to treat the Subordinated Notes as indebtedness for U.S. federal income tax purposes. The Issuer's treatment will be binding on all U.S. Holders, except a U.S. Holder that discloses its differing treatment on its U.S. federal income tax return. However, the Issuer's treatment is not binding on the IRS, and it is possible that the IRS could attempt to treat a particular Series of the Subordinated Notes as equity for U.S. federal income tax purposes. If a particular Series of the Subordinated Notes were so treated as equity, the U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Subordinated Notes of such Series could differ from those described below with respect to timing and character. The remainder of this discussion assumes that all of the Notes will be treated as indebtedness for U.S. federal income tax purposes.

ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES SET FORTH IN THIS OFFERING MEMORANDUM WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER FEDERAL TAX LAW. SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS.

Interest and Original Issue Discount

Each U.S. Holder of a Note will include in income payments of "qualified stated interest" (as described below) in respect of such Note in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes as ordinary interest income. In general, if the issue price of a Note, determined by the first price at which a substantial amount of the Notes of a particular issue is sold (ignoring sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers), is less than the "stated redemption price at maturity" (as described below) of such Note by an amount that is equal to or more than a de minimis amount, a U.S. Holder will be considered to have purchased such Note with original issue discount ("**OID**"). In general, the de minimis amount is equal to ¼ of one percent of the stated redemption price at maturity of a Note multiplied by the number of complete years to maturity (or, in the case of a Note providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of the Note). If a U.S. Holder acquires a Note with OID, then regardless of such U.S. Holder's method of accounting, such U.S. Holder will be required to accrue its *pro rata* share of OID on such Note on a constant-yield basis and include such accruals in gross income, whether or not such U.S. Holder will have received any cash payment on the Note. Any amount not treated as OID because it is de minimis generally must be included in income (generally as gain from the sale of Notes) as principal payments are received in the proportion that each such payment bears to the original principal amount of the Note. Special rules apply to Notes with a fixed maturity of one year or less. See below under "— Short-Term Notes".

"**Stated redemption price at maturity**" generally means the sum of all payments to be made on a Note other than payments of "qualified stated interest". "**Qualified stated interest**" generally means stated interest that is unconditionally payable at least annually at a single fixed rate, or in the case of a variable rate debt instrument (as defined below), at a single qualified floating rate or single objective rate (as such terms are defined below). If a Note is a variable rate debt instrument but interest is payable at a rate other than a single qualified floating rate or a single objective rate, the special rules that apply will be described in the applicable Final Terms.

In the case of a Note that is a variable rate debt instrument, the amount of qualified stated interest and the amount of OID, if any, that accrues during an accrual period is generally determined by assuming that the variable rate is a fixed rate. In the case of a qualified floating rate or qualified inverse floating rate (each as defined below), the assumed fixed rate is the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate. In the case of an objective rate (as defined below, and other than a qualified inverse floating rate), the assumed fixed rate is a fixed rate that reflects the yield that is reasonably expected for the debt instrument. In either case, the qualified stated interest (or, if there is no qualified stated interest, OID) allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to clause (i) or (ii), as applicable. Special rules that apply to a variable rate debt instrument that provides for stated interest at a fixed rate under certain circumstances will be described in the applicable Final Terms.

A "**variable rate debt instrument**" is a debt instrument that (i) has an issue price that does not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (a) 0.015 multiplied by the product of such total noncontingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Note) or (b) 15 percent of the total noncontingent principal payments, (ii) provides for stated interest (compounded or paid at least annually) at the current value of (A) one or more qualified floating rates, (B) a single fixed rate and one or more qualified floating rates, (C) a single objective rate or (D) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (iii) does not provide for any principal payments that are contingent. The current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A "**qualified floating rate**" is generally a floating rate under which variations in the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which a debt instrument is denominated. A multiple of a qualified floating rate is not a qualified floating rate unless the relevant multiplier is (i) fixed at a number that is greater than 0.65 but not more than 1.35 or (ii) fixed at a number that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (*i.e.*, a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor, governor or similar restriction that is fixed throughout the term of the Note).

An "**objective rate**" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information. However, an objective rate does not include a rate based on information that is within the control of the Issuer (or certain related parties of the Issuer) or that is unique to the circumstances of the Issuer (or certain related parties of the Issuer), such as dividends, profits or the value of the Issuer's stock. A "**qualified inverse floating rate**" is an objective rate (i) that is equal to a fixed rate minus a qualified floating rate and (ii) the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Notwithstanding the first sentence of this paragraph, a rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term. The IRS may designate rates other than those specified above that will be treated as objective rates. As of the date of this Offering Memorandum, no other rates have been designated.

If (i) interest on a Note is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and (ii) the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. A fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentence if the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 percentage points (25 basis points).

If a floating rate Note does not qualify as a variable rate debt instrument or otherwise provides for contingent payments, or if a fixed rate Note provides for contingent payments, such Note may constitute a "contingent payment debt instrument". Interest payable on a contingent payment debt instrument is not treated as qualified stated interest.

Special rules applicable to contingent payment debt instruments offered to U.S. Holders will be described in the applicable Final Terms.

In general, the following rules apply if (i) a Note provides for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and (ii) either a single payment schedule is significantly more likely than not to occur or the Note provides the Issuer or a U.S. Holder with an unconditional option or options exercisable on one or more dates during the term of the Note. If based on all the facts and circumstances as of the issue date a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule. If the Issuer or a U.S. Holder has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then (i) in the case of an option or options exercisable by the Issuer, the Issuer will be deemed to exercise or not exercise an option or combination of options in a manner that minimises the yield on the Note and (ii) in the case of an option or options of the U.S. Holder, the U.S. Holder will be deemed to exercise or not exercise an option or combination of options in a manner that maximises the yield on the Note. Notes subject to the above rules will not be treated as contingent payment debt instruments as a result of the contingencies described above. If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a "**Change in Circumstances**"), then, except to the extent that a portion of the Note is repaid as a result of a Change in Circumstances and solely for purposes of the accrual of OID, the Note is treated as retired and then reissued on the date of the Change in Circumstances for an amount equal to the Note's adjusted issue price on that date.

A U.S. Holder may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method. For purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. The election must be made for the taxable year in which a U.S. Holder acquires a Note, and may not be revoked without the consent of the IRS.

Premium

If the amount paid by a U.S. Holder for a Note exceeds the stated redemption price at maturity of such Note, such U.S. Holder generally will be considered to have purchased such Note at a premium equal in amount to such excess. In this event, such U.S. Holder generally may elect to amortise such premium, based generally on a constant-yield basis, as an offset to interest income over the remaining term of such Note. In the case of a Note that may be redeemed prior to maturity, the premium amortisation and redemption date are calculated assuming that the Issuer and the U.S. Holder will exercise or not exercise redemption rights in a manner that maximises the U.S. Holder's yield. It is unclear how premium amortisation is calculated when the redemption date or the amount of any redemption premium is uncertain. A U.S. Holder that elects to amortise bond premium must reduce its tax basis in a Note by the amount of the aggregate deductions allowable for the amortised bond premium. The amount amortised in any year will be treated as a reduction of interest income from such Note. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on the sale, exchange or redemption of such Note. The election to amortise bond premium, once made, will apply to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Short-Term Notes

Notes that have a fixed maturity of one year or less ("**Short-Term Notes**") will be treated as issued with OID. In general, an individual or other U.S. Holder that uses the cash method of accounting is not required to accrue such OID unless such U.S. Holder elects to do so. If such an election is not made, any gain recognised by such U.S. Holder on the sale, exchange, retirement or other disposition of a Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis, or upon such U.S. Holder's election under the constant yield method (based on daily compounding), through the date of sale, exchange, retirement or other disposition, and a portion of the deduction otherwise allowable to such U.S. Holder for interest on borrowings allocable to the Short-Term Note will be deferred until a corresponding amount of income on such Short-Term Note is realised. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method of accounting and certain

other holders are required to accrue OID related to a Short-Term Note as ordinary income on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity.

Sale, Exchange, Retirement or Other Disposition of Notes

In general, a U.S. Holder of a Note will have a tax basis in such Note equal to the cost of such Note to such U.S. Holder, increased by any amount includible in income by such U.S. Holder as OID and reduced by any amortised premium and any payments received with respect to the Note other than payments of qualified stated interest. Upon a sale, exchange, retirement or other disposition of a Note, a U.S. Holder will generally recognise gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other disposition (less any amount that is attributable to accrued but unpaid qualified stated interest, which will constitute ordinary interest income if not previously included in income) and such U.S. Holder's tax basis in such Note. Subject to the rules described below under "— Foreign Currency Notes," such gain or loss generally will be long-term capital gain or loss if such U.S. Holder will have held such Note for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

Foreign Currency Notes

The following discussion generally describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency other than the U.S. dollar ("**Foreign Currency Notes**"). The amount of qualified stated interest paid with respect to a Foreign Currency Note that is includible in income by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes is the U.S. dollar value of the amount paid, as determined on the date of actual or constructive receipt by such U.S. Holder, using the spot rate of exchange on such date. In the case of qualified stated interest on a Foreign Currency Note held by a U.S. Holder that uses the accrual method of accounting, and in the case of OID (other than OID on a Short-Term Note that is not required to be accrued) for every U.S. Holder, such U.S. Holder is required to include the U.S. dollar value of the amount of such interest income or OID (which is determined in the foreign currency) that accrued during the accrual period. The U.S. dollar value of such accrued interest income or OID generally is determined by translating such income at the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, such U.S. Holder may elect to translate such income at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate in effect on the last day of the taxable year). If the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. The U.S. Holder will recognise, as ordinary income or loss, foreign currency exchange gain or loss with respect to such accrued interest income or OID on the date the interest or OID is actually or constructively received, reflecting fluctuations in currency exchange rates between the exchange rate used to determine the accrued interest income or OID for the relevant accrual period and the exchange rate on the date such interest or OID is actually or constructively received.

A U.S. Holder will calculate the amortisation of any bond premium for a Foreign Currency Note in the applicable foreign currency. Amortisation deductions attributable to a period will reduce interest payments in respect of that period, and therefore are translated into U.S. dollars at the rate used for those interest payments. Foreign currency exchange gain or loss will be realised with respect to amortised premium on a Foreign Currency Note based on the difference between the exchange rate at which the amortisation deductions were translated into U.S. dollars and the exchange rate on the date such U.S. Holder acquired the Foreign Currency Note.

The amount realised with respect to a sale, exchange, retirement or other disposition of a Foreign Currency Note generally will be the U.S. dollar value of the payment received, determined on the date of disposition of such Foreign Currency Note (using the spot rate on such date). However, with respect to Foreign Currency Notes that are treated as traded on an established securities market, such amount realised will be determined using the spot rate on the settlement date in the case of (i) a U.S. Holder that is a cash method taxpayer or (ii) a U.S. Holder that is an accrual method taxpayer that elects such treatment. This election may not be changed without the consent of the

IRS. Gain or loss that is recognised generally will be ordinary income or loss to the extent it is attributable to fluctuations in currency exchange rates between the date of purchase and the date of sale, exchange, retirement or other disposition. Such foreign currency gain (or loss), together with any foreign currency gain (or loss) realised on such disposition in respect of accrued interest or OID, will be recognised only to the extent of the total gain (or loss) realised by such U.S. Holder on the sale, exchange, retirement or other disposition of the Foreign Currency Note. Any (gain or loss) realised by a U.S. Holder not treated as foreign currency gain (or loss) generally will be capital gain (or loss) (subject to the discussion above regarding Short-Term Notes).

A U.S. Holder that determines its amount realized in connection with the sale, exchange, retirement or other disposition of a Foreign Currency Note by reference to the spot rate of exchange on the date of such sale, exchange, retirement or other disposition (rather than on the settlement date) may recognize additional foreign currency gain or loss upon receipt of non-U.S. currency from such sale, exchange, retirement or other disposition.

A U.S. Holder will recognise an amount of foreign currency exchange gain or loss on a sale or other disposition of any non-U.S. currency equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of any other property, received in such sale or other disposition and (ii) the tax basis of such non-U.S. currency. A U.S. Holder generally will have a tax basis in non-U.S. currency received from a sale, exchange, retirement or other disposition of a Foreign Currency Note equal to the U.S. dollar value of such non-U.S. currency on the date of receipt.

A Note that provides for payments in more than one currency generally will be treated as a "contingent payment debt instrument," and the special rules applicable to such instruments will be described in the applicable Final Terms if the Notes are offered to U.S. Holders.

Foreign Tax Credit Considerations

As discussed in "Taxation — Brazil," under current law, payments of interest and original issue discount in respect of the Notes are subject to Brazilian withholding taxes (other than Notes issued by the Grand Cayman Branch, which may not be subject to such Brazilian withholding taxes). A U.S. Holder will be required for U.S. federal income tax purposes to include in gross income as interest any such Brazilian withholding taxes. Thus, a U.S. Holder may be required to report income for such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Interest on, and any OID accrued with respect to, a Note generally will constitute income from sources outside the United States, and generally will be categorised for U.S. foreign tax credit purposes as "passive category income" or, in the case of some U.S. Holders, as "general category income". Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. As discussed in "Taxation — Brazil," under current law, gain resulting from a sale or other disposal of a Note may be subject to Brazilian income or withholding taxes. A U.S. Holder's use of a foreign tax credit with respect to any such Brazilian income or withholding taxes may be limited, as such gain generally will constitute income from sources within the United States.

A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. Foreign currency exchange gain or loss generally will constitute income from sources within the United States.

The rules relating to foreign tax credits are very complex, and each U.S. Holder should consult its own tax advisers regarding the application of such rules.

Aggregation Rules

The Treasury Regulations relating to OID contain special aggregation rules stating in general that, subject to certain exceptions, debt instruments issued in the same transaction or related transactions to a single purchaser may be treated as a single debt instrument with a single issue price, maturity date, yield to maturity and stated redemption price at maturity for purposes of the OID rules. Under certain circumstances, these provisions could apply to a U.S. Holder that purchases Notes from more than one Series of Notes.

Substitution of the Issuer

If with respect to any Series of Notes the Issuer substitutes for itself any Substituted Debtor, such substitution could be treated for U.S. federal income tax purposes as a taxable exchange of (i) such Notes as in place prior to such substitution for (ii) such Notes as in place after such substitution. See "— Sale, Exchange, Retirement or Other Disposition of Notes". U.S. Holders should consult their own tax advisers as to U.S. federal income tax considerations relating to such an event.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to interest (including OID) and principal payments made to, and the proceeds of sales by, certain U.S. Holders. A U.S. Holder not otherwise exempt from backup withholding generally can avoid backup withholding by providing a properly executed IRS Form W-9. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Disclosure Requirements for Specified Foreign Financial Assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Department guidance) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. "**Specified foreign financial asset**" generally includes any financial account maintained with a non-U.S. financial institution and may also include the Notes if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisers as to the possible application to them of this filing requirement.

Disclosure Requirements for Certain U.S. Holders Recognising Significant Losses

A U.S. Holder that claims significant losses in respect of a Note for U.S. federal income tax purposes (generally (i) US$10 million or more in a taxable year or US$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) US$2 million or more in a taxable year or US$4 million or more in any combination of taxable years for all other taxpayers, or (iii) US$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) may be subject to certain disclosure requirements for "reportable transactions". U.S. Holders should consult their own tax advisers concerning any possible disclosure obligation with respect to the Notes.

Foreign Account Tax Compliance Act ("FATCA") Considerations

Legislation incorporating provisions referred to as FATCA was passed in the United States on March 18, 2010. Under the FATCA provisions, it is possible that the Issuer (or if the Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement to be entered into with the IRS or under applicable law) to (i) request certain information from holders or beneficial owners of Notes, which may be provided to the IRS, and (ii) withhold U.S. federal tax on some portion of payments made after December 31, 2016 with respect to the Notes if either (x) such information is not provided or (y) such payments are made to a foreign financial institution that has not entered into a similar agreement with the IRS (and is not otherwise required to comply with the FATCA regime under applicable law). If the Issuer or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of the Notes, holders and beneficial owners of Notes will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

This description is based on guidance issued by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to the Notes.

FATCA IS COMPLEX AND ITS APPLICATION TO THE NOTES IS UNCERTAIN. PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE APPLICATION OF FATCA TO THE NOTES.

CERTAIN ERISA AND OTHER CONSIDERATIONS

ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES SET FORTH IN THIS OFFERING MEMORANDUM WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER FEDERAL TAX LAW. SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

ERISA, imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA, but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise, for example, if any Notes are acquired by a Plan with respect to which the Issuer or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. The types of transactions between Plans and parties in interest that are prohibited include: (i) sales, exchanges or leases of property, (ii) loans or other extensions of credit and (iii) the furnishing of goods and services. Certain parties in interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are (but are not limited to) Prohibited Transaction Class Exemption ("**PTCE**") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes or that, if an exemption is available, it will cover all aspects of any particular transaction.

Governmental plans and certain church and various other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, or other federal or non-U.S. laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

By its purchase of any Notes, the purchaser or transferee thereof will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code; or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or non-U.S. law).

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code (or in the case of governmental or other employee benefit plans not subject to ERISA or section 4975 of the Code, any other applicable similar law) to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or section 4975 of the Code (or any similar law, as applicable).

The sale of Notes to a Plan is in no respect a representation by the Issuer or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Issuer to or through the Dealers are set out in the Dealer Agreement and made between the Issuer and the Dealers. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers, the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the several Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The offering of the Notes by the Dealers is subject to receipt and acceptance and subject to the Dealers' right to reject any order in whole or in part.

Banco Itaú BBA International, S.A. - London Branch is not a broker-dealer registered with the SEC and therefore may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Itaú BBA International, S.A. - London Branch intends to effect sales of the Notes in the United States, it will do so only through Itau BBA USA Securities, Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. Both Banco Itaú BBA International, S.A. - London Branch and Itau BBA USA Securities, Inc. are our affiliates and are dealers under the Programme.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The Dealers and their affiliates may enter into derivative and structured transactions with clients, at their request, in connection with the Notes. The Dealers and their affiliates may also purchase some of the Notes to hedge their risk exposure in connection with such transactions. Also the Dealers and their affiliates may acquire the Notes for their own proprietary account. Such transactions may have an effect on demand, price and other terms of an offering of the Notes. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

It is intended that the Notes will normally be bought or traded by a limited number of investors who are particularly knowledgeable in investment matters.

Prior to the initial offering of the Notes under this Programme, there has been no established trading market for the Notes. The Issuer has applied to register the Programme on the Luxembourg Stock Exchange and the Notes may be listed on the Luxembourg Stock Exchange, or on another stock exchange or may be unlisted, as specified in the Final Terms.

General

No action has been or will be taken in any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Offering Memorandum, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Issuer). The Issuer will have no responsibility for, and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, that it will obtain any consent, approval or permission required by it for the acquisition, offer, sale

or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Offering Memorandum, including the applicable Final Terms and any other information or document supplied.

Each purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Offering Memorandum or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any Dealer shall have any responsibility therefor.

Selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers. Any such modification will be set out in the Final Terms issued in respect of each Tranche to which it relates or in a supplement to this Offering Memorandum.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until expiration of the period that is 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant closing date (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Distribution Compliance Period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any Tranche, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States and for the listing of Notes on the Luxembourg Stock Exchange. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Memorandum does not constitute an offer to any person in the United States or to any U.S. person other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-affiliate. Distribution of this Offering Memorandum by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved Prospectus*: if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided* that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this paragraph, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means European Council Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means European Council Directive 2010/73/EU (as amended).

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Brazil

The Notes have not been and will not be issued, nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the securities offered by this Offering Memorandum, as well as information contained therein, may not be supplied to the public in Brazil (as the securities offered by this Offering Memorandum is not a public offering of the Notes in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. Therefore, each of the Dealers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Cayman Islands

No invitation whether directly or indirectly may be made to members of the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange. Notes may, however, be offered and sold to ordinary non-resident and exempted companies of the Cayman Islands.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan, Law No. 25 of 1948 (the "Securities and Exchange Law") and the Notes will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exception from the registration requirements or otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Colombia

The Notes have not been offered or sold, and will not be offered or sold, in Colombia other than in compliance with applicable laws.

Chile

This is not a public offering in Chile and has not been registered with the Superintendency of Securities. The offering is made on a strictly private basis to not more than 10 persons in Chile.

Peru

The Notes and the information contained in this Offering Memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this Offering Memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

The Notes have been registered with the Superintendency of Banking, Insurance and Private Pension Funds (*Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones*) so that they could qualify as eligible instruments and be acquired by Peruvian Private Pension Funds Administrators.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Restricted Notes pursuant to Rule 144A, by its acquisition of the Restricted Notes (or any interest therein), will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Restricted Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A.

(2) It understands that the Restricted Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and may not be offered, sold, pledged or otherwise transferred except: (a) to the Issuer or any of its subsidiaries, (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (c) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); in each case in accordance with any other applicable securities laws.

(3) It represents by its purchase and holding that either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state, or local law, or non-U.S. law) for which an exemption is not available.

(4) It understands that such Restricted Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY: (A) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (B) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (C) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR

SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE".

(5) The Issuer, the Registrar, the Dealers and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(6) It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by a DTC Restricted Global Note or a European Restricted Global Note. Before any interest in the DTC Restricted Global Note or the European Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note or the European Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the Distribution Compliance Period, by its acquisition of the Unrestricted Notes (or any interest therein), will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time such Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S).

(2) It understands that such Unrestricted Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and may not be offered, sold, pledged or otherwise transferred except (a) to the Issuer or any of its subsidiaries; (b) in the United States, (i) prior to the expiration of the Distribution Compliance Period, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, and (ii) thereafter, pursuant to an exemption from registration under the Securities Act; or (c) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; in each case in accordance with any other applicable securities laws.

(3) It represents by its purchase and holding that either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or non-U.S. law) for which an exemption is not available.

(4) It understands that such Unrestricted Notes, unless the Issuer otherwise determines in compliance with applicable law, will bear a legend to the following effect:—

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (B) IN THE UNITED STATES, (I) PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD (WITHIN THE MEANING OF REGULATION S), IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT IT AND ANY PERSON ACTING ON ITS BEHALF REASONABLY

BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER AND, (II) THEREAFTER, PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (C) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S; IN EACH CASE IN ACCORDANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE".

(5) The Issuer, the Registrar, the Dealers and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(6) It understands that the Unrestricted Notes offered in reliance on Regulation S will be represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note. Prior to the expiration of the Distribution Compliance Period, before any interest in the DTC Unrestricted Global Note or the European Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Restricted Global Note or the European Restricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(7) Delivery of the Unrestricted Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Unrestricted Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Unrestricted Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Unrestricted Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Unrestricted Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Unrestricted Notes who wish to trade Unrestricted Notes on the date of pricing or the next succeeding business day should consult their own adviser.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 included elsewhere in this Offering Memorandum have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their reports appearing therein. PricewaterhouseCoopers Auditores Independentes is registered with the Regional Accounting Council of São Paulo under the number CRC 2SP000160/O-5.

LEGAL MATTERS

The validity of the issuance of the Notes and certain other matters in connection with Brazilian law will be passed upon for the Issuer by its internal counsel. The validity of the Notes will be passed upon for the Issuer by Debevoise & Plimpton LLP, English legal advisers and special United States counsel to the Issuer. The validity of the Notes will also be passed upon for the Dealers by Clifford Chance, English legal advisers and special United States counsel to the Dealers. The validity of the issuance of the Notes and certain matters in connection with Brazilian law will be passed upon for the Dealers by Pinheiro Neto Advogados, the Dealers' Brazilian counsel. The validity of the issuance of the Notes and certain other matters in connection with Cayman Islands law will also be passed upon for the Issuer by Maples and Calder.

GENERAL INFORMATION

The Bearer Notes and Registered Notes represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note are expected to be accepted for clearance through Euroclear and Clearstream. The Common Code and ISIN number for each Tranche of Bearer Notes and the CUSIP and ISIN number as well as the Common Code for each Tranche of Registered Notes will be contained in the Final Terms relating thereto. In addition, we will make an application with respect to any Restricted Notes of a Registered Series that they be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of such Tranche of a Registered Series will be confirmed in the applicable Final Terms.

All consents, approvals, authorisations and other orders of all regulatory authorities under the laws of Brazil and the Cayman Islands have been given for the establishment of the Programme, the issue of Notes under the Programme and the execution of the Agency Agreement and Trust Deed and are in full force and effect, except for where we are acting through our head office or the proceeds of the Notes are transferred as deposits to be held at such head office (i) registration of the financial terms of each transaction under the ROF with the Central Bank or through the SISBACEN at least five days prior to the issue date for the issue of each Tranche under the Programme; (ii) registration with the Central Bank of the schedule of payments under the respective ROF in respect of each Tranche issued under the Programme, as soon as practicable after the issue date; (iii) further authorisation from the Central Bank to make payments outside Brazil in a specified currency other than scheduled payments of principal, interest, commissions, fees and expenses as contemplated by the ROF or to make any payments of principal, interest, commissions, fees and expenses provided for in the ROF earlier than the due date thereof or more than 120 days after their due date; and (iv) authorisation to be granted by the Central Bank regarding the classification of Subordinated Notes as Tier 2 of the regulatory capital (*patrimônio de referência*).

Except as disclosed herein, neither we nor any of our subsidiaries is involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, any significant effect on our financial position or profitability nor, so far as we are aware, are any such governmental, legal or arbitration proceedings pending or threatened.

Save as disclosed herein, there has been no significant change in our financial or trading position or the financial or trading position of us and our subsidiaries and affiliates taken as a whole since our most recently published annual consolidated financial statements incorporated in, and forming part of, this Offering Memorandum, and no material adverse change in our financial position or prospects or of the financial position or prospects of us and our subsidiaries and affiliates taken as a whole since the date of our most recently published annual consolidated financial statements.

We are a corporation incorporated in Brazil. None of our directors or executive officers is a resident of the United States, nor are we a resident of the United States, and all or a substantial portion of our assets and of such persons' are located outside the United States. It may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against any of them in United States courts judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

Copies in English of our by-laws (*estatuto social*) and latest consolidated annual financial statements, in each case being incorporated in and forming part of this Offering Memorandum, may be obtained and copies of the Agency Agreement, Trust Deed and Final Terms will be available at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding.

The registered office of Itaú Unibanco is Praça Alfredo Egydio de Souza Aranha, 100 -Torre Olavo Setubal, São Paulo, São Paulo, Brazil and the registered office of Itaú BBA is Avenida Brigadeiro Faria Lima 3,400, 3rd to 8th, 11th and 12th floors, São Paulo, São Paulo, Brazil. Itaú Unibanco Holding holds 100.0% of the capital stock of Itaú Unibanco and 99.9% of the capital stock of Itaú BBA. As of January 31, 2012, Itaú Unibanco's authorised and outstanding share capital consisted of 2,081,169,523 common shares and 2,014,258,290 preferred shares and Itaú BBA's consists of 5,284,527 common shares and 5,284,526 preferred shares, and interest on stockholders' equity all of which are fully paid. Itaú Unibanco Holding received approximately R$7,490 million and R$2,758 million in dividends and interest on shareholders' equity from Itaú Unibanco and Itaú BBA, respectively, in 2011.

Application has been made for the Notes issued under the Programme to be listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of that Exchange. However, Notes may be issued under

the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange, listing authority or quotation system or which will be listed on such stock exchange, listing authority or quotation system as the relevant Dealer(s) and ourselves may agree.

The information contained in this Offering Memorandum is true and correct and we accept responsibility for such information.

ANNEX A — SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

Our financial statements as of and for the years ended December 31, 2011, 2010 and 2009 included in this Offering Memorandum have been prepared in accordance with the accounting practices adopted in Brazil ("**Brazilian GAAP**").

Accounting practices adopted in Brazil include those established by Brazilian corporate law (Law No. 6,404/76, as amended including the amendments introduced by Law 11,638), and those accounting standards issued by the Central Bank or issued by other accounting-standard setters that are declared effective by the Central Bank. The Central Bank is the regulatory body that under Brazilian law has the power to establish accounting principles for banks subject to its regulation. Accounting-standard setters include the accounting pronouncements committee (*Comitê de Pronunciamentos Contábeis* or "**CPC**"), which began issuing standards in 2007, and the federal accounting council (*Conselho Federal de Contabilidade*, or "**CFC**"), while interpretative guidance was issued before the CPC became active by the Brazilian professional body of independent auditors (*Instituto dos Auditores Independentes do Brasil*, or "**IBRACON**").

Since its creation the CPC has issued more than 40 accounting standards. As of the date of this Offering Memorandum the Central Bank has approved only five of those standards which address impairment of assets, statements of cash flows, related parties disclosures, provisions, contingent liabilities and contingent assets and events after the reporting period. Itaú Unibanco Holding has applied those standards to its financial statements as described bellow:

- Impairment of Assets (CPC 01) and Statements of Cash Flows (CPC 03), beginning with the year ended December 31, 2008, prospectively (see note 22o);
- Related Parties Disclosures (CPC 05), beginning with the year ended December 31, 2009, prospectively (see note 22o); and
- Provisions, Contingent Liabilities and Contingent Assets (CPC 25), beginning with the year ended December 31, 2010, prospectively (see note 4o).
- Events after the Reporting Period (CPC 24), beginning with the period ended March 31, 2011, prospectively.

Standards issued by the CPC but not yet approved by the Central Bank are not yet required to be applied by Itaú Unibanco Holding and its application will depend on if and when the standards are approved by the Central Bank and on the effective date established by the Central Bank at the time of approval.

References to Brazilian GAAP in this summary are to the accounting practices adopted in Brazil and applicable to financial institutions, such as Itaú Unibanco Holding, authorised to operate by the Central Bank, effective for the year ended December 31, 2011, and, therefore, does not consider accounting standards already issued by the CPC or other accounting standard-setters but that have not been approved by the Central Bank.

Brazilian GAAP differs from generally accepted accounting principles in the United States, or U.S. GAAP. There are certain differences between Brazilian GAAP and U.S. GAAP which may be relevant to the financial information presented herein. We are responsible for preparing the summary below. We have made no attempt to identify or quantify the impact of these differences for all the periods presented. We have summarised certain aspects of those differences, but this summary should not be construed to be exhaustive. Brazilian GAAP is stated more generally than U.S. GAAP and the body of pronouncements in which Brazilian GAAP is set forth is less comprehensive than in the case of U.S. GAAP. Since no reconciliation to U.S. GAAP of the consolidated financial statements presented in this Offering Memorandum or their respective footnotes has been prepared for the purposes of this Offering Memorandum or for any other purposes, no assurance is provided that the following summary of differences between Brazilian GAAP and U.S. GAAP is complete.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

In making an investment decision, prospective investors must rely upon their own examination of Itaú Unibanco Holding, the terms of the offering and the financial information herein. Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and U.S. GAAP, and how

those differences might affect the financial information herein. Future differences between Brazilian GAAP and U.S. GAAP resulting from changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and we have not attempted to identify them, including ongoing projects of the regulatory bodies that promulgate Brazilian GAAP and U.S. GAAP that can affect future comparisons between Brazilian GAAP and U.S. GAAP, such as this summary.

Monetary Correction of Financial Statements

Due to the highly inflationary conditions which have prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimise the impact of distortions in financial statements caused by inflation. However, from January 1, 1996, no inflation accounting adjustments are permitted for financial statements prepared under Brazilian GAAP.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. However, price level restatement is permitted for companies operating in hyper-inflationary environments, where inflation has exceeded 100.0% over the last three years, and who report in local currency. Until June 30, 1997, Brazil was considered to have a hyper-inflationary economy.

Foreign Currency Translation

Under Brazilian GAAP, the financial statements of subsidiaries operating in non-highly-inflationary currency environments are translated using the current exchange rate. Financial statements of entities operating in highly-inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken into the income statement.

Under U.S. GAAP, FASB Codification ("**ASC**") 830 provides for two different translation methodologies, depending on which is the functional currency of the subsidiary. For subsidiaries operating in highly-inflationary environments (a cumulative inflation rate of approximately 100.0% or more over a three-year period) the reporting currency is considered to be the functional currency.

When the functional currency of the subsidiary is the local currency, the translation of foreign currency financial statements from the local currency to the reporting currency should be made using the current exchange rate for all assets and liabilities. Revenue and expenses should be translated at the exchange rate on the dates when they were recognised. Translation gains and losses are reported as a separate component of stockholders' equity. When the functional currency of the subsidiary is a currency other than the local currency, including the reporting currency, the methodology differs in that the translation gain and losses should be recognised in income.

Equity Method of Accounting

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost which is there after periodically adjusted to recognise the investor's share of the investee's earnings or losses after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments when the investor has significant influence, when it owns 20.0% or more of the voting capital of the investee, or when the investee is under common control with the reporting company, in all cases irrespective of the materiality of the investment.

Under U.S. GAAP, the equity method of accounting is applicable to those investments: (i) in which the parent company's participation through common voting stock is greater than 20.0% and less than 50.0% and where the parent company does not have control; or (ii) in which the parent company's participation through common voting stock is less than 20.0%, but the parent company exerts significant influence. The equity method of accounting is not an appropriate substitute for consolidation and, where consolidated financial statements are required, unconsolidated financial statements are not reported.

Consolidation and Proportional Consolidation

Under Brazilian GAAP, companies should consolidate the following entities: (i) entities in which the company has voting rights that provide it with the ability to have the majority on corporate decisions or to elect the majority of the members of both the Administrative Council and the Board; (ii) overseas branches; and (iii) companies under common control or controlled by stockholders' agreements irrespective of their participation in voting stock. Joint ventures (including investees in which the company exerts significant influence through its participation in a

stockholders' agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. Additionally, companies are required to consolidate special-purpose entities ("**SPE**") when the nature of its relationship with the reporting company indicates that the activities of the SPE are controlled or joint-controlled, directly or indirectly, by the reporting company. Under Brazilian GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as "minority interest". Minority interest is presented after the liability section and before shareholders equity in the balance sheet and the portion of net income corresponding to minority interest is deducted in arriving to net income.

Under U.S. GAAP, two models exist which should be assessed to determine whether an entity should be consolidated: the voting interest model and the variable interest model. An initial analysis should be made to conclude whether consolidation is required under the variable interest model established by ASC 810-10. If an entity is not required to be consolidated under the variable interest model it should be assessed if consolidation is required under the voting interest model.

Under the voting model, the usual condition for consolidation is ownership of a majority voting interest, and therefore, as a general rule, ownership by one company, directly or indirectly, of over 50.0% of the outstanding voting shares of another company. Joint ventures are usually accounted following the equity method of accounting. Proportional consolidation generally is not allowed under U.S. GAAP.

ASC 810-10 requires consolidation of "variable interest entities" on which the reporting entity has a controlling financial interest, which means an interest that gives the reporting entity both (a) power to direct the activities of the "variable interest entity" that most significantly impacts the economic performance of the "variable interest entity" and (b) the obligation to absorb losses or the right to receive benefits from the "variable interest entity" that could potentially be significant to the "variable interest entity". Specific disclosures are required to be made in financial statements regarding variable interests.

Under U.S. GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as a "non-controlling interest". Non-controlling interests are presented as part of shareholders equity in the balance sheet and the portion of net income corresponding to non-controlling interests is not deducted in arriving to net income.

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian GAAP, business combinations are not specifically addressed by any accounting pronouncements approved by the Central Bank. Application of the purchase method is generally based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is generally calculated as the difference between the cost of acquisition and the net book value. Goodwill is either amortised over a period not to exceed ten years with immediate amortisation accepted or, by analogy to accounting standards not yet approved by the Central Bank, not amortised and subject to annual impairment testing. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses or otherwise is normally only realised upon disposal of the investment.

Under U.S. GAAP, ASC 805, requires, among other things, that all business combinations, except those involving entities under common control, be accounted for by the purchase method. Under the purchase method, the acquiring company records identifiable assets and liabilities acquired based on their fair values. Goodwill and other intangible assets with indefinite lives are not amortised. The amount of goodwill is evaluated for impairment at least annually or when circumstances indicate impairment has occurred, and in the case of impairment, its recorded value will be adjusted accordingly. The purchase price does not include direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should also be valued at fair value, at the date of the consummation of the transaction. The excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, is allocated to reduce non-current assets to zero, and any remaining unallocated balance is recognised as an extraordinary gain in the statement of operations.

Marketable Debt and Equity Securities

Under Brazilian GAAP, the Central Bank establishes the criteria by which securities are classified, based on the investment strategy of the financial institution as either trading securities, available for sale or held-to-maturity, and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of

changes in fair market value for trading securities is in income, while for available for sale securities it is directly in stockholders' equity. An impairment loss for security classified as "available-for-sale" or "held-to-maturity" whose cost exceeds its fair value is required to be recorded when such loss is considered permanent. No specific guidance exists under Brazilian GAAP on how to determine fair value.

Under U.S. GAAP, in accordance with ASC 320, marketable securities are carried at: (i) amortised cost (debt securities held to maturity); (ii) market value, with gains and losses reflected in income (debt and equity securities classified as trading account securities); and (iii) market value, with gains and losses reflected in equity (debt and equity securities classified as available for sale). Under U.S. GAAP an impairment loss is recognised when the loss is considered to be other-than-temporary. U.S. GAAP includes several standards that prescribe how to determine fair value and a hierarchy on criteria for determining fair values exists.

Comprehensive Income

Brazilian GAAP does not recognise the concept of comprehensive income. Under U.S. GAAP, ASC 220 requires the disclosure of comprehensive income. Comprehensive income is composed of net income and "other comprehensive income" that includes charges or credits taken directly to equity that are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments, unrealised gains and losses for available-for-sale securities, as well as the effects of cash flow hedge accounting and the funded status of pension and other post-retirements benefits.

Financial Derivative Instruments

Under Brazilian GAAP, accounting practices established by the Central Bank for all financial institutions require derivative financial instruments to be classified based on management's intention to use them for hedging or non-hedging purposes.

- Transactions involving derivative financial instruments to meet customer needs or for own purpose that do not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the global exposure are accounted for at fair value with unrealised gains and losses recognised currently in earnings.
- Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

Fair value hedge

The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognised currently in earnings; and

Cash flow hedge

The effective hedge portion of financial assets and liabilities is accounted for at fair value and unrealised gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes. The non-effective hedge portion is recognised currently in earnings.

Under U.S. GAAP, ASC 815 a company recognises all derivatives as either assets or liabilities in the statement of financial position, and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- a hedge of the exposure to variable cash flows of a forecasted transaction;
- a hedge of the foreign currency exposure of a net investment in a foreign operation;
- an unrecognised firm commitment;

- an available for sale security; or
- a foreign currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (ii) held in equity until the hedged item is recognised in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge is terminated, the gain or loss is deferred and amortised over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

Transfer of Financial Assets

Under Brazilian GAAP, no specific pronouncement approved by the Central Bank and effective addresses the accounting for transfers of financial assets such as assignments of credits to third parties or transfer of credits to other entities, such as FIDCs (Funds of Securities Receivable). Assignments of credits to other entities are generally accounted for by removing from the balance sheet the credits assigned, recognising the cash or other assets received and recording at the time of assignment a gain or loss for the difference between the book value of the credits assigned and the value of the cash and assets received. In general, the accounting for transfers of financial assets under Brazilian GAAP is significantly different from the accounting of such transfers under U.S. GAAP. CMN Resolution No. 3,533 of January 31, 2008 and CMN Resolution No. 3,673 of December 26, 2008 changed the accounting standards applicable to assigned loans. Effective beginning January 1, 2012, assigned loans where the transferor substantially keeps risks and benefits of the assigned credit (including assignments with repurchase commitment, assignments where the transferor commits to compensate the assignee for losses and assignments to funds or special entities where the transferor effectively maintains the risks and benefits through interest in shares issued by the fund or special interest) continue to be recorded in the balance sheet.

Under U.S. GAAP, ASC 860 requires an analysis to determine whether the reporting entity or all of the entities included in the transferor's financial statements have surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The circumstances in which a financial asset, or portion of a financial asset, should be de-recognized are very limited when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor or when the transferor has continuing involvement with the transferred financial asset. Other than when certain specific conditions (defined as a participating interest) are met, a transferor should account for the transfer as a sale only if it transfers the entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s).

ASC 860 provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings from an accounting perspective.

A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale if and only if the following conditions are met:

- The transferred assets have been isolated from the transferor — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership of the entity and of any entity consolidated in its financial statements.
- Each transferee (or, if the transferee is an entity whose sole purpose is to engage in securitisation or asset-backed financing activities and that entity is constrained from pledging or exchanging the assets it receives, each third-party holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or third-party holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

- The transferor, its consolidated affiliates included in the financial statements, or its agents do not maintain effective control over the transferred assets or third-party beneficial interests related to those transferred assets including through, among others, (i) an agreement that both entitles and obliges the transferor to repurchase or redeem them before their maturity, (ii) an agreement that provides the transferor with both the unilateral ability to cause the holder to return specific financial assets and a more-than-trivial benefit attributable to that ability, other than through a clean-up call, and (iii) an agreement that permits the transferee to require the transferor to repurchase the transferred financial assets at a price that is so favourable to the transferee that it is probable that the transferee will require the transferor to repurchase them.

Under US GAAP, liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets are initially measured at fair value. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer.

Accounting for Guarantees by a Guarantor

Under Brazilian GAAP, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognised in income over the period of the guarantee. When the guaranteed party has not honoured its commitments and the guarantor should assume a liability, a credit is recognised against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under U.S. GAAP, ASC 460 requires that a guarantor is required to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Specific disclosures of guarantees granted are also required.

Loan Receivables and Allowance for Loan Losses

Under Brazilian GAAP, loan receivables are carried at cost and footnote disclosure is limited. The allowance for loan losses should not be less than a regulatory required amount which is computed by applying specific percentages of allowance determined by the Central Bank to loans depending on the category on which they are classified.

Under U.S. GAAP, loan accounting and footnote disclosure are more complex. For non-homogenous small balance loans which are considered impaired (when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement) allowance for loan losses is determined based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure an allowance amount based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Allowance for small homogenous loans and the allowance for loan losses need to be determined by computing probable losses existing as of the balance sheet date which are generally measured based on history of losses, current trends and other factors.

Interest Recognition — Non-performing and Impaired Loans

Under Brazilian GAAP, previously accrued by not uncollected interest on non-performing loans or loans in arrears are not reversed at the time the loans cease to accrue interest. Central Bank regulations require that interest not be accrued on loans in arrears for more than 60 days and that the loan principal be maintained in nominal currency.

Under U.S. GAAP, companies generally discontinue recognition of interest on commercial loans when management believes, based on current information and events, that it will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Such loans are considered non-performing and become subject to review for impairment. The value of impaired loans is determined based on:

- the present value of future cash flows discounted at the loan's effective interest rate;
- the observable market value of the loan; or

- for collateral-dependent loans, the fair value of the underlying collateral.

Interest income on an impaired loan may alternatively be recognised using the cost-recovery method, the cash basis or a combination of both.

Leasing Operations as a Lessor

Under Brazilian GAAP, gains on the sale of leased assets are recognised as income when the purchase options relating to such assets are exercised. Central Bank regulations, applied in the preparation of the statutory accounting of a leasing company, require that an adjustment be made to the book value of any leasing portfolio corresponding to present value, utilising the internal rate of return of each contract. The amount of the adjustment is recorded as an excess/insufficiency of depreciation in the property for lease balance sheet account and credited/charged to other operating income expenses. Lease-financing receivables are recorded at initial contract amounts and adjusted for monetary variation in conformity with the criteria and indices established by each contract.

The adjustments are recognised from unearned lease income to income over the life of the respective contracts.

Under U.S. GAAP, in the case of capital leases, companies report gross lease receivables at the principal amount outstanding plus lease income receivable and guaranteed residual value. They show unearned lease income separately as a deduction from the gross lease receivables.

Loan Origination Fees and Costs

Under Brazilian GAAP, loan origination fees and loan origination costs are generally recognised immediately in the statement of income when earned or incurred, respectively. However, following guidelines under international accounting standards deferral of loan origination fees and costs over the loan period is acceptable.

Under U.S. GAAP, ASC 310 specifies that loan origination fees shall be recognised over the life of the related loan as an adjustment of yield and certain direct loan origination costs shall be recognised over the life of the related loan as a reduction of the loan's yield. Loan fees and certain direct loan origination costs shall be recognised as an adjustment of yield generally by the interest method based on the contractual terms of the loan. Specific disclosures are required to be made in financial statements regarding loan origination fees and costs.

Accrued Interest, Indexation Adjustments and Gains and Losses

Under Brazilian GAAP, accrued interest and indexation adjustments are presented with the principal amounts in the balance sheet. Income from financial intermediation and expenses from financial intermediation in the statement of income comprise interest, indexation adjustments, foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, as well as realised and unrealised gains and losses on securities and derivative instruments.

Under U.S. GAAP, accrued interest and indexation adjustments would be separately recorded in the balance sheet. Foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, realised and unrealised gains and losses on securities and realised and unrealised gains and losses on derivative instruments would be presented as separate lines in the statement of income and separated from interest income.

Recoveries of Loans Previously Charged-off

Under Brazilian GAAP, recoveries of loans previously charged-off are reflected in income on a cash basis. Under U.S. GAAP, recoveries of loans previously charged-off are reflected as an increase of the allowance for loan losses.

Software for Internal Use

Under Brazilian GAAP, external computer development costs are capitalised at cost and amortised at an annual rate of generally 20.0%.

Under U.S. GAAP, ASC 350, certain identified costs related to the development and instalation of software for internal use should be capitalised as fixed assets, including design of the chosen path, software configuration, software interfaces, coding, instalation of hardware and testing. Costs incurred for conceptualisation and formulation of alternatives, training and application maintenance should be expensed as incurred.

Income Taxes

Under Brazilian GAAP, the recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgement. In general, tax credits are recognised when there is evidence of future realisation in a continuous operation. The Central Bank requires (i) specific supporting analysis to recognise deferred tax assets; (ii) as a condition to recognise deferred tax assets a history of profitability presenting taxable income in three out of ten fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realised more than ten years from the reporting date.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in ASC 740. Under the liability method, deferred tax assets or liabilities are recognised with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carry-forwards arising from tax losses are recognised as assets.

A valuation allowance is recognised against a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised. Benefits related to uncertain tax positions are recognised only when it is "more likely than not" that the benefit will be realised and requires additional disclosures with respect to uncertain tax positions.

Notional Interest Charge on Own Capital

Subject to certain limitations, Brazilian GAAP permits companies to distribute or capitalise an amount of interest on stockholders' equity based on the government long-term interest rate (the "**TJLP**"). Such amounts are deductible for tax purposes and are presented as a direct reduction of stockholders' equity.

No similar concept exists under U.S. GAAP and such payments are recorded in the same manner as dividends.

Earnings Per Share

Under Brazilian GAAP, disclosure of earnings per share is generally computed based on the number of shares outstanding at the end of the year while computing it based on average number of shares outstanding is also acceptable.

Under U.S. GAAP, in accordance with ASC 260, the presentation of earnings per share includes earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note to the financial statements. A dual presentation is required: basic and diluted. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively.

Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the company's common shares. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument's effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. If undistributed earnings must be allocated to participating securities under the two-class method, losses should also be allocated. However U.S. GAAP limits this allocation only to situations when the security has: (i) the right to participate in the earnings of the company; and (ii) an objectively determinable contractual obligation to share in net losses of the company.

Segment Information

Under Brazilian GAAP, there is no requirement for financial reporting of operating segments.

Under U.S. GAAP, publicly-held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision-maker. Segment information is given about any operating segment that broadly accounts for 10.0% or more of all segment revenue, results of operating activities or total assets. Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed includes segment profit or loss,

certain specific revenue and expense items and segment assets, as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

Employee Benefits

Under Brazilian GAAP, plan sponsors have to account for employee benefits including pension costs and other post-employment benefits. Under such standard, an actuarial method is used for determining defined benefit pension costs and other post-employment benefits. Plan sponsors can adopt a policy that would allow recognition of gains/ losses in other comprehensive income. Gains/ losses treated in accordance with this election would be exempt from being subsequently recorded within the income statement.

Under U.S. GAAP, employee pension costs are recognised in accordance with ASC 715, which requires the use of an actuarial method for determining defined benefit pension costs and provides for the deferral of actuarial gains and losses (in excess of a specific corridor) that result from changes in assumptions or actual experience differing from that assumed. Prospective amortisation of costs related to changes in the benefit plan is required, as well as the obligation resulting from transition, and requires disclosure of the components of periodic pension costs and the funded status of pension plans.

Similar criteria also apply to all post-retirement benefits related to life insurance provided outside a pension plan or to other post-retirement health care and welfare benefits expected to be provided by an employer to current and former employees. The cost of a post-retirement benefit plan should be recognised over the employees' service periods and that actuarial assumptions are used to project the cost of health care benefits and the present value thereof., A company is required to describe the plan, employee groups covered, type of benefits provided, funding policy, types of assets held, and any matter affecting comparability, among other disclosures.

An employer is also required to recognise the overfunded or underfunded status of a defined benefit post-retirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognise changes in that funded status in the year in which the changes occur through comprehensive income. Measurement of the funded status of a plan should be performed as at the date of its year-end statement of financial position.

Stock-Based Compensation

Under Brazilian GAAP, stock-based compensation is recognized at the fair value of options on the grant date, and they are not remeasured, since they are all classified as equity awards.

Under U.S. GAAP, the cost of stock-based compensation plans considered liability awards is recognized as an expense, with a corresponding entry to liabilities. Certain options granted are considered liability awards under U.S. GAAP and measured at each reporting period, since the exercise price is indexed to inflation rates.

Under both U.S. GAAP and the Brazilian GAAP, the cost of stock-based compensation plans is recognized over the vesting period.

Pension Plan

Under Brazilian GAAP and U.S. GAAP, the sponsor of pension and healthcare plans should recognize both the deficit and surplus of a defined benefit plan as a liability or an asset in its balance sheet. Under Brazilian GAAP, however, an asset is accounted for only up to a certain limit, which is the lesser of: (a) the plan surplus; or (b) the "asset ceiling," defined as the present value of decreases in the sponsor's future contributions.

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Independent Auditor's Report

To the Board of Directors and Stockholders Itaú Unibanco Holding S.A.

We have audited the accompanying financial statements of Itaú Unibanco Holding S.A. (the "Bank") standing alone, which comprise the balance sheet as at December 31, 2011 and the statements of income, changes in equity and cash flows for the year and six-month period then ended, as well as the accompanying consolidated financial statements of Itaú Unibanco Holding S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of income and cash flows for the year and six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Itaú Unibanco Holding S.A. and of Itaú Unibanco Holding S.A. and its subsidiaries as at December 31, 2011, and the financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year and six-month period then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

Other matters

Statement of value added

We also have audited the Bank's and the consolidated statements of value added for the year and six-month period ended December 31, 2011, the presentation of which is required by the Brazilian corporate legislation for listed companies. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, February 6, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Balance Sheet (Note 2a)
(In thousands of Reais)

ASSETS	NOTE	12/31/2011	12/31/2010
CURRENT ASSETS		**622,747,887**	**564,401,807**
CASH AND CASH EQUIVALENTS		**10,633,082**	**10,096,540**
INTERBANK INVESTMENTS	**4b and 6**	**113,645,149**	**85,662,014**
Money market		85,445,536	68,154,703
Money market – Assets Guaranteeing Technical Provisions - SUSEP	11b	2,816,013	3,191,812
Interbank deposits		25,383,600	14,315,499
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**147,704,470**	**155,987,247**
Own portfolio		46,765,192	32,938,921
Subject to repurchase commitments		12,947,833	57,212,290
Pledged in guarantee		8,838,992	6,952,286
Deposited with the Central Bank		9,781,464	2,901,030
Derivative financial instruments		5,961,548	5,588,633
Assets guaranteeing technical provisions - PGBL/VGBL fund quotas	11b	57,733,857	46,050,748
Assets guaranteeing technical provisions – other securities	11b	5,675,584	4,343,339
INTERBANK ACCOUNTS		**98,224,030**	**85,940,965**
Pending settlement		104,574	83,685
Central Bank deposits		98,052,554	85,776,470
National Housing System (SFH)		1,166	5,098
Correspondents		35,047	75,712
Interbank onlending		30,689	-
INTERBRANCH ACCOUNTS		**28,879**	**10,431**
LOAN, LEASE AND OTHER CREDIT OPERATIONS	**8**	**180,492,549**	**158,906,454**
Operations with credit granting characteristics	4e	195,769,313	172,369,327
(Allowance for loan losses)	4f	(15,276,764)	(13,462,873)
OTHER RECEIVABLES		**68,547,960**	**64,455,717**
Foreign exchange portfolio	9	26,038,027	19,525,671
Income receivable		1,266,414	1,092,219
Transactions with credit card issuers	4e	18,408,662	18,060,924
Receivables from insurance and reinsurance operations	4nI and 11b	3,589,696	3,035,835
Negotiation and intermediation of securities		1,728,168	3,079,285
Sundry	13a	17,516,993	19,661,783
OTHER ASSETS	**4g**	**3,471,768**	**3,342,439**
Assets held for sale		138,389	150,349
(Valuation allowance)		(49,011)	(69,182)
Unearned premiums of reinsurance	4nI	552,950	424,362
Prepaid expenses	4g and 13b	2,829,440	2,836,910
LONG-TERM RECEIVABLES		**216,674,506**	**176,062,251**
INTERBANK INVESTMENTS	**4b and 6**	**2,436,840**	**696,707**
Money market		6	23,230
Money market – Assets Guaranteeing Technical Provisions - SUSEP	11b	-	154,125
Interbank deposits		2,436,834	519,352
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**40,175,954**	**30,575,168**
Own portfolio		22,040,083	15,705,664
Subject to repurchase commitments		8,211,080	6,281,895
Pledged in guarantee		1,889,009	2,147,948
Deposited with the Central Bank		349,291	147,149
Derivative financial instruments		3,584,698	2,718,556
Assets guaranteeing technical provisions – other securities	11b	4,101,793	3,573,956
INTERBANK ACCOUNTS - National Housing System (SFH)		**669,734**	**572,144**
LOAN, LEASE AND OTHER CREDIT OPERATIONS	**8**	**139,218,506**	**114,128,172**
Operations with credit granting characteristics	4e	149,713,469	122,683,517
(Allowance for loan losses)	4f	(10,494,963)	(8,555,345)
OTHER RECEIVABLES		**32,688,824**	**29,105,844**
Foreign exchange portfolio	9	411,772	2,067,147
Sundry	13a	32,277,052	27,038,697
OTHER ASSETS - Prepaid expenses	**4g and 13b**	**1,484,648**	**984,216**
PERMANENT ASSETS		**11,909,142**	**10,979,052**
INVESTMENTS	**4h and 15a II**	**2,716,641**	**3,249,788**
Investments in affiliates		1,684,423	2,058,988
Other investments		1,235,566	1,379,070
(Allowance for loan losses)		(203,348)	(188,270)
REAL ESTATE IN USE	**4i and 15b**	**5,286,998**	**4,723,791**
Real estate in use		3,453,180	3,291,742
Other fixed assets		8,561,880	7,998,898
(Accumulated depreciation)		(6,728,062)	(6,566,849)
OPERATING LEASE ASSETS	**4j**	**-**	**3,999**
Leased assets		-	18,553
(Accumulated depreciation)		-	(14,554)
GOODWILL	**4k and 15b**	**95,691**	**67,617**
INTANGIBLE ASSETS	**4l and 15b**	**3,809,812**	**2,933,857**
Acquisition of rights to credit payroll		1,647,548	2,414,697
Other intangible assets		3,876,786	2,456,978
(Accumulated amortization)		(1,714,522)	(1,937,818)
TOTAL ASSETS		**851,331,535**	**751,443,110**

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Balance Sheet (Note 2a)
(In thousands of Reais)

LIABILITIES	NOTE	12/31/2011	12/31/2010
CURRENT LIABILITIES		**421,618,311**	**400,664,566**
DEPOSITS	**4b and 10b**	**159,455,538**	**139,548,607**
Demand deposits		28,932,523	25,537,134
Savings deposits		67,169,544	57,899,455
Interbank deposits		1,793,508	1,683,821
Time deposits		61,559,963	53,522,521
Other deposits		-	905,676
DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS	**4b and 10c**	**81,813,398**	**122,444,995**
Own portfolio		43,471,088	98,424,824
Third-party portfolio		36,537,645	23,069,503
Free portfolio		1,804,665	950,668
FUNDS FROM ACCEPTANCES AND ISSUANCE OF SECURITIES	**4b and 10d**	**29,459,349**	**14,581,772**
Real estate, mortgage, credit and similar notes		18,474,079	10,967,302
Debentures		1,038,733	292,676
Foreign borrowings through securities		9,946,537	3,321,794
INTERBANK ACCOUNTS		**120,726**	**411,902**
Pending settlement		67,554	288,302
Correspondents		53,172	123,600
INTERBRANCH ACCOUNTS		**3,927,461**	**3,256,170**
Third-party funds in transit		3,857,437	3,221,184
Internal transfer of funds		70,024	34,986
BORROWINGS AND ONLENDING	**4b and 10e**	**29,009,787**	**21,777,965**
Borrowings		17,972,358	12,009,163
Onlending		11,037,429	9,768,802
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**4,139,099**	**3,979,057**
TECHNICAL PROVISION FOR INSURANCE, PENSION PLAN AND CAPITALIZATION	**4n II and 11a**	**10,470,320**	**9,269,146**
OTHER LIABILITIES		**103,222,633**	**85,394,952**
Collection and payment of taxes and contributions		855,975	694,359
Foreign exchange portfolio	9	25,751,044	19,927,459
Social and statutory	16b II	2,976,200	4,462,534
Tax and social security contributions	4o, 4p and 14c	7,051,103	8,937,165
Negotiation and intermediation of securities		2,503,701	3,099,347
Credit card operations	4e	41,178,016	36,851,682
Subordinated debt	10f	10,715,074	976,930
Sundry	13c	12,191,520	10,445,476
LONG-TERM LIABILITIES		**355,390,776**	**285,621,231**
DEPOSITS	**4b and 10b**	**83,180,884**	**63,139,450**
Interbank deposits		272,115	245,596
Time deposits		82,908,769	62,893,854
DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS	**4b and 10c**	**107,005,139**	**77,211,358**
Own portfolio		92,576,432	66,471,552
Free portfolio		14,428,707	10,739,806
FUNDS FROM ACCEPTANCES AND ISSUANCE OF SECURITIES	**4b and 10d**	**22,097,865**	**11,009,947**
Real estate, mortgage, credit and similar notes		15,113,364	3,310,387
Debentures		63	1,091,417
Foreign borrowings through securities		6,984,438	6,608,143
BORROWINGS AND ONLENDING	**4b and 10e**	**27,592,273**	**25,559,999**
Borrowings		3,170,360	3,639,691
Onlending		24,421,913	21,920,308
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**2,668,217**	**1,725,778**
TECHNICAL PROVISION FOR INSURANCE, PENSION PLAN AND CAPITALIZATION	**4n II and 11a**	**63,284,144**	**51,281,621**
OTHER LIABILITIES		**49,562,254**	**55,693,078**
Foreign exchange portfolio	9	430,526	2,107,495
Tax and social security contributions	4o, 4p and 14c	12,973,003	13,429,083
Credit card operations		-	23,151
Subordinated debt	10f	28,259,410	32,852,941
Sundry	13c	7,899,315	7,280,408
DEFERRED INCOME	**4q**	**836,211**	**765,865**
MINORITY INTEREST IN SUBSIDIARIES	**16e**	**2,138,904**	**3,512,903**
STOCKHOLDERS' EQUITY	**16**	**71,347,333**	**60,878,545**
Capital		45,000,000	45,000,000
Capital reserves		763,413	594,734
Revenue reserves		27,386,624	15,895,260
Asset valuation adjustment	4c, 4d and 7d	(139,142)	17,128
(Treasury shares)		(1,663,562)	(628,577)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**851,331,535**	**751,443,110**

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Income (Note 2a)
(In thousands of Reais)

	NOTE	2nd Half of 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
INCOME FROM FINANCIAL OPERATIONS		**55,556,501**	**101,366,445**	**79,626,922**
Loan, lease and other credit operations		31,147,110	59,102,824	51,314,622
Securities and derivative financial instruments		15,365,896	26,060,595	18,714,020
Financial income from insurance, pension plan and capitalization operations	11c	3,334,178	5,929,625	4,512,672
Foreign exchange operations		796,270	914,047	979,912
Compulsory deposits		4,913,047	9,359,354	4,105,696
EXPENSES OF FINANCIAL OPERATIONS		**(32,613,265)**	**(54,107,439)**	**(34,979,324)**
Money market		(27,626,657)	(46,249,862)	(30,082,387)
Financial expenses on technical provisions for pension plan and capitalization	11c	(2,924,624)	(5,239,459)	(3,928,147)
Borrowings and onlending		(2,061,984)	(2,618,118)	(968,790)
INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES		**22,943,236**	**47,259,006**	**44,647,598**
RESULT OF ALLOWANCE FOR LOAN LOSSES	**8d I**	**(7,536,189)**	**(14,423,754)**	**(9,911,355)**
Expenses for allowance for loan losses		(10,424,778)	(19,911,948)	(14,120,560)
Income from recovery of credits written off as loss		2,888,589	5,488,194	4,209,205
GROSS INCOME FROM FINANCIAL OPERATIONS		**15,407,047**	**32,835,252**	**34,736,243**
OTHER OPERATING REVENUES (EXPENSES)		**(7,159,381)**	**(14,545,854)**	**(14,480,968)**
Banking service fees	13d	7,250,746	13,912,326	12,340,783
Asset management		1,332,961	2,607,734	2,486,010
Current account services		343,215	675,646	582,922
Credit cards		3,233,170	6,111,133	5,284,056
Sureties and credits granted		926,109	1,761,944	1,460,334
Receipt services		701,857	1,332,789	1,324,525
Other		713,434	1,423,080	1,202,936
Income from bank charges	13e	2,657,255	5,135,371	4,759,871
Result from insurance, pension plan and capitalization operations	11c	1,500,071	2,714,409	2,099,884
Personnel expenses	13f	(6,778,573)	(13,356,634)	(12,451,571)
Other administrative expenses	13g	(7,417,370)	(14,099,747)	(13,597,894)
Tax expenses	4p and 14a II	(1,932,351)	(4,091,978)	(4,168,422)
Equity in earnings of affiliates and other investments	15a III	82,567	39,497	423,093
Other operating revenues	13h	187,006	392,528	528,633
Other operating expenses	13i	(2,708,732)	(5,191,626)	(4,415,345)
OPERATING INCOME		**8,247,666**	**18,289,398**	**20,255,275**
NON-OPERATING INCOME		**63,899**	**191,390**	**80,594**
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING		**8,311,565**	**18,480,788**	**20,335,869**
INCOME TAX AND SOCIAL CONTRIBUTION	**4p and 14a I**	**(313,498)**	**(2,855,428)**	**(5,886,043)**
Due on operations for the period		(3,195,510)	(7,029,598)	(4,127,657)
Related to temporary differences		2,882,012	4,174,170	(1,758,386)
PROFIT SHARING – Management members - Statutory - Law No. 6,404 of 12/15/1976		**(85,399)**	**(191,923)**	**(260,940)**
MINORITY INTEREST IN SUBSIDIARIES	**16e**	**(424,555)**	**(812,816)**	**(865,923)**
NET INCOME		**7,488,113**	**14,620,621**	**13,322,963**
WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES			**4,529,310,833**	**4,536,069,092**
NET INCOME PER SHARE – R$			**3.23**	**2.94**
BOOK VALUE PER SHARE - R$ (OUTSTANDING AT 12/31)			**15.81**	**13.40**
EXCLUSION OF NONRECURRING EFFECTS	**2a and 22k**		**20,369**	**(300,315)**
NET INCOME WITHOUT NONRECURRING EFFECTS			**14,640,990**	**13,022,648**
NET INCOME PER SHARE – R$			**3.23**	**2.87**

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Statement of Cash Flows

(In thousands of Reais)

	NOTE	2nd half of 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
ADJUSTED NET INCOME		**18,140,316**	**38,557,686**	**34,421,299**
Net income		7,488,113	14,620,621	13,322,963
Adjustments to net income:		10,652,203	23,937,065	21,098,336
Granted options recognized		82,551	162,663	131,660
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	7i	1,142,063	1,605,804	(658,631)
Effects of changes in exchange rates on cash and cash equivalents		(2,395,589)	(2,167,626)	629,288
Allowance for loan losses		10,424,778	19,911,948	14,120,560
Interest expense and foreign exchange income from variation from operations with subordinated debt		2,788,405	4,345,353	2,619,814
Interest expense from operations with debentures		100,808	165,306	224,058
Financial expenses on technical provisions for pension plan and capitalization		2,924,624	5,239,459	3,928,147
Depreciation and amortization	15b	1,098,801	2,166,563	2,137,276
Adjustment to legal liabilities – tax and social security		526,635	866,756	(1,469,652)
Adjustment to provision for contingent liabilities		173,947	228,499	1,213,319
Deferred taxes		(2,882,012)	(4,174,170)	1,758,386
Equity in earnings of affiliates and other investments	15a lll	(82,567)	(39,497)	(423,093)
Interest and foreign exchange income from variation from available-for-sale securities		(2,891,412)	(3,744,181)	(2,893,857)
Interest and foreign exchange income from variation from held-to-maturity securities		(223,938)	(407,973)	(444,589)
(Income) loss from sale of available-for-sale financial assets	7f	(75,821)	(301,358)	(558,920)
(Income) loss from sale of investments		(323,512)	(521,932)	(183,672)
(Income) loss from sale of foreclosed assets		(43,876)	(42,507)	(34,279)
(Gain) loss from sale of fixed assets		7,540	(44,074)	7,585
(Gain) loss from rescission of operations of intangible assets		(43,616)	(44,418)	(55,625)
Minority interest		424,555	812,816	865,923
Other		(80,161)	(80,366)	184,638
CHANGE IN ASSETS AND LIABILITIES		**(818,430)**	**(33,131,331)**	**(62,513,317)**
(Increase) decrease in interbank investments		(4,093,285)	(31,657,183)	26,549,860
(Increase) decrease in securities and derivative financial instruments		(649,548)	1,792,629	(64,219,394)
(Increase) decrease in compulsory deposits with the Central Bank of Brazil		(6,213,568)	(12,276,084)	(71,907,716)
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)		(934,820)	257,096	548,265
(Increase) decrease in loan, lease and other credit operations		(36,970,340)	(66,630,980)	(66,776,695)
(Increase) decrease in other receivables and other assets		838,617	1,155,240	(2,899,951)
(Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities		(674,306)	45,106	(251,211)
(Decrease) increase in deposits		33,722,208	39,948,365	11,972,027
(Decrease) increase in deposits received under securities repurchase agreements		(9,045,280)	(10,837,816)	67,712,790
(Decrease) increase in funds for issuance of securities		19,263,373	26,310,792	9,679,627
(Decrease) increase in borrowings and onlending		3,655,113	9,264,096	12,702,151
(Decrease) increase in credit card operations (assets/liabilities)		4,613,551	3,955,445	3,262,420
(Decrease) increase in technical provision for insurance, pension plan and capitalization		4,073,601	7,281,789	5,871,963
(Decrease) increase in collection and payment of taxes and contributions		(8,529,489)	161,616	226,054
(Decrease) increase in other liabilities		1,959,065	2,037,189	7,816,056
(Decrease) increase in deferred income		7,497	70,346	313,283
Payment of income tax and social contribution		(1,840,819)	(4,008,977)	(3,112,846)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**17,321,886**	**5,426,355**	**(28,092,018)**
Interest on capital / dividends received from affiliated companies		54,855	70,321	89,372
Funds received from sale of available-for-sale securities		12,475,188	34,221,963	17,891,819
Funds received from redemption of held-to-maturity securities		478,742	814,258	286,604
Disposal of assets not for own use		76,568	146,044	369,483
Disposal of investments		412,314	696,630	233,694
Sale of fixed assets		70,841	184,471	70,326
Termination of intangible asset agreements		178,425	184,048	145,473
Purchase of available-for-sale securities		(16,954,383)	(33,599,564)	(17,030,846)
Purchase of held-to-maturity securities		(218,300)	(341,300)	(582,120)
Purchase of investments		(10,126)	(20,994)	(229,487)
Purchase of fixed assets	15b	(1,198,155)	(1,902,929)	(1,923,132)
Purchase of intangible assets	15b	(1,275,513)	(2,008,056)	(649,647)
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		**(5,909,544)**	**(1,555,108)**	**(1,328,461)**
Increase in subordinated debt		2,626,925	8,850,750	9,352,093
Decrease in subordinated debt		(3,651,339)	(8,051,490)	(180,252)
Decrease in debentures		(103,724)	(510,603)	(1,604,242)
Change in minority interest	16e	(1,257,996)	(1,522,343)	12,320
Granting of stock options		198,367	353,036	406,084
Purchase of treasury shares		(744,647)	(1,302,638)	-
Dividends and interest on capital paid to minority interests		(337,121)	(664,472)	(727,591)
Dividends and interest on capital paid		(1,547,736)	(4,588,486)	(4,315,488)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(4,817,271)**	**(7,436,246)**	**2,942,924**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,595,071**	**(3,564,999)**	**(26,477,555)**
Cash and cash equivalents at the beginning of the period		28,626,235	39,014,268	66,121,111
Effects of changes in exchange rates on cash and cash equivalents		2,395,589	2,167,626	(629,288)
Cash and cash equivalents at the end of the period	4a and 5	37,616,895	37,616,895	39,014,268

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Added Value

(In thousands of Reais)

	NOTE	2nd half of 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
INCOME		**59,662,036**	**109,288,715**	**89,525,332**
Financial operations		55,556,504	101,366,445	79,626,922
Banking services		9,908,001	19,047,697	17,100,654
Result from insurance, pension plan and capitalization operations		1,500,071	2,714,409	2,099,884
Result of loan losses	8d	(7,536,189)	(14,423,754)	(9,911,355)
Other		233,649	583,918	609,227
EXPENSES		**(35,304,739)**	**(59,299,065)**	**(39,394,669)**
Financial operations		(32,613,266)	(54,107,439)	(34,979,324)
Other		(2,691,473)	(5,191,626)	(4,415,345)
INPUTS PURCHASED FROM THIRD PARTIES		**(6,210,738)**	**(11,764,138)**	**(11,405,491)**
Materials, energy and others	13g	(240,880)	(459,891)	(456,022)
Third-party services	13g	(1,740,025)	(3,265,955)	(2,872,258)
Other		(4,229,833)	(8,038,292)	(8,077,211)
Data processing and telecommunications	13g	(1,757,043)	(3,494,837)	(3,278,980)
Advertising, promotions and publication	13g	(519,776)	(956,725)	(1,129,235)
Installations		(858,404)	(1,432,045)	(1,564,358)
Transportation	13g	(300,322)	(583,074)	(595,708)
Security	13g	(241,995)	(482,164)	(450,656)
Travel expenses	13g	(102,423)	(188,915)	(166,925)
Other		(449,870)	(900,532)	(891,349)
GROSS ADDED VALUE		**18,146,559**	**38,225,512**	**38,725,172**
DEPRECIATION AND AMORTIZATION	13g	**(736,995)**	**(1,419,141)**	**(1,355,070)**
NET ADDED VALUE PRODUCED BY THE COMPANY		**17,409,564**	**36,806,371**	**37,370,102**
ADDED VALUE RECEIVED FROM TRANSFER	**15a III**	**82,566**	**39,497**	**423,093**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**17,492,130**	**36,845,868**	**37,793,195**
DISTRIBUTION OF ADDED VALUE		**17,492,130**	**36,845,868**	**37,793,195**
Personnel		6,062,382	11,997,794	11,202,027
Compensation		4,738,755	9,485,138	8,738,556
Benefits		986,691	1,865,882	1,898,619
FGTS – government severance pay fund		336,936	646,774	564,852
Taxes, fees and contributions		3,047,439	8,498,169	11,564,949
Federal		2,681,903	7,776,266	10,934,189
State		7,528	8,508	2,525
Municipal		358,008	713,395	628,235
Return on third parties' assets - Rent		469,641	916,468	837,333
Return on own assets		7,912,668	15,433,437	14,188,886
Dividends and Interest on capital		1,652,749	3,207,100	4,482,550
Retained earnings (loss) for the period		5,835,364	11,413,521	8,840,413
Minority interest in retained earnings		424,555	812,816	865,923

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Balance Sheet

(In thousands of Reais)

ASSETS	NOTE	12/31/2011	12/31/2010
CURRENT ASSETS		**28,646,456**	**3,792,477**
CASH AND CASH EQUIVALENTS		**7,833**	**1,940**
INTERBANK INVESTMENTS	**4b and 6**	**26,302,382**	**192,959**
Money market		454,176	192,959
Interbank deposits		25,848,206	-
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**13,631**	**33,489**
Own portfolio		7,837	28,299
Pledged in guarantee		5,794	5,190
OTHER RECEIVABLES		**2,318,501**	**3,559,575**
Income receivable	15a I	1,959,278	3,067,840
Sundry	13a	359,223	491,735
OTHER ASSETS – Prepaid expenses	**4g**	**4,109**	**4,514**
LONG-TERM RECEIVABLES		**6,097,851**	**14,428,183**
INTERBANK INVESTMENTS – Interbank deposits	**4b and 6**	**5,794,144**	**14,176,842**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**-**	**6,387**
Own portfolio		-	13
Pledged in guarantee		-	6,374
OTHER RECEIVABLES - Sundry	**13a**	**303,707**	**244,954**
PERMANENT ASSETS		**56,308,737**	**63,030,639**
INVESTMENTS		**56,308,494**	**63,030,331**
Investments in subsidiaries	4h and 15a I	56,308,494	63,029,924
Other		-	407
REAL ESTATE IN USE	**4i**	**243**	**308**
TOTAL ASSETS		**91,053,044**	**81,251,299**
LIABILITIES			
CURRENT LIABILITIES		**6,226,283**	**2,856,800**
DEPOSITS - Interbank deposits	**4b and 10b**	**4,832,444**	**-**
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**4b and 10d**	**5,542**	**5,542**
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**-**	**2,717**
OTHER LIABILITIES		**1,388,297**	**2,848,541**
Social and statutory	16b II	1,288,091	2,704,993
Tax and social security contributions	4o, 4p and 14c	4,996	25,060
Subordinated debt	10f	85,715	47,890
Sundry	13c	9,495	70,598
LONG-TERM LIABILITIES		**6,443,608**	**7,749,709**
DEPOSITS - Interbank deposits	**4b and 10b**	**-**	**3,344,008**
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**4b and 10d**	**500,000**	**500,000**
OTHER LIABILITIES		**5,943,608**	**3,905,701**
Tax and social security contributions	4o, 4p and 14c	816,111	576,158
Subordinated debt	10f	5,111,734	3,304,889
Sundry	13c	15,763	24,654
STOCKHOLDERS' EQUITY	**16**	**78,383,153**	**70,644,790**
Capital		45,000,000	45,000,000
Capital reserves		763,413	594,734
Revenue reserves		34,422,444	25,661,505
Asset valuation adjustment	4c, 4d and 7d	(139,142)	17,128
(Treasury shares)		(1,663,562)	(628,577)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**91,053,044**	**81,251,299**

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.
Statement of Income
(In thousands of Reais)

	NOTE	2nd Half 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
INCOME FROM FINANCIAL OPERATIONS		**1,603,318**	**2,608,483**	**1,021,447**
Securities and derivative financial instruments		1,603,318	2,608,483	1,021,447
EXPENSES OF FINANCIAL OPERATIONS		**(427,559)**	**(753,200)**	**(376,032)**
Money market		(427,559)	(753,200)	(376,032)
GROSS INCOME FROM FINANCIAL OPERATIONS		**1,175,759**	**1,855,283**	**645,415**
OTHER OPERATING REVENUES (EXPENSES)		**5,336,102**	**9,830,784**	**9,557,780**
Personnel expenses		(97,414)	(190,128)	(163,300)
Other administrative expenses		(20,231)	(43,523)	(64,946)
Tax expenses	14a II	(54,411)	(185,652)	(177,081)
Equity in earnings of subsidiaries	15a I	5,538,061	10,293,030	10,048,503
Other operating revenues (expenses)		(29,903)	(42,943)	(85,396)
OPERATING INCOME		**6,511,861**	**11,686,067**	**10,203,195**
NON-OPERATING INCOME		**19,753**	**28,868**	**9,763**
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING		**6,531,614**	**11,714,935**	**10,212,958**
INCOME TAX AND SOCIAL CONTRIBUTION	**4p**	**(409,816)**	**178,218**	**64,314**
Due on operations for the period		68,784	73,198	(13,364)
Related to temporary differences		(478,600)	105,020	77,678
PROFIT SHARING – Management members - Statutory - Law No. 6,404 of 12/15/1976		**(1,227)**	**(2,957)**	**(5,257)**
NET INCOME		**6,120,571**	**11,890,196**	**10,272,015**
WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES			**4,529,310,833**	**4,536,069,092**
NET INCOME PER SHARE – R$			**2.63**	**2.26**
BOOK VALUE PER SHARE - R$ (OUTSTANDING AT 12/31)			**17.37**	**15.55**

EXCLUSION OF NONRECURRING EFFECTS	**2a and 22k**	**20,369**	**(300,315)**
NET INCOME WITHOUT NONRECURRING EFFECTS		**11,910,565**	**9,971,700**
NET INCOME PER SHARE – R$		**2.63**	**2.20**

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.
Statement of Changes in Stockholders' Equity (Note 16)
(In thousands of Reais)

	Capital	Capital reserves	Revenue reserves	Asset adjustr
BALANCES AT 07/01/2011	**45,000,000**	**619,297**	**29,946,904**	
Purchase of treasury shares	-	-	-	
Granting of stock options – exercised options	-	61,565	7,718	
Granting of options recognized	-	82,551	-	
Change in adjustment to market value	-	-	-	
Net income	-	-	-	
Appropriations:				
Legal reserve	-	-	306,029	
Statutory reserves	-	-	2,314,870	
Dividends and Interest on capital	-	-	1,846,923	
BALANCES AT 12/31/2011	**45,000,000**	**763,413**	**34,422,444**	
CHANGES IN THE PERIOD	**-**	**144,116**	**4,475,540**	
BALANCES AT 01/01/2010	**45,000,000**	**640,759**	**18,771,151**	
Employee benefits – CVM Resolution No. 600, of October 7, 2009 (Note 19)	-	-	924,424	
Granting of stock options – exercised options	-	(91,313)	94,647	
Granting of options recognized	-	45,288	86,372	
Change in adjustment to market value	-	-	(3,934)	
Addition to interest on capital and paid on 03/01/2010 - Year 2009	-	-	(620)	
Net income	-	-	-	
Appropriations:				
Legal reserve	-	-	513,601	
Realization of unrealized profit reserve	-	-	(357,931)	
Statutory reserves	-	-	5,633,795	
Dividends and Interest on capital	-	-	-	
BALANCES AT 12/31/2010	**45,000,000**	**594,734**	**25,661,505**	
CHANGES IN THE YEAR	**-**	**(46,025)**	**6,890,354**	
BALANCES AT 01/01/2011	**45,000,000**	**594,734**	**25,661,505**	
Purchase of treasury shares		-	-	
Granting of stock options – exercised options	-	6,016	79,367	
Granting of options recognized	-	162,663	-	
Change in adjustment to market value	-	-	-	
Addition to interest on capital and paid on 03/17/2011 - Year 2010	-	-	(1,524)	
Net income	-	-	-	
Appropriations:				
Legal reserve	-	-	594,510	
Statutory reserves	-	-	6,241,663	
Dividends and Interest on capital	-	-	1,846,923	
BALANCES AT 12/31/2011	**45,000,000**	**763,413**	**34,422,444**	
CHANGES IN THE YEAR	**-**	**168,679**	**8,760,939**	

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Statement of Cash Flows

(In thousands of Reais)

	NOTE	2nd half of 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
ADJUSTED NET INCOME (LOSS)		**1,965,653**	**2,384,283**	**338,123**
Net income		6,120,571	11,890,196	10,272,015
Adjustments to net income:		(4,154,918)	(9,505,913)	(9,933,892)
Granting of options recognized		82,551	162,663	131,660
Interest expense and foreign exchange income from variation from operations with subordinated debt		807,789	685,666	-
Deferred taxes		478,600	(105,020)	(77,678)
Equity in earnings of subsidiaries	15a I	(5,538,061)	(10,293,030)	(10,048,503)
Amortization of goodwill		28,872	57,745	57,746
(Income) loss from sale of investments		(12,456)	(12,456)	-
Effects of changes in exchange rates on cash and cash equivalents		(2,258)	(1,574)	2,774
Other		45	93	109
CHANGE IN ASSETS AND LIABILITIES		**(264,620)**	**291,899**	**322,757**
(Increase) decrease in other receivables and other assets		(43,551)	179,044	146,500
Increase (decrease) in other liabilities		(220,840)	113,084	176,257
Payment of income tax and social contribution		(229)	(229)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**1,701,033**	**2,676,182**	**660,880**
Interest on capital/Dividends received		1,047,764	14,047,324	4,383,005
(Increase) decrease in interbank investments		(1,120,197)	(17,465,508)	(7,251,881)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)		211	23,944	(11,566)
(Purchase) sale of investments		11,776	3,874,270	-
(Purchase) sale of fixed assets		(9)	(28)	(60)
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		**(60,455)**	**480,002**	**(2,880,502)**
Increase (decrease) in deposits		820,221	1,488,436	2,444,784
Increase in subordinated debt		236,025	1,406,850	3,352,779
Decrease in subordinated debt		(170,336)	(247,846)	-
(Increase) decrease in funds for issuance of securities		-	-	505,542
Granting of stock options		198,367	353,036	406,084
Purchase of treasury shares		(744,647)	(1,302,638)	-
Dividends and interest on capital paid		(1,547,736)	(4,588,486)	(4,315,488)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(1,208,106)**	**(2,890,648)**	**2,393,701**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**432,472**	**265,536**	**174,079**
Cash and cash equivalents at the beginning of the period		27,279	194,899	23,594
Effects of changes in exchange rates on cash and cash equivalents		2,258	1,574	(2,774)
Cash and cash equivalents at the end of the period	4a and 5	462,009	462,009	194,899

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Statement of Added Value

(In thousands of Reais)

	NOTE	2nd half of 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
INCOME		**1,603,318**	**2,777,631**	**1,051,877**
Financial operations		1,603,318	2,608,483	1,021,447
Other		-	169,148	30,430
EXPENSES		**(838,280)**	**(753,200)**	**(376,032)**
Financial operations		(427,558)	(753,200)	(376,032)
Other		(410,722)	-	-
INPUTS PURCHASED FROM THIRD PARTIES		**(19,996)**	**(43,048)**	**(75,948)**
Third-party services		(11,386)	(21,438)	(26,782)
Advertising, promotions and publication		(406)	(634)	(1,643)
Expenses for financial system services		(3,637)	(6,593)	(17,752)
Insurance		(1,715)	(4,850)	(6,219)
Other		(2,852)	(9,533)	(23,552)
GROSS ADDED VALUE		**745,042**	**1,981,383**	**599,897**
DEPRECIATION AND AMORTIZATION		**(46)**	**(93)**	**(109)**
NET ADDED VALUE PRODUCED BY THE COMPANY		**744,996**	**1,981,290**	**599,788**
ADDED VALUE RECEIVED FROM TRANSFER	**15a I**	**5,538,060**	**10,293,030**	**10,048,503**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**6,283,056**	**12,274,320**	**10,648,291**
DISTRIBUTION OF ADDED VALUE		**6,283,056**	**12,274,320**	**10,648,291**
Personnel		96,807	189,230	165,068
Compensation		95,645	186,088	160,944
Benefits		690	1,920	2,726
FGTS – government severance pay fund		472	1,222	1,398
Taxes, fees and contributions		65,490	194,512	210,519
Federal		65,488	194,486	210,458
Municipal		2	26	61
Return on third parties' assets - Rent		188	382	689
Return on own assets		6,120,571	11,890,196	10,272,015
Dividends and interest on capital		1,652,749	3,207,100	4,482,550
Retained earnings (loss) for the period		4,467,822	8,683,096	5,789,465

The accompanying notes are an integral part of these financial statements.

ITAÚ UNIBANCO HOLDING S.A.

NOTES TO THE FINANCIAL STATEMENTS

FROM JANUARY 1 TO DECEMBER 31, 2011 AND 2010

(In thousands of Reais)

NOTE 1 - OPERATIONS

Itaú Unibanco Holding S.A. (ITAÚ UNIBANCO HOLDING) is a publicly-held company which, together with its subsidiaries and affiliated companies, operates in Brazil and abroad, with all types of banking activities, through its commercial, investment, real estate loan, finance and investment credit, and lease portfolios, including foreign exchange operations, and other complementary activities, with emphasis on Insurance, Private Pension Plans, Capitalization, Securities Brokerage and Administration of Credit Cards, Consortia, Investment Funds and Managed Portfolios.

NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS

a) Presentation of the Financial Statements

The financial statements of ITAÚ UNIBANCO HOLDING and of its subsidiaries (ITAÚ UNIBANCO HOLDING CONSOLIDATED) have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, including the amendments introduced by Laws No. 11,638, of December 28, 2007, and No. 11,941, of May 27, 2009, in conformity, when applicable, with instructions issued by the Central Bank of Brazil (BACEN), the National Monetary Council (CMN), the Brazilian Securities and Exchange Commission (CVM), and the Superintendence of Private Insurance (SUSEP), and National Council of Private Insurance (CNSP), which include the use of estimates necessary to calculate accounting provisions.

In order to enable the proper analysis of the net income, the heading “Net income without nonrecurring effects” is presented below the Consolidated Statement of Income, and this effect is highlighted in a heading called “Exclusion of nonrecurring effects” (Note 22k).

As set forth in the sole paragraph of article 7 of BACEN Circular No. 3,068, of November 8, 2001, securities classified as trading securities (Note 4c) are presented in the Balance Sheet under Current Assets regardless of their maturity dates.

Lease Operations are presented, at present value, in the Balance Sheet, and the related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credit operations in the Statement of Income. Advances on exchange contracts are reclassified from Other Liabilities – Foreign Exchange Portfolio to credit operations. The foreign exchange result is presented on an adjusted basis, with the reclassification of expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

b) Consolidation

As set forth in paragraph 1, article 2, of BACEN Circular Letter No. 2,804, of February 11, 1998, the financial statements of ITAÚ UNIBANCO HOLDING comprise the consolidation of its foreign branches and subsidiaries.

Intercompany transactions and balances and results have been eliminated on consolidation. The investments held by consolidated companies in Exclusive Investment Funds are consolidated. The investments in these fund portfolios are classified by type of transaction and were distributed by type of security, in the same categories in which these securities had been originally allocated. The effects of the Foreign Exchange Variation on investments abroad are classified in the heading Securities and Derivative Financial Instruments in the Statement of Income.

The difference of Net Income and Stockholders’ Equity between ITAÚ UNIBANCO HOLDING and ITAÚ UNIBANCO HOLDING CONSOLIDATED (Note 16d) results from the adoption of different criteria for the amortization of goodwill originated on purchase of investments, net of the respective deferred tax assets.

In ITAÚ UNIBANCO HOLDING, the goodwill recorded in subsidiaries, mainly originated from the ITAÚ UNIBANCO merger, is being amortized based on the expected future profitability and appraisal reports or upon realization of the investment, according to the rules and guidance of CMN and BACEN.

In ITAÚ UNIBANCO HOLDING CONSOLIDATED this goodwill was fully amortized up to December 31, 2009 in the periods when the investments were made, in order to: a) permit better comparability with previous periods' consolidated financial statements; and b) permit measuring Net Income and Stockholders' Equity based on conservative criteria.

From January 1, 2010, the goodwill originated from the purchase of investments is no longer fully amortized in the consolidated financial statements, for purposes of compatibility of the current accounting practices with the international financial reporting standards (Note 4k).

In 2011, there was a change in the basis for consolidating certain companies, particularly for the Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento, with the change from full to partial consolidation, and Porto Seguro S.A., which is now stated under the equity method, including for comparative purposes.

The consolidated financial statements comprise ITAÚ UNIBANCO HOLDING and its direct and indirect subsidiaries, among which we highlight:

		Incorporation country	Interest %	
			12/31/2011	12/31/2010
Afinco Americas Madeira, SGPS, Sociedade Unipessoal, Ltda.		Portugal	100.00	100.00
Banco Dibens S.A.		Brazil	100.00	100.00
Banco Fiat S.A.		Brazil	100.00	99.99
Banco Itaú Argentina S.A.		Argentina	99.99	99.99
Banco Itaú BBA S.A.		Brazil	99.99	99.99
Banco Itaú Chile		Chile	99.99	99.99
Banco Itaú Europa Luxembourg S.A.		Luxembourg	99.98	99.98
Banco Itaú BBA International, S.A.	(1)	Portugal	99.99	99.99
Banco Itaú Uruguay S.A.		Uruguay	100.00	100.00
Banco Itaucard S.A.		Brazil	100.00	100.00
Banco Itaucred Financiamentos S.A.		Brazil	100.00	100.00
Banco Itauleasing S.A.		Brazil	100.00	100.00
BIU Participações S.A.		Brazil	66.16	66.16
Cia. Itaú de Capitalização		Brazil	99.99	99.99
Dibens Leasing S.A. - Arrendamento Mercantil		Brazil	100.00	100.00
FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	(2)	Brazil	50.00	50.00
Fiat Administradora de Consórcios Ltda.		Brazil	99.99	99.99
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	(2)	Brazil	50.00	50.00
Hipercard Banco Múltiplo S.A.		Brazil	100.00	100.00
Itaú Administradora de Consórcios Ltda.		Brazil	99.99	99.99
Itau Bank, Ltd.	(3)	Cayman Islands	100.00	100.00
Itaú Corretora de Valores S.A.		Brazil	100.00	100.00
Itaú Seguros S.A.		Brazil	100.00	100.00
Itaú Unibanco S.A.		Brazil	100.00	100.00
Itaú Vida e Previdência S.A.		Brazil	100.00	100.00
Itaú Unibanco Consultoria S.A.	(4)	Brazil	-	100.00
Luizacred S.A. Soc. Créd. Financiamento Investimento	(2)	Brazil	50.00	50.00
OCA Casa Financiera S.A.		Uruguay	100.00	100.00
Orbitall Serviços e Processamento de Informações Comerciais S.A.		Brazil	100.00	100.00
Redecard S.A.	(5)	Brazil	50.00	50.00
Unibanco Cayman Bank Ltd.		Cayman Islands	100.00	100.00
Unibanco Participações Societárias S.A. (Note 16e)		Brazil	100.00	51.00

(1) New company name of Banco Itaú Europa, S.A.;

(2) Company with shared control included proportionally in consolidation;

(3) It does not include Redeemable Preferred Shares (Note 10f);

(4) New company name of Itaúsa Export S.A, which was merged into ITB Holding Brasil controlled by Itaú Unibanco S.A.;

(5) Fully consolidated company whose share capital is 50% plus 17 shares.

NOTE 3 – REQUIREMENTS OF CAPITAL AND FIXED ASSET LIMITS

a) Basel and Fixed Asset Ratios

The main indicators at December 31, 2011, according to present regulation, are as follows:

	Financial conglomerate (1)	Economic-financial consolidated (2)
Referential equity (3)	92,560,637	93,111,393
Basel ratio	16.0%	16.4%
Tier I	12.3%	12.6%
Tier II	3.7%	3.8%
Fixed assets ratio (4)	48.6%	14.4%
Excess capital in relation to fixed assets	1,272,305	33,148,373

(1) Consolidated financial statements including financial companies only;

(2) Consolidated financial statements comprising all direct and indirect subsidiary companies, including insurance, pension plan, capitalization companies and other non-financial companies, as provided for in CMN Resolution No. 2,723 of June 1, 2000, amended by CMN Resolution No. 2,743, of June 28, 2000.

(3) The CMN, through Resolution No. 3,444, of February 28, 2007, determined the Referential Equity (PR), for purposes of calculating operating limits, as being the sum of both Tier I and Tier II levels, following the international experience, each of them comprising items from stockholders' equity, as well as subordinated debt and hybrid capital and debt instruments.

(4) The difference between the fixed asset ratio of the financial conglomerate and the economic-financial consolidated arises from the inclusion of non-financial subsidiary companies, which provide high liquidity and low level of fixed asset ratio, with a consequent decrease in the fixed asset ratio of the economic and financial consolidated amounts, enabling, when necessary, the distribution of funds to the financial companies.

As approved by the Central Bank of Brazil on January 13, 2012, issues of subordinated debt, which total R$ 198,000, can be included in Referential Equity for Tier II.

In addition, issues of subordinated debt, in the amount of R$ 108,400 as of December 31, 2011, are pending approval in order to be included in the Tier II. Should we consider these issues, the Basel ratios would be affected by 0.05%.

Management considers the current Basel ratio (16.0%, based on financial conglomerate) to be adequate, taking into account the following:

a) It exceeds by 5.0 percent the minimum required by the authorities (11.0%); and

b) b) In view of the realizable values of assets (Note 18), the additional provision (exceeding the minimum required) (Note 8c) and unrecorded deferred tax assets (Note 14b IV), the ratio would increase to 17.0%.

CMN Resolution No. 3,490, of August 29, 2007, provides for the criteria for computation of the Required Referential Equity (PRE). For calculation of the risk portions, the procedures of Circular No. 3,360, of September 12, 2007 for credit risk, of Circulars Nos. 3,361, 3,362, 3,363, 3,364, 3,366 and 3,368, of September 12, 2007, 3,388, of June 4, 2008, 3,389, of June 25, 2008, 3,498, of june 28, 2010 and 3,568, of december 21, 2011 and Circular Letters Nos. 3,309 and 3,310, of April 15, 2008 for market risk, Circulars No. 3,383, of April 30, 2008 and 3,476, of December 28, 2009 and Circular Letters Nos. 3,315 and 3,316, of April 30, 2008, for operational risk were followed. For the operational risk portion, ITAÚ UNIBANCO HOLDING opted for the use of the Alternative Standardized Approach.

Circular No. 3,568, of December 21, 2011, changes the provisions of Circulars No 3,361, of September 12, 2007, No. 3,388, of June 4, 2008, No. 3,389, of June 25, 2008, No. 3,478 of December 24, 2009 and No. 3,498, of June 28, 2010, which set forth the procedures for calculation of the portion related to market risk. The new caculation method will be adopted gradually from January 1, 2012, taking into account that it shall be fully employed from December 31, 2012. Should the new rules already be applicable, the ratios would be reduced by about 0.7%.

The Referential Equity used for calculation of ratios and composition of risk exposures at December 31, 2011, are as follows:

	Financial conglomerate		Economic-financial consolidated	
Stockholders' Equity Itaú Unibanco Holding S.A. (Consolidated)	**71,347,333**		**71,347,333**	
Minority interest in subsidiaries	1,181,081		1,741,227	
Consolidated stockholders' equity (BACEN)	**72,528,414**		**73,088,560**	
Deferred tax assets excluded from Tier I	(581,319)		(589,591)	
Deferred permanent assets excluded from Tier I	(294,295)		(295,413)	
Adjustment to market value -securities and derivative financial instruments excluded from Tier I	139,142		138,637	
Preferred shares with clause of redemption excluded from Tier I	(740,703)		(740,703)	
Tier I	**71,051,239**		**71,601,490**	
Subordinated debt	21,258,638		21,258,638	
Preferred shares with clause of redemption	444,422		444,422	
Adjustment to market value -securities and derivative financial instruments	(139,142)		(138,637)	
Tier II	**21,563,918**		**21,564,423**	
Tier I + Tier II	**92,615,157**		**93,165,913**	
Exclusions:				
Funding instruments issued by financial institutions	(54,520)		(54,520)	
Referential equity	**92,560,637**		**93,111,393**	
Risk exposure:				
Exposure weighted by credit risk (EPR)	**538,077,718**		**523,898,000**	
Portion required for credit risk coverage (PEPR)	**59,188,549**	**92.9%**	**57,628,780**	**92.1%**
a) Per weighting factor (FPR):				
FPR at 20%	209,093	0.3%	348,989	0.6%
FPR at 35%	164,240	0.3%	164,236	0.3%
FPR at 50%	3,467,700	5.4%	4,671,607	7.5%
FPR at 75%	13,989,864	22.0%	13,586,910	21.7%
FPR at 100%	37,980,538	59.6%	35,391,982	56.6%
FPR at 150%	1,568,458	2.5%	1,567,586	2.5%
FPR at 300%	1,381,114	2.2%	1,466,628	2.3%
Derivatives – potential future gain	427,542	0.7%	430,842	0.7%
b) Per type:				
Securities	2,539,902	4.0%	2,601,475	4.2%
Loan operations - Retail	11,167,056	17.5%	10,886,302	17.4%
Loan operations – Non-retail	20,141,094	31.6%	20,149,975	32.2%
Joint obligations - Retail	48,931	0.1%	48,931	0.1%
Joint obligations – Non-Retail	5,549,824	8.7%	5,546,475	8.9%
Loan commitments - Retail	2,773,876	4.4%	2,651,677	4.2%
Loan commitments – Non-retail	1,730,308	2.7%	1,730,676	2.8%
Other exposures	15,237,558	23.9%	14,013,269	22.4%
Portion required for operational risk coverage (POPR)	**3,460,219**	**5.4%**	**3,851,446**	**6.2%**
Retail	562,006	0.9%	562,006	0.9%
Commercial	920,872	1.4%	920,872	1.5%
Corporate finance	82,110	0.1%	82,110	0.1%
Negotiation and sales	1,288,706	2.0%	1,288,706	2.1%
Payments and settlements	268,814	0.4%	268,814	0.4%
Financial agent services	128,146	0.2%	128,146	0.2%
Asset management	190,583	0.3%	190,583	0.3%
Retail brokerage	18,982	0.0%	18,982	0.0%
Business plans	-	0.0%	-	0.0%
Conef additional	-	0.0%	391,227	0.6%
Portion required for market risk coverage:	**1,078,447**	**1.7%**	**1,076,014**	**1.7%**
Gold, foreign currency and operations subject to foreign exchange variation (PCAM)	**-**	**0.0%**	**-**	**0.0%**
Operations subject to interest rate variation (PJUR)	**967,550**	**1.5%**	**965,117**	**1.5%**
Fixed rate denominated in Real (PJUR1)	224,290	0.4%	224,467	0.4%
Foreign currency coupon (PJUR2)	488,310	0.8%	485,700	0.8%
Price index coupon (PJUR3)	169,912	0.3%	169,912	0.3%
Interest rate coupon (PJUR 4)	85,038	0.1%	85,038	0.1%
Operations subject to commodity price variation (PCOM)	**72,345**	**0.1%**	**72,345**	**0.1%**
Operations subject to equities price variation (PACS)	**38,552**	**0.1%**	**38,552**	**0.1%**
Required Referential Equity	**63,727,215**	**100.0%**	**62,556,240**	**100.0%**
Excess capital in relation to Required Referential Equity	**28,833,422**	**45.2%**	**30,555,153**	**48.8%**
Total exposure weighted by risk [EPR + (1/0.11 X (POPR + PCAM + PJUR + PCOM + PACS)	**579,338,319**		**568,693,094**	
Ratio (%)	**16.0**		**16.4**	
Referential equity calculated for covering the interest rate risk of operations not classified into the trading portfolio (RBAN)	**1,382,613**		**1,604,744**	

During this period, the effects of the changes in legislation and balances were as follows:

Changes in the Basel Ratio	Financial conglomerate			Economic-financial consolidated		
	Referential equity	Weighted exposure	Effect	Referential equity	Weighted exposure	Effect
Ratio at 12/31/2010	**78,670,791**	**497,468,330**	**15.8%**	**80,718,514**	**522,952,010**	**15.4%**
Result for the period	14,668,577	-	3.0%	15,398,096	-	2.9%
Interest on capital and dividends	(3,208,723)	-	-0.7%	(3,208,723)	-	-0.6%
Granting of options recognized	162,663	-	0.0%	162,663	-	0.0%
Granting of stock options – exercised options in the period	353,036	-	0.1%	353,036	-	0.1%
Asset valuation adjustment	(156,270)	-	0.0%	(156,270)	-	0.0%
Subordinated debt and redeemable preferred shares	3,068,398	-	0.6%	3,068,398	-	0.6%
Treasury shares	(1,302,638)	-	-0.3%	(1,302,638)	-	-0.3%
Deferred assets excluded from Tier I of referential equity	(92,008)	(92,008)	0.0%	(94,328)	(94,328)	0.0%
Other changes in referential equity	396,811	-	0.1%	(1,827,355)	-	-0.3%
Changes in risk exposure	-	81,961,997	-2.6%	-	45,835,412	-1.4%
Ratio at 12/31/2011	**92,560,637**	**579,338,319**	**16.0%**	**93,111,393**	**568,693,094**	**16.4%**

b) Capital for Insurance Activity

CNSP – Conselho Nacional de Seguros Privados, following the worldwide trend towards the strengthening of the insurance market, disclosed the Resolution No. 227 of December 6, 2010 (which revoked Resolutions No. 178 of December 28, 2007, and No. 200 of December 16, 2008), and Circular No. 411 of December 22,2010. The regulations provide for the rules on regulatory capital required for authorization and operation of insurance companies and rules for the allocation of capital from subscription risk for several insurance lines. In January 2011, CNSP Resolution No. 228 of December 6, 2010 came into effect, providing for the criteria for establishment of additional capital based on the credit risk of the supervised companies.

The adjusted stockholders' equity of ITAU UNIBANCO HOLDING companies exclusively engaged in insurance activities is higher than the required regulatory capital of R$ 1,774,567 (R$ 1,436,753 at December 31, 2010) in Itaú Seguros S.A. and R$ 1,498,723 (R$ 1,198,724 at December 31, 2010) in Itaú Vida e Previdência S.A..

NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

a) Cash and cash equivalents - For purposes of Consolidated Statement of Cash Flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits and securities purchased under agreements to resell – funded position that have original maturities of up to 90 days or less.

b) Interbank investments, remunerated restricted credits – Brazilian Central Bank, remunerated deposits, deposits received under securities repurchase agreements, funds from acceptance and issuance of securities, borrowings and onlendings, subordinated debt and other receivables and payables – Transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, net of the transaction costs incurred, calculated "pro rata die" based on the effective rate of transactions, according to CVM Resolution No. 649 of December 16, 2010.

c) Securities - Recorded at cost of acquisition restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular No. 3,068, of November 8, 2001. Securities are classified into the following categories:

- Trading securities – acquired to be actively and frequently traded, and adjusted to market value, with a contra-entry to the results for the period;

- Available-for-sale securities – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a contra-entry to an account disclosed in stockholders' equity;

- Held-to-maturity securities – securities, except for non-redeemable shares, for which the bank has the financial condition and intends or is required to hold them in the portfolio up to their maturity, are recorded at cost of acquisition, or market value, whenever these are transferred from another category. The securities are adjusted up to their maturity date, not being adjusted to market value.

Gains and losses on available-for-sale securities, when realized, are recognized at the trading date in the statement of income, with a contra-entry to a specific stockholders' equity account.

Decreases in the market value of available-for-sale and held-to-maturity securities below their related costs, resulting from non-temporary reasons, are recorded in results as realized losses.

d) Derivative financial instruments - these are classified on the date of their acquisition, according to management's intention of using them either as a hedge or not, according to BACEN Circular No. 3,082, of January 30, 2002. Transactions involving financial instruments, carried out upon the client's request, for their own account, or which do not comply with the hedging criteria (mainly derivatives used to manage the overall risk exposure), are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statement of income.

The derivatives used for protection against risk exposure or to modify the characteristics of financial assets and liabilities, which have changes in market value highly associated with those of the items being protected at the beginning and throughout the duration of the contract, and which are found effective to reduce the risk related to the exposure being protected, are classified as a *hedge*, in accordance with their nature:

- *Market Risk Hedge* – financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income.

- *Cash Flow Hedge* - the effective amount of the hedge of financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of *hedge* is recorded directly in the statement of income.

e) Loan, Lease and Other Credit Operations (Operations with Credit Granting Characteristics) – These transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index and interest rate, and are recorded on the *accrual* basis until the 60th day overdue in financial companies, according to the estimate for receipt. After the 60th day, income is recognized upon the effective receipt of installments. Credit card operations include receivables arising from the purchases made by cardholders. The funds related to these amounts are recorded in Other Liabilities – Credit Card Operations, which also include funds arising from other credits related to transactions with credit card issuers.

f) Allowance for loan losses - the balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution No. 2,682 of December 21, 1999, among which are:

- Provisions are recorded from the date loans are granted, based on the client's risk rating and on the periodic quality evaluation of clients and industries, and not only in the event of default;

- Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

g) Other assets - these assets are mainly comprised of assets held for sale relating to real estate available for sale, own real estate not in use and real estate received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations, reinsurance unearned premiums (Note 4n I); and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods.

h) Investments – investments in subsidiary and affiliated companies are accounted for under the equity method. The consolidated financial statements of foreign branches and subsidiaries are adapted to comply with Brazilian accounting practices and converted into Reais. Other investments are recorded at cost and adjusted to market value by setting up a provision in accordance with current standards.

i) Fixed assets - These assets are stated at cost of acquisition or construction, less accumulated depreciation, adjusted to market value until December 31, 2007, when applicable. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. They correspond to rights related to tangible assets intended for maintenance of the company's operations or exercised for such purpose, including assets arising from transactions that transfer to the company their benefits, risks and controls. The items acquired through Lease contracts are recorded according to CVM Resolution No. 554, of November 12, 2008, as contra-entry to Lease obligations. Depreciation is calculated using the straight-line method, based on monetarily restated cost.

j) Operating leases – leased assets are stated at cost of acquisition less accumulated depreciation. The depreciation of leased assets is recognized under the straight-line method, based on their usual lives, taking into account that the useful life shall be decreased by 30% should it meet the conditions provided for by Ordinance No. 113 of February 26, 1988 issued by the Ministry of Finance. Receivables are recorded in lease receivable at the contractual amount, with contra-entry to unearned income accounts. The recognition in income will occur on the due date of the installments.

k) Goodwill – corresponds to the amount paid in excess for the purchase of investments arising from the expected future profitability. It does not have a defined useful life and is annually tested for impairment of assets.

l) **Intangible assets –** correspond to rights acquired whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution No. 3,642, of November 26, 2008. They are composed of rights acquired to credit payrolls and partnership agreements, amortized over the agreement terms, and software and customer portfolios, amortized over a term varying from five to ten years.

m) **Impairment of assets –** a loss is recognized when there are clear evidence that assets are stated at a non-recoverable value. This procedure is adopted semiannually.

n) **Insurance, pension plan and capitalization operations -** Insurance premiums, acceptance coinsurance and selling expenses are accounted for in accordance with the insurance effectiveness term, through the recognition and reversal of the provision for unearned premiums and deferred selling expenses. Interest arising from fractioning of insurance premiums is accounted for as incurred. Revenues from social security contributions, gross revenue from capitalization certificates and respective technical provisions are recognized upon receipt.

I - Credits from operations and other assets related to insurance and reinsurance operations:

- Insurance premiums receivable - Refer to installments of insurance premiums receivable, current and past due, in accordance with insurance policies issued;

- Reinsurance recoverable amounts – Refer to claims paid to the insured party pending recovery from Reinsurer, installments of unsettled claims and incurred but not reported claims - Reinsurance (IBNR), classified in assets in accordance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008;

- Reinsurance unearned premiums – Recognized to determine the portion of reinsurance unearned premiums, calculated “pro rata die”, and for risks of policies not issued computed based on estimates, based on the actuarial technical study and in compliance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008.

II - Technical provisions of insurance, pension plan and capitalization – technical provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution No. 162 of December 26, 2006 and the amendments introduced by CNSP Resolution No. 181, of December 19, 2007, and CNSP Resolution No. 195, of December 16, 2008.

II.I- Insurance:

- Provision for unearned premiums (PPNG) – recognized based on premiums issued, calculated “pro rata die”, and represents the portion of premium corresponding to the policy period not yet elapsed; Provision for Unearned Premiums for Risks in Force but Not Yet Issued is recognized based on technical actuarial note, and has the objective of estimating a portion of unearned premiums related to risks assumed by insurance companies and that are in issue process;

- Provision for premium deficiency – recognized according to the Technical Actuarial Note if a premium deficiency is found;

- Provision for unsettled claims - recognized based on claims of loss in an amount sufficient to cover future commitments, awaiting judicial decision, which amounts are determined by court appointed experts and legal advisors that make assessments based on the insured amounts and technical regulations, taking into consideration the likelihood of unfavorable outcome to the insurance company.

- Provision for claims incurred but not reported (IBNR) – recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not reported.

- Other provisions – recognized based on the technical provision for extension of warranty in the extended warranty line, and the calculation is made over the period from the date the insurance contract becomes effective and the risk initial coverage date, the amount to be recognized being equal to the retained commercial premium.

II.II - Pension Plan and Individual life insurance with living benefits - The mathematical provisions represent amounts of obligations assumed as insurance for living benefits, retirement plans, disability, pension and annuity, and are calculated according to the method of accounting provided for in the contract.

- Mathematical provisions for benefits to be granted and benefits granted – correspond to commitments assumed with participants, but for which benefits are not yet due, and to those receiving the benefits, respectively;
- Provision for insufficient contribution – recognized in case of insufficient premiums or contributions;
- Provision for unexpired risks – recognized to include the estimate of outstanding risks which have not expired;
- Provision for events incurred but not reported (IBNR) – recognized based on the estimated amounts of events occurred but not reported;
- Provision for financial surplus – recognized by the difference between the contributions adjusted daily by the Investment Portfolio and the accumulated fund set up;

II.III - Capitalization:

- Mathematical provision for redemptions – represents capitalization certificates received to be redeemed;
- Provision for raffle contingencies – recognized according to the methodology provided for in the Technical Actuarial Note to cover the Provision for raffles in the event of insufficient funds.

o) Contingent assets and liabilities and legal liabilities – tax and social security - assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 3,823 of December 16, 2009, and BACEN Circular Letter No. 3,429 of February 11, 2010.

I - Contingent assets and liabilities

Refer to potential rights and obligations arising from past events, the occurrence of which is dependent upon future events.

- Contingent assets - not recognized, except upon evidence ensuring a high reliability level of realization, usually represented by claims awarded a final and unappealable judgment and confirmation of the recoverability of the claim through receipt of amounts or offset against another liability
- Contingent liabilities - basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, tax and social security lawsuits and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recognized; possible, which are disclosed but not recognized; and remote, for which recognition or disclosure are not required Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts.

  Escrow deposits are restated in accordance with the current legislation.

Contingencies guaranteed by indemnity clauses in privatization processes and with liquidity are only recognized upon judicial notification with simultaneous recognition of receivables, without any effect on results.

II - Legal liabilities – tax and social security

Represented by amounts payable related to tax liabilities, the legality or constitutionality of which are subject to judicial defense, recognized at the full amount under discussion

Liabilities and related escrow deposits are adjusted in accordance with the current legislation.

p) Taxes - these provisions are calculated according to current legislation at the rates shown below, using the related calculation bases.

Income tax	15.00%
Additional income tax	10.00%
Social contribution (1)	15.00%
PIS (2)	0.65%
COFINS (2)	4.00%
ISS	up to 5.00%

(1) *For ITAÚ UNIBANCO HOLDING and its financial subsidiaries and equivalent companies, the rate corresponds to 15%. For non-financial and pension plan subsidiaries, the rate is 9%.*

(2) *For non-financial subsidiaries that fall into the non-cumulative calculation system, the PIS rate is 1.65% and COFINS rate is 7.6%.*

The changes introduced by Laws No. 11,638 and No. 11,941 (articles 37 and 38), which modified the criterion for recognizing revenues, costs and expenses, computed to determine the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transition Tax Regime (RTT), so for tax purposes the rules effective on December 31, 2007 were followed, The tax effect arising from the adoption of such rules is recorded, for accounting purposes, in the corresponding deferred assets and liabilities.

q) Deferred income – this refers to; (i) unexpired interest received in advance that is recognized in income as earned, and (ii) the negative goodwill on acquisition of investments arising from expected future losses, which has not been absorbed in the consolidation process.

NOTE 5 - CASH AND CASH EQUIVALENTS

For purposes of Statement of Cash Flows, cash and cash equivalents of ITAÚ UNIBANCO HOLDING CONSOLIDATED are composed of the following:

	12/31/2011	12/31/2010
Cash and cash equivalents	10,633,082	10,096,540
Interbank deposits	18,921,241	7,639,279
Securities purchased under agreements to resell – Funded position	8,062,572	21,278,449
TOTAL	**37,616,895**	**39,014,268**

In ITAÚ UNIBANCO HOLDING it is composed of the following:

	12/31/2011	12/31/2010
Cash and cash equivalents	7,833	1,940
Securities purchased under agreements to resell – Funded position	454,176	192,959
TOTAL	**462,009**	**194,899**

NOTE 6 - INTERBANK INVESTMENTS

	12/31/2011			
	0 - 30	**31 - 180**	**181 - 365**	**Over**
Money market	**46,014,191**	**39,415,468**	**15,877**	
Funded position (*)	22,110,380	10,538,334	15,877	
Financed position	22,851,550	14,012,549	-	
With free movement	1,398,159	14,005,964	-	
Without free movement	21,453,391	6,585	-	
Short position	1,052,261	14,864,585	-	
Money market – Assets Guaranteeing Technical Provisions - SUSEP	**2,513,685**	**120,268**	**182,060**	
Interbank deposits	**18,910,835**	**3,225,465**	**3,247,300**	**2,43**
TOTAL	**67,438,711**	**42,761,201**	**3,445,237**	**2,43**
% per maturity term	58.1	36.8	3.0	
TOTAL – 12/31/2010	**49,643,856**	**32,271,481**	**3,746,677**	**69**
% per maturity term	57.5	37.4	4.3	

(*) Includes R$ 7,226,864 (R$ 8,670,170 at 12/31/2010) related to money market with free movement, in which securities are basically restricted to guarantee Mercadorias e Futuros (Securities, Commodities and Futures Exchange) and the Central Bank of Brazil (BACEN).

In ITAÚ HOLDING the portfolio is composed of Money market – Funded position falling due in up to 30 days amounting to R$ 454,176 with maturity of 181 to 365 R$ 25,848,206 and over 365 days amounting to R$ 5,794,144 (R$ 14,176,842 at 12/31/2010).

NOTE 7 – SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

See below the composition by Securities and Derivatives type, maturity and portfolio already adjusted to their respective market values.

a) Summary per maturity

	12/31/2011						
	Cost	Provision for adjustment to market value reflected in:		Market value	%	0 - 30	31 - 90
		Results	Stockholders' equity				
GOVERNMENT SECURITIES - DOMESTIC	**83,308,252**	**44,810**	**366,437**	**83,719,499**	**44.6**	**2,053,572**	**1,386,139**
Financial Treasury Bills	31,128,410	(2,286)	(474)	31,125,650	16.6	-	1,343,990
National Treasury Bills	17,526,169	(26,296)	(12,650)	17,487,223	9.3	-	-
National Treasury Notes	27,366,936	26,692	146,965	27,540,593	14.7	1,705,740	11,569
National Treasury/Securitization	300,100	500	(5,709)	294,891	0.2	-	15,047
Brazilian External Debt Bonds	6,911,833	46,200	238,245	7,196,278	3.8	273,703	15,533
Investments in non-exclusive funds	74,129	-	-	74,129	0.0	74,129	-
Other	675	-	60	735	0.0	-	-
GOVERNMENT SECURITIES - ABROAD	**5,114,284**	**15,198**	**(9,375)**	**5,120,107**	**2.8**	**1,231,468**	**2,034,882**
Argentina	225,921	(1,013)	-	224,908	0.1	11,685	105,779
Central Bank	3,044	(86)	-	2,958	0.0	-	-
National Treasury	222,877	(927)	-	221,950	0.1	11,685	105,779
Russia	-	-	-	-	-	-	-
Denmark	1,949,128	-	1	1,949,129	1.0	171,778	1,432,545
Spain	418,365	-	-	418,365	0.2	418,365	-
Korea	295,012	-	-	295,012	0.2	-	85,990
Chile	1,042,349	134	3,226	1,045,709	0.6	358,514	266,247
Paraguay	357,914	-	(13,885)	344,029	0.2	225,220	42,155
Uruguay	295,067	76	294	295,437	0.2	7,294	99,971
United States	280,307	11,936	-	292,243	0.2	1,876	2,195
Mexico	210,505	4,050	926	215,481	0.1	222	-
Other	39,716	15	63	39,794	0.0	36,514	-
CORPORATE SECURITIES	**31,432,488**	**(33,310)**	**361,537**	**31,760,715**	**16.9**	**5,190,163**	**593,222**
Eurobonds and other	5,065,829	(15,002)	84,149	5,134,976	2.9	94,339	201,881
Bank deposit certificates	1,359,760	-	301	1,360,061	0.7	25,026	82,478
Shares	2,883,311	(34,261)	(6,230)	2,842,820	1.5	2,842,820	-
Debentures	8,600,891	1,419	70,918	8,673,228	4.6	121,507	-
Promissory notes	936,086	-	34	936,120	0.5	52,863	115,687
Fund quotas	2,004,673	13,111	3,553	2,021,337	1.0	2,017,226	-
Fixed income	808,470	(2,396)	(29)	806,045	0.4	801,934	-
Credit rights	971,739	-	-	971,739	0.5	971,739	-
Variable income	224,464	15,507	3,582	243,553	0.1	243,553	-
Securitized real estate loans	7,836,108	1,423	208,421	8,045,952	4.3	36,382	91,206
Financial bills	2,475,123	-	-	2,475,123	1.3	-	-
Other	270,707	-	391	271,098	0.1	-	101,970
PGBL/VGBL FUND QUOTAS (1)	**57,733,857**	**-**	**-**	**57,733,857**	**30.7**	**57,733,857**	**-**
SUBTOTAL - SECURITIES	**177,588,881**	**26,698**	**718,599**	**178,334,178**	**94.9**	**66,209,060**	**4,014,243**
Trading securities	129,672,459	26,698	-	129,699,157	69.0	61,964,079	1,494,000
Available-for-sale securities	44,811,452	-	718,599	45,530,051	24.2	4,158,361	2,520,007
Held-to-maturity securities (2)	3,104,970	-	-	3,104,970	1.7	86,620	236
DERIVATIVE FINANCIAL INSTRUMENTS	**8,901,667**	**644,579**	**-**	**9,546,246**	**5.1**	**2,265,686**	**1,571,716**
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	**186,490,548**	**671,277**	**718,599**	**187,880,424**	**100.0**	**68,474,746**	**5,585,959**
						23.7%	**16.5%**
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	**(5,504,488)**	**(1,272,690)**	**(30,138)**	**(6,807,316)**	**100.0**	**(1,526,453)**	**(631,313)**

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customer's responsibility, are recorded as securities – trading securities, with a contra-entry to long-term liabilities in Pension Plan Technical P

(2) Unrecorded positive adjustment to market value in the amount of R$ 596,846 (R$ 604,417 at 12/31/2010), according to Note 7e.

b) Summary by portfolio

	12/31/2011			
		Restricted to		
	Own portfolio	Repurchase agreements	Pledging of guarantees (*)	Central Bank
GOVERNMENT SECURITIES - DOMESTIC	**40,873,914**	**18,619,706**	**9,296,045**	**10,120,684**
Financial Treasury Bills	7,293,991	8,221,629	5,407,856	9,771,393
National Treasury Bills	14,719,930	2,443,146	324,147	-
National Treasury Notes	15,363,516	3,885,375	3,564,042	349,291
National Treasury/Securitization	294,891	-	-	-
Brazilian External Debt Bonds	3,126,722	4,069,556	-	-
Investments in non-exclusive funds	74,129	-	-	-
Other	735	-	-	-
GOVERNMENT SECURITIES - ABROAD	**3,867,331**	**93,411**	**1,136,893**	**10,071**
Argentina	154,060	70,848	-	-
Central Bank	2,958	-	-	-
National Treasury	151,102	70,848	-	-
Denmark	893,368	-	1,055,761	-
Spain	418,365	-	-	-
Korea	295,012	-	-	-
Chile	1,008,932	13,184	1,121	10,071
Paraguay	344,029	-	-	-
Uruguay	217,302	-	78,135	-
United States	290,367	-	1,876	-
Mexico	206,102	9,379	-	-
Other	39,794	-	-	-
CORPORATE SECURITIES	**24,064,030**	**2,445,796**	**295,063**	**-**
Eurobonds and other	2,775,819	2,359,157	-	-
Bank deposit certificates	300,701	83,980	9,814	-
Shares	2,838,349	2,659	1,812	-
Debentures	7,332,930	-	283,425	-
Promissory Notes	669,110	-	-	-
Fund quotas	1,635,284	-	12	-
Fixed income	451,218	-	12	-
Credit rights	940,513	-	-	-
Variable income	243,553	-	-	-
Securitized real estate loans	8,031,823	-	-	-
Financial bills	208,916	-	-	-
Other	271,098	-	-	-
PGBL/VGBL FUND QUOTAS	**-**	**-**	**-**	**-**
SUBTOTAL - SECURITIES	**68,805,275**	**21,158,913**	**10,728,001**	**10,130,755**
Trading securities	36,568,072	12,474,007	7,528,867	9,771,393
Available-for-sale securities	32,185,450	8,455,392	3,174,304	359,362
Held-to-maturity securities	51,753	229,514	24,830	-
DERIVATIVE FINANCIAL INSTRUMENTS	**-**	**-**	**-**	**-**
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	**68,805,275**	**21,158,913**	**10,728,001**	**10,130,755**
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) – 12/31/2010	**48,644,585**	**63,494,185**	**9,100,234**	**3,048,179**

(*) Represent securities deposited with Contingent Liabilities (Note 12b), Stock Exchanges and the Clearing House for the Custody and Financial Settlement of Securities.

c) Trading securities

See below the composition of the portfolio of trading securities by type, stated at cost and market value and by maturity term.

	12/31/2011						
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 1
GOVERNMENT SECURITIES - DOMESTIC	**62,338,412**	**44,810**	**62,383,222**	**48.1**	**1,946,247**	**1,367,422**	**237**
Financial Treasury Bills	28,089,132	(2,286)	28,086,846	21.7	-	1,326,358	
National Treasury Bills	13,497,845	(26,296)	13,471,549	10.4	-	-	215
National Treasury Notes	19,592,047	26,692	19,618,739	15.1	1,684,763	11,162	16
National Treasury/Securitization	35,684	500	36,184	0.0	-	15,047	4
Brazilian External Debt Bonds	1,049,575	46,200	1,095,775	0.8	187,355	14,855	
Investments in non-exclusive funds	74,129	-	74,129	0.1	74,129	-	
Other	-	-	-	-	-	-	
GOVERNMENT SECURITIES - ABROAD	**787,570**	**15,198**	**802,768**	**0.6**	**32,616**	**119,461**	**84**
Argentina	225,921	(1,013)	224,908	0.2	11,685	105,779	48
Central Bank	3,044	(86)	2,958	0.0	-	-	
National Treasury	222,877	(927)	221,950	0.2	11,685	105,779	48
Russia	-	-	-	-	-	-	
Chile	50,439	134	50,573	0.0	15,721	10,054	24
Uruguay	27,370	76	27,446	0.0	3,334	1,433	10
United States	280,307	11,936	292,243	0.2	1,876	2,195	
Mexico	200,517	4,050	204,567	0.2	-	-	
Other	3,016	15	3,031	0.0	-	-	
CORPORATE SECURITIES	**8,812,620**	**(33,310)**	**8,779,310**	**6.8**	**2,251,359**	**7,117**	**408**
Eurobonds and other	1,446,433	(15,002)	1,431,431	1.1	377	7,117	3
Bank deposit certificates	1,085,299	-	1,085,299	0.8	10,266	-	296
Shares	887,285	(34,261)	853,024	0.7	853,024	-	
Debentures	1,405,331	1,419	1,406,750	1.1	119,572	-	107
Promissory notes	290,295	-	290,295	0.2	52,863	-	
Fund quotas	1,202,146	13,111	1,215,257	1.0	1,215,257	-	
Fixed income	791,463	(2,396)	789,067	0.6	789,067	-	
Credit rights	216,439	-	216,439	0.2	216,439	-	
Variable income	194,244	15,507	209,751	0.2	209,751	-	
Securitized real estate loans	20,708	1,423	22,131	0.0	-	-	
Financial bills	2,475,123	-	2,475,123	1.9	-	-	
PGBL/VGBL FUND QUOTAS	**57,733,857**	**-**	**57,733,857**	**44.5**	**57,733,857**	**-**	
Total	**129,672,459**	**26,698**	**129,699,157**	**100.0**	**61,964,079**	**1,494,000**	**729**
% per maturity term					**47.7%**	**1.2%**	
Total 12/31/2010	**132,963,390**	**252,344**	**133,215,734**	**100.0**	**71,334,402**	**9,310,315**	**7,795**
% per maturity term					**53.5%**	**7.0%**	

At December 31, 2011, ITAÚ UNIBANCO HOLDING's portfolio is composed of Government Securities – Financial Treasury Bills amounting to R$ 6,502 (R$ 5,825 at 12 days.

d) Available-for-sale securities

See below the composition of the portfolio of available-for-sale securities by type, stated at cost and market value and by maturity term.

	12/31/2011					
	Cost	Adjustments to market value (in stockholders' equity)	Market value	%	0 - 30	31 - 90
GOVERNMENT SECURITIES - DOMESTIC	**17,962,758**	**366,437**	**18,329,195**	**40.3**	**20,977**	**18,717**
Financial Treasury Bills	3,039,278	(474)	3,038,804	6.7	-	17,632
National Treasury Bills	4,028,324	(12,650)	4,015,674	8.8	-	-
National Treasury Notes	4,962,660	146,965	5,109,625	11.2	20,977	407
National Treasury/Securitization	264,416	(5,709)	258,707	0.6	-	-
Brazilian External Debt Bonds	5,667,405	238,245	5,905,650	13.0	-	678
Other	675	60	735	0.0	-	-
GOVERNMENT SECURITIES - ABROAD	**4,326,705**	**(9,375)**	**4,317,330**	**9.4**	**1,198,852**	**1,915,421**
Argentina	-	-	-	-	-	-
Denmark	1,949,128	1	1,949,129	4.3	171,778	1,432,545
Spain	418,365	-	418,365	0.9	418,365	-
Korea	295,012	-	295,012	0.6	-	85,990
Chile	991,910	3,226	995,136	2.1	342,793	256,193
Paraguay	357,914	(13,885)	344,029	0.8	225,220	42,155
Uruguay	267,697	294	267,991	0.6	3,960	98,538
United States	-	-	-	-	-	-
Mexico	9,988	926	10,914	0.0	222	-
Other	36,691	63	36,754	0.1	36,514	-
CORPORATE SECURITIES	**22,521,989**	**361,537**	**22,883,526**	**50.3**	**2,938,532**	**585,869**
Eurobonds and other	3,554,269	84,149	3,638,418	7.9	93,690	194,528
Bank deposit certificates	274,461	301	274,762	0.6	14,760	82,478
Shares	1,996,026	(6,230)	1,989,796	4.4	1,989,796	-
Debentures	7,165,126	70,918	7,236,044	15.9	1,935	-
Promissory notes	645,791	34	645,825	1.4	-	115,687
Fund quotas	802,527	3,553	806,080	1.8	801,969	-
Fixed income	17,007	(29)	16,978	0.0	12,867	-
Credit rights	755,300	-	755,300	1.7	755,300	-
Variable income	30,220	3,582	33,802	0.1	33,802	-
Securitized real estate loans	7,813,082	208,421	8,021,503	17.7	36,382	91,206
Other	270,707	391	271,098	0.6	-	101,970
TOTAL	**44,811,452**	**718,599**	**45,530,051**	**100.0**	**4,158,361**	**2,520,007**
Adjustments of securities reclassified in prior years to the held-to-maturity category		10,771			**9.1%**	**5.5%**
Accounting adjustment - Hedge - Circular No. 3,082		(277,529)				
Deferred taxes		(149,026)				
Minority interest in subsidiaries		(28,870)				
Adjustment of securities of unconsolidated affiliates		(413,087)				
ADJUSTMENT TO MARKET VALUE – SECURITIES – 12/31/2011		**(139,142)**				
TOTAL 12/31/2010	**41,415,788**	**453,749**	**41,869,537**	**100**	**4,142,818**	**4,502,552**
Adjustments of securities reclassified in prior years to the held-to-maturity category		12,681			**9.9%**	**10.8%**
Accounting adjustment - Hedge - Circular No. 3,082		(51,044)				
Deferred taxes		(171,926)				
Minority interest in subsidiaries		(2,404)				
Adjustment of securities of unconsolidated affiliates		(223,928)				
ADJUSTMENT TO MARKET VALUE – SECURITIES – 12/31/2010		**17,128**				

At December 31, 2011, ITAÚ UNIBANCO HOLDING's portfolio is composed of Government Securities in the amount of R$ 7,129 with maturity of 181 to 365 days (R$ 34,051 at December
maturity between 31 and 90 days, and the Financial Treasury Bills amount to R$ 6,387 with maturity over 365 days).

e) Held-to-maturity securities

See below the composition of the portfolio of held-to-maturity securities by type, stated at cost and by maturity term. Included in the carrying value, not consid
December 31, 2010) relating to the market adjustment of the reclassified securities at December 31, 2003. Securities classified under this category, if stated a
596,846 at December 31, 2011 (R$ 604,417 at December 31, 2010).

	12/31/2011					
	Carrying value	**%**	**0 - 30**	**31 - 90**	**91 - 180**	**181 - 36**
GOVERNMENT SECURITIES - DOMESTIC	**3,007,082**	**96.8**	**86,348**	**-**	**-**	**-**
National Treasury Notes (*)	2,812,229	90.5	-	-	-	-
Brazilian External Debt Bonds	194,853	6.3	86,348	-	-	-
Other	-	-	-	-	-	-
GOVERNMENT SECURITIES - ABROAD	**9**	**0.0**	**-**	**-**	**-**	**-**
CORPORATE SECURITIES	**97,879**	**3.2**	**272**	**236**	**-**	**32,7**
Eurobonds and other	65,127	2.1	272	236	-	-
Debentures (1)	30,434	1.0	-	-	-	30,4
Securitized real estate loans	2,318	0.1	-	-	-	2,3
Total	**3,104,970**	**100.0**	**86,620**	**236**	**-**	**32,7**
% per maturity term			**2.8%**	**0.0%**	**-**	**1.**
Total 12/31/2010	**3,028,933**	**100.0**	**11,188**	**10,227**	**18,774**	**142,9**
% per maturity term			**0.4%**	**0.3%**	**0.5%**	**4.**

(*) Includes investments of Itaú Vida e Previdência S.A. in the amount of R$ 2,036,747 (R$ 2,016,807 at December 31, 2010).

f) Realized and unrealized gain of securities portfolio

	01/01 to 12/31/2011	**01/01 to 12/31/2010**
Gain (loss) - Trading securities	(1,884,911)	97,391
Gain (loss) – Available-for-sale securities	301,358	558,920
Total realized gain	**(1,583,553)**	**656,311**
Adjustment to market value of trading securities	(225,647)	(72,650)
Total	**(1,809,200)**	**583,661**

g) Reclassification of securities (article 5 of BACEN Circular No. 3,068, of 11/08/2001)

Management sets forth guidelines to classify securities. The classification of the current portfolio of securities, as well as the securities purchased in the perio
guidelines.

As set forth in Article 5 of BACEN Circular No. 3,068, of November 8, 2008, the revaluation regarding the classification of securities can only be made upon p
the transfer from “held-to-maturity” to the other categories can only occur in view of an isolated, unusual, nonrecurring and unexpected reason, which has occ

No reclassifications or changes to the existing guidelines have been made in the period.

h) Derivative Financial Instruments

The globalization of the markets in recent years has resulted in a high level of sophistication in the financial products used. As a result of this process, there has been an increasing demand for derivative financial instruments to manage market risks, mainly arising from fluctuations in interest and exchange rates, commodities and other asset prices. Accordingly, ITAU UNIBANCO HOLDING and its subsidiaries operate in the derivative markets for meeting the growing needs of their clients, as well as carrying out their risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

The derivative financial instruments' business with clients is carried out after the approval of credit limits. The process of limit approval takes into consideration potential *stress* scenarios.

Knowing the client, the sector in which it operates and its risk appetite profile, in addition to providing information on the risks involved in the transaction and the negotiated conditions, ensures transparency in the relationship between the parties and the supply of a product that better meets the needs of the client.

The derivative transactions carried out by ITAÚ UNIBANCO HOLDING and its subsidiaries with clients are neutralized in order to eliminate market risks.

Most derivative contracts traded by the institution with clients in Brazil are swap, forward, option and futures contracts, which are registered at the BM&FBovespa or at the CETIP S.A. OTC Clearing House (CETIP). Overseas transactions are carried out with futures, forwards, options and swaps with registration mainly in the Chicago, New York and London Exchanges. It should be emphasized that there are over-the-counter operations, but their risks are low as compared to the institutions' total. Noteworthy is also the fact that there are no structured operations based on subprime assets and all operations are based on risk factors traded at stock exchanges.

The main risk factors of the derivatives, assumed at December 31, 2011, were related to the foreign exchange rate, interest rate, commodities, U.S. dollar coupon, Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

Most derivatives included in the institution's portfolio are traded at stock exchanges. The prices disclosed by stock exchanges are used for these derivatives, except in cases in which the low representativeness of price due to liquidity of a specific contract is identified. Derivatives typically precified like this are futures contracts. Likewise, there are other instruments whose quotations (fair prices) are directly disclosed by independent institutions and which are precified based on this direct information. A great part of the Brazilian government securities, highly-liquid international (public and private) securities and shares fit into this situation.

For derivatives whose prices are not directly disclosed by stock exchanges, fair prices are obtained by pricing models which use market information, deducted based on prices disclosed for higher liquidity assets. Interest and market volatility curves which provide entry data for the models are extracted from those prices. Over-the-counter derivatives, forward contracts and securities without much liquidity are in this situation.

The total value of margins pledged in guarantee was R$ 7,788,197 (R$ 7,550,431 at December 31, 2010) and was basically composed of government securities.

I - Derivatives by index

	Memorandum account Notional amount		Balance sheet account receivable/ (received)(payable)/ paid	Adjustment to market value (in results/ stockholders' equity)	Market value	
	12/31/2011	12/31/2010	12/31/2011	12/31/2011	12/31/2011	12/31/2010
Futures contracts	**268,806,691**	**292,049,317**	**75,678**	**(49,576)**	**26,102**	**(56,197)**
Purchase commitments	**251,093,457**	**127,498,864**	**75,678**	**18,425**	**94,103**	**172,699**
Foreign currency	59,086,805	8,128,154	(861)	11,805	10,944	(115)
Interbank market	144,153,604	98,353,005	941	(34)	907	45,180
Indices	41,365,378	19,288,222	75,487	6,652	82,139	94,688
Securities	6,337,726	1,644,975	-	2	2	-
Commodities	121,604	-	111	-	111	-
Other	28,340	84,508	-	-	-	32,946
Commitments to sell	**17,713,234**	**164,550,453**	**-**	**(68,001)**	**(68,001)**	**(228,896)**
Foreign currency	15,796,309	13,056,594	-	(62,767)	(62,767)	(14,097)
Interbank market	52,335	113,173,138	-	(362)	(362)	(45,379)
Indices	1,106,099	32,032,996	-	213	213	(126,868)
Securities	230,226	4,230,057	-	(3,008)	(3,008)	(177)
Commodities	513,005	-	-	(2,077)	(2,077)	-
Other	15,260	2,057,668	-	-	-	(42,375)
Swap contracts	-	-	**72,360**	**(118,802)**	**(46,442)**	**921,278**
Asset position	**94,805,857**	**68,752,696**	**2,154,902**	**595,129**	**2,750,031**	**2,937,641**
Foreign currency	9,882,748	7,243,721	605,726	7,272	612,998	(54,461)
Interbank market	39,935,611	34,370,129	544,683	50,033	594,716	1,460,714
Fixed rate	16,808,431	9,277,398	227,059	241,284	468,343	465,949
Floating rate	3,808,922	864,567	2,909	(362)	2,547	19,335
Indices	23,994,782	16,745,215	738,955	311,906	1,050,861	1,037,565
Securities	27,711	31,910	22,827	(26,037)	(3,210)	3,122
Commodities	3,000	-	-	-	-	-
Other	344,652	219,756	12,743	11,033	23,776	5,417
Liability position	**94,733,497**	**68,493,648**	**(2,082,542)**	**(713,931)**	**(2,796,473)**	**(2,016,363)**
Foreign currency	11,171,268	14,608,979	(607,984)	21,987	(585,997)	(327,791)
Interbank market	24,957,617	19,443,008	(99,646)	10,268	(89,378)	(223,480)
Fixed rate	21,732,526	7,834,574	(324,801)	(300,016)	(624,817)	(388,290)
Floating rate	6,144,340	3,272,086	(133,159)	1,906	(131,253)	(3,456)
Indices	29,224,854	23,121,546	(815,193)	(477,180)	(1,292,373)	(1,045,669)
Securities	111,595	28,783	(85,421)	34,128	(51,293)	(1,067)
Commodities	108,461	-	(999)	(4,044)	(5,043)	-
Other	1,282,836	184,672	(15,339)	(980)	(16,319)	(26,610)
Option contracts	**1,108,515,671**	**2,331,971,056**	**1,212,946**	**(674,057)**	**538,889**	**246,142**
Purchase commitments – long position	**237,863,509**	**695,906,184**	**1,122,030**	**(372,975)**	**749,055**	**1,074,898**
Foreign currency	17,481,380	24,903,212	885,988	(288,605)	597,383	311,749
Interbank market	36,910,843	530,427,631	64,834	(36,204)	28,630	468,970
Floating rate	278,388	314,295	1,417	(1,173)	244	1,637
Indices	181,516,985	138,085,213	124,447	(57,787)	66,660	129,007
Securities	1,161,948	1,533,796	31,120	10,910	42,030	113,379
Commodities	501,299	-	14,173	(310)	13,863	-
Other	12,666	642,037	51	194	245	50,156
Commitments to sell – long position	**354,696,072**	**527,345,713**	**2,094,632**	**301,500**	**2,396,132**	**1,244,479**
Foreign currency	7,635,296	12,295,017	148,936	(40,531)	108,405	480,454
Interbank market	27,211,517	404,532,475	293,440	(49,400)	244,040	99,431
Fixed rate	1,881	-	76	1,402	1,478	-
Floating rate	218,024	282,438	606	(260)	346	917
Indices	315,902,581	107,033,922	913,862	(2,118)	911,744	60,627
Securities	2,821,099	2,646,857	721,049	381,490	1,102,539	600,747
Commodities	767,655	-	14,143	(292)	13,851	-
Other	138,019	555,004	2,520	11,209	13,729	2,303
Purchase commitments – short position	**174,396,804**	**527,730,100**	**(779,127)**	**46,826**	**(732,301)**	**(1,245,324)**
Foreign currency	10,324,753	26,546,754	(454,429)	(96,552)	(550,981)	(461,860)
Interbank market	23,953,704	376,481,678	(47,363)	10,551	(36,812)	(263,333)
Indices	139,247,706	123,220,607	(258,169)	144,006	(114,163)	(399,000)
Securities	794,762	864,194	(15,336)	(13,050)	(28,386)	(75,242)
Commodities	64,920	-	(3,830)	2,077	(1,753)	-
Other	10,959	616,867	-	(206)	(206)	(45,889)
Commitments to sell – short position	**341,559,286**	**580,989,059**	**(1,224,589)**	**(649,408)**	**(1,873,997)**	**(827,911)**
Foreign currency	10,757,287	16,714,590	(308,839)	113,276	(195,563)	(545,577)
Interbank market	35,433,232	444,963,343	(178,363)	(237,990)	(416,353)	(192,745)
Fixed rate	1,881	-	(76)	(1,402)	(1,478)	-
Floating rate	-	-	-	181	181	-
Indices	293,394,454	118,333,496	(646,042)	(197,372)	(843,414)	(48,748)
Securities	1,635,568	825,393	(79,199)	(316,222)	(395,421)	(38,070)
Commodities	197,195	-	(9,422)	1,264	(8,158)	-
Other	139,669	152,237	(2,648)	(11,143)	(13,791)	(2,771)
Forward contracts	**17,248,256**	**1,445,147**	**1,055,571**	**(28,993)**	**1,026,578**	**1,369,426**
Purchases receivable	**8,702,057**	**21,340**	**885,878**	**(61,598)**	**824,280**	**50,139**
Foreign currency	7,883,317	-	623,364	(61,547)	561,817	-
Interbank market	519,792	-	-	-	-	-
Floating rate	262,117	21,340	261,918	-	261,918	50,139
Commodities	36,831	-	596	(51)	545	-
Purchases payable	**1,351,234**	**-**	**(324,514)**	**(8,140)**	**(332,654)**	**(49,591)**
Foreign currency	1,218,300	-	(43,311)	(7,515)	(50,826)	-
Floating rate	-	-	(261,918)	-	(261,918)	(49,591)
Commodities	130,857	-	(19,081)	(631)	(19,712)	-
Other	2,077	-	(204)	6	(198)	-
Sales receivable	**2,230,047**	**1,423,807**	**1,011,835**	**7,781**	**1,019,616**	**1,397,678**
Foreign currency	1,181,390	-	24,352	9,067	33,419	-
Interbank market	47,699	-	526	(1)	525	-
Fixed rate	147,953	-	147,787	(639)	147,148	-
Floating rate	110,134	-	110,002	-	110,002	-
Indices	189	-	188	-	188	-
Securities	731,176	-	724,891	(544)	724,347	-
Commodities	11,506	-	4,089	(102)	3,987	-
Other	-	1,423,807	-	-	-	1,397,678
Sales deliverable	**4,964,918**	**-**	**(517,628)**	**32,964**	**(484,664)**	**(28,800)**
Foreign currency	4,905,297	-	(341,957)	32,400	(309,557)	-
Interbank market	-	-	-	(8)	(8)	-
Fixed rate	-	-	(53,661)	(258)	(53,919)	-
Floating rate	-	-	(110,002)	-	(110,002)	(28,800)
Commodities	59,621	-	(12,008)	830	(11,178)	-

	Memorandum account/Notional amount		Balance sheet account receivable/ (received) (payable) paid	Adjustments to market value (in results/stockholders' equity)	Market value	
	12/31/2011	12/31/2010	12/31/2011	12/31/2011	12/31/2011	12/31/2010
Credit derivatives	**7,195,321**	**6,701,450**	**153,463**	**136,299**	**289,762**	**133,884**
Asset position	**3,659,633**	**2,902,115**	**242,792**	**157,739**	**400,531**	**261,321**
Foreign currency	117,308	53,727	134	1,403	1,537	1,177
Fixed rate	1,820,095	2,621,843	226,387	134,389	360,776	255,785
Floating rate	-	-	4,955	11,278	16,233	-
Indices	-	-	11,144	(1,446)	9,698	-
Securities	1,721,101	226,545	172	12,104	12,276	4,359
Other	1,129	-	-	11	11	-
Liability position	**3,535,688**	**3,799,335**	**(89,329)**	**(21,440)**	**(110,769)**	**(127,437)**
Foreign currency	117,393	22,110	(121)	(1,379)	(1,500)	(812)
Fixed rate	2,899,987	3,126,150	(89,187)	(7,769)	(96,956)	(121,436)
Securities	517,179	651,075	(21)	(12,281)	(12,302)	(5,189)
Other	1,129	-	-	(11)	(11)	-
Forwards operations	**31,284,974**	**36,958,479**	**69,385**	**55,580**	**124,965**	**(497,630)**
Asset position	**16,256,768**	**13,832,488**	**421,749**	**29,966**	**451,715**	**612,340**
Foreign currency	15,862,100	13,121,050	415,142	29,966	445,108	556,161
Interbank market	18,570	168	283	-	283	1
Fixed rate	-	3,400	-	-	-	975
Floating rate	376,098	509,024	6,324	-	6,324	7,804
Other	-	198,846	-	-	-	47,399
Liability position	**15,028,206**	**23,125,991**	**(352,364)**	**25,614**	**(326,750)**	**(1,109,970)**
Foreign currency	14,945,815	22,758,545	(347,767)	25,614	(322,153)	(1,086,808)
Interbank market	12,986	26,711	(486)	-	(486)	(938)
Fixed rate	69,405	273,257	(1,199)	-	(1,199)	(3,208)
Floating rate	-	-	(858)	-	(858)	-
Indices	-	-	(2,054)	-	(2,054)	-
Other	-	67,478	-	-	-	(19,016)
Swap with target flow	**50,873**	**6,021**	**(174)**	**(2,306)**	**(2,480)**	**-**
Asset position – interbank market	**50,873**	**6,021**	**-**	**-**	**-**	**-**
Liability position - interbank market	**-**	**-**	**(174)**	**(2,306)**	**(2,480)**	**-**
Target flow of swap – asset position - foreign currency	**53,488**	**25,384**	**-**	**4,441**	**4,441**	**-**
Other derivative financial instruments	**4,894,085**	**4,314,876**	**757,950**	**19,166**	**777,116**	**485,451**
Asset position	**4,639,716**	**3,394,599**	**892,171**	**32,172**	**924,343**	**728,693**
Foreign currency	607,810	258,970	55,199	30,707	85,906	191,439
Fixed rate	973,165	697,805	520,543	(398)	520,145	377,006
Floating rate	-	-	-	-	-	(2,919)
Securities	3,053,908	-	315,972	1,863	317,835	-
Other	4,833	2,437,824	457	-	457	163,167
Liability position	**254,369**	**920,277**	**(134,221)**	**(13,006)**	**(147,227)**	**(243,242)**
Foreign currency	118,279	360,296	(74,353)	(11,377)	(85,730)	(183,424)
Fixed rate	-	33	-	-	-	(36)
Securities	74,798	-	(60,059)	-	(60,059)	-
Other	61,292	559,948	191	(1,629)	(1,438)	(59,782)
		ASSETS	**8,901,667**	**644,579**	**9,546,246**	**8,307,189**
		LIABILITIES	**(5,504,488)**	**(1,302,828)**	**(6,807,316)**	**(5,704,835)**
		TOTAL	**3,397,179**	**(658,249)**	**2,738,930**	**2,602,354**

Derivative contracts mature as follows (in days):

Memorandum account/ notional amount	0 - 30	31 - 180	181 - 365	Acima de 365	12/31/2011	12/31/2010
Futures	75,850,339	67,789,201	36,072,308	89,094,843	268,806,691	292,049,317
Swaps	9,938,875	16,691,512	19,678,975	46,341,593	92,650,955	66,586,199
Options	846,275,922	58,376,764	176,964,941	26,898,044	1,108,515,671	2,331,971,056
Forwards	3,392,768	7,970,738	3,625,680	2,259,070	17,248,256	1,445,147
Credit derivatives	88,450	1,902,379	1,025,165	4,179,327	7,195,321	6,701,450
Forwards	6,635,781	14,065,782	6,899,353	3,684,058	31,284,974	36,958,479
Swaps with target flow	-	-	-	50,873	50,873	12,050
Target flow of swap	-	-	-	53,488	53,488	25,384
Other	111,785	1,371,902	759,963	2,650,435	4,894,085	4,314,876

II - Derivatives by counterparty

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated at cost, market value, and matu

	12/31/2011						
	Cost	Adjustment to market value (in results / stockholders' equity)	Market value	%	0 - 30	31 - 90	91 - 180
ASSETS							
Futures	**75,678**	**(49,576)**	**26,102**	**0.3**	**395**	**51,759**	**4,860**
BM&F Bovespa	75,672	(44,806)	30,866	0.3	517	57,727	4,733
Financial institutions	-	(4,122)	(4,122)	0.0	(122)	(2,444)	201
Companies	-	(648)	(648)	0.0	-	(3,530)	(74)
Individuals	6	-	6	0.0	-	6	-
Option premiums	**3,216,662**	**(71,475)**	**3,145,187**	**33.0**	**1,251,956**	**181,813**	**221,929**
BM&F Bovespa	2,091,861	(403,323)	1,688,538	17.7	1,162,296	11,080	34,765
Financial institutions	328,182	(42,582)	285,600	3.0	44,506	67,001	58,622
Companies	796,619	374,430	1,171,049	12.3	45,154	103,732	128,542
Individuals	-	-	-	-	-	-	-
Forwards	**1,897,713**	**(53,817)**	**1,843,896**	**19.3**	**631,162**	**362,338**	**155,050**
BM&F Bovespa	726,726	(546)	726,180	7.6	460,227	219,170	46,631
Financial institutions	81,976	(854)	81,122	0.8	74,394	408	1,014
Companies	1,089,011	(52,417)	1,036,594	10.9	96,541	142,760	107,405
Swaps - Adjustment receivable	**2,154,902**	**595,129**	**2,750,031**	**28.8**	**230,034**	**350,694**	**167,437**
BM&F Bovespa	223,425	108,967	332,392	3.5	13,180	24,956	31,083
Financial institutions	154,296	104,662	258,958	2.7	29,254	62,986	12,663
Companies	1,773,662	380,420	2,154,082	22.6	186,693	261,554	122,101
Individuals	3,519	1,080	4,599	0.0	907	1,198	1,590
Credit derivatives	**242,792**	**157,739**	**400,531**	**4.2**	**40**	**14,591**	**17,102**
Financial institutions	60,798	34,278	95,076	1.0	40	14,591	17,102
Companies	181,994	123,461	305,455	3.2	-	-	-
Forwards	**421,749**	**29,966**	**451,715**	**4.7**	**97,407**	**101,331**	**73,318**
Financial institutions	278,731	-	278,731	2.9	84,107	72,837	44,813
Companies	142,715	29,978	172,693	1.8	13,153	28,391	28,474
Individuals	303	(12)	291	0.0	147	103	31
Swaps with target flow - Companies	**-**	**4,441**	**4,441**	**0.0**	**-**	**-**	**-**
Other - financial institutions	**892,171**	**32,172**	**924,343**	**9.7**	**54,692**	**509,190**	**5,594**
Financial institutions	775,689	1,465	777,154	8.1	54,406	465,969	532
Companies	116,482	30,707	147,189	1.6	286	43,221	5,062
Total	**8,901,667**	**644,579**	**9,546,246**	**100.0**	**2,265,686**	**1,571,716**	**645,290**
% per maturity term					**23.7%**	**16.5%**	**6.8%**
Total at 12/31/2010	**7,518,121**	**789,068**	**8,307,189**	**100.0**	**1,686,236**	**2,014,656**	**573,176**
% per maturity term					**20.3%**	**24.3%**	**6.9%**

	12/31/2011						
	Cost	Adjustment to market value (in results / stockholders' equity)	Market value	%	0 - 30	31 - 90	91 - 180
LIABILITIES							
Futures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
BM&F Bovespa	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Companies	-	-	-	-	-	-	-
Option premiums	**(2,003,716)**	**(602,582)**	**(2,606,298)**	**38.3**	**(1,203,954)**	**(290,029)**	**(234,708)**
BM&F Bovespa	(1,403,003)	(365,030)	(1,768,033)	26.0	(1,113,901)	(87,219)	(20,299)
Financial institutions	(488,895)	(198,646)	(687,541)	10.1	(85,559)	(185,347)	(179,812)
Companies	(111,692)	(39,008)	(150,700)	2.2	(4,494)	(17,439)	(34,597)
Individuals	(126)	102	(24)	0.0	-	(24)	-
Forwards	**(842,142)**	**24,824**	**(817,318)**	**12.0**	**(41,886)**	**(91,767)**	**(193,303)**
BM&F Bovespa	-	(8)	(8)	0.0	-	-	(8)
Financial institutions	(70,479)	3,549	(66,930)	1.0	(5,891)	(31,092)	(29,525)
Companies	(771,663)	21,283	(750,380)	11.0	(35,995)	(60,675)	(163,770)
Swaps - difference payable	**(2,082,542)**	**(713,931)**	**(2,796,473)**	**41.1**	**(211,414)**	**(177,127)**	**(116,146)**
BM&F Bovespa	(337,082)	(180,052)	(517,134)	7.6	(6,109)	(10,625)	(24,338)
Financial institutions	(446,003)	(235,806)	(681,809)	10.0	(133,912)	(75,391)	(13,005)
Companies	(1,269,604)	(286,806)	(1,556,410)	22.9	(70,127)	(89,048)	(72,991)
Individuals	(29,853)	(11,267)	(41,120)	0.6	(1,266)	(2,063)	(5,812)
Credit derivatives	**(89,329)**	**(21,440)**	**(110,769)**	**1.7**	**-**	**(5,127)**	**(8,953)**
Financial institutions	(89,091)	(17,409)	(106,500)	1.6	-	(5,127)	(8,953)
Companies	(238)	(4,031)	(4,269)	0.1	-	-	-
Forwards	**(352,364)**	**25,614**	**(326,750)**	**4.7**	**(69,029)**	**(67,263)**	**(61,015)**
Financial institutions	(247,121)	(1)	(247,122)	3.6	(56,219)	(50,964)	(40,448)
Companies	(104,991)	25,665	(79,326)	1.1	(12,777)	(16,060)	(20,564)
Individuals	(252)	(50)	(302)	0.0	(33)	(239)	(3)
Swaps with target flow - Companies	**(174)**	**(2,306)**	**(2,480)**	**0.0**	**-**	**-**	**-**
Other	**(134,221)**	**(13,007)**	**(147,228)**	**2.2**	**(170)**	**-**	**(5,257)**
BM&F Bovespa	-	-	-	-		-	-
Financial institutions	(75,664)	(4,345)	(80,009)	1.2	(170)	-	-
Companies	(58,557)	(8,662)	(67,219)	1.0	-	-	(5,257)
Individuals	-	-	-	-	-	-	-
Total	**(5,504,488)**	**(1,302,828)**	**(6,807,316)**	**100.0**	**(1,526,453)**	**(631,313)**	**(619,382)**
% per maturity term					**22.4%**	**9.3%**	**9.1%**
Total at 12/31/2010	**(5,667,816)**	**(37,019)**	**(5,704,835)**	**100.0**	**(1,146,305)**	**(837,818)**	**(586,321)**
% per maturity term					**20.1%**	**14.7%**	**10.3%**

III - Derivatives by notional amount

See below the composition of the Derivative Financial Instruments portfolio by type of instrument, stated at their notional amounts, per tradin counterparties.

	12/31/2011					
	Futures	**Swaps**	**Options**	**Forwards**	**Credit derivatives**	**Forwards**
BM&F Bovespa	**207,682,736**	**12,905,296**	**1,063,857,655**	**1,299,979**	**-**	**-**
Over-the-counter market	**61,123,955**	**79,745,659**	**44,658,016**	**15,948,277**	**7,195,321**	**31,284,974**
Financial institutions	6,733,113	21,225,565	36,036,706	1,735,245	5,619,795	23,657,453
Companies	54,390,392	55,756,355	8,612,773	14,213,032	1,575,526	7,597,207
Individuals	450	2,763,739	8,537	-	-	30,314
Total	**268,806,691**	**92,650,955**	**1,108,515,671**	**17,248,256**	**7,195,321**	**31,284,974**
TOTAL 12/31/2010	**292,049,317**	**66,586,199**	**2,331,971,056**	**1,445,147**	**6,701,450**	**36,958,479**

IV - Credit derivatives

See below the composition of Credit Derivatives (assets and liabilities) portfolio stated at notional amount, and effe

Transferred
Credit swaps whose underlying assets are:
Securities
Total return rate swaps whose underlying assets are:
Securities
Received
Credit swaps whose underlying assets are:
Securities
Total return rate swaps whose underlying assets are:
Securities
Total

During the period, there was no occurrence of credit events related to those set forth in agreements.

According to CMN Resolution No. 3,490, which became effective on July 1, 2008 (Note 3), the effect on the calculation of the Required Ref
2011 (R$ 255,726 at December 31, 2010).

V - *Accounting hedge*

a) The purpose of the hedge relationship of ITAÚ UNIBANCO HOLDING is to protect the cash flows of payment of debt interest (CDB / Redeemable preferred shares) related to its variable interest rate risk (CDI / LIBOR), making the cash flow constant (fixed rate) and regardless of the variations of DI Cetip Over and LIBOR.

To protect the future cash flows of debt against exposure to variable interest rate (CDI), at December 31, 2011 ITAÚ UNIBANCO HOLDING negotiated DI Futures agreements at BM&FBOVESPA with maturity between 2012 and 2017 in the amount of R$ 30,948,192 (R$ 20,357,388 at December 31, 2010). To protect the future cash flows of debt against exposure to variable interest rate (LIBOR), at December 31, 2011 ITAÚ UNIBANCO HOLDING negotiated SWAP contracts with maturity in 2015 in the amount of R$ 737,324 (R$ 654,937 at December 31, 2010). These derivative financial instruments gave rise to adjustment to market value net of tax effects recorded in stockholders' equity of R$ (168,455) (R$ (28,252) at December 31, 2010), of which R$ (151,774) (R$ (17,081) at December 31, 2010) refers to CDB and (R$ 16,681) (R$ (11,171) at December 31, 2010) refers to Redeemable Preferred shares. The hedged items total R$ 31,672,085 (R$ 20,419,986 at December 31, 2010), of which R$ 30,934,761 (R$ 19,765,049 at December 31, 2010) are CDB with maturities between 2012 and 2017 and R$ 737,324 (R$ 654,937 at December 31, 2010) are SWAPS of Redeemable Preferred Shares with maturity in 2015.

The gains or losses related to the accounting hedge of cash flows that we expect to recognize in Results in the following 12 months amount to R$ (179,954) (R$ (83,757) at December 31, 2010).

The effectiveness computed for hedge portfolio was in conformity with the provisions of BACEN Circular No. 3,082 of January 30, 2002.

In the first quarter of 2011, ITAÚ UNIBANCO HOLDING carried out a repurchase of subordinated CDBs, giving rise to an effect in stockholders' equity of R$ 3,210.

b) The swap operations contracted in a negotiation associated with the funding and/or investment in the amount of R$ 40,545 (R$ 103,439 at December 31, 2010) are recorded at amounts restated in accordance with variations occurred in respective ratios ("curve") and are not valued at their market value, as permitted by BACEN Circular No. 3,150/02.

VI - Realized and unrealized gain of the derivative financial instruments portfolio

	01/01 to 12/31/2011	01/01 to 12/31/2010
Swap	(475,822)	169,239
Forwards	(139,496)	28,689
Futures	(872,682)	1,247,597
Options	311,738	695,155
Credit derivatives	184,836	82,605
Other	791,322	(301,594)
Foreign exchange variation on investments abroad	2,776,810	(1,065,833)
Total	**2,576,706**	**855,858**

VII - Clearing agreements

Derivative operations on the over-the-counter market are carried out under derivative agreements which provide for clearing of amounts payable and receivable resulting from such derivatives, pursuant to article three of paragraph two, of CMN Resolution No. 3,263 of 02/24/2005.

i) Changes in adjustment to market value for the period

	01/01 to 12/31/2011	01/01 to 12/31/2010
Opening balance	**1,407,096**	**615,862**
Adjustments with impact on:		
Results	**(1,605,804)**	**658,631**
Trading securities	(225,647)	(72,650)
Derivative financial instruments	(1,380,157)	731,281
Stockholders' equity	**38,365**	**132,603**
Available-for-sale	264,850	38,464
Accounting Hedge – Derivative Financial Instruments	(226,485)	94,139
Futures	(216,530)	119,363
Swap	(9,955)	(25,224)
Closing balance	**(160,343)**	**1,407,096**
Adjustment to market value	**(160,343)**	**1,407,096**
Trading securities	26,698	252,344
Available-for-sale securities	718,599	453,749
Derivative financial instruments	(905,640)	701,003
Trading securities	(628,111)	752,047
Accounting hedge	(277,529)	(51,044)
Futures	(247,391)	(30,861)
Swap	(30,138)	(20,183)

For better understanding, the following table shows the unrealized gains of available-for-sale securities and held-to-maturity securities:

	12/31/2011	12/31/2010
Adjustment of available-for-sale securities – stockholders' equity	718,599	453,749
Adjustment to held-to-maturity securities (*)	607,617	617,098
Total unrealized gain	**1,326,216**	**1,070,847**

(*) Includes the amount of R$ 10,771 (R$ 12,681 at December 31, 2010) regarding the adjustment to market value of securities reclassified up to December 31, 2003, not recognized in net income.

j) Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

In compliance with CVM Instruction No. 475 of December 17, 2008, Itaú Unibanco carried out a sensitivity analysis by market risk factors considered relevant to which the group was exposed. Each market risk factor was subject to a sensitivity level, with shock applications of 25% and 50%, both for growth and fall. The biggest losses arising, by risk factor, in each scenario, were stated with impact on result, net of tax effects, by providing a vision of the Itaú Unibanco exposure under exceptional scenarios.

In accordance with the operations classification criteria set forth in CMN Resolution No. 3,464 of June 26, 2007 and BACEN Circular No. 3,354 of June 27, 2007, and the New Capital Accord – Basel II, the financial instruments, including all transactions with derivatives, are segregated into Trading and Banking portfolios. The market risk measurement is made according to this segregation.

The sensitivity analyses shown in this report are an evaluation of an instant position of the portfolio exposure and, therefore, do not consider the management's quick response capacity (treasury and control areas), which triggers risk mitigating measures, whenever a situation of high loss or risk is identified by minimizing the sensitivity towards significant losses. In addition, we point out that the presented results do not necessarily translate into accounting results, because the study's sole purpose is to disclose the exposure to risks and the respective protective actions, taking into account the fair value of financial instruments, irrespective of the accounting practices adopted by the institutions.

The trading portfolio consists of all transactions, including derivatives, which are held with the intention of being traded in the short term and intended for hedging other financial instruments of this portfolio or locking of the arbitrage results.

Amount in R$ (000)

Trading portfolio	Exposures	12/31/2011 (*)		
Risk factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed rates in reais	(1,118)	(27,821)	(55,369)
Foreign exchange	Rates of foreign currency coupon	246	(6,207)	(12,531)
Foreign currency	Exchange variation	(7,486)	(187,152)	(374,305)
Price indices	Rates of price index coupon	(163)	(4,060)	(8,083)
Reference rate	Rate of TR coupon	367	(9,267)	(18,706)
Shares	Share price	525	(13,121)	(26,243)
	Total without correlation	**(7,629)**	**(247,628)**	**(495,236)**
	Total with correlation	**(5,501)**	**(178,532)**	**(357,049)**

(*) Amounts net of tax effects

The banking portfolio comprises transactions that do not fit into the trading portfolio. It consists of transactions held with the intention of being traded in the medium and long terms, and their respective hedges, as well as transactions intended for the active management of financial risks, which may or may not be carried out with derivative financial instruments.

Amount in R$ (000)

Trading and Banking portfolios	Exposures	12/31/2011 (*)		
Risk factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed rates in reais	(4,343)	(108,226)	(215,754)
Foreign exchange	Rates of foreign currency coupon	(1,068)	(26,420)	(52,268)
Foreign currency	Exchange variation	(1,960)	(49,009)	(98,018)
Price indices	Rates of price index coupon	(1,021)	(25,313)	(50,197)
Reference rate	Rate of TR coupon	(3,355)	(82,061)	(160,429)
Shares	Share price	1,381	(34,523)	(69,046)
	Total without correlation	**(10,366)**	**(325,552)**	**(645,712)**
	Total with correlation	**(7,474)**	**(234,712)**	**(465,538)**

(*) Amounts net of tax effects

The following scenarios are used to measure the sensitivity:

Scenario I: Addition of 1 base point to the fixed-rate curve, currency coupon, inflation and interest rate indices, and 1 percentage point in currency and share prices, which is based on market information (BM&F BOVESPA, Andima, etc).

Scenario II: Shocks at 25 base points in fixed-rate curves, currency coupon, inflation and interest rate indices, and 25 percentage points in currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor.

Scenario III: Shocks at 50 base points in fixed-rate curves, currency coupon, inflation and interest rate indices, and 50 percentage points in currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor.

Derivative financial instruments contracted by Itaú Unibanco are shown in the item Derivative Financial Instruments in this note.

NOTE 8 - LOAN, LEASE AND OTHER CREDIT OPERATIONS

a) Composition of the portfolio with credit granting characteristics

I – By type of operations and risk level

Risk levels	12/31/2011						
	AA	A	B	C	D	E	F
Loan operations	**104,011,016**	**99,360,447**	**26,212,747**	**15,307,490**	**13,234,918**	**2,903,159**	**2,458,18**
Loans and discounted trade receivables	45,824,837	49,086,216	14,979,238	12,394,717	11,598,879	2,126,145	1,957,54
Financing	38,421,370	42,816,554	10,076,213	2,609,186	1,263,106	652,964	484,58
Farming and agribusiness financing	4,777,708	606,165	167,077	37,321	228,427	93,022	17
Real estate financing	14,987,101	6,851,512	990,219	266,266	144,506	31,028	15,88
Lease operations	**4,605,233**	**14,571,725**	**3,543,091**	**1,436,557**	**889,950**	**394,980**	**318,47**
Credit card operations	**-**	**31,531,377**	**1,436,327**	**1,869,329**	**858,933**	**520,045**	**433,70**
Advance on exchange contracts (1)	**2,657,957**	**923,474**	**228,154**	**35,208**	**68,418**	**8,539**	**-**
Other sundry receivables (2)	**1,288**	**29,497**	**6,239**	**23,690**	**12,310**	**3,606**	**7,47**
Total operations with credit granting characteristics	**111,275,494**	**146,416,520**	**31,426,558**	**18,672,274**	**15,064,529**	**3,830,329**	**3,217,84**
Endorsements and sureties (3)							
Total with endorsements and sureties	**111,275,494**	**146,416,520**	**31,426,558**	**18,672,274**	**15,064,529**	**3,830,329**	**3,217,84**
TOTAL – 12/31/2010	**49,370,286**	**142,580,785**	**56,024,916**	**16,120,094**	**11,169,103**	**4,580,021**	**2,868,24**

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Liabilities – Foreign Exchange Portfolio/Other Receivables (Note 2a);
(2) Includes Securities and Credits Receivable, Debtors for Purchase of Assets and Endorsements and Sureties paid;
(3) Recorded in Memorandum Accounts.

II - By maturity and risk level

	12/31/2011						
	AA	A	B	C	D	E	F
					OVERDUE OPERATIONS (1) (2)		
Falling due installments	**-**	**-**	**3,417,783**	**3,279,619**	**2,818,553**	**1,603,786**	**1,324,479**
01 to 30	-	-	206,281	215,961	161,529	74,863	58,602
31 to 60	-	-	115,116	114,312	113,858	60,643	54,699
61 to 90	-	-	114,292	112,769	103,699	59,693	49,531
91 to 180	-	-	329,188	311,942	300,053	170,169	174,931
181 to 365	-	-	605,243	568,856	553,828	312,724	260,225
Over 365	-	-	2,047,663	1,955,779	1,585,586	925,694	726,491
Overdue installments	**-**	**-**	**546,294**	**688,980**	**1,214,593**	**1,015,932**	**1,034,946**
01 to 14	-	-	28,013	76,267	65,269	33,478	25,760
15 to 30	-	-	466,902	110,771	184,235	62,467	40,073
31 to 60	-	-	51,379	444,602	308,051	156,009	162,535
61 to 90	-	-	-	42,429	599,822	191,134	157,918
91 to 180	-	-	-	14,911	57,216	540,131	606,291
181 to 365	-	-	-	-	-	32,713	42,369
Over 365	-	-	-	-	-	-	-
SUBTOTAL	**-**	**-**	**3,964,077**	**3,968,599**	**4,033,146**	**2,619,718**	**2,359,425**
SPECIFIC ALLOWANCE	**-**	**-**	**(39,640)**	**(119,058)**	**(403,315)**	**(785,915)**	**(1,179,713)**
SUBTOTAL - 12/31/2010	**-**	**-**	**2,963,550**	**2,781,866**	**2,697,374**	**2,144,336**	**1,655,290**
					NON-OVERDUE OPERATIONS		
Falling due installments	**110,471,028**	**145,430,455**	**27,233,846**	**14,282,454**	**10,819,500**	**1,176,575**	**828,410**
01 to 30	9,723,156	24,712,809	4,858,581	4,654,475	3,364,234	175,198	111,245
31 to 60	9,395,845	13,507,877	1,914,979	1,084,983	640,673	67,823	45,625
61 to 90	5,690,180	8,731,428	1,602,619	889,309	513,289	82,203	41,334
91 to 180	12,746,155	16,051,071	2,904,421	1,655,287	1,103,358	117,661	58,833
181 to 365	15,718,621	20,708,001	4,552,891	1,905,820	1,673,551	153,994	109,509
Over 365	57,197,071	61,719,269	11,400,355	4,092,580	3,524,395	579,696	461,864
Overdue up to 14 days	**804,466**	**986,065**	**228,635**	**421,221**	**211,883**	**34,036**	**30,008**
SUBTOTAL	**111,275,494**	**146,416,520**	**27,462,481**	**14,703,675**	**11,031,383**	**1,210,611**	**858,418**
GENERIC ALLOWANCE	**-**	**(732,082)**	**(274,625)**	**(441,111)**	**(1,103,138)**	**(363,183)**	**(429,209)**
SUBTOTAL - 12/31/2010	**49,370,286**	**142,580,785**	**53,061,366**	**13,338,228**	**8,471,729**	**2,435,685**	**1,212,953**
GRAND TOTAL	**111,275,494**	**146,416,520**	**31,426,558**	**18,672,274**	**15,064,529**	**3,830,329**	**3,217,843**
EXISTING ALLOWANCE	**-**	**(732,082)**	**(314,265)**	**(560,169)**	**(4,419,271)**	**(1,914,781)**	**(2,252,169)**
Minimum allowance required (3)	-	(732,082)	(314,265)	(560,169)	(1,506,453)	(1,149,098)	(1,608,922)
Additional allowance (4)	-	-	-	-	(2,912,818)	(765,683)	(643,247)
GRAND TOTAL 12/31/2010	**49,370,286**	**142,580,785**	**56,024,916**	**16,120,094**	**11,169,103**	**4,580,021**	**2,868,243**
EXISTING ALLOWANCE	**-**	**(712,904)**	**(560,250)**	**(759,198)**	**(3,349,614)**	**(2,289,552)**	**(2,007,483)**
Minimum allowance required (3)	-	(712,904)	(560,250)	(483,603)	(1,116,910)	(1,374,006)	(1,434,121)
Additional allowance (4)	-	-	-	(275,595)	(2,232,704)	(915,546)	(573,362)

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;

(2) The balance of non-accrual operations amounts to R$ 20,448,398 (R$ 14,850,519 at 12/31/2010);

(3) The policy of not using "AA" ratings for individuals was maintained. As a consequence, all loan operations with clients classified in these segments are charged by recording a provision upo

(4) According to BACEN's request, it is classified into risk level to show the additional amounts calculated to maintain the strength necessary for absorbing possible increases in default expecte

III – By business sector

	12/31/2011	%	12/31/2010	%
PUBLIC SECTOR	**2,010,353**	**0.6**	**1,165,860**	**0.5**
Generation, transmission and distribution of electric energy	411,774	0.1	565,373	0.2
Chemical and petrochemical	613,367	0.2	272,565	0.1
Other	985,212	0.3	327,922	0.1
PRIVATE SECTOR	**343,472,429**	**99.4**	**293,886,984**	**99.5**
COMPANIES	**188,118,136**	**54.4**	**161,561,353**	**54.6**
INDUSTRY AND COMMERCE	**99,862,499**	**28.9**	**85,113,228**	**28.8**
Food and beverage	16,588,060	4.8	14,344,592	4.9
Autoparts and accessories	4,776,173	1.4	3,867,481	1.3
Agribusiness capital assets	1,021,056	0.3	847,518	0.3
Industrial capital assets	5,642,929	1.6	5,172,365	1.8
Pulp and paper	2,330,319	0.7	2,361,801	0.8
Distribution of fuels	2,195,430	0.6	1,893,279	0.6
Electrical and electronic	6,977,488	2.0	6,945,799	2.4
Pharmaceuticals	2,768,508	0.8	2,098,890	0.7
Fertilizers, insecticides and crop protection	1,650,528	0.5	1,313,974	0.4
Tobacco	275,434	0.1	373,160	0.1
Import and export	1,894,570	0.5	1,996,909	0.7
Hospital care materials and equipment	1,035,369	0.3	918,736	0.3
Construction material	5,299,718	1.5	4,398,567	1.5
Steel and metallurgy	7,534,425	2.2	6,876,259	2.3
Wood and furniture	3,060,849	0.9	2,710,836	0.9
Chemical and petrochemical	7,051,031	2.0	5,330,789	1.8
Supermarkets	1,640,950	0.5	1,088,887	0.4
Light and heavy vehicles	7,653,253	2.2	5,942,477	2.0
Clothing	9,062,054	2.6	7,682,679	2.6
Other - Commerce	5,858,663	1.7	4,940,944	1.7
Other - Industry	5,545,692	1.6	4,007,286	1.4
SERVICES	**70,649,267**	**20.4**	**60,313,047**	**20.4**
Heavy construction (constructors)	3,737,145	1.1	3,317,358	1.1
Financial	5,273,058	1.5	5,331,036	1.8
Generation, transmission and distribution of electric energy	5,281,264	1.5	5,216,304	1.8
Holding company	3,264,627	0.9	3,037,021	1.0
Real estate agents	11,367,739	3.3	9,568,362	3.2
Media	3,092,746	0.9	2,697,881	0.9
Service companies	4,752,916	1.4	4,487,883	1.5
Health care	1,730,067	0.5	1,953,773	0.7
Telecommunications	1,175,256	0.3	1,058,677	0.4
Transportation	15,961,549	4.6	11,931,044	4.0
Other services	15,012,900	4.3	11,713,708	4.0
PRIMARY SECTOR	**16,109,347**	**4.7**	**13,948,391**	**4.7**
Agribusiness	13,729,411	4.0	11,742,958	4.0
Mining	2,379,936	0.7	2,205,433	0.7
Other companies	**1,497,023**	**0.4**	**2,186,687**	**0.7**
INDIVIDUALS	**155,354,293**	**45.0**	**132,325,631**	**44.9**
Credit cards	39,801,064	11.5	33,892,494	11.5
Consumer loans/overdraft	38,640,877	11.2	27,518,496	9.3
Real estate financing	16,819,163	4.9	10,790,484	3.7
Vehicles	60,093,189	17.4	60,124,157	20.4
GRAND TOTAL	**345,482,782**	**100.0**	**295,052,844**	**100.0**

b) Credit concentration

Loan, lease and other credit operations (*)	12/31/2011		12/31/2010	
	Risk	% of	Risk	% of Total
Largest debtor	3,099,722	0.8	2,313,377	0.7
10 largest debtors	21,999,582	5.5	18,099,197	5.4
20 largest debtors	36,715,537	9.3	29,008,782	8.7
50 largest debtors	59,376,674	15.0	48,566,953	14.5
100 largest debtors	77,454,351	19.5	64,956,470	19.4

Loan, lease and other credit operations and securities of companies and financial institutions (*)	12/31/2011		12/31/2010	
	Risk	% of	Risk	% of Total
Largest debtor	4,516,385	1.0	4,436,216	1.2
10 largest debtors	30,722,398	7.0	28,567,215	7.6
20 largest debtors	49,679,952	11.3	44,697,920	11.9
50 largest debtors	80,560,182	18.4	69,990,469	18.7
100 largest debtors	104,000,316	23.7	92,206,387	24.6

(*) The amounts include endorsements and sureties.

c) Changes in allowance for loan losses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Opening balance	**(22,018,218)**	**(23,702,735)**
Net increase for the period	(19,911,948)	(14,120,560)
Required by Resolution No. 2,682/99	(19,384,928)	(15,693,165)
Additional allowance (3)	(527,020)	1,572,605
Write-Off	16,158,439	15,805,077
Closing balance	**(25,771,727)**	**(22,018,218)**
Required by Resolution No. 2,682/99	(20,713,312)	(17,486,823)
Specific allowance (1)	(14,802,053)	(11,217,317)
Generic allowance (2)	(5,911,259)	(6,269,506)
Additional allowance (3)	(5,058,415)	(4,531,395)

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;

(2) For operations not covered in the previous item due to the classification of the client or operation;

(3) As from the first quarter of 2011, refers to the provision in excess of the minimum percentage required by CMN Resolution No. 2,682 of December 21, 1999, based on the expected loss methodology adopted in the institution's credit risk management, which also considers the potential losses in revolving credit.

In 2010, the need for additional allowance for loan losses was reduced in view of the new Basel III guidelines, which determined that the counter-cyclical effects be buffered in the base of capital.

At December 31, 2011, the balance of the allowance in relation to the loan portfolio is equivalent to 7.5% (7.5% at 12/31/2010).

d) Recovery and renegotiation of credits

I - Composition of the result of allowance for loan losses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Expenses for allowance for loan losses	(19,911,948)	(14,120,560)
Income from recovery of credits written off as loss	5,488,194	4,209,205
Result of allowance for loan losses	**(14,423,754)**	**(9,911,355)**

II - Renegotiated credits

	12/31/2011	12/31/2010
Renegotiated credits	14,570,189	9,032,483
Allowance for loan losses	(6,105,115)	(4,214,187)
(%)	41.9	46.7

e) Restricted operations on assets

We present below information related to the restricted operations on assets, in accordance with CMN Resolution No. 2,921, of January 17, 2002.

	12/31/2011				01/01 to 12/31/2011
	0 - 30	31 - 180	181 - 365	Total	Income (expenses)
Restricted operations on assets					
Loan operations	480	110,569	26,261	137,310	22,740
Liabilities - restricted operations on assets					
Foreign borrowings through securities	480	110,569	26,261	137,310	(22,715)
Net revenue from restricted operations					**25**

At December 31, 2011, there were no balances in default.

f) Sales operations or transfers of financial assets

In compliance with CMN Resolution No. 3,809, of October 28, 2009, the amount of sales operations or transfers of financial assets where the entity significantly retained the risks and benefits is R$ 554,290, composed exclusively of real estate financing R$ 534,193 and farming financing R$ 20,097, assigned with joint obligation.

g) Credit assignment

In 2011, credits were assigned without joint obligation, supported by the provisions of CMN Resolution No. 2,836, of May 30, 2001; with the Related Parties amounting to R$ 318,776, without effect on consolidated income; and those with Non-Related Parties amounting to R$ 2,271,369, with an effect of R$ 546 on income.

NOTE 9 - FOREIGN EXCHANGE PORTFOLIO

	12/31/2011	12/31/2010
ASSETS – OTHER RECEIVABLES	**26,449,799**	**21,592,818**
Exchange purchase pending settlement – foreign currency	15,486,310	10,649,825
Exchange sale rights – local currency	11,277,758	11,204,440
(Advances received) – local currency	(314,269)	(261,447)
LIABILITIES – OTHER LIABILITIES (Note 2a)	**26,181,570**	**22,034,954**
Exchange sales pending settlement – foreign currency	11,130,675	10,924,697
Liabilities from purchase of foreign currency – local currency	15,046,806	11,106,115
Other	4,089	4,142
MEMORANDUM ACCOUNTS	**1,143,965**	**588,785**
Outstanding import credits – foreign currency	1,129,766	550,378
Confirmed export credits – foreign currency	14,199	38,407

NOTE 10 – FUNDING AND BORROWINGS AND ONLENDING

a) Summary

	12/31/2011			
	0-30	**31-180**	**181-365**	**Over 365**
Deposits	127,685,624	19,849,754	11,920,160	83,180,88
Deposits received under securities repurchase agreement	59,279,439	11,396,283	11,137,676	107,005,13
Funds from acceptance and issuance of securities	4,862,330	15,756,393	8,840,626	22,097,86
Borrowings and onlending	4,025,673	12,771,562	12,212,552	27,592,27
Subordinated debt (*)	59,547	8,157,341	2,501,565	28,996,73
TOTAL	**195,912,613**	**67,931,333**	**46,612,579**	**268,872,89**
% per maturity term	33.9	11.7	8.0	46
TOTAL – 12/31/2010	**194,833,143**	**56,868,707**	**47,631,276**	**210,428,63**
% per maturity term	38.2	11.2	9.3	41

(*) Includes R$ 740,703 (R$ 657,794 at 12/31/2010) of Redeemable Preferred Shares classified under Minority Interest in the Balance Sheet.

b) Deposits

	12/31/2011			
	0-30	**31-180**	**181-365**	**Over 365**
Demand deposits	28,932,523	-	-	-
Savings accounts	67,169,544	-	-	-
Interbank	666,096	682,565	444,847	272,115
Time deposits	30,917,461	19,167,189	11,475,313	82,908,769
Other deposits	-	-	-	-
TOTAL	**127,685,624**	**19,849,754**	**11,920,160**	**83,180,884**
% per maturity term	52.6	8.2	4.9	34.3
TOTAL – 12/31/2010	**100,018,287**	**17,549,791**	**21,980,529**	**63,139,450**
% per maturity term	49.3	8.7	10.8	31.2

ITAÚ UNIBANCO's portfolio is composed of interbank deposits in the amount of R$ 4,832,444 (R$ 3,344,008 at 12/31/ 2010 with maturity over 365

c) Deposits received under securities repurchase agreements

	12/31/2011			
	0 - 30	**31 - 180**	**181 - 365**	**Over 365**
Own portfolio	**22,744,688**	**11,393,389**	**9,333,011**	**92,576,432**
Government securities	14,151,360	296,240	55,840	41,372
Own issue	2,912,640	10,267,326	9,277,155	91,698,285
Foreign	5,680,688	829,823	16	836,775
Third-party portfolio	**36,534,751**	**2,894**	**-**	**-**
Free portfolio	**-**	**-**	**1,804,665**	**14,428,707**
TOTAL	**59,279,439**	**11,396,283**	**11,137,676**	**107,005,139**
% per maturity term	31.4	6.0	5.9	56.7
TOTAL – 12/31/2010	**89,009,486**	**21,368,715**	**12,066,794**	**77,211,358**
% per maturity term	44.6	10.7	6.0	38.7

d) Funds from acceptance and issuance of securities

	12/31/2011			
	0-30	31-180	181-365	Over 365
FUNDS FROM BILLS:	**2,095,437**	**11,817,298**	**4,561,344**	**15,113,364**
of real estate loans	1,832,885	10,311,381	2,326,128	1,280,813
Financial	-	600,719	1,943,400	11,763,592
Bill of credit related to agribusiness	253,798	894,371	274,329	1,862,017
Mortgage notes	8,754	10,827	17,487	206,942
DEBENTURES	**-**	**27,583**	**1,011,150**	**63**
FOREIGN SECURITIES	**2,766,893**	**3,911,512**	**3,268,132**	**6,984,438**
Trade Related – issued abroad - Structure Note Issued	**-**	**-**	**-**	**-**
Non-Trade Related – Issued abroad	**2,766,893**	**3,911,512**	**3,268,132**	**6,984,438**
Euro Certificates of Deposits	2,649,835	2,238,669	1,870,582	37,874
Structure Note Issued	66,257	1,281,649	1,093,844	2,453,464
Brazil Risk Note Programme	18,705	288,724	238,506	2,667,112
Bonds	6,127	13,708	19,467	1,037,424
Fixed Rate Notes	1,351	60,587	22,970	463,379
Euro Medium Term Note Programme	709	3,225	1,229	272,035
Medium Term Note	23,103	24,594	21,210	43,481
Eurobonds	-	356	324	9,669
Other	806	-	-	-
TOTAL	**4,862,330**	**15,756,393**	**8,840,626**	**22,097,865**
% per maturity term	9.4	30.6	17.1	42.9
TOTAL – 12/31/2010	**3,408,341**	**9,508,486**	**1,664,945**	**11,009,947**
% per maturity term	13.3	37.2	6.5	43.0

ITAÚ UNIBANCO HOLDING's portfolio is composed of Brazil Risk Note Programme with maturity from 31 days to 180 days in the amount of R
the amount of R$ 500,000 (R$ 500,000 at 12/31/2010), totaling R$ 505,542 (R$ 505,542 at 12/31/2010).

e) Borrowings and onlending

	12/31/2011			
	0-30	**31-180**	**181-365**	**Over 365**
BORROWINGS	**3,183,594**	**8,780,342**	**6,008,422**	**3,170,360**
Domestic	1,308,292	1,582,450	1,615	6,264
Foreign (*)	1,875,302	7,197,892	6,006,807	3,164,096
ONLENDING	**842,079**	**3,991,220**	**6,204,130**	**24,421,913**
Domestic - official institutions	842,079	3,986,835	6,199,817	23,849,081
BNDES	242,170	1,189,945	1,261,187	7,435,745
FINAME	561,493	2,691,039	4,835,687	16,166,482
Other	38,416	105,851	102,943	246,854
Foreign	-	4,385	4,313	572,832
TOTAL	**4,025,673**	**12,771,562**	**12,212,552**	**27,592,273**
% per maturity term	7.1	22.6	21.6	48.7
TOTAL - 12/31/2010	**2,369,403**	**8,384,114**	**11,024,448**	**25,559,999**
% per maturity term	5.0	17.7	23.3	54.0

(*) Foreign borrowings are basically represented by foreign exchange transactions related to export pre-financing and import financing.

f) Subordinated debt

Funding obtained through issuance of subordinated debt, in accordance with the conditions determined by CMN Resolution No. 3,444, of 02/28/2007, and amendments established by CMN Resolution No. 3,532, of 01/31/2008, is as follows:

	12/31/2011						12/31/2010	
	0-30	**31-180**	**181-365**	**Over 365**	**Total**	**%**	**Total**	**%**
CDB	-	8,124,645	2,498,487	12,600,411	23,223,543	58.5	25,859,401	75.0
Financial Treasury Bills	-	-	-	10,254,003	10,254,003	25.8	2,570,272	7.4
Euronotes	59,547	26,167	-	5,136,238	5,221,952	13.1	4,295,636	12.5
Bonds	-	3,150	3,078	293,096	299,324	0.8	299,624	0.9
Eurobonds	-	-	-	-	-	-	845,583	2.4
(-) Transaction costs incurred (Note 4b)	-	-	-	(24,338)	(24,338)	(0.1)	(40,645)	(0.1)
TOTAL OTHER LIABILITIES	**59,547**	**8,153,962**	**2,501,565**	**28,259,410**	**38,974,484**		**33,829,871**	
Redeemable preferred shares	-	3,379	-	737,324	740,703	1.9	657,794	1.9
GRAND TOTAL	**59,547**	**8,157,341**	**2,501,565**	**28,996,734**	**39,715,187**		**34,487,665**	
% per maturity term	0.1	20.5	6.3	73.0				
TOTAL - 12/31/2010	**27,626**	**57,601**	**894,560**	**33,507,878**	**34,487,665**			
% per maturity term	0.1	0.2	2.6	97.2				

Description

Name of security	Issue	Maturity	Return p.a.	Principal R$
Subordinated CDB				
	2007	2012	103.5% to 104% of CDI	4,969,704
			100% of CDI + 0.35% to 0.45%	731,836
			IGPM + 7.31 to 7.35%	278,350
	2002	2012	102.5% of CDI	200,000
	2008	2013	100% of CDI + 0.50% to 0.6%	1,558,200
			106% to 107% of CDI	48,401
	2003	2013	102% of CDI	40,000
	2007	2014	100% of CDI + 0.35% to 0.6%	1,864,500
	2007	2014	IGPM + 7.35%	33,200
	2008	2014	112% of CDI	1,000,000
	2008	2015	119.8% of CDI	400,000
	2010	2015	113% of CDI	50,000
	2006	2016	100% of CDI + 0.47% (*)	465,835
	2010	2016	110% to 114% of CDI	2,719,268
	2010	2016	IPCA + 7.33%	122,500
	2010	2017	IPCA + 7.45%	366,830
			TOTAL	**14,848,624**
Subordinated financial bills				
	2010	2016	100% of CDI + 1.35% to 1.36%	365,000
	2010	2016	112% to 112.5% of CDI	1,874,000
	2010	2016	IPCA + 7%	30,000
	2010	2017	IPCA + 6.95% to 7.2%	206,000
	2011	2017	108% to 112% of CDI	3,223,500
	2011	2017	IPCA + 6.15% to 7.8%	352,400
	2011	2017	IGPM + 6.55% to 7.6%	138,000
	2011	2017	100% of CDI + 1.29% to 1.52%	3,650,000
	2011	2018	IGPM + 7%	42,000
	2011	2018	IPCA + 7.53% to 7.7%	30,000
	2011	2019	109% to 109.7% of CDI	2,000
	2011	2021	109.25 to 110.5% of CDI	6,000
			TOTAL	**9,918,900**
Subordinated euronotes				
	2010	2020	6.200%	1,730,600
	2010	2021	5.750%	1,694,200
	2011	2021	5.750%	418,350
	2011	2021	6.200%	780,550
			TOTAL	**4,623,700**
Subordinated bonds				
	2005	2015	1.42%	193,834
	2008	2033	3.5% to 4.5%	141,127
			TOTAL	**334,961**
Preferred shares				
	2002	2015	3.04%	1,388,841

(*) Subordinated CDBs may be redeemed as from November 2011.

ITAÚ UNIBANCO HOLDING's portfolio is composed of subordinated euronotes with maturity of up to 30 days in the amount of R$ 59,547 (R$ 26,081 at December 31, 2010), with maturity from 91 to 180 days in the amount of R$ 26,167 (R$ 21,809 at December 31, 2010) and over 365 days in the amount of R$ 5,111,734 (R$ 3,304,889 at December 31, 2010), totaling R$ 5,197,448 (R$ 3,352,779 at December 31, 2010).

NOTE 11 - INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS

a) Composition of the technical provisions per segment

	INSURANCE		PENSION PLAN		CAPI
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/201
Mathematical provision of benefits to be granted and benefits granted	27,913	30,411	61,953,126	50,072,553	-
Unearned premiums	3,025,552	2,456,817	-	-	-
Unsettled claims	2,297,299	2,161,939	-	-	-
Financial surplus	1,528	1,572	475,297	459,452	-
IBNR	712,416	585,627	10,083	9,615	-
Premium deficiency	312,950	271,953	-	-	-
Insufficient contribution	-	296	691,816	603,073	-
Mathematical provision for redemptions	-	-	-	-	2,783,6
Raffle contingency	-	-	-	-	16,2
Other	1,242,735	1,117,722	165,579	176,472	38,2
TOTAL	**7,620,393**	**6,626,337**	**63,295,901**	**51,321,165**	**2,838,1**

b) Assets Guaranteeing Technical Provisions - SUSEP

	INSURANCE		PENSION PLAN		
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2
Interbank investments – money market	**968,945**	**1,284,608**	**793,227**	**822,598**	**1,0**
Securities and derivative financial instruments	**2,905,087**	**1,849,988**	**62,811,907**	**50,711,040**	**1,7**
PGBL/VGBL FUND QUOTAS (1)	**-**	**-**	**57,733,857**	**46,050,748**	
Government securities - Domestic	-	-	37,539,235	32,408,482	
National Treasury Bills	-	-	20,107,159	20,296,305	
National Treasury Notes	-	-	14,627,549	10,527,858	
Financial Treasury Bills	-	-	2,804,527	1,584,319	
Corporate securities	-	-	20,131,251	12,960,448	
Bank deposit certificates	-	-	6,734,938	6,481,482	
Debentures	-	-	4,671,648	4,433,813	
Shares	-	-	1,661,648	1,998,819	
Fund quotas	-	-	-	43,175	
Promissory Notes	-	-	-	1,672	
Credit note	-	-	562,403	-	
Financial Treasury Bills	-	-	6,498,043	-	
Securitized real estate loans	-	-	2,571	1,487	
PGBL/VGBL fund quotas	-	-	49,544	620,665	
Derivative financial instruments	-	-	34,796	36,462	
Accounts receivable / (payable)	-	-	(20,969)	24,691	
Other assets	**2,905,087**	**1,849,988**	**5,078,050**	**4,660,292**	**1,7**
Government	877,820	731,291	3,799,809	3,457,809	1
Private	2,027,267	1,118,697	1,278,241	1,202,483	1,6
Receivables from insurance and reinsurance operations (2)	**4,019,679**	**3,526,850**	**-**	**-**	
Credit rights	891,600	827,525	-	-	
Commercial – Extended guarantee	1,256,753	1,103,875	-	-	
Reinsurance	1,871,326	1,595,450	-	-	
Escrow deposits for loss	**25,364**	**36,510**	**-**	**-**	
TOTAL	**7,919,075**	**6,697,956**	**63,605,134**	**51,533,638**	**2,8**

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customer's responsibility, are recorded as securities – trading se Technical Provisions account, as determined by SUSEP.

(2) Recorded under Other receivables and Other assets.

c) Financial and operating income per segment

	INSURANCE		PENSION PLAN		
	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010	01 12/3
Financial income from insurance, pension plan and capitalization operations	**315,472**	**231,960**	**227,307**	**265,888**	
Financial income	372,237	292,072	5,224,135	3,982,106	
Financial expenses	(56,765)	(60,112)	(4,996,828)	(3,716,218)	
Operating income from insurance, pension plan and capitalization operations	**2,177,054**	**1,707,602**	**35,199**	**54,244**	
Premiums and contributions	5,366,322	4,904,457	11,802,283	8,732,815	
Changes in technical provisions	(615,724)	(368,831)	(11,748,552)	(8,643,688)	
Expenses for claims, benefits, redemptions and raffles	(1,512,273)	(1,607,993)	(17,661)	(27,941)	
Selling expenses	(981,676)	(977,539)	(2,246)	(14,436)	
Other operating revenues and expenses	(79,595)	(242,492)	1,375	7,494	
Total result from insurance, pension plan and capitalization operations	**2,492,526**	**1,939,562**	**262,506**	**320,132**	

NOTE 12 - CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

In the ordinary course of its businesses, ITAÚ UNIBANCO HOLDING CONSOLIDATED is involved in contingencies that may be classified as follows.

a) Contingent Assets: there are no contingent assets recorded.

b) Provisions and Contingencies: The criteria to quantify contingencies are adequate in relation to the specific characteristics of civil, labor and tax lawsuits portfolios, as well as other risks.

- **Civil lawsuits**

  Collective lawsuits (related to claims considered similar and which each individual amount is not considered significant): contingencies are determined on a monthly basis and the expected amount of losses is accrued according to statistical references that take into account the type of lawsuit and the characteristics of the legal body (Small Claims Court or Regular Court).

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined from time to time, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the “de facto” and “de jure” characteristics related to such lawsuit. The amounts of losses which likelihood of loss is considered probable are accrued.

  Contingencies usually arise from revision of contracts and compensation for property damage and pain and suffering; most of these lawsuits are filed in the Small Claims Court and therefore limited to 40 minimum monthly wages. The bank is also party to specific lawsuits over the charging of understated inflation adjustment to savings accounts in connection with economic plans.

  The case law at the Federal Supreme Court is favorable to banks in relation to an economic phenomenon similar to savings, as in the case of adjustment to time deposits and contracts in general. Additionally, the Superior Court of Justice has recently decided that the term for filing public civil actions over understated inflation is five years. In view of such decision, some of the lawsuits may be dismissed because they were filed after the five-year period.

  In the accounting books no amount is recognized in relation to Civil Lawsuits which likelihood of loss is considered possible, which total estimated risk is R$ 602.601; the main natures of these lawsuits are as follows:

- **Labor claims**

  Collective lawsuits (related to claims considered similar and which each individual amount is not considered significant): The expected amount of loss is determined and accrued monthly by the moving average of payments in relation to lawsuits settled in the last 12 months, plus the average cost of fees. These are adjusted to the amounts deposited as guarantee for their execution when realized.

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined from time to time, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the “de facto” and “de jure” characteristics related to such lawsuit. The amounts of losses which likelihood of loss is considered probable are accrued.

  Contingencies are related to lawsuits in which alleged labor rights based on labor legislation specific to the related profession, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other, are discussed;

  There are no labor claims falling under the category of possible loss.

- **Other Risks**

  These are quantified and accrued mainly based on the evaluation of rural credit transactions with joint liability and FCVC (salary variations compensation fund) credits assigned to Banco Nacional.

The table below shows the changes in the respective provisions for contingent liabilities and the respective escrow deposits balances:

	01/01 to 12/31/2011				01/01 to 12/31/2010
	Civil	**Labor**	**Other**	**Total**	**Total**
Opening balance	**2,973,630**	**3,985,877**	**173,140**	**7,132,647**	**5,734,330**
(-) Contingencies guaranteed by indemnity clauses (Note 4o I)	(308,810)	(1,112,816)	-	**(1,421,626)**	(671,889)
Subtotal	**2,664,820**	**2,873,061**	**173,140**	**5,711,021**	**5,062,441**
Restatement/Charges	113,236	110,288	-	223,524	218,341
Changes in the period reflected in results (Notes 13f and 13i)	1,503,150	783,972	(7,837)	2,279,285	1,772,978
Increase (*)	1,980,677	992,237	12,279	2,985,193	2,503,136
Reversal	(477,527)	(208,265)	(20,116)	(705,908)	(730,158)
Payment	(1,252,300)	(683,281)	-	(1,935,581)	(1,342,740)
Subtotal	**3,028,906**	**3,084,040**	**165,303**	**6,278,249**	**5,711,020**
(+) Contingencies guaranteed by indemnity clauses (Note 4o I)	136,688	929,875	-	1,066,563	1,421,627
Closing balance (Note 13c)	**3,165,594**	**4,013,915**	**165,303**	**7,344,812**	**7,132,647**
Closing balance at 12/31/2010 (Note 13c)	**2,973,630**	**3,985,877**	**173,140**	**7,132,647**	
Escrow deposits at 12/31/2011 (Note 13a)	**2,022,939**	**2,409,272**	**-**	**4,432,211**	
Escrow deposits at 12/31/2010 (Note 13a)	**1,619,055**	**2,318,091**	**-**	**3,937,146**	

(*) Civil provisions include the provision for economic plans amounting to R$ 431,068 (R$ 708,194 from January 1 to December 31, 2010) (Note 22k).

- **Tax and social security lawsuits**

Contingencies are equivalent to the principal amount of taxes involved in tax, administrative or judicial challenges, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is accrued when it involves a legal liability, regardless of the likelihood of loss, that is, a favorable outcome to the institution is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, the Bank recognizes a provision whenever the likelihood of loss is probable.

The table below shows the changes in the provisions and respective escrow deposits for Tax and Social Security lawsuits balances:

Provisions	01/01 to 12/31/2011			01/01 to 12/31/2010
	Legal obligation	Contingencies	Total	Total
Opening balance	**5,091,341**	**2,232,315**	**7,323,656**	**7,886,402**
(-) Contingencies guaranteed by indemnity clauses	-	(44,474)	(44,474)	(35,331)
Subtotal	**5,091,341**	**2,187,841**	**7,279,182**	**7,851,071**
Restatement/Charges	479,562	68,385	547,947	400,433
Changes in the period reflected in results	**719,151**	**198,313**	**917,464**	**1,072,995**
Increase	750,096	296,389	1,046,485	1,727,495
Reversal (*)	(30,945)	(98,076)	(129,021)	(654,500)
Payment (*)	(17,041)	(140,438)	(157,479)	(2,045,318)
Subtotal	**6,273,013**	**2,314,101**	**8,587,114**	**7,279,181**
(+) Contingencies guaranteed by indemnity clauses	-	57,438	57,438	44,475
Closing balance (Note 13c)	**6,273,013**	**2,371,539**	**8,644,552**	**7,323,656**

(*) ITAÚ UNIBANCO HOLDING and its subsidiaries adhered to the Program for Cash or Installment Payment of Federal Taxes, established by Law No. 11,941, of May 27, 2009. In 2010 the program included the debits administered by the Federal Reserve Service of Brazil and the main proposition included in this program was the increase in the PIS and COFINS calculation basis, as set forth by paragraph 1 of article 3 of Law 9,718 of November 27, 1998.

Escrow deposits	01/01 to 12/31/2011			01/01 to 12/31/2010
	Legal obligation	Contingencies	Total	Total
Opening balance	**3,664,570**	**1,011,558**	**4,676,128**	**5,076,412**
Appropriation of income	274,703	90,269	364,972	295,927
Changes in the period	40,213	97,000	137,213	(696,211)
Deposited	152,343	113,115	265,458	496,247
Withdrawals	(99,207)	(15,308)	(114,515)	(1,145,900)
Conversion into income	(12,923)	(807)	(13,730)	(46,558)
Closing balance	**3,979,486**	**1,198,827**	**5,178,313**	**4,676,128**
Closing balance at 12/31/2010	**3,664,570**	**1,011,558**	**4,676,128**	

The main discussions related to Legal Obligations are described as follows:

- PIS and COFINS – Calculation basis – R$ 2,885,721: we defend the levy of contributions on revenue, understood as the revenue from sales of assets and services. The escrow deposit balance totals R$ 1,043,433.

- CSLL – Isonomy – R$ 1,346,413, as the law increased the CSLL rate for financial and insurance companies to 15%, we discuss the lack of constitutional support for this measure and, due to the principle of isonomy, we defend the levy at the regular rate of 9%. The escrow deposit balance totals R$ 230,873.

- IRPJ and CSLL –Taxation of profits earned abroad – R$ 491,236: We discuss the calculation basis for levy of these taxes on profits earned abroad and the non-applicability of Regulatory Instruction SRF No. 213-01 in which it exceeds the suitability of the legal text. The escrow deposit balance totals R$ 491,236.

- PIS – R$ 374,938 - Principles of anteriority over 90 days and non-retroactivity: we request the rejection of Constitutional Amendments No. 10/96 and 17/97 in view of the principle of anteriority and non-retroactivity, aiming at making payments based on Supplementary Law No. 07/70. The corresponding escrow deposit totals R$ 128,986.

Off-balance sheet contingencies – The amounts related to Tax and Social Security Lawsuits considered to be possible loss, which total estimated risk is R$ 5,930,276, are the following:

- IRPJ, CSLL, PIS and COFINS – request for offset dismissed - R$ 1,097,097: cases in which the liquidity and the offset credit certainty are discussed.

- INSS – Non-compensatory amounts – R$ 631,715: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.

- IRPJ/CSLL - Losses and discounts on receipt of credits – R$ 458,899: deductibility of effective losses as operating expense – credit assignment and renegotiation.

- ISS – Banking Institutions – R$ 449,835: these are banking operations, which revenue may not be interpreted as price per service rendered and/or arise from activities not listed under Supplementary Law.

- IRPJ, CSLL, PIS and COFINS – Usufruct of quotas and shares - R$ 372,211: we discuss the adequate accounting and tax treatment for the amount received due to the onerous recognition of usufruct.

- IRPJ/CSLL - Interest on capital - R$ 358,023: we defend the deductibility of interest on capital declared to stockholders based on the Brazilian long-term interest rate (TJLP) levied on the stockholders' equity for the year and for prior years.

c) Receivables - Reimbursement of contingencies

The Receivables balance arising from reimbursements of contingencies totals R$ 626,309 (R$ 903,306 at 12/31/2010) (Note 13a), basically represented by the guarantee in the Banco Banerj S.A. privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition of Civil, Labor and Tax Contingencies.

d) Assets pledged as Contingencies

Assets pledged in guarantee for contingencies are related to liability contingencies that are restricted or deposited are presented below:

	12/31/2011	12/31/2010
Securities (basically Financial Treasury Bills – Note 7b)	1,511,043	1,515,750
Deposits in guarantee	3,232,718	3,291,504

According to the opinion of the legal advisors, ITAÚ UNIBANCO HOLDING and its subsidiary companies are not involved in any other administrative proceedings or legal lawsuits that may significantly impact the results of its operations. The combined evaluation of all existing provisions for all contingent liabilities and legal liabilities, which are recognized through the adoption of statistical models for claims involving small amounts, and individual evaluation by internal and external legal advisors of other cases, showed that the accrued amounts are sufficient, as provided for CMN Resolution No. 3,823, of December 16, 2009, and BACEN Circular Letter No. 3,429, of February 12, 2010.

NOTE 13 - BREAKDOWN OF ACCOUNTS

a) Other sundry receivables

	12/31/2011	12/31/2010
Deferred tax assets (Note 14b I)	28,282,922	24,729,304
Social contribution for offset (Note 14b I)	714,602	847,216
Taxes and contributions for offset	3,411,936	3,381,336
Escrow deposits for legal liabilities and tax and social security contingencies (Note 12b)	8,411,031	7,967,632
Escrow deposits for legal liabilities – civil and labor (Note 12b)	4,432,211	4,818,101
Escrow deposits for foreign fund raising program	573,465	1,837,020
Receivables from reimbursement of contingent liabilities (Note 12c)	626,309	22,351
Sundry domestic debtors	861,292	1,094,767
Sundry foreign debtors	113,142	88,150
Retirement plan assets (Note 19)	1,785,428	1,536,518
Recoverable payments	34,076	33,182
Salary advances	47,072	58,431
Amounts receivable from related companies	16,089	9,704
Operations without credit granting characteristics	344,913	161,824
Securities and credits receivable	654,913	451,574
(Allowance for loan losses)	(310,000)	(289,750)
Other	139,557	114,944
Total	**49,794,045**	**46,700,480**

At ITAÚ UNIBANCO HOLDING, Other Sundry Receivables are basically composed of Taxes and Contributions for Offset of R$ 291,271 (R$ 483,584 at December 31, 2010) and Deferred Tax Assets of R$ 332,572 (R$ 226,835 at December 31, 2010) (Note 14b I).

b) Prepaid expenses

	12/31/2011	12/31/2010
Commissions	3,283,177	2,600,340
Related to vehicle financing	1,047,336	817,747
Related to insurance and pension plan	1,340,063	1,275,925
Restricted to commissions/partnership agreements	571,863	310,345
Other	323,915	196,323
Fundo Garantidor de Crédito (*)	339,536	526,721
Advertising	490,593	502,820
Other	200,782	191,245
Total	**4,314,088**	**3,821,126**

(*) Refers to spontaneous payment, equivalent to the prepayment of installments of the contribution to the Fundo Garantidor de Crédito (Brazilian deposit guarantee fund), according to BACEN Circular No. 3,416, of 10/24/2008.

c) Other sundry liabilities

	12/31/2011	12/31/2010
Provisions for contingent liabilities (Note 12b)	9,716,351	9,364,962
Provisions for sundry payments	2,122,805	2,099,122
Personnel provision	1,113,025	1,040,136
Sundry creditors - local	1,312,455	896,087
Sundry creditors - foreign	617,854	631,498
Liabilities for official agreements and rendering of payment services	1,506,856	735,484
Related to insurance operations	914,384	813,428
Liabilities for purchase of assets and rights	217,638	16,137
Creditors of funds to be released	1,100,942	886,472
Funds from consortia participants	80,819	77,835
Provision for Retirement Plan Benefits (Note 19)	374,180	228,716
Provision for health insurance (*)	622,930	606,364
Expenses for lease interests (Note 4i)	338,989	210,289
Other	51,607	119,354
Total	**20,090,835**	**17,725,884**

(*) Provision set up to cover possible future deficits up to the total discontinuance of the portfolio, arising from the difference of adjustments to monthly installments, authorized annually by the regulatory body, and the actual variation of hospital costs that affect the compensation of claims (Note 13i).

d) Banking service fees

	01/01 to 12/31/2011	01/01 to 12/31/2010
Asset management	2,607,734	2,486,010
Funds management fees	2,505,919	2,427,132
Consortia management fee	101,815	58,879
Current account services	675,646	582,922
Credit cards	6,111,133	5,284,056
Relationship with stores	5,693,572	4,927,756
Credit card processing	417,561	356,300
Sureties and credits granted	1,761,944	1,460,334
Loan operations	1,028,504	888,144
Guarantees provided	733,440	572,189
Receipt services	1,332,789	1,324,525
Collection fees	1,053,162	1,075,349
Collection services	279,627	249,176
Other	1,423,080	1,202,936
Custody services and management of portfolio	214,307	178,299
Economic and financial advisory	352,873	300,244
Foreign exchange services	83,117	71,430
Other services	772,783	652,963
Total	**13,912,326**	**12,340,783**

e) Income from bank charges

	01/01 to 12/31/2011	01/01 to 12/31/2010
Loan operations/registration	1,526,972	1,350,533
Credit cards – annual fees and other services (*)	1,385,556	1,088,920
Deposit account	147,546	180,279
Transfer of funds	132,721	124,223
Income from securities brokerage (*)	422,249	461,294
Service package fees and other	1,520,327	1,554,622
Total	**5,135,371**	**4,759,871**

(*) In compliance with BACEN Circular Letter No. 3,490.

f) Personnel expenses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Compensation	(5,960,616)	(5,911,910)
Charges	(2,035,402)	(1,973,750)
Welfare benefits	(1,607,445)	(1,673,300)
Training	(258,437)	(223,859)
Labor claims and termination of employees (Note 12b)	(1,181,516)	(481,064)
Stock Option Plan	(162,663)	(131,660)
Total	**(11,206,079)**	**(10,395,543)**
Employees' profit sharing	(2,150,555)	(2,056,028)
Total with Employees' profit sharing	**(13,356,634)**	**(12,451,571)**

g) Other administrative expenses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Data processing and telecommunications	(3,494,837)	(3,278,980)
Depreciation and amortization	(1,419,141)	(1,355,070)
Installations	(2,348,513)	(2,401,691)
Third-party services	(3,265,955)	(2,872,258)
Financial system services	(415,978)	(382,902)
Advertising, promotions and publication	(956,725)	(1,129,235)
Transportation	(583,074)	(595,708)
Materials	(459,891)	(456,022)
Security	(482,164)	(450,656)
Travel expenses	(188,915)	(166,925)
Other	(484,554)	(508,447)
Total	**(14,099,747)**	**(13,597,894)**

h) Other operating revenues

	01/01 to 12/31/2011	01/01 to 12/31/2010
Reversal of operating provisions	91,766	72,246
Recovery of charges and expenses	73,743	76,600
Other	227,019	379,787
Total	**392,528**	**528,633**

i) Other operating expenses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Provision for contingencies (Note 12b)	(1,677,868)	(1,461,568)
Civil lawsuits	(1,503,150)	(1,183,325)
Tax and social security contributions	(182,555)	(290,234)
Other	7,837	11,991
Selling - Credit cards	(1,652,723)	(1,616,829)
Claims	(662,372)	(508,476)
Provision for health insurance (Note 13c)	(16,565)	(10,373)
Refund of interbank costs	(212,371)	(192,510)
Other	(969,727)	(625,589)
Total	**(5,191,626)**	**(4,415,345)**

NOTE 14 - TAXES

a) Composition of expenses for taxes and contributions

I - We show below the Income Tax and Social Contribution due on the operations for the period and on temporary differences arising from additions and exclusions:

Due on operations for the period	01/01 to 12/31/2011	01/01 to 12/31/2010
Income before income tax and social contribution	**18,480,788**	**20,335,869**
Charges (income tax and social contribution) at the rates in effect (Note 4p)	(7,392,315)	(8,134,348)
Increase/decrease to income tax and social contribution charges arising from:		
Permanent additions (exclusions)	**3,651,879**	**1,622,239**
Investments in affiliates	58,203	125,566
Foreign exchange variation on investments abroad	1,096,927	(372,239)
Interest on capital	1,662,326	1,495,913
Dividends, interest on external debt bonds and tax incentives	281,254	297,655
Other (*)	553,169	75,344
Temporary (additions) exclusions	**(2,394,910)**	**2,079,860**
Allowance for loan losses	(2,320,453)	(972,969)
Excess (insufficiency) of depreciation of leased assets	(742,079)	720,289
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	(519,551)	245,114
Legal liabilities – tax and social security, contingent liabilities and restatement of escrow deposits	(383,572)	571,615
Realization of goodwill on purchase of investments	1,689,552	1,707,713
Other	(118,807)	(191,902)
(Increase) offset of tax losses/social contribution loss carryforwards	**(894,252)**	**304,592**
Expenses for income tax and social contribution	**(7,029,598)**	**(4,127,657)**
Related to temporary differences		
Increase (reversal) for the period	3,289,162	(2,384,453)
Increase (reversal) for prior periods	885,008	626,067
Income (expenses) from deferred taxes	**4,174,170**	**(1,758,386)**
Total income tax and social contribution	**(2,855,428)**	**(5,886,043)**

(*) It includes the effect arising from the Program for Cash or Installment Payment for Federal Taxes – Law No. 11,941/09 (Note 22k).

II - Composition of tax expenses:

	01/01 to 12/31/2011	01/01 to 12/31/2010
PIS and COFINS	(3,103,082)	(3,255,874)
ISS	(640,970)	(617,445)
Other	(347,926)	(295,103)
Total (Note 4p)	**(4,091,978)**	**(4,168,422)**

At ITAÚ UNIBANCO HOLDING tax expenses are basically composed of PIS and COFINS in the amount of R$ 184,843 (R$ 176,906 from 01/01 to 12/31/2010).

III- Tax effects on foreign exchange management of investments abroad

In order to minimize the effects on income in connection with the foreign exchange variation on investments abroad, net of respective tax effects, ITAÚ UNIBANCO HOLDING carries out derivative transactions in foreign currency (hedge), as mentioned in Note 22b.

Results of these transactions are considered in the calculation base of income tax and social contribution, according to their nature, while the foreign exchange variation on investments abroad is not included therein, pursuant to tax legislation in force.

b) Deferred taxes

I - The deferred tax asset balance and its changes, segregated based on its origin and disbursements incurred, are represented as

	PROVISIONS		
	12/31/2010	12/31/2011	12/31/2010
Reflected in income and expense accounts			
Related to income tax and social contribution loss carryforwards			2,998,746
Related to disbursed provisions			14,186,050
Allowance for loan losses			8,859,857
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)			38,789
Allowance for real estate			97,538
Goodwill on purchase of investments			5,042,680
Other			147,186
Related to non-disbursed provisions (*)	20,488,090	22,212,855	7,428,040
Related to the operation	15,956,695	17,154,440	5,887,366
Legal liabilities – tax and social security	2,254,255	2,583,708	1,313,554
Provision for contingent liabilities	7,721,774	7,220,399	2,417,799
Civil lawsuits:	2,668,275	2,996,792	1,038,062
Labor claims	2,349,996	2,607,421	883,981
Tax and social security contributions	2,618,848	1,565,401	462,671
Other	84,655	50,785	33,085
Adjustments of operations carried out in futures settlement market	149,244	30,051	54,693
Provision related to health insurance operations	606,364	622,930	242,546
Other non-deductible provisions	5,225,058	6,697,352	1,858,774
Related to provisions exceeding the minimum required not disbursed – allowance for loan losses	4,531,395	5,058,415	1,540,674
Reflected in stockholders' equity accounts – adjustment to market value of available-for-sale securities (Note 2b)	**307,371**	**345,745**	**116,468**
Total	**20,795,461**	**22,558,600**	**24,729,304**
Social contribution for offset arising from Option established in article 8 of Provisional Measure No. 2,158-35 of 08/24/2001			**847,216**

(*) From a financial point of view, rather than recording the provision of R$ 22,212,855 (R$ 20,488,090 at 12/31/2010) and deferred tax assets of R$ 8,118,38 corresponding tax effects should be considered, which would reduce the total deferred tax assets from R$ 28,282,922 (R$ 24,729,304 at 12/31/2010) to R$ 20,

At ITAÚ UNIBANCO HOLDING, the deferred tax assets totaled R$ 332,572 (R$ 226,835 at 12/31/2010) and are basically represented by legal liabilities – tax and s expected realization is dependent upon the progress of the lawsuit.

II - Provision for Deferred Income Tax and Social Contribution balance and its changes are shown as follows:

	12/31/2010	Realizat Revers
Reflected in income and expense accounts	**10,119,317**	**(2,9**
Depreciation in excess - leasing	8,295,516	(2,3
Restatement of escrow deposits and contingent liabilities	804,109	(1
Adjustment to market value of securities and derivative financial instruments	340,340	(3
Provision for Pension Plan Benefits	458,093	
Adjustments of operations carried out in future settlement market	56,993	
Taxation of results abroad - capital gains	42,477	
Other	121,789	(
Reflected in stockholders' equity accounts – adjustment to market value of available-for-sale securities (Note 2b)	**260,511**	**(**
Total	**10,379,828**	**(2,9**

At ITAÚ UNIBANCO, the Provision for deferred income tax and social contribution totals R$ 3,896 (R$ 3,051 at 12/31/2 escrow deposits and contingent liabilities.

III- The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001 and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2011, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

	Deferred tax assets					
	Temporary differences	Tax loss/social contribution loss carryforwards	Total	Social contribution for offset	Provision for deferred income tax and social contribution	Net deferred taxes
2012	8,346,247	820,827	9,167,074	158,602	(2,251,959)	7,073,717
2013	5,101,217	1,062,898	6,164,115	94,471	(2,950,695)	3,307,891
2014	3,373,662	1,488,784	4,862,446	238,512	(2,077,600)	3,023,358
2015	2,516,543	706,055	3,222,598	223,017	(962,204)	2,483,411
2016	1,713,417	52,714	1,766,131	-	(601,144)	1,164,987
Over 2016	3,027,985	72,573	3,100,558	-	(1,035,318)	2,065,240
Total	**24,079,071**	**4,203,851**	**28,282,922**	**714,602**	**(9,878,920)**	**19,118,604**
Present value (*)	**21,055,903**	**3,744,080**	**24,799,983**	**632,638**	**(8,663,398)**	**16,769,223**

(*) The average funding rate, net of tax effects, was used to determine the present value.

The projections of future taxable income include estimates related to macroeconomic variables, exchange rates, interest rates, volume of financial operations and services fees and others which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to taxable income for income tax and social contribution, due to differences existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the trend of the realization of deferred tax assets arising from temporary differences, income tax and social contribution loss carryforwards be not used as an indication of future net income.

IV - In view of the unconstitutionality lawsuit related to the increase in the social contribution rate, established by Articles 17 and 41 of Law No. 11,727 of June 24, 2008, filed on June 26, 2008 by the National Confederation of the Financial System (CONSIF), deferred tax assets were recorded up to the amount added to the Tax Liabilities, while the amount of R$ 991,823 is unrecorded (R$ 1,630,738 at December 31, 2010).

c) Tax and social security contributions

	12/31/2011	12/31/2010
Taxes and contributions on income payable	2,654,966	1,490,310
Taxes and contributions payable (*)	1,217,207	5,404,769
Provision for deferred income tax and social contribution (Note 14b II)	9,878,920	10,379,828
Legal liabilities – tax and social security	6,273,013	5,091,341
Total	**20,024,106**	**22,366,248**

(*) At June 30, 2011, the amounts subject to installment payment under the Program for Cash or Installment Payment of Federal Taxes, introduced by Law No. 11,941 of May 27, 2009 were settled.

At ITAÚ UNIBANCO HOLDING, the balance of Tax and Social Security Contributions totals R$ 821,107 (R$ 601,218 at December 31, 2010) and is basically comprised of Legal Liabilities - Tax and Social Security of R$ 816,213 (R$ 573,869 at December 31, 2010), whose nature refers to PIS and COFINS – Revenue x Gross Revenue. We request either the levy of taxes only on the revenue understood as income from sale of assets and services or the levy of PIS Repique (calculated on income tax payable) (at 5% of income tax due), in lieu of the levy on total revenues recorded, by alleging the unconstitutionality of paragraph 1 of article 3 of Law No. 9,718/98.

d) Taxes paid or provided for and withheld from third parties

The amount of taxes paid or provided for is basically levied on income, revenue and payroll. In relation to the amounts withheld and collected from third parties, the Company takes into consideration the interest on capital and on the service provision, in addition to that levied on financial operation.

	12/31/2011	12/31/2010
Taxes paid or provided for	14,542,246	11,768,825
Taxes withheld and collected from third parties	12,071,088	8,644,923
Total	**26,613,334**	**20,413,748**

NOTE 15 – PERMANENT ASSETS

a) Investments

I - Change of investments

Companies		Balances at 12/31/2010	Amortization of goodwill	Dividends and interest on capital paid/provided for (1)	Equity in earnings of subsidiaries and affiliates (2)	Adjustments in marke securities of subsidiari affiliates and Oth
Domestic		**61,007,900**	**(6,336)**	**(12,916,200)**	**9,819,233**	**(1**
Itaú Unibanco S.A.	(3a)(4a)(5a)(6)	45,678,429	(6,336)	(6,310,742)	5,845,294	(2
Banco Itaú BBA S.A.	(4b)(5b)(9)(7a)(8)	6,265,960	-	(2,867,054)	1,970,623	
Banco Itaucard S.A.	(4c)(5c)(9)	2,907,164	-	(3,033,862)	1,336,358	
Itaú Corretora de Valores S. A.	(9)	472,033	-	(92,150)	313,303	
Itaú-BBA Participações S.A.	(10)	1,750,799	-	(612,392)	266,001	(
Itauseg Participações S.A.	(11)	3,933,515	-	-	87,654	
Foreign		**2,022,024**	**(51,409)**	**(22,563)**	**473,797**	
Itaú Chile Holding, INC.	(3b)(7b)(12)	1,686,391	(45,242)	-	372,167	
Banco Itaú Uruguay S.A.	(3c)	225,982	(4,712)	-	48,792	
OCA S.A.	(3d)	75,184	(1,252)	(22,563)	47,116	
OCA Casa Financiera S.A.	(3e)	32,168	(182)	-	5,357	
ACO Ltda.	(3f)	2,299	(21)	-	365	
GRAND TOTAL		**63,029,924**	**(57,745)**	**(12,938,763)**	**10,293,030**	**(1**

(1) Dividends approved and not paid are recorded as Dividends receivable;

(2) At December 31, 2011, includes foreign exchange variation in the amount of R$ 265,783;

(3) At December 31, 2011, includes goodwill in the amounts of: (a) R$ 43,293; (b) R$ 226,206; (c) R$ 23,563; (d) R$ 6,261; (e) R$ 909; (f) R$ 106;

(4) At December 31, 2011, includes Adjustments of unrealized results in the results of operations and in investments, respectively, in the amounts of: (a) R$ 1,881 and R$ (6,443); (b) R$ 88 and

(5) At December 31, 2011, includes adjustments to standardize procedures under the scope of the investor in the results of operations and investments, respectively, in the amounts of: (a) R$ (9
(c) R$ 135,573 and R$ 13;

(6) At December 31, 2011, includes installment of dividends provided for in the amount of R$ 49,145;

(7) At December 31, 2011, Equity in earnings includes adjustment of securities arising from variation in interest during the period in the amount of: (a) R$ (20,740) and (b) R$ 4;

(8) Equity in earnings does not reflect the current interest in results of subsidiary company, due to variation in interest for the period.

(9) The investment and the equity in earnings reflect the different interest in preferred shares, profit sharing and dividends;

(10) At September 30, 2011 the reduction of capital of Itaú BBA Participações S.A. was determined, delivering the respective investment in Banco Itaú BBA S.A. to the parent company ITAÚ UN

(11) Investment sold to Banco Itaucard S.A. at April 11, 2011;

(12) Capital increase made on 06/08/2011.

Companies	Capital	Stockholders' equity	Net income for the period	Number of shares/quotas owned by ITAÚ UNIBANCO		
				Common	Preferred	Quotas
Domestic						
Itaú Unibanco S.A.	39,676,320	44,920,665	5,852,938	2,081,169,523	2,014,258,290	
Banco Itaú BBA S.A.	4,224,086	6,831,791	2,219,441	5,284,526	5,284,526	
Banco Itaucard S.A.	15,553,776	17,241,019	1,275,906	3,592,433,657	1,277,933,118	
Itaú Corretora de Valores S. A.	1,046,841	1,858,014	346,778	-	811,503	
Itaú-BBA Participações S.A.	25,196	48,124	266,002	12,953	25,906	
Foreign						
Itaú Chile Holding, INC.	524,209	1,949,002	146,464	100	-	
Banco Itaú Uruguay S.A.	155,320	246,359	23,241	1,639,430,739	-	
OCA S.A.	14,232	92,223	36,787	1,502,176,740	-	
OCA Casa Financiera S.A.	18,366	36,434	1,432	646	-	
ACO Ltda.	13	2,557	87	-	-	

II - Composition of investments

	12/31/2011	12/31/2010
Investment in affiliates	**1,684,423**	**2,058,988**
Domestic	**1,464,935**	**1,376,262**
Serasa S.A.	271,636	254,379
Porto Seguro Itaú Unibanco Participações S.A.	1,155,677	1,079,773
Tecnologia Bancária S.A.	37,534	42,009
Other	88	101
Foreign	**219,488**	**682,726**
Banco BPI, S.A. (BPI) (*)	218,763	682,346
Other	725	380
Other investments	**1,235,566**	**1,379,070**
Investments through tax incentives	166,946	160,575
Equity securities	11,800	9,903
Shares and quotas	310,735	395,717
Interest in Instituto de Resseguros do Brasil - IRB	227,170	227,170
Other	518,915	585,705
(Allowance for loan losses)	**(203,348)**	**(188,270)**
Total	**2,716,641**	**3,249,788**

(*) *In 2011 an impairment of the investment was recognized in the amount of R$ 276,794, which was calculated based on market value in relation to its book value.*

III- Equity in earnings of affiliates and other investments

	01/01 to 12/31/2011	01/01 to 12/31/2010
Investment in affiliates - Domestic	275,875	272,783
Investment in affiliates – Foreign (Note 15a II)	(342,744)	72,153
Dividends received from Other investments	119,363	84,820
Other	(12,997)	(6,663)
Total	**39,497**	**423,093**

b) Fixed assets, goodwill and intangible assets

I) Fixed assets

	Annual depreciation/ amortization rates (%)	Balance at 12/31/2010	CHANGES		
			Acquisitions	Depreciation and amortization expenses	Impairment
REAL ESTATE IN USE (1)					
REAL ESTATE IN USE (2)(3)		**1,769,523**	**247,438**	**(95,787)**	**-**
Land		**971,170**	**166,779**	**-**	**-**
Buildings		**798,353**	**80,659**	**(95,787)**	**-**
Cost		2,320,572	80,659	-	-
Accumulated depreciation	4	(1,522,219)	-	(95,787)	-
OTHER FIXED ASSETS (3)		**2,954,268**	**1,655,491**	**(1,087,709)**	**(14,784)**
Improvements		**625,257**	**228,682**	**(241,708)**	**-**
Cost		1,108,895	228,682	-	-
Accumulated depreciation	10	(483,638)	-	(241,708)	-
Installations		**266,520**	**179,411**	**(52,982)**	**-**
Cost		769,685	179,411	-	-
Accumulated depreciation	10 to 20	(503,165)	-	(52,982)	-
Furniture and equipment		**428,408**	**220,303**	**(63,152)**	**(14,784)**
Cost		843,615	220,303	-	(14,784)
Accumulated depreciation	10 to 20	(415,207)	-	(63,152)	-
EDP systems (4)		**1,404,459**	**941,865**	**(676,532)**	**-**
Cost		4,746,283	941,865	-	-
Accumulated depreciation	20 to 50	(3,341,824)	-	(676,532)	-
Other (communication, security and transportation)		**229,624**	**85,230**	**(53,335)**	**-**
Cost		530,420	85,230	-	-
Accumulated depreciation	10 to 20	(300,796)	-	(53,335)	-
TOTAL REAL ESTATE IN USE		**4,723,791**	**1,902,929**	**(1,183,496)**	**(14,784)**
Cost		11,290,640	1,902,929	-	(14,784)
Accumulated depreciation		(6,566,849)	-	(1,183,496)	-

(1) There is the contractual commitment for the purchase of fixed assets in the amount of R$ 166,315 thousand;

(2) Includes amounts pledged in guarantee of voluntary deposits (Note 12b);

(3) Includes the amount of R$ 2,203 thousand related to attached real estate; fixed assets under construction in the amount of R$ 130,958 thousand, consisting of R$ 56,139 th and R$ 23,855 thousand in equipment;

(4) Includes lease contracts, mainly related to data processing equipment, which are accounted for as finance lease. Pursuant to this method, assets and liabilities are acc consistently with the depreciation criteria usually adopt for own assets. These contracts amount to R$ 302,531 thousand at December 31, 2011.

II) Goodwill

		CHANGES		
	Balance at 12/31/2010	Acquisitions	Other	Balance at 12/31/2011
GOODWILL (Notes 2b and 4k) (*)	**67,617**	**52,169**	**(24,095)**	**95,691**

(*) At August 1, 2011, ITAÚ UNIBANCO HOLDING acquired 50% plus 1 share of capital of MCC Securities Inc (Cayman Islands) for R$ 50,748, of which R$ 48,415 for the equity interest and R$ 2,333 for the exclusivity right to act on the sale of MCC Securities business. The transaction gave rise to a goodwill of R$ 52,169 and this interest was proportionally consolidated in the financial statements of ITAÚ UNIBANCO HOLDING.

III) Intangible assets

	Annual depreciation/ amortization rates (%) (2)	Balance at 12/31/2010	CHANGES		
			Acquisitions	Depreciation and amortization expenses (3)	Impairment (5)
INTANGIBLE ASSETS (1)					
RIGHTS FOR ACQUISITION OF PAYROLL (4)		**1,129,854**	**366,311**	**(602,502)**	**(24,113)**
Cost		2,414,697	366,311	-	(24,113)
Accumulated amortization	until 9	(1,284,843)	-	(602,502)	-
OTHER INTANGIBLE ASSETS		**1,804,003**	**1,589,576**	**(380,565)**	**(5,816)**
Association for the promotion and offer of financial products and services		**1,115,272**	**303,526**	**(113,670)**	**(5,816)**
Cost		1,171,228	303,526	-	(5,816)
Accumulated amortization	until 5	(55,956)	-	(113,670)	-
Expenditures on acquisition of software		**532,147**	**981,414**	**(207,737)**	**-**
Cost		1,014,957	981,414	-	-
Accumulated amortization	20	(482,810)	-	(207,737)	-
Other intangible assets		**156,584**	**304,636**	**(59,158)**	**-**
Cost		270,793	304,636	-	-
Accumulated amortization	10 to 20	(114,209)	-	(59,158)	-
TOTAL INTANGIBLE ASSETS		**2,933,857**	**1,955,887**	**(983,067)**	**(29,929)**
Cost		4,871,675	1,955,887	-	(29,929)
Accumulated amortization		(1,937,818)	-	(983,067)	-

(1) There are no contractual commitments for purchase of new intangible assets;

(2) All intangible assets have defined useful lives, except for goodwill on acquisition;

(3) Amortization expenses of the rights for acquisition of payrolls and partnerships are disclosed in the expenses on financial operations.

(4) Represents the recording of amounts paid for acquisition of rights to provide services of payment of salaries, proceeds, retirement and pension benefits, and similar benefits;

(5) Pursuant to BACEN Resolution No. 3,566, of May 29, 2001 (Note 13i).

NOTE 16 – STOCKHOLDERS' EQUITY

a) Shares

At the Extraordinary Stockholders Meeting held on April 25, 2011 homologated by the Brazilian Central Bank on August 22, 2011, the stockholders approved a 1-to-100 reverse stock split and simultaneously a 100-to-1 stock split. Said operation required cancellation of 75 common shares and 44 preferred shares, all of which are book-entry shares of Company's own issue and existing in treasury, with no capital reduction.

Capital comprises 4,570,936,100 book-entry shares with no par value, of which 2,289,286,400 are common and 2,281,649,700 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares. Capital stock amounts to R$ 45,000,000 (R$ 45,000,000 at December 31, 2010), of which R$ 31,551,752 (R$ 31,546,933 at December 31, 2010) refers to stockholders domiciled in the country and R$ 13,448,248 (R$ 13,453,067 at December 31, 2010) refers to stockholders domiciled abroad.

The table below shows the change in shares of capital stock and treasury shares during the period:

	NUMBER			Amount
	Common	Preferred	Total	
Residents in Brazil at 12/31/2010	2,286,135,621	918,287,035	3,204,422,656	
Residents abroad at 12/31/2010	3,150,854	1,363,362,709	1,366,513,563	
Shares of capital stock at 12/31/2010	**2,289,286,475**	**2,281,649,744**	**4,570,936,219**	
Cancellation of Shares – ESM of 04/25/2011 – Approved at 08/22/2011	(75)	(44)	(119)	
Shares of capital stock at 12/31/2011	**2,289,286,400**	**2,281,649,700**	**4,570,936,100**	
Residents in Brazil at 12/31/2011	2,283,888,835	921,023,218	3,204,912,053	
Residents abroad at 12/31/2011	5,397,565	1,360,626,482	1,366,024,047	
Treasury shares at December 31, 2010 (*)	**2,202**	**26,566,015**	**26,568,217**	**(628,577)**
Purchase of shares	-	40,970,900	40,970,900	(1,302,638)
Exercised options - Granting of stock options – Simple and Bonus options	-	(5,977,962)	(5,977,962)	117,034
Disposals – Stock option plan	(27)	(4,264,938)	(4,264,965)	150,619
(-) Cancellation of Shares – ESM of 04/25/2011	(75)	(44)	(119)	-
Treasury shares at December 31, 2011 (*)	**2,100**	**57,293,971**	**57,296,071**	**(1,663,562)**
Outstanding shares at December 31, 2011	**2,289,284,300**	**2,224,355,729**	**4,513,640,029**	
Outstanding shares at December 31, 2010	**2,289,284,273**	**2,255,083,729**	**4,544,368,002**	

(*) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market.

We detail below the costs of shares purchased in the period, as well as the average cost of treasury shares and their market price at December 31, 2011:

Cost/Market value	Common	Preferred
Minimum	-	26.20
Weighted average	-	31.79
Maximum	-	37.40
Treasury shares		
Average cost	9.65	29.03
Market value	27.01	33.99

b) Dividends

Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law. Both types of shares participate equally, after common shares have received dividends equal to the annual minimum priority dividend of R$ 0.022 per share to be paid to preferred shares.

The calculation of the monthly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, taking into consideration that the payment is made on the first business day of the subsequent month, in the amount of R$ 0.012 per share. The value per share will be maintained according to resolution adopted at the A/ESM held on April 24, 2009, so that total amounts monthly paid by the Company to stockholders will be increased by 10%, from October 1, 2009, date the bonus shares are included in the share position.

I - Calculation

Net income	11,890,196	
Adjustments:		
(-) Legal reserve	(594,510)	
Dividend calculation basis	11,295,686	
Mandatory minimum dividend	2,823,922	
Mandatory paid/provided for	4,393,807	38.9%

II - Payments/Provision for interest on capital and dividends

	Gross	WTF	Net
Paid / Prepaid	**1,820,516**	**(183,313)**	**1,637,203**
Dividends - 11 monthly installments of R$ 0,012 per share paid from February to December 2011	598,427	-	598,427
Interest on capital - R$ 0,2706 per share, paid on August 22, 2011	1,222,089	(183,313)	1,038,776
Declared until December 31, 2011 (Recorded in Other Liabilities – Social and Statutory)	**1,386,584**	**(199,865)**	**1,186,719**
Dividends - 1 monthly installment of R$ 0,012 per share, paid on January 2, 2012	54,151	-	54,151
Interest on capital - R$ 0,2880 per share, credited on December 29, 2011 to be paid until April 30, 2012	1,299,882	(194,982)	1,104,900
Interest on capital - R$ 0,0072 per share to be paid until April 30, 2012	32,551	(4,883)	27,668
Declared after December 31, 2011 (Recorded in Revenue Reserve - Unrealized profits) (*)	**1,846,923**	**(277,038)**	**1,569,885**
Interest on capital - R$ 0,4092 per share to be paid until April 30, 2012	1,846,923	(277,038)	1,569,885
Total from 01/01 to 12/31/2011 - R$ 0.9727 net per share	**5,054,023**	**(660,216)**	**4,393,807**
Total from 01/01 to 12/31/2010- R$ 0,8607 net per share	**4,482,550**	**(574,436)**	**3,908,114**

(*) In compliance with BACEN Circular Letter nº 3.516, of july 21, 2011.

c) Capital and revenue reserves

	12/31/2011	12/31/2010
CAPITAL RESERVES	**763,413**	**594,734**
Premium on subscription of shares	283,512	283,512
Granted options recognized – Law No. 11,638	478,796	310,117
Reserves from tax incentives and restatement of equity securities and other	1,105	1,105
REVENUE RESERVES	**34,422,444**	**25,661,505**
Legal	3,848,025	3,253,516
Statutory:	28,727,496	22,407,989
Dividends equalization (1)	8,576,671	6,718,349
Working capital increase (2)	8,749,186	6,917,094
Increase in capital of investees (3)	11,401,639	8,772,546
Unrealized profits (4)	1,846,923	-

(1) Reserve for Dividends Equalization – its purpose is to guarantee funds for the payment of advances of dividends, including interest on capital, to maintain the flow of the stockholders' compensation;

(2) Reserve for Working Capital Increase – its purpose is to guarantee funds for the company's operations;

(3) Reserve for Increase in Capital of Investees – its purpose is to guarantee the preferred subscription right in the capital increases of investees;

(4) Refers to Interest on Capital declared after December 31, 2011, in compliance with BACEN Circular Letter nº 3.516, of july 21, 2011.

d) Reconciliation of net income and stockholders' equity (Note 2b)

	Net income		Stockholders' equity	
	01/01 to 12/31/2011	01/01 to 12/31/2010	12/31/2011	12/31/2010
ITAÚ UNIBANCO HOLDING	**11,890,196**	**10,272,015**	**78,383,153**	**70,644,790**
Amortization of goodwill	2,779,263	2,999,772	(7,035,820)	(9,815,083)
Unrealized income (loss) and Other	(48,838)	51,176	-	48,838
ITAÚ UNIBANCO HOLDING CONSOLIDATED	**14,620,621**	**13,322,963**	**71,347,333**	**60,878,545**

e) Minority interest in subsidiaries

	Stockholders' equity		Results	
	12/31/2011	12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010
Unibanco Participações Societárias S.A. (1)	-	1,190,343	(36,476)	(85,213)
Itau Bank, Ltd. (2)	740,703	657,794	-	-
Redecard S.A.	793,779	700,064	(705,252)	(699,728)
Biu Participações S.A.	103,659	109,108	(34,510)	(25,236)
Itaú Gestão de Ativos S.A.	62,390	60,041	(3,034)	(6)
Biogeração de Energia S.A.	11,440	25,077	9,083	1,290
Investimentos Bemge S.A.	18,738	17,485	(1,266)	(1,049)
Investment funds	397,679	741,455	(35,341)	(54,655)
Other	10,516	11,536	(6,020)	(1,326)
Total	**2,138,904**	**3,512,903**	**(812,816)**	**(865,923)**

(1) On July 28, 2011, Dibens Leasing S.A. Arrendamento Mercantil, subsidiary of ITAÚ UNIBANCO HOLDING, acquired minority interest in subsidiary Unibanco Participações Societárias for the amount of R$ 1,226,847.

(2) Represented by redeemable preferred shares issued on December 31, 2002 by Itau Bank Ltd., in the amount of US$ 393,072 thousand, with maturity on March 31, 2015 and semiannual dividends calculated based on LIBOR plus 1.25% p.a..

f) Stock Option Plan

I – Purpose and Guidelines of the Plan

The Group has a stock option plan for its executives. This program aims at involving the management members in the medium and long-term corporate development process, by granting simple stock options or partner options, personal, not pledgeable or transferable, which entitle to the subscription of one authorized capital share or, at the discretion of the management, one treasury share which has been acquired for replacement purposes.

Such options may only be granted in years in which there are sufficient profits to enable the distribution of mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the base date of the year-end balance sheet. The ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the total quantity, the beneficiaries, the type of option, the life of the option under each series, which may range from a minimum of 5 and a maximum of 10 years, and the vesting period for exercising the options and the period the acquired shares are unavailable due to the exercise of the options. The executive officers and Board of Directors members of ITAÚ UNIBANCO HOLDING and of its subsidiaries and employees may participate in this program, based on assessment of potential and performance.

Currently, ITAÚ UNIBANCO HOLDING settles the benefits under this PLAN only by delivering its own shares, which are held in treasury until the effective exercise of the options by the beneficiaries.

II - Characteristics of the Programs

II.I – Simple Options

Prior Programs

Before the merger, Itaú and Unibanco each had Stock Option Plans (Prior Programs). The eligible beneficiaries of the program were granted simple options, depending upon the individual employee performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA trading sessions over the period of at least one (1) and at the most three (3) months prior to the option issue date; alternatively, subject to the positive or negative adjustment of up to 20%, and restated until the last business day of the month prior to the option exercise date based either on the IGP-M or IPCA, in its absence, based on the index determined by the Committee. Options are no longer granted under this model.

Post-Merger Program

The eligible beneficiaries of the program are granted simple options, dependent upon the individual employee performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA in the last three months of the year prior to the grating date or alternatively, subject to the positive or negative adjustments of up to 20% in the period of at least one. The exercise price is adjusted based on the IGPM or, in its absence, based on the index determined by the committee.

The vesting period is from one (1) to seven (7) years, counted from the issue date.

II.II – Partners Plan

Executives selected to participate in the program may invest a percentage of their bonus to acquire shares or they have the right to receive shares ("Share-Based Instrument"). Title to the shares acquired, as well as the share-based instruments, should be held by the executives for a period of 3 to 5 years and they are subject to market fluctuation. At the time they acquire own shares and/or share-based instruments, Partner Options are granted in accordance with the classification of executives. Vesting period of Partner Options or share-based instruments is from 1 to 7 years. Share-based instruments and Partner options are converted into own shares of ITAÚ UNIBANCO HOLDING in the ratio of one share for each instrument after the respective vesting period, with no payment of amounts in legal tender during the exercise.

The acquisition price of own shares and Share-Based Instruments is established every six months and it is equivalent to the average preferred share quotation at the BM&FBOVESPA trading sessions in the 30 days prior to the determination of said price.

Title to the shares received after the vesting period of the Partner Options should be held, without any liens or encumbrances, for periods from 5 to 8 years, counted from the date of acquisition of own shares.

Summary of Changes in the Plan

Granting		Vesting period	Exercise	Restated exercise	Exercised options		Number of shares				
					Weighted average	Weighted average	Prior balance				To be exercised
NO.	Date	until	until	price (R$ 1)	exercise price	market price	12/31/2010	Granted	Exercised	Forfeited (*) / Cancelled	at 12/31/2011
Simple Options											
10th	02/16/2004	12/31/2008	12/31/2011	13.46	13.23	35.17	712,942	-	712,942	-	-
27th	02/01/2005	05/05/2009	01/31/2011	16.52	16.42	39.50	12,650	-	12,650	-	-
11th	02/21/2005	12/31/2009	12/31/2012	18.94	18.39	34.88	2,877,600	-	1,912,825	27,500	937,275
11th	08/01/2005	12/31/2009	12/31/2012	18.94	18.39	34.88	27,500	-	27,500	-	-
11th	08/06/2007	12/31/2009	12/31/2012	18.94	-	-	11,357	-	-	-	11,357
27th	02/01/2005	02/01/2010	01/31/2011	16.52	16.42	39.50	16,389	-	16,389	-	-
34th	03/21/2007	03/21/2010	03/20/2011	35.34	-	-	75,901	-	-	75,901	-
35th	03/22/2007	03/22/2010	03/21/2011	35.31	-	-	29,518	-	-	29,518	-
30th	07/04/2006	07/04/2010	07/03/2011	28.49	28.45	36.48	52,710	-	52,710	-	-
29th	09/19/2005	09/19/2010	09/18/2011	21.77	21.30	38.45	12,650	-	12,650	-	-
12th	02/21/2006	12/31/2010	12/31/2013	28.18	27.30	36.42	8,025,250	-	1,110,385	60,500	6,854,365
12th	08/06/2007	12/31/2010	12/31/2013	28.18	-	-	15,867	-	-	-	15,867
16th	08/10/2009	12/31/2010	12/31/2014	32.05	-	-	874,167	-	-	-	874,167
34th	03/21/2007	03/21/2011	03/20/2012	36.85	-	-	75,901	-	-	-	75,901
35th	03/22/2007	03/22/2011	03/21/2012	36.80	-	-	29,518	-	-	-	29,518
36th	05/14/2008	05/14/2011	05/13/2012	45.79	-	-	25,301	-	-	-	25,301
30th	07/04/2006	07/04/2011	07/03/2012	29.21	-	-	52,707	-	-	-	52,707
33rd	08/30/2006	08/30/2011	08/29/2012	32.34	-	-	21,083	-	-	-	21,083
13th	02/14/2007	12/31/2011	12/31/2014	35.89	34.82	36.93	8,546,975	-	507,375	306,625	7,732,975
13th	08/06/2007	12/31/2011	12/31/2014	35.89	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	35.89	-	-	45,954	-	-	-	45,954
Total options to be exercised					**21.84**	**35.62**	**21,572,589**	**-**	**4,365,426**	**500,044**	**16,707,119**
34th	03/21/2007	03/21/2012	03/20/2013	36.85	-	-	75,901	-	-	-	75,901
35th	03/22/2007	03/22/2012	03/21/2013	36.80	-	-	29,514	-	-	-	29,514
36th	05/14/2008	05/14/2012	05/13/2013	45.79	-	-	25,300	-	-	-	25,300
17th	09/23/2009	09/23/2012	12/31/2014	37.02	-	-	29,551	-	-	-	29,551
14th	02/11/2008	12/31/2012	12/31/2015	41.37	-	-	10,846,487	-	-	1,580,421	9,266,066
14th	05/05/2008	12/31/2012	12/31/2015	41.37	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	41.37	-	-	45,954	-	-	-	45,954
36th	05/14/2008	05/14/2013	05/13/2014	45.79	-	-	25,300	-	-	-	25,300
15th	03/03/2009	12/31/2013	12/31/2016	27.06	26.97	33.88	15,067,330	-	804,770	147,620	14,114,940
15th	10/28/2009	12/31/2013	12/31/2016	27.06	-	-	45,954	-	-	-	45,954
18th	04/17/2010	12/31/2014	12/31/2017	43.95	-	-	6,126,609	-	-	74,386	6,052,223
18th	05/11/2010	12/31/2014	12/31/2017	43.95	-	-	1,206,340	-	-	42,421	1,163,919
37th	04/19/2011	12/31/2015	12/31/2018	42.93	-	-	-	9,863,110	-	93,678	9,769,432
Total options outstanding					**26.97**	**33.88**	**33,544,865**	**9,863,110**	**804,770**	**1,938,526**	**40,664,679**
Total simple options					**22.64**	**35.35**	**55,117,454**	**9,863,110**	**5,170,196**	**2,438,570**	**57,371,798**
Partner Options											
04th	03/03/2008	03/03/2011	-	-	-	37.22	416,487	-	376,581	-	39,906
05th	09/03/2008	09/03/2011	-	-	-	28.83	490,624	-	431,185	12,729	46,710
Total options to be exercised						**37.22**	**907,111**	**-**	**807,766**	**12,729**	**86,616**
06th	03/06/2009	03/06/2012	-	-	-	-	740,362	-	-	21,339	719,023
07th	06/19/2009	03/06/2012	-	-	-	-	79,446	-	-	-	79,446
01st	09/03/2007	09/03/2012	-	-	-	-	329,181	-	-	19,673	309,508
03rd	02/29/2008	09/03/2012	-	-	-	-	33,474	-	-	-	33,474
04th	03/03/2008	03/03/2013	-	-	-	-	415,930	-	-	27,498	388,432
08th	08/17/2010	08/16/2013	-	-	-	-	376,916	-	-	37,284	339,632
09th	08/30/2010	08/16/2013	-	-	-	-	359,991	-	-	30,280	329,711
11th	09/30/2010	08/16/2013	-	-	-	-	17,717	-	-	-	17,717
05th	09/03/2008	09/03/2013	-	-	-	-	490,126	-	-	40,684	449,442
10th	09/30/2010	09/29/2013	-	-	-	-	1,940,987	-	-	78,578	1,862,409
12th	02/28/2011	02/28/2014	-	-	-	-	-	1,585,541	-	26,957	1,558,584
06th	03/06/2009	03/06/2014	-	-	-	-	739,608	-	-	35,004	704,604
07th	06/19/2009	03/06/2014	-	-	-	-	79,445	-	-	-	79,445
14th	11/04/2011	08/18/2014					-	509	-	-	509
13th	08/19/2011	08/19/2014	-	-	-	-	-	706,397	-	-	706,397
08th	08/17/2010	08/16/2015	-	-	-	-	376,876	-	-	37,953	338,923
09th	08/30/2010	08/16/2015	-	-	-	-	359,962	-	-	30,810	329,152
11th	09/30/2010	08/16/2015	-	-	-	-	17,712	-	-	-	17,712
10th	09/30/2010	09/29/2015	-	-	-	-	1,940,951	-	-	82,433	1,858,518
12th	02/28/2011	02/28/2016	-	-	-	-	-	1,585,497	-	28,282	1,557,215
13th	08/19/2011	08/19/2016	-	-	-	-	-	706,338	-	-	706,338
14th	11/04/2011	08/18/2016	-	-	-	-	-	508	-	-	508
Total options outstanding					**-**	**-**	**8,298,684**	**4,584,790**	**-**	**496,775**	**12,386,699**
Total Partner Options					**-**	**37.22**	**9,205,795**	**4,584,790**	**807,766**	**509,504**	**12,473,315**
TOTAL SIMPLE AND PARTNER OPTIONS					**22.84**	**32.92**	**64,323,249**	**14,447,900**	**5,977,962**	**2,948,074**	**69,845,113**

(*) Refers to the non-exercise due to the beneficiary's option.

III - Fair Value and Economic Assumptions for Cost Recognition

ITAÚ UNIBANCO HOLDING recognizes, at the granting date, the fair value of options through the Binomial method for simple options and the Black & Scholes method for partner options. Economic assumptions used are as follows:

Exercise price: for the option exercise price, the exercise price previously agreed-upon at the option issue is adopted, adjusted by the IGP-M variation;

Price of the Underlying Asset: the share price of Itaú Unibanco Holding (ITUB4) used for calculation is the closing price at BOVESPA on the calculation base date;

Expected dividends: the average annual return rate for the last three years of the dividends paid, plus interest on capital of the ITUB4 share;

Risk-free interest rate: the applied risk-free rate is the IGP-M coupon rate at the expiration date of the option plan;

Expected volatility: calculated based on the standard deviation from the history of the last 84 monthly returns of closing prices of the ITUB4 share, released by BOVESPA, adjusted by the IGP-M variation.

Granting		Vesting period until	Exercise period until	Price of underlying asset	Fair value	Expected dividends	Risk-free interest rate	Expected volatility
No.	Date							
Simple Options								
37th	4/19/2011	12/31/2015	12/31/2018	37.26	11.02	2.97%	5.80%	30.53%
Partner Options (*)								
12th	2/28/2011	2/28/2014	-	37.00	33.85	2.97%	-	-
12th	2/28/2011	2/28/2016	-	37.00	31.83	2.97%	-	-
13th	8/19/2011	8/19/2014	-	26.65	24.39	2.97%	-	-
13th	8/19/2011	8/19/2016	-	26.65	22.98	2.97%	-	-
14th	11/4/2011	8/18/2014	-	32.62	30.04	2.97%	-	-
14th	11/4/2011	8/18/2016	-	32.62	28.30	2.97%	-	-

(*) The fair value of Partner option is measured based on the fair value of Itaú Unibanco share at the granting date.

IV - Accounting Effects Arising from Options

The exercise of stock options, pursuant to the Plan's regulation, resulted in the sale of preferred shares held in treasury thus far. The accounting entries related to the plan are recorded during the vesting period, at the deferral of the fair value of options granted with effect on Income, and during the exercise of options, at the amount received from the option exercise price, reflected in Stockholders' Equity.

The effect of Income for the period from January 1 to December 31, 2011 was R$ 162,663 (R$ 131,660 from January 1 to December 31, 2010), as contra-entry to Capital Reserve – Granted Options Recognized – Law No. 11,638 (Note 16 c).

In the Stockholders' Equity, the effect was as follows:

Amount received for the sale of shares – exercised options	353,036
(-) Cost of treasury shares sold	(267,653)
(+) Write-off of cost recognized of exercised options	(6,016)
Effect on sale (*)	79,367

(*) Recorded in revenue reserves.

NOTE 17 – RELATED PARTIES

a) Transactions between related parties are disclosed in compliance with CVM Resolution No. 642, of October 7, 2010, and CMN Resolution No. 3,750 of June 30, 2009. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation were eliminated from the consolidated financial statements and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- Itaú Unibanco Participações S.A.(IUPAR) and ITAÚSA, parents company of ITAÚ UNIBANCO HOLDING.

- Its non-financial subsidiaries of ITAÚSA, especially: Itautec S.A., Duratex S.A., Elekeiroz S.A. and Itaúsa Empreendimentos S.A.;

- Fundação Itaubanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev, Itaubank Sociedade de Previdência Privada, UBB – Prev Previdência Complementar, and Fundação Banorte Manuel Baptista da Silva de Seguridade Social, closed-end private pension entities that administer supplementary retirement plans sponsored by ITAÚ UNIBANCO HOLDING and/or its subsidiaries;

- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema, and Associação Clube “A”, entities sponsored by ITAÚ UNIBANCO and subsidiaries to act in their respective areas of interest, as described in Notes 22e and 22j; and

- Investments in Porto Seguro Itaú Unibanco Participações S.A., SERASA S.A. and Banco BPI, S.A.

Additionally, there are operations with jointly controlled entities, particularly Banco Investcred Unibanco S.A., Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento, Luizacred S.A. Soc. Créd. Financiamento e Investimento, FAI Financeira Americanas Itaú S.A. Crédito, Financiamento Investimento, FIC Promotora de Vendas Ltda. and Ponto Frio Leasing S.A. Arrendamento Mercantil.

The transactions with these related parties are basically characterized by:

	ITAÚ UNIBANCO HOLDING				ITAÚ UNIBANCO HOLDING CONSOLIDATED			
	ASSETS/(LIABILITIES)		REVENUE/(EXPENSES)		ASSETS/(LIABILITIES)		REVENUE/(EXPENSES)	
	12/31/2011	12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010	12/31/2011	12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010
Interbank investments	**26,289,384**	**10,418,693**	**2,310,797**	**918,826**	**1,836,298**	**725,505**	**189,841**	**112,010**
Itaú Unibanco S.A.	26,289,384	10,418,693	2,310,797	918,826	-	-	-	-
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	-	-	-	-	618,853	426,710	56,483	35,089
FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	-	-	-	-	235,967	282,172	31,097	17,769
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	-	-	-	-	981,478	-	102,261	59,123
Other	-	-	-	-	-	16,623	-	29
Derivative financial instruments	**-**	**-**	**(183)**	**(1,509)**	**-**	**-**	**-**	**-**
Itaú Unibanco S.A.	-	-	(183)	(1,509)	-	-	-	-
Deposits	**(4,832,444)**	**(3,344,008)**	**(445,936)**	**(269,784)**	**(76,573)**	**(92,623)**	**-**	**-**
Itaú Unibanco S.A.	(4,832,444)	(3,344,008)	(445,936)	(269,784)	-	-	-	-
Duratex S.A.	-	-	-	-	(1,596)	(46,415)	-	-
Elekeiroz S.A.	-	-	-	-	-	(30,621)	-	-
Itautec S.A.	-	-	-	-	-	(8,364)	-	-
Porto Seguro S.A.	-	-	-	-	-	(1,514)	-	-
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	-	-	-	-	(56,804)	(248)	-	-
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	-	-	-	-	(18,055)	(277)	-	-
Ponto Frio Leasing S.A. Arrendamento Mercantil	-	-	-	-	-	(5,184)	-	-
Banco Investcred Unibanco S.A.	-	-	-	-	(15)	-	-	-
Other	-	-	-	-	(103)	-	-	-
Repurchase agreements	**-**	**-**	**-**	**-**	**(100,494)**	**(104,272)**	**(20,865)**	**(18,692)**
Itaúsa Empreendimentos S.A.	-	-	-	-	-	(51,989)	-	-
Duratex S.A.	-	-	-	-	-	(8,454)	(4,031)	(2,309)
Elekeiroz S.A.	-	-	-	-	-	-	(3,214)	(1,556)
Itautec S.A.	-	-	-	-	-	(17,789)	-	-
FIC Promotora de Venda Ltda.	-	-	-	-	(6,078)	(6,216)	(782)	(442)
Facilita Promotora S.A.	-	-	-	-	(7,373)	-	(717)	-
Olimpia Promoção e Serviços S.A.	-	-	-	-	(2,319)	(9,496)	(450)	-
Banco Investcred Unibanco S.A.	-	-	-	-	(14,271)	(9,335)	(1,421)	(1,117)
Maxfácil Participações S.A	-	-	-	-	(63,753)	-	(6,662)	-
Porto Seguro S.A.	-	-	-	-	-	-	(32)	(11,577)
Other	-	-	-	-	(6,700)	(993)	(3,556)	(1,691)
Amounts receivable from (payable to) related companies	**(3,939)**	**(384)**	**-**	**-**	**(95,680)**	**(80,877)**	**-**	**-**
Itaú Unibanco S.A.	(3,557)	-	-	-	-	-	-	-
Itaú Corretora de Valores S. A.	(382)	(384)	-	-	-	-	-	-
Itaúsa Investimentos Itaú S.A.	-	-	-	-	82	-	-	-
Porto Seguro S.A.	-	-	-	-	10,925	38,540	-	-
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	-	-	-	-	(4)	6,007	-	-
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	-	-	-	-	(1,098)	(1,372)	-	-
Olimpia Promoção e Serviços S.A.	-	-	-	-	(173)	(130)	-	-
Banco Investcred Unibanco S.A.	-	-	-	-	-	10	-	-
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento	-	-	-	-	(520)	(25,229)	-	-
Fundação Itaubanco	-	-	-	-	1,254	-	-	-
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	279	-	-	-
Caixa de Prev.dos Func. do Banco Beg - PREBEG	-	-	-	-	(8,688)	-	-	-
Fundação BEMGEPREV	-	-	-	-	(3,193)	(13,303)	-	-
UBB Prev Previdência Complementar	-	-	-	-	(18,712)	(17,364)	-	-
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	-	-	-	-	(76,110)	(79,222)	-	-
Other	-	-	-	-	278	11,186	-	-
Banking services fees (expenses)	**-**	**-**	**(4,824)**	**(4,520)**	**-**	**-**	**(15,673)**	**3,807**
Itaú Corretora de Valores S. A.	-	-	(4,782)	(4,520)	-	-	-	-
Fundação Itaubanco	-	-	-	-	-	-	21,160	9,537
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	4,863	3,012
UBB Prev Previdência Complementar	-	-	-	-	-	-	1,358	2,764
Itaúsa Investimentos S.A.	-	-	-	-	-	-	1,141	1,324
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	-	-	-	-	-	-	(20,133)	1,939
FAI Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	-	-	-	-	-	-	(2,292)	-
Porto Seguro S.A.	-	-	-	-	-	-	(25,889)	(18,404)
Other	-	-	(42)	-	-	-	4,119	3,635
Rent revenues (expenses)	**-**	**-**	**(226)**	**(410)**	**-**	**-**	**(37,422)**	**(28,773)**
Itaúsa Investimentos S.A.	-	-	(16)	(29)	-	-	-	(1,353)
Itaú Seguros S.A.	-	-	(161)	-	-	-	-	-
Fundação Itaubanco	-	-	-	-	-	-	(26,536)	(15,400)
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	(9,566)	(7,563)
Other	-	-	(49)	(381)	-	-	(1,320)	(4,457)
Donation expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(57,110)**	**(44,673)**
Instituto Itaú Cultural	-	-	-	-	-	-	(56,400)	(44,000)
Fundação Itaú Social	-	-	-	-	-	-	(280)	(273)
Associação Clube "A"	-	-	-	-	-	-	(430)	(400)
Data processing expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(314,651)**	**(296,053)**
Itautec S.A.	-	-	-	-	-	-	(314,651)	(296,053)
Non-operating income	**-**	**-**	**-**	**-**	**-**	**-**	**48,088**	**-**
Itaúsa Investimentos S.A.	-	-	-	-	-	-	48,088	-

In addition to the aforementioned operations, ITAÚ UNIBANCO HOLDING and non-consolidated related parties, as an integral part of the Agreement for Apportionment of Common Costs of Itaú Unibanco, recorded in Other Administrative Expenses the amount of R$ 7,983 (R$ 16,645 from 01/01 to 12/31/2010) in view of the use of common structure.

In accordance with the rules in effect, the financial institutions cannot grant loans or advances to the following:

a) any individual or company that control the Institution or any entity under common control with the institution, or any officer, director, fiscal council member or direct relative of such individuals;
b) any entity controlled by the Institution; or
c) any entity of which the bank directly or indirectly holds at least 10% of capital stock.

Therefore, no loans or advances are made to any subsidiaries, executive officers, Board of Directors members or their relatives.

Itaú Unibanco Holding made regular donations to Fundação Itaú Social, a philanthropic foundation which objectives are: to create "Programa Itaú Social", aimed at coordinating activities that are of the community's interest, support and develop social, scientific and cultural projects, mainly in the elementary education and health areas; support projects or initiatives in progress, maintained or sponsored by entities qualifying to work, according to "Programa Itaú Social". In addition, Itaú Unibanco is the founding partner and sponsor of Instituto Itaú Cultural - IIC, an entity which objective is to promote and preserve the Brazilian cultural heritage.

b) Compensation of the Management Key Personnel

The fees attributed in the period to ITAÚ UNIBANCO HOLDING management members are as follows:

	12/31/2011	12/31/2010
Compensation	**270,993**	**294,207**
Board of Directors	4,798	3,399
Management members	266,195	290,808
Profit sharing	**191,923**	**261,282**
Board of Directors	1,000	2,500
Management members	190,923	258,782
Contributions to pension plans	**5,018**	**8,092**
Board of Directors	163	589
Management members	4,855	7,503
Stock option plan – Management members	**149,629**	**128,239**
Total	**617,563**	**691,820**

Information related to the granting of stock option plan, benefits to employees and post-employment benefits are detailed in Notes 16f IV and 19, respectively.

NOTE 18 - MARKET VALUE

The financial statements are prepared in accordance with accounting principles which assume the normal continuity of the operations of ITAÚ UNIBANCO HO

The book value of each financial instrument, whether included or not in the balance sheet (comprises investments in affiliates and other investments), when market, or in the absence of such market, using the net present value of future cash flows adjusted based on the current market interest, is approximat quotation available, except for the instruments in the table below:

	BOOK VALUE		MARKET		
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2
Interbank deposits	27,820,434	14,834,851	27,848,688	14,842,100	28
Securities and derivative financial instruments	187,880,424	186,562,415	188,477,270	187,166,832	1,326
Adjustment of available-for-sale securities					718
Adjustment of held-to-maturity securities					607
Loan, lease and other credit operations	319,711,055	273,034,626	320,341,022	273,225,632	629
Investments (2)					
BM&FBovespa	58,107	58,107	441,205	591,124	383
BPI (3)	218,763	682,346	218,763	524,136	(413
Cetip S.A.	291	34,682	12,235	520,740	11
Porto Seguro Itaú Unibanco Participações S.A. (4)	1,155,677	1,079,773	2,093,631	2,781,678	937
Serasa S.A.	271,636	254,379	1,252,447	869,057	980
Parent company	179,701	168,285	1,160,512	782,963	980
Minority stockholders (5)	91,935	86,094	91,935	86,094	
Fundings and borrowings (6)	219,234,287	159,586,365	219,425,572	159,737,232	(191
Subordinated debt (Note 10f)	39,715,187	34,487,665	39,879,597	34,568,948	(164
Treasury shares	1,663,562	628,577	1,947,479	1,057,130	
Total unrealized					**3,529**

(1) It does not consider the corresponding tax effects.

(2) Starting December 2011, Redecard is no longer disclosed since it is an investment in subsidiary;

(3) In unrealized result, considers adjustment to market value of available-for-sale securities.

(4) Parent company of Porto Seguro S.A.;

(5) The investment held by minority stockholders does not affect the result of ITAÚ UNIBANCO HOLDING;

(6) Funding is represented by interbank and time deposits, funds from acceptance and issuance of securities and borrowings;

To obtain the market values for these financial instruments, the following criteria were adopted:

- Interbank investments were determined based on their nominal amounts, monetarily restated to maturity dates and discounted to present value using future market interest rates and swap market rates for fixed-rate securities and using market interest rates for fixed-rate securities, achieved at the closing of BM&F at the balance sheet date, for floating-rate securities;

- Securities and derivative financial instruments, according to the rules established by Circulars No. 3,068 and 3,082 of November 8, 2001 and January 30, 2002, respectively, issued by the Central Bank of Brazil (BACEN), are recorded at their market value, except for those classified as Held-to-Maturity. Government securities allocated in this category have their market value calculated based on the rates obtained in the market, and validated through the comparison with information provided by the National Association of Financial Market Institutions (ANDIMA). Private securities included in this category have their market value calculated using a criterion similar to the one adopted for Investments in Interbank Deposits, as described above;

- Loans, based on the net present value of future cash flows, discounted at interest rates practiced in the market at the balance sheet date, also taking into account the effects of hedges (swap contracts);

- Investments - in companies BPI, BM&FBovespa, CETIP and Porto Seguro at the share value in stock exchanges and Serasa S.A. based on the historical average of Price/Income ratio of its parent company.

- Time and interbank deposits and funds from acceptance and issuance of securities and foreign borrowings through securities, when available, were calculated based on their present value determined by future cash flows discounted at market rates obtained at the closing of BM&F on the balance sheet date;

- Subordinated debt, based on the net present value of future fixed or floating cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The floating cash flows are estimated as from the interest curves of the indexation market places;

- Treasury shares are valued according to the average quotation available on the last trading day of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each Stock Exchange.

NOTE 19 – BENEFITS TO EMPLOYEES

Pursuant to CVM Resolution No. 600, dated October 7, 2009, we present the policies adopted by ITAÚ UNIBANCO HOLDING and its subsidiaries regarding benefits to employees, as well as the accounting procedures adopted.

ITAÚ UNIBANCO HOLDING and some of its subsidiaries sponsor defined benefit and variable contribution plans, which basic purpose is granting benefits that, in general, provide a life annuity benefit, and may be converted into survivorship annuities, according to the plan's regulation. They also sponsor defined contribution plans, the benefit of which is calculated based on the accumulated balance at the eligibility date, according to the plan's regulation, which does not require actuarial calculation.

Employees hired until July 31, 2002, who come from Itaú, and until February 27, 2009, who come from Unibanco, are beneficiaries of the above-mentioned plans. As regards the employees hired after these dates, they have the option to voluntarily participate in a defined contribution plan (PGBL), managed by Itaú Vida e Previdência S.A.

a) Description of the Plans

The plans' assets are invested in separate funds, with the exclusive purpose of providing benefits to eligible employees, and they are maintained independently from ITAÚ UNIBANCO HOLDING. These funds are maintained by closed-end private pension entities with independent legal structures, as detailed below:

Entity	Benefit plan
Fundação Itaubanco	Supplementary retirement plan – PAC (1) Franprev benefit plan - PBF (1) 002 benefit plan - PB002 (1) Itaulam basic plan - PBI (1) Itaulam Supplementary Plan - PSI (2) Itaubanco CD Plan (3) (4)
Fundação Bemgeprev	Supplementary Retirement Plan – Flexible Premium Annuity (ACMV) (1)
Funbep Fundo de Pensão Multipatrocinado	Funbep I Benefit Plan (1) Funbep II Benefit Plan (2)
Caixa de Previdência dos Funcionários do Banco Beg - Prebeg	Prebeg Benefit Plan (1)
Itaú Fundo Multipatrocinado	Itaú Defined Benefit Plan (1) Itaú Defined Contribution Plan (2)
Múltipla - Multiempresas de Previdência Complementar	Redecard Basic Retirement Plan (1) Redecard Supplementary Retirement Plan (2) Redecard Supplementary Plan (3) (5)
Itaubank Sociedade de Previdência Privada	Itaubank Retirement Plan (3)
UBB-PREV - Previdência Complementar	Unibanco Pension Plan (3) Basic Plan (1) IJMS Plan (1)
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	Benefit Plan II (1)

(1) Defined benefit plan;

(2) Variable contribution plan;

(3) Defined contribution plan;

(4) The Itaubanco Defined Contribution Plan was set up as a result of the partial spin-off of the Supplementary retirement plan - PAC, and is being offered to former participants of the latter, which are not receiving supplementary retirement by the PAC. The participants who have not joined the Itaubanco Defined Contribution Plan, as well as those contributing to the PAC, will remain in this latter, without any continuity, and will have their vested rights guaranteed. As set forth in the Itaubanco Defined Contribution Plan regulation, the transaction and novation period ended on May 8, 2010;

5) Redecard Pension Plan was changed in January 2011 from Defined Benefit - BD to Defined Contribution - CD, with adhesion of 95% of employees. This plan enables the employee to contribute monthly with a defined percentage to be deducted from the monthly compensation and, additionally, the company contributes with 100% of the option chosen by the employees, limited to 9% of their income.

b) Defined benefit plan

I - Main assumptions used in actuarial valuation of Retirement Plans

	2011	2010
Discount rate	9,72% p.a.	9.72% p.a.
Expected return rate on assets	11.32 % p.a.	12.32% p.a.
Mortality table (1)	AT-2000	AT-2000
Turnover (2)	Itaú Exp. 2008/2010	Itaú Exp. 2003/2004
Future salary growth	7.12 % p.a.	7.12% p.a.
Growth of the pension fund and social security benefits	4.00 % p.a.	4.00% p.a.
Inflation	4.00 % p.a.	4.00% p.a.
Actuarial method (3)	Projected Unit Credit	Projected Unit Credit

(1) The mortality tables adopted correspond to those disclosed by SOA – Society of Actuaries, the North-American Entity which corresponds to IBA – Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probabilities of survival as compared to the respective basic tables;

The life expectancy in years by the AT-2000 mortality table for participants of 55 years of age is 27 and 31 years for men and women, respectively.

(2) The turnover assumption is based on the effective experience of ITAÚ UNIBANCO HOLDING, resulting in the average of 2.4% p.a. based on the 2008/2010 experience;

(3) Using the Projected Unit Credit, the mathematical reserve is determined by the current projected benefit amount multiplied by the ratio between the length of service in the company at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

The basic difference between the assumptions above and those adopted upon determination of the actuarial liability of defined benefit plans, for purposes of recording in the balance sheet of the closed-end private pension entities that manage them, is the actuarial method. For this purpose, the Bank adopts the aggregate method, by which the mathematical reserve is defined based on the difference between the present value of the projected benefit and the present value of future contributions, subject to the methodology defined in the respective actuarial technical note.

II – Management of defined benefit plan assets

The purpose of the management of the funds from the closed-end private pension entities is the long-term balance between social security assets and liabilities by exceeding the actuarial goals.

As regards the assets guaranteeing mathematical reserves, management should ensure the payment capacity of benefits in the long-term by preventing the risk of mismatching assets and liabilities by pension plan.

At December 31, 2011 the allocation of plan assets and the allocation target for 2012, by type of asset, are as follows:

Types	At 12/31/2011	At 12/31/2010	% Allocation		
			12/31/2011	12/31/2010	2012 Target
Fixed income securities	10,341,420	9,769,060	87.85%	87.47%	53% to 100%
Variable income securities	1,051,130	992,733	8.93%	8.89%	0% to 25%
Structured investments	13,511	10,570	0.11%	0.09%	0% to 10%
Foreign investments	-	3,988	0.00%	0.04%	0% to 3%
Real estate	344,012	368,515	2.92%	3.30%	0% to 6%
Loans to participants	22,854	22,962	0.19%	0.21%	0% to 5%
Total	**11,772,927**	**11,167,828**	**100.00%**	**100.00%**	

The defined benefit plan assets include shares of ITAÚ UNIBANCO HOLDING, its main parent company (ITAÚSA) and of subsidiaries of the latter, with a fair value of R$ 530,721 (R$ 542,233 at 12/31/2010), and real estate rented to Group companies with a fair value of R$ 298.169 (R$ 308,819 at 12/31/2010).

The expected income from defined benefit plan assets is based on projections of returns for each of the segments detailed above. For the fixed-income segment, the adopted interest rates were taken from long-term securities included in the portfolios, and the interest rates practiced in the market at the closing of the balance sheet. For the variable-income segment, conservative expectations of annual returns were adopted. For the real estate segment, the cash inflows of expected rental payments for the following 12 months were adopted. For all segments, the basis adopted was the portfolio positions at the balance sheet date.

III- Net amount recognized in the balance sheet

We present below the calculation of the net amount recognized in the balance sheet:

	12/31/2011	12/31/2010
1 - Net assets of the plans	11,772,927	11,167,828
2 - Actuarial liabilities	(10,413,448)	(9,815,180)
3- Surplus (1-2)	**1,359,479**	**1,352,648**
4- Asset restriction (*)	(1,262,610)	(1,108,678)
5 - Net amount recognized in the balance sheet (3-4)	96,869	243,970
Amount recognized in Assets	342,241	367,351
Amount recognized in Liabilities	(245,372)	(123,381)

(*) Corresponds to the excess of present value of the available economic benefit, in conformity with item 58 of CVM Resolution No. 600.

In conformity with the exemption set forth in CVM Resolution No. 647, gains and losses accumulated to 01/01/2010 were recognized in Stockholders' equity, net of tax effects and, taking into account the subsidiary company's adjustments. The actuarial gains and losses for the period from 01/01 to 12/31/2011 were recognized in Results under "Personnel expenses".

IV - Change in net assets, actuarial liabilities, and surplus

	12/31/2011			12/31/2010		
	Net assets	Actuarial liabilities	Surplus	Net assets	Actuarial liabilities	Surplus
Present value – beginning of the period	**11,167,828**	**(9,815,180)**	**1,352,648**	**14,757,268**	**(11,180,214)**	**3,577,054**
Effects of the partial spin-off of PAC (1);	-	-	-	(5,147,142)	2,709,982	(2,437,160)
Inclusion of Redecard Plan	60,817	(55,897)	4,920	-	-	-
Inclusion of Itaú Defined Contribution Plan	11,748	(13,181)	(1,433)			
Effects of partial spin-off of Redecard (2)	(43,595)	42,357	(1,238)			
Expected return on assets (4)	1,341,662	-	1,341,662	1,334,336	-	1,334,336
Cost of current service	-	(929,862)	(929,862)	-	(936,710)	(936,710)
Cost of interest	-	(91,529)	(91,529)	-	(84,043)	(84,043)
Benefits paid	(600,493)	600,493	-	(567,438)	567,438	-
Contributions of sponsor	41,920	-	41,920	39,677	-	39,677
Contributions of participants	9,300	-	9,300	40,910	-	40,910
Actuarial gain/(loss) (3) (4)	(216,260)	(150,649)	(366,909)	710,217	(891,633)	(181,416)
Present value – end of the period	**11,772,927**	**(10,413,448)**	**1,359,479**	**11,167,828**	**(9,815,180)**	**1,352,648**

(1) Corresponds to the effect of the partial spin-off of the PAC and creation of the Itaúbanco Defined Contribution Plan, which migration process resulted in the reduction and partial settlement of PAC payables. The reduction which implied a decrease in payables and thus in actuarial liabilities, made on December 31, 2009, is already adjusted in the opening balance (January 1, 2010). At March 31, 2010, the PAC participants who opted for the voluntary migration to Itaubanco CD Plan had all of their amounts payable settled by PAC through the initial contribution of the assets previously held by PAC for individuals accounts corresponding to the Itaubanco CD Plan. PAC is no longer responsible for any retirement benefit at the PAC level related to these participants. After the partial termination of PAC, assets were transferred from PAC to Itaúbanco CD Plan.

(2) During 2010, the Bank carried out the process of migrating participants of the Redecard Retirement Plan, structured as a defined benefit plan and subject to this disclosure of results, to the Redecard Pension Plan, structured as a defined contribution plan. For those participants migrating to the Redecard Pension Plan, the future benefits started to be accumulated under the defined contribution model and, therefore, there was no replacement by a benefit of a similar nature.

(3) Gains/losses recorded in Net Assets correspond to the income earned above/below the expected return rate of assets.

(4) The actual return on assets amounted to R$ 1,125,402 (R$ 2,044,553 at 12/31/2010).

The history of actuarial gains and losses is as follows:

	12/31/2011	12/31/2010
Net assets of the plans	11,772,927	11,167,828
Actuarial liabilities	(10,413,448)	(9,815,180)
Surplus	**1,359,479**	**1,352,648**
Experience adjustments in net assets	(216,260)	710,217
Experience adjustments in actuarial liabilities	(150,649)	(891,633)

V- Total revenue (expenses) recognized in income for the year

Total expenses recognized in defined benefit plans include components, as follows:

	12/31/2011	12/31/2010
Cost of current service	(929,862)	(936,710)
Cost of interest	(91,529)	(84,043)
Expected return on the plan assets	1,341,662	1,334,336
Effects of the partial spin-off of Redecard	(1,238)	-
Effects of the partial spin-off of PAC	-	(2,437,160)
Effect on asset restriction	(153,931)	1,990,397
Gain/(loss) for the year	(366,909)	(181,416)
Contributions of participants	9,300	40,910
V- Total revenue (expenses) recognized in income for the year	**(192,507)**	**(273,686)**

During the period, contributions made totaled R$ 41,920 (R$ 39,677 at December 31, 2010). The contribution rate increases based on the beneficiary's salary.

In 2012, the expected contribution to retirement plans sponsored by ITAÚ UNIBANCO HOLDING is R$ 38,870.

We present below the estimated benefit payments for the next 10 years:

Period	Estimated payment
2012	645,780
2013	673,231
2014	697,244
2015	721,382
2016	746,311
2017 to 2021	4,118,739

c) Defined contribution plans

The defined contribution plans have pension funds set up by the portion of sponsors' contributions not included in the participant's accounts balance and by the loss of eligibility to a plan benefit, as well as by resources from the migration from the defined benefit plans. The fund will be used for future contributions to the individual participants' accounts, according to the rules of the respective benefit plan regulation.

At December 31, 2011 the amount recognized in assets is R$ 1,443,186 (R$ 1,169,166 at 12/31/2010).

Total revenue recognized in defined contribution plans includes the following components:

	12/31/2011	12/31/2010
Effect of the partial spin-off of PAC	-	1,476,743
Contributions	(143,553)	(110,423)
Actuarial gain/(loss)	149,850	256,246
Effect on asset restriction	267,722	(581,098)
Total revenue recognized in income for the year	**274,019**	**1,041,468**

In conformity with the exemption set forth in CVM Resolution No. 647, gains and losses accumulated until 01/01/2010 were recognized in Stockholders' equity, net of tax effects and, taking into account the subsidiary company's adjustments. The actuarial gains and losses for the period from 01/01 to 12/31/2011 were recognized in Results under "Personnel expenses".

In the period, contributions to the defined contribution plans, including PGBL, totaled R$ 192,631 (R$ 153,170 at 12/31/2010), of which R$ 143,553 (R$ 110,423 at 12/31/2010) arising from pension funds.

d) Other post-employment benefits

ITAÚ UNIBANCO HOLDING and its subsidiaries do not offer other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by Itaú Unibanco Holding, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries.

I- Changes

Based on the report prepared by an independent actuary, the changes in obligations for these other projected benefits and the amounts recognized in the balance sheet, under liabilities, of Itaú Unibanco Holding are as follows:

	12/31/2011	12/31/2010
At the beginning of the year	(105,335)	(100,280)
Cost of interest	(9,968)	(9,995)
Benefits paid	5,892	5,218
Actuarial loss	(10,743)	(278)
At the end of the year	**(120,154)**	**(105,335)**

In conformity with the exemption set forth in CVM Resolution No. 647, gains and losses accumulated until 01/01/2010 were recognized in Stockholders' equity, net of tax effects and, taking into account the subsidiary company's adjustments. The actuarial gains and losses for the period from 01/01 to 12/31/2011 were recognized in Results under "Personnel expenses".

We present below the estimated benefit payments for the next 10 years:

Period	Estimated payment
2012	6,366
2013	6,852
2014	7,362
2015	7,854
2016	8,363
2017 to 2021	50,248

II- Assumptions and sensitivities 1%

For calculation of benefits obligations projected beyond the assumptions used for the defined benefit plans (Note 19b l), the 8.16% p.a. increase in medical costs assumption is adopted.

Assumptions for rates related to medical assistance costs have a significant impact on the amounts recognized in income. A change of one percentage point in the medical assistance cost rates would have the effects as follows:

	1.0% increase	1.0% decrease
Effects on service cost and cost of interest	1,609	(1,321)
Effects on present value of obligation	16,559	(13,563)

NOTE 20 – INFORMATION ON FOREIGN SUBSIDIARIES

	Foreign branches (1)		Itaú Argentina Consolidated (2)		Itaú Europa Consolidated (3)		Cayman Consolidated (4)		Chile Consolidated (5)		Uruguay Consolidated (6)	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Assets												
Current assets and long-term receivables												
Cash and cash equivalents	1,742,219	1,854,460	162,197	107,681	399,289	1,028,679	3,732,507	2,162,500	892,932	409,999	828,153	380,289
Interbank investments	16,006,563	8,601,130	249,457	183,488	2,690,641	3,135,597	6,357,842	4,835,807	56,573	299,580	816,640	544,709
Securities	40,283,158	33,269,475	227,815	258,751	1,729,838	1,295,038	4,711,182	5,109,620	1,891,145	1,831,224	308,663	881,257
Loan, lease and other credit operations	34,637,723	24,536,298	2,117,572	1,322,766	7,407,031	5,374,224	296,104	259,855	12,307,646	9,066,002	2,092,680	1,352,734
Foreign exchange portfolio	21,503,413	21,612,033	20,355	55,379	2,220,248	1,186,232	554,360	561,799	306,398	193,915	21,401	4,909
Other assets	1,129,576	1,252,526	530,249	319,870	159,266	186,947	767,173	2,255,453	923,661	300,364	720,298	385,144
Permanent assets												
Investments	21,984	27,338	2,102	2,158	111,023	336,799	46,317	38,784	2,925	1,111	751	470
BPI (Note 15a II)	-	-	-	-	107,194	334,350	-	-	-	-		
Other investments	21,984	27,338	2,102	2,158	3,829	2,449	46,317	38,784	2,925	1,111	751	470
Fixed and intangible assets	24,280	20,569	106,341	92,423	177,411	176,250	2,678	2,295	287,996	210,867	26,085	22,623
Total	**115,348,916**	**91,173,829**	**3,416,088**	**2,342,516**	**14,894,747**	**12,719,766**	**16,468,163**	**15,226,113**	**16,669,276**	**12,313,062**	**4,814,671**	**3,572,134**
LIABILITIES												
Current and long-term liabilities												
Deposits	43,356,785	24,477,809	2,598,633	1,783,186	6,192,719	6,352,683	2,416,346	1,414,787	10,654,802	7,661,939	3,691,100	2,748,669
Demand deposits	8,298,986	4,404,196	618,347	495,541	2,480,885	2,403,725	1,093,902	775,356	1,658,829	1,331,334	2,177,917	1,527,082
Savings deposits	-	-	580,095	494,490	-	-	-	-	-	-	1,289,019	877,345
Interbank deposits	1,573,226	3,077,211	64,523	10,452	1,503,552	2,568,377	-	416,242	-	1,242	7,532	9,483
Time deposits	33,484,573	16,996,402	1,335,668	782,703	2,208,282	1,380,581	1,322,444	223,189	8,995,973	6,329,363	216,632	334,759
Deposits received under securities repurchase agreements	6,538,738	14,752,992	70,772	99,183	-	-	1,844,753	1,785,560	105,704	157,091	-	
Funds from acceptance and issuance of securities	8,909,700	3,311,035	-	-	3,386,604	2,488,408	2,895,861	2,952,541	1,320,737	1,088,509	-	
Borrowings	14,343,973	9,763,083	96,051	32,929	561,044	625,577	39,590	89,037	1,304,344	860,070	29,854	32,698
Derivative financial instruments	1,435,218	1,712,751	372	(3,644)	699,537	257,447	620,175	1,168,232	184,275	165,077	1,035	2,289
Foreign exchange portfolio	21,492,533	21,623,597	20,361	55,636	2,223,737	1,199,411	547,446	550,829	305,630	193,752	21,395	4,933
Other liabilities	6,035,232	5,814,763	318,394	191,592	478,248	379,689	864,520	912,178	836,897	770,331	689,943	484,904
Deferred income	**48,222**	**38,093**	**-**	**-**	**23,410**	**20,330**	**99**	**209**	**5,502**	**1,207**	**3,767**	
Minority interest in subsidiaries	**-**	**-**	**8,717**	**34,592**	**63**	**36**	**-**	**27**	**172**	**143**	**-**	
Stockholders' equity												
Capital and reserves	11,163,788	8,422,399	276,795	147,742	1,433,568	1,299,281	7,177,436	6,428,298	1,802,538	1,246,464	316,031	244,539
Net income for the period	2,024,727	1,257,307	25,993	1,300	(104,183)	96,904	61,937	(75,585)	148,675	168,479	61,546	54,112
Total	**115,348,916**	**91,173,829**	**3,416,088**	**2,342,516**	**14,894,747**	**12,719,766**	**16,468,163**	**15,226,113**	**16,669,276**	**12,313,062**	**4,814,671**	**3,572,134**
Statement of Income												
Income from financial operations	2,630,283	1,955,113	349,548	236,224	264,674	240,506	353,217	147,512	920,740	759,034	178,202	145,236
Expenses of financial operations	(810,930)	(661,375)	(105,767)	(67,639)	(106,974)	(135,523)	(197,766)	(195,588)	(476,266)	(259,519)	(12,577)	(10,245)
Result of loan losses	188,798	(70,516)	(18,063)	(11,034)	2,606	18,277	-	-	(57,178)	(114,306)	(25,351)	(16,780)
Gross income from financial operations	**2,008,151**	**1,223,222**	**225,718**	**157,551**	**160,306**	**123,260**	**155,451**	**(48,076)**	**387,296**	**385,209**	**140,274**	**118,211**
Other operating revenues (expenses)	24,182	46,089	(223,809)	(166,013)	(224,648)	16,954	(92,243)	(26,674)	(217,758)	(175,141)	(45,046)	(42,644)
Operating income	**2,032,333**	**1,269,311**	**1,909**	**(8,462)**	**(64,342)**	**140,214**	**63,208**	**(74,750)**	**169,538**	**210,068**	**95,228**	**75,567**
Non-operating income	(7,499)	(11,783)	40,345	8,277	1,360	(2,563)	297	266	3,124	(6,675)	100	(29
Income before taxes on income and profit sharing	**2,024,834**	**1,257,528**	**42,254**	**(185)**	**(62,982)**	**137,651**	**63,505**	**(74,484)**	**172,662**	**203,393**	**95,328**	**75,538**
Income tax	(108)	(221)	(7,943)	488	(34,276)	(36,203)	-	(61)	(23,947)	(34,894)	(33,782)	(21,426)
Statutory participation in income	-	-	-	-	(6,925)	(4,545)	(1,568)	(1,044)	(14)	-	-	
Minority interest in subsidiaries	-	-	(8,318)	997	-	1	-	4	(26)	(20)	-	
Net income (loss)	**2,024,727**	**1,257,307**	**25,993**	**1,300**	**(104,183)**	**96,904**	**61,937**	**(75,585)**	**148,675**	**168,479**	**61,546**	**54,112**

(1) Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo, and Nassau branches; Banco Itaú-BBA S.A - Nassau Branch; Itaú Unibanco Holding S.A - Grand Cayman branch and Unibanco Grand Cayman branch; only at 12/31/2010 Banco Itaú BBA S.A. Uruguay branch.

(2) Banco Itaú Argentina S.A, Itaú Asset Management S.A.Sociedad Gerente de Fondos Comunes de Inversión, Itrust Servicios Inmobiliarios S.A.C.I and Itaú Sociedad de Bolsa S.A.

(3) IPI - Itaúsa Portugal Investimentos, SGPS Lda. (49%), Itaúsa Europa - Investimentos, SGPS, Lda., Itaú Europa, SGPS, Lda., Itaúsa Portugal - SGPS, S.A., Banco Itau BBA International, S.A , Itau BBA International (Cayman) Ltd., Banco Itaú Europa Luxembourg S.A., BIE Cayman, Ltd., Banco Itaú Europa Int Director International Services, S.A., Bay State Corporation Limited and Banco Itau Suisse S.A; only at 12/31/2010, BIEL Holdings AG, Fin Trade, BIEL Fund Management Company S.A., Itaú Europa Luxembourg Advisory Hold. Company S.A, Itaú Madeira Investimentos SGPS Ltda., Kennedy Director Interna

(4) Itau Bank Ltd., ITB Holding Ltd., Jasper International Investment LLC, Unibanco Cayman Bank Ltd., Itaú Bank & Trust Cayman Ltd., Itau USA Asset Management, Uni-Investments Inter. Corp., Unipart Partic. Internac. Ltd., Rosefield Finance Ltd. and UBT Finance S.A.; only at 12/31/2010, BFB Overseas N.V, E

(5) Itaú Chile Holdings, Inc., BICSA Holdings LTD., Banco Itaú Chile S.A., Itaú Chile Inversiones, Servicios Y Administración S.A., Itaú Chile Corredor de Bolsa Ltda., Itaú Chile Corredora de Seguros Ltda., Itaú Chile Administradora General de Fondos S.A., Itaú Chile Securitizadora S.A., Recuperadora de Crédito Securites INC. (50%).

(6) ACO Ltda., Banco Itaú Uruguay S.A., OCA Casa Financiera S.A., OCA S.A, and Unión Capital AFAP S.A;

(7) Afinco Americas Madeira, SGPS, Soc. Unipessoal Ltda., Zux Cayman Company Ltd., Topaz Holding Ltd., United Corporate Services Inc (new company name of Itaú USA Inc), Itaú International Investment LLC, Albarus S.A., Banco Del Paraná S.A., Garnet Corporation, Itau Global Asset Management, Mundo Itaúsa Portugal Investimentos, SGPS Lda. (51%), Itaú BBA USA Securities Inc., Itaú Middle East Limited (new company name of Itaú Middle East Securities Limited), Unipart B2B Investments, S.L., Tarjetas Unisoluciones S. A. de Capital Variable, Proserv - Promociones Y Servicios S.A. de C. V, Itau E 12/31/2011: Itaú UK Asset Management Limited, Itaú BBA SAS and Itaú Asia Asset Management Limited; only at 12/31/2010: Zux SGPS Ltda., Agate SARL, Amethyst Holding Ltd., Spinel Corporation and Tanzanite Corporation.

(8) Foreign consolidated information presents balances net of eliminations from consolidation.

NOTE 21 – RISK MANAGEMENT

The purpose of risk identification is to map the risk events of internal and external nature that may affect the strategies of support and business units and the fulfillment of their objectives, with possibility of impact on income, capital and liquidity of the Bank.

Risk management is considered by Itaú Unibanco Holding an essential tool for optimizing the use of capital and selecting the best business opportunities, in order to obtain the best risk-return ratio.

At Itaú Unibanco Holding, Risk Management is the process in which:

- The existing and potential risks from the bank operations are identified and measured;
- Policies, procedures and methodologies for risk management and control consistent with the Board of Directors' guidelines and the bank's strategies are approved;
- The bank's risk portfolio is managed considering the best risk-return ratio;

This process interweaves the whole institution, with full involvement of top management that, through committees, defines the global objectives that are measured as goals and limits to the risk management units. Control units, in turn, support the bank's management by monitoring and analyzing risk.

Itaú Unibanco's risk management organizational structure is in accordance with the Basel Accord's recommendations. The control structure of Market, Credit, Liquidity, Operational and Underwriting risks is centralized at Itaú Unibanco Holding aiming at assuring that the conglomerate risks are being managed in accordance with established policies and procedures. The purpose of centralizing control is to provide top management with an overview of conglomerate's risk exposure, so as to optimize and speed up corporate decision-making.

The purpose of that structure is to follow up the regulatory requirements issued by the conglomerate's lead institution. Itaú Unibanco manages proprietary IT systems to fully meet the applicable rules on capital reserve in connection with the capital portions, pursuant to determinations and models issued by the Central Bank (BACEN). It also coordinates actions to check for adherence to qualitative and quantitative requirements established by the relevant authorities for compliance with the minimum mandatory capital requirement. Further information on risk management can be found on the Investor Relations website www.itau-unibanco.com.br/ri, in the section Corporate Government/Risk Management – Circular 3,477.

Aiming at complying with Resolution No. 3,988 of June 30, 2011 of the National Monetary Council (CMN), Itaú Unibanco is in the process of defining and implementing its capital management structure. The Board of Directors has recently approved the appointment of a director in charge and the definition of the required structure to meet the resolution requirements, applicable to the whole financial group and the other companies included in the economic-financial consolidated.

I – Market Risk

Market risk is the possibility of incurring losses arising from variations in market values of positions held by a financial institution, including the risks of transactions subject to the variations in foreign exchange and interest rates, and equities and commodity prices.

The market risk management is the process through which the institution plans, monitors and controls the risks of variations in financial instruments market values, aiming at optimizing the risk-return ratio, by using an appropriate structure of management limits, models and tools.

The scope of the market risk control carried out by Itaú Unibanco Holding is extended to all the financial instruments included in the portfolios of companies under its responsibility. In this sense, the Itaú Unibanco's Market Risk Management Policy is in line with the principles of CMN Resolution No. 3,464 of June 26, 2007, issued by the National Monetary Council (CMN), being a set of principles that drive the institution's strategy towards control and management of market risk of all business units and legal entities of the Itaú Unibanco Group.

The document that details the guidelines set out by this internal policy on market risk control can be read on the website www.itau-unibanco.com.br/ri, in the section Corporate Governance, Rules and Policies, Public Access Report – Market Risk.

The control of market risk is carried out by an area independent from the business ones, and is responsible for carrying out daily measurement, assessment and report activities by way of control units set in the legal entities of Itaú Unibanco group. The independent area also performs the monitoring, assessment and consolidated reporting of market risk information, including possible extrapolation of risk limits, reporting the event to the business unit in charge and monitoring the actions required to adjust the position and/or risk level. For this purpose, the bank relies on a structured communication and information process, aiming at providing feedback for the follow-up of the superior committees and compliance with the regulatory bodies in Brazil and abroad.

The market risk control and management process is submitted to periodic reviews, aimed at keeping it aligned with the best market practices and adhering to the continuous improvement processes at Itaú Unibanco Holding.

The process for managing market risks of Itaú Unibanco occurs within the governance and hierarchy of committees and limits approved specifically for this purpose, and that covers from the monitoring of aggregate indicators of risk, of granular limits, assuring effectiveness and coverage of control. These limits are dimensioned considering the projected results of the balance sheet, the level of equity and the profile of risk of each legal entity, which are defined in terms of risk measures used by management. Limits are monitored daily and excesses are reported and discussed in the corresponding committees.

The market risk analyses are conducted based on the following metrics:

- Statistical Value at Risk (VaR): Statistical measure that estimates the expected maximum potential economic loss in normal market conditions, considering a defined holding period and confidence level;
- Losses in Stress Scenarios: simulation technique to assess the behavior of assets and liabilities of a portfolio when several risk factors are taken to extreme market situations (based on prospective scenarios);
- Stop Loss Alert: effective losses added to the maximum potential loss in bullish and bearish scenarios;
- P&L To Be Realized (RaR): assessment of the difference between the appropriated interest amount and the market value on a certain date, in an usual scenario and stressed scenarios, reflecting accounting asymmetries and P&L expected to be realized. This is one of the risk measures used to managerially assess the risk of the banking portfolio.
- Earnings at Risk (EaR): measure that quantifies the impact in P& L in the balance sheet for adverse conditions of variation in interest rates;

In addition to the aforementioned risk measures, sensitivity and loss control measures are also analyzed. Among them, the following is included:

- Mismatching (gap) analysis: graphic representation by risk factor of cash flows expressed at market value, allocated at the maturity dates;
- Sensitivity (DV1): impact on the market value of cash flows, when submitted to an increase in 1 basis point per year in the future interest rate curve; Applied to risk factors;
- Sensitivity to Several Risk Factors (Greeks): partial derivatives of an option portfolio in relation to the price of the underlying asset, implied volatility, interest rate and time.
- Stop Loss: the maximum loss that a certain portfolio classified in the trading portfolio is authorized to reach.

The limits and exposure to market risks are relatively low as compared to the company's stockholders' equity.

In December 2011, Itaú Unibanco recorded a Total Global VaR of R$ 151 million (R$ 163 million in September 2011).

II – Credit Risk

Credit risk is the possibility of incurring losses in connection with the breach by the borrower or counterparty of the respective agreed-upon financial obligations, devaluation of loan agreement due to downgrading of the borrower's risk rating, reduction in gains or compensation, advantages given upon renegotiation and recovery costs.

In line with the principles of CMN Resolution No. 3,721 of April 30, 2009, Itaú Unibanco has a structure for and a policy on credit risk management, approved by its Board of Directors, applicable to the companies and subsidiaries in Brazil and abroad.

The document that outlines the guidelines set out by this internal policy on credit risk control can be read on the website www.itau-unibanco.com.br/ri, in the section Corporate Governance, Rules and Policies, Public Access Report – Credit Risk.

The objective of Itaú Unibanco's credit risk management is to maximize the risk and return ratio of its assets, maintaining the credit portfolio quality at levels appropriate to the market segments in which it is operating. The strategy is aimed at creating value to its stockholders so as to give rise to returns at levels higher than the minimum return value adjusted to the risk of each business.

Itaú Unibanco establishes its credit policy based on internal factors, such as the client rating criteria and the portfolio development analysis, the registered default levels, the incurred return rates, the portfolio quality and the allocated economic capital; and external factors, related to the economic environment in Brazil and abroad, including market share, interest rates, market default indicators, inflation and consumption increase/decrease.

Itaú Unibanco's centralized process for making decisions and establishing a credit policy guarantees the synchrony of credit actions and optimization of business opportunities. In retail, decisions are made based on scoring models that are continuously followed up by an independent structure, evaluating the result of their application in groups to which credits were granted. In wholesale, the credit proposals are analyzed on a case by case basis, through an approval-level mechanism that ensures the detailed observation of transaction risk, as well as the necessary timing and flexibility of their approval.

To protect the institution against losses arising from loan operations, Itaú Unibanco considers all aspects that determine the client's credit risk to define the provision level commensurate with the risk incurred in each operation. For each operation, the assessment and rating of the client or economic group, the operation rating, and the possible existence of past-due amounts are taken into account.

Itaú Unibanco recognizes a provision additional to that required by BACEN, aiming at ensuring a provision level compatible with the expected loss model adopted by the institution's credit risk management, based on internal models. This allowance is usually quantified in view of the past performance of loan portfolios, based on exposure, probabilities of default and expected recovery of transactions.

III – Operational Risk

The operational risk is the possibility of incurring losses arising from failure, deficiency or inadequacy of internal processes, personnel and systems, or external events. It includes the legal risk, associated with the inadequacy or deficiency in agreements signed by the institution, as well as sanctions for failing to meet legal provisions and compensation for damages to third parties arising from activities performed by the institution. That definition does not include the strategic risk and reputation risk.

The increasing sophistication of banking business environment and the development of technology make the risk profiles of organizations more complex, clearly outlining this risk class, which management is not a new practice, but now requires a specific structure, different from those traditionally adopted for credit and market risks. Therefore, operational risk management becomes important since, it assures the identification, assessment/measurement, response, monitoring and reporting of the exposure to the organization's operational risk.

In line with the principles of CMN Resolution No. 3,380 of June 29, 2006, Itaú Unibanco Holding formulated a policy on operational risk management, approved by its Board of Directors, applicable to the companies and subsidiaries in Brazil and abroad.

The policy comprises a set of principles, procedures and tools to enable the company to make permanent adjustments to operational risk management, in view of the nature and complexity of products, services, activities, processes and systems.

The structure formalized in this policy establishes procedures for the identification, assessment, mitigation, monitoring and communications related to operational risks, as well as the roles and responsibilities of the bodies that participate in this structure. A summarized version of such policy is available on the website www.itau-unibanco.com.br/ri in the section Corporate Governance, Rules and Policies, Public Access Report – Operational Risk.

The BACEN's legislation compelling financial institutions to allocate capital for operational risk came into effect as from July 1, 2008. Itaú Unibanco opted for the use of the Alternative Standardized Approach.

IV – Liquidity Risk

Liquidity risk is the occurrence of imbalances between tradable assets and falling due liabilities - mismatching between payments and receipts - which may affect the institution's payment capacity, taking into consideration the different currencies and payment terms and their rights and obligations.

Management of liquidity risk seeks to adopt best practices to avoid having insufficient cash available and to avoid difficulties in meeting obligations due.

Itaú Unibanco has a structure dedicated to monitoring, controlling and analyzing liquidity risk, through models of variables projections that affect cash flows and the level of reserves in local and foreign currencies.

Additionally, the institution establishes guidelines and limits whose compliance is periodically analyzed in technical committees and whose purpose is providing safety margin in addition to the minimum projected needs. Liquidity management policies and associated limits are established based on prospective scenarios that are regularly reviewed and on top management definitions.

V - Underwriting Risk

Underwriting risk is the risk arising from an adverse economic situation, which is contrary to the insurance company's expectations when it establishes its underwriting policy, and uncertainties existing in the estimate of reserves.

Analogous to Basel II, the International Association of Insurance Supervisors (IAIS) instructs that insurance companies should have a risk management system to supplement the system of minimum capital and solvency margin.

The centralized control of underwriting risk is conducted by the risk control area that is separate from the business units and internal audit department. That area's role is to design internal models for measuring underwriting risk and create the conditions necessary to validate and control these models. Another role of the risk control area is to examine changes in policies and follow up the performance of insurance, pension plans and capitalization portfolios.

NOTE 22 – ADDITIONAL INFORMATION

a) Insurance policy - ITAÚ UNIBANCO HOLDING and its subsidiaries, despite the low risk exposure due to a physical non-concentration of their assets, have the policy to guarantee itsr valuables and assets at amounts considered sufficient to cover possible claims.

b) Foreign currency – the balances in Reais linked to the foreign currency were:

	12/31/2011	12/31/2010
Permanent foreign investments	26,677,728	21,292,196
Net amount of other assets and liabilities indexed to foreign currency, including derivatives	(42,093,627)	(36,878,785)
Net foreign exchange position	**(15,415,899)**	**(15,586,589)**

The net foreign exchange position, considering the tax effects on the net balance of other assets and liabilities indexed to foreign currency, reflects the low exposure to exchange variations.

c) Investment funds and managed portfolios - ITAÚ UNIBANCO HOLDING, through its subsidiaries, manages the following types of funds: privatization, fixed income, shares, open portfolio shares, investment clubs, customer portfolios and group portfolios, domestic and foreign, classified in memorandum accounts, distributed as follows:

	Amount		Amount (*)		Number of funds	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Investment funds	**320,179,652**	**284,363,470**	**320,179,652**	**284,363,470**	**3,065**	**1,793**
Fixed income	305,242,003	252,737,578	305,242,003	252,737,578	2,415	1,495
Shares	14,937,649	31,625,892	14,937,649	31,625,892	650	298
Managed portfolios	**161,077,902**	**146,745,380**	**83,726,157**	**79,454,761**	**15,225**	**16,804**
Customers	89,886,443	80,889,823	72,478,230	64,767,226	15,128	16,732
Itaú Group	71,191,459	65,855,557	11,247,927	14,687,535	97	72
TOTAL	**481,257,554**	**431,108,850**	**403,905,809**	**363,818,231**	**18,290**	**18,597**

(*) It refers to the distribution after elimination of double-counting of managed portfolios in investment funds.

d) Funds of consortia

	12/31/2011	12/31/2010
Monthly estimate of installments receivable from participants	77,097	52,465
Group liabilities by installments	6,206,775	3,662,270
Participants – assets to be delivered	5,830,775	3,427,044
Funds available for participants	492,514	350,377
(In units)		
Number of managed groups	755	679
Number of current participants	204,668	162,841
Number of assets to be delivered to participants	121,573	102,071

e) Fundação Itaú Social - ITAÚ UNIBANCO HOLDING and its subsidiaries are the main sponsors of Fundação Itaú Social, the objectives of which are: 1) managing the "Itaú Social Program", which aims at coordinating the organization's role in projects of interest to the community by supporting or developing social, scientific and cultural projects, mainly in the elementary education and health areas; 2) supporting projects or initiatives in progress, supported or sponsored by entities qualified to work in the "Programa Itaú Social" (Itaú Social Program); and 3) providing food and other similar benefits to the employees of ITAÚ UNIBANCO HOLDING and other companies of the group.

Donations made by the consolidated companies totaled R$ 280 (R$ 273 at December 31, 2010) in the period, and the Foundation's social net assets totaled R$ 3,052,977 (R$ 3,080,923 at December 31, 2010). The income arising from its investments will be used to achieve the Foundation's social purposes.

f) Instituto Itaú Cultural – IIC - ITAÚ UNIBANCO HOLDING and its subsidiaries are supporters of Instituto Itaú Cultural - IIC, an entity formed to grant incentives, promote and preserve Brazil's cultural heritage. During the period, the consolidated companies donated the amount of R$ 56,400 (R$ 44,000 from January 1 to December 31, 2010).

g) Instituto Unibanco - ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Unibanco, an entity whose objective is to support projects on social assistance, particularly education, culture, promotion of integration to labor market, and environmental protection, directly and/or supplementarily, through the civil society's institutions.

h) Instituto Unibanco de Cinema - ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Unibanco de Cinema, an entity whose objective is (i) the fostering of culture in general; and (ii) providing access of low-income population to cinematography, videography and similar productions, for which it shall maintain movie theaters owned or managed by itself, and theaters to screen films, videos, video-laser discs and other related activities, as well as to screen and divulge films of great importance, especially those produced in Brazil.

i) Associação Clube "A" - ITAÚ UNIBANCO HOLDING and is subsidiaries sponsor Associação Clube "A", an entity whose objective is the provision of social services for the welfare of beneficiaries, in the way and conditions established by its Internal Rules, and according to the funds available. These services may include, among others, the promotion of cultural, educational, sports, entertainment and health care activities. During the period from January 1 to December 31, 2011, the consolidated companies made donations to Clube "A" in the amount of R$ 400 (R$ 1,707 from January 1 to December 31, 2010).

j) Instituto Assistencial Pedro di Perna - ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Assistencial Pedro di Perna, an entity whose objective is the provision of social services, stimulate sport activities, and promote recreation, aimed at the welfare of its members, in the way and conditions established by its Internal Rules, and according to the funds available.

k) Exclusions of nonrecurring effects net of tax effects – Holding and Holding Consolidated

	ITAÚ UNIBANCO HOLDING	
	01/01 to 12/31/2011	01/01 to 12/31/2010
Additional allowance for loan losses (Note 8c)	-	1,037,919
Program for Settlement or Installment Payment of Federal Taxes - Law No. 11,941/09 (Notes 12b and 14)	508,993	144,712
Provision for contingencies – economic plans (Note 12)	(284,665)	(847,355)
Market value based on the share price – BPI (Note 15a II)	(244,697)	-
Benefits to Employees (Note 19)	-	(34,961)
Total	**(20,369)**	**300,315**

l) Reclassifications for comparison purposes – The Company carried out reclassifications in the balances of December 31, 2010, for financial statements comparison purposes, in view of the change in the percentage used for financial statements consolidation purposes (Note 2b) and regrouping of the following headings: In the Balance Sheet, the reclassification of the Reward Program from Other Liabilities - Credit Card Operations to Deferred Income, and the reclassification of Technical Provision for Insurance, Pension Plan and Capitalization to Other Receivables – Receivables from Insurance and Reinsurance Operations. In Statement of Income, the reclassification of Provision for Tax and Social Security from Other Operating Expenses to Other Operating Revenues, the reclassification of the Reward Program from Other Operating Expenses to Banking Service Fees, in compliance with CVM Resolution No. 597, of September 15, 2009 and the reclassification of Income from Credit Cards and Securities Brokerage from Banking Service Fees to Income from Bank Charges.

	Prior disclosure	Reclassification/deconsolidation	Adjusted balances
CURRENT ASSETS AND LONG-TERM RECEIVABLES	**744,600,668**	**(4,136,610)**	**740,464,058**
CASH AND CASH EQUIVALENTS	**10,493,161**	(396,621)	**10,096,540**
INTERBANK INVESTMENTS	**85,925,793**	**432,928**	**86,358,721**
Money market	68,181,744	(3,811)	68,177,933
Interbank deposits	14,398,112	436,739	14,834,851
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**188,852,602**	**(2,290,187)**	**186,562,415**
Own portfolio	49,370,391	(725,806)	48,644,585
Derivative financial instruments	8,313,742	(6,553)	8,307,189
Assets guaranteeing technical provisions - PGBL/VGBL fund quotas	46,320,761	(270,013)	46,050,748
Assets guaranteeing technical provisions – other securities	9,205,110	(1,287,815)	7,917,295
INTERBANK ACCOUNTS	**86,513,111**	**(2)**	**86,513,109**
Central Bank deposits	85,776,472	(2)	85,776,470
INTERBRANCH ACCOUNTS	**10,543**	(112)	**10,431**
LOAN, LEASE AND OTHER CREDIT OPERATIONS	**274,809,552**	**(1,774,926)**	**273,034,626**
Operations with credit granting characteristics	297,101,886	(2,049,042)	295,052,844
(Allowance for loan losses)	(22,292,334)	274,116	(22,018,218)
OTHER RECEIVABLES	**94,851,106**	**(1,289,545)**	**93,561,561**
Income receivable	1,031,793	60,426	1,092,219
Receivables from insurance and reinsurance operations	3,660,803	(624,968)	3,035,835
Sundry	47,425,483	(725,003)	46,700,480
OTHER ASSETS	**3,144,800**	**1,181,855**	**4,326,655**
Assets held for sale	181,707	(31,358)	150,349
Prepaid expenses	2,607,913	1,213,213	3,821,126
PERMANENT ASSETS	**10,511,659**	**467,393**	**10,979,052**
INVESTMENTS	**2,134,713**	**1,115,075**	**3,249,788**
Investments in affiliates	937,105	1,121,883	2,058,988
Other investments	1,389,620	(10,550)	1,379,070
(Allowance for loan losses)	(192,012)	3,742	(188,270)
REAL ESTATE IN USE	**5,020,757**	**(296,966)**	**4,723,791**
Real estate in use	4,577,762	(1,286,020)	3,291,742
Other fixed assets	7,179,007	819,891	7,998,898
(Accumulated depreciation)	(6,736,012)	169,163	(6,566,849)
INTANGIBLE ASSETS	**3,284,573**	**(350,716)**	**2,933,857**
Other intangible assets	2,839,135	(382,157)	2,456,978
(Accumulated amortization)	(1,969,259)	31,441	(1,937,818)
TOTAL ASSETS	**755,112,327**	**(3,669,217)**	**751,443,110**
CURRENT AND LONG-TERM LIABILITIES	**689,903,664**	**(3,617,867)**	**686,285,797**
DEPOSITS	**202,738,135**	**(50,078)**	**202,688,057**
Demand deposits	25,531,744	5,390	25,537,134
Interbank deposits	1,984,960	(55,543)	1,929,417
Time deposits	116,416,300	75	116,416,375
DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS	**199,640,802**	**15,551**	**199,656,353**
Own portfolio	164,880,825	15,551	164,896,376
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**25,608,838**	**(17,119)**	**25,591,719**
Real estate, mortgage, credit and similar notes	14,294,810	(17,121)	14,277,689
INTERBANK ACCOUNTS	**799,030**	**(387,128)**	**411,902**
Correspondents	510,728	(387,128)	123,600
INTERBRANCH ACCOUNTS	**3,256,185**	**(15)**	**3,256,170**
Internal transfer of funds	35,001	(15)	34,986
BORROWINGS AND ONLENDING	**47,411,730**	**(73,766)**	**47,337,964**
Borrowings	15,722,620	(73,766)	15,648,854
TECHNICAL PROVISION FOR INSURANCE, PENSION PLAN AND CAPITALIZATION	**61,364,916**	**(814,149)**	**60,550,767**
OTHER LIABILITIES	**143,379,193**	**(2,291,163)**	**141,088,030**
Collection and payment of taxes and contributions	695,045	(686)	694,359
Social and statutory	4,507,448	(44,914)	4,462,534
Tax and social security	23,130,156	(697,005)	22,433,151
Credit card operations	38,120,842	(1,246,009)	36,874,833
Sundry	17,961,530	(302,549)	17,658,981
DEFERRED INCOME	**598,894**	166,971	**765,865**
MINORITY INTEREST IN SUBSIDIARIES	**3,731,224**	(218,321)	**3,512,903**
TOTAL LIABILITIES	**755,112,327**	**(3,669,217)**	**751,443,110**

STATEMENT OF INCOME	Prior disclosure	Reclassification/d econsolidation	Adjusted balances
INCOME FROM FINANCIAL OPERATIONS	**80,325,961**	**(699,039)**	**79,626,922**
Loan, lease and other credit operations	51,747,503	(432,881)	51,314,622
Securities and derivative financial instruments	18,772,105	(58,085)	18,714,020
Financial income from insurance, pension plan and capitalization operations	4,720,741	(208,069)	4,512,672
Foreign exchange operations	979,910	2	979,912
Compulsory deposits	4,105,702	(6)	4,105,696
EXPENSES OF FINANCIAL OPERATIONS	**(35,066,002)**	**86,678**	**(34,979,324)**
Money market	(30,083,417)	1,030	(30,082,387)
Financial expenses on technical provisions for pension plan and capitalization	(4,013,637)	85,490	(3,928,147)
Borrowings and onlending	(968,948)	158	(968,790)
INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES	**45,259,959**	**(612,361)**	**44,647,598**
RESULT OF LOAN LOSSES	**(10,087,727)**	**176,372**	**(9,911,355)**
Expenses for allowance for loan losses	(14,363,636)	243,076	(14,120,560)
Income from recovery of credits written off as loss	4,275,909	(66,704)	4,209,205
GROSS INCOME FROM FINANCIAL OPERATIONS	**35,172,232**	**(435,989)**	**34,736,243**
OTHER OPERATING REVENUES (EXPENSES)	**(14,726,901)**	**245,933**	**(14,480,968)**
Banking service fees	14,252,929	(1,912,146)	12,340,783
Asset management	2,526,235	(40,225)	2,486,010
Current account services	605,330	(22,408)	582,922
Credit cards	6,605,156	(1,321,100)	5,284,056
Sureties and credits granted	1,462,078	(1,744)	1,460,334
Receipt services	1,325,137	(612)	1,324,525
Other	1,728,993	(526,057)	1,202,936
Income from bank charges	3,209,658	1,550,213	4,759,871
Result from insurance, pension plan and capitalization operations	2,658,435	(558,551)	2,099,884
Personnel expenses	(12,822,261)	370,690	(12,451,571)
Other administrative expenses	(14,038,409)	440,515	(13,597,894)
Tax expenses	(4,295,742)	127,320	(4,168,422)
Equity in earnings of affiliates and other investments	224,216	198,877	423,093
Other operating revenues	561,228	(32,595)	528,633
Other operating expenses	(4,476,955)	61,610	(4,415,345)
OPERATING INCOME	**20,445,331**	**(190,056)**	**20,255,275**
NON-OPERATING INCOME	**79,825**	**769**	**80,594**
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING	**20,525,156**	**(189,287)**	**20,335,869**
INCOME TAX AND SOCIAL CONTRIBUTION	**(6,017,002)**	**130,959**	**(5,886,043)**
Due on operations for the period	(4,230,036)	102,379	(4,127,657)
Related to temporary differences	(1,786,966)	28,580	(1,758,386)
PROFIT SHARING	**(261,282)**	**342**	**(260,940)**
Management members - Statutory - Law No. 6,404 of 12/15/1976	(261,282)	**342**	(260,940)
MINORITY INTEREST IN SUBSIDIARIES	**(923,909)**	**57,986**	**(865,923)**
NET INCOME	**13,322,963**	**-**	**13,322,963**

m) Transaction with Carrefour

On April 14, 2011, Itaú Unibanco Holding and Carrefour Comércio e Indústria Ltda. (“Carrefour Brazil”), entered into an Agreement for Purchase and Sale of Shares in order to purchase 49% of Banco CSF S.A. (“Banco Carrefour”) for R$ 725 million, corresponding to a multiple Price/Profit for 2010 of 11.6. The completion of the transaction depends on the approval from the Central Bank of Brazil.

Independent Auditors' Report on the Consolidated and Individual Financial Statements

To the Board of Directors and Stockholders
Itaú Unibanco Holding S.A.

We have audited the accompanying financial statements of Itaú Unibanco Holding S.A. ("Bank") which comprise the balance sheet as at December 31, 2010 and the related statements of income, of changes in equity and of cash flows for the year and for the six-month period then ended, as well as the consolidated financial statements of Itaú Unibanco Holding S.A. and its subsidiaries ("Consolidated") which comprise the consolidated balance sheet as at December 31, 2010 and the related consolidated statements of income and of cash flows for year and for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Bank's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank and its subsidiaries' preparation and appropriate presentation of the financial statements of the Bank and its subsidiaries in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Bank and its subsidiaries. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements aforementioned present fairly, in all material respects, the financial position of Itaú Unibanco Holding S.A. and of Itaú Unibanco Holding S.A. and its subsidiaries as at December 31, 2010, and their results of operations and cash flows for the year and for the six-month period then ended, as well as their consolidated results of operations and consolidated cash flows for the year and for the six-month period then ended, in accordance with accounting policies adopted in Brazil applicable to the institutions authorized to operate by the Brazilian Central Bank.

Other matters

Statement of value added

We have also audited the statements of value added of Itaú Unibanco Holding S.A. and Itaú Unibanco Holding S.A. and its subsidiaries for the year and for the six-month period ended in December 31, 2010, which presentation is required by the Brazilian corporate legislation for public companies. These statements have been subjected to the same auditing procedures aforementioned and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, February 21, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Balance Sheet (Note 2a)
(In thousands of Reais)

ASSETS	NOTE	12/31/2010	12/31/2009
CURRENT ASSETS		**568,455,490**	**452,725,515**
CASH AND CASH EQUIVALENTS		**10,493,161**	**10,594,442**
INTERBANK INVESTMENTS	**4b and 6**	**85,233,275**	**133,011,522**
Money market		68,158,352	115,652,060
Money market – Assets Guaranteeing Technical Provisions - SUSEP	11b	3,191,812	435,658
Interbank deposits		13,883,111	16,923,804
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**158,182,612**	**95,275,181**
Own portfolio		33,809,380	24,748,546
Subject to repurchase commitments		57,212,290	8,544,983
Pledged in guarantee		6,952,286	7,945,106
Deposited with the Central Bank		2,901,030	6,398,545
Derivative financial instruments		5,589,828	3,846,677
Assets guaranteeing technical provisions - PGBL/VGBL fund quotas	11b	46,320,761	38,626,466
Assets guaranteeing technical provisions – other securities	11b	5,397,037	5,164,858
INTERBANK ACCOUNTS		**85,940,967**	**13,991,111**
Pending settlement		83,685	17,296
Central Bank deposits		85,776,472	13,868,759
National Housing System (SFH)		5,098	11,177
Correspondents		75,712	88,781
Interbank onlending		-	5,098
INTERBRANCH ACCOUNTS		**10,543**	**57,200**
LOAN, LEASE AND OTHER CREDIT OPERATIONS	**8**	**160,648,708**	**140,671,375**
Operations with credit granting characteristics	4e	174,381,253	155,107,495
(Allowance for loan losses)	4f	(13,732,545)	(14,436,120)
OTHER RECEIVABLES		**65,786,571**	**56,312,074**
Foreign exchange portfolio	9	19,525,671	25,313,317
Income receivable		1,031,793	739,968
Transactions with credit card issuers	4e	18,060,924	9,520,515
Receivables from insurance and reinsurance operations	4nl and 11b	3,660,803	3,420,379
Negotiation and intermediation of securities		3,079,285	864,741
Sundry	13a	20,428,095	16,453,154
OTHER ASSETS	**4g**	**2,159,653**	**2,812,610**
Assets held for sale		181,707	359,910
(Valuation allowance)		(69,182)	(92,451)
Unearned premiums of reinsurance	4nl	424,362	558,690
Prepaid expenses	4g and 13b	1,622,766	1,986,461
LONG-TERM RECEIVABLES		**176,145,178**	**145,252,796**
INTERBANK INVESTMENTS	**4b and 6**	**692,518**	**6,183,973**
Money market		23,392	3,048,037
Money market – Assets Guaranteeing Technical Provisions - SUSEP	11b	154,125	2,598,695
Interbank deposits		515,001	537,241
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**30,669,990**	**24,913,383**
Own portfolio		15,561,011	11,642,294
Subject to repurchase commitments		6,281,895	935,112
Pledged in guarantee		2,147,948	2,644,535
Deposited with the Central Bank		147,149	4,395,002
Derivative financial instruments		2,723,914	2,092,806
Assets guaranteeing technical provisions – other securities	11b	3,808,073	3,203,634
INTERBANK ACCOUNTS - National Housing System (SFH)		**572,144**	**521,514**
LOAN, LEASE AND OTHER CREDIT OPERATIONS	**8**	**114,160,844**	**81,227,716**
Operations with credit granting characteristics	4e	122,720,633	90,843,469
(Allowance for loan losses)	4f	(8,559,789)	(9,615,753)
OTHER RECEIVABLES		**29,064,535**	**30,861,607**
Foreign exchange portfolio	9	2,067,147	1,925,929
Sundry	13a	26,997,388	28,935,678
OTHER ASSETS – Prepaid expenses	**4g and 13b**	**985,147**	**1,544,603**
PERMANENT ASSETS		**10,511,659**	**10,294,919**
INVESTMENTS	**4h and 15a II**	**2,134,713**	**2,187,100**
Investments in affiliates		937,105	1,191,662
Other investments		1,389,620	1,173,700
(Allowance for loan losses)		(192,012)	(178,262)
FIXED ASSETS	**4i and 15b**	**5,020,757**	**4,353,175**
Real estate in use		4,577,762	4,286,573
Other fixed assets		7,179,007	6,183,663
(Accumulated depreciation)		(6,736,012)	(6,117,061)
OPERATING LEASE ASSETS	**4j**	**3,999**	**6,424**
Leased assets		18,553	18,553
(Accumulated depreciation)		(14,554)	(12,129)
GOODWILL	**4k and 15b**	**67,617**	**-**
INTANGIBLE ASSETS	**4l and 15b**	**3,284,573**	**3,748,220**
Acquisition of rights to credit payroll		2,414,697	2,597,749
Other intangible assets		2,839,135	2,600,892
(Accumulated amortization)		(1,969,259)	(1,450,421)
TOTAL ASSETS		**755,112,327**	**608,273,230**

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Balance Sheet (Note 2a)

(In thousands of Reais)

LIABILITIES	NOTE	12/31/2010	12/31/2009
CURRENT LIABILITIES		**404,218,820**	**325,609,659**
DEPOSITS	**4b and 10b**	**139,603,869**	**121,937,743**
Demand deposits		25,531,744	24,836,767
Savings deposits		57,899,455	48,221,550
Interbank deposits		1,744,548	1,897,039
Time deposits		53,522,446	45,985,522
Other deposits		905,676	996,865
DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS	**4b and 10c**	**122,435,660**	**88,415,532**
Own portfolio		98,415,489	35,947,821
Third-party portfolio		23,069,503	51,798,921
Free portfolio		950,668	668,790
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**4b and 10d**	**14,598,893**	**10,452,033**
Real estate, mortgage, credit and similar notes		10,984,423	8,266,027
Debentures		292,676	237,591
Foreign borrowings through securities		3,321,794	1,948,415
INTERBANK ACCOUNTS		**799,030**	**290,588**
Pending settlement		288,302	64,544
Correspondents		510,728	226,044
INTERBRANCH ACCOUNTS		**3,256,185**	**2,786,792**
Third-party funds in transit		3,221,184	2,705,525
Internal transfer of funds		35,001	81,267
BORROWINGS AND ONLENDING	**4b and 10e**	**21,792,628**	**14,478,271**
Borrowings		12,023,826	8,508,785
Onlending		9,768,802	5,969,486
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**3,979,057**	**3,335,332**
TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION	**4n II and 11a**	**10,083,295**	**9,214,061**
OTHER LIABILITIES		**87,670,203**	**74,699,307**
Collection and payment of taxes and contributions		695,045	472,971
Foreign exchange portfolio	9	19,927,459	25,742,752
Social and statutory	16b II	4,507,448	4,290,048
Tax and social security contributions	4o, 4p and 14c	9,698,971	7,414,591
Negotiation and intermediation of securities		3,099,347	1,135,079
Credit card operations	4e	38,097,691	25,705,269
Subordinated debt	10f	976,930	38,720
Sundry	13c	10,667,312	9,899,877
LONG-TERM LIABILITIES		**285,684,844**	**227,974,625**
DEPOSITS	**4b and 10b**	**63,134,266**	**68,834,426**
Interbank deposits		240,412	149,368
Time deposits		62,893,854	68,685,058
DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS	**4b and 10c**	**77,205,142**	**43,519,001**
Own portfolio		66,465,336	39,271,563
Third-party portfolio		-	62,289
Free portfolio		10,739,806	4,185,149
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**4b and 10d**	**11,009,945**	**6,867,587**
Real estate, mortgage, credit and similar notes		3,310,387	586,092
Debentures		1,091,417	2,526,687
Foreign borrowings through securities		6,608,141	3,754,808
BORROWINGS AND ONLENDING	**4b and 10e**	**25,619,102**	**20,213,900**
Borrowings		3,698,794	3,827,503
Onlending		21,920,308	16,386,397
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**1,725,778**	**2,140,714**
TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION	**4n II and 11a**	**51,281,621**	**43,189,687**
OTHER LIABILITIES		**55,708,990**	**43,209,310**
Foreign exchange portfolio	9	2,107,495	1,939,565
Tax and social security contributions	4o, 4p and 14c	13,431,185	13,268,553
Credit card operations		23,151	198,240
Subordinated debt	10f	32,852,941	21,999,496
Sundry	13c	7,294,218	5,803,456
DEFERRED INCOME	**4q**	**598,894**	**465,522**
MINORITY INTEREST IN SUBSIDIARIES	**16e**	**3,731,224**	**3,540,001**
STOCKHOLDERS' EQUITY	**16**	**60,878,545**	**50,683,423**
Capital		45,000,000	45,000,000
Capital reserves		594,734	640,759
Revenue reserves		15,895,260	5,953,960
Asset valuation adjustment	4c, 4d and 7d	17,128	120,031
(Treasury shares)		(628,577)	(1,031,327)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**755,112,327**	**608,273,230**

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Income (Note 2a)
(In thousands of Reais)

	NOTE	2nd Half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
INCOME FROM FINANCIAL OPERATIONS		**43,055,060**	**80,325,961**	**76,696,605**
Loan, lease and other credit operations		26,840,477	51,747,503	47,476,820
Securities and derivative financial instruments		10,398,715	18,772,105	23,993,749
Financial income from insurance, pension plan and capitalization operations	11c	2,952,625	4,720,741	4,575,783
Foreign exchange operations		24,796	979,910	9,482
Compulsory deposits		2,838,447	4,105,702	640,771
EXPENSES OF FINANCIAL OPERATIONS		**(18,774,125)**	**(35,066,002)**	**(30,581,022)**
Money market		(16,245,153)	(30,083,417)	(26,296,868)
Financial expenses on technical provisions for pension plan and capitalization	11c	(2,488,168)	(4,013,637)	(3,992,544)
Borrowings and onlending		(40,804)	(968,948)	(291,610)
INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES		**24,280,935**	**45,259,959**	**46,115,583**
RESULT OF LOAN LOSSES	**8d I**	**(4,014,482)**	**(10,087,727)**	**(14,165,307)**
Expenses for allowance for loan losses		(6,477,793)	(14,363,636)	(16,398,955)
Income from recovery of credits written off as loss		2,463,311	4,275,909	2,233,648
GROSS INCOME FROM FINANCIAL OPERATIONS		**20,266,453**	**35,172,232**	**31,950,276**
OTHER OPERATING REVENUES (EXPENSES)		**(8,905,835)**	**(14,726,901)**	**(14,593,588)**
Banking service fees	13d	7,370,574	14,252,929	12,400,413
Asset management		1,311,973	2,526,235	2,249,495
Current account services		324,926	605,330	466,454
Credit cards		3,412,984	6,605,156	5,761,686
Sureties and credits granted		761,967	1,462,078	1,323,293
Receipt services		685,342	1,325,137	1,204,517
Other		873,382	1,728,993	1,394,968
Income from bank charges	13e	1,672,987	3,209,658	2,771,722
Result from insurance, pension plan and capitalization operations	11c	1,291,925	2,658,435	2,431,694
Personnel expenses	13f	(6,754,317)	(12,822,261)	(12,092,315)
Other administrative expenses	13g	(7,725,904)	(14,038,409)	(11,592,702)
Tax expenses	4p and 14a II	(2,318,099)	(4,295,742)	(4,237,763)
Equity in earnings of affiliates and other investments	15a III	107,798	224,216	209,090
Other operating revenues	13h	(96,757)	561,228	808,379
Other operating expenses	13i	(2,454,042)	(4,476,955)	(5,292,106)
OPERATING INCOME		**11,360,618**	**20,445,331**	**17,356,688**
NON-OPERATING INCOME	**13j**	**61,849**	**79,825**	**430,436**
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING		**11,422,467**	**20,525,156**	**17,787,124**
INCOME TAX AND SOCIAL CONTRIBUTION	**4p and 14a I**	**(3,926,666)**	**(6,017,002)**	**(6,651,862)**
Due on operations for the period		(1,398,795)	(4,230,036)	(5,430,081)
Related to temporary differences		(2,527,871)	(1,786,966)	(1,221,781)
PROFIT SHARING – Management members - Statutory - Law No. 6,404 of 12/15/1976		**(144,935)**	**(261,282)**	**(204,641)**
MINORITY INTEREST IN SUBSIDIARIES	**16e**	**(427,045)**	**(923,909)**	**(864,013)**
NET INCOME		**6,923,821**	**13,322,963**	**10,066,608**
WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES			**4,536,069,092**	**4,517,815,519**
NET INCOME PER SHARE – R$			**2.94**	**2.23**
BOOK VALUE PER SHARE - R$ (OUTSTANDING AT 12/31)			**13.40**	**10.79**
EXCLUSION OF NONRECURRING EFFECTS	**2a and 22k**		**(300,315)**	**424,003**
NET INCOME WITHOUT NONRECURRING EFFECTS			**13,022,648**	**10,490,611**
NET INCOME PER SHARE – R$			**2.87**	**2.32**

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Statement of Cash Flows

(In thousands of Reais)

	NOTE	2nd Half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
ADJUSTED NET INCOME		**20,085,859**	**37,300,832**	**37,886,647**
Net income		6,923,821	13,322,963	10,066,608
Adjustments to net income:		13,162,038	23,977,869	27,820,039
Granted options recognized		75,526	131,660	115,535
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)		(929,364)	(658,633)	(3,003,340)
Effects of changes in exchange rates on cash and cash equivalents		551,526	629,288	2,917,110
Allowance for loan losses		6,477,793	14,363,636	16,398,955
Results from operations with subordinated debt		1,311,380	2,619,814	1,265,073
Results from securitization of foreign payment orders		-	-	(309,741)
Financial expenses on technical provisions for pension plan and capitalization		2,488,168	4,013,637	3,992,544
Depreciation and amortization	15b	1,135,177	2,211,481	2,168,314
Adjustment to legal liabilities – tax and social security		562,889	345,262	(317,012)
Adjustment to provision for contingent liabilities		425,275	1,088,611	(1,595,034)
Deferred taxes		2,527,871	1,786,966	1,221,781
Equity in earnings of affiliates and other investments	15a III	(107,798)	(224,216)	(209,090)
Income from available-for-sale securities		(1,455,211)	(2,762,102)	3,098,071
Income from held-to-maturity securities		(312,758)	(444,589)	525,210
Amortization of goodwill		-	-	596,961
(Income) loss from sale of investments		(9,502)	(165,557)	(398,888)
Minority interest		427,045	923,909	864,013
Other		(5,979)	118,702	489,577
CHANGE IN ASSETS AND LIABILITIES		**(35,069,179)**	**(66,003,169)**	**(2,303,101)**
(Increase) decrease in interbank investments		13,766,428	26,546,824	19,338,353
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)		(55,549,884)	(64,609,033)	5,804,019
(Increase) decrease in compulsory deposits with the Central Bank of Brazil		(27,793,328)	(71,907,713)	(461,012)
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)		127,036	931,719	228,112
(Increase) decrease in loan, lease and other credit operations		(40,713,765)	(67,372,701)	(17,216,559)
(Increase) decrease in other receivables and other assets		(1,797,289)	392,127	2,159,333
(Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities)		(986,121)	(251,211)	1,197,494
(Decrease) increase in deposits		13,081,356	11,965,966	(15,483,229)
(Decrease) increase in deposits received under securities repurchase agreements		42,379,874	67,706,269	7,576,071
(Decrease) increase in funds for issuance of securities		6,704,419	8,289,218	(2,294,025)
(Decrease) increase in borrowings and onlending		9,341,137	12,719,559	(8,057,986)
(Decrease) increase in credit card operations (assets/liabilities)		3,789,284	3,676,924	2,462,232
(Decrease) increase in securitization of foreign payment orders		-	-	(3,518,992)
(Decrease) increase in technical provision for insurance, pension plan and capitalization		3,183,769	4,841,435	5,100,089
(Decrease) increase in collection and payment of taxes and contributions		(3,043,432)	222,074	(192,814)
(Decrease) increase in other liabilities		3,676,470	3,768,337	5,255,001
(Decrease) increase in deferred income		140,208	133,372	(16,062)
Payment of income tax and social contribution		(1,375,341)	(3,056,335)	(4,183,126)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**(14,983,320)**	**(28,702,337)**	**35,583,546**
Interest on capital / dividends received from affiliated companies		50,198	103,610	78,843
Funds received from sale of available-for-sale securities		9,825,512	19,422,087	13,676,386
Funds received from redemption of held-to-maturity securities		286,208	286,604	459,802
Disposal of assets not for own use		191,968	293,981	318,895
Disposal of investments		53,290	236,466	406,114
Payment of income tax and social contribution from sale of investments		-	(56,511)	(127,162)
Acquisition of minority interest in Itaú XL Seguros Corporativos S.A.	2a	-	(157,299)	-
Acquisition of minority interest in Previtec – Previdência e Tecnologia Ltda.	2a	(32,000)	(32,000)	-
Sale of fixed assets		52,176	92,584	63,310
Write-offs of intangible assets		21,494	89,848	-
Purchase of available-for-sale securities		(12,884,604)	(18,988,419)	(10,597,966)
Purchase of held-to-maturity securities		(114,473)	(582,120)	-
Net cash and cash equivalents of assets and liabilities arising from the purchase of Redecard S.A.		-	-	(477,994)
Purchase of investments		(190,042)	(209,304)	(39,499)
Purchase of fixed assets		(1,269,893)	(1,996,335)	(1,256,645)
Purchase of intangible assets		(468,654)	(652,877)	(761,712)
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		**(4,478,820)**	**(2,149,685)**	**1,742,372**
Increase (decrease) in subordinated debt		4,263,212	9,171,841	(1,652,680)
Change in minority interest		(441,290)	(605,286)	(509,395)
Granting of stock options		289,363	406,084	277,808
Purchase of treasury shares		-	-	(6,979)
Dividends and interest on capital paid		(1,444,309)	(4,315,488)	(3,782,407)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**2,666,976**	**4,657,151**	**(5,673,653)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(16,795,164)**	**(26,194,871)**	**31,652,265**
Cash and cash equivalents at the beginning of the period		56,439,986	65,917,455	37,182,300
Effects of changes in exchange rates on cash and cash equivalents		(551,526)	(629,288)	(2,917,110)
Cash and cash equivalents at the end of the period	4a and 5	39,093,296	39,093,296	65,917,455

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Added Value

(In thousands of Reais)

	NOTE	2nd Half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
INCOME		**49,684,278**	**91,690,268**	**82,182,034**
Financial operations		43,055,060	80,325,961	76,696,605
Banking services		9,043,564	17,462,587	15,172,135
Result from insurance, pension plan and capitalization operations		1,291,926	2,658,435	2,431,694
Result of loan losses	8d	(4,014,481)	(10,087,727)	(14,165,307)
Other		308,209	1,331,012	2,046,907
EXPENSES		**(21,181,901)**	**(39,542,957)**	**(35,873,128)**
Financial operations		(18,774,124)	(35,066,002)	(30,581,022)
Other		(2,407,777)	(4,476,955)	(5,292,106)
INPUTS PURCHASED FROM THIRD PARTIES		**(6,564,153)**	**(11,803,164)**	**(9,425,614)**
Materials, energy and others		(278,994)	(474,445)	(306,819)
Third-party services		(1,653,470)	(3,012,376)	(2,826,561)
Other		(4,631,689)	(8,316,343)	(6,292,234)
Data processing and telecommunications	13g	(1,861,436)	(3,363,167)	(2,606,077)
Advertising, promotions and publication	13g	(638,309)	(1,171,018)	(975,419)
Installations		(943,886)	(1,615,922)	(997,076)
Transportation	13g	(332,630)	(622,235)	(409,724)
Security	13g	(241,491)	(453,221)	(376,834)
Travel expenses	13g	(98,985)	(168,821)	(121,943)
Other		(514,952)	(921,959)	(805,161)
GROSS ADDED VALUE		**21,938,224**	**40,344,147**	**36,883,292**
DEPRECIATION AND AMORTIZATION	13g	**(722,936)**	**(1,383,370)**	**(1,305,163)**
NET ADDED VALUE PRODUCED BY THE COMPANY		**21,215,288**	**38,960,777**	**35,578,129**
ADDED VALUE RECEIVED FROM TRANSFER	**15a III**	**75,354**	**139,207**	**177,957**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**21,290,642**	**39,099,984**	**35,756,086**
DISTRIBUTION OF ADDED VALUE		**21,290,642**	**39,099,984**	**35,756,086**
Personnel		6,432,136	12,055,654	11,190,291
Compensation		5,142,084	9,609,294	9,195,584
Benefits		1,003,659	1,878,039	1,487,851
FGTS – government severance pay fund		286,393	568,321	506,856
Taxes, fees and contributions		7,068,826	11,945,583	12,773,249
Federal		6,724,889	11,299,311	12,135,949
State		(42)	798	74,849
Municipal		343,979	645,474	562,451
Return on third parties' assets - Rent		438,814	851,875	861,925
Return on own assets		7,350,866	14,246,872	10,930,621
Dividends and interest on capital		2,277,725	4,482,550	3,977,438
Retained earnings (loss) for the period		4,646,096	8,840,413	6,089,170
Minority interest in retained earnings		427,045	923,909	864,013

ITAÚ UNIBANCO HOLDING S.A.

Balance Sheet

(In thousands of Reais)

ASSETS	NOTE	12/31/2010	12/31/2009
CURRENT ASSETS		**3,792,477**	**10,795,381**
CASH AND CASH EQUIVALENTS		**1,940**	**515**
INTERBANK INVESTMENTS	**4b and 6**	**192,959**	**6,948,040**
Money market		192,959	120,091
Interbank deposits		-	6,827,949
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**33,489**	**5,307**
Own portfolio		28,299	578
Pledged in guarantee		5,190	4,729
OTHER RECEIVABLES		**3,559,575**	**3,839,692**
Income receivable	15a I	3,067,840	3,289,903
Sundry	13a	491,735	549,789
OTHER ASSETS – Prepaid expenses	**4g**	**4,514**	**1,827**
LONG-TERM RECEIVABLES		**14,428,183**	**282,325**
INTERBANK INVESTMENTS – Interbank deposits	**4b and 6**	**14,176,842**	**-**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**4c, 4d and 7**	**6,387**	**25,118**
Own portfolio		13	25,118
Pledged in guarantee		6,374	-
OTHER RECEIVABLES - Sundry	**13a**	**244,954**	**257,207**
PERMANENT ASSETS		**63,030,639**	**56,380,952**
INVESTMENTS		**63,030,331**	**56,380,595**
Investments in subsidiaries	4h and 15a I	63,029,924	56,380,188
Other		407	407
FIXED ASSETS	**4i**	**308**	**357**
TOTAL ASSETS		**81,251,299**	**67,458,658**

LIABILITIES			
CURRENT LIABILITIES		**2,856,800**	**2,681,374**
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**4b and 10d**	**5,542**	**-**
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**2,717**	**62**
OTHER LIABILITIES		**2,848,541**	**2,681,312**
Social and statutory	16b II	2,704,993	2,542,121
Tax and social security contributions	14c	25,060	132,297
Subordinated debt	10f	47,890	-
Sundry	13c	70,598	6,894
LONG-TERM LIABILITIES		**7,749,709**	**1,276,670**
DEPOSITS - Interbank deposits	**4b and 10b**	**3,344,008**	**899,224**
FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES	**4b and 10d**	**500,000**	**-**
DERIVATIVE FINANCIAL INSTRUMENTS	**4d and 7h**	**-**	**1,234**
OTHER LIABILITIES		**3,905,701**	**376,212**
Tax and social security contributions	14c	576,158	366,683
Subordinated debt	10f	3,304,889	-
Sundry	13c	24,654	9,529
STOCKHOLDERS' EQUITY	**16**	**70,644,790**	**63,500,614**
Capital		45,000,000	45,000,000
Capital reserves		594,734	640,759
Revenue reserves		25,661,505	18,771,151
Asset valuation adjustment	4c, 4d and 7d	17,128	120,031
(Treasury shares)		(628,577)	(1,031,327)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**81,251,299**	**67,458,658**

ITAÚ UNIBANCO HOLDING S.A.
Statement of Income
(In thousands of Reais)

	NOTE	2nd Half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
INCOME FROM FINANCIAL OPERATIONS		**588,358**	**1,021,447**	**473,748**
Securities and derivative financial instruments		588,358	1,021,447	473,748
EXPENSES OF FINANCIAL OPERATIONS		**(249,135)**	**(376,032)**	**(69,656)**
Money market		(249,135)	(376,032)	(69,656)
GROSS INCOME FROM FINANCIAL OPERATIONS		**339,223**	**645,415**	**404,092**
OTHER OPERATING REVENUES (EXPENSES)		**5,492,837**	**9,557,780**	**7,223,724**
Personnel expenses		(90,659)	(163,300)	(203,717)
Other administrative expenses		(36,403)	(64,946)	(42,537)
Tax expenses	14a II	(162,006)	(177,081)	(174,659)
Equity in earnings of subsidiaries	15a I	5,826,381	10,048,503	7,731,003
Other operating revenues (expenses)		(44,476)	(85,396)	(86,366)
OPERATING INCOME		**5,832,060**	**10,203,195**	**7,627,816**
NON-OPERATING INCOME		**2,643**	**9,763**	**10,049**
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING		**5,834,703**	**10,212,958**	**7,637,865**
INCOME TAX AND SOCIAL CONTRIBUTION	**4p**	**(452,996)**	**64,314**	**71,374**
Due on operations for the period		1,286	(13,364)	33,909
Related to temporary differences		(454,282)	77,678	37,465
PROFIT SHARING – Management members - Statutory - Law No. 6,404 of 12/15/1976		**(1,581)**	**(5,257)**	**(2,332)**
NET INCOME		**5,380,126**	**10,272,015**	**7,706,907**
WEIGHTED AVERAGE OF THE NUMBER OF OUTSTANDING SHARES			**4,536,069,092**	**4,517,815,519**
NET INCOME PER SHARE – R$			**2.26**	**1.71**
BOOK VALUE PER SHARE - R$ (OUTSTANDING AT 12/31)			**15.55**	**14.03**

EXCLUSION OF NONRECURRING EFFECTS	**2a and 22k**		**(300,315)**	**34,465**
NET INCOME WITHOUT NONRECURRING EFFECTS			**9,971,700**	**7,741,372**
NET INCOME PER SHARE – R$			**2.20**	**1.71**

ITAÚ UNIBANCO HOLDING S.A.

Statement of Changes in Stockholders' Equity (Note 16)

(In thousands of Reais)

	Capital	Capital reserves	Revenue reserves	Asset valuation adjustment (Note 7d)	Retained earnings	(Treasury shares)	Total
BALANCES AT 07/01/2010	**45,000,000**	**565,460**	**21,546,227**	**147,952**	**-**	**(875,738)**	**66,383,901**
Employee benefits – CVM Resolution No. 600, of October 7, 2009 (Note 19)	-	-	924,424	-	-	-	924,424
Granting of stock options – exercised options	-	(46,252)	88,454	-	-	247,161	289,363
Granting of options recognized	-	75,526	-	-	-	-	75,526
Change in adjustment to market value	-	-	-	(130,824)	-	-	(130,824)
Net income	-	-	-	-	5,380,125	-	5,380,125
Appropriations:							
Legal reserve	-	-	269,006	-	(269,006)	-	-
Realization of profit reserve	-	-	(357,931)	-	357,931	-	-
Statutory reserves	-	-	3,191,325	-	(3,191,325)	-	-
Dividends and Interest on capital	-	-	-	-	(2,277,725)	-	(2,277,725)
BALANCES AT 12/31/2010	**45,000,000**	**594,734**	**25,661,505**	**17,128**	**-**	**(628,577)**	**70,644,790**
CHANGES IN THE PERIOD	**-**	**29,274**	**4,115,278**	**(130,824)**	**-**	**247,161**	**4,260,889**
BALANCES AT 01/01/2009	**29,000,000**	**597,706**	**31,192,635**	**(423,717)**	**-**	**(1,525,695)**	**58,840,929**
Capitalization through Reserves – A/ESM of 04/24/2009	16,000,000	-	(16,000,000)	-	-	-	-
Treasury shares	-	(154,408)	(69,131)	-	-	494,368	270,829
Granting of options recognized	-	197,461	(81,926)	-	-	-	115,535
Change in adjustment to market value	-	-	-	543,748	-	-	543,748
Reversal of interest on capital and dividends paid on 03/17 and 04/08/2009 - Year 2008	-	-	104	-	-	-	104
Net income	-	-	-	-	7,706,907	-	7,706,907
Appropriations:							-
Legal reserve	-	-	385,345	-	(385,345)	-	-
Unrealized profit reserve	-	-	(1,642,069)	-	1,642,069	-	-
Statutory reserves	-	-	4,986,193	-	(4,986,193)	-	-
Dividends and Interest on capital	-	-	-	-	(3,977,438)	-	(3,977,438)
BALANCES AT 12/31/2009	**45,000,000**	**640,759**	**18,771,151**	**120,031**	**-**	**(1,031,327)**	**63,500,614**
CHANGES IN THE YEAR	**16,000,000**	**43,053**	**(12,421,484)**	**543,748**	**-**	**494,368**	**4,659,685**
BALANCES AT 01/01/2010	**45,000,000**	**640,759**	**18,771,151**	**120,031**	**-**	**(1,031,327)**	**63,500,614**
Employee benefits – CVM Resolution No. 600, of October 7, 2009 (Note 19)	-	-	924,424	-	-	-	924,424
Granting of stock options – exercised options	-	(91,313)	94,647	-	-	402,750	406,084
Granting of options recognized	-	45,288	86,372	-	-	-	131,660
Change in adjustment to market value	-	-	(3,934)	(102,903)	-	-	(106,837)
Addition to interest on capital and dividends paid on 03/01/2010 - Year 2009	-	-	(620)	-	-	-	(620)
Net income	-	-	-	-	10,272,015	-	10,272,015
Appropriations:							
Legal reserve	-	-	513,601	-	(513,601)	-	-
Realization of profit reserve	-	-	(357,931)	-	357,931	-	-
Statutory reserves	-	-	5,633,795	-	(5,633,795)	-	-
Dividends and Interest on capital	-	-	-	-	(4,482,550)	-	(4,482,550)
BALANCES AT 12/31/2010	**45,000,000**	**594,734**	**25,661,505**	**17,128**	**-**	**(628,577)**	**70,644,790**
CHANGES IN THE YEAR	**-**	**(46,025)**	**6,890,354**	**(102,903)**	**-**	**402,750**	**7,144,176**

ITAÚ UNIBANCO HOLDING S.A.

Statement of Cash Flows

(In thousands of Reais)

	NOTE	2nd Half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
ADJUSTED NET INCOME (LOSS)		**118,615**	**338,123**	**144,399**
Net income		5,380,126	10,272,015	7,706,907
Adjustments to net income:		(5,261,511)	(9,933,892)	(7,562,508)
Granting of options recognized		75,526	131,660	115,535
Deferred taxes		454,282	(77,678)	(37,465)
Equity in earnings of subsidiaries	15a I	(5,826,381)	(10,048,503)	(7,731,003)
Amortization of goodwill		28,874	57,746	57,745
Effects of changes in exchange rates on cash and cash equivalents		6,140	2,774	32,519
Other		48	109	161
CHANGE IN ASSETS AND LIABILITIES		**456,785**	**816,733**	**(295,625)**
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)		(2,781)	(11,566)	(7,799)
(Increase) decrease in other receivables and other assets		(202,415)	146,500	(307,475)
(Increase) decrease in funds for issuance of securities		505,542	505,542	-
Increase (decrease) in other liabilities		156,439	176,257	31,115
Payment of income tax and social contribution		-	-	(11,466)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**575,400**	**1,154,856**	**(151,226)**
Interest on capital/Dividends received		909,475	4,383,005	9,609,568
(Increase) decrease in interbank investments		(1,995,272)	(7,251,881)	(6,615,638)
Disposal of investments		-	-	338
(Purchase) sale of fixed assets		(33)	(60)	(305)
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		**(1,085,830)**	**(2,868,936)**	**2,993,963**
Increase (decrease) in deposits		166,762	2,444,784	553,227
Increase (decrease) in subordinated debt		1,544,738	3,352,779	-
Granting of stock options		289,363	406,084	277,808
Purchase of treasury shares		-	-	(6,979)
Dividends and interest on capital paid		(1,444,309)	(4,315,488)	(3,782,407)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**556,554**	**1,888,159**	**(2,958,351)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**46,124**	**174,079**	**(115,614)**
Cash and cash equivalents at the beginning of the period		154,915	23,594	171,727
Effects of changes in exchange rates on cash and cash equivalents		(6,140)	(2,774)	(32,519)
Cash and cash equivalents at the end of the period	4a and 5	194,899	194,899	23,594

ITAÚ UNIBANCO HOLDING S.A.

Statement of Added Value

(In thousands of Reais)

	NOTE	2nd Half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
INCOME		**(69,878)**	**957,612**	**397,431**
Financial operations		588,358	1,021,447	473,748
Other		(658,236)	(63,835)	(76,317)
EXPENSES		**(249,135)**	**(376,032)**	**(69,656)**
INPUTS PURCHASED FROM THIRD PARTIES		**(47,921)**	**(75,948)**	**(41,277)**
Third-party services		(16,678)	(26,782)	(13,984)
Advertising, promotions and publication		(1,105)	(1,643)	(3,388)
Expenses for financial system services		(14,738)	(17,752)	(6,324)
Insurance		(3,270)	(6,219)	(3,819)
Other		(12,130)	(23,552)	(13,762)
GROSS ADDED VALUE		**(366,934)**	**505,632**	**286,498**
DEPRECIATION AND AMORTIZATION		**(48)**	**(109)**	**(180)**
NET ADDED VALUE PRODUCED BY THE COMPANY		**(366,982)**	**505,523**	**286,318**
ADDED VALUE RECEIVED FROM TRANSFER	**15a I**	**5,826,382**	**10,048,503**	**7,731,003**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**5,459,400**	**10,554,026**	**8,017,321**
DISTRIBUTION OF ADDED VALUE		**5,459,400**	**10,554,026**	**8,017,321**
Personnel		92,143	164,609	192,057
Compensation		90,489	160,943	183,485
Benefits		949	2,268	6,360
FGTS – government severance pay fund		705	1,398	2,212
Taxes, fees and contributions		(13,104)	116,713	117,277
Federal		(13,104)	116,652	117,158
State		-	-	13
Municipal		-	61	106
Return on third parties' assets - Rent		235	689	1,080
Return on own assets		5,380,126	10,272,015	7,706,907
Dividends and Interest on capital		2,277,105	4,482,550	3,977,438
Retained earnings (loss) for the period		3,103,021	5,789,465	3,729,469

ITAÚ UNIBANCO HOLDING S.A.

NOTES TO THE FINANCIAL STATEMENTS

FROM JANUARY 1 TO DECEMBER 31, 2010 AND 2009

(In thousands of Reais)

NOTE 1 - OPERATIONS

Itaú Unibanco Holding S.A. (ITAÚ UNIBANCO HOLDING) is a publicly-held company which, together with its subsidiary and affiliated companies, operates in Brazil and abroad, with all types of banking activities, through its commercial, investment, consumer credit, real estate loan, finance and investment credit, and lease portfolios, including foreign exchange operations, and other complementary activities, with emphasis on Insurance, Private Pension Plans, Capitalization, Securities Brokerage and Administration of Credit Cards, Consortia, Investment Funds and Managed Portfolios.

NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS

a) Presentation of the Financial Statements

The financial statements of ITAÚ UNIBANCO HOLDING and of its subsidiaries (ITAÚ UNIBANCO HOLDING CONSOLIDATED) have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, including the amendments introduced by Laws No. 11,638, of December 28, 2007, and No. 11,941, of May 27, 2009, in conformity, when applicable, with instructions issued by the Central Bank of Brazil (BACEN), the National Monetary Council (CMN), the Brazilian Securities and Exchange Commission (CVM) and the Superintendency of Private Insurance (SUSEP), and National Council of Private Insurance (CNSP), which include the use of estimates necessary to calculate accounting provisions.

On May 12, 2010 SUSEP approved the contract signed on November 12, 2009 related to the acquisition by ITAÚ UNIBANCO HOLDING of a minority interest in the subsidiary Itaú Unibanco Seguros Corporativos S.A. (current name of Itaú XL Seguros Corporativos S.A.) for the amount of R$ 157,299, giving rise to a goodwill of R$ 24,700. The transaction was approved on October 6, 2010 by SUSEP.

On September 20, 2010, ITAÚ UNIBANCO HOLDING purchased 50% of the quotas in the companies SFR Software e Análise de Sistemas LTDA and Previtec – Previdência e Tecnologia LTDA, according to the purchase agreement, for the amount of R$ 47,000, giving rise to a goodwill of R$ 42,530, and these companies became wholly-owned subsidiaries.

In order to enable the proper analysis of the net income, the heading “Net income without nonrecurring effects” is presented below the Consolidated Statement of Income, and this effect is highlighted in a heading called “Exclusion of nonrecurring effects” (Note 22k).

As set forth in the sole paragraph of article 7 of BACEN Circular No. 3,068, of November 8, 2001, securities classified as trading securities (Note 4c) are presented in the Balance Sheet under Current Assets regardless of their maturity dates.

Lease Operations are presented, at present value, in the Balance Sheet, and the related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credit operations in the Statement of Income. Advances on exchange contracts are reclassified from Other Liabilities – Foreign Exchange Portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

b) Convergence into international accounting standards

The CMN Resolution No. 3,786, of September 24, 2009, and BACEN Circular No. 3,472, of October 23, 2009, established that from December 31, 2010 the financial institutions shall prepare and annually report their consolidated financial statements adopting the international financial reporting standards according to the pronouncements issued by the International Accounting Standard Board (IASB), translated into the Portuguese language by a Brazilian company registered with the International Accounting Standards Committee Foundation (IASC Foundation).

The accounting pronouncements issued by the Accounting Pronouncements Committee (CPC) and the respective international standards of IASB that will be adopted in the consolidated financial statements until the end of 2010 and may impact the stockholders’ equity and or results are as follows:

- CPC 2 (IAS 21) - Effects on changes in foreign exchange rates and conversion of financial statements: Effect on results from January 1 to December 31, 2010 (without effect on stockholders' equity) for allocation of foreign exchange variation in the stockholders' equity related to controlled companies using functional currency other than Real, basically represented by the Itaú Europa, Chile, Argentina, Uruguay and Paraguay units (Note 20).

- CPC 11 (IFRS 4) – Insurance contracts: Management does not expect significant effects;

- CPC 15 (IFRS 3) – Business combinations: in the period from January 1 to December 31, 2010, there was not any transaction that could exert significant effects;

- CPC 24 (IAS 10) – Subsequent events: dividends and interest on capital declared after the accounting period to which the financial statements refer, if these are above the minimum mandatory dividend they shall be reversed with effect on stockholders' equity (Note 16b I);

- CPC 32 (IAS 12) – Taxes on income: recognition of a credit in the stockholders' equity of the opening balance sheet of an amount of deferred tax assets not recorded according to Note 14b IV;

- CPC 38 (IAS 39) – Financial instruments:

  Recognition and measurement – loss on recoverable amount for not receiving financial assets: review of the procedures adopted for setting up the Allowance for Loan losses. The management does not expect an amount above that recorded in the allowance;

  Shares and quota classified as permanent investment and recognized at cost are classified as available-for-sale financial assets at fair value, and their gains and losses are recognized directly in stockholders' equity.

  The use of the effective interest rate method in the calculation of the carrying value of loan operations results in the deferral of income and expenses associated with the opening of loan operations.

The other pronouncements shall basically impact the information disclosure format.

The Consolidated Financial Statements with the adoption of the international standards according to the IASB pronouncements will be disclosed until March 31, 2011.

c) Consolidation

As set forth in paragraph 1, article 2, of BACEN Circular Letter No. 2,804, of February 11, 1998, the financial statements of ITAÚ UNIBANCO HOLDING comprise the consolidation of its foreign branches and subsidiaries.

Intercompany transactions and balances and results have been eliminated on consolidation. The investments held by consolidated companies in Exclusive Investment Funds are consolidated. The investments in these fund portfolios are classified by type of transaction and were distributed by type of security, in the same categories in which these securities had been originally allocated. The effects of the Foreign Exchange Variation on investments abroad are classified in the heading Securities and Derivative Financial Instruments in the Statement of Income.

The difference of Net Income and Stockholders' Equity between ITAÚ UNIBANCO HOLDING and ITAÚ UNIBANCO HOLDING CONSOLIDATED (Note 16d) results from the adoption of different criteria for the amortization of goodwill originated on purchase of investments, net of the respective deferred tax assets.

In ITAÚ UNIBANCO HOLDING, the goodwill recorded in subsidiaries, mainly originated from the ITAÚ UNIBANCO merger, is being amortized based on the expected future profitability and appraisal reports or upon realization of the investment, according to the rules and guidance of CMN and BACEN.

In ITAÚ UNIBANCO HOLDING CONSOLIDATED, this goodwill was fully amortized up to December 31, 2009, in the periods when the investments were made, in order to: a) permit better comparability with previous periods' consolidated financial statements; and b) permit measuring Net Income and Stockholders' Equity based on conservative criteria.

From January 1, 2010, the goodwill originated from the purchase of investments is no longer fully amortized in the consolidated financial statements, for purposes of compatibility of the current accounting practices with the international financial reporting standards (Note 4k).

The consolidated financial statements comprise ITAÚ UNIBANCO HOLDING and its direct and indirect subsidiaries, among which we highlight:

		Incorporation country	Interest %	
			12/31/2010	12/31/2009
Afinco Americas Madeira, SGPS, Sociedade Unipessoal, Ltda.		Portugal	100.00	100.00
Banco Dibens S.A.		Brazil	100.00	100.00
Banco Fiat S.A.		Brazil	99.99	99.99
Banco Itaú Argentina S.A.		Argentina	99.99	99.99
Banco Itaú BBA S.A.		Brazil	99.99	99.99
Banco Itaú Chile		Chile	99.99	99.99
Banco Itaú Europa Luxembourg S.A.		Luxembourg	99.98	99.98
Banco Itaú Europa, S.A.		Portugal	99.99	99.99
Banco Itaú Uruguay S.A.		Uruguay	100.00	100.00
Banco Itaucard S.A.		Brazil	100.00	99.99
Banco Itaucred Financiamentos S.A.		Brazil	100.00	99.99
Banco Itauleasing S.A.		Brazil	100.00	99.99
BIU Participações S.A.		Brazil	66.16	66.16
Cia. Itaú de Capitalização		Brazil	99.99	99.99
Dibens Leasing S.A. - Arrendamento Mercantil		Brazil	100.00	100.00
FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	(1)	Brazil	50.00	50.00
Fiat Administradora de Consórcios Ltda.		Brazil	99.99	99.99
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	(2)	Brazil	50.00	50.00
Hipercard Banco Múltiplo S.A.		Brazil	100.00	99.99
Itaú Administradora de Consórcios Ltda.		Brazil	99.99	99.99
Itau Bank, Ltd.	(3)	Cayman Islands	100.00	100.00
Itaú Corretora de Valores S.A.		Brazil	100.00	99.99
Itaú Seguros S.A.		Brazil	100.00	100.00
Itaú Unibanco S.A.		Brazil	100.00	100.00
Itaú Vida e Previdência S.A.		Brazil	100.00	100.00
Itaú XL Seguros Corporativos S.A. (Note 2a)		Brazil	100.00	50.00
Itaúsa Export S.A.		Brazil	100.00	100.00
OCA Casa Financiera S.A.		Uruguay	100.00	100.00
Orbitall Serviços e Processamento de Informações Comerciais S.A.		Brazil	100.00	99.99
Porto Seguro S.A.	(4)	Brazil	30.00	30.00
Redecard S.A.	(5)	Brazil	50.00	50.00
Unibanco Cayman Bank Ltd.		Cayman Islands	100.00	100.00
Unibanco Participações Societárias S.A.		Brazil	51.00	51.00

(1) Company with shared control included proportionally in consolidation;

(2) Company with shared control, fully included in consolidation, in view of the business management by ITAÚ UNIBANCO HOLDING;

(3) It does not include Redeemable Preferred Shares (Note 10f);

(4) Company controlled by Porto Seguro Itaú Unibanco Participações S.A. included proportionally in consolidation;

(5) Fully consolidated company whose share capital is 50% plus 17 shares.

NOTE 3 – REQUIREMENTS OF CAPITAL AND FIXED ASSET LIMITS

a) Basel and Fixed Asset Ratios

The main indicators at December 31, 2010, according to present regulation, are as follows:

	Financial system consolidated (1)	Economic-financial consolidated (2)
Referential equity (3)	78,670,791	80,718,514
Basel ratio	15.8%	15.4%
Tier I	12.1%	11.8%
Tier II	3.7%	3.6%
Fixed assets ratio (4)	37.3%	14.5%
Excess capital in relation to fixed assets	9,976,168	28,669,462

(1) Consolidated financial statements including financial companies only;

(2) Consolidated financial statements comprising all direct and indirect subsidiary companies, including insurance, pension plan, capitalization companies and other non-financial companies, as provided for in CMN Resolution No. 2,723 of June 1, 2000, amended by CMN Resolution No. 2,743, of June 28, 2000.

(3) The CMN, through Resolution No. 3,444, of February 28, 2007, determined the Referential Equity (PR), for purposes of calculating operating limits, as being the sum of both Tier I and Tier II levels, following the international experience, each of them comprising items from stockholders' equity, as well as subordinated debt and hybrid capital and debt instruments.

(4) The difference between the fixed asset ratio of the financial system consolidated and the economic-financial consolidated arises from the inclusion of non-financial subsidiary companies, which provide high liquidity and low level of fixed asset ratio, with a consequent decrease in the fixed asset ratio of the economic and financial consolidated amounts, enabling, when necessary, the distribution of funds to the financial companies.

Management considers the current Basel ratio (15.4%, based on economic-financial consolidated) to be adequate, taking into account the following:

a) It exceeds by 4.4 percent the minimum required by the authorities (11.0%); and

b) In view of the realizable values of assets (Note 18), the additional provision (exceeding the minimum required) (Note 8c) and unrecorded deferred tax assets (Note 14b IV), the ratio would increase to 17.0%.

CMN Resolution No. 3,490, of August 29, 2007, provides for the criteria for computation of the Required Referential Equity (PRE). For calculation of the risk portions, the procedures of Circular No. 3,360, of September 12, 2007 for credit risk, of Circulars Nos. 3,361, 3,362, 3,363, 3,364, 3,366 and 3,368, of September 12, 2007, 3,388, of June 4, 2008, and 3,389, of June 25, 2008, and Circular Letters Nos. 3,309 and 3,310, of April 15, 2008 for market risk, and Circular No. 3,383 and Circular Letters Nos. 3,315 and 3,316, of April 30, 2008, for operational risk were followed. For the operational risk portion, ITAÚ UNIBANCO HOLDING opted for the use of the Alternative Standardized Approach.

From January 1, 2010, the operational risk portion started being considered at its full amount, pursuant to Circular No. 3,383.

CMN Resolution No. 3,825, of December 16, 2009, revoked, to take effect from April 1, 2010, Resolution No. 3,674, of December 30, 2008, which enabled to add to Tier I the full amount of the additional provision to the minimum percentages required by Resolution No. 2,682 of December 21, 1999.

Circular No. 3,476, of December 28, 2009, sets forth that, for the Economic-Financial Consolidated, from June 30, 2010 an addition should be included in the Operational Risk Portion (POPR), through the use of a ratio based on the equity in earnings of subsidiary and affiliated companies.

Circular No. 3,498, of June 28, 2010, changes the provisions mentioned in Circulars Nos. 3,361, 3,362, 3,363, 3,364 and 3,366, of September 12, 2007, and No. 3,389, of June 25, 2008, which set forth the procedures for calculation of portion related to market risk. The new calculation method will be adopted gradually from January 1, 2012, taking into account that it shall be fully employed from June 30, 2012. Should the new rules already been applicable, the ratios would be reduced by about 0.9%.

The Referential Equity used for calculation of ratios and composition of risk exposures at December 31, 2010, are as follows:

	Financial system consolidated		Economic-financial consolidated	
Stockholders' Equity Itaú Unibanco Holding S.A. (Consolidated)	**60,878,545**		**60,878,545**	
Minority interest in subsidiaries	923,675		2,999,715	
Consolidated stockholders' equity (BACEN)	**61,802,220**		**63,878,260**	
Revaluation reserves excluded from Tier I	(7)		(7)	
Deferred tax assets excluded from Tier I	(549,871)		(574,748)	
Deferred permanent assets excluded from Tier I	(385,231)		(388,671)	
excluded from Tier I	(17,128)		(17,126)	
Preferred shares with clause of redemption excluded from Tier I	(657,794)		(657,794)	
Tier I	**60,192,189**		**62,239,914**	
Subordinated debt	18,108,427		18,108,427	
Preferred shares with clause of redemption	526,235		526,235	
Revaluation reserves	7		7	
Adjustment to market value -securities and derivative financial instruments	17,128		17,126	
Tier II	**18,651,797**		**18,651,795**	
Tier I + Tier II	**78,843,986**		**80,891,709**	
Exclusions:				
Funding instruments issued by financial institutions	(173,195)		(173,195)	
Referential equity	**78,670,791**		**80,718,514**	
Risk exposure:				
Exposure weighted by credit risk (EPR)	**463,443,618**		**485,832,336**	
Portion required for credit risk coverage (PEPR)	**50,978,798**	**93.2%**	**53,441,557**	**92.9%**
a) Per weighting factor (FPR):				
FPR at 20%	198,469	0.4%	320,953	0.6%
FPR at 35%	76,813	0.1%	76,810	0.1%
FPR at 50%	2,458,638	4.5%	3,139,287	5.5%
FPR at 75%	13,068,427	23.9%	12,892,129	22.4%
FPR at 100%	33,991,756	62.1%	35,761,282	62.2%
FPR at 300%	949,632	1.7%	1,010,852	1.8%
Derivatives – potential future gain	235,063	0.4%	240,244	0.4%
b) Per type:				
Securities	2,763,645	5.1%	2,915,210	5.1%
Loan operations - Retail	10,690,346	19.5%	10,570,718	18.4%
Loan operations – Non-retail	15,362,871	28.1%	15,396,381	26.8%
Joint liabilities - Retail	6,792	0.0%	6,792	0.0%
Joint liabilities – Non-Retail	4,098,557	7.5%	4,097,382	7.1%
Loan commitments - Retail	2,371,289	4.3%	2,314,619	4.0%
Loan commitments – Non-retail	1,785,722	3.3%	1,785,865	3.1%
Other exposures	13,899,576	25.4%	16,354,590	28.4%
Portion required for operational risk coverage (POPR)	**2,745,478**	**5.0%**	**3,129,288**	**5.4%**
Retail	468,830	0.9%	468,830	0.8%
Commercial	812,183	1.5%	812,183	1.4%
Corporate finance	77,531	0.1%	77,531	0.1%
Negotiation and sales	793,059	1.4%	793,059	1.4%
Payments and settlements	259,124	0.5%	259,124	0.5%
Financial agent services	112,659	0.2%	112,659	0.2%
Asset management	199,118	0.4%	199,118	0.3%
Retail brokerage	22,086	0.0%	22,086	0.0%
Business plans	888	0.0%	888	0.0%
Conef additional	-	0.0%	383,810	0.7%
Portion required for market risk coverage:	**997,240**	**1.8%**	**953,876**	**1.7%**
Gold, foreign currency and operations subject to foreign exchange variation (PCAM)	**-**	**0.0%**	**-**	**0.0%**
Operations subject to interest rate variation (PJUR)	**663,142**	**1.2%**	**619,778**	**1.1%**
Fixed rate denominated in Real (PJUR1)	77,342	0.1%	77,004	0.1%
Foreign currency coupon (PJUR2)	297,010	0.5%	253,984	0.4%
Price index coupon (PJUR3)	163,727	0.3%	163,727	0.3%
Interest rate coupon (PJUR 4)	125,063	0.2%	125,063	0.2%
Operations subject to commodity price variation (PCOM)	**159,526**	**0.3%**	**159,526**	**0.3%**
Operations subject to stock price variation (PACS)	**174,572**	**0.3%**	**174,572**	**0.3%**
Required Referential Equity	**54,721,516**	**100.0%**	**57,524,721**	**100.0%**
Excess capital in relation to Required Referential Equity	**23,949,275**	**43.8%**	**23,193,793**	**40.3%**
Total exposure weighted by risk [EPR + (1/0.11 X (POPR + PCAM + PJUR + PCOM + PACS)	**497,468,330**		**522,952,010**	
Ratio (%)	**15.8**		**15.4**	
Referential equity calculated for covering the interest rate risk of operations not classified into the trading portfolio (RBAN)	**1,207,055**		**1,334,543**	

During this period, the effects of the changes in legislation and balances were as follows:

Changes in the Basel Ratio	Financial system consolidated			Economic-financial consolidated		
	Referential equity	Weighted exposure	Effect	Referential equity	Weighted exposure	Effect
Ratio at 12/31/2009	**68,432,521**	**402,713,393**	**17.0%**	**70,514,408**	**422,840,336**	**16.7%**
Result for the period	13,396,249		3.3%	14,193,010		3.4%
Interest on capital and dividends	(4,483,170)		-1.1%	(4,483,170)		-1.0%
Additional allowance for loan losses – added to the Tier I of Referential Equity	(6,107,459)	(6,107,459)	-1.2%	(6,104,000)	(6,104,000)	-1.2%
Granting of options recognized	131,661		0.0%	131,661		0.0%
Granting of stock options – exercised options in the period	403,319		0.1%	403,319		0.1%
Asset valuation adjustment	(106,837)		0.0%	(106,837)		0.0%
Subordinated debt and redeemable preferred shares	5,917,697		1.5%	5,917,697		1.4%
Employee benefits – CVM Resolution No. 600, of September 7, 2009	924,424	1,536,518	0.2%	924,424	1,536,518	0.2%
Deferred assets excluded from Tier I of referential equity	36,995	36,995	0.0%	37,509	37,509	0.0%
Other changes in referential equity	125,391		0.0%	(709,507)		-0.2%
Changes in risk exposure		99,288,883	-4.0%		104,641,647	-4.0%
Ratio at 12/31/2010	**78,670,791**	**497,468,330**	**15.8%**	**80,718,514**	**522,952,010**	**15.4%**

b) Capital for Insurance Activity

SUSEP, following the worldwide trend towards the strengthening of the insurance market, disclosed on December 26, 2006 the Resolutions Nos. 155 and 158, amended by Resolutions No. 178, of December 28, 2007, and No. 200, of December 16, 2008, and Circular No. 355, of December 14, 2007. The regulations provide for the rules on regulatory capital required for authorization and operation of insurance companies and rules for the allocation of capital from subscription risk for several insurance lines.

Noteworthy is the fact that the adjusted stockholders' equity of ITAU UNIBANCO HOLDING companies exclusively engaged in insurance activities is higher than the required regulatory capital. At December 31, 2010, the required regulatory capital amounted to R$ 894,895 for an existing adjusted stockholders' equity of R$ 5,014,852.

NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

a) Cash and cash equivalents - For purposes of Consolidated Statement of Cash Flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits and securities purchased under agreements to resell – funded position that have original maturities of up to 90 days or less.

b) Interbank investments, remunerated restricted credits – Brazilian Central Bank, remunerated deposits, deposits received under securities repurchase agreements, funds from acceptance and issuance of securities, borrowings and onlending, subordinated debt and other receivables and payables – Transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, net of the transaction costs incurred, calculated "pro rata die" based on the effective rate of transactions, according to CVM Resolution No. 649 of December 16, 2010.

c) Securities - Recorded at cost of acquisition restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular No. 3,068, of November 8, 2001. Securities are classified into the following categories:

- Trading securities – acquired to be actively and frequently traded, and adjusted to market value, with a contra-entry to the results for the period;

- Available-for-sale securities – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a contra-entry to an account disclosed in stockholders' equity;

- Held-to-maturity securities – securities, except for non-redeemable shares, for which the bank has the financial condition and intends or is required to hold them in the portfolio up to their maturity, are recorded at cost of acquisition, or market value, whenever these are transferred from another category. The securities are adjusted up to their maturity date, not being adjusted to market value.

Gains and losses on available-for-sale securities, when realized, are recognized at the trading date in the statement of income, with a contra-entry to a specific stockholders' equity account.

Decreases in the market value of available-for-sale and held-to-maturity securities below their related costs, resulting from non-temporary reasons, are recorded in results as realized losses.

d) Derivative financial instruments - these are classified on the date of their acquisition, according to management's intention of using them either as a hedge or not, according to BACEN Circular No. 3,082, of January 30, 2002. Transactions involving financial instruments, carried out upon the client's request, for their own account, or which do not comply with the hedging criteria (mainly derivatives used to manage the overall risk exposure), are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statement of income.

The derivatives used for protection against risk exposure or to modify the characteristics of financial assets and liabilities, which have changes in market value highly associated with those of the items being protected at the beginning and throughout the duration of the contract, and which are found effective to reduce the risk related to the exposure being protected, are classified as a hedge, in accordance with their nature:

- Market Risk Hedge – financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income.

- Cash Flow Hedge - the effective amount of the hedge of financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of hedge is recorded directly in the statement of income.

e) Loan, lease and other credit operations (Operations with credit granting characteristics) – these transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index and interest rate, and are recorded on the accrual basis until the 60th day overdue in financial companies. After the 60th day, income is recognized upon the effective receipt of installments. Credit card operations include receivables arising from the purchases made by cardholders. The funds related to these amounts are recorded in Other Liabilities – Credit Card Operations, which also include funds arising from other credits related to transactions with credit card issuers.

f) Allowance for loan losses - the balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution No. 2,682 of December 21, 1999, among which are:

- Provisions are recorded from the date loans are granted, based on the client's risk rating and on the periodic quality evaluation of clients and industries, and not only in the event of default;

- Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

g) Other assets - these assets are mainly comprised by assets held for sale relating to real estate available for sale, own real estate not in use and real estate received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations, reinsurance unearned premiums (Note 4n I); and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods.

h) Investments - in subsidiary and affiliated companies, investments are accounted for under the equity method. The consolidated financial statements of foreign branches and subsidiaries are adapted to comply with Brazilian accounting practices and converted into Reais. Other investments are recorded at cost and adjusted to market value by setting up a provision in accordance with current standards.

i) Fixed assets - These assets are stated at cost of acquisition or construction, less accumulated depreciation, adjusted to market value until December 31, 2007, when applicable. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. They correspond to rights related to tangible assets intended for maintenance of the company's operations or exercised for such purpose, including assets arising from transactions that transfer to the company their benefits, risks and controls. The items acquired through Lease contracts are recorded according to CVM Resolution No. 554, of November 12, 2008, as contra-entry to Lease obligations. Depreciation is calculated using the straight-line method, based on monetarily restated cost, at the following annual rates.

Real estate in use	4 %	to	8 %
Leasehold improvements	From 10%		
Installations, furniture, equipment and security, transportation and communication systems	10 %	to	25 %
EDP systems	20 %	to	50 %

j) Operating leases – leased assets are stated at cost of acquisition less accumulated depreciation. The depreciation of leased assets is recognized under the straight-line method, based on their usual lives, taking into account that the useful life shall be decreased by 30% should it meet the conditions provided for by Ordinance No. 113 of February 26, 1998 issued by the Ministry of Finance. Receivables are recorded in lease receivable at the contractual amount, with contra-entry to unearned income accounts. The recognition in income will occur on the due date of the installments.

k) **Goodwill –** corresponds to the amount paid in excess for the purchase of investments arising from the expected future profitability. It does not have a defined useful life and is annually tested for impairment of assets.

l) **Intangible assets –** correspond to rights acquired whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution No. 3,642, of November 26, 2008. They are composed of rights acquired to credit payrolls and partnership agreements, amortized over the agreement terms, and software and customer portfolios, amortized over a term varying from five to ten years.

m) **Impairment of assets –** a loss is recognized when there are clear evidences that assets are stated at a non-recoverable value. This procedure is adopted annually, at the end of each year.

n) **Insurance, pension plan and capitalization operations -** Insurance premiums, acceptance coinsurance and selling expenses are accounted for in accordance with the insurance effectiveness term, through the recognition and reversal of the provision for unearned premiums and deferred selling expenses. Interest arising from fractioning of insurance premiums is accounted for as incurred. Revenues from social security contributions, gross revenue from capitalization certificates and respective technical provisions are recognized upon receipt.

I - Credits from operations and other assets related to insurance and reinsurance operations:

- Insurance premiums receivable - Refer to installments of insurance premiums receivable, current and past due, in accordance with insurance policies issued;

- Reinsurance recoverable amounts – Refer to claims paid to the insured party pending recovery from Reinsurer, installments of unsettled claims and incurred but not reported claims - Reinsurance (IBNR), classified in assets in accordance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008;

- Reinsurance unearned premiums – Recognized to determine the portion of reinsurance unearned premiums, calculated “pro rata die”, and for risks of policies not issued computed based on estimates, based on the actuarial technical study and in compliance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008.

II - Technical provisions of insurance, pension plan and capitalization – provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution No. 162 of December 26, 2006 and the amendments introduced by CNSP Resolution No. 181, of December 19, 2007, and CNSP Resolution No. 195, of December 16, 2008.

II.I - Insurance:

- Provision for unearned premiums – recognized to determine unearned premiums relating to the risk coverage period, calculated “pro rata die”, and relating to risks not yet issued, calculated based on estimates, according to an actuarial technical study;

- Provision for premium deficiency – recognized according to the Technical Actuarial Note in case of insufficient Provision for unearned premiums;

- Provision for unsettled claims - recognized based on claims of loss in an amount sufficient to cover future commitments, awaiting judicial decision, which amounts are determined by court appointed experts and legal advisors that make assessments based on the insured amounts and technical regulations, taking into consideration the likelihood of unfavorable outcome to the insurance company;

- Provision for claims incurred but not reported (IBNR) – recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not reported.

II.II - Pension Plan and Individual life with living benefits – correspond to liabilities assumed such as retirement plans, disability, pension and annuity:

- Mathematical provisions for benefits to be granted and benefits granted – correspond to commitments assumed with participants, but for which benefits are not yet due, and to those receiving the benefits, respectively;

- Provision for insufficient contribution – recognized in case of insufficient mathematical provisions;

- Provision for events incurred but not reported (IBNR) – recognized at the estimated amount of events occurred but not reported;

- Provision for financial surplus – recognized by the difference between the contributions adjusted daily by the Investment Portfolio and the funds guaranteeing them, according to the plan's regulation.

II.III- Capitalization:

- Mathematical provision for redemptions – represents capitalization certificates received to be redeemed;

- Provision for raffle contingencies – recognized according to the methodology provided for in the Technical Actuarial Note to cover the Provision for raffles in the event of insufficient funds.

o) Contingent assets and liabilities and legal liabilities – tax and social security - assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 3,823 of December 16, 2009, and BACEN Circular Letter No. 3,429 of February 11, 2010.

I - Contingent assets and liabilities

Refer to potential rights and obligations arising from past events, the occurrence of which is dependent upon future events.

- Contingent assets - not recognized, except upon evidence ensuring a high reliability level of realization, usually represented by claims awarded a final and unappealable judgment and confirmation of the recoverability of the claim through receipt of amounts or offset against another liability;

- Contingent liabilities - basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, tax and social security lawsuits and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recognized; possible, which are disclosed but not recognized; and remote, for which recognition or disclosure are not required. Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts.

  Escrow deposits are restated in accordance with the current legislation.

Contingencies guaranteed by indemnity clauses in privatization processes and with liquidity are only recognized upon judicial notification with simultaneous recognition of receivables, without any effect on results.

II - Legal liabilities – tax and social security

Represented by amounts payable related to tax liabilities, the legality or constitutionality of which are subject to judicial defense, recognized at the full amount under discussion.

Liabilities and related escrow deposits are adjusted in accordance with the current legislation.

p) Taxes - these provisions are calculated according to current legislation at the rates shown below, using the related calculation bases.

Income tax	15.00%
Additional income tax	10.00%
Social contribution (1)	15.00%
PIS (2)	0.65%
COFINS (2)	4.00%
ISS	up to 5.00%

(1) *As from May 1, 2008, for financial subsidiaries and equivalent companies, the rate was changed from 9% to 15%, as provided for in articles 17 and 41 of Law No. 11,727, of June 24, 2008. For non-financial and private pension subsidiaries, the rate remained at 9%;*

(2) *For non-financial subsidiaries that fall into the non-cumulative calculation system, the PIS rate is 1.65% and COFINS rate is 7.6%.*

The changes introduced by Laws No. 11,638 and No. 11,941 (articles 37 and 38), which modified the criterion for recognizing revenues, costs and expenses, computed to determine the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transition Tax Regime (RTT), so for tax purposes the rules effective on December 31, 2007 were followed. The tax effect arising from the adoption of such rules is recorded, for accounting purposes, in the corresponding deferred assets and liabilities.

q) Deferred income – this refers to unexpired interest received in advance that is recognized in income as earned, and the negative goodwill on acquisition of investments arising from expected future losses, which has not been absorbed in the consolidation process.

NOTE 5 - CASH AND CASH EQUIVALENTS

For purposes of Statement of Cash Flows, cash and cash equivalents of ITAÚ UNIBANCO HOLDING CONSOLIDATED are composed of the following:

	12/31/2010	12/31/2009
Cash and cash equivalents	10,493,161	10,594,442
Interbank deposits	7,321,686	7,020,984
Securities purchased under agreements to resell – Funded position	21,278,449	48,302,029
TOTAL	**39,093,296**	**65,917,455**

In ITAÚ UNIBANCO HOLDING it is composed of the following:

	12/31/2010	12/31/2009
Cash and cash equivalents	1,940	515
Securities purchased under agreements to resell – Funded position	192,959	23,079
TOTAL	**194,899**	**23,594**

NOTE 6 - INTERBANK INVESTMENTS

	12/31/2010						12/31/2009	
	0 - 30	31 - 180	181 - 365	Over 365	Total	%	Total	%
Money market	**39,053,243**	**28,888,905**	**216,204**	**23,392**	**68,181,744**	**79.3**	**118,700,097**	**85.3**
Funded position (*)	21,358,783	11,849,064	216,204	23,392	33,447,443	38.8	61,865,442	44.4
Financed position	17,681,607	8,157,914	-	-	25,839,521	30.1	52,001,403	37.4
With free movement	2,587,003	8,157,807	-	-	10,744,810	12.5	3,912,988	2.8
Without free movement	15,094,604	107	-	-	15,094,711	17.6	48,088,415	34.5
Short position	12,853	8,881,927	-	-	8,894,780	10.4	4,833,252	3.5
Money market – Assets Guaranteeing Technical Provisions - SUSEP	**2,381,772**	**430,534**	**379,506**	**154,125**	**3,345,937**	**3.9**	**3,034,353**	**2.2**
Interbank deposits	**8,013,201**	**2,750,743**	**3,119,167**	**515,001**	**14,398,112**	**16.8**	**17,461,045**	**12.5**
TOTAL	**49,448,216**	**32,070,182**	**3,714,877**	**692,518**	**85,925,793**		**139,195,495**	
% per maturity term	57.6	37.3	4.3	0.8				
TOTAL – 12/31/2009	**105,925,294**	**22,118,346**	**4,967,882**	**6,183,973**	**139,195,495**			
% per maturity term	76.1	15.9	3.6	4.4				

(*) Includes R$ 8,670,170 (R$ 9,288,318 at 12/31/2009) related to money market with free movement, in which securities are basically restricted to guarantee transactions at the BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros (Securities, Commodities and Futures Exchange) and the Central Bank of Brazil (BACEN).

In ITAÚ UNIBANCO HOLDING at 12/31/2010, portfolio is composed of Money market – funded position falling due in up to 30 days amounting to R$ 192,959 (R$ 120,091 at 12/31/2009) and Interbank deposits over 365 days amounting to R$ 14,176,842 (R$ 6,827,949 at 12/31/2009 maturing from 31 to 180 days).

NOTE 7 – SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

See below the composition by Securities and Derivatives type, maturity and portfolio already adjusted to their respective market values.

a) Summary per maturity

	12/31/2010											12/31/2009
	Cost	Provision for adjustment to market value with impact on		Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
		Results	Stockholders' equity									
GOVERNMENT SECURITIES - DOMESTIC	**88,686,143**	**85,116**	**264,788**	**89,036,047**	**47.1**	**22,530,759**	**3,214,483**	**8,009,742**	**9,584,565**	**7,790,066**	**37,906,432**	**43,889,058**
Financial Treasury Bills	25,357,242	(1,745)	511	25,356,008	13.4	164,114	2,852,587	278,864	2,119,918	3,317,253	16,623,272	17,411,742
National Treasury Bills	31,713,244	(2,258)	(6)	31,710,980	16.8	21,842,033	-	1,670,494	6,046,593	289,913	1,861,947	9,264,766
National Treasury Notes	25,715,672	75,339	139,559	25,930,570	13.7	454,015	326,088	5,915,523	1,162,762	3,555,247	14,516,935	14,028,463
National Treasury/Securitization	333,812	348	(9,805)	324,355	0.2	-	15,283	5,232	6,273	21,957	275,610	741,084
Brazilian External Debt Bonds	5,462,803	13,509	134,406	5,610,718	3.0	6,903	20,239	139,592	224,750	605,446	4,613,788	2,438,676
Investments in Non-exclusive Funds	62,949	-	-	62,949	0.0	62,949	-	-	-	-	-	2,556
Other	40,421	(77)	123	40,467	0.0	745	286	37	24,269	250	14,880	1,771
GOVERNMENT SECURITIES - ABROAD	**14,075,290**	**29,960**	**(177,569)**	**13,927,681**	**7.3**	**417,857**	**9,143,982**	**1,422,920**	**1,491,548**	**920,461**	**530,913**	**8,319,364**
Argentina	295,638	(2,719)	-	292,919	0.1	12,387	77,154	48,557	10,749	128,276	15,796	179,113
Central Bank	90,483	(4,937)	-	85,546	0.0	4,176	18,096	-	-	48,091	15,183	32,239
National Treasury	205,155	2,218	-	207,373	0.1	8,211	59,058	48,557	10,749	80,185	613	146,874
Russia	44,795	-	-	44,795	0.0	-	1	-	-	-	44,794	-
Denmark	2,106,873	-	(93,154)	2,013,719	1.1	-	-	416,153	1,261,051	336,515	-	1,970,517
Spain	776,817	-	(42,501)	734,316	0.4	-	-	332,265	-	402,051	-	1,093,027
Korea	262,465	-	(26,302)	236,163	0.1	-	236,163	-	-	-	-	1,755,747
Chile	702,272	382	(837)	701,817	0.4	235,755	131,239	264,344	4,247	37,208	29,024	1,352,080
Paraguay	272,165	-	(15,492)	256,673	0.1	46,923	12,701	32,201	119,066	16,410	29,372	416,669
Uruguay	223,953	206	398	224,557	0.1	18,479	44,253	67,249	77,571	1	17,004	522,325
United States	9,361,474	32,203	319	9,393,996	5.0	94,665	8,642,469	261,988	18,863	-	376,011	765,777
Mexico	28,838	(112)	-	28,726	0.0	9,648	2	163	1	-	18,912	9,709
Other	-	-	-	-	-	-	-	-	-	-	-	254,400
CORPORATE SECURITIES	**30,749,465**	**137,269**	**367,637**	**31,254,371**	**16.6**	**6,772,749**	**1,599,623**	**1,989,012**	**3,038,107**	**2,720,306**	**15,134,574**	**23,414,193**
Eurobonds and other	5,334,226	(6,648)	98,271	5,425,849	2.9	361,289	328,511	308,187	705,046	149,049	3,573,767	2,635,469
Bank Deposit Certificates	3,144,042	(1)	1,000	3,145,041	1.7	559,928	34,339	79,585	907,522	1,264,796	298,871	2,521,495
Shares	3,773,586	86,721	40,281	3,900,588	2.1	3,900,588	-	-	-	-	-	3,791,601
Debentures	7,982,672	1,026	36,676	8,020,374	4.2	10,042	961,023	606,271	659,210	524,871	5,258,957	6,171,060
Promissory Notes	1,264,539	-	293	1,264,832	0.7	-	156,765	806,059	302,008	-	-	1,717,606
Quotas of Funds	1,838,238	47,002	13,850	1,899,090	1.0	1,895,195	-	-	-	-	3,895	2,208,229
Fixed Income	744,755	7,608	(49)	752,314	0.4	748,419	-	-	-	-	3,895	795,851
Credit Rights	882,290	-	-	882,290	0.5	882,290	-	-	-	-	-	1,080,339
Variable Income	211,193	39,394	13,899	264,486	0.1	264,486	-	-	-	-	-	332,039
Securitized Real Estate Loans	7,399,946	9,167	177,266	7,586,379	4.0	45,707	114,877	188,910	463,391	774,417	5,999,077	4,349,267
Other	12,216	2	-	12,218	0.0	-	4,108	-	930	7,173	7	19,466
PGBL/VGBL FUND QUOTAS (1)	**46,320,761**	**-**	**-**	**46,320,761**	**24.5**	**46,320,761**	**-**	**-**	**-**	**-**	**-**	**38,626,466**
SUBTOTAL - SECURITIES	**179,831,659**	**252,345**	**454,856**	**180,538,860**	**95.6**	**76,042,126**	**13,958,088**	**11,421,674**	**14,114,220**	**11,430,833**	**53,571,919**	**114,249,081**
Trading securities	135,156,070	252,345	-	135,408,415	71.7	71,893,492	9,311,837	7,827,371	9,319,039	8,327,250	28,729,426	72,237,214
Available-for-sale securities	41,505,633	-	454,856	41,960,489	22.2	4,144,307	4,502,551	3,594,303	4,658,999	2,995,733	22,064,596	39,582,018
Held-to-maturity securities (2)	3,169,956	-	-	3,169,956	1.7	4,327	143,700	-	136,182	107,850	2,777,897	2,429,849
DERIVATIVE FINANCIAL INSTRUMENTS	**7,524,674**	**789,068**	**-**	**8,313,742**	**4.5**	**1,686,236**	**2,014,656**	**574,371**	**1,314,565**	**759,044**	**1,964,870**	**5,939,483**
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	**187,356,333**	**1,041,413**	**454,856**	**188,852,602**	**100.0**	**77,728,362**	**15,972,744**	**11,996,045**	**15,428,785**	**12,189,877**	**55,536,789**	**120,188,564**
						41.2%	**8.5%**	**6.2%**	**8.2%**	**6.5%**	**29.4%**	
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	**(5,667,816)**	**(16,836)**	**(20,183)**	**(5,704,835)**	**100.0**	**(1,146,305)**	**(837,818)**	**(586,321)**	**(1,408,613)**	**(744,365)**	**(981,413)**	**(5,476,046)**

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customer's responsibility, are recorded as securities – trading securities, with a contra-entry to long-term liabilities in Pension Plan Technical Provisions account, as determined by SUSEP.

(2) Unrecorded positive adjustment to market value in the amount of R$ 604,417 (R$ 362,421 at 12/31/2009), according to Note 7e.

b) Summary by portfolio

	12/31/2010						
		Restricted to					
	Own portfolio	Repurchase agreements	Pledging of guarantees (1)	Central Bank (2)	Derivative financial instruments	Assets guaranteeing technical provisions (Note 11b)	Total
GOVERNMENT SECURITIES - DOMESTIC	**18,723,880**	**52,610,988**	**9,062,084**	**3,038,767**	**-**	**5,600,328**	**89,036,047**
Financial Treasury Bills	4,326,441	14,933,675	4,365,650	879,812	-	850,430	25,356,008
National Treasury Bills	1,229,700	28,985,884	179,377	292,431	-	1,023,588	31,710,980
National Treasury Notes	10,671,449	5,149,230	4,517,057	1,866,524	-	3,726,310	25,930,570
National Treasury/Securitization	324,355	-	-	-	-	-	324,355
Brazilian External Debt Bonds	2,068,519	3,542,199	-	-	-	-	5,610,718
Investments in Non-exclusive Funds	62,949	-	-	-	-	-	62,949
Other	40,467	-	-	-	-	-	40,467
GOVERNMENT SECURITIES - ABROAD	**5,281,933**	**8,605,584**	**20,321**	**9,412**	**-**	**10,431**	**13,927,681**
Argentina	209,609	83,310	-	-	-	-	292,919
Central Bank	2,236	83,310	-	-	-	-	85,546
National Treasury	207,373	-	-	-	-	-	207,373
Russia	8	44,787	-	-	-	-	44,795
Denmark	2,013,719	-	-	-	-	-	2,013,719
Spain	734,316	-	-	-	-	-	734,316
Korea	236,163	-	-	-	-	-	236,163
Chile	650,987	30,987	-	9,412	-	10,431	701,817
Paraguay	243,899	12,774	-	-	-	-	256,673
Uruguay	224,557	-	-	-	-	-	224,557
United States	939,949	8,433,726	20,321	-	-	-	9,393,996
Mexico	28,726	-	-	-	-	-	28,726
CORPORATE SECURITIES	**25,364,578**	**2,277,613**	**17,829**	**-**	**-**	**3,594,351**	**31,254,371**
Eurobonds and other	3,328,513	2,097,336	-	-	-	-	5,425,849
Bank Deposit Certificates	607,983	108,867	2,138	-	-	2,426,053	3,145,041
Shares	3,848,397	36,656	15,535	-	-	-	3,900,588
Debentures	7,111,489	34,754	-	-	-	874,131	8,020,374
Promissory Notes	1,264,832	-	-	-	-	-	1,264,832
Quotas of funds	1,625,288	-	156	-	-	273,646	1,899,090
Fixed income	485,259	-	156	-	-	266,899	752,314
Credit rights	875,543	-	-	-	-	6,747	882,290
Variable income	264,486	-	-	-	-	-	264,486
Securitized real estate loans	7,565,858	-	-	-	-	20,521	7,586,379
Other	12,218	-	-	-	-	-	12,218
PGBL/VGBL FUND QUOTAS	**-**	**-**	**-**	**-**	**-**	**46,320,761**	**46,320,761**
SUBTOTAL - SECURITIES	**49,370,391**	**63,494,185**	**9,100,234**	**3,048,179**	**-**	**55,525,871**	**180,538,860**
Trading securities	20,949,709	54,400,300	5,981,315	2,610,851	-	51,466,240	135,408,415
Available-for-sale securities	28,290,309	8,825,502	3,086,856	437,328	-	1,320,494	41,960,489
Held-to-maturity securities	130,373	268,383	32,063	-	-	2,739,137	3,169,956
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	**8,313,742**	**-**	**8,313,742**
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	**49,370,391**	**63,494,185**	**9,100,234**	**3,048,179**	**8,313,742**	**55,525,871**	**188,852,602**
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) – 12/31/2009	**36,390,840**	**9,480,095**	**10,589,641**	**10,793,547**	**5,939,483**	**46,994,958**	**120,188,564**

(1) Represent securities deposited with Contingent Liabilities (Note 12b), Stock Exchanges and the Clearing Houses for the Custody and Financial Settlement of Securities.

(2) Represent securities in compulsory deposits.

c) Trading securities

See below the composition of the portfolio of trading securities by type, stated at cost and market value and by maturity term.

	12/31/2010										12/31/2009
	Cost	Adjustment to market value (in results)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
GOVERNMENT SECURITIES - DOMESTIC	**71,157,471**	**85,116**	**71,242,587**	**52.6**	**22,445,601**	**815,904**	**7,487,739**	**8,307,512**	**6,872,334**	**25,313,497**	**25,826,419**
Financial Treasury Bills	19,317,861	(1,745)	19,316,116	14.3	164,114	751,885	278,864	920,693	3,008,895	14,191,665	9,585,729
National Treasury Bills	31,661,888	(2,258)	31,659,630	23.4	21,790,683	-	1,670,494	6,046,593	289,913	1,861,947	7,066,313
National Treasury Notes	19,385,541	75,339	19,460,880	14.4	422,649	28,510	5,394,074	1,161,746	3,528,529	8,925,372	8,463,496
National Treasury/Securitization	60,271	348	60,619	0.0	-	15,283	5,232	6,273	21,957	11,874	486,621
Brazilian External Debt Bonds	653,408	13,509	666,917	0.5	4,461	19,941	139,038	172,034	23,040	308,403	221,704
Investments in Non-exclusive Funds	62,949	-	62,949	0.0	62,949	-	-	-	-	-	2,556
Other	15,553	(77)	15,476	0.0	745	285	37	173	-	14,236	-
GOVERNMENT SECURITIES - ABROAD	**9,322,790**	**29,960**	**9,352,750**	**6.9**	**53,262**	**8,460,729**	**234,359**	**20,026**	**128,276**	**456,098**	**1,057,881**
Argentina	295,297	(2,719)	292,578	0.3	12,387	77,154	48,557	10,749	128,276	15,455	178,617
Central Bank	90,483	(4,937)	85,546	0.1	4,176	18,096	-	-	48,091	15,183	32,239
National Treasury	204,814	2,218	207,032	0.2	8,211	59,058	48,557	10,749	80,185	272	146,378
Russia	44,795	-	44,795	0.0	-	1	-	-	-	44,794	-
Chile	247,972	382	248,354	0.2	29,225	41,219	177,145	-	-	765	77,620
Uruguay	23,801	206	24,007	0.0	336	8,399	8,494	6,617	-	161	30,028
United States	8,682,087	32,203	8,714,290	6.4	1,666	8,333,954	-	2,659	-	376,011	747,906
Mexico	28,838	(112)	28,726	0.0	9,648	2	163	1	-	18,912	9,709
Other	-	-	-	-	-	-	-	-	-	-	14,001
CORPORATE SECURITIES	**8,355,048**	**137,269**	**8,492,317**	**6.3**	**3,073,868**	**35,204**	**105,273**	**991,501**	**1,326,640**	**2,959,831**	**6,726,448**
Eurobonds and other	1,459,351	(6,648)	1,452,703	1.1	76	9,943	7,769	73,621	33,632	1,327,662	628,360
Bank Deposit Certificates	2,505,090	(1)	2,505,089	1.9	481,243	1,523	-	799,096	1,027,851	195,376	2,257,977
Shares	1,368,677	86,721	1,455,398	1.1	1,455,398	-	-	-	-	-	1,188,034
Debentures	1,354,914	1,026	1,355,940	1.0	8,978	23,468	97,105	111,782	227,575	887,032	1,590,899
Promissory Notes	-	-	-	-	-	-	-	-	-	-	91,413
Quotas of Funds	1,081,035	47,002	1,128,037	0.8	1,128,037	-	-	-	-	-	936,381
Fixed Income	714,150	7,608	721,758	0.5	721,758	-	-	-	-	-	491,770
Credit Rights	189,666	-	189,666	0.1	189,666	-	-	-	-	-	336,908
Variable Income	177,219	39,394	216,613	0.2	216,613	-	-	-	-	-	107,703
Securitized Real Estate Loans	585,053	9,167	594,220	0.4	136	270	399	6,072	37,582	549,761	33,384
Other	928	2	930	0.0	-	-	-	930	-	-	-
PGBL/VGBL FUND QUOTAS	**46,320,761**	**-**	**46,320,761**	**34.2**	**46,320,761**	**-**	**-**	**-**	**-**	**-**	**38,626,466**
Total	**135,156,070**	**252,345**	**135,408,415**	**100.0**	**71,893,492**	**9,311,837**	**7,827,371**	**9,319,039**	**8,327,250**	**28,729,426**	**72,237,214**
% per maturity term					**53.1%**	**6.9%**	**5.8%**	**6.9%**	**6.1%**	**21.2%**	
Total – 12/31/2009	**71,912,220**	**324,994**	**72,237,214**	**100.0**	**46,510,438**	**632,790**	**1,449,206**	**4,891,738**	**5,485,627**	**13,267,415**	
% per maturity term					**64.3%**	**0.9%**	**2.0%**	**6.8%**	**7.6%**	**18.4%**	

At December 31, 2010, ITAÚ UNIBANCO HOLDING's portfolio is composed of Government Securities – Financial Treasury Bills amounting to R$ 5,825 (R$ 5,307 at 12/31/2009) with maturity over 365 days.

d) Available-for-sale securities

See below the composition of the portfolio of available-for-sale securities by type, stated at cost and market value and by maturity term.

	12/31/2010										12/31/2009
	Cost	Adjustment to market value (in stockholders' equity)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
GOVERNMENT SECURITIES - DOMESTIC	**14,539,755**	**264,788**	**14,804,543**	**35.2**	**85,158**	**2,255,089**	**522,003**	**1,225,157**	**840,381**	**9,876,755**	**15,884,107**
Financial Treasury Bills	6,039,381	511	6,039,892	14.4	-	2,100,702	-	1,199,225	308,358	2,431,607	7,826,013
National Treasury Bills	51,356	(6)	51,350	0.1	51,350	-	-	-	-	-	2,198,453
National Treasury Notes	3,567,329	139,559	3,706,888	8.8	31,366	154,088	521,449	1,016	26,718	2,972,251	3,624,056
National Treasury/Securitization	273,541	(9,805)	263,736	0.6	-	-	-	-	-	263,736	254,463
Brazilian External Debt Bonds	4,583,288	134,406	4,717,694	11.2	2,442	298	554	820	505,055	4,208,525	1,979,351
Other	24,860	123	24,983	0.1	-	1	-	24,096	250	636	1,771
GOVERNMENT SECURITIES - ABROAD	**4,736,307**	**(177,569)**	**4,558,738**	**10.9**	**364,353**	**683,043**	**1,188,561**	**1,471,522**	**792,185**	**59,074**	**7,244,548**
Argentina - National Treasury	341	-	341	0.0	-	-	-	-	-	341	496
Denmark	2,106,873	(93,154)	2,013,719	4.8	-	-	416,153	1,261,051	336,515	-	1,970,517
Spain	776,817	(42,501)	734,316	1.8	-	-	332,265	-	402,051	-	1,093,027
Korea	262,465	(26,302)	236,163	0.6	-	236,163	-	-	-	-	1,755,747
Chile	454,300	(837)	453,463	1.1	206,530	90,020	87,199	4,247	37,208	28,259	1,274,460
Paraguay	272,165	(15,492)	256,673	0.6	46,923	12,701	32,201	119,066	16,410	29,372	416,669
Uruguay	183,959	398	184,357	0.4	17,901	35,644	58,755	70,954	1	1,102	475,362
United States	679,387	319	679,706	1.6	92,999	308,515	261,988	16,204	-	-	17,871
Other	-	-	-	-	-	-	-	-	-	-	240,399
CORPORATE SECURITIES	**22,229,571**	**367,637**	**22,597,208**	**53.9**	**3,694,796**	**1,564,419**	**1,883,739**	**1,962,320**	**1,363,167**	**12,128,767**	**16,453,363**
Eurobonds and other	3,744,726	98,271	3,842,997	9.2	357,128	318,568	300,418	547,139	115,417	2,204,327	1,823,709
Bank Deposit Certificates	638,952	1,000	639,952	1.5	78,685	32,816	79,585	108,426	236,945	103,495	263,518
Shares	2,404,909	40,281	2,445,190	5.8	2,445,190	-	-	-	-	-	2,603,567
Debentures	6,597,259	36,676	6,633,935	15.8	1,064	937,555	509,166	547,428	266,797	4,371,925	4,534,731
Promissory Notes	1,264,539	293	1,264,832	3.0	-	156,765	806,059	302,008	-	-	1,626,193
Quotas of Funds	757,203	13,850	771,053	1.9	767,158	-	-	-	-	3,895	1,271,848
Fixed Income	30,605	(49)	30,556	0.1	26,661	-	-	-	-	3,895	304,081
Credit Rights	692,624	-	692,624	1.7	692,624	-	-	-	-	-	743,431
Variable Income	33,974	13,899	47,873	0.1	47,873	-	-	-	-	-	224,336
Securitized Real Estate Loans	6,810,695	177,266	6,987,961	16.7	45,571	114,607	188,511	457,319	736,835	5,445,118	4,310,406
Other	11,288	-	11,288	0.0	-	4,108	-	-	7,173	7	19,391
TOTAL	**41,505,633**	**454,856**	**41,960,489**	**100.0**	**4,144,307**	**4,502,551**	**3,594,303**	**4,658,999**	**2,995,733**	**22,064,596**	**39,582,018**
Adjustment of securities reclassified in prior years to the held-to-maturity category		12,681			**9.9%**	**10.7%**	**8.6%**	**11.1%**	**7.1%**	**52.6%**	
Accounting adjustment - hedge - Circular 3082		(51,044)									
Deferred taxes		(171,926)									
Minority interest in subsidiaries		(3,511)									
Adjustment of securities of unconsolidated affiliates		(223,928)									
ADJUSTMENT TO MARKET VALUE – SECURITIES – 12/31/2010		**17,128**									
TOTAL – 12/31/2009	**39,166,158**	**415,860**	**39,582,018**	**100.0**	**6,747,442**	**2,316,889**	**4,503,197**	**5,582,491**	**7,594,721**	**12,837,278**	
Adjustment of securities reclassified in prior years to the held-to-maturity category		15,777			**16.9%**	**5.9%**	**11.5%**	**14.1%**	**19.2%**	**32.4%**	
Accounting adjustment - hedge - Circular 3082		(145,183)									
Deferred taxes		(107,069)									
Minority interest in subsidiaries		(1,146)									
Adjustment of securities of unconsolidated affiliates		(58,208)									
ADJUSTMENT TO MARKET VALUE – SECURITIES – 12/31/2009		**120,031**									

At December 31, 2010, ITAÚ UNIBANCO HOLDING's portfolio is composed of Government Securities in the amount of R$ 34,051 (R$ 25,118 at 12/31/2009), of which the National Treasury Notes amount to R$ R$ 27,664 (R$ 25,118 at 12/31/2009) with maturity between 31 and 90 days, and R$ 6,387 in Financial Treasury Bills, with maturity over 365 days.

e) Held-to-maturity securities

See below the composition of the portfolio of held-to-maturity securities by type, stated at cost and by maturity term. In the carrying value, not appropriated to results, the amount of R$ 12,681 (R$ 15,777 at December 31, 2009) is included at December 31, 2010, relating to the adjustment to market value of securities reclassified at December 31, 2003. Securities classified into this category, if stated at market value, would require a positive adjustment of R$ 604,417 at December 31, 2010 (R$ 362,421 at December 31, 2009).

	12/31/2010								12/31/2009
	Carrying value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Carrying value
GOVERNMENT SECURITIES - BRAZIL	**2,988,917**	**94.3**	**-**	**143,490**	**-**	**51,896**	**77,351**	**2,716,180**	**2,178,532**
National Treasury Notes (*)	2,762,802	87.2	-	143,490	-	-	-	2,619,312	1,940,911
Brazilian External Debt Bonds	226,107	7.1	-	-	-	51,896	77,351	96,860	237,621
Other	8	0.0	-	-	-	-	-	8	-
GOVERNMENT SECURITIES - DOMESTIC - Uruguay	**16,193**	**0.5**	**242**	**210**	**-**	**-**	**-**	**15,741**	**16,935**
CORPORATE SECURITIES	**164,846**	**5.2**	**4,085**	**-**	**-**	**84,286**	**30,499**	**45,976**	**234,382**
Eurobonds and other	130,149	4.1	4,085	-	-	84,286	-	41,778	183,400
Debentures (*)	30,499	1.0	-	-	-	-	30,499	-	45,430
Securitized real estate loans (*)	4,198	0.1	-	-	-	-	-	4,198	5,477
Other	-	-	-	-	-	-	-	-	75
Total	**3,169,956**	**100.0**	**4,327**	**143,700**	**-**	**136,182**	**107,850**	**2,777,897**	**2,429,849**
% per maturity term			**0.2%**	**4.5%**	**-**	**4.3%**	**3.4%**	**87.6%**	
Total 12/31/2009	**2,429,849**	**100.0**	**4,703**	**10,592**	**729**	**25,247**	**286,732**	**2,101,846**	
% per maturity term			**0.3%**	**0.4%**	**0.0%**	**1.0%**	**11.8%**	**86.5%**	

(*) Includes investments of Itaú Vida e Previdência S.A. in the amount of R$ 2,016,807 (R$ 1,265,094 at 12/31/2009).

f) Realized and unrealized gain of securities portfolio

	01/01 to 12/31/2010	01/01 to 12/31/2009
Gain (loss) - Trading securities	97,391	1,145,199
Gain (loss) – Available-for-sale securities	558,971	388,388
Total realized gain	**656,362**	**1,533,587**
Adjustment to market value of trading securities	(72,649)	(126,334)
Total	**583,713**	**1,407,253**

g) Reclassification of securities (article 5 of BACEN Circular No. 3,068, of 11/08/2001)

Management sets forth guidelines to classify securities. The classification of the current portfolio of securities, as well as the securities purchased in the period, is periodically and systematically evaluated based on such guidelines.

As set forth in Article 5 of BACEN Circular No. 3,068, of November 8, 2008, the revaluation regarding the classification of securities can only be made upon preparation of trial balances for six-month periods. In addition, the transfer from “held-to-maturity” to the other categories can only occur in view of an isolated, unusual, nonrecurring and unexpected reason, which has occurred after the classification date.

No reclassifications or changes to the existing guidelines have been made in the period.

h) Derivative financial instruments

The globalization of the markets in recent years has resulted in a high level of sophistication in the financial products used. As a result of this process, there has been an increasing demand for derivative financial instruments to manage market risks, mainly arising from fluctuations in interest and exchange rates, commodities and other asset prices. Accordingly, ITAU UNIBANCO HOLDING and its subsidiaries operate in the derivative markets for meeting the growing needs of their clients, as well as carrying out their risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

The derivative financial instruments' business with clients is carried out after the approval of credit limits. The process of limit approval takes into consideration potential *stress* scenarios.

Knowing the client, the sector in which it operates and its risk appetite profile, in addition to providing information on the risks involved in the transaction and the negotiated conditions, ensures transparency in the relationship between the parties and the supply of a product that better meet the needs of the client in view of its operating characteristics.

The derivative transactions carried out by ITAÚ UNIBANCO HOLDING and its subsidiaries with clients are neutralized in order to eliminate market risks.

Most derivative contracts traded by the institution with clients in Brazil are *swap*, forward, option and futures contracts, which are registered at the BM&FBovespa or at the CETIP S.A. OTC Clearing House (CETIP). Overseas transactions are carried out with futures, forwards, options and *swaps* with registration mainly in the Chicago, New York and London Exchanges. It should be emphasized that there are over-the-counter operations, but their risks are low as compared to the institutions' total. Noteworthy is also the fact that there are no structured operations based on subprime assets and all operations are based on risk factors traded at stock exchanges.

The main risk factors of the derivatives, assumed at December 31, 2010, were related to the foreign exchange rate, interest rate, commodities, U.S. dollar coupon, Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

Most derivatives included in the institution's portfolio are traded at stock exchanges. The prices disclosed by stock exchanges are used for these derivatives, except in cases in which the low representativeness of price due to liquidity of a specific contract is identified. Derivatives typically precified like this are futures contracts. Likewise, there are other instruments whose quotations (fair prices) are directly disclosed by independent institutions and which are precified based on this direct information. A great part of the Brazilian government securities, highly-liquid international (public and private) securities and shares fit into this situation.

For derivatives whose prices are not directly disclosed by stock exchanges, fair prices are obtained by pricing models which use market information, deducted based on prices disclosed for higher liquidity assets. Interest and market volatility curves which provide entry data for the models are extracted from those prices. Over-the-counter derivatives, forward contracts and securities without much liquidity are in this situation.

The total value of margins pledged in guarantee was R$ 10,364,170 (R$ 12,251,867 at 12/31/2009) and was basically composed of government securities.

I - Derivatives by index

	Memorandum account Notional amount		Balance sheet account receivable / (received)(payable) / paid	Adjustment to market value (in results / stockholders' equity)	Market value	
	12/31/2010	12/31/2009	12/31/2010	12/31/2010	12/31/2010	12/31/2009
Futures contracts	**292,049,317**	**216,785,646**	**5,272**	**(61,469)**	**(56,197)**	**(24,581)**
Purchase commitments	**127,498,864**	**94,209,552**	**(649)**	**173,348**	**172,699**	**30,020**
Foreign currency	8,128,154	3,159,877	(649)	534	(115)	22,370
Interbank market	98,353,005	78,537,478	-	45,180	45,180	19,106
Indices	19,288,222	10,314,025	-	94,688	94,688	53
Securities	1,644,975	2,131,590	-	-	-	-
Other	84,508	66,582	-	32,946	32,946	(11,509)
Commitments to sell	**164,550,453**	**122,576,094**	**5,921**	**(234,817)**	**(228,896)**	**(54,601)**
Foreign currency	13,056,594	18,938,634	5,921	(20,018)	(14,097)	(25,982)
Interbank market	113,173,138	82,302,360	-	(45,379)	(45,379)	(17,060)
Indices	32,032,996	11,843,060	-	(126,868)	(126,868)	(6,889)
Securities	4,230,057	3,144,224	-	(177)	(177)	-
Other	2,057,668	6,347,816	-	(42,375)	(42,375)	(4,670)
Swap contracts			**350,505**	**577,326**	**927,831**	**465,685**
Asset position	**68,844,153**	**69,088,310**	**2,166,497**	**777,697**	**2,944,194**	**2,579,384**
Foreign currency	7,335,178	6,862,386	(285,673)	237,765	(47,908)	102,280
Interbank market	34,370,129	31,371,085	1,299,459	161,255	1,460,714	1,418,474
Fixed rate	9,277,398	11,014,003	325,800	140,149	465,949	365,499
Floating rate	864,567	6,775,302	1,616	17,719	19,335	4,879
Indices	16,745,215	12,964,373	819,429	218,136	1,037,565	679,827
Securities	31,910	11,424	3,009	113	3,122	3,423
Other	219,756	89,737	2,857	2,560	5,417	5,002
Liability position	**68,493,648**	**68,686,733**	**(1,815,992)**	**(200,371)**	**(2,016,363)**	**(2,113,699)**
Foreign currency	14,608,979	11,321,897	(310,536)	(17,255)	(327,791)	(293,971)
Interbank market	19,443,008	19,600,932	(357,740)	134,260	(223,480)	(721,295)
Fixed rate	7,834,574	15,694,540	(255,778)	(132,512)	(388,290)	(395,008)
Floating rate	3,272,086	6,473,284	(2,045)	(1,411)	(3,456)	(8,612)
Indices	23,121,546	15,433,009	(864,699)	(180,970)	(1,045,669)	(681,018)
Securities	28,783	-	(1,300)	233	(1,067)	-
Other	184,672	163,071	(23,894)	(2,716)	(26,610)	(13,795)
Option contracts	**2,331,971,056**	**1,728,321,064**	**(74,700)**	**320,842**	**246,142**	**222,182**
Purchase commitments – long position	**695,906,184**	**489,887,901**	**1,181,736**	**(106,838)**	**1,074,898**	**951,291**
Foreign currency	24,903,212	67,850,131	414,693	(102,944)	311,749	178,330
Interbank market	530,427,631	330,853,884	467,433	1,537	468,970	389,756
Floating rate	314,295	32,630	1,740	(103)	1,637	109
Indices	138,085,213	90,111,099	182,107	(53,100)	129,007	314,035
Securities	1,533,796	801,368	86,002	27,377	113,379	46,106
Other	642,037	238,789	29,761	20,395	50,156	22,955
Commitments to sell – long position	**527,345,713**	**442,925,583**	**1,121,291**	**123,188**	**1,244,479**	**1,259,624**
Foreign currency	12,295,017	12,720,715	338,632	141,822	480,454	349,241
Interbank market	404,532,475	388,003,567	127,749	(28,318)	99,431	174,360
Floating rate	282,438	-	497	420	917	-
Indices	107,033,922	41,058,922	109,093	(48,466)	60,627	327,020
Securities	2,646,857	1,010,199	535,957	64,790	600,747	393,607
Other	555,004	132,180	9,363	(7,060)	2,303	15,396
Purchase commitments – short position	**527,730,100**	**379,223,997**	**(1,587,802)**	**342,478**	**(1,245,324)**	**(1,013,340)**
Foreign currency	26,546,754	48,514,497	(803,684)	341,824	(461,860)	(204,489)
Interbank market	376,481,678	246,600,279	(255,942)	(7,391)	(263,333)	(376,850)
Indices	123,220,607	83,354,644	(448,929)	49,929	(399,000)	(411,677)
Securities	864,194	616,204	(48,557)	(26,685)	(75,242)	(12,966)
Other	616,867	138,373	(30,690)	(15,199)	(45,889)	(7,358)
Commitments to sell – short position	**580,989,059**	**416,283,583**	**(789,925)**	**(37,986)**	**(827,911)**	**(975,393)**
Foreign currency	16,714,590	16,264,304	(450,659)	(94,918)	(545,577)	(459,700)
Interbank market	444,963,343	317,680,840	(196,099)	3,354	(192,745)	(165,388)
Indices	118,333,496	82,088,915	(71,169)	22,421	(48,748)	(333,344)
Securities	825,393	146,845	(58,125)	20,055	(38,070)	(2,802)
Other	152,237	102,679	(13,873)	11,102	(2,771)	(14,159)
Forwards contracts	**1,445,147**	**68,398**	**1,396,508**	**(27,082)**	**1,369,426**	**923**
Purchases receivable	**21,340**	**49,221**	**21,375**	**28,764**	**50,139**	**48,567**
Floating rate	21,340	48,131	21,375	28,764	50,139	48,098
Other	-	1,090	-	-	-	469
Purchases payable – Floating rate	**-**	**-**	**(20,827)**	**(28,764)**	**(49,591)**	**(48,098)**
Sales receivable	**1,423,807**	**19,177**	**1,396,507**	**1,171**	**1,397,678**	**19,172**
Floating rate	-	18,718	-	-	-	18,718
Other	1,423,807	459	1,396,507	1,171	1,397,678	454
Sales deliverable – Floating rate	**-**	**-**	**(547)**	**(28,253)**	**(28,800)**	**(18,718)**

	Memorandum account Notional amount		Balance sheet account receivable (received) (payable) paid	Adjustment to market value (in results/stockholders' equity)	Market value	
	12/31/2010	12/31/2009	12/31/2010	12/31/2010	12/31/2010	12/31/2009
Credit derivatives	**6,701,450**	**4,532,206**	**124,646**	**9,238**	**133,884**	**(91,288)**
Asset position	**2,902,115**	**1,786,428**	**257,884**	**3,437**	**261,321**	**15,085**
Foreign currency	53,727	137,164	27	1,150	1,177	1,347
Fixed rate	2,621,843	1,615,263	257,834	(2,049)	255,785	12,184
Securities	226,545	10,156	23	4,336	4,359	572
Other	-	23,845	-	-	-	982
Liability position	**3,799,335**	**2,745,778**	**(133,238)**	**5,801**	**(127,437)**	**(106,373)**
Foreign currency	22,110	-	(84)	(728)	(812)	(1,539)
Fixed rate	3,126,150	2,695,778	(132,915)	11,479	(121,436)	(103,275)
Securities	651,075	-	(239)	(4,950)	(5,189)	(543)
Other	-	50,000	-	-	-	(1,016)
Forwards operations	**36,958,479**	**13,722,347**	**(521,888)**	**24,258**	**(497,630)**	**(94,509)**
Asset position	**13,832,488**	**6,607,852**	**596,920**	**15,420**	**612,340**	**312,987**
Foreign currency	13,121,050	5,583,987	547,715	8,446	556,161	279,056
Interbank market	168	-	1	-	1	-
Fixed rate	3,400	212,974	975	-	975	19,580
Floating rate	509,024	531,937	7,804	-	7,804	3,936
Other	198,846	278,954	40,425	6,974	47,399	10,415
Liability position	**23,125,991**	**7,114,495**	**(1,118,808)**	**8,838**	**(1,109,970)**	**(407,496)**
Foreign currency	22,758,545	6,658,999	(1,096,982)	10,174	(1,086,808)	(393,142)
Interbank market	26,711	1,598	(938)	-	(938)	(142)
Floating rate	273,257	348,240	(3,208)	-	(3,208)	(2,766)
Other	67,478	105,658	(17,680)	(1,336)	(19,016)	(11,446)
Swap with target flow	**12,050**	**1,935,809**	**(8)**	**8**	**-**	**(41,078)**
Asset position	**6,021**	**976,112**	-	-	-	**48,514**
Foreign currency	-	505,870	-	-	-	946
Interbank market	6,021	398,547	-	-	-	47,568
Fixed rate	-	71,695	-	-	-	-
Liability position	**6,029**	**959,697**	**(8)**	**8**	-	**(89,592)**
Foreign currency	-	641,399	-	-	-	(57,784)
Interbank market	6,029	291,862	(8)	8	-	(31,461)
Fixed rate	-	26,436	-	-	-	(347)
Target flow of swap – foreign currency	**25,384**	**3,159,676**	-	-	-	**45,798**
Asset position	-	**2,450,975**	-	-	-	**185,704**
Foreign currency	-	2,447,446	-	-	-	185,704
Indices	-	3,529	-	-	-	-
Liability position – Foreign currency	**25,384**	**708,701**	-	-	-	**(139,906)**
Other derivative financial instruments	**4,314,876**	**11,936,233**	**576,523**	**(91,072)**	**485,451**	**(19,695)**
Asset position	**3,394,599**	**7,549,134**	**782,464**	**(53,771)**	**728,693**	**519,155**
Foreign currency	258,970	3,234,101	186,308	5,131	191,439	424,188
Interbank market	-	2,269,818	-	-	-	418
Fixed rate	697,805	-	374,986	2,020	377,006	-
Floating rate	-	-	-	(2,919)	(2,919)	-
Other	2,437,824	2,045,215	221,170	(58,003)	163,167	94,549
Liability position	**920,277**	**4,387,099**	**(205,941)**	**(37,301)**	**(243,242)**	**(538,850)**
Foreign currency	360,296	4,286,612	(159,230)	(24,194)	(183,424)	(498,947)
Fixed rate	33	29,651	(36)	-	(36)	(31,372)
Other	559,948	70,836	(46,675)	(13,107)	(59,782)	(8,531)
		ASSETS	**7,524,674**	**789,068**	**8,313,742**	**5,939,483**
		LIABILITIES	**(5,667,816)**	**(37,019)**	**(5,704,835)**	**(5,476,046)**
		TOTAL	**1,856,858**	**752,049**	**2,608,907**	**463,437**

Derivative contracts mature as follows (in days):						
Clearing	**0 - 30**	**31 - 180**	**181 - 365**	**Over de 365**	**12/31/2010**	**12/31/2009**
Futures	108,358,899	64,873,656	49,747,321	69,069,441	292,049,317	216,785,646
Swaps	5,320,241	16,173,424	8,236,608	36,947,383	66,677,656	66,960,321
Options	1,293,177,867	439,939,989	506,039,489	92,813,711	2,331,971,056	1,728,321,064
Forwards	273,637	1,143,099	28,411	-	1,445,147	68,398
Credit derivatives	-	1,011,026	592,108	5,098,316	6,701,450	4,532,206
Forwards	13,657,731	13,232,585	6,050,875	4,017,288	36,958,479	13,722,347
Swaps with target flow	-	-	6,021	-	6,021	896,493
Target flow of swap	6,346	15,865	3,173	-	25,384	3,159,676
Other	105,482	927,272	405,041	2,877,081	4,314,876	11,936,233

At December 31, 2010, ITAÚ UNIBANCO HOLDING had derivative operations in the swap with target flow and target forward with 1 client; these products not being totally exposed to an exchange rate of R$ 1.66 per dollar, for settlement at maturity. These clients have AA, A or B risk rating.

II - Derivatives by counterparty

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated at cost, market value, and maturity term.

	12/31/2010										12/31/2009
	Cost	Adjustment to market value (in results / stockholders' equity)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
ASSETS											
Option premiums	**2,303,027**	**16,350**	**2,319,377**	**27.9**	**778,924**	**230,147**	**222,475**	**405,971**	**105,752**	**576,108**	**2,210,915**
BM&F Bovespa	1,425,647	(120,977)	1,304,670	15.7	745,611	71,656	123,296	287,249	76,858	-	1,573,543
Financial institutions	304,613	59,405	364,018	4.4	23,201	116,237	90,056	106,270	21,963	6,291	208,408
Companies	572,657	77,845	650,502	7.8	9,992	42,187	9,123	12,452	6,931	569,817	428,964
Individuals	110	77	187	0.0	120	67	-	-	-	-	-
Forwards	**1,417,882**	**29,935**	**1,447,817**	**17.4**	**301,090**	**1,058,898**	**61,617**	**26,212**	**-**	**-**	**67,739**
BM&F Bovespa	1,396,508	1,170	1,397,678	16.8	250,951	1,058,898	61,617	26,212	-	-	454
Financial institutions	21,374	28,765	50,139	0.6	50,139	-	-	-	-	-	37,859
Companies	-	-	-	-	-	-	-	-	-	-	29,380
Individuals	-	-	-	-	-	-	-	-	-	-	46
Swaps – Adjustment receivable	**2,166,497**	**777,697**	**2,944,194**	**35.5**	**285,394**	**249,562**	**193,070**	**654,655**	**627,122**	**934,391**	**2,579,384**
BM&F Bovespa	215,148	55,684	270,832	3.3	5,007	7,860	14,356	54,678	63,258	125,673	257,403
Financial institutions	328,621	120,495	449,116	5.4	166,607	44,381	4,624	73,373	26,856	133,275	737,628
Companies	1,607,036	595,607	2,202,643	26.5	112,039	193,333	162,702	524,092	535,883	674,594	1,553,926
Individuals	15,692	5,911	21,603	0.3	1,741	3,988	11,388	2,512	1,125	849	30,427
Credit derivatives	**257,884**	**3,437**	**261,321**	**3.1**	**-**	**21,933**	**915**	**1,456**	**1,666**	**235,351**	**15,085**
Financial institutions	66,665	10,266	76,931	0.9	-	21,933	915	719	1,355	52,009	15,085
Companies	191,219	(6,829)	184,390	2.2	-	-	-	737	311	183,342	-
Forwards	**596,920**	**15,420**	**612,340**	**7.3**	**272,710**	**128,120**	**96,230**	**96,632**	**12,968**	**5,680**	**312,987**
Financial institutions	150,361	762	151,123	1.8	63,881	38,689	21,293	19,456	4,156	3,648	226,327
Companies	444,934	14,631	459,565	5.5	208,725	88,115	74,744	77,137	8,812	2,032	86,608
Individuals	1,625	27	1,652	0.0	104	1,316	193	39	-	-	52
Swaps with target flow	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**234,218**
Swaps – Companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,512**
Target flow of swap – Companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**185,706**
Other	**782,464**	**(53,771)**	**728,693**	**8.8**	**48,118**	**325,996**	**64**	**129,639**	**11,536**	**213,340**	**519,155**
BM&F Bovespa	-	-	-	-	-	-	-	-	-	-	419
Financial institutions	780,943	(58,902)	722,041	8.7	48,118	325,996	64	129,639	4,884	213,340	314,564
Companies	1,521	5,131	6,652	0.1	-	-	-	-	6,652	-	204,170
Individuals	-	-	-	-	-	-	-	-	-	-	2
Total	**7,524,674**	**789,068**	**8,313,742**	**100.0**	**1,686,236**	**2,014,656**	**574,371**	**1,314,565**	**759,044**	**1,964,870**	**5,939,483**
% per maturity term					**20.3%**	**24.2%**	**6.9%**	**15.8%**	**9.1%**	**23.6%**	
Total – 12/31/2009	**5,705,364**	**234,119**	**5,939,483**	**100.0**	**1,387,384**	**597,196**	**1,027,297**	**834,800**	**1,121,856**	**970,950**	
% per maturity term					**23.4%**	**10.1%**	**17.3%**	**14.1%**	**18.9%**	**16.3%**	

	12/31/2010										12/31/2009
	Cost	Adjustment to market value (in results / stockholders' equity)	Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
LIABILITIES											
Futures	**5,272**	**(61,469)**	**(56,197)**	**0.9**	**(22,493)**	**(53,088)**	**(11,541)**	**11,826**	**15,564**	**3,535**	**(24,581)**
BM&F Bovespa	-	(58,735)	(58,735)	0.9	(25,037)	(50,394)	(13,544)	10,967	15,909	3,364	(29,504)
Financial institutions	-	(737)	(737)	0.0	-	(389)	6	-	(354)	-	375
Companies	5,272	(1,997)	3,275	0.0	2,544	(2,305)	1,997	859	9	171	4,548
Option premiums	**(2,377,727)**	**304,492**	**(2,073,235)**	**36.3**	**(799,279)**	**(413,523)**	**(231,113)**	**(412,717)**	**(207,635)**	**(8,968)**	**(1,988,733)**
BM&F Bovespa	(1,912,390)	235,044	(1,677,346)	29.4	(755,838)	(298,082)	(108,424)	(348,960)	(163,305)	(2,737)	(1,624,738)
Financial institutions	(390,201)	91,299	(298,902)	5.2	(17,000)	(92,742)	(114,150)	(45,024)	(27,465)	(2,521)	(334,415)
Companies	(73,700)	(22,556)	(96,256)	1.7	(26,441)	(22,699)	(7,808)	(18,733)	(16,865)	(3,710)	(29,580)
Individuals	(1,436)	705	(731)	0.0	-	-	(731)	-	-	-	-
Forwards	**(21,374)**	**(57,017)**	**(78,391)**	**1.4**	**(49,591)**	**-**	**-**	**-**	**-**	**(28,800)**	**(66,816)**
Financial institutions	(20,827)	(28,764)	(49,591)	0.9	(49,591)	-	-	-	-	-	(37,436)
Companies	(547)	(28,253)	(28,800)	0.5	-	-	-	-	-	(28,800)	(29,380)
Swaps – difference payable	**(1,815,992)**	**(200,371)**	**(2,016,363)**	**35.3**	**(92,511)**	**(96,678)**	**(139,813)**	**(597,915)**	**(442,554)**	**(646,892)**	**(2,113,699)**
BM&F Bovespa	(321,421)	(67,450)	(388,871)	6.8	(5,810)	(9,245)	(40,461)	(59,680)	(112,369)	(161,306)	(309,732)
Financial institutions	(190,052)	(207,038)	(397,090)	7.0	(14,208)	(28,793)	(3,063)	(149,278)	(26,273)	(175,475)	(784,399)
Companies	(1,248,813)	78,194	(1,170,619)	20.5	(70,391)	(50,227)	(73,327)	(363,991)	(302,979)	(309,704)	(992,567)
Individuals	(55,706)	(4,077)	(59,783)	1.0	(2,102)	(8,413)	(22,962)	(24,966)	(933)	(407)	(27,001)
Credit derivatives	**(133,238)**	**5,801**	**(127,437)**	**2.2**	**(6,677)**	**(5,904)**	**(2,337)**	**(2,703)**	**(7,508)**	**(102,308)**	**(106,373)**
Financial institutions	(132,836)	8,038	(124,798)	2.2	(6,677)	(5,903)	(2,105)	(1,984)	(7,508)	(100,621)	(106,350)
Companies	(402)	(2,237)	(2,639)	0.0	-	(1)	(232)	(719)	-	(1,687)	(23)
Forwards	**(1,118,808)**	**8,838**	**(1,109,970)**	**19.4**	**(175,271)**	**(266,944)**	**(204,303)**	**(317,015)**	**(87,394)**	**(59,043)**	**(407,496)**
Financial institutions	(623,938)	(4,160)	(628,098)	11.0	(87,500)	(200,746)	(105,688)	(138,330)	(46,217)	(49,617)	(176,158)
Companies	(493,811)	12,998	(480,813)	8.4	(87,761)	(65,894)	(98,564)	(178,685)	(41,064)	(8,845)	(231,167)
Individuals	(1,059)	-	(1,059)	0.0	(10)	(304)	(51)	-	(113)	(581)	(171)
Swaps with target flow	**(8)**	**8**	**-**	**0.0**	**-**	**-**	**-**	**-**	**-**	**-**	**(229,498)**
Swaps – Companies	**(8)**	**8**	**-**	**0.0**	**-**	**-**	**-**	**-**	**-**	**-**	**(89,592)**
Target flow of swap – foreign currency	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(139,906)**
Financial institutions	-	-	-	-	-	-	-	-	-	-	(17,250)
Companies	-	-	-	-	-	-	-	-	-	-	(122,656)
Other	**(205,941)**	**(37,301)**	**(243,242)**	**4.5**	**(483)**	**(1,681)**	**2,786**	**(90,089)**	**(14,838)**	**(138,937)**	**(538,850)**
BM&F Bovespa	-	(7)	(7)	0.0	-	(7)	-	-	-	-	-
Financial institutions	(153,511)	(20,662)	(174,173)	3.1	-	-	-	(88,397)	-	(85,776)	(241,124)
Companies	(52,394)	(16,632)	(69,026)	1.4	(483)	(1,638)	2,786	(1,692)	(14,838)	(53,161)	(275,842)
Individuals	(36)	-	(36)	0.0	-	(36)	-	-	-	-	(21,884)
Total	**(5,667,816)**	**(37,019)**	**(5,704,835)**	**100.0**	**(1,146,305)**	**(837,818)**	**(586,321)**	**(1,408,613)**	**(744,365)**	**(981,413)**	**(5,476,046)**
% per maturity term					**20.1%**	**14.7%**	**10.3%**	**24.7%**	**13.0%**	**17.2%**	
Total – 12/31/2009	**(5,262,694)**	**(213,352)**	**(5,476,046)**	**100.0**	**(1,076,285)**	**(447,247)**	**(963,476)**	**(848,324)**	**(1,241,098)**	**(899,616)**	
% per maturity term					**19.7%**	**8.2%**	**17.6%**	**15.5%**	**22.7%**	**16.4%**	

In ITAÚ UNIBANCO HOLDING, recorded at market value swap contracts involving foreign currency, interbank market and indices totaling R$ 2,717 in liability position (R$ (1,296) at 12/31/2009), distributed as follows: R$ (2,717) from 31 to 180 days (R$ (27) at 12/31/2009), (R$ (35) at 12/31/2009) from 181 to 365 days and (R$ (1,234) at 12/31/2009) over 365 days.

III- Derivatives by notional amount

See below the composition of the Derivative Financial Instruments portfolio by type of instrument, stated at their notional amounts, per trading location (organized or over-the-counter market) and counterparties.

	12/31/2010								
	Futures	**Swaps**	**Options**	**Forwards**	**Credit derivatives**	**Forwards**	**Swap with target flow**	**Target flow of swap**	**Other**
BM&F Bovespa	**267,796,263**	**15,399,096**	**2,300,393,758**	**1,423,807**	**-**	**-**	**-**	**-**	**8,750**
Over-the-counter market	**24,253,054**	**51,278,560**	**31,577,298**	**21,340**	**6,701,450**	**36,958,479**	**6,021**	**25,384**	**4,306,126**
Financial institutions	15,311,139	11,655,941	26,738,316	21,340	5,694,122	20,619,628	-	-	3,284,499
Companies	8,941,915	38,443,182	4,766,941	-	1,007,328	16,295,521	6,021	25,384	1,021,594
Individuals	-	1,179,437	72,041	-	-	43,330	-	-	33
Total	**292,049,317**	**66,677,656**	**2,331,971,056**	**1,445,147**	**6,701,450**	**36,958,479**	**6,021**	**25,384**	**4,314,876**
Total 12/31/2009	**216,785,646**	**66,960,321**	**1,728,321,064**	**68,398**	**4,532,206**	**13,722,347**	**896,493**	**3,159,676**	**11,936,233**

IV - Credit derivatives

See below the composition of Credit Derivatives (assets and liabilities) portfolio stated at notional amount, and effect on calculation of Required Referential Equity.

	Credit Risk Amount	
	12/31/2010	12/31/2009
Transferred	**(3,289,161)**	**(1,617,006)**
Credit swaps whose underlying assets are:		
Securities	(2,872,680)	(1,615,264)
Total return swaps whose underlying assets are:		
Securities	(416,481)	(1,742)
Received	**3,412,289**	**2,915,200**
Credit swaps whose underlying assets are:		
Securities	3,404,240	2,915,200
Total return swaps whose underlying assets are:		
Securities	8,049	-
Total	**123,128**	**1,298,194**

During the period, there was no occurrence of credit event related to those set forth in agreements.

According to CMN Resolution No. 3,490, which became effective on July 1, 2008 (Note 3), the effect of the calculation of the Required Referential Equity amounts to R$ 255,726 at December 31, 2010 (R$ 152,490 at December 31, 2009).

V - *Accounting hedge*

a) The purpose of the hedge relationship of ITAÚ UNIBANCO is to protect the cash flow of payment of debt interest (CDB / Redeemable preferred shares) related to its variable interest rate risk (CDI / LIBOR), making the cash flow constant (fixed rate) and regardless of the variations of DI Cetip Over and LIBOR.

   To protect the future cash flows of debt against exposure to variable interest rate (CDI), at December 31, 2010 ITAÚ UNIBANCO HOLDING negotiated DI Futures agreements at BM&FBOVESPA with maturity between 2011 and 2017 in the amount of R$ 20,357,388 (R$ 19,316,416 at 12/31/2009). To protect the future cash flows of debt against exposure to variable interest rate (LIBOR), at December 31, 2010 ITAÚ UNIBANCO HOLDING negotiated SWAP contracts with maturity in 2015 in the amount of R$ 654,937 (R$ 684,417 at 12/31/2009). These derivative financial instruments gave rise to adjustment to market value net of tax effects recorded in stockholders' equity of R$ (28,253) (R$ (77,644) at 12/31/2009), of which R$ (17,081) (R$ (80,971) at 12/31/2009) refers to CDB and R$ (11,171) (R$ 3,327 at 12/31/2009) refers to Redeemable Preferred shares. The hedged items total R$ 20,419,986 (R$ 19,579,000 at 12/31/2009), of which R$ 19,765,049 (R$ 18,894,583 at 12/31/2009) are CDB with maturities between 2011 and 2017 and R$ 654,937 (R$ 684,417 at 12/31/2009) are SWAPS of redeemable preferred shares with maturity in 2015.

   The gains or losses related to the accounting hedge of cash flows that we expect to recognize in Results in the following 12 months amount to R$ (83,757) (R$ (181,997) at 12/31/2009).

   The effectiveness computed for hedge portfolio was in conformity with the provisions of BACEN Circular No. 3,082 of January 30, 2002.

b) The swap operations contracted in a negotiation associated with the funding and/or investment in the amount of R$ 103,439 (R$ 402,047 at 12/31/2009) are recorded at amounts restated in accordance with variations occurred in respective ratios ("curve") and are not valued at their market value, as permitted by BACEN Circular No. 3,150/02.

VI - Realized and unrealized gain of the derivative financial instruments portfolio

	01/01 to 12/31/2010	01/01 to 12/31/2009
Swap	169,239	1,948,767
Forwards	28,689	(135,003)
Futures	1,247,597	6,793,912
Options	695,155	518,374
Credit derivatives	82,605	115,783
Other	(301,594)	(479,725)
Foreign exchange variation on investments abroad	(1,065,833)	(4,901,671)
Total	**855,858**	**3,860,437**

i) Changes in adjustment to market value for the period

	01/01 to 12/31/2010	01/01 to 12/31/2009
Opening balance	**608,422**	**(2,816,936)**
Adjustments with impact on:		
Results	**658,633**	**3,010,198**
Trading securities	(72,649)	(126,334)
Derivative financial instruments	731,282	3,136,532
Stockholders' equity	**141,151**	**415,160**
Available-for-sale	38,996	575,217
Accounting hedge - Derivative financial instruments	102,155	(160,057)
Futures	115,428	(165,098)
Swap	(13,273)	5,041
Closing balance	**1,408,206**	**608,422**
Adjustment to market value	**1,408,206**	**608,422**
Trading securities	252,345	324,994
Available-for-sale securities	454,856	415,860
Derivative financial instruments	701,005	(132,432)
Trading securities	752,049	27,677
Accounting hedge	(51,044)	(160,109)
Futures	(30,861)	(165,150)
Swap	(20,183)	5,041

For better understanding, the following table shows the unrealized gains of available-for-sale securities and held-to-maturity securities:

	12/31/2010	12/31/2009
Adjustment of available-for-sale securities – stockholders' equity	454,856	415,860
Adjustment to held-to-maturity securities (*)	617,098	378,198
Total unrealized gain	**1,071,954**	**794,058**

(*) Includes the amount of R$ 12,681 (R$ 15,777 at 12/31/2009) regarding the adjustment to market value of securities reclassified up to December 31, 2003, not recognized in net income.

j) Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

According to the criteria for classification of operations provided for by BACEN Resolution No. 3,464/07 and Circular No. 3,354/07, and the New Capital Accord – Basel II, the financial instruments of ITAÚ UNIBANCO HOLDING S.A., included all transactions with derivatives, are separated in Trading and Banking portfolios.

The sensitivity analyses shown below do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses. In addition, we point out that the presented results do not necessarily translate into accounting results, because the study's sole purpose is to disclose the exposure to risks and the respective protective actions, taking into account the fair value of financial instruments, irrespective of the accounting practices adopted by the institutions.

The trading portfolio consists of all transactions, including those with derivatives, held with the intention of being traded or to provide hedge to the other financial instruments of this strategy. These are transactions for resale, obtaining benefits from price movements, actual or expected or conduction of arbitrage. This portfolio has strict limits set by the risk areas and is daily controlled.

Amount in R$ (000)

Trading and Banking portfolio Exposures		12/31/2010 (*)		
		Scenarios		
Risk factors	Risk of variation in:	I	II	III
Fixed rate	Fixed rates in reais	(814)	(20,263)	(40,346)
Foreign exchange coupons	Rates of foreign currency coupon	86	(2,191)	(4,458)
Foreign currency	Exchange variation	(1,101)	(27,525)	(55,050)
Price indices	Rates of price index coupon	(119)	(2,963)	(5,899)
Reference rate	Rate of TR coupon	346	(8,749)	(17,678)
Commodities	Variation in commodities prices	(4)	(108)	(216)
Variable income	Share price	4,025	(100,634)	(201,268)
	Total without correlation	**2,419**	**(162,433)**	**(324,914)**
	Total with correlation	**1,603**	**(107,616)**	**(215,264)**

(*) Amounts net of tax effects.

The banking portfolio comprises transactions that do not fit into the trading portfolio concept and are typically banking transactions of the institution's business lines and their respective hedges, which may or not be carried our with derivative financial instruments. Accordingly, the derivatives of this portfolio are not used for speculation purposes, not generating significant economic risks to the institution.

Amount in R$ (000)

Trading and Banking portfolio Exposures		12/31/2010 (*)		
		Scenarios		
Risk factors	Risk of variation in:	I	II	III
Fixed rate	Fixed rates in reais	(3,648)	(90,909)	(181,222)
Foreign exchange coupons	Rates of foreign currency coupon	(1,826)	(45,244)	(89,655)
Foreign currency	Exchange variation	2,105	(52,625)	(105,250)
Price indices	Rates of price index coupon	(578)	(14,373)	(28,578)
Reference Rate	Rates of TR coupon	(1,286)	(31,054)	(59,913)
Commodities	Variation in commodities prices	(3)	(85)	(170)
Variable income	Share price	4,388	(109,698)	(219,396)
	Total without correlation	**(848)**	**(343,988)**	**(684,183)**
	Total with correlation	**(562)**	**(227,901)**	**(453,289)**

(*) Amounts net of tax effects

Scenario I: Addition of 1 base point to the fixed-rate curve, currency coupon, inflation and commodities and interest rate indices, and 1 percentage point in currency and share prices, which is based on market information (BM&F BOVESPA, Anbima, etc).

Scenario II: Shocks at approximately 25% in the portfolio at December 31, 2010, considering the largest resulting losses per risk factor;

Scenario III: Shocks at approximately 50% in the portfolio at December 31, 2010, considering the largest resulting losses per risk factor;

All derivative financial instruments contracted by ITAÚ UNIBANCO HOLDING S.A. are shown in Note 7.

NOTE 8 - LOAN, LEASE AND OTHER CREDIT OPERATIONS

a) Composition of the portfolio with credit granting characteristics

I – By type of operations and risk level

Risk levels	12/31/2010										12/31/2009
	AA	A	B	C	D	E	F	G	H	Total	Total
Loan operations	**46,861,070**	**103,166,204**	**38,481,605**	**11,029,408**	**7,762,649**	**3,518,373**	**2,108,033**	**1,171,746**	**6,862,723**	**220,961,811**	**164,683,952**
Loans and discounted trade receivables	23,618,883	45,665,939	24,608,495	8,830,784	7,009,906	3,027,507	1,868,782	1,012,428	6,296,730	121,939,454	100,604,954
Financing	17,710,752	44,007,239	12,037,181	1,952,854	490,829	320,902	184,568	108,175	479,285	77,291,785	47,951,309
Farming and agribusiness financing	2,009,455	2,241,764	892,029	54,791	99,466	108,577	3,663	780	14,423	5,424,948	5,143,339
Real estate financing	3,521,980	11,251,262	943,900	190,979	162,448	61,387	51,020	50,363	72,285	16,305,624	10,984,350
Lease operations	**1,987,313**	**25,247,461**	**4,751,768**	**2,453,502**	**1,028,485**	**486,541**	**368,190**	**313,821**	**1,127,567**	**37,764,648**	**47,211,573**
Credit card operations	**-**	**13,115,750**	**12,384,063**	**3,341,661**	**2,463,488**	**609,417**	**415,776**	**312,983**	**2,689,763**	**35,332,901**	**30,101,088**
Advance on exchange contracts (1)	**513,064**	**1,518,441**	**719,837**	**59,799**	**17,293**	**5,846**	**6,960**	**2,650**	**16,870**	**2,860,760**	**3,539,643**
Other sundry receivables (2)	**13,224**	**29,464**	**25,826**	**34,875**	**19,254**	**8,391**	**1,772**	**1,440**	**47,520**	**181,766**	**414,708**
Total operations with credit granting characteristics	**49,374,671**	**143,077,320**	**56,363,099**	**16,919,245**	**11,291,169**	**4,628,568**	**2,900,731**	**1,802,640**	**10,744,443**	**297,101,886**	**245,950,964**
Endorsements and sureties (3)										**38,373,987**	**32,431,339**
Total with endorsements and sureties	**49,374,671**	**143,077,320**	**56,363,099**	**16,919,245**	**11,291,169**	**4,628,568**	**2,900,731**	**1,802,640**	**10,744,443**	**335,475,873**	**278,382,303**
Total - 12/31/2009	**35,932,659**	**118,312,626**	**46,978,341**	**15,809,760**	**8,584,203**	**4,193,983**	**2,681,810**	**1,676,227**	**11,781,355**	**245,950,964**	

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Liabilities – Foreign Exchange Portfolio/Other Receivables (Note 2a);

(2) Includes Securities and Credits Receivable, Debtors for Purchase of Assets and Endorsements and Sureties paid;

(3) Recorded in Memorandum Accounts.

II - By maturity and risk level

	12/31/2010										12/31/2009
	AA	A	B	C	D	E	F	G	H	Total	Total
					OVERDUE OPERATIONS (1) (2)						
Falling due installments	**-**	**-**	**2,606,891**	**2,171,115**	**1,588,907**	**1,259,651**	**834,106**	**603,282**	**2,707,254**	**11,771,206**	**11,535,898**
01 to 30	-	-	115,922	99,541	91,627	58,085	57,976	34,464	183,679	641,294	638,584
31 to 60	-	-	105,165	99,152	92,872	61,254	49,020	37,044	178,919	623,426	683,634
61 to 90	-	-	95,521	91,580	77,756	54,035	43,472	33,143	152,067	547,574	547,898
91 to 180	-	-	277,673	260,582	214,016	154,370	119,156	89,453	411,296	1,526,546	1,531,903
181 to 365	-	-	492,826	470,664	363,953	270,135	197,746	145,286	644,103	2,584,713	2,617,953
Over 365	-	-	1,519,784	1,149,596	748,683	661,772	366,736	263,892	1,137,190	5,847,653	5,515,926
Overdue installments	**-**	**-**	**365,288**	**637,736**	**1,138,212**	**906,600**	**842,189**	**808,217**	**5,824,969**	**10,523,211**	**12,272,152**
01 to 14	-	-	22,386	53,822	42,963	34,590	25,194	19,174	80,502	278,631	250,797
15 to 30	-	-	302,222	159,592	310,617	81,451	51,459	29,294	154,070	1,088,705	1,144,799
31 to 60	-	-	40,680	386,348	339,818	172,817	108,004	70,405	275,124	1,393,196	1,319,081
61 to 90	-	-	-	26,564	408,316	147,051	115,196	78,274	273,062	1,048,463	1,121,919
91 to 180	-	-	-	11,410	36,498	439,587	494,336	546,623	1,199,000	2,727,454	3,527,385
181 to 365	-	-	-	-	-	31,104	48,000	64,447	3,593,810	3,737,361	4,679,888
Over 365	-	-	-	-	-	-	-	-	249,401	249,401	228,283
SUBTOTAL	**-**	**-**	**2,972,179**	**2,808,851**	**2,727,119**	**2,166,251**	**1,676,295**	**1,411,499**	**8,532,223**	**22,294,417**	**23,808,050**
SPECIFIC ALLOWANCE	**-**	**-**	**(29,722)**	**(84,266)**	**(272,712)**	**(649,875)**	**(838,147)**	**(988,049)**	**(8,532,223)**	**(11,394,994)**	**(12,955,502)**
SUBTOTAL - 12/31/2009	**-**	**-**	**3,281,365**	**2,883,230**	**2,309,282**	**2,066,275**	**1,731,735**	**1,388,829**	**10,147,334**	**23,808,050**	
					OPERAÇÕES EM CURSO NORMAL						
Falling due installments	**49,071,773**	**142,518,161**	**53,004,466**	**13,726,271**	**8,364,136**	**2,409,441**	**1,200,974**	**382,448**	**2,152,580**	**272,830,250**	**220,717,036**
01 to 30	5,078,544	15,979,179	12,212,117	4,010,046	2,464,493	447,958	227,013	168,856	598,273	41,186,479	37,546,592
31 to 60	3,595,595	10,923,248	6,182,678	1,586,205	884,362	142,149	87,957	24,339	253,798	23,680,331	21,842,259
61 to 90	2,712,476	8,090,252	4,649,470	982,605	469,255	108,542	88,461	11,591	121,033	17,233,685	13,930,865
91 to 180	5,718,161	15,688,056	7,006,796	1,985,305	951,980	213,140	89,049	38,768	236,492	31,927,747	26,942,782
181 to 365	7,219,752	22,938,018	7,947,174	1,878,094	1,150,990	335,248	133,416	41,686	284,650	41,929,028	35,126,995
Over 365	24,747,245	68,899,408	15,006,231	3,284,016	2,443,056	1,162,404	575,078	97,208	658,334	116,872,980	85,327,543
Overdue up to 14 days	**302,898**	**559,159**	**386,454**	**384,123**	**199,914**	**52,876**	**23,462**	**8,693**	**59,640**	**1,977,219**	**1,425,878**
SUBTOTAL	**49,374,671**	**143,077,320**	**53,390,920**	**14,110,394**	**8,564,050**	**2,462,317**	**1,224,436**	**391,141**	**2,212,220**	**274,807,469**	**222,142,914**
GENERIC ALLOWANCE	**-**	**(715,387)**	**(533,909)**	**(423,312)**	**(856,405)**	**(738,695)**	**(612,218)**	**(273,799)**	**(2,212,220)**	**(6,365,945)**	**(4,992,371)**
SUBTOTAL - 12/31/2009	**35,932,659**	**118,312,626**	**43,696,976**	**12,926,530**	**6,274,921**	**2,127,708**	**950,075**	**287,398**	**1,634,021**	**222,142,914**	
GRAND TOTAL	**49,374,671**	**143,077,320**	**56,363,099**	**16,919,245**	**11,291,169**	**4,628,568**	**2,900,731**	**1,802,640**	**10,744,443**	**297,101,886**	**245,950,964**
EXISTING ALLOWANCE	**-**	**(715,387)**	**(563,631)**	**(736,150)**	**(3,386,221)**	**(2,313,821)**	**(2,030,221)**	**(1,802,460)**	**(10,744,443)**	**(22,292,334)**	**(24,051,873)**
Required allowance (3)	-	(715,387)	(563,631)	(507,578)	(1,129,117)	(1,388,570)	(1,450,365)	(1,261,848)	(10,744,443)	(17,760,939)	(17,947,873)
Additional allowance (4)	-	-	-	(228,572)	(2,257,104)	(925,251)	(579,856)	(540,612)	-	(4,531,395)	(6,104,000)
GRAND TOTAL 12/31/2009	**35,932,659**	**118,312,626**	**46,978,341**	**15,809,760**	**8,584,203**	**4,193,983**	**2,681,810**	**1,676,227**	**11,781,355**	**245,950,964**	
EXISTING ALLOWANCE	**-**	**(1,062,438)**	**(1,404,652)**	**(1,579,395)**	**(2,574,402)**	**(2,096,572)**	**(1,877,000)**	**(1,676,059)**	**(11,781,355)**	**(24,051,873)**	
Required allowance (3)	-	(591,563)	(469,783)	(474,293)	(858,420)	(1,258,195)	(1,340,905)	(1,173,359)	(11,781,355)	(17,947,873)	
Additional allowance (4)	-	(470,875)	(934,869)	(1,105,102)	(1,715,982)	(838,377)	(536,095)	(502,700)	-	(6,104,000)	

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;

(2) The balance of non-accrual operations amounts to R$ 15,059,165 (R$ 16,297,353 at 12/31/2009);

(3) The policy of not using "AA" ratings for individuals was maintained. As a consequence, all loan operations with clients classified in these segments are charged by recording a provision upon the granting of loan;

(4) According to BACEN's request, it is classified into risk level to show the additional amounts found calculated to maintain the strength necessary for absorbing possible increases in default expected in history of scenarios of losses

III – By business sector

	12/31/2010	%	12/31/2009	%
PUBLIC SECTOR	**1,165,860**	**0.4**	**1,652,429**	**0.7**
Generation, transmission and distribution of electric energy	565,373	0.2	720,310	0.3
Chemical and petrochemical	272,565	0.1	288,281	0.1
Other	327,922	0.1	643,838	0.3
PRIVATE SECTOR	**295,936,026**	**99.6**	**244,298,535**	**99.3**
COMPANIES	**161,918,219**	**54.5**	**131,449,169**	**53.4**
INDUSTRY AND COMMERCE	**85,113,228**	**28.6**	**68,090,121**	**27.7**
Food and beverage	14,344,592	4.8	10,698,001	4.3
Autoparts and accessories	3,867,481	1.3	2,683,492	1.1
Agribusiness capital assets	847,518	0.3	689,241	0.3
Industrial capital assets	5,172,365	1.7	4,064,152	1.7
Pulp and paper	2,361,801	0.8	1,646,887	0.7
Distribution of fuels	1,893,279	0.6	1,604,725	0.7
Electrical and electronic	6,945,799	2.3	5,804,888	2.4
Pharmaceuticals	2,098,890	0.7	1,633,685	0.7
Fertilizers, insecticides and crop protection	1,313,974	0.4	1,407,353	0.6
Tobacco	373,160	0.1	522,551	0.2
Import and export	1,996,909	0.7	1,578,885	0.6
Hospital care materials and equipment	918,736	0.3	722,216	0.3
Construction material	4,398,567	1.5	3,520,579	1.4
Steel and metallurgy	6,876,259	2.3	5,644,676	2.3
Wood and furniture	2,710,836	0.9	2,259,428	0.9
Chemical and petrochemical	5,330,789	1.8	5,258,773	2.1
Supermarkets	1,088,887	0.4	993,454	0.4
Light and heavy vehicles	5,942,477	2.0	5,397,168	2.2
Clothing	7,682,679	2.6	5,539,980	2.3
Other - Commerce	4,940,944	1.7	3,717,111	1.5
Other - Industry	4,007,286	1.3	2,702,876	1.1
SERVICES	**60,313,047**	**20.3**	**48,704,803**	**19.8**
Heavy construction (constructors)	3,317,358	1.1	2,879,125	1.2
Financial	5,331,036	1.8	4,821,743	2.0
Generation, transmission and distribution of electric energy	5,216,304	1.8	5,833,396	2.4
Holding company	3,037,021	1.0	2,917,274	1.2
Real estate agents	9,568,362	3.2	7,101,408	2.9
Media	2,697,881	0.9	2,232,462	0.9
Service companies	4,487,883	1.5	3,185,730	1.3
Health care	1,953,773	0.7	1,336,940	0.5
Telecommunications	1,058,677	0.4	1,194,503	0.5
Transportation	11,931,044	4.0	9,819,115	4.0
Other services	11,713,708	3.9	7,383,107	3.0
PRIMARY SECTOR	**13,948,391**	**4.7**	**13,375,428**	**5.4**
Agribusiness	11,742,958	4.0	11,410,723	4.6
Mining	2,205,433	0.7	1,964,705	0.8
OTHER Companies	**2,543,553**	**0.9**	**1,278,817**	**0.5**
INDIVIDUALS	**134,017,807**	**45.0**	**112,849,366**	**45.9**
Credit cards	35,545,508	12.0	29,987,468	12.2
Consumer loans/overdraft	27,557,658	9.3	23,146,595	9.4
Real estate financing	10,790,484	3.6	7,438,995	3.0
Vehicles	60,124,157	20.2	52,276,308	21.3
GRAND TOTAL	**297,101,886**	**100.0**	**245,950,964**	**100.0**

b) Credit concentration

Loan, lease and other credit operations (*)	12/31/2010		12/31/2009	
	Risk	% of Total	Risk	% of Total
Largest debtor	2,313,377	0.7	1,787,108	0.6
10 largest debtors	18,099,197	5.4	14,005,518	5.0
20 largest debtors	29,008,782	8.7	23,256,006	8.4
50 largest debtors	48,566,953	14.5	39,570,001	14.2
100 largest debtors	64,956,470	19.4	54,138,465	19.5

Loan, lease and other credit operations and securities of companies and financial institutions (*)	12/31/2010		12/31/2009	
	Risk	% of Total	Risk	% of Total
Largest debtor	4,436,216	1.2	3,351,437	1.1
10 largest debtors	28,567,215	7.6	22,307,503	7.2
20 largest debtors	44,697,920	11.9	34,875,013	11.3
50 largest debtors	69,990,469	18.7	55,367,738	18.0
100 largest debtors	92,206,387	24.6	73,494,272	23.9

(*) The amounts include endorsements and sureties.

c) Changes in allowance for loan losses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Opening balance	**(24,051,873)**	**(19,972,155)**
Balance arising from the ITAÚ UNIBANCO merger at 09/30/2008 and other	-	(170,804)
Net increase for the period	(14,363,636)	(16,398,955)
Required by Resolution No. 2,682/99	(15,936,241)	(18,085,955)
Additional (3)	1,572,605	1,687,000
Write-Off	16,123,175	12,490,041
Closing balance	**(22,292,334)**	**(24,051,873)**
Specific allowance (1)	(11,394,994)	(12,955,502)
Generic allowance (2)	(6,365,945)	(4,992,371)
Additional allowance (3)	(4,531,395)	(6,104,000)

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;

(2) For operations not covered in the previous item due to the classification of the client or operation;

(3) Refers to the provision in excess of the minimum required percentage by CMN Resolution No. 2,682 of December 21, 1999, based on the expected loss methodology, adopted in the institution's credit risk management, which also considers the potential losses on revolving credit.

In 2010, the need for additional allowance for loan losses was reduced in view of the new Basel III guidelines, which determined that the counter-cyclical effects be buffered in the base of capital.

At December 31, 2010, the balance of the allowance in relation to the loan portfolio is equivalent to 7.5% (9.8% at 12/31/2009).

d) Recovery and renegotiation of credits

I - Composition of the result of allowance for loan losses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Expenses for allowance for loan losses	(14,363,636)	(16,398,955)
Income from recovery of credits written off as loss	4,275,909	2,233,648
Result of allowance for loan losses	**(10,087,727)**	**(14,165,307)**

II - Renegotiated credits

	12/31/2010	12/31/2009
Renegotiated credits	9,088,635	7,669,438
Allowance for loan losses	(4,242,992)	(4,017,131)
(%)	46.7	52.4

e) Restricted operations on assets

We present below information related to the restricted operations on assets, in accordance with CMN Resolution No. 2,921, of January 17, 2002.

	12/31/2010					01/01 to 12/31/2010
	0 - 30	31 - 180	181 - 365	Over 365	Total	Income (expenses)
Restricted operations on assets						
Loan operations	424	785	13,829	134,129	149,167	(1,129)
Liabilities - restricted operations on assets						
Foreign borrowings through securities	423	784	13,829	134,129	149,165	1,875
Net revenue from restricted operations						**746**

At December 31, 2010, there were no balances in default.

f) Sales operations or transfers of financial assets

In compliance with Resolution No. 3,809, of October 28, 2009, the amount of sales operations or transfers of financial assets where the entity significantly retained the risks and benefits is R$ 34,988, composed exclusively of loan operations and receivables assigned with joint liability.

g) Credit assignment

In the year, credits were assigned without joint liability, supported by the provisions of CMN Resolution No. 2,836, of May 30, 2001; those with Related Parties amounted to R$ 23,703, without impact on consolidated results, and those with Non-Related Parties amounted to R$ 1,084,211, with an effect on result of R$ 2,402.

NOTE 9 - FOREIGN EXCHANGE PORTFOLIO

	12/31/2010	12/31/2009
ASSETS – OTHER RECEIVABLES	**21,592,818**	**27,239,246**
Exchange purchase pending settlement – foreign currency	10,649,825	15,711,081
Bills of exchange and term documents – foreign currency	-	115
Exchange sale rights – local currency	11,204,440	11,761,324
(Advances received) – local currency	(261,447)	(233,274)
LIABILITIES – OTHER LIABILITIES (Note 2a)	**22,034,954**	**27,682,317**
Exchange sales pending settlement – foreign currency	10,924,697	12,259,138
Liabilities from purchase of foreign currency – local currency	11,106,115	15,419,428
Other	4,142	3,751
MEMORANDUM ACCOUNTS	**588,785**	**480,862**
Outstanding import credits – foreign currency	550,378	404,390
Confirmed export credits – foreign currency	38,407	76,472

NOTE 10 – FUNDING AND BORROWINGS AND ONLENDING

a) Summary

	12/31/2010						12/31/2009	
	0-30	31-180	181-365	Over 365	Total	%	Total	%
Deposits	100,073,549	17,549,791	21,980,529	63,134,266	202,738,135	39.8	190,772,169	48.0
Deposits received under securities repurchase agreements	89,000,151	21,368,715	12,066,794	77,205,142	199,640,802	39.2	131,934,533	33.2
Funds from acceptances and issuance of securities	3,417,732	9,516,215	1,664,946	11,009,945	25,608,838	5.0	17,319,620	4.4
Borrowings and onlending	2,370,413	8,389,682	11,032,533	25,619,102	47,411,730	9.3	34,692,171	8.7
Subordinated debt (*)	27,626	57,601	894,560	33,507,878	34,487,665	6.8	22,725,927	5.7
TOTAL	**194,889,471**	**56,882,004**	**47,639,362**	**210,476,333**	**509,887,170**		**397,444,420**	
% per maturity term	38.2	11.2	9.3	41.3				
TOTAL – 12/31/2009	**160,221,546**	**45,547,067**	**29,556,980**	**162,118,827**	**397,444,420**			
% per maturity term	40.3	11.5	7.4	40.8				

(*) Includes R$ 657,794 (R$ 687,711 at 12/31/2009) of Redeemable Preferred Shares classified under Minority Interest in Balance Sheet.

b) Deposits

	12/31/2010						12/31/2009	
	0-30	31-180	181-365	Over 365	Total	%	Total	%
Demand deposits	25,531,744	-	-	-	25,531,744	12.6	24,836,767	13.0
Savings accounts	57,899,455	-	-	-	57,899,455	28.6	48,221,550	25.3
Interbank	404,001	835,834	504,713	240,412	1,984,960	1.0	2,046,407	1.1
Time deposits	15,332,673	16,713,957	21,475,816	62,893,854	116,416,300	57.4	114,670,580	60.1
Other deposits	905,676	-	-	-	905,676	0.4	996,865	0.5
TOTAL	**100,073,549**	**17,549,791**	**21,980,529**	**63,134,266**	**202,738,135**		**190,772,169**	
% per maturity term	49.4	8.7	10.8	31.1				
TOTAL – 12/31/2009	**91,009,567**	**16,190,548**	**14,737,628**	**68,834,426**	**190,772,169**			
% per maturity term	47.7	8.5	7.7	36.1				

ITAÚ UNIBANCO's portfolio is composed of interbank deposits in the amount of R$ 3,344,008 (R$ 899,224 at December 31, 2009) with maturity over 365 days.

c) Deposits received under securities repurchase agreements

	12/31/2010						12/31/2009	
	0 - 30	31 - 180	181 - 365	Over 365	Total	%	Total	%
Own portfolio	**65,930,952**	**21,348,386**	**11,136,151**	**66,465,336**	**164,880,825**	**82.6**	**75,219,384**	**57.0**
Government securities	48,635,079	359,464	30,243	4,683	49,029,469	24.6	8,453,418	6.4
Private securities	-	-	-	-	-	-	117,895	0.1
Own issue	3,983,280	20,253,893	11,071,990	65,968,893	101,278,056	50.7	65,457,054	49.6
Foreign	13,312,593	735,029	33,918	491,760	14,573,300	7.3	1,191,017	0.9
Third-party portfolio	**23,069,199**	**304**	**-**	**-**	**23,069,503**	**11.5**	**51,861,210**	**39.3**
Free portfolio	**-**	**20,025**	**930,643**	**10,739,806**	**11,690,474**	**5.9**	**4,853,939**	**3.7**
TOTAL	**89,000,151**	**21,368,715**	**12,066,794**	**77,205,142**	**199,640,802**		**131,934,533**	
% per maturity term	44.6	10.7	6.0	38.7				
TOTAL – 12/31/2009	**64,838,143**	**16,128,285**	**7,449,104**	**43,519,001**	**131,934,533**			
% per maturity term	49.2	12.2	5.6	33.0				

d) Funds from acceptance and issuance of securities

	12/31/2010						12/31/2009	
	0-30	31-180	181-365	Over 365	Total	%	Total	%
FUNDS FROM BILLS:	**2,738,264**	**7,833,065**	**413,094**	**3,310,387**	**14,294,810**	**55.8**	**8,852,119**	**51.0**
Bill of real estate loans	1,338,723	6,600,364	320,505	476,886	8,736,478	34.1	6,029,703	34.8
Bill of credit related to agribusiness	1,380,058	1,212,868	66,605	113,992	2,773,523	10.8	2,283,044	13.2
Financial	-	-	-	2,465,749	2,465,749	9.6	-	-
Mortgage notes	10,092	12,103	25,984	253,760	301,939	1.2	512,029	3.0
Bill of exchange	9,391	7,730	-	-	17,121	0.1	27,343	-
DEBENTURES	**74,461**	**218,215**	**-**	**1,091,417**	**1,384,093**	**5.4**	**2,764,278**	**16.0**
FOREIGN BORROWINGS AND SECURITIES	**605,007**	**1,464,935**	**1,251,852**	**6,608,141**	**9,929,935**	**38.8**	**5,703,223**	**29.5**
Trade Related – issued abroad - Structure Note Issued	**54,737**	**446,595**	**346,429**	**820,651**	**1,668,412**	**6.5**	**662,889**	**0.4**
Non-Trade Related – Issued abroad	**550,270**	**1,018,340**	**905,423**	**5,787,490**	**8,261,523**	**32.3**	**5,040,334**	**29.1**
Brazil Risk Note Programme	37,929	243,712	318,957	3,561,935	4,162,533	16.3	2,614,000	15.1
Eurobonds	5,316	10,308	503,335	1,081,708	1,600,667	6.3	15,201	0.1
Euro Certificates of Deposits	493,247	728,563	80,109	26,024	1,327,943	5.2	431,452	2.5
Euro Medium Term Note Programme	-	22,832	-	394,848	417,680	1.6	598,040	3.5
Structure Note Issued	11,139	8,496	2,253	314,225	336,113	1.3	-	-
Fixed Rate Notes	-	3,646	769	274,621	279,036	1.1	1,052,418	6.0
Medium Term Note	2,548	783	-	122,466	125,797	0.5	-	-
Other	91	-	-	11,663	11,754	0.0	329,223	1.9
TOTAL	**3,417,732**	**9,516,215**	**1,664,946**	**11,009,945**	**25,608,838**		**17,319,620**	
% per maturity term	13.3	37.2	6.5	43.0				
TOTAL – 12/31/2009	**2,303,463**	**6,480,343**	**1,668,227**	**6,867,587**	**17,319,620**			
% per maturity term	13.3	37.4	9.6	39.7				

ITAÚ UNIBANCO HOLDING's portfolio is composed of Brazil Risk Note Programme with maturity from 31 to 180 days in the amount of R$ 5,542 and with maturity over 365 days in the amount of R$ 500,000, totaling R$ 505,542.

e) Borrowings and onlending

	12/31/2010						12/31/2009	
	0-30	31-180	181-365	Over 365	Total	%	Total	%
BORROWINGS	**1,669,642**	**5,234,963**	**5,119,221**	**3,698,794**	**15,722,620**	**33.2**	**12,336,288**	**35.6**
Domestic	722,085	1,072,837	10,193	65,744	1,870,859	4.0	588,741	1.7
Foreign (*)	947,557	4,162,126	5,109,028	3,633,050	13,851,761	29.2	11,747,547	33.9
ONLENDING	**700,771**	**3,154,719**	**5,913,312**	**21,920,308**	**31,689,110**	**66.8**	**22,355,883**	**64.4**
Domestic – official institutions	700,771	3,149,666	5,908,377	21,856,245	31,615,059	66.6	22,059,520	63.6
BNDES	275,628	1,253,798	1,369,873	7,467,403	10,366,702	21.8	10,104,179	29.1
FINAME	384,829	1,825,672	4,459,316	14,072,667	20,742,484	43.7	11,401,997	32.9
Other	40,314	70,196	79,188	316,175	505,873	1.1	553,344	1.6
Foreign	-	5,053	4,935	64,063	74,051	0.2	296,363	0.9
TOTAL	**2,370,413**	**8,389,682**	**11,032,533**	**25,619,102**	**47,411,730**		**34,692,171**	
% per maturity term	5.0	17.7	23.3	54.0				
TOTAL – 12/31/2009	**2,057,329**	**6,721,670**	**5,699,272**	**20,213,900**	**34,692,171**			
% per maturity term	5.9	19.4	16.4	58.3				

(*) Foreign borrowings are basically represented by foreign exchange transactions related to export pre-financing and import financing.

f) Subordinated debt

Funding obtained through issuance of subordinated debt, in accordance with the conditions determined by CMN Resolution No. 3,444, of 02/28/2007, and amendments established by CMN Resolution No. 3,532, of 01/31/2008, is as follows:

	12/31/2010						12/31/2009	
	0-30	31-180	181-365	Over 365	Total	%	Total	%
CDB	-	-	-	25,859,401	25,859,401	75.0	20,160,280	88.7
Financial Treasury Bills	-	-	-	2,570,272	2,570,272	7.5	-	-
Euronotes	26,080	42,261	894,895	3,332,400	4,295,636	12.4	876,892	3.9
Bonds	1,546	-	-	298,078	299,624	0.9	135,952	0.6
Eurobonds	-	12,483	-	833,100	845,583	2.4	883,644	3.9
(-) Transaction costs incurred (Note 4b)	-	-	(335)	(40,310)	(40,645)	(0.1)	(18,552)	(0.1)
TOTAL OTHER LIABILITIES	**27,626**	**54,744**	**894,560**	**32,852,941**	**33,829,871**		**22,038,216**	
Redeemable preferred shares	-	2,857	-	654,937	657,794	1.9	687,711	3.0
GRAND TOTAL	**27,626**	**57,601**	**894,560**	**33,507,878**	**34,487,665**		**22,725,927**	
% per maturity term	0.1	0.2	2.6	97.2				
TOTAL – 12/31/2009	**13,044**	**26,221**	**2,749**	**22,683,913**	**22,725,927**			
% per maturity term	0.1	0.1	0.0	99.8				

Description

Name of security	Issue	Maturity	Return p.a.	Principal R$
Subordinated euronotes	2nd half of 2001	August 2011	10.00%	457,465
Subordinated euronotes	August 2001	August 2011	4.25%	625,008
Subordinated CDB	March 2007	April 2012	103.5% of CDI	5,000,000
Subordinated CDB	May 2007	May 2012	104% of CDI	1,406,000
Subordinated CDB	July 2007	July 2012	CDI + 0.38%	422,000
Subordinated CDB	August 2007	August 2012	CDI + 0.38%	200,000
Subordinated CDB	October 2007	October 2012	IGPM + 7.31%	160,850
Subordinated CDB	October 2007	October 2012	IGPM + 7.35%	130,000
Subordinated CDB	October 2007	October 2012	103.8% of CDI	93,000
Subordinated CDB	October 2007	October 2012	CDI + 0.45%	450,000
Subordinated CDB	November 2007	November 2012	CDI + 0.35%	300,000
Subordinated CDB	December 2002	December 2012	102.5% of CDI	200,000
Subordinated CDB	December 2002	December 2012	102% of CDI	20,000
Subordinated CDB	January 2008	February 2013	CDI + 0.50%	880,000
Subordinated CDB	February 2008	February 2013	CDI + 0.50%	1,256,000
Subordinated CDB	1st quarter of 2008	1st quarter of 2013	CDI + 0.60%	817,310
Subordinated CDB	2nd quarter of 2008	2nd quarter of 2013	106% of CDI	29,000
Subordinated CDB	2nd quarter of 2008	2nd quarter of 2013	107% of CDI	19,401
Subordinated CDB	November 2003	November 2013	102% of CDI	40,000
Subordinated CDB	May 2007	May 2014	CDI + 0.35%	1,804,500
Subordinated CDB	August 2007	August 2014	CDI + 0.46%	50,000
Subordinated CDB	October 2007	October 2014	IGPM + 7.35%	33,200
Subordinated CDB	November 2008	October 2014	112% of CDI	1,000,000
Subordinated CDB	December 2007	December 2014	CDI + 0.60%	10,000
Preferred shares	December 2002	March 2015	3.04%	1,388,841
Subordinated CDB	January 2010	November 2015	113% of CDI	50,000
Subordinated bonds	December 2005	December 2015	1.42%	193,834
Subordinated CDB	3rd quarter of 2008	3rd quarter of 2015	119.8% of CDI	400,000
Subordinated CDB	January 2010	January 2016	114% of CDI	500,000
Subordinated CDB	1st quarter of 2010	1st quarter of 2016	110% of CDI	82,880
Subordinated CDB	1st quarter of 2010	1st quarter of 2016	111% of CDI	33,400
Subordinated CDB	1st quarter of 2010	1st quarter of 2016	113% of CDI	2,102,988
Subordinated CDB	March 2010	March 2016	IPCA + 7.33%	122,500
Subordinated financial bills	August 2010	August 2016	100% of CDI + 1.36%	365,000
Subordinated financial bills	September 2010	September 2016	112.5% of CDI	15,600
Subordinated CDB (1)	December 2006	December 2016	CDI + 0.47%	500,000
Subordinated financial bills	3rd quarter of 2010	3rd quarter of 2016	112% of CDI	1,808,400
Subordinated financial bills	October 2010	October 2016	112% of CDI	50,000
Subordinated financial bills	December 2010	December 2016	100% of IPCA + 7.00%	30,000
Subordinated CDB	March 2010	March 2017	IPCA + 7.45%	366,830
Subordinated financial bills	September 2010	September 2017	100% of IPCA + 7.2%	160,000
Subordinated financial bills	September 2010	September 2017	100% of IPCA + 7.0%	20,000
Subordinated financial bills	October 2010	October 2017	100% of IPCA + 6.95%	20,000
Subordinated financial bills	October 2010	October 2017	100% of IPCA + 6.97%	6,000
Subordinated euronotes	April 2010	April 2020	6.20%	1,730,600
Subordinated euronotes	September 2010	January 2021	5.75%	1,694,200
Subordinated bonds	April 2008	April 2033	3.50%	73,361
Subordinated bonds	October 2008	October 2033	4.50%	67,766
Eurobonds -Perpetual Non-cumulative Junior Subordinated Securities (2)	July 2005	Not determined	8.70%	1,195,250

(1) Subordinated CDBs may be redeemed from November 2011;
(2) The debt may be fully redeemed only at the option of the issuer from July 29, 2010 or at each subsequent payment.

In ITAÚ UNIBANCO's portfolio is composed of Subordinated Euronotes with maturity from 0 to 30 days in the amount of R$ 26,081, from 91 to 180 in the amount of R$ 21,809, and over 365 days in the amount of R$ 3,304,889, totaling R$ 3,352,779.

NOTE 11 - INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS

a) Composition of the technical provisions

	INSURANCE		PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Mathematical provision of benefits to be granted and benefit	31,409	35,032	50,509,963	42,458,984	-	-	50,541,372	42,494,016
Unearned premiums	3,478,965	3,172,109	-	-	-	-	3,478,965	3,172,109
Unsettled claims	2,521,049	2,247,547	-	-	-	-	2,521,049	2,247,547
Financial surplus	1,572	2,122	479,783	468,529	-	-	481,355	470,651
IBNR	640,542	664,580	9,898	12,844	-	-	650,440	677,424
Premium deficiency	272,399	245,470	-	-	-	-	272,399	245,470
Insufficient contribution	-	-	617,085	504,691	-	-	617,085	504,691
Mathematical provision for redemptions	-	-	-	-	2,553,163	2,197,332	2,553,163	2,197,332
Raffle contingency	-	-	-	-	20,420	34,057	20,420	34,057
Other	16,125	72,189	182,861	258,915	29,682	29,347	228,668	360,451
TOTAL	**6,962,061**	**6,439,049**	**51,799,590**	**43,703,963**	**2,603,265**	**2,260,736**	**61,364,916**	**52,403,748**

b) Assets Guaranteeing Technical Provisions - SUSEP

	INSURANCE		PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Interbank investments – money market	**1,284,608**	**1,197,759**	**822,598**	**1,099,147**	**1,238,731**	**737,447**	**3,345,937**	**3,034,353**
Securities and derivative financial instruments	**2,943,777**	**2,811,269**	**51,175,079**	**42,620,972**	**1,407,015**	**1,562,717**	**55,525,871**	**46,994,958**
PGBL/VGBL fund quotas (1)	**-**	**-**	**46,320,761**	**38,626,466**	**-**	**-**	**46,320,761**	**38,626,466**
Government securities - Domestic	-	-	32,408,482	25,485,128	-	-	32,408,482	25,485,128
National Treasury Bills	-	-	20,296,305	11,961,874	-	-	20,296,305	11,961,874
National Treasury Notes	-	-	10,527,858	7,106,122	-	-	10,527,858	7,106,122
Financial Treasury Bills	-	-	1,584,319	6,417,132	-	-	1,584,319	6,417,132
Corporate securities	-	-	12,960,448	12,592,903	-	-	12,960,448	12,592,903
Bank deposit certificates	-	-	6,481,482	7,598,106	-	-	6,481,482	7,598,106
Debentures	-	-	4,433,813	2,862,367	-	-	4,433,813	2,862,367
Shares	-	-	1,998,819	1,587,296	-	-	1,998,819	1,587,296
Quotas of funds	-	-	43,175	441,532	-	-	43,175	441,532
Promissory Notes	-	-	1,672	103,602	-	-	1,672	103,602
Securitized real estate loans	-	-	1,487	-	-	-	1,487	-
PGBL/VGBL fund quotas	-	-	890,678	458,741	-	-	890,678	458,741
Derivative financial instruments	-	-	36,462	36,261	-	-	36,462	36,261
Accounts receivable / (payable)	-	-	24,691	53,433	-	-	24,691	53,433
Other assets	**2,943,777**	**2,811,269**	**4,854,318**	**3,994,506**	**1,407,015**	**1,562,717**	**9,205,110**	**8,368,492**
Government	1,825,080	2,056,343	3,651,835	3,023,429	133,844	68,381	5,610,759	5,148,153
Private	1,118,697	754,926	1,202,483	971,077	1,273,171	1,494,336	3,594,351	3,220,339
Receivables from insurance and reinsurance operations (2)	**2,868,833**	**2,394,121**	**-**	**-**		**-**	**2,868,833**	**2,394,121**
Credit rights	1,261,220	968,601	-	-		-	1,261,220	968,601
Reinsurance	1,607,613	1,425,520	-	-		-	1,607,613	1,425,520
Escrow deposits for loss	**42,976**	**118,981**	**-**	**-**		**-**	**42,976**	**118,981**
TOTAL	**7,140,194**	**6,522,130**	**51,997,677**	**43,720,119**	**2,645,746**	**2,300,164**	**61,783,617**	**52,542,413**

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customer's responsibility, are recorded as securities – trading securities, with a contra-entry to long-term liabilities in Pension Plan Technical Provisions account, as determined by SUSEP.

(2) Recorded under Other receivables and Other assets.

c) Results of Operations

	INSURANCE		PENSION PLAN		CAPITALIZATION		TOTAL	
	01/01 to 12/31/2010	01/01 to 12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
Income from financial operations	**235,589**	**270,961**	**384,838**	**249,598**	**86,677**	**62,680**	**707,104**	**583,239**
Financial income from insurance, pension plan and capitalization operations	295,702	346,983	4,186,545	4,034,249	238,494	194,551	4,720,741	4,575,783
Financial expenses from insurance, pension plan and capitalization operations	(60,113)	(76,022)	(3,801,707)	(3,784,651)	(151,817)	(131,871)	(4,013,637)	(3,992,544)
Result from insurance, pension plan and capitalization operations	**2,262,428**	**1,753,842**	**57,968**	**166,262**	**338,039**	**511,590**	**2,658,435**	**2,431,694**
Premiums and contributions	7,260,303	6,499,773	8,774,311	8,565,858	1,626,773	1,808,249	17,661,387	16,873,880
Changes in technical provisions	(481,901)	35,330	(8,679,509)	(8,331,339)	(1,235,765)	(1,217,129)	(10,397,175)	(9,513,138)
Expenses for claims	(2,875,097)	(3,204,935)	-	-	-	-	(2,875,097)	(3,204,935)
Selling expenses	(1,417,979)	(1,296,071)	(14,436)	(16,227)	(11,441)	(42,281)	(1,443,856)	(1,354,579)
Expenses for benefits and raffles	-	-	(29,892)	(45,644)	(41,452)	(37,980)	(71,344)	(83,624)
Other revenues and expenses	(222,898)	(280,255)	7,494	(6,386)	(76)	731	(215,480)	(285,910)
TOTAL	**2,498,017**	**2,024,803**	**442,806**	**415,860**	**424,716**	**574,270**	**3,365,539**	**3,014,933**

NOTE 12 - CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

In the ordinary course of its businesses, ITAÚ UNIBANCO HOLDING CONSOLIDATED is involved in contingencies that may be classified as follows.

a) Contingent Assets: there are no contingent assets recorded.

b) Contingent Liabilities: The criteria to quantify contingencies are adequate in relation to the specific characteristics of civil, labor and tax lawsuits portfolios, as well as other risks.

- **Civil lawsuits**

  Collective lawsuits (related to claims considered similar and usual and the amounts of which are not considered significant): contingencies are determined on a monthly basis and the expected amount of losses is accrued according to statistical references that take into account the type of lawsuit and the characteristics of the legal body (Small Claims Court or Regular Court).

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined from time to time, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the “ex facto” and “ex jure” characteristics related to such lawsuit. The amounts which likelihood of loss is considered probable are accrued.

  Contingencies usually arise from revision of contracts and compensation for property damage and pain and suffering; most of these lawsuits are filed in the Small Claims Court and therefore limited to 40 minimum monthly wages. The bank is also a party to specific lawsuits over the charging of understated inflation adjustment to savings accounts in connection with economic plans.

  The case law at the Federal Supreme Court is favorable to banks in relation to an economic phenomenon similar to savings, as in the case of adjustment to time deposits and contracts in general. Additionally, the Superior Court of Justice has recently decided that the term for filing public civil actions over understated inflation is five years. In view of such decision, some of the lawsuits may be dismissed because they were filed after the five-year period.

  In the accounting books, the amounts related to civil lawsuits which likelihood of loss is possible, which total estimated risk amounts to R$ 775,343, are not recognized; these refer to claims on compensation or collection, the individual amounts of which are not significant.

- **Labor claims**

  Collective lawsuits (related to claims considered similar and which each individual amount is not considered significant): The expected amount of loss is determined and accrued monthly by the moving average of payments in relation to lawsuits settled in the last 12 months, plus the average cost of fees. These are adjusted to the amounts deposited as guarantee for their execution when realized.

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined from time to time, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the “de facto” and “de jure” characteristics related to such lawsuit. The amounts of losses which likelihood of loss is considered probable are accrued.

  Contingencies are related to lawsuits in which alleged labor rights based on labor legislation specific to the related profession, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other, are discussed;

- **Other Risks**

  These are quantified and accrued mainly based on the evaluation of rural credit transactions with joint liability and FCVC (salary variations compensation fund) credits assigned to Banco Nacional.

The table below shows the changes in the respective provisions for contingent liabilities and the respective escrow deposits balances:

	01/01 to 12/31/2010				01/01 to 12/31/2009
	Civil	Labor	Other	Total	Total
Opening balance	**2,409,698**	**3,163,601**	**186,089**	**5,759,388**	**5,160,776**
Balance arising from acquisition of Porto Seguro	-	-	-	-	7,988
(-) Contingencies guaranteed by indemnity clauses (Note 4o I)	(98,628)	(573,261)	-	(671,889)	(676,667)
Subtotal	**2,311,070**	**2,590,340**	**186,089**	**5,087,499**	**4,492,097**
Restatement/Charges	141,834	76,931	-	218,765	234,955
Changes in the period reflected in results (Notes 13f and 13i)	1,197,733	490,318	(11,991)	1,676,060	1,781,196
Increase (*)	1,818,713	591,972	-	2,410,685	2,173,302
Reversal	(620,980)	(101,654)	(11,991)	(734,625)	(392,106)
Payment	(965,429)	(276,257)	-	(1,241,686)	(1,420,749)
Subtotal	**2,685,208**	**2,881,332**	**174,098**	**5,740,638**	**5,087,499**
(+) Contingencies guaranteed by indemnity clauses (Note 4o I)	308,810	1,112,816	-	1,421,626	671,889
Closing balance (Note 13c)	**2,994,018**	**3,994,148**	**174,098**	**7,162,264**	**5,759,388**
Closing balance at 12/31/2009 (Note 13c)	**2,409,698**	**3,163,601**	**186,089**	**5,759,388**	
Escrow deposits at 12/31/2010 (Note 13a)	**1,553,439**	**1,518,226**	**-**	**3,071,665**	
Escrow deposits at 12/31/2009 (Note 13a)	**1,062,425**	**1,447,641**	**-**	**2,510,066**	

(*) Civil provisions include the provision for economic plans amounting to R$ 708,194 (R$ 289,600 from January 1 to December 31, 2009) (Note 22k).

- **Tax and social security lawsuits**

Contingencies are equivalent to the principal amount of taxes involved in tax, administrative or judicial challenges, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is accrued when it involves a legal liability, regardless of the likelihood of loss, that is, a favorable outcome to the institution is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, the Bank recognizes a provision whenever the likelihood of loss is probable.

The table below shows the changes in the provisions and respective escrow deposits for Tax and Social Security lawsuits balances:

	01/01 to 12/31/2010			01/01 to 12/31/2009
	Legal liability	Contingencies	Total	Total
Opening balance	**6,821,027**	**1,528,634**	**8,349,661**	**11,665,122**
Balance arising from acquisition of Porto Seguro	-	-	-	202,939
(-) Contingencies guaranteed by indemnity clauses	-	(35,331)	(35,331)	(15,784)
Subtotal	**6,821,027**	**1,493,303**	**8,314,330**	**11,852,277**
Restatement/Charges	393,316	92,955	486,271	988,198
Changes in the period reflected in results	**384,734**	**662,043**	**1,046,777**	**2,021,692**
Increase	769,021	932,256	1,701,277	2,963,339
Reversal (*)	(384,287)	(270,213)	(654,500)	(941,647)
Payment (*)	(1,935,551)	(109,766)	(2,045,318)	(6,547,837)
Subtotal	**5,663,526**	**2,138,535**	**7,802,061**	**8,314,330**
(+) Contingencies guaranteed by indemnity clauses	-	44,474	44,474	35,331
Closing balance (Note 13c)	**5,663,526**	**2,183,009**	**7,846,535**	**8,349,661**

	01/01 to 12/31/2010			01/01 to 12/31/2009
	Legal liability	**Contingencies**	**Total**	**Total**
Opening balance	**3,695,836**	**1,638,155**	**5,333,991**	**5,244,403**
Balance arising from acquisition of Porto Seguro	-	-	-	248,381
Appropriation of income	246,606	87,461	334,067	521,817
Changes in the period	17,848	(714,057)	(696,209)	(940,593)
Deposited	111,365	384,884	496,249	510,061
Withdrawals	(71,238)	(1,074,662)	(1,145,900)	(99,874)
Conversion into income (*)	(22,279)	(24,279)	(46,558)	(1,350,780)
Closing balance	**3,960,290**	**1,011,559**	**4,971,849**	**5,074,008**

(*) ITAÚ UNIBANCO HOLDING and its subsidiaries adhered to the Program for Cash or Installment Payment of Federal Taxes, established by Law No. 11,941, of May 27, 2009. The program included the debits administered by the Federal Reserve Service of Brazil and the General Attorney's Office of the National Treasury past due before November 30, 2008. In the period, the proposition included in this program was the increase in the PIS and COFINS calculation basis, as set forth by paragraph 1 of article 3 of Law No. 9,718 of November 27, 1998, classified as Legal Liability; A portion of the amounts were subject to installment payment and awaits for the consolidation of debits with the applicable bodies. These debits were transferred to Tax and Social Security Liabilities – Taxes and Contributions Payable (Note 14c), in the amount of R$ 1,891,216 (R$ 1,952,023 in 2009).The net effect in results was R$ 144,712 (R$ 241,591 from 01/01 to 12/31/2009) recorded in Other Operating Revenue (Note 22k).

The main discussions related to Legal Liabilities are described as follows:

- PIS and COFINS – Calculation basis – R$ 2,928,361: we defend the levy of contributions on revenue, understood as the revenue from sales of assets and services. The escrow deposit balance totals R$ 1,256,954.

- CSLL – Isonomy – R$ 809,759, as the law increased the CSLL rate for financial and insurance companies to 15%, we discuss the lack of constitutional support for this measure and, due to the principle of isonomy, we defend the levy at the regular rate of 9%. The escrow deposit balance totals R$ 179,063.

- IRPJ and CSLL –Taxation of profits earned abroad – R$ 458,922: We discuss the calculation basis for levy of these taxes on profits earned abroad and the non-applicability of Regulatory Instruction SRF No. 213-02 in which it exceeds the suitability of the legal text. The escrow deposit balance totals R$ 457,159.

- PIS – R$ 367,521 - Principles of anteriority, anteriority over 90 days and non-retroactivity: we request the rejection of Constitutional Amendments No. 10/96 and 17/97 in view of the principle of anteriority and non-retroactivity, aiming at making payments based on Supplementary Law No. 07/70. The corresponding escrow deposit totals R$ 61,198.

In the accounting books no amount is recognized in relation to Tax and Social Security Lawsuits which likelihood of loss is considered possible, which total estimated risk is R$ 4,657,850; the main natures of these lawsuits are as follows:

- IRPJ, CSLL, PIS and COFINS – request for offset dismissed - R$ 860,289: cases in which the liquidity and the offset credit certainty are discussed.

- IRPJ/CSLL - Losses and discounts on receipt of credits – R$ 582,857: we defend that these are necessary operating expenses and deductible for the losses in loan operations and discounts upon their renegotiation and recovery, as provided for the Law.

- ISS – Banking Institutions – R$ 425,611: these are banking operations, which revenue may not be interpreted as price per service rendered and/or arise from activities not listed under a Supplementary Law.

- INSS – Non-compensatory amounts – R$ 378,659: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.

- IRPJ, CSLL, PIS and COFINS – Usufruct of quotas and shares - R$ 332,103: we discuss the adequate accounting and tax treatment for the amount received due to the onerous recognition of usufruct.

c) Receivables - Reimbursement of contingencies

The Receivables balance arising from reimbursements of contingencies totals R$ 1,784,261 (R$ 1,114,192 at 12/31/2009) (Note 13a), basically represented by the guarantee in the Banco Banerj S.A. privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition of Civil, Labor and Tax Contingencies.

d) Guarantee of voluntary resources

These are pledged in guarantee of voluntary resources related to contingent liability and are restricted, deposited or recorded in the amounts below:

	12/31/2010	12/31/2009
Securities (basically Financial Treasury Bills – Note 7b)	1,515,750	1,061,189
Escrow deposits	3,291,502	3,267,582

According to the opinion of the legal advisors, ITAÚ UNIBANCO HOLDING and its subsidiary companies are not involved in any other administrative proceedings or legal lawsuits that may significantly impact the results of its operations.The combined evaluation of all existing provisions for all contingent liabilities and legal liabilities, which are recognized through the adoption of statistical models for claims involving small amounts, and individual evaluation by internal and external legal advisors of other cases, showed that the accrued amounts are sufficient, as provided for CMN Resolution No. 3,823, of December 16, 2009, and BACEN Circular Letter No. 3,429, of February 11, 2010.

NOTE 13 - BREAKDOWN OF ACCOUNTS

a) Other sundry receivables

	12/31/2010	12/31/2009
Deferred tax assets (Note 14b I)	24,996,876	25,984,114
Social contribution for offset (Note 14b I)	847,216	933,723
Taxes and contributions for offset	3,421,227	4,539,287
Escrow deposits in guarantee of provision for contingent liabilities (Note 12b)	7,374,727	6,599,508
Escrow deposits for legal liabilities – tax and social security (Note 12c)	3,960,289	4,252,150
Escrow deposits for foreign fund raising program	1,837,020	306,656
Receivables from reimbursement of contingent liabilities (Note 12b)	1,784,261	1,114,192
Sundry domestic debtors	1,129,110	603,639
Sundry foreign debtors	88,150	186,609
Retirement plan assets (Note 19)	1,536,518	-
Recoverable payments	33,265	42,006
Salary advances	59,783	65,789
Amounts receivable from related companies	8,589	65,607
Operations without credit granting characteristics	211,367	510,853
Securities and credits receivable	504,731	832,937
(Allowance for loan losses)	(293,364)	(322,084)
Other	137,085	184,699
Total	**47,425,483**	**45,388,832**

At ITAÚ UNIBANCO HOLDING, Other Sundry Receivables are basically composed of Taxes and Contributions for Offset of R$ 483,584 (R$ 641,769 at 12/31/2009) and Deferred Tax Assets of R$ 226,835 (R$ 148,292 at 12/31/2009) (Note 14b I).

b) Prepaid expenses

	12/31/2010	12/31/2009
Commissions	1,383,256	2,118,279
Related to vehicle financing	817,747	1,432,859
Related to insurance and pension plan	369,186	491,361
Other	196,323	194,059
Crredit Guarantee Fund (*)	526,721	713,906
Advertising	502,934	520,319
Other	195,002	178,560
Total	**2,607,913**	**3,531,064**

(*) Refers to spontaneous payment, equivalent to the prepayment of installments of the contribution to the Fundo Garantidor de Crédito (Brazilian deposit guarantee fund), according to BACEN Circular No. 3,416, of 10/24/2008.

c) Other sundry liabilities

	12/31/2010	12/31/2009
Provisions for contingent liabilities (Note 12b)	9,345,273	7,288,481
Provisions for sundry payments	2,153,225	2,226,440
Personnel provision	1,062,919	911,372
Sundry creditors - local	925,126	773,504
Sundry creditors - foreign	631,498	250,490
Liabilities for official agreements and rendering of payment services	735,484	414,871
Related to insurance operations	956,719	1,227,138
Liabilities for purchase of assets and rights	16,137	102,804
Creditors of funds to be released	886,472	362,849
Funds from consortia participants	80,034	153,314
Provision for Retirement Plan Benefits (Note 19)	228,717	111,880
Provision for integration expenditures with ITAÚ UNIBANCO merger (1)	-	843,546
Provision for health insurance (2)	606,364	595,991
Expenses for lease interests (Note 4i)	210,289	109,429
Other	123,273	331,224
Total	**17,961,530**	**15,703,333**

(1) Provision set up at 12/31/2008 to cover expenditures on communication with customers, adequacy of systems and personnel;

(2) Provision set up to cover possible future deficits up to the total discontinuance of the portfolio, arising from the difference of adjustments to monthly installments, authorized annually by the regulatory body, and the actual variation of hospital costs that affect the compensation of claims (Note 13i).

In ITAÚ UNIBANCO HOLDING, Other Sundry Liabilities is basically composed of Liabilities for Share-Based Instruments.

d) Banking service fees

	01/01 to 12/31/2010	01/01 to 12/31/2009
Asset management	2,526,235	2,249,495
Funds management fees	2,427,235	2,200,973
Consortia management fee	99,000	48,522
Current account services	605,330	466,454
Credit cards	6,605,156	5,761,686
Annual fees	1,009,243	887,225
Other services	5,595,913	4,874,461
Relationship with stores	5,120,165	4,469,929
Credit card processing	475,748	404,532
Sureties and credits granted	1,462,078	1,323,293
Loan operations	889,889	799,031
Guarantees provided	572,189	524,262
Receipt services	1,325,137	1,204,517
Collection fees	1,075,961	1,001,541
Collection services	249,176	202,976
Other	1,728,993	1,394,968
Brokerage	461,294	381,321
Custody services and management of portfolio	178,299	156,105
Economic and financial advisory	300,244	226,731
Foreign exchange services	71,430	68,253
Other services	717,726	562,558
Total	**14,252,929**	**12,400,413**

e) Income from bank charges

	01/01 to 12/31/2010	01/01 to 12/31/2009
Loan operations/registration	1,350,533	1,039,809
Deposit account	180,279	161,436
Transfer of funds	124,224	118,025
Service package fees and other	1,554,622	1,452,452
Total	**3,209,658**	**2,771,722**

f) Personnel expenses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Compensation	(8,347,782)	(8,036,328)
Charges	(2,024,669)	(1,854,781)
Welfare benefits	(1,731,135)	(1,450,895)
Training	(228,036)	(117,287)
Labor claims and termination of employees (Note 12b)	(490,639)	(633,024)
Total	**(12,822,261)**	**(12,092,315)**

g) Other administrative expenses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Data processing and telecommunications	(3,363,167)	(2,606,077)
Depreciation and amortization	(1,383,370)	(1,305,163)
Installations	(2,467,797)	(1,859,001)
Third-party services	(3,012,376)	(2,826,561)
Financial system services	(375,690)	(331,807)
Advertising, promotions and publications	(1,171,018)	(975,419)
Transportation	(622,235)	(409,724)
Materials	(474,445)	(306,819)
Security	(453,221)	(376,834)
Travel	(168,821)	(121,943)
Other	(546,269)	(473,354)
Total	**(14,038,409)**	**(11,592,702)**

h) Other operating revenues

	01/01 to 12/31/2010	01/01 to 12/31/2009
Reversal of operating provisions	77,136	412,711
Contingent assets and liabilities and legal liabilities – tax and social security (Notes 12b, c and d)	-	353,561
Other	77,136	59,150
Recovery of charges and expenses	81,591	241,062
Other	402,501	154,606
Total	**561,228**	**808,379**

i) Other operating expenses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Provision for contingencies (Note 12b)	(1,475,976)	(1,171,389)
Civil	(1,197,733)	(1,164,952)
Tax and social security	(290,234)	-
Other	11,991	(6,437)
Selling - Credit cards	(1,639,101)	(1,360,632)
Claims	(523,577)	(553,356)
Joint venture (*)	-	(550,000)
Amortization of goodwill on investments (Notes 2k)	(6,850)	(597,039)
Provision for health insurance (Note 13c)	(10,373)	(65,357)
Refund of interbank costs	(192,507)	(219,693)
Other	(628,571)	(774,640)
Total	**(4,476,955)**	**(5,292,106)**

(*) Amount paid on August 28, 2009 to Companhia Brasileira de Distribuição S.A., in order to exclude the obligation of exclusivity of ITAÚ UNIBANCO in the joint venture agreement related to Financeira Itaú CDB S.A. Crédito, Financiamento e Investimento (Note 22k).

j) Non-operating income – from 01/01 to 12/31/2009 is basically composed of Sale of Visa Inc and Visa Net shares.

NOTE 14 - TAXES

a) Composition of expenses for taxes and contributions

I - We show below the Income Tax and Social Contribution due on the operations for the period and on temporary differences arising from additions and exclusions:

Due on operations for the period	01/01 to 12/31/2010	01/01 to 12/31/2009
Income before income tax and social contribution	**20,525,156**	**17,787,124**
Charges (income tax and social contribution) at the rates in effect (Note 4p)	(8,210,062)	(7,114,850)
Increase/decrease to income tax and social contribution charges arising from:		
Permanent additions (exclusions)	**1,578,744**	**(411,590)**
Investments in affiliates	89,687	71,183
Foreign exchange variation on investments abroad	(488,749)	(2,034,185)
Interest on capital	1,525,886	1,478,376
Dividends, interest on external debt bonds and tax incentives	300,244	465,187
Other	151,676	(392,151)
Temporary (additions) exclusions	**2,099,767**	**2,684,686**
Allowance for loan losses	(970,448)	(2,648,821)
Excess (insufficiency) of depreciation of leased assets	720,289	2,841,444
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	245,114	142,012
Legal liabilities – tax and social security, contingent liabilities and restatement of escrow deposits	589,155	927,709
Realization of goodwill on purchase of investments	1,707,713	1,304,783
Integration expenditures with ITAÚ UNIBANCO merger	338,730	196,012
Other	(530,786)	(78,453)
(Increase) offset of tax losses/social contribution loss carryforwards	**301,515**	**(588,327)**
Expenses for income tax and social contribution	**(4,230,036)**	**(5,430,081)**
Related to temporary differences		
Increase (reversal) for the period	(2,401,282)	(1,871,451)
Prior periods increase (reversal)	614,316	649,670
Income (expenses) from deferred taxes	**(1,786,966)**	**(1,221,781)**
Total income tax and social contribution	**(6,017,002)**	**(6,651,862)**

II - Composition of tax expenses:

	01/01 to 12/31/2010	01/01 to 12/31/2009
PIS and COFINS	(3,356,290)	(3,347,853)
ISS	(632,933)	(497,191)
Other	(306,519)	(392,719)
Total (Note 4p)	**(4,295,742)**	**(4,237,763)**

At ITAÚ UNIBANCO HOLDING tax expenses are basically composed of PIS and COFINS in the amount of R$ 176,906 (R$ 174,455 from 01/01 to 12/31/2009).

III- Tax effects on foreign exchange management of investments abroad

In order to minimize the effects on income in connection with the foreign exchange variation on investments abroad, net of respective tax effects, ITAÚ UNIBANCO HOLDING carries out derivative transactions in foreign currency *(hedge)*, as mentioned in Note 22b.

Results of these transactions are considered in the calculation basis of income tax and social contribution, according to their nature, while the foreign exchange variation on investments abroad is not included therein, pursuant to tax legislation in force.

b) Deferred taxes

I - The deferred tax asset balance and its changes, segregated based on its origin and disbursements incurred, are represented as follows:

	PROVISIONS		DEFERRED TAX ASSETS			
	12/31/2009	12/31/2010	12/31/2009	Realization / Reversal	Increase	12/31/2010
Reflected in income and expense accounts			**25,911,436**	**(8,724,542)**	**7,693,512**	**24,880,406**
Related to income tax and social contribution loss carryforwards			2,989,576	(424,271)	463,582	3,028,887
Related to disbursed provisions			9,953,032	(3,961,682)	4,564,748	10,556,098
Allowance for loan losses			7,827,348	(3,358,830)	4,451,291	8,919,809
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)			104,543	(104,543)	38,788	38,788
Allowance for real estate			81,012	(15,700)	32,226	97,538
Goodwill on purchase of investments			1,739,055	(400,670)	18,764	1,357,149
Other			201,074	(81,939)	23,679	142,814
Related to non-disbursed provisions (*)	40,517,743	33,212,964	12,968,828	(4,338,588)	2,665,181	11,295,421
Related to the operation	34,413,743	28,681,569	10,893,468	(4,761,063)	2,665,181	8,797,587
Legal liabilities – tax and social security	5,334,778	4,343,565	1,989,617	(775,310)	271,617	1,485,924
Provision for contingent liabilities	6,265,786	6,457,816	2,344,558	(957,160)	1,036,885	2,424,283
Civil	2,303,852	2,678,844	899,984	(639,795)	782,100	1,042,289
Labor	2,238,841	2,352,565	843,564	(116,593)	157,897	884,868
Tax and social security	1,457,508	1,338,327	495,553	(129,770)	96,888	462,671
Other	265,585	88,080	105,457	(71,002)	-	34,455
Adjustments of operations carried out in futures settlement market	96,475	221,541	28,628	(227)	26,292	54,693
Goodwill on purchase of investments	16,828,044	10,804,724	4,754,352	(1,132,865)	52,119	3,673,606
Provision for integration expenditures with ITAÚ UNIBANCO merger	843,547	-	286,806	(286,806)	-	-
Provision related to health insurance operations	595,991	606,364	238,396	-	4,149	242,545
Other non-deductible provisions	4,449,122	6,247,559	1,251,111	(651,534)	1,274,119	1,873,696
Related to provisions exceeding the minimum required not disbursed – allowance for loan losses	6,104,000	4,531,395	2,075,360	(534,686)	-	1,540,674
Reflected in stockholders' equity accounts – adjustment to market value of available-for-sale securities (Note 2b)			**72,677**	**(46,171)**	**89,963**	**116,469**
Total	**40,517,743**	**33,212,964**	**25,984,113**	**(8,770,713)**	**7,783,475**	**24,996,876**
Social contribution for offset arising from Option foreseen in article 8 of Provisional Measure No. 2,158-35 of 08/24/2001			**933,723**	**(86,507)**	-	**847,216**

(*) From a financial point of view, rather than recording the provision of R$ 33,212,964 (R$ 40,517,743 at 12/31/2009) and deferred tax assets of R$ 11,295,421 (R$ 12,968,828 at 12/31/2009), only the net provisions of the corresponding tax effects should be considered, which would reduce the total deferred tax assets from R$ 24,996,876 (R$ 25,984,114 at 12/31/2009) to R$ 13,701,454 (R$ 13,015,286 at 12/31/2009).

At ITAÚ UNIBANCO HOLDING, the deferred tax assets totaled R$ 226,835 (R$ 148,292 at 12/31/2009) and are basically represented by legal liabilities – tax and social security of R$ 208,758 (R$ 136,444 at 12/31/2009), which expected realization is dependent upon the progress of the lawsuit.

II - Provision for Deferred Income Tax and Social Contribution balance and its changes are shown as follows:

	12/31/2009	Realization / Reversal	Increase	12/31/2010
Reflected in income and expense accounts	**8,552,838**	**(2,383,481)**	**3,970,480**	**10,139,837**
Depreciation in excess – leasing	7,567,878	(2,074,314)	2,801,953	8,295,517
Restatement of escrow deposits and contingent liabilities	665,918	(109,286)	247,624	804,256
Adjustment to market value of securities and derivative financial instruments	144,540	(144,540)	340,340	340,340
Provision for Retirement Plan Benefits (*)	-	-	458,093	458,093
Adjustments of operations carried out in futures settlement market	42,463	(11,982)	18,782	49,263
Taxation of results abroad – capital gains	35,911	-	6,566	42,477
Other	96,128	(43,358)	97,122	149,892
Reflected in stockholders' equity accounts – adjustment to market value of available-for-sale securities (Note 2b)	**141,521**	**-**	**118,991**	**260,511**
Total	**8,694,359**	**(2,383,481)**	**4,089,471**	**10,400,349**

(*) Income tax/social contribution are recorded according to the provision mentioned in Note 19.

III - The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001 and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2010, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

	Deferred tax assets			Social contribution for offset	Provision for deferred income tax and social contribution	Net deferred taxes
	Temporary differences	Tax loss/social contribution loss carryforwards	Total			
2011	7,784,108	773,650	8,557,758	148,499	(2,009,806)	6,696,451
2012	4,310,320	1,343,660	5,653,980	151,055	(2,302,514)	3,502,521
2013	4,153,705	564,678	4,718,383	207,346	(2,595,647)	2,330,082
2014	2,285,648	31,805	2,317,453	265,313	(1,704,770)	877,996
2015	1,965,141	27,136	1,992,277	53,505	(1,105,000)	940,782
Over 2015	1,469,067	287,958	1,757,025	21,498	(682,612)	1,095,911
Total	**21,967,989**	**3,028,887**	**24,996,876**	**847,216**	**(10,400,349)**	**15,443,743**
Present value (*)	**19,274,211**	**2,667,095**	**21,941,306**	**730,335**	**(8,944,317)**	**13,727,324**

(*) The average funding rate, net of tax effects, was used to determine the present value.

The projections of future taxable income include estimates related to macroeconomic variables, exchange rates, interest rates, volume of financial operations and services fees and others which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to taxable income for income tax and social contribution, due to differences existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the trend of the realization of deferred tax assets arising from temporary differences, income tax and social contribution loss carryforwards be not used as an indication of future net income.

IV - In view of the unconstitutionality lawsuit related to the increase in the social contribution rate, established by Articles 17 and 41 of Law No. 11,727 of June 24, 2008, filed on June 26, 2008 by the National Confederation of the Financial System (CONSIF), deferred tax assets were recorded up to the amount added to the Tax Liabilities, while the amount of R$ 1,731,574 is unrecorded (R$ 2,301,098 at 12/31/2009).

c) Tax and social security contributions

	12/31/2010	12/31/2009
Taxes and contributions on income payable	1,491,044	1,445,837
Taxes and contributions payable (Note 12b)	5,575,237	3,721,921
Provision for deferred income tax and social contribution (Note 14b II)	10,400,349	8,694,359
Legal liabilities - tax and social security (Note 12c)	5,663,526	6,821,027
Total	**23,130,156**	**20,683,144**

At ITAÚ UNIBANCO HOLDING, the balance of Tax and Social Security Contributions totals R$ 601,218 (R$ 498,980 at 12/31/2009) and is basically comprised of Legal Liabilities - Tax and Social Security of R$ 573,869 (R$ 366,683 at 12/31/2009), whose nature refers to PIS AND COFINS - Revenue x Gross revenue. We request either the levy of taxes only on the revenue understood as income from sale of assets and services or the levy of PIS Repique (calculated on income tax payable) (at 5% of income tax due), in lieu of the levy on total revenues recorded, by alleging the unconstitutionality of paragraph 1 of article 3 of Law No. 9,718/98.

d) Taxes paid or provided for and withheld from third parties

The amount of taxes paid or provided for is basically levied on income, revenue and payroll. In relation to the amounts withheld and collected from third parties, the Company started to take into consideration the interest on capital paid and on the service provision, in addition to that levied on financial operation.

	12/31/2010	12/31/2009
Taxes paid or provided for	11,768,825	14,059,830
Taxes withheld and collected from third parties	8,644,923	8,128,793
Total	**20,413,748**	**22,188,623**

NOTE 15 – PERMANENT ASSETS

a) Investments

I - Change of investments

Companies		Balances at 12/31/2009	Amortization of goodwill	Dividends paid/provided for and interest on capital (1)	Equity in earnings of subsidiaries (2a)	Adjustments in marketable securities of subsidiaries and Other	Balances at 12/31/2010	Equity in earnings of subsidiaries from 01/01 to 12/31/2009 (2b)
Domestic		**54,439,465**	**(6,336)**	**(4,142,852)**	**9,899,565**	**818,058**	**61,007,900**	**8,050,541**
Itaú Unibanco S.A.	(3a)(4a)(4d)(5a)(6)(7)	42,161,903	(6,336)	(3,005,731)	5,743,086	785,507	45,678,429	5,275,646
Banco Itaú BBA S.A.	(4b)(4e)(5b)	4,940,599	-	(445,843)	1,743,026	28,178	6,265,960	1,465,044
Itauseg Participações S.A.	(8)	3,745,886	-	(26,424)	216,093	(2,040)	3,933,515	331,279
Banco Itaucard S.A.	(4c)(4f)(5c)(8)(9)	1,810,386	-	(479,216)	1,577,169	(1,175)	2,907,164	578,347
Itaú BBA Participações S.A.		1,398,437	-	(117,462)	462,231	7,593	1,750,799	384,934
Itaú Corretora de Valores S.A.	(8)(9)	382,254	-	(68,176)	157,960	(5)	472,033	15,291
Foreign		**1,940,723**	**(51,410)**	**(18,090)**	**148,938**	**1,863**	**2,022,024**	**(319,538)**
Itaú Chile Holdings, Inc.	(3b)	1,618,072	(45,242)	-	112,325	1,236	1,686,391	(296,831)
Banco Itaú Uruguay S.A.	(3c)	216,686	(4,712)	-	13,381	627	225,982	(18,049)
Oca S.A.	(3d)	72,044	(1,252)	(18,090)	22,482	-	75,184	(748)
Oca Casa Financiera S.A.	(3e)	31,539	(182)	-	811	-	32,168	(3,756)
Aco Ltda.	(3f)	2,382	(22)	-	(61)	-	2,299	(154)
GRAND TOTAL		**56,380,188**	**(57,746)**	**(4,160,942)**	**10,048,503**	**819,921**	**63,029,924**	**7,731,003**

(1) Income receivable includes Dividends receivable;

(2) Includes foreign exchange variation in the amounts of: (a) R$ (74,118) and (b) R$ (432,147);

(3) Includes goodwill in the amounts of: (a) R$ 49,630; (b) R$ 271,449; (c) R$ 28,271; (d) R$ 7,513; (e) R$ 1,091, and (f) R$ 127;

(4) Includes unrealized results of operations in the amounts of: (a) R$ (5,204), (b) R$ 1,175 and (c) R$ 51,415, and in investments in the amounts of: (d) R$ (8,326), (e) R$ (88) and (f) R$ (100,371);

(5) Investments and equity in earnings reflect adjustments, in order to standardize procedures under the scope of the investor, in the amounts of: (a) R$ 7,039 and R$ (14,062), (b) R$ (77,170) and R$ 11,977, and (c) R$ 3,673 and R$ (15,729);

(6) Includes installments of dividends provided in the amount of R$ 49,145;

(7) Note 19;

(8) Equity in earnings does not reflect the current interest in results of subsidiary company, due to variation in interest for the period;

(9) The investment and the equity in earnings reflect the different interest in preferred shares, profit sharing and dividends;

Companies	Capital	Stockholders' equity	Net income for the period	Number of shares owned by ITAÚ UNIBANCO HOLDING			Voting capital (%)	Equity share in capital (%)
				Common	Preferred	Quotas		
Domestic								
Itaú Unibanco S.A.	39,676,320	45,580,940	5,762,352	2,081,169,523	2,014,258,290	-	100.00	100.00
Banco Itaú BBA S.A.	4,224,086	8,052,460	2,196,004	3,041,104	5,284,526	-	57.55	78.77
Itauseg Participações S.A.	8,682,908	11,224,731	521,303	1,582,676,636	-	-	35.04	35.04
Banco Itaucard S.A.	15,553,776	19,086,187	1,886,927	3,592,433,657	1,277,933,118	-	1.50	2.04
Itaú BBA Participações S.A.	838,401	1,750,798	462,231	170,647	341,294	-	100.00	100.00
Itaú Corretora de Valores S.A.	1,046,841	1,607,855	174,273	-	811,503	-	-	1.94
Foreign								
Itaú Chile Holdings, Inc.	299,014	1,414,943	168,479	100	-	-	100.00	100.00
Banco Itaú Uruguay S.A.	137,958	197,711	24,423	1,639,430,739	-	-	100.00	100.00
Oca S.A.	12,641	67,669	26,988	1,502,176,740	-	-	100.00	100.00
Oca Casa Financiera S.A.	16,313	31,077	2,628	646	-	-	100.00	100.00
Aco Ltda.	11	2,189	74	-	-	131	99.24	99.24

II - Composition of investments

	12/31/2010	12/31/2009
Investment in affiliates	**937,105**	**1,191,662**
Domestic	**254,379**	**277,820**
Serasa S.A.	254,379	248,745
Other	-	29,075
Foreign	**682,726**	**913,842**
BPI	682,346	913,842
Other	380	-
Other investments	**1,389,620**	**1,173,700**
Investments through tax incentives	160,575	161,446
Equity securities	9,903	8,429
Shares and quotas	396,762	215,274
Interest in Instituto de Resseguros do Brasil - IRB	229,699	229,699
Other	592,681	558,851
(Allowance for loan losses)	**(192,012)**	**(178,262)**
Total	**2,134,713**	**2,187,100**

III - Equity in earnings of affiliates and other investments

	01/01 to 12/31/2010	01/01 to 12/31/2009
Investment in affiliates - Domestic	73,739	84,332
Investment in affiliates - Foreign	72,153	84,246
Dividends received from Other investments	85,009	31,133
Other	(6,686)	9,379
Total	**224,216**	**209,090**

b) Fixed assets, goodwill and intangible assets

		CHANGES				12/31/2010		
	NET BALANCE AT 12/31/2009	ACQUISITIONS	DISPOSALS	DEPRECIATION/ AMORTIZATION EXPENSES (3)	OTHER	COST	ACCUMULATED DEPRECIATION/ AMORTIZATION	NET BOOK AMOUNT
REAL ESTATE IN USE	**4,353,175**	**1,996,335**	**(92,584)**	**(1,184,252)**	**(51,917)**	**11,756,769**	**(6,736,012)**	**5,020,757**
REAL ESTATE IN USE (1)	**2,371,981**	**461,080**	**(15,200)**	**(311,606)**	**53,180**	**4,577,762**	**(2,018,327)**	**2,559,435**
Land	935,492	93,975	(3,042)	-	(1,072)	1,025,353	-	1,025,353
Buildings	844,565	139,808	(9,862)	(103,358)	32,058	2,434,535	(1,531,324)	903,211
Improvements	591,924	227,297	(2,296)	(208,248)	22,194	1,117,874	(487,003)	630,871
OTHER FIXED ASSETS	**1,981,194**	**1,535,255**	**(77,384)**	**(872,646)**	**(105,097)**	**7,179,007**	**(4,717,685)**	**2,461,322**
Installations	379,576	151,814	(329)	(190,752)	(54,315)	803,964	(517,970)	285,994
Furniture and equipment	400,549	278,142	(3,249)	(49,700)	(185,357)	864,869	(424,484)	440,385
EDP systems	968,429	986,450	(60,763)	(583,195)	168,784	4,903,297	(3,423,592)	1,479,705
Other (communication, security and transportation)	232,640	118,849	(13,043)	(48,999)	(34,209)	606,877	(351,639)	255,238
GOODWILL (Notes 2a, b and 4k)	**-**	**67,617**	**-**	**-**	**-**	**67,617**	**-**	**67,617**
INTANGIBLE ASSETS	**3,748,220**	**652,877**	**(89,848)**	**(1,027,229)**	**553**	**5,253,832**	**(1,969,259)**	**3,284,573**
RIGHTS FOR ACQUISITION OF PAYROLLS (2)(4)	**1,684,190**	**182,270**	**(70,973)**	**(649,072)**	**(16,561)**	**2,414,697**	**(1,284,843)**	**1,129,854**
OTHER INTANGIBLE ASSETS	**2,064,030**	**470,607**	**(18,875)**	**(378,157)**	**17,114**	**2,839,135**	**(684,416)**	**2,154,719**
Association for the promotion and offer of financial products and services (4)	1,388,050	240,916	(18,875)	(179,039)	(4,346)	1,482,662	(55,956)	1,426,706
Expenditures on acquisition of software	477,691	228,845	-	(170,393)	33,097	1,083,187	(513,947)	569,240
Right to manage investment funds	190,505	-	-	(28,125)	(6,923)	262,026	(106,569)	155,457
Other intangible assets	7,784	846	-	(600)	(4,714)	11,260	(7,944)	3,316
GRAND TOTAL	**8,101,395**	**2,716,829**	**(182,432)**	**(2,211,481)**	**(51,364)**	**17,078,218**	**(8,705,271)**	**8,372,947**

(1) Includes amounts pledged in guarantee of voluntary deposits (Note 12b);

(2) Represents the recording of amounts paid for acquisition of rights to provide services of payment of salaries, proceeds, retirement and pension benefits, and similar benefits;

(3) Amortization expenses of the rights for acquisition of payrolls and partnerships are disclosed in the expenses on financial operations;

(4) Include in the Other column the amount of R$ 20,907 for 2010 related to recoverable amount of assets, as provided for BACEN Resolution No. 3,566, of May 29, 2001 (Note 13i).

NOTE 16 – STOCKHOLDERS' EQUITY

a) Shares

Capital comprises 4,570,936,219 book-entry shares with no par value, of which 2,289,286,475 are common and 2,281,649,744 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares. Capital stock amounts to R$ 45,000,000 (R$ 45,000,000 at 12/31/2009), of which R$ 31,546,933 (R$ 30,883,250 at 12/31/2009) refers to stockholders domiciled in the country and R$ 13,453,067 (R$ 14,116,750 at 12/31/2009) refers to stockholders domiciled abroad.

The table below shows the change in shares of capital stock and treasury shares during the period:

	NUMBER			Amount
	Common	Preferred	Total	
Shares of capital stock at 12/31/2009 and 12/31/2010	**2,289,286,475**	**2,281,649,744**	**4,570,936,219**	
Treasury shares at December 31, 2009 (*)	**2,202**	**43,588,307**	**43,590,509**	**(1,031,327)**
Exercised - Granting of stock options – Simple and Bonus options	-	(13,379,117)	(13,379,117)	316,552
Disposals – stock option plan	-	(3,643,175)	(3,643,175)	86,198
Treasury shares at December 31, 2010 (*)	**2,202**	**26,566,015**	**26,568,217**	**(628,577)**
Outstanding shares at 12/31/2010	**2,289,284,273**	**2,255,083,729**	**4,544,368,002**	
Outstanding shares at 12/31/2009	**2,289,284,273**	**2,238,061,437**	**4,527,345,710**	

(*) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation of replacement in the market.

We detail below the average cost of treasury shares and their market price at December 31, 2010:

Cost/Market value	Common	Preferred
Treasury shares		
Average cost	9.65	23.66
Market value	31.00	39.79

b) Dividends

Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law. Both types of shares participate equally, after common shares have received dividends equal to the annual minimum priority dividend of R$ 0.022 per share to be paid to preferred shares.

The calculation of the monthly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, taking into consideration that the payment is made on the first business day of the subsequent month, in the amount of R$ 0.012 per share. The value per share will be maintained according to resolution adopted at the A/ESM held on April 24, 2009, so that total amounts monthly paid by the Company to stockholders will be increased by 10%, from October 1, 2009, date the bonus shares are included in the share position.

I - Calculation

Net income	10,272,015	
Adjustments:		
(-) Legal reserve	(513,601)	
Dividend calculation basis	9,758,414	
Dividends based on net income	2,439,604	
Realization of profit reserve	357,931	
Mandatory minimum dividend	2,797,535	
Dividends paid/provided for (*)	3,908,114	40.0%

(*) The ratio Dividends Paid/Provided for with Consolidated Net Income, without nonrecurring effects of R$ 13,022,648, is 30.0%.

II – Payments/Provision of interest on capital and dividends

	Gross	WTS	Net
Paid / Prepaid	**1,716,104**	**(167,648)**	**1,548,456**
Dividends - 11 monthly installments of R$ 0.012 per share paid from February to December 2010	598,448	-	598,448
Interest on capital - R$ 0.2465 per share, paid on 08/20/2010	1,117,656	(167,648)	950,008
Provided for (*)	**2,766,446**	**(406,788)**	**2,359,658**
Dividends - 1 monthly installment of R$ 0.012 per share, paid on 01/02/2011	54,530	-	54,530
Interest on capital - R$ 0.2150 per share, credited at 12/30/2010 to be paid up to 04/30/2011	977,039	(146,556)	830,483
Interest on capital - R$ 0.3818 per share to be paid up to 04/30/2011	1,734,877	(260,232)	1,474,645
Total from 01/01 to 12/31/2010 - R$ 0.8607 net per share	**4,482,550**	**(574,436)**	**3,908,114**
Total from 01/01 to 12/31/2009 - R$ 0.7917 net per share	**3,977,438**	**(504,979)**	**3,472,459**

(*) Recorded in Other Liabilities – Social and Statutory.

c) Capital and revenue reserves

	12/31/2010	12/31/2009
CAPITAL RESERVES	**594,734**	**640,759**
Premium on subscription of shares	283,512	283,512
Granted options recognized – Law No. 11,638	310,117	356,142
Reserves from tax incentives and restatement of equity securities and other	1,105	1,105
REVENUE RESERVES	**25,661,505**	**18,771,151**
Legal	3,253,516	2,739,915
Statutory:	22,407,989	15,673,305
Dividends equalization (1)	6,718,349	5,964,381
Working capital increase (2)	6,917,094	3,863,903
Increase in capital of investees (3)	8,772,546	5,845,021
Unrealized profits (4)	-	357,931

(1) Reserve for Dividends Equalization – its purpose is to guarantee funds for the payment or advances of dividends, including interest on capital, to maintain the flow of the stockholders' compensation;

(2) Reserve for Working Capital Increase – its purpose is to guarantee funds for the company's operations;

(3) Reserve for Increase in Capital of Investees – its purpose is to guarantee the preferred subscription right in the capital increases of investees;

(4) Refers to the excess portion of mandatory minimum dividend in relation to realized portion of net income for 2008, composed of in accordance with article 197 of Brazilian Corporate Law.

d) Reconciliation of net income and stockholders' equity (Note 2c)

	Net income		Stockholders' equity	
	01/01 to 12/31/2010	01/01 to 12/31/2009	12/31/2010	12/31/2009
ITAÚ UNIBANCO HOLDING	**10,272,015**	**7,706,907**	**70,644,790**	**63,500,614**
Amortization of goodwill	2,999,772	2,359,594	(9,815,083)	(12,814,853)
Other	51,176	107	48,838	(2,338)
ITAÚ UNIBANCO HOLDING CONSOLIDATED	**13,322,963**	**10,066,608**	**60,878,545**	**50,683,423**

e) Minority interest in subsidiaries

	Stockholders' equity		Results	
	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
Unibanco Participações Societárias S.A.	1,190,343	1,118,000	(85,213)	(58,943)
Itau Bank, Ltd. (*)	657,794	687,711	-	-
Redecard S.A.	700,064	713,444	(699,728)	(704,837)
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	213,154	171,797	(52,435)	(20,433)
Itaú XL Seguros Corporativos S.A.	-	123,265	(6,773)	(21,891)
Biu Participações S.A.	109,108	80,766	(25,236)	(22,681)
Itaú Gestão de Ativos S.A.	60,041	60,040	(6)	(289)
Biogeração de Energia S.A.	25,077	29,212	1,290	(6,305)
Investimentos Bemge S.A.	17,485	16,446	(1,049)	(1,231)
Três "B" Empreendimentos e Participações Ltda.	-	-	-	(10,852)
Investment funds	731,509	516,575	(53,861)	(16,174)
Other	26,649	22,745	(898)	(377)
Total	**3,731,224**	**3,540,001**	**(923,909)**	**(864,013)**

(*) Represented by redeemable preferred shares issued on December 31, 2002 by Itau Bank Ltd., in the amount of US$ 393,072 thousand, with maturity on March 31, 2015 and semiannual dividends calculated based on LIBOR plus 1.25% p.a..

f) Stock Option Plan

I – Purpose and Guidelines of the Plan

Before the merger, Itaú and Unibanco had Stock Option Plans. On April 24, 2009, Itaú's plan was restructured, and a new program was launched for Itaú Unibanco, called Stock Option Plan – "PLAN". From then on, no stock plan has been granted in the prior programs (Itaú Plan and Unibanco Plan), which exercise prices are adjusted until the month prior to the option exercise date based on the IGP-M or IPCA, according to series, until they are either exercised, cancelled or expire.

This program aims at involving the management members in the medium and long-term corporate development process, through the granting of simple or bonus shares, personal, not pledged or transferable, which entitle to the subscription of one authorized capital share or, at the discretion of the management, one treasury share which is acquired for replacement purposes.

Such options may only be granted in years in which there are sufficient profits to distribute mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the base date of the year-end balance sheet. The ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the number, the proportion of bonus options to be granted, the eligible beneficiaries, the type of option, the validity of the option series, and the vesting and blackout periods for exercising the options. This program involves the executive officers and Board of Directors members of ITAÚ UNIBANCO HOLDING and of its controlled companies ("MANAGEMENT MEMBERS"), and employees based on assessment of potential and performance.

ITAÚ UNIBANCO HOLDING carries out the settlement of this PLAN by delivering its own shares held in treasury until the effective exercise of the options by the beneficiaries.

II – Characteristics of the Plan

II.I – Simple Options

The exercise price will be calculated based on the average prices of preferred shares at the BM&FBOVESPA trading sessions over the period of at least one (1) and at the most three (3) months prior to the option issue date, being permitted a positive or negative adjustment of up to 20%, and restated until the last business day of the month prior to the option exercise date based on the IGP-M or, in its absence, on the index stipulated by the Committee.

The vesting period will be from one (1) to seven (7) years, counted from the issuance date.

II.II – Bonus Options

The exercise price will be the performance of a positive covenant supported by the beneficiary's obligation to invest, in the shares of ITAÚ UNIBANCO HOLDING or Share-Based Instruments, a part or the total amount of the Bonus, and keep the ownership of these shares unchanged and without any type of liens from the option granting date until the option exercise date.

For each own share of ITAÚ UNIBANCO HOLDING or Share-Based Instruments that the eligible beneficiary invest using such bonus, Bonus Shares will be automatically granted, based on the proportion determined by the Personnel Committee.

Share-Based Instruments will be converted into own shares of ITAÚ UNIBANCO HOLDING in the ratio of one share for each instrument after the vesting period.

The purchase price of shares will be established every six months and it shall be equivalent to the average share quotation at the BM&FBOVESPA in the 30 days prior to the date said price is fixed.

The vesting period will be from one (1) to seven (7) years, counted from the share purchase date or Share-Based Instruments.

At December 31, 2010 the adjusted amount of Share-Based Instruments is recorded in Negotiation and Intermediation of Securities at R$ 64,780.

Summary of Changes in the Plan

Granting No.	Date	Vesting period until	Exercise deadline	Restated exercise price (R$1)	Exercised options: Exercise price Weighted average	Exercised options: Market value Weighted average	Number of shares: Prior balance 12/31/2009	Granted	Exercised	Cancelled	To be exercised at 12/31/2010
Simple Options											
9th	03/10/2003	12/31/2007	12/31/2010	-	7.85	38.55	570,500	-	570,500	-	-
9th	05/02/2005	12/31/2007	12/31/2010	-	7.85	38.55	6,187	-	6,187	-	-
16th	09/02/2003	09/02/2008	02/25/2010	-	7.77	36.03	38,263	-	38,263	-	-
10th	02/16/2004	12/31/2008	12/31/2011	12.70	12.15	39.34	1,886,792	-	1,173,850	-	712,942
24th	07/19/2004	01/13/2009	05/05/2010	-	12.58	39.59	29,516	-	29,516	-	-
25th	05/04/2004	01/13/2009	05/05/2010	-	6.76	39.65	329,506	-	329,506	-	-
27th	02/01/2005	02/01/2009	05/05/2010	-	15.76	36.97	206,342	-	206,342	-	-
27th	02/01/2005,	05/05/2009	01/31/2011	16.38	-	-	12,650	-	-	-	12,650
30th	07/04/2006	07/04/2009	07/03/2010	-	26.73	32.50	52,710	-	52,710	-	-
33rd	08/30/2006	08/30/2009	08/29/2010	-	29.62	38.45	21,084	-	21,084	-	-
29th	09/19/2005	09/19/2009	09/18/2010	-	20.14	38.33	12,650	-	12,650	-	-
11th	02/21/2005	12/31/2009	12/31/2012	17.88	16.69	39.49	7,082,200	-	4,204,600	-	2,877,600
11th	05/01/2005	12/31/2009	12/31/2012	17.88	-	-	27,500	-	-	-	27,500
11th	08/06/2007	12/31/2009	12/31/2012	17.88	-	-	11,357	-	-	-	11,357
27th	02/01/2005	02/01/2010	01/31/2011	16.38	15.76	36.97	1,068,901	-	999,802	52,710	16,389
34th	03/21/2007	03/21/2010	03/20/2011	34.60	-	-	75,901	-	-	-	75,901
35th	03/22/2007	03/22/2010	03/21/2011	34.56	-	-	29,518	-	-	-	29,518
30th	07/04/2006	07/04/2010	07/03/2011	27.42	-	-	52,710	-	-	-	52,710
33rd	08/30/2006	08/30/2010	08/29/2011	-	29.62	38.45	21,084	-	21,084	-	-
29th	09/19/2005	09/19/2010	09/18/2011	20.78	20.14	38.33	25,300	-	12,650	-	12,650
12th	02/21/2006	12/31/2010	12/31/2013	26.60	25.68	39.83	9,579,384	-	1,554,134	-	8,025,250
12th	08/06/2007	12/31/2010	12/31/2013	26.60	-	-	15,867	-	-	-	15,867
16th	08/10/2009	12/31/2010	12/31/2014	30.25	-	-	874,167	-	-	-	874,167
Total options to be exercised					**16.67**	**39.08**	**22,030,089**	**-**	**9,232,878**	**52,710**	**12,744,501**
34th	03/21/2007	03/21/2011	03/20/2012	34.60	-	-	75,901	-	-	-	75,901
35th	03/22/2007	03/22/2011	03/21/2012	34.56	-	-	29,518	-	-	-	29,518
36th	05/14/2008	05/14/2011	05/13/2012	42.99	-	-	25,301	-	-	-	25,301
30th	07/04/2006	07/04/2011	07/03/2012	27.42	-	-	52,707	-	-	-	52,707
33rd	08/30/2006	08/30/2011	08/29/2012	30.37	-	-	21,083	-	-	-	21,083
13th	02/14/2007	12/31/2011	12/31/2014	33.87	31.99	38.98	10,220,925	-	1,660,200	13,750	8,546,975
13th	08/06/2007	12/31/2011	12/31/2014	33.87	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	33.87	-	-	45,954	-	-	-	45,954
34th	03/21/2007	03/21/2012	03/20/2013	34.60	-	-	75,901	-	-	-	75,901
35th	03/22/2007	03/22/2012	03/21/2013	34.56	-	-	29,514	-	-	-	29,514
36th	05/14/2008	05/14/2012	05/13/2013	42.99	-	-	25,300	-	-	-	25,300
17th	09/23/2009	09/23/2012	12/31/2014	34.94	-	-	29,551	-	-	-	29,551
14th	02/11/2008	12/31/2012	12/31/2015	39.05	38.12	41.31	11,485,485	-	612,599	26,399	10,846,487
14th	05/05/2008	12/31/2012	12/31/2015	39.05	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	39.05	-	-	45,954	-	-	-	45,954
36th	05/14/2008	05/14/2013	05/13/2014	42.99	-	-	25,300	-	-	-	25,300
15th	03/03/2009	12/31/2013	12/31/2016	25.54	24.80	40.27	16,829,780	-	1,533,100	229,350	15,067,330
15th	10/28/2009	12/31/2013	12/31/2016	25.54	-	-	45,954	-	-	-	45,954
18th	04/17/2010	12/31/2013	12/31/2017	41.48	-	-	-	6,258,877	-	132,268	6,126,609
18th	05/11/2010	12/31/2013	12/31/2017	-	-	-	-	1,290,289	-	83,949	1,206,340
Total options outstanding					**30.08**	**39.87**	**39,115,402**	**7,549,166**	**3,805,899**	**485,716**	**42,372,953**
Total simple options					**20.59**	**39.31**	**61,145,491**	**7,549,166**	**13,038,777**	**538,426**	**55,117,454**
Bonus options											
01st	09/03/2007	09/03/2010	-	-	-	37.85	342,502	-	340,340	2,162	-
03rd	02/29/2008	09/03/2010	-	-	-	-	33,474	-	-	33,474	-
Total options to be exercised						**37.85**	**375,976**	**-**	**340,340**	**35,636**	**-**
4th	03/03/2008	03/03/2011	-	-	-	-	423,212	-	-	6,725	416,487
5th	09/03/2008	09/03/2011	-	-	-	-	502,189	-	-	11,565	490,624
6th	03/06/2009	03/06/2012	-	-	-	-	769,830	-	-	29,468	740,362
7th	06/19/2009	03/06/2012	-	-	-	-	79,446	-	-	-	79,446
1st	09/03/2007	09/03/2012	-	-	-	-	342,479	-	-	13,298	329,181
3rd	02/29/2008	09/03/2012	-	-	-	-	33,474	-	-	-	33,474
4th	03/03/2008	03/03/2013	-	-	-	-	423,190	-	-	7,260	415,930
8th	08/17/2010	08/16/2013	-	-	-	-	-	384,961	-	8,045	376,916
9th	08/30/2010	08/16/2013	-	-	-	-	-	359,991	-	-	359,991
11th	09/30/2010	08/16/2013	-	-	-	-	-	17,717	-	-	17,717
5th	09/03/2008	09/03/2013	-	-	-	-	502,164	-	-	12,038	490,126
10th	09/03/2010	09/29/2013	-	-	-	-	-	1,940,987	-	-	1,940,987
6th	03/06/2009	03/06/2014	-	-	-	-	769,807	-	-	30,199	739,608
7th	06/19/2009	03/06/2014	-	-	-	-	79,445	-	-	-	79,445
8th	08/17/2010	08/16/2015	-	-	-	-	-	384,920	-	8,044	376,876
9th	08/30/2010	08/16/2015	-	-	-	-	-	359,962	-	-	359,962
11th	09/30/2010	08/16/2015	-	-	-	-	-	17,712	-	-	17,712
10th	09/30/2010	09/29/2015	-	-	-	-	-	1,940,951	-	-	1,940,951
Total options outstanding					**-**	**-**	**3,925,236**	**5,407,201**	**-**	**126,642**	**9,205,795**
Total bonus options					**-**	**37.85**	**4,301,212**	**5,407,201**	**340,340**	**162,278**	**9,205,795**
TOTAL SIMPLE/BONUS OPTIONS					**20.59**	**39.28**	**65,446,703**	**12,956,367**	**13,379,117**	**700,704**	**64,323,249**

III – Fair Value and Economic Assumptions for Cost Recognition

ITAÚ UNIBANCO HOLDING recognizes, at the granting date, the fair value of options through the Binomial method for simple options and the Black & Scholes method for bonus options.

The expected volatility for simple options was determined based on the standard deviation, on the history of the last 84 monthly returns of closing prices of share ITUB4, adjusted by IGP-M or IPCA, according to the series. Economic assumptions used are as follows:

Granting		Vesting period	Exercise period until	Fair value	Expected dividends	Risk-free interest rate	Expected volatility
No.	Date						
Simple Options							
18th	04/17/2010	12/31/2014	12/31/2017	12.22	3.13%	5.94%	29.87%
18th	05/11/2010	12/31/2014	12/31/2017	11.45	3.13%	5.98%	29.94%
Bonus options							
8th	08/17/2010	08/16/2013	-	34.72	3.13%	-	-
8th	08/17/2010	08/16/2015	-	32.62	3.13%	-	-
9th	08/30/2010	08/16/2013	-	33.49	3.13%	-	-
9th	08/30/2010	08/16/2015	-	31.46	3.13%	-	-
10th	09/30/2010	09/29/2013	-	36.85	3.13%	-	-
10th	09/30/2010	09/29/2015	-	34.61	3.13%	-	-
11th	09/30/2010	08/16/2013	-	36.99	3.13%	-	-
11th	09/30/2010	08/16/2015	-	34.74	3.13%	-	-

IV - Accounting Effects Arising from Itaú and Unibanco Options

The exercise of stock options, pursuant to the Plan's regulation, resulted in the sale of preferred shares held in treasury thus far. The accounting entries related to the plan are recorded during the vesting period, at the deferral of the fair value of options granted with effect on Income, and during the exercise of options, at the amount received from the option exercise price, reflected in Stockholders' Equity.
The effect on Income for the period from January 1 to December 31, 2010 was R$ 131,660 (R$ 115,535 from January 1 to December 31, 2009), as contra-entry to Capital Reserve – Granted Options Recognized – Law No. 11,638 (Note 16 c).

In the Stockholders' Equity, the effect was as follows:

Amount received for the sale of shares – exercised options	406,084
(-) Cost of treasury shares sold	(402,750)
(+) Write-off of cost recognized of exercised options	91,313
Effect on sale (*)	94,647

(*) Recorded in revenue reserves.

NOTE 17 – RELATED PARTIES

a) Transactions between related parties are disclosed in compliance with CVM Resolution No. 642, of October 7, 2010, and CMN Resolution No. 3,750 of June 30, 2009. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation were eliminated from the consolidated financial statements and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- ITAÚSA, the main parent company of ITAÚ UNIBANCO HOLDING, its controlling companies and non-financial subsidiaries, especially: Itautec S.A., Duratex S.A., Elekeiroz S.A. and Itaúsa Empreendimentos S.A.;

- Fundação Itaubanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev, Itaubank Sociedade de Previdência Privada, UBB – Prev Previdência Complementar, and Fundação Banorte Manuel Baptista da Silva de Seguridade Social, closed-end private pension entities, that administer supplementary retirement plans sponsored by ITAÚ UNIBANCO HOLDING and/or its subsidiaries; and

- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema, and Associação Clube "A", entities sponsored by ITAÚ UNIBANCO and subsidiaries to act in their respective areas of interest, as described in Notes 22e and 22j.

The transactions with these related parties are basically characterized by:

	ITAÚ UNIBANCO HOLDING				ITAÚ UNIBANCO HOLDING CONSOLIDATED			
	ASSETS/ (LIABILITIES)		REVENUE (EXPENSES)		ASSETS/ (LIABILITIES)		REVENUE (EXPENSES)	
	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
Interbank investments	**10,418,693**	**6,851,028**	**918,826**	**474,047**	**-**	**-**	**-**	**-**
Itaú Unibanco S.A.	10,418,693	6,851,028	918,826	474,047	-	-	-	-
Derivative financial instruments	**-**	**(1,296)**	**(1,509)**	**161**	**-**	**-**	**-**	**-**
Itaú Unibanco S.A.	-	(1,296)	(1,509)	161	-	-	-	-
Duratex S.A.	-	-	-	-	-	-	-	-
Itautec S.A.	-	-	-	-	-	-	-	-
Deposits	**(3,344,008)**	**(899,224)**	**(269,784)**	**(69,656)**	**(85,400)**	**(58,309)**	**-**	**-**
Itaú Unibanco S.A.	(3,344,008)	(899,224)	(269,784)	(69,656)	-	-	-	-
Duratex S.A.	-	-	-	-	(46,415)	(17,746)		
Elekeiroz S.A.	-	-	-	-	(30,621)	-		-
Itautec S.A.	-	-	-	-	(8,364)	-	-	-
ITH Zux Cayman Company Ltd.	-	-	-	-	-	(40,563)	-	-
Repurchase agreements	**-**	**-**	**-**	**-**	**(79,225)**	**(48,329)**	**(3,865)**	**4,071**
Itaúsa Empreendimentos S.A.	-	-	-	-	(51,989)	(47,815)	-	4,071
Duratex S.A.	-	-	-	-	(8,454)	-	(2,309)	-
Elekeiroz S.A.	-	-	-	-	-	-	(1,556)	-
Itautec S.A.	-	-	-	-	(17,789)	-	-	-
Other	-	-	-	-	(993)	(514)	-	-
Amounts receivable from (payable to) related companies	**(384)**	**1,073**	**(4,520)**	**(4,836)**	**(108,510)**	**(72,556)**	**(63,234)**	**(102,963)**
Itaú Unibanco S.A.	-	1,599	-	-	-	-	-	-
Itaú Corretora de Valores S. A.	(384)	(526)	(4,520)	(4,836)	-	-	-	-
Itaúsa Investimentos S.A.	-	-	-	-	-	(72,556)	(63,234)	(102,963)
Fundação BEMGEPREV	-	-	-	-	(13,303)	-	-	-
UBB Prev Previdência Complementar	-	-	-	-	(17,364)	-	-	-
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	-	-	-	-	(79,222)	-	-	-
Other	-	-	-	-	1,379	-	-	-
Banking service fees (expenses)	**-**	**-**	**-**	**-**	**-**	**-**	**17,443**	**17,612**
Fundação Itaubanco	-	-	-	-	-	-	9,537	9,334
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	3,012	2,409
Itaúsa Investimentos S.A.	-	-	-	-	-	-	-	1,757
UBB Prev Previdência Complementar	-	-	-	-	-	-	2,764	2,611
Other	-	-	-	-	-	-	2,130	1,501
Rent expenses	**-**	**-**	**(410)**	**-**	**-**	**-**	**(28,773)**	**(32,032)**
Itaúsa Investimentos S.A.	-	-	(29)	-	-	-	(1,353)	(1,411)
Fundação Itaubanco	-	-	-	-	-	-	(15,400)	(24,092)
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	-	(7,563)	(6,529)
Paraná Companhia de Seguros	-	-	-	-	-	-	(3,591)	-
Other	-	-	(381)	-	-	-	(866)	-
Donation expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(44,673)**	**(49,939)**
Instituto Itaú Cultural	-	-	-	-	-	-	(44,000)	(39,250)
Fundação Itaú Social	-	-	-	-	-	-	(273)	(440)
Instituto Unibanco de Cinema	-	-	-	-	-	-	-	(9,674)
Associação Clube "A"	-	-	-	-	-	-	(400)	(575)
Data processing expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(296,053)**	**(273,785)**
Itautec S.A.	-	-	-	-	-	-	(296,053)	(273,785)

In addition to the aforementioned operations, ITAÚ UNIBANCO HOLDING and non-consolidated related parties, as an integral part of the Agreement for Apportionment of Common Costs of the Itaú Unibanco Group, recorded in Other Administrative Expenses, the amount of R$ 16,645 (R$ 8,953 from 01/01 to 12/31/2009) in view of the use of the common structure.

b) Compensation of the Management Key Personnel

The fees attributed in the period to ITAÚ UNIBANCO HOLDING management members are as follows:

	12/31/2010	12/31/2009
Compensation	**294,207**	**218,157**
Board of Directors	3,399	11,789
Management members	290,808	206,368
Profit sharing	**261,282**	**224,983**
Board of Directors	2,500	381
Management members	258,782	224,602
Contributions to pension plans	**8,092**	**24,002**
Board of Directors	589	798
Management members	7,503	23,204
Stock option plan – Management members	**128,239**	**116,361**
Total	**691,820**	**583,503**

Information related to the granting of stock option plan, benefits to employees and post-employment are detailed in Notes 16f IV and 19, respectively.

NOTE 18 - MARKET VALUE

The financial statements are prepared in accordance with accounting principles which assume the normal continuity of the operations of ITAÚ UNIBANCO HOLDING and its subsidiaries.

The book value of each financial instrument, whether included or not in the balance sheet, when compared to the value that might be obtained in an active market, or in the absence of such market, using the net present value of future cash flows adjusted based on the current market interest, is approximately equal to the market value, or does not have a market quotation available, except for the instruments in the table below:

	BOOK VALUE		MARKET		Unrealized income (loss) (3)			
					Results		Stockholders' equity	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Interbank deposits	14,398,112	17,461,045	14,405,361	17,504,610	7,249	43,565	7,249	43,565
Securities and derivative financial instruments	188,852,602	120,188,564	189,457,019	120,550,985	1,071,954	794,058	604,417	362,421
Adjustment of available-for-sale securities					454,856	415,860	-	-
Adjustment of held-to-maturity securities					617,098	378,198	604,417	362,421
Loan, lease and other credit operations	274,809,552	221,899,091	275,000,558	222,266,177	191,006	367,086	191,006	367,086
Investments								
BM&FBovespa	58,107	74,572	591,124	735,256	533,017	660,684	533,017	660,684
BPI	682,346	913,842	524,136	902,872	(158,210)	(10,970)	(158,210)	(10,970)
Cetip S.A.	34,682	32,163	520,740	317,327	486,058	285,164	486,058	285,164
Redecard S.A.	700,501	1,560,840	7,083,016	9,758,075	6,382,515	8,197,235	6,382,515	8,197,235
Serasa S.A.	254,379	248,745	642,857	647,705	388,478	398,960	388,478	398,960
Parent company	168,285	164,558	556,763	563,518	388,478	398,960	388,478	398,960
Minority stockholders (1)	86,094	84,187	86,094	84,187	-	-	-	-
Funding and borrowings (2)	159,732,718	146,372,895	159,883,585	146,458,365	(150,867)	(85,470)	(150,867)	(85,470)
Subordinated debt (Note 10f)	34,487,665	22,725,927	34,568,948	22,845,413	(81,283)	(119,486)	(81,283)	(119,486)
Treasury shares	628,577	1,031,327	1,057,130	1,686,498	-	-	428,553	655,171
Total unrealized					**8,669,917**	**10,530,826**	**8,630,933**	**10,754,360**

(1) The investment held by minority stockholders does not affect the result of ITAÚ UNIBANCO HOLDING;

(2) Funding is represented by interbank and time deposits , funds from acceptance and issuance of securities and borrowings;

(3) It does not consider the corresponding tax effects.

To obtain the market values for these financial instruments, the following criteria were adopted:

- Interbank investments were determined based on their nominal amounts, monetarily restated to maturity dates and discounted to present value using future market interest rates and swap market rates for fixed-rate securities and using market interest rates for fixed-rate securities, achieved at the closing of BM&F at the balance sheet date, for floating-rate securities;

- Securities and derivative financial instruments, according to the rules established by Circulars No. 3,068 and 3,082 of November 8, 2001 and January 30, 2002, respectively, issued by the Central Bank of Brazil (BACEN), are recorded at their market value, except for those classified as Held to Maturity. Government securities allocated in this category have their market value calculated based on the rates obtained in the market, and validated through the comparison with information provided by the National Association of Financial Market Institutions (ANDIMA). Private securities included in this category have their market value calculated using a criterion similar to the one adopted for Investments in Interbank Deposits, as described above;

- Loans with maturity over 90 days, when available, were calculated based on their net present value of future cash flows discounted at market interest rates effective on the balance sheet date, taking into account the effects of hedges as well (swap contracts);

- Investments - in BPI, Redecard S.A., BM&FBovespa and Visa Inc. are determined based on stock market quotations, and in Serasa S.A. are determined based on the last transaction prices;

- Time and interbank deposits and funds from acceptance and issuance of securities and foreign borrowings through securities, when available, were calculated based on their present value determined by future cash flows discounted at market rates obtained at the closing of BM&F on the balance sheet date;

- Subordinated debt, based on the net present value of future fixed or floating cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The floating cash flows are estimated as from the interest curves of the indexation market places;

- Treasury shares are valued according to the average quotation available on the last trading day of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each Stock Exchange.

NOTE 19 – BENEFITS TO EMPLOYEES

Pursuant to CVM Resolution No. 600, dated October 7, 2009, we present the policies adopted by ITAÚ UNIBANCO HOLDING and its subsidiaries regarding benefits to employees, as well as the accounting procedures adopted:

ITAÚ UNIBANCO HOLDING and some of its subsidiaries sponsor defined benefit and variable contribution plans, whose basic purpose is granting benefits that, in general, provide a life annuity benefit, and which may be converted into survivorship annuities, according to the plan's regulation. They also sponsor defined contribution plans, the benefit of which is calculated based on the accumulated balance at the eligibility date, according to the plan's regulation, which does not require actuarial calculation.

Employees hired until July 31, 2002, who come from Itaú, and until February 27, 2009, who come from Unibanco, are beneficiaries of the above-mentioned plans. As regards the employees hired after these dates, they have the option to voluntarily participate in a defined contribution plan (PGBL), managed by Itaú Vida e Previdência S.A.

a) Description of the Plans

The plans' assets are invested in separate funds, with the exclusive purpose of providing benefits to eligible employees, and they are maintained independently from ITAÚ UNIBANCO HOLDING. These funds are maintained by closed-end private pension entities with independent legal structures, as detailed below:

Entity	Benefit plan
Fundação Itaubanco	Supplementary Retirement Plan – PAC (1) Franprev Benefit Plan - PBF (1) 002 Benefit Plan - PB002 (1) Itaulam Basic Plan - PBI (1) Itaulam Supplementary Plan - PSI (2) Itaubanco CD Plan (3) (4)
Fundação Bemgeprev	Supplementary Retirement Plan – Flexible Premium Annuity (ACMV) (1)
Funbep Fundo de Pensão Multipatrocinado	Funbep I Benefit Plan (1) Funbep II Benefit Plan (2)
Caixa de Previdência dos Funcionários do Banco Beg - Prebeg	Prebeg Benefit Plan (1)
Itaú Fundo Multipatrocinado	Itaú Defined Benefit Plan (1) Itaú Defined Contribution Plan (2)
Múltipla - Multiempresas de Previdência Complementar	Redecard Basic Retirement Plan (1) Redecard Supplementary Retirement Plan (2)
Itaubank Sociedade de Previdência Privada	Itaubank Retirement Plan (3)
UBB-PREV - Previdência Complementar	Unibanco Pension Plan (3) Basic Plan (1) IJMS Plan (1)
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	Benefit Plan II (1)

(1) Defined benefit plan;

(2) Variable contribution plan;

(3) Defined contribution plan;

(4) The Itaubanco Defined Contribution Plan was set up as a result of the partial spin-off of the Supplementary Retirement Plan - PAC, and it was offered exclusively to the participants of this plan, including former employees still contributing to the plan and those employees who have opted for this plan, or when this option is presumed for the deferred proportional benefit, who are not receiving supplementary retirement by the PAC. The participants who have not joined the Itaubanco Defined Contribution Plan, as well as those contributing to the PAC, will remain in this latter, without any continuity, and will have their vested rights guaranteed. As set forth in the Itaubanco Defined Contribution Plan regulation, the transaction and novation period ended on May 8, 2010.

b) Defined benefit plan

I - Main assumptions used in actuarial valuation of Retirement Plans

Discount rate (1)	9.72% p.a.
Expected return rate on assets	12.32 % p.a.
Mortality table (2)	AT-2000
Turnover (3)	Itaú Exp. 2003/2004
Future salary growth	7.12 % p.a.
Growth of the pension fund and social Security benefits	4..00 % p.a.
Inflation	4.00 % p.a.
Actuarial method	Projected Unit Credit (4)

(1) At the determination for amounts at the 01/01/2010 base date, the discount rate of 10.24% p.a was adopted.

(2) The mortality tables adopted correspond to those disclosed by SOA – Society of Actuaries, the North-American Entity which corresponds to IBA – Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probabilities of survival as compared to the respective basic tables;

The life expectancy in years by the AT-2000 mortality table for participants of 55 years of age is 27 and 31 years for men and women, respectively.

(3) The turnover assumption is based on the effective experience of ITAÚ UNIBANCO HOLDING, resulting in the average of 1.2 % p.a. based on the 2003/2004 experience;

(4) Using the Projected Unit Credit, the mathematical reserve is determined by the current projected benefit amount multiplied by the ratio between the length of service in the company at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

The basic difference between the assumptions above and those adopted at the determination of the actuarial liability of defined benefit plans, for purposes of recording in the balance sheet of the closed-end private pension entities that manage them, is the actuarial method. For this purpose, the Bank adopts the aggregate method, by which the mathematical reserve is defined based on the difference between the present value of the projected benefit and the present value of future contributions, subject to the methodology defined in the respective actuarial technical note.

II –Management of defined benefit plan assets

The purpose of the management of the funds of the closed-end private pension entities is to achieve the long-term balance between social security assets and liabilities by exceeding the actuarial targets.

As regards the assets guaranteeing mathematical reserves, management should ensure the payment capacity of benefits in the long-term by preventing the risk of mismatch between assets and liabilities by pension plan.

At December 31, 2010 the allocation of plan assets and the allocation target for 2011, by type of asset, are as follows:

Types of assets	At 12/31/2010	% Allocation	
		12/31/2010	2011 Target
Fixed income securities	9,769,060	87.47%	53% a 100%
Variable income securities	992,733	8.89%	0% a 25%
Structured investments	10,570	0.09%	0% a 10%
Foreign investments	3,988	0.04%	0% a 3%
Real estate	368,515	3.30%	0% a 4%
Loans to participants	22,962	0.21%	0% a 5%
Total	**11,167,828**	**100.00%**	

The defined benefit plan assets include shares of ITAÚ UNIBANCO HOLDING, its main parent company (ITAÚSA) and of subsidiaries of the latter, with a fair value of R$ 542,233, and real estate rented to Group companies, with a fair value of R$ 308,819.

III- Net amount recognized in the balance sheet

We present below the calculation of the net amount recognized in the balance sheet:

	12/31/2010	1/1/2010
1 - Net assets of the plans	11,167,828	14,757,268
2 - Actuarial liabilities	(9,815,180)	(11,180,214)
3- Surplus (1-2)	**1,352,648**	**3,577,054**
4- Asset restriction (*)	(1,108,678)	(3,033,439)
5 - Net amount recognized in the balance sheet (3-4)	243,970	543,615
Amount recognized in Assets	367,351	679,536
Amount recognized in Liabilities	(123,381)	(135,921)

(*) – Corresponds to the excess of present value of the available economic benefit, in conformity with item 58 of CVM Resolution No. 600.

In conformity with the exemption set forth in CVM Resolution No. 647, gains and losses accumulated to 01/01/2010 were recognized in Stockholders' equity, net of tax effects and, taking into account the subsidiary company's adjustments, the actuarial gains and losses for the period were recognized in Results under "Personnel expenses".

IV - Change in net assets, actuarial liabilities, and surplus

	Net assets	Actuarial liabilities	Surplus
Present value – beginning of the period	14,757,268	(11,180,214)	**3,577,054**
Effects of the partial spin-off of PAC (1);	(5,147,142)	2,709,982	**(2,437,160)**
Expected return on assets / Cost of current service + Interest	1,334,336	(1,020,753)	**313,583**
Benefits paid	(567,438)	567,438	**-**
Contributions of sponsors/participants	80,587		**80,587**
Actuarial gain/(loss) (2) (3)	710,217	(891,633)	**(181,416)**
Present value – end of the period	**11,167,828**	**(9,815,180)**	**1,352,648**

(1) Arising from the partial spin-off of PAC, with the resulting set-up of Itaubanco Defined Contribution Plan, according to Note 19a. Under the Itaubanco Defined Contribution Plan, a Pension Fund was set up to ensure the maintenance of future contributions to the participants of the plan, while the relationship with the sponsors is maintained (Note 19c).

(2) Gains recorded in Net Assets correspond to the income earned above the expected return rate of assets.

(3) Losses recorded correspond to the failure to confirm the actuarial assumptions adopted and to the effect of the change in the discount rate, from 10.24%p.a. to 9.72%p.a..

V- Net Benefit Cost for the Period

At December 31, 2010, the net cost of benefit plans includes the following items:

Cost of current service	84,043
Cost of interest	936,710
Expected return on the plan assets	(1,334,336)
Contributions from employees	(8,571)
Net cost (benefit) of the benefit plans	**(322,154)**

During the period, the contributions made totaled R$ 39,677. The contribution rate increases based on the beneficiary's salary.

c) Defined contribution plans

The defined contribution plans have pension funds set up by the portion of sponsors' contributions not included in the participant's accounts balance due to the loss of eligibility to a plan benefit, as well as by resources from the migration of the defined benefit plans. The fund will be used for future contributions to the individual participants' accounts, according to the rules of the respective benefit plan regulation.

At December 31, 2010, the amount recognized in assets is R$ 1,169,166 (R$ 955,697 at 01/01/2010).

In conformity with the exemption set forth in CVM Resolution No. 647, gains and losses accumulated to 01/01/2010 were recognized in Stockholders' equity, net of tax effects and, taking into account the subsidiary company's adjustments, the actuarial gains and losses for the period were recognized in Results under "Personnel expenses".

During the period, the contributions to the defined contribution plans, including PGBL, totaled R$ 42,747.

d) Other Post-employment benefits

Itaú Unibanco Holding and its subsidiaries do not offer other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by Itaú Unibanco Holding, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries.

I- Changes

Based on the reported prepared by independent actuary, the changes in obligations for these other projected benefits and the amounts recognized in the balance sheet, under liabilities, of Itaú Unibanco Holding at December 31, 2010 are as follows:

At the beginning of the year	(100,280)
Cost of interest	(9,995)
Benefits paid	5,218
Actuarial loss	(278)
At the end of the year	**(105,335)**

In conformity with the exemption set forth in CVM Resolution No. 647, gains and losses accumulated to 01/01/2010 were recognized in Stockholders' equity, net of tax effects and, taking into account the subsidiary company's adjustments, the actuarial gains and losses for the period were recognized in Results under "Personnel expenses".

II- Assumptions and sensitivity 1%

For calculation of benefits obligations projected beyond the assumptions used for the defined benefit plans (19b IV), the 8.16%p.a. increase in medical costs assumption is adopted.

Assumptions related to rates related to medical assistance costs have a significant impact on the amounts recognized in Results. A change of one percentage point in the medical assistance cost rates would have the effects as follows:

	1.0% increase	1.0% decrease
Effects on cost of service and cost of interest	1,477	(1,137)
Effects on present value of the obligation	14,121	(11,394)

NOTE 20 – INFORMATION ON FOREIGN SUBSIDIARIES

	Foreign branches (1)		Itaú Argentina Consolidated (2)		Itaú Europa Consolidated (3)		Cayman Consolidated (4)		Chile Consolidated (5)		Uruguay Consolidated (6)		Banco Itaú Paraguay (7)		Other foreign companies (8)		Foreign consolidated (9)	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Assets																		
Current assets and long-term receivables																		
Cash and cash equivalents	1,854,460	975,741	107,681	99,129	1,028,679	1,865,208	2,162,500	2,389,774	409,999	317,197	380,289	465,356	170,737	107,724	1,305,758	591,888	4,407,432	4,885,458
Interbank investments	8,601,130	13,349,565	183,488	221,026	3,135,597	2,529,815	4,835,807	4,225,270	299,580	162,681	544,708	371,969	57,919	63,924	21,512	102,723	10,375,327	15,155,634
Securities	33,269,475	16,568,093	258,751	200,065	1,295,038	1,648,279	5,109,620	4,155,728	1,831,224	1,783,635	881,257	512,678	260,718	419,865	919	175,437	41,464,960	23,348,026
Loan, lease and other credit operations	24,536,298	9,560,637	1,322,766	1,098,976	5,374,224	5,070,761	259,855	266,990	9,066,002	7,468,891	1,352,734	1,190,024	1,404,898	939,708	4,836	-	43,242,378	25,492,713
Foreign exchange portfolio	21,612,033	11,019,266	55,379	38,953	1,186,232	15,933,855	561,799	700,814	193,915	421,112	4,909	44,465	53,017	32,774	-	-	23,252,906	24,711,897
Other assets	1,252,526	293,556	319,870	405,120	186,947	231,596	2,255,453	456,741	300,364	416,832	385,144	460,860	312,377	341,372	132,754	72,389	5,086,166	2,642,355
Permanent assets																		
Investments	27,338	-	2,158	1,783	336,799	466,379	38,784	38,473	1,111	1,043	470	351	748	529	355,447	487,739	722,658	918,078
BPI	-	-	-	-	334,350	466,060	-	-	-	-	-	-	-	-	347,997	447,783	682,726	913,842
Other investments	27,338	-	2,158	1,783	2,449	319	38,784	38,473	1,111	1,043	470	351	748	529	7,450	39,956	39,932	4,236
Fixed and intangible assets	20,569	27,354	92,423	56,596	176,250	203,823	2,295	34	210,867	166,462	22,623	21,366	20,512	18,171	44,421	5,243	589,960	499,098
Total	**91,173,829**	**51,794,212**	**2,342,516**	**2,121,648**	**12,719,766**	**27,949,716**	**15,226,113**	**12,233,824**	**12,313,062**	**10,737,853**	**3,572,134**	**3,067,069**	**2,280,926**	**1,924,067**	**1,865,647**	**1,435,419**	**129,141,787**	**97,653,259**
Liabilities																		
Current and long-term liabilities																		
Deposits	24,477,809	17,931,847	1,783,186	1,573,537	6,352,683	7,312,365	1,414,787	2,249,975	7,661,939	7,028,916	2,748,669	2,341,398	1,724,553	1,571,940	-	4	36,946,695	31,922,883
Demand deposits	4,404,196	3,861,179	495,541	419,840	2,403,725	2,817,545	775,356	1,136,546	1,331,334	1,355,436	1,527,082	1,179,276	664,433	535,609	-	-	8,560,345	8,641,843
Savings deposits	-	-	494,490	405,482	-	-	-	-	-	-	877,345	738,208	781,401	708,739	-	-	2,153,236	1,852,429
Interbank deposits	3,077,211	1,741,898	10,452	33,657	2,568,377	1,273,070	416,242	295,951	1,242	23	9,483	68,907	-	83,858	-	-	1,540,906	1,329,922
Time deposits	16,996,402	12,328,770	782,703	714,558	1,380,581	3,221,750	223,189	817,478	6,329,363	5,673,457	334,759	355,007	278,719	243,734	-	4	24,692,208	20,098,689
Deposits received under securities repurchase agreements	14,752,992	712,504	99,183	125,799	-	-	1,785,560	1,131,707	157,091	217,264	-	-	2,354	-	-		15,585,589	1,575,531
Funds from acceptance and issuance of securities	3,311,035	1,295,950	-	-	2,488,408	1,889,019	2,952,541	2,389,432	1,088,509	367,903	-	-	-	-	-		9,816,115	5,915,411
Borrowings	9,763,083	9,110,794	32,929	13,060	625,577	834,812	89,037	28,023	860,070	850,639	32,698	6,872	112,454	13,152	27,866	55,592	11,517,597	10,725,335
Derivative financial instruments	1,712,751	979,963	(3,644)	1,067	257,447	227,355	1,168,232	772,322	165,077	164,094	2,285	-	-	-	-	-	1,993,690	1,095,479
Foreign exchange portfolio	21,623,597	10,995,761	55,636	38,941	1,199,411	15,962,406	550,829	705,612	193,752	420,545	4,931	23,205	51,028	33,348	-	-	23,264,806	24,700,477
Other liabilities	5,814,763	1,946,227	191,592	196,081	379,689	160,374	912,178	826,590	770,331	386,730	484,904	416,097	71,940	58,696	147,168	68,348	8,662,496	3,973,342
Deferred income	**38,093**	**1,764**	**-**	**-**	**20,330**	**15,260**	**209**	**345**	**1,207**	**263**	**-**	**-**	**46**	**88**	**2,436**	**5,313**	**62,321**	**23,034**
Minority interest in subsidiaries	**-**	**-**	**34,592**	**778**	**36**	**42**	**27**	**-**	**143**	**118**	**-**	**-**	**-**	**-**	**6**	**9**	**282**	**237**
Stockholders' equity																		
Capital and reserves	8,422,399	7,932,297	147,742	169,928	1,299,281	1,499,074	6,428,298	4,141,287	1,246,464	1,190,172	244,535	293,235	224,439	155,959	1,660,946	1,259,258	19,670,311	16,556,845
Result for the period	1,257,307	887,105	1,300	2,457	96,904	49,009	(75,585)	(11,469)	168,479	111,209	54,112	(13,738)	94,112	90,884	27,225	46,895	1,621,885	1,164,685
Total	**91,173,829**	**51,794,212**	**2,342,516**	**2,121,648**	**12,719,766**	**27,949,716**	**15,226,113**	**12,233,824**	**12,313,062**	**10,737,853**	**3,572,134**	**3,067,069**	**2,280,926**	**1,924,067**	**1,865,647**	**1,435,419**	**129,141,787**	**97,653,259**
Statement of Income																		
Income from financial operations	1,955,113	2,294,456	236,224	267,048	240,506	709,631	147,512	223,159	759,034	649,574	145,236	86,111	176,410	165,147	(20,553)	(8)	3,594,253	4,105,135
Expenses of financial operations	(661,375)	(1,119,627)	(67,639)	(82,493)	(135,523)	(584,163)	(195,588)	(225,436)	(259,519)	(206,160)	(10,245)	(12,858)	(31,253)	(34,671)	(4,994)	(1,652)	(1,301,950)	(2,177,884)
Result of allowance for loan losses	(70,516)	(255,046)	(11,034)	(21,396)	18,277	(2,229)	-	-	(114,306)	(157,867)	(16,780)	(4,953)	(4,588)	(14,393)	(2,962)	-	(201,909)	(455,884)
Gross income from financial operations	**1,223,222**	**919,783**	**157,551**	**163,159**	**123,260**	**123,239**	**(48,076)**	**(2,277)**	**385,209**	**285,547**	**118,211**	**68,300**	**140,569**	**116,083**	**(28,509)**	**(1,660)**	**2,090,394**	**1,471,367**
Other operating revenues (expenses)	46,089	(3,122)	(166,013)	(151,124)	16,954	(34,877)	(26,674)	4,638	(175,141)	(145,516)	(42,644)	(74,916)	(35,497)	(27,322)	62,994	85,976	(339,804)	(142,745)
Operating income	**1,269,311**	**916,661**	**(8,462)**	**12,035**	**140,214**	**88,362**	**(74,750)**	**2,361**	**210,068**	**140,031**	**75,567**	**(6,616)**	**105,072**	**88,761**	**34,485**	**84,316**	**1,750,590**	**1,328,622**
Non-operating income	(11,783)	3,343	8,277	1,115	(2,563)	(444)	266	133	(6,675)	(2,296)	(29)	8,174	(626)	10,277	6,275	(210)	(6,858)	19,622
Income before taxes on income and profit sharing	**1,257,528**	**920,004**	**(185)**	**13,150**	**137,651**	**87,918**	**(74,484)**	**2,494**	**203,393**	**137,735**	**75,538**	**1,558**	**104,446**	**99,038**	**40,760**	**84,106**	**1,743,732**	**1,348,244**
Income tax	(221)	(32,899)	488	(10,593)	(36,203)	(25,278)	(61)	(1,514)	(34,894)	(26,511)	(21,426)	(15,296)	(10,334)	(8,154)	(13,538)	(17,804)	(116,240)	(138,045)
Statutory participation in income	-	-	-	-	(4,545)	(13,634)	(1,044)	(12,449)	-	-	-	-	-	-	-	(19,409)	(5,589)	(45,498)
Minority interest in subsidiaries	-	-	997	(100)	1	3	4	-	(20)	(15)	-	-	-	-	3	2	(18)	(16)
Net income (loss)	**1,257,307**	**887,105**	**1,300**	**2,457**	**96,904**	**49,009**	**(75,585)**	**(11,469)**	**168,479**	**111,209**	**54,112**	**(13,738)**	**94,112**	**90,884**	**27,225**	**46,895**	**1,621,885**	**1,164,685**

(1) Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo and Nassau Branches, Banco Itaú-BBA S.A. - Nassau Branch, Banco Itaú-BBA S.A. - Uruguay Branch, Itaú Unibanco Holding S.A. - Grand Cayman Branch and Unibanco Grand Cayman Branch;

(2) Banco Itaú Argentina S.A, Itaú Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión, Itrust Servicios Inmobiliarios S.A.C.I (new company name of Itrust Servicios Financieros S.A) and Itaú Sociedad de Bolsa S.A.

(3) BIEL Holdings AG, IPI - Itaúsa Portugal Investimentos, SGPS Ldа. (49%), Itaú Europa Luxembourg, Itaúsa Europa - Investimentos, SGPS, Ldа., Itaú Europa, SGPS, Ldа., Itaúsa Portugal - SGPS, S.A., Banco Itaú Europa, S.A., BIE - Bank & Trust, Ltd., Banco Itaú Europa Luxembourg S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank & Trust Bahamas Ltd., Itaú Europa Securities Inc., Itaú Madeira Investimentos, SGPS Ltda, BIE Directors Ltd, BIE Nominees, Ldа, Fin Trade, Kennedy Director International Services S.A., Federal Director International Services, S.A., Bay State Corporation Limited and Cape Ann Corporation Limited; only at 12/31/2010, Banco Itau Suisse S.A. and only at 12/31/2009 BIEL Fund Management Company S.A. and Advisory Holding Company S.A.

(4) BFB Overseas Cayman, Ltd., Itau Bank Ltd., ITB Holding Ltd., Jasper International Investiment LLC, Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc, UBB Holding Company, Inc., Uni-Investments Inter. Corp., Unipart Partic. Internac. Ltd., Rosefield Finance Ltd., only at 12/31/2010 UBT Finance S.A., only at 12/31/2009 BFB Overseas N.V. and UBB Delaware I LLC.

(5) Itaú Chile Holdings, Inc., BICSA Holdings LTD., Banco Itaú Chile S.A., Itaú Chile Inversiones, Servicios Y Administración S.A., Itaú Chile Corredor de Bolsa Ltda., Itaú Chile Corredora de Seguros Ltda., Itaú Chile Administradora General de Fondos S.A., Itaú Chile Securitizadora S.A., Recuperadora de Créditos Ltda and Itaú Chile Compañia de Seguros de Vida S.A.;

(6) ACO Ltda., Banco Itaú Uruguay S.A., OCA Casa Financiera S.A., OCA S.A, and Unión Capital AFAP S.A;

(7) New company name of Interbanco S.A., approved by the Central Bank of Paraguay at 04/28/2010.

(8) Afinco Americas Madeira, SGPS, Soc. Unipessoal Ltda., Zux Cayman Company Ltd., Topaz Holding Ltd., United Corporate Services Inc (new company name of Itaú USA Inc), Itaú International Investment LLC, Albarus S.A., Banco Del Paraná S.A., Gamet Corporation, Itaú International Holding Limited, Mundostar S.A., Karen International Ltd., Nevada Woods S.A., Itaú Asia Securities Ltd., Libero Trading International Ltd., IPI - Itaúsa Portugal Investimentos, SGPS Ldа. (51%), Itaú BBA USA Securities Inc. (new company name of Itaú USA Securities Inc.), Itaú Middle East Securities Limited, Unipart B2B Investments, S.L., Tarjetas Unisoluciones S. A. de Capital Variable, Proserv - Promociones Y Servicios S.A. de C. V, Itau BBA UK Securities Limited (new company name of Itau UK Securities Ltd), only at 12/31/2010 Itaú Japan Asset Management Ltd and Itaú

(9) Foreign consolidated information presents balances net of eliminations from consolidation.

NOTE 21 – RISK MANAGEMENT

Risk management is considered an essential tool for optimizing the use of capital and selecting the best business opportunities, in order to obtain the best risk and return ratio for its stockholders, being performed by ITAÚ UNIBANCO HOLDING through its Management Committees. The risk appetite management is centralized in one of these committees, being responsible for releasing general policies and the consolidated risk assessment, whereas the operational management is carried out by committees specific to each type of risk that establish parameters to be followed by the business areas, which in turn are independently monitored by the control area.

This process is continuous, permanently reviewed and supports the Group's strategies.

Further details on the risk control process can be found on the website (www.itau-unibanco.com.br/ri), in the following route Corporate Governance/Risk Management.

I - Market risk

Possibility of incurring losses arising from the variation in the market values of positions held by a financial institution, as well as from its financial margin, including risks of transactions subject to foreign exchange and interest rates, and share and commodities prices.

The risk control process starts with the setting of limits, approved by the Management Committee responsible for the market risk management, based on the risk appetite and financial capacity of each main unit. The market risk is controlled by the centralized risk control area, which carries out daily measurement, assessment and report activities by way of control units set in the Legal Entities.

Additionally, it carries out the consolidated monitoring, assessment and report of market risk information, aiming at providing input for the Management Committee's follow-up and compliance with the Brazilian regulatory body.

The market risk control and management process is submitted to periodic reviews aimed at keeping it aligned with the best market practices and adhering to the continuous improvement processes at ITAÚ UNIBANCO HOLDING.

Value at Risk (VaR)

The risk assessment process quantifies the exposure to and the appetite for risk using the risk limits based on statistical criteria (VaR Statistical: level of confidence at 99% - is a statistical measure that estimates the expected maximum potential economic loss under regular market conditions, taking into consideration the time period and confidence level), Stress simulations (Var Stress – is a measure that estimates the loss under extreme market conditions based on stress scenarios) and allocated economic capital.

The transactions of commercial bank activities and strategic positions are managed using assessments of economic risk and simulations of accounting exposures. Directional trading operations (operations aimed at finding the best market options, in order to take advantage of imperfections in the definition of prices and rates, in relation to the company's expectations), performed by proprietary desks, are mainly controlled by VaR Stress measures and loss prevention limits.

The limits and exposure to market risks are relatively low as compared to the company's stockholders' equity, according to the diversified management of risks. In December 2010 the Total VaR Global of ITAÚ UNIBANCO HOLDING was R$ 131.9 million (R$ 119.5 million in September, 2010).

Susceptibility of portfolio in relation to market risk factors

In compliance with CVM Instruction No. 475 of December 17, 2008, Itaú Unibanco Holding carried out a sensitivity analysis by market risk factors considered relevant to which the group was exposed (Note 7j). Each market risk factor was subject to a sensitivity level, with shock applications in approximately 25% (scenario II) and approximately 50% (scenario III), and the biggest losses arising, by risk factor, in each scenario, were stated with impact on result, net of tax effects, by providing a vision of the ITAÚ UNIBANCO HOLDING exposure in derivatives under exceptional scenarios.

In accordance with the operations classification criteria set forth in BACEN Resolution No. 3.464/07 and Circular No. 3.354/07 and in the New Capital Accord – Basel II, the analysis was fully applied to the trading and banking portfolios, which exposures will have significant impacts on the company's current result.

The outcome of the sensitivity analysis, with correlation effects among the risk factors in the trading portfolio and net of tax effects, points out to a mark-to-market sensitivity of R$ 108 million and R$ 215 million for those scenarios with variations of 25% and 50%, respectively.. In the consolidated portfolio (trading + banking), sensitivity is R$ 228 million and R$ 453 million for those scenarios with variations of 25% and 50%, respectively.

The sensitivity analyses shown in this report do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses.

The method, parameters and assumptions are in the Management Discussion and Analysis Report (www.itau-unibanco.com.br/ri).

ITAÚ UNIBANCO HOLDING's Market Risk Management Policy, based on BACEN's guidelines and the Basel Committee's concepts, is a set of principles that drive its strategy towards control and management of market risk of all Business Units and Legal Entities of the Group. It is on the website (www.itau-unibanco.com.br/ri) in the route: Corporate Governance/Regulations and Policies/Operational Risk Management Policy.

II- Credit Risk

Possibility of incurring losses in connection with the breach by the borrower or counterparty of the respective agreed-upon financial obligations, devaluation of loan agreement due to downgrading of the borrower's risk rating, reduction in gains or compensation, advantages given upon renegotiation and recovery costs.

ITAÚ UNIBANCO HOLDING's management is performed with the objective of maximizing the risk and return ratio of its assets, maintaining the credit portfolio quality at levels appropriate to the market segments in which it is operating. The strategy is aimed at creating value to its stockholders at levels higher than the minimum return value adjusted to risk.

ITAÚ UNIBANCO HOLDING establishes its credit policy based on internal factors, such as the client rating criteria, performance of and changes in portfolio, default levels, return rates, and the allocated economic capital; and external factors, related to the economic environment in Brazil and abroad, including market share, interest rates, market default indicators, inflation, changes in consumption.

ITAÚ UNIBANCO HOLDING's centralized process for making decisions and establishing a credit policy guarantees the synchrony of credit actions and optimization of business opportunities. In retail, decisions are made based on scoring models that are continuously followed up by evaluating the result of their application in groups to which credits were granted. In wholesale, the several committees are subordinated to the Management Committee responsible for the credit risk management through a structure of approval levels that ensures the detailed observation of transaction risk, as well as the necessary timing and flexibility of its approval.

To protect the institution against losses arising from loan operations, ITAÚ UNIBANCO HOLDING considers all aspects that determine the client's credit risk to define the provision level commensurate with the risk incurred in each operation. For each operation, the assessment and rating of the client or economic group, the operation rating, and the possible existence of past due amounts are taken into account.

ITAÚ UNIBANCO HOLDING recognizes a provision to cover additional losses that may arise due to any reversal of the economic cycle. This provision is usually quantified based on the historic behavior of credit portfolios in economic crisis situations (Note 8c).

The set of exposures, probabilities of default and the expected recovery of transactions converge to a loss distribution model that calculates the Group's capital requirement for extreme situations.

III – Operational risk

Possibility of incurring losses arising from failure, deficiency or inadequacy of internal processes, personnel and systems, or external events. Includes the legal risk, associated with the inadequacy or deficiency in agreements signed by the institution, as well as sanctions for failing to meet legal provisions and compensation for damages to third parties arising from activities performed by the institution.

The increasing sophistication of banking business environment and the development of technology make the risk profiles of organizations more complex, clearly outlining this risk class, which management is not a new practice, but requires now a specific structure, different from those traditionally adopted for credit and market risks.

In line with the principles of CMN Resolution No. 3,380, of June 29, 2006, ITAÚ UNIBANCO HOLDING formulated a policy on operational risk management, approved by its Audit Committee and ratified by its Board of Directors, to be followed by its local and foreign subsidiaries.

The policy comprises a set of principles, procedures and tools to enable the company to make permanent adjustments to management in view of the nature and complexity of products, services, activities, processes and systems.

The structure formalized in this policy establishes procedures for the identification, assessment, monitoring, control, mitigation and communications related to operational risks, and the roles and responsibilities of the bodies that participate in this structure.

The Central Bank of Brazil's legislation compelling financial institutions to allocate capital for operational risk came into effect as from July 1, 2008. ITAÚ UNIBANCO HOLDING opted for the use of the Alternative Standardized Approach.

In addition to regulatory capital, ITAÚ UNIBANCO HOLDING already used the managerial model of economic assessment by business line with the quantification of operational risks incurred through statistical models that enables the recognition of a provision for expected losses and capital allocation for unexpected losses (VaR at a confidence level of 99.9%).

The description of the structure for the operational risk management is available on the website (www.itau-unibanco.com.br/ri), in the route: Corporate Governance/Regulations and Policies/Operational Risk Management Policy.

IV- Liquidity Risk

Possibility of occurring imbalances between tradable assets and falling due liabilities - "mismatching" between payments and receipts - which may affect the institution's payment capacity, taking into consideration the different currencies and payment terms of their rights and obligations.

For managing cash liquidity in local and foreign currency, the company makes assumptions about future disbursements and receipts, based on statistical and economic and financial models, daily monitored by the control and liquidity management areas. As part of the daily controls, limits for cash and liabilities concentration are established to anticipate actions to ensure comfortable and profitable cash levels.

V - Subscription Risk

Risk arising from an adverse economic situation, which is contrary to the insurance company's expectations when it establishes its subscription policy, and uncertainties existing in the estimate of reserves.

Analogous to Basel II, the International Association of Insurance Supervisors (IAIS) instructs that insurance companies should have a risk management system to supplement the system of minimum capital and solvency margin.

ITAÚ UNIBANCO HOLDING has been using models for managing its insurance operations since 2006 and anticipated the capital allocation legislation, SUSEP Resolution No. 178, which privileges institutions to adopt the internal models of risk management. The comprehensiveness of internal models goes beyond the lines set forth by the regulatory body, and practically includes the whole universe of insurance-related products.

NOTE 22 – ADDITIONAL INFORMATION

a) Insurance policy - ITAÚ UNIBANCO HOLDING and its subsidiaries, despite the low risk exposure due to a physical non-concentration of their assets, have the policy to guarantee its valuables and assets at amounts considered sufficient to cover possible claims.

b) Foreign currency – the balances in Reais linked to the foreign currency were:

	12/31/2010	12/31/2009
Permanent foreign investments	21,292,196	17,721,530
Net amount of other assets and liabilities indexed to foreign currency, including derivatives	(36,878,785)	(31,723,239)
Net foreign exchange position	**(15,586,589)**	**(14,001,709)**

The net foreign exchange position, considering the tax effects on the net balance of other assets and liabilities indexed to foreign currency, reflects the low exposure to exchange variations.

c) Investment funds and managed portfolios - ITAÚ UNIBANCO HOLDING, through its subsidiaries, manages the following types of funds: privatization, fixed income, shares, open portfolio shares, investment clubs, customer portfolios and group portfolios, domestic and foreign, classified in memorandum accounts, distributed as follows:

	Amount		Amount (*)		Number of funds	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Investment funds	**284,363,470**	**258,329,208**	**284,363,470**	**258,329,208**	**1,793**	**1,695**
Fixed income	252,737,578	228,358,327	252,737,578	228,358,327	1,495	1,384
Shares	31,625,892	29,970,881	31,625,892	29,970,881	298	311
Managed portfolios	**146,745,380**	**140,328,669**	**79,454,761**	**75,539,923**	**16,804**	**16,664**
Customers	80,889,823	76,356,906	64,767,226	62,963,139	16,732	16,584
Itaú Group	65,855,557	63,971,763	14,687,535	12,576,784	72	80
TOTAL	**431,108,850**	**398,657,877**	**363,818,231**	**333,869,131**	**18,597**	**18,359**

(*) It refers to the distribution after elimination of double-counting of managed portfolios in investment funds.

d) Funds of consortia

	12/31/2010	12/31/2009
Monthly estimate of installments receivable from participants	52,465	40,133
Group liabilities by installments	3,662,270	2,435,212
Participants – assets to be delivered	3,427,044	2,273,924
Funds available for participants	350,377	277,100
(In units)		
Number of managed groups	679	657
Number of current participants	162,841	127,531
Number of assets to be delivered to participants	102,071	75,160

e) **Fundação Itaú Social -** ITAÚ UNIBANCO HOLDING and its subsidiaries are the main sponsors of Fundação Itaú Social, the objectives of which are: 1) managing the "Itaú Social Program", which aims at coordinating the organization's role in projects of interest to the community by supporting or developing social, scientific and cultural projects, mainly in the elementary education and health areas; 2) supporting projects or initiatives in progress, supported or sponsored by entities qualified to work in the "Itaú Social Program"; and 3) providing food and other similar benefits to the employees of ITAÚ UNIBANCO HOLDING and other companies of the group.

Donations made by the consolidated companies totaled R$ 273 (R$ 440 at December 31, 2009) in the period, and the Foundation's social net assets totaled R$ 525,154 (R$ 499,963 at December 31, 2009). The income arising from its investments will be used to achieve the Foundation's social purposes.

f) **Instituto Itaú Cultural – IIC -** ITAÚ UNIBANCO HOLDING and its subsidiaries are supporters of Instituto Itaú Cultural - IIC, an entity formed to grant incentives, promote and preserve Brazil's cultural heritage. During the period from January 1 to December 31, 2009, the consolidated companies donated the amount of R$ 44,000 (R$ 39,250 from January 1 to December 31, 2009).

g) **Instituto Unibanco -** ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Unibanco, an institution whose objective is to support projects on social assistance, particularly education, culture, promotion of integration to labor market, and environmental protection, directly and/or supplementarily, through the civil society's institutions.

h) **Instituto Unibanco de Cinema -** ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Unibanco de Cinema, an entity whose objective is (i) the fostering of culture in general; and (ii) providing access of low-income population to cinematography, videography and similar productions, for which it shall maintain movie theaters owned or managed by itself, and theaters to screen art films, videos, video-laser discs and other related activities, as well as to screen and divulge films of great importance, especially those produced in Brazil. During the period from January 1 to December 31, 2010, the consolidated companies did not make any donation (R$ 9,674 from January 1 to December 31, 2009).

i) **Associação Clube "A" -** ITAÚ UNIBANCO HOLDING and is subsidiaries sponsor Associação Clube "A", an entity whose objective is the provision of social services for the welfare of beneficiaries, in the way and conditions established by its Internal Rules, and according to the funds available. These services may include, among others, the promotion of cultural, educational, sports, entertainment and health care activities. During the period from January 1 to December 31, 2010, the consolidated companies donated the amount of R$ 1,707 (R$ 575 from January 1 to December 31, 2009).

j) **Instituto Assistencial Pedro di Perna -** ITAÚ UNIBANCO HOLDING and its subsidiaries sponsor Instituto Assistencial Pedro di Perna, an entity whose objective is the provision of social services, stimulate sport activities, and promote recreation, aimed at the welfare of its members, in the way and conditions established by its Internal Rules, and according to the funds available.

k) Exclusions of nonrecurring effects net of tax effects

	ITAÚ UNIBANCO HOLDING			ITAÚ UNIBANCO HOLDING CONSOLIDATED	
	2nd half of 2010	01/01 to 12/31/2010	01/01 to 12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
Additional allowance for loan losses (Note 8c)	1,037,919	1,037,919	-	1,037,919	-
Sale of investments	-	-	228,073	-	228,073
Program for Settlement or Installment Payment of Federal Taxes - Law No. 11,941/09 (Note 12d)	-	144,712	291,591	144,712	291,591
Associação Itaú Unibanco x CBD	-	-	(363,000)	-	(363,000)
Provision for contingencies	(636,155)	(847,355)	(191,129)	(847,355)	(191,129)
- Economic Plans	(256,207)	(467,407)	(191,129)	(467,407)	(191,129)
- Tax and social security	(379,948)	(379,948)	-	(379,948)	-
Amortization of goodwill (*)	-	-	-	-	(389,538)
Benefits to employees	(34,961)	(34,961)	-	(34,961)	-
Total	**366,803**	**300,315**	**(34,465)**	**300,315**	**(424,003)**

(*) Basically refers to the REDECARD operation.

l) **Reclassifications for comparison purposes –** The Company reclassified the balances as of December 31, 2009, for financial statements comparisons purposes, in view of the regrouping of the following headings: in the Balance Sheet, the reclassification of the Reward Program from Other Liabilities – Credit Card Operations to Deferred Income. In Statement of Income, the reclassification of Profit Sharing to Personnel Expenses and Income Tax and Social Contribution; and the reclassification of Dividends Received from Other Investments from securities and Derivative Financial Instruments to Equity in Earnings of Affiliates and Other Investments, the reclassification of Guarantee Expenses from Other Operating Income to Other Operating Expenses, the reclassification of Provision for Tax and Social Security from Other Operating Expenses to Other Operating Revenues and the reclassification of the Reward Program from Other Operating Expenses to Banking Service Fees, in compliance with CVM Resolution No. 597, of September 15, 2009.

	Prior disclosure	Reclassification	Reclassified balances
CURRENT AND LONG-TERM LIABILITIES	**553,856,072**	**(271,788)**	**553,584,284**
OTHER LIABILITIES	**118,180,405**	**(271,788)**	**117,908,617**
Credit card operations	26,175,297	(271,788)	25,903,509
DEFERRED INCOME	**193,734**	271,788	**465,522**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**608,273,230**	**-**	**608,273,230**
STATEMENT OF INCOME			
INCOME FROM FINANCIAL OPERATIONS	**76,727,739**	**(31,134)**	**76,696,605**
Securities and derivative financial instruments	24,024,883	(31,134)	23,993,749
INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES	**46,146,717**	**(31,134)**	**46,115,583**
GROSS INCOME FROM FINANCIAL OPERATIONS	**31,981,410**	**(31,134)**	**31,950,276**
OTHER OPERATING REVENUES (EXPENSES)	**(12,364,637)**	**(2,228,951)**	**(14,593,588)**
Banking service fees	12,455,231	(54,818)	12,400,413
Credit cards	5,816,504	(54,818)	5,761,686
Personnel expenses	(9,832,230)	(2,260,085)	(12,092,315)
Equity in earnings of affiliates and other investments	177,956	31,134	209,090
Other operating revenues	941,050	(132,671)	808,379
Other operating expenses	(5,479,595)	187,489	(5,292,106)
OPERATING INCOME	**19,616,773**	**(2,260,085)**	**17,356,688**
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING	**20,047,209**	**(2,260,085)**	**17,787,124**
INCOME TAX AND SOCIAL CONTRIBUTION	**(7,421,217)**	**769,355**	**(6,651,862)**
Due on operations for the period	(6,199,436)	769,355	(5,430,081)
PROFIT SHARING	**(1,695,371)**	**1,490,730**	**(204,641)**
Employees - Law No. 10,101 of 12/19/2000	(1,490,730)	1,490,730	-
NET INCOME	**10,066,608**	**-**	**10,066,608**

ANNEX C — FORM OF FINAL TERMS OF THE SENIOR NOTES

The Final Terms in respect of each Tranche of Senior Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Senior Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

FINAL TERMS
(IN CONNECTION WITH THE OFFERING MEMORANDUM DATED [ ])

Final Terms dated [date]

Itaú Unibanco Holding S.A.
[acting through its Grand Cayman Branch]/[(a company incorporated under the laws of the Federative Republic of Brazil)]

U.S.$10,000,000,000
Global Medium-Term Note Programme
Series No: [ ]
[TITLE OF SENIOR NOTES] DUE [ ]
Issue price: [ ]

[DEALER NAME(S)]

This document constitutes the Final Terms relating to the issue of Senior Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the "**Conditions**") set forth in the Offering Memorandum dated [*date*] [and the supplemental Offering Memorandum dated [*date*]] (the "**Offering Memorandum**"). These Final Terms contain the final terms of the Senior Notes and must be read in conjunction with such Offering Memorandum [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under Offering Memorandum with an earlier date*.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the "**Conditions**") set forth in the Offering Memorandum dated [*original date*]. These Final Terms contain the final terms of the Senior Notes and must be read in conjunction with the Offering Memorandum dated [current date] [and the supplemental Offering Memorandum dated [date]], save in respect of the Conditions which are extracted from the Offering Memorandum dated [original date] and are attached hereto.]

THE SENIOR NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND THE SENIOR NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SENIOR NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS AND THE OFFERING MEMORANDUM HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SENIOR NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE

SECURITIES ACT ("RULE 144A")] [AND FOR LISTING OF THE SENIOR NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE]. THE SENIOR NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SENIOR NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.] AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SENIOR NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE OFFERING MEMORANDUM, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS" CONTAINED IN THE OFFERING MEMORANDUM.

BY ITS PURCHASE AND HOLDING OF SENIOR NOTES (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS SENIOR NOTES (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF SENIOR NOTES WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THE SENIOR NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR

TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Include whichever of the following apply or specify as Not Applicable (N/A). Note that the numbering should remain as set out below, even if Not Applicable is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.

Issuer:		Itaú Unibanco Holding S.A. [(acting through its Grand Cayman Branch)]
[(i)]	Series Number:	[ ]
[(ii)	Tranche Number:	[ ]
(*If fungible with an existing Series, details of that Series, including the date on which the Senior Notes become fungible*).]		
(i)	Specified Currency or Currencies (Condition 1(d)):	[ ]
(ii)	Specified Principal Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
(iii)	Specified Interest Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
Aggregate Nominal Amount:		
(i)	Series:	[ ]
(ii)	Tranche:	[ ]
[(i)]	Issue Price:	[ ] % of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
[(ii)]	Gross proceeds:	[ ]
[(iii)]	Net proceeds:	[ ] *(Required only for listed issues)*
Specified Denominations (Condition 1(b)):		[ ][1]
(i)	Issue Date:	[ ]
(ii)	Interest Commencement Date:	[ ]
Maturity Date:		[*specify date or (for Floating Rate Senior Notes) Specified Interest Payment Date falling in or nearest to the redemption month*]

[1] Senior Notes (including Senior Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

Interest Basis (Condition 6):	[Fixed Rate (Condition 6(I))] [Floating Rate (Condition 6(II))] [Zero Coupon (Condition 6(III))] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
Redemption/Payment Basis (Condition 7(a)):	[Redemption at par] [Index Linked Redemption (*specify*)] [Dual Currency (*specify*)] [Partly Paid (*specify*)] [Instalment (*specify*)] [Other (*specify*)]
Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Senior Notes into another interest or redemption/payment basis]*
Put/Call Option (Condition 7(e) and(f)):	[Noteholder Put] [Issuer Call] [(further particulars specified below)]
Status of the Notes (Condition 4):	Senior
Listing and Trading:	[Application [has been made] to list the Senior Notes on the Euro MTF market of the Luxembourg Stock Exchange. The listing date on the Euro MTF market of the Luxembourg Stock Exchange is expected to be [date]/Other (*specify*)/None]
Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Fixed Rate Note Provisions (Condition 6(I)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Rate(s) of Interest:	[ ]% per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii)	Interest Payment Date(s):	[ ] in each year *[adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Relevant Business* Day"]/not adjusted]
(iii)	Arrears Rate:	[ ]%
(iv)	Fixed Coupon Amount(s):	[ ] per Senior Note of [ ] Specified Denomination
(v)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts*]
(vi)	Day Count Fraction:	[ ] (*Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested*)

(vii)	Determination Date(s):	[ ] in each year — [*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon; only to be completed for an issue where day count fraction is Actual/Actual-ISMA*]
(viii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(ix)	Business Centre(s):	[ ]
(x)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
(xi)	Final Instalment Amount:	[ ]
Floating Rate Note Provisions (Condition 6(II)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
(i)	Interest Period(s)/Specified Interest Payment Dates:	[ ]
(ii)	Day Count Fraction:	[ ] (*Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested*)
(iii)	Arrears Rate:	[ ]%
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(v)	Business Centre(s):	[ ]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/Other (*give details*)]
(vii)	Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(viii)	Screen Rate Determination (Condition 6(II)(b)(i)):	[Applicable/Not Applicable]
	• Interest Determination Date(s):	[ ]
	• Primary Source for Floating Rate:	[*Specify relevant screen page* or "Reference Banks"]

	• Reference Banks (if Primary Source is "Reference Banks" or if no Reference Rate appears at Relevant Time or less than two Reference Rates appear at Relevant Time):	[Specify four]
	• Relevant Banking Centre:	[Specify]
	• Benchmark and Reference Rate(s):	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean]
(ix)	ISDA Determination (Condition 6(II)(b)(iv)):	[Applicable/Not Applicable]
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
	• ISDA Definitions (if different from those set out in the Conditions):	[Not Applicable/*specify*]
(x)	Margin(s):	[+/-] [ ] % per annum
(xi)	Minimum Rate of Interest:	[ ] % per annum
(xii)	Maximum Rate of Interest:	[ ] % per annum
(xiii)	Day Count Fraction:	[ ]
(xiv)	Rate Multiplier:	[ ]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 6(II)(b)):	[ ]
(xvi)	Final Instalment Amount:	[ ]
Zero Coupon Note Provisions (Conditions 6(III) and 7(d)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Amortisation Yield:	[ ] % per annum
(ii)	Reference Price:	[ ]
(iii)	Basis:	[Straightline/Compounded at [*specify*] interval]
(iv)	Day Count Fraction:	[ ]
(v)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ Other (*give details*)]
(vi)	Business Centre(s):	[ ]
(vii)	Any other formula/basis of determining amount payable:	[Not Applicable/*specify*]
(viii)	Final Instalment Amount:	[ ]

(ix)	Arrears Rate:	[ ]%
Index Linked Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms*)
(i)	Index/Formula:	[*Give or annex details*]
(ii)	Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(iv)	Interest Period(s)/Specified Interest Payment Dates:	[ ]
(v)	Arrears Rate:	[ ]%
(vi)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/Other (*give details*)]
(vii)	Business Centre(s):	[ ]
(viii)	Minimum Rate of Interest:	[ ] % per annum
(ix)	Maximum Rate of Interest:	[ ] % per annum
(x)	Day Count Fraction:	[ ]
(xi)	Margin:	[ ]
(xii)	Rate Multiplier:	[ ]
(xiii)	Final Instalment Amount:	[ ]
Dual Currency Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms*)
(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
(ii)	Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]

(iv)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/Other (*give details*)]
(v)	Business Centre(s):	[ ]
(vi)	Day Count Fraction:	[ ]
(vii)	Final Instalment Amount:	[ ]

PROVISIONS RELATING TO REDEMPTION

Call Option (Condition 7(e)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amounts(s) of each Senior Note and method, if any, of calculation of such amount(s):	[ ] per Senior Note of [ ] Specified Denomination
(iii)	If redeemable in part:	[ ]
(a)	Minimum nominal amount to be redeemed:	[ ]
(b)	Maximum nominal amount to be redeemed:	[ ]
(iv)	Notice period*:	[ ]
Put Option (Condition 7(f)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Senior Note and method, if any, of calculation of such amount(s):	[ ] per Senior Note of [ ] Specified Denomination
(iii)	Description of any other Noteholders' option:	[ ]
(iv)	Deposit period (if other than as set out in the Conditions):	[ ]
(v)	Notice period[2]:	[ ]
Final Redemption Amount of each Senior Note:		[[ ] per Senior Note of [ ] Specified Denomination/Other/See Appendix]
(i)	Alternative Payment Mechanism (Condition 8(a) and(b)):	[ ]

[2] [*If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and the principal paying agent, or trustee.*]

(ii)	Long Maturity Note (Condition 8(g)):	[Applicable/Not Applicable]
Early Redemption Amount:		
(i)	Early Redemption Amount(s) of each Senior Note payable on redemption for taxation reasons (Condition 7(c)) or on an Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]
(ii)	Original Withholding Level (Condition 7(c)):	[ ]%
(iii)	Unmatured Coupons to become void (Condition 8(g)):	[Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE SENIOR NOTES

Form of Senior Notes:		[Bearer Notes/Registered Notes] [*delete as appropriate*]
		Bearer Notes
(i)	Temporary or Permanent Global Note:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
(ii)	Exchange Date in respect of Temporary Global Note:	[Not Applicable/*specify date*]
(iii)	Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
		Registered Notes
(iv)	DTC Global Notes, European Global Notes or individual Definitive Registered Notes:	[DTC Restricted Global Note or DTC Unrestricted Global Note available on Issue Date] [European Restricted Global Note or European Unrestricted Global Note available or Issue Date] [Individual Definitive Registered Notes available on Issue Date]
(v)	Exchange of Bearer Notes for Registered Notes (Condition 3(e)):	[Applicable/Not Applicable]
Relevant Financial Centre(s) (Condition 8(a)(iii)) or other special provisions relating to payment dates:		[Not Applicable /*Give details. Note that this item relates to the date and place of payment, and not interest period end dates*]
Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature):		[Yes/No/Not Applicable *If yes, give details*]

Details relating to Partly Paid Senior Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Senior Notes and interest due on late payment:	[Not Applicable /*give details*] (*If applicable, complete terms MUST be set out in these Final Terms*)
Details relating to Instalment Notes:	[Not Applicable /*give details*] (*If applicable, complete terms MUST be set out in these Final Terms*)
Redenomination, renominalisation and reconventioning provisions (Condition 21):	[Applicable/Not Applicable]
Other terms or special conditions:	[Not Applicable /*give details*]

DISTRIBUTION

(i)	If syndicated, names of Managers:	[Not Applicable /*give details*]
(ii)	Stabilising Manager (if any):	[Not Applicable /*give details*]
(iii)	Commissions and Concessions:	[ ]
If non-syndicated, name of Dealer(s):		[Not Applicable /*give details*]
Additional selling restrictions:		[Not Applicable /*give details*]

OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	CUSIP:	[ ]
(iii)	Other:	[ ]
[Common Code]:		[ ]
Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):		[Not Applicable/*give name(s) and number(s)*]
Delivery:		[Delivery [against/free of] payment]
Principal Paying Agent:		[The Bank of New York Mellon, acting through its [New York Branch][London Branch]/*give details*]
Registrar:		[The Bank of New York Mellon, acting through its New York Branch/*give details*]
Calculation Agent:		[The Bank of New York Mellon, acting through its London Branch/*give details*]
Trustee:		[The Bank of New York Mellon, acting through its New York Branch/*give details*]
Additional Agent(s) (if any):		[ ]
[U.S. Tax:]		[See "Certain U.S. Tax Considerations" below]

[LISTING APPLICATION

These Final Terms comprise the final terms required to list the issue of Senior Notes described herein pursuant to the U.S.$10,000,000,000 Global Medium Term Note Programme of Itaú Unibanco Holding S.A.[, acting through its Grand Cayman Branch].]

[STABILISING

In connection with the issue of the Senior Notes, [insert name of Stabilising Manager] (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Senior Notes or effect transactions with a view to supporting the market price of the Senior Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Senior Notes and 60 days after the date of the allotment of the Senior Notes. Any stabilisation action or over allotment shall be conducted in accordance with applicable law.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum (and the information incorporated by reference therein) referred to above, contain all information that is material to the offering of the Senior Notes contemplated hereby.

[ADDITIONAL RISK FACTOR] [ADDITIONAL ISSUER DISCLOSURE]

Include disclosure of any material information to be conveyed that is not already in the Offering Memorandum.]

[EXPECTED RATINGS OF SENIOR NOTES

The Senior Notes are expected to be rated "[ ]" by [ ] and "[ ]" by [ ].

The Senior Notes ratings above are not a recommendation to buy, sell or hold the Senior Notes offered hereby. The ratings may be subject to revision or withdrawal at any time by [ ] and [ ]. Each of the Senior Notes ratings above should be evaluated independently of any other security rating.]

[CERTAIN U.S. TAX CONSIDERATIONS

Include disclosure of any U.S. tax considerations to be conveyed that are not already in the Offering Memorandum.]

GOVERNING LAW AND JURISDICTION

The Senior Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Senior Notes, the Coupons, the Talons or the Trust Deed may be brought in such courts.

Signed on behalf of the Issuer:

By:_____
Duly authorised signatory

By:_____
Duly authorised signatory

ISSUER
Itaú Unibanco Holding S.A.
Praça Alfredo Egydio de Souza Aranha, 100
Torre Olavo Setubal,
04344-902 São Paulo – SP
Brazil

Itaú Unibanco Holding S.A.
Grand Cayman Branch
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Cayman Islands

AUDITORS OF THE ISSUER
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United States of America

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REGISTRAR, TRANSFER AGENT AND PAYING AGENT
The Bank of New York Mellon
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PAYING AGENT, LISTING AGENT AND TRANSFER AGENT
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To the Dealers
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Brazil

ANNEX D — FORM OF FINAL TERMS OF THE SUBORDINATED NOTES

The Final Terms in respect of each Tranche of Subordinated Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Subordinated Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

FINAL TERMS
(IN CONNECTION WITH THE OFFERING MEMORANDUM DATED [ ])

THE SUBORDINATION NUCLEUS SET OUT IN EXHIBIT A HERETO (THE "SUBORDINATION NUCLEUS") FORMS PART OF THESE FINAL TERMS. THE SUBORDINATION NUCLEUS WILL PREVAIL OVER ANY TERMS SET OUT IN THESE FINAL TERMS OR ANY OTHER TRANSACTION DOCUMENT (INCLUDING ANY DOCUMENT REFERRED TO IN THESE FINAL TERMS). FOR THE AVOIDANCE OF DOUBT, PARAGRAPH 5 OF THE SUBORDINATION NUCLEUS IS A SUMMARY OF THE TERMS AND CONDITIONS OF THIS SERIES OF SUBORDINATED NOTES.

Final Terms dated [date]

Itaú Unibanco Holding S.A.
[acting through its Grand Cayman Branch]/[(a company incorporated under the laws of the Federative Republic of Brazil)]

U.S.$10,000,000,000
Global Medium-Term Note Programme
Series No: [ ]
[TITLE OF SUBORDINATED NOTES] DUE [ ]
Issue price: [ ]
[DEALER NAME(S)]

This document constitutes the Final Terms relating to the issue of Subordinated Notes described herein and the Subordination Nucleus contained in Exhibit A is an integral and inseparable part of these Final Terms. The subordination conditions contained in the Subordination Nucleus prevail over these Final Terms and over any other documents of the programme (including those referred to in these Final Terms), it being understood that section 5 of the Subordination Nucleus is a summary of the terms and conditions of the Subordinated Notes.

Terms used herein shall be deemed defined for the purposes of the Terms and Conditions of the Subordinated Notes (the "**Conditions**") set forth in the Offering Memorandum dated [*date*] [and the supplemental Offering Memorandum dated [*date*]] (the "**Offering Memorandum**"). These Final Terms contain the final terms of the Subordinated Notes and must be read in conjunction with the Offering Memorandum [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under Offering Memorandum with an earlier date*.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Subordinated Notes (the "**Conditions**") set forth in the Offering Memorandum dated [*original date*]. These Final Terms contain the final terms of the Subordinated Notes and must be read in conjunction with the Offering Memorandum dated [current date] [and the supplemental Offering Memorandum dated [date]], save in respect of the Conditions which are extracted from the Offering Memorandum dated [original date] and are attached hereto.]

THE SUBORDINATED NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE SUBORDINATED NOTES MAY NOT BE OFFERED, SOLD OR

DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SUBORDINATED NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")] [AND FOR LISTING OF THE SUBORDINATED NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE]. THE SUBORDINATED NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SUBORDINATED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.] AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SUBORDINATED NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE OFFERING MEMORANDUM, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS" CONTAINED IN THE OFFERING MEMORANDUM.

BY ITS PURCHASE AND HOLDING OF SUBORDINATED NOTES (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS SUBORDINATED NOTES (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF SUBORDINATED NOTES WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THE SUBORDINATED NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS

THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

[Include whichever of the following apply or specify as Not Applicable (N/A). Note that the numbering should remain as set out below, even if Not Applicable is indicated for individual paragraphs or sub- paragraphs. Italics denote directions for completing the Final Terms.]

Issuer:		Itaú Unibanco Holding S.A. [(acting through its Grand Cayman Branch)]
[(i)]	Series Number:	[ ]
[(ii)	Tranche Number:	[ ]
(*If fungible with an existing Series, details of that Series, including the date on which the Subordinated Notes become fungible*).]		
(i)	Specified Currency or Currencies (Condition 1(d)):	[ ]
(ii)	Specified Principal Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
(iii)	Specified Interest Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
Aggregate Nominal Amount:		
(i)	Series:	[ ]
(ii)	Tranche:	[ ]
[(i)]	Issue Price:	[ ] % of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
[(ii)]	Gross proceeds:	[ ]
[(iii)]	Net proceeds:	[ ] *(Required only for listed issues)*
Specified Denominations (Condition 1(b)):		[ ][3]
(i)	Issue Date:	[ ]
(ii)	Interest Commencement Date:	[ ]
Maturity Date:		[*specify date or (for Floating Rate Subordinated Notes) Specified Interest Payment Date falling in or nearest to the redemption month*]

[3] Subordinated Notes (including Subordinated Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

Interest Basis (Condition 5):	[Fixed Rate (Condition 5 (I))] [Floating Rate (Condition 5(II))] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
Redemption/Payment Basis (Condition 6(a)):	[Redemption at par] [Index Linked Redemption (*specify*)] [Dual Currency (*specify*)] [Partly Paid (*specify*)] [Instalment (*specify*)] [Other (*specify*)]
Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Subordinated Notes into another interest or redemption/payment basis*]
Call Option (Condition 17(d)(vi)):	[Issuer Call] [(further particulars specified below)]
Status of the Notes (Condition 4):	Subordinated
Listing and Trading:	[Application [has been made] to list the Subordinated Notes on the Euro MTF market of the Luxembourg Stock Exchange. The listing date on the Euro MTF market of the Luxembourg Stock Exchange is expected to be [date]/Other (*specify*)/None]
Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Fixed Rate Note Provisions (Condition 5(I)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Rate(s) of Interest:	[ ] % per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii)	Interest Payment Date(s):	[ ] in each year *[adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Relevant Business* Day"]/not adjusted]
(iii)	Arrears Rate:	[ ]%
(iv)	Fixed Coupon Amount(s):	[ ] per Subordinated Note of [ ] Specified Denomination
(v)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts*]
(vi)	Day Count Fraction:	[ ] (*Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested*)

(vii)	Determination Date(s):	[ ] in each year — [*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon; only to be completed for an issue where day count fraction is Actual/Actual-ISMA*]
(viii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(ix)	Business Centre(s):	[ ]
(x)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
(xi)	Final Instalment Amount:	[ ]
Floating Rate Note Provisions (Condition 5(II)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*
(i)	Interest Period(s)/Specified Interest Payment Dates:	[ ]
(ii)	Arrears Rate:	[ ]%
(iii)	Day Count Fraction:	[ ] (*Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested*)
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(v)	Business Centre(s):	[ ]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(viii)	Screen Rate Determination (Condition 5(II)(b)(i)):	[Applicable/Not Applicable]
	• Interest Determination Date(s):	[ ]
	• Primary Source for Floating Rate:	[*Specify relevant screen page* or "Reference Banks"]
	• Reference Banks (if Primary Source is "Reference Banks" or if no Reference Rate appears at Relevant Time or less than two Reference Rates appear at Relevant Time):	[Specify four]
	• Relevant Banking Centre:	[Specify]
	• Benchmark and Reference Rate(s):	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean]
(ix)	ISDA Determination (Condition 5(II)(b)(iv)):	[Applicable/Not Applicable]

	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
	• ISDA Definitions (if different from those set out in the Conditions):	[ ]
(x)	Margin(s):	[+/-] [ ] % per annum
(xi)	Minimum Rate of Interest:	[ ] % per annum
(xii)	Maximum Rate of Interest:	[ ] % per annum
(xiii)	Day Count Fraction:	[ ]
(xiv)	Rate Multiplier:	[ ]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 5(II)(b)):	[ ]
(xvi)	Final Instalment Amount:	[ ]
Index Linked Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms*)
(i)	Index/Formula:	[Give or annex details]
(ii)	Arrears Rate:	[ ]%
(iii)	Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(iv)	Provisions for determining Interest where calculation by reference to Index and/or Formula is impossible or impracticable:	
(v)	Interest Period(s)/Specified Interest Payment Dates:	[ ]
(vi)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(vii)	Business Centre(s):	[ ]
(viii)	Minimum Rate of Interest:	[ ] % per annum
(ix)	Maximum Rate of Interest:	[ ] % per annum
(x)	Day Count Fraction:	[ ]
(xi)	Margin:	[ ]
(xii)	Rate Multiplier:	[ ]
(xiii)	Final Instalment Amount:	[ ]

Dual Currency Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph — if applicable, complete terms MUST be set out in these Final Terms*)
(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
(ii)	Arrears Rate:	[ ]%
(iii)	Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
(iv)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(v)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(vi)	Business Centre(s):	[ ]
(vii)	Day Count Fraction:	[ ]

PROVISIONS RELATING TO REDEMPTION

Call Option (Condition 17(d)(vi)):		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amounts(s) of each Subordinated Note and method, if any, of calculation of such amount(s):	[ ] per Subordinated Note of [ ] Specified Denomination
(iii)	If redeemable in part:	
(a)	Minimum nominal amount to be redeemed:	[ ]
(b)	Maximum nominal amount to be redeemed:	[ ]
(iv)	Notice period[4]:	[ ]
Final Redemption Amount of each Subordinated Note:		[[ ] per Subordinated Note of [ ] Specified Denomination/Other/See Appendix]
(i)	Alternative Payment Mechanism (Condition 7(a):	[ ]
Early Redemption Amount:		

[4] *If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and the principal paying agent, or trustee.*

(i)	Early Redemption Amount(s) of each Subordinated Note payable on redemption for taxation reasons (Condition 17(d)(iv)), the occurrence of a Regulatory Event (Condition 17(d)(v)) or on an Event of Default (Condition 9) or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]
(ii)	Original Withholding Level (Condition 17(d)(iv)):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE SUBORDINATED NOTES

Form of Subordinated Notes:		Registered Notes
(i)	DTC Global Notes, European Global Notes or individual Definitive Notes:	[DTC Restricted Global Note or DTC Unrestricted Global Note available on Issue Date] [European Restricted Global Note or European Unrestricted Global Note available or Issue Date] [Individual Definitive Notes available on Issue Date]
Details relating to Partly Paid Subordinated Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Subordinated Notes and interest due on late payment:		[Not Applicable /*give details*] (*If applicable, complete terms MUST be set out in these Final Terms*)
Redenomination, renominalisation and reconventioning provisions (Condition 21):		[Applicable/Not Applicable]
Details relating to Instalment Notes:		[Not applicable/*give details*] *(if applicable, complete terms MUST be set out in these Final Terms)*
Maximum number of days (after the date on which the Issuer is no longer in violation of the Risk-Based Capital Requirements) for deferral of interest and principal (Condition 17(c)(ii)):		[ ]
Minimum number of Relevant Business Days' notice to be given in connection with a deferral (Condition 17(c)(iv)):		[ ]
Maximum number of Relevant Business Days' notice to be given in connection with a deferral (Condition 17(c)(iv)):		[ ]
Other terms or special conditions:		Subordination Nucleus, attached herein as Exhibit A, detailing the subordination terms and related conditions as set forth in Resolution 3,444.

DISTRIBUTION

(i)	If syndicated, names of Managers:	[Not Applicable /*give details*]
(ii)	Stabilising Manager (if any):	[Not Applicable /*give details*]
(iii)	Commissions and Concessions:	[ ]
If non-syndicated, name of Dealer(s):		[Not Applicable /*give details*]

Additional selling restrictions:	[Not Applicable /*give details*]
OPERATIONAL INFORMATION	
(i) ISIN:	[ ]
(ii) CUSIP:	[ ]
(iii) Other:	[ ]
[Common Code]:	[ ]
Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Principal Paying Agent:	[The Bank of New York Mellon, acting through its New York Branch/*give details*]
Registrar:	[The Bank of New York Mellon, acting through its New York Branch/*give details*]
Calculation Agent:	[The Bank of New York Mellon, acting through its London Branch/*give details*]
Trustee:	[The Bank of New York Mellon, acting through its New York Branch/*give details*]
Additional Agent(s) (if any):	[ ]
[U.S. Tax:]	[See "Certain U.S. Tax Considerations" below]

[LISTING APPLICATION

These Final Terms comprise the final terms required to list the issue of Subordinated Notes described herein pursuant to the U.S.$10,000,000,000 Global Medium Term Note Programme of Itaú Unibanco Holding S.A.[, acting through its Grand Cayman Branch].

[STABILISING

In connection with the issue of the Subordinated Notes, [insert name of Stabilising Manager] (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Subordinated Notes or effect transactions with a view to supporting the market price of the Subordinated Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Subordinated Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Subordinated Notes and 60 days after the date of the allotment of the Subordinated Notes. Any stabilisation action or over allotment shall be conducted in accordance with applicable law.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum (and the information incorporated by reference therein) referred to above, contain all information that is material to the offering of the Subordinated Notes contemplated hereby.

[ADDITIONAL RISK FACTOR] [ADDITIONAL ISSUER DISCLOSURE]

Include disclosure of any material information to be conveyed that is not already in the Offering Memorandum.]

[EXPECTED RATINGS OF SUBORDINATED NOTES

The Subordinated Notes are expected to be rated "[ ]" by [ ] and "[ ]" by [ ].

The Subordinated Notes ratings above are not a recommendation to buy, sell or hold the Subordinated Notes offered hereby. The ratings may be subject to revision or withdrawal at any time by [ ] and [ ]. Each of the Subordinated Notes ratings above should be evaluated independently of any other security rating.]

[CERTAIN U.S. TAX CONSIDERATIONS

Include disclosure of any U.S. tax considerations to be conveyed that are not already in the Offering Memorandum.]

GOVERNING LAW AND JURISDICTION

The Trust Deed, the Subordinated Notes, the Final Terms (including the summary of the Final Terms set out in section 5 of the Subordination Nucleus) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, **provided that** the provisions contained in the Subordination Nucleus set out in Exhibit A hereto, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including the non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed may be brought in such courts. Under the Trust Deed, the Issuer irrevocably submits to the exclusive jurisdiction of the English courts.

Signed on behalf of the Issuer:

By: _____
Duly authorised signatory

By: _____
Duly authorised signatory

EXHIBIT A

FORM OF SUBORDINATION NUCLEUS

SUBORDINATION NUCLEUS
("Núcleo de subordinação")

This Subordination Nucleus ("*núcleo de subordinação*") has been prepared for the purposes of article 7 of Resolution No. 3,444, issued by the National Monetary Council of Brazil ("**CMN**") on February 28, 2007, as amended ("**Resolution No. 3,444**").

1. Clauses showing compliance with all requirements of article 9 of Resolution No. 3,444:

(i) Pursuant to article 9, I, II and III of Resolution No. 3,444, the Subordinated Notes shall be issued in registered form, fully-paid in cash and may not have a maturity date, be redeemed, or amortized prior to five years from the issuance date, as set forth below:

Form, Subscription in Cash and Maturity

i. *Form: The Subordinated Notes will be issued as registered notes.*

ii. *Subscription and payment in cash: The Subordinated Notes may be issued in one or more Series or Tranches, consideration for which shall be paid to the Issuer in cash at the date of issue thereof.*

iii. *Maturity: The Subordinated Notes shall not, without the prior approval of the Central Bank, have a maturity date, be redeemed, or amortized prior to five (5) years from their issuance date.*

(ii) Pursuant to article 9, IV, of Resolution No. 3,444, the payment of any amounts due and payable under the Subordinated Notes shall be subordinated to other obligations of the Issuer, in the case of the Issuer's dissolution, bankruptcy or liquidation, as set forth below:

Status; Subordination Provisions

i. *Status: The Subordinated Notes constitute unsecured and subordinated obligations of the Issuer.*

ii. *Subordination: The Subordinated Notes are subordinated in right of payment to all existing and future Senior Liabilities of* the *Issuer in accordance with this Subordination Nucleus.*

*Subject to applicable law (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon the Issuer's winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings (each a "**Bankruptcy Event**"), and (B)(i) Subordinated Notes shall rank pari passu with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the Subordinated Notes shall rank pari passu with the rights and claims of holders of the Parity Liabilities and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer's Second Priority Liabilities; provided that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a cisão) of its properties, assets and liabilities substantially as an entirety to another corporation shall not be deemed a Bankruptcy Event for the purposes of this clause if the Central Bank has approved such consolidation, merger, transfer or conveyance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such Successor Corporation pursuant to the terms of Resolution 3,444.*

(iii) Pursuant to article 9, V, of Resolution No. 3,444, the payment of principal, interest or any amounts due and payable under the Subordinated Notes shall be postponed in case the Issuer is not in compliance with the risk-based capital requirements or its operational limits determined by the Central Bank or if such payment would cause the Issuer to fail to satisfy such risk-based capital requirements, as set forth below:

Deferral of Interest and Principal

*(i) Any payment (of principal, interest or any other amount) on the Subordinated Notes on any Interest Payment Date, the Maturity Date or any other date, as applicable, shall not be due at that time and the Issuer will defer that payment of interest or principal or any other amount relating thereto in full if the Issuer determines that it is, or if such payment would result in it being, in noncompliance with then applicable capital adequacy requirements or operational limits as set out in Resolution 3,444 or Resolution 2,099 or its financial ratios fall below the minimum levels required by regulations applicable to the Issuer either existing at the date of this Subordination Nucleus as specified in the relevant Final Terms or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority (the "**Risk-Based Capital Requirements**").*

(ii) Upon the occurrence of sub-paragraph (i) above, the Issuer will defer payments of interest or principal or any other amount in full until the date no later than the number of days specified in the relevant Final Terms after the date it is no longer in violation of the Risk-Based Capital Requirements and the payment of that interest or principal amount or other amount, or any portion thereof, would no longer cause the Issuer to violate the Risk-Based Capital Requirements.

(iii) The deferral of any payment in accordance with this condition will not constitute an Event of Default under the Subordinated Notes.

(iv) Deferred interest amounts will be determined on each Interest Payment Date only for the purpose of calculating the interest accruing thereafter on amounts in arrears. Such amounts in arrears will bear interest at the Rate of Interest for such Subordinated Notes plus the Arrears Rate as specified in the relevant Final Terms. The Issuer will use reasonable efforts to give not more than the maximum number of Relevant Business Days' notice specified in the relevant Final Terms and not less than the minimum number of Relevant Business Days' notice specified in the relevant Final Terms to the Noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable. If amounts in arrears are at any time only partially payable:

A. all amounts in arrears will be payable before additional interest on those amounts;

B. all amounts in arrears will be payable in the order of the Interest Periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and

C. all amounts in arrears or additional interest on those amounts, as the case may be, for any Interest Period will be paid pro rata to the Noteholders.

(iv) Pursuant to article 9, VI, of Resolution No. 3,444, the repurchase or early redemption of the Subordinated Notes, even if indirectly, through a legal entity related to the Issuer within the same financial conglomerate or economic/financial group, is subject to Central Bank prior authorization, as set forth below:

(i) <u>Repurchases</u>: Subject to the prior approval of the Central Bank (in accordance with art. 9, VI and § 3, of Resolution 3,444) or any other applicable Brazilian Governmental Authority, if then required, the Issuer or any Affiliate may at any time repurchase Subordinated Notes in the open market or otherwise in any manner and at any price, provided that the Issuer is in compliance with the Risk-Based Capital Requirements and that such repurchase would not cause the Issuer to fail to be in compliance with such Risk-Based Capital Requirements. Subordinated Notes so repurchased, while held by or on behalf of the Issuer or any of its Affiliates, shall not entitle the Noteholder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders.

(ii) Optional Redemption for Taxation Reasons: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes at its option in whole, but not in part, at any time, on giving not less than 30 days nor more than 45 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified, at the nominal amount specified in the relevant Final Terms (in each case together with interest accrued to, but excluding, the date fixed for redemption) if (i) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with item 8 of the Terms and Conditions) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified in the relevant Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands, or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, provided that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Subordinated Notes then due (or in the case of Subordinated Notes which bear interest at the Floating Rate, a number of days which is equal to the aggregate number of days falling within the current Interest Period applicable to the Subordinated Notes plus 75 days). Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this clause 1(iv)(ii) of this Subordination Nucleus, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, which shall be conclusive and binding on the Noteholders.

(iii) Optional Redemption due to a Regulatory Event: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to, but excluding, the date fixed for redemption) if the Issuer certifies to the Trustee immediately prior to the giving of such notice that a Regulatory Event has occurred, provided, however, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Regulatory Event is or is reasonably expected to be effective. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this clause 1(iv)(iii) of this Subordination Nucleus, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the Issuer is entitled to effect such a redemption or to cause such purchase in lieu of redemption pursuant to this clause 1(v)(iii) of this Subordination Nucleus, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption. Concurrently, the Issuer will deliver to the Trustee a written Opinion of Counsel stating, among other things, that a Regulatory Event has occurred and that all governmental approvals necessary for the Issuer to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

(iv) Redemption of Subordinated Notes at the Option of the Issuer (Call Option): If so provided in the relevant Final Terms, the Issuer may, after the fifth anniversary of such Subordinated Notes and subject to the prior approval of the Central Bank, on giving to the Noteholder of such Subordinated Note irrevocable notice of not less than 30 nor more than 45 days (or such other notice period as specified in the relevant Final Terms) redeem or procure the purchase of all or, if so specified in the relevant Final Terms, some of the Series of Notes of which such Subordinated Note forms part, on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Subordinated Notes which at the time of redemption or purchase have

an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount less, in the case of any Instalment Note, the aggregate amount of instalments that shall have become due and payable under any other Condition (which amount, if to the extent not then paid, remains due and payable) together with interest accrued to (but excluding) the date fixed for redemption or purchase. All Subordinated Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this clause 1(iv)(iv) of this Subordination Nucleus. If only some of the Subordinated Notes of a Series are to be redeemed or purchased at any time, the Subordinated Notes to be redeemed or purchased shall be redeemed or purchased pro rata to their principal amounts, provided always that the amount redeemed or purchased in respect of each Subordinated Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Subordinated Notes to be so redeemed or purchased. In case of the redemption or purchase of part only of a Subordinated Note, a new Subordinated Note in respect of the remaining balance shall be issued.

(v) Pursuant to article 9, VII, of Resolution No. 3,444, the Subordinated Notes shall not be redeemed at the Noteholders' option, as set forth below:

No Redemption at the Option of the Noteholders: The Subordinated Notes may not be redeemed at the option of the Noteholders.

(vi) Pursuant to article 9, VIII and IX, of Resolution No. 3,444, the Subordinated Notes shall be unsecured obligations of the Issuer and shall not be subject to insurance coverage, as set forth below:

No Guarantee or Insurance: The Subordinated Notes are unsecured and subordinated obligations of the Issuer and do not benefit from any guarantee or insurance issued pursuant to any insurance policy or similar structure that compromises the subordination of the Subordinated Notes and/or requires or allows payments or transfers of funds to the Noteholders, directly or indirectly, by the Issuer or any Affiliate.

(vii) Pursuant to paragraph one of article 9 of Resolution No. 3,444, the Trust Deed and the Subordinated Notes shall be governed by, and construed in accordance with, a specific governing law and jurisdiction:

Governing Law: The Trust Deed, the Subordinated Notes and any non-contractual obligations arising out of or in connection with them (including the summary of the Final Terms established on item 5 of this Subordination Nucleus) are governed by, and shall be construed in accordance with, English law, provided that the provisions contained in this Subordination Nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution No. 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.

Jurisdiction: The courts of England have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.

2. Clause providing that, pursuant to article 7, II, of Resolution No. 3,444, any provision, whether in the Trust Deed itself, in the Subordinated Notes or in another ancillary document, to the extent that they impair the fulfillment of, or conflict with, those requirements set out in article 9 of Resolution No. 3,444, is null and void, as set forth below:

Conflicts: In the event of conflict between the provisions of this Subordination Nucleus and any other provision set forth in any Transaction Document with respect to any Series of Subordinated Notes, the provision of this Subordination Nucleus shall prevail, as per art. 7, II, of Resolution 3,444 and any such conflicting provision shall be null and void.

3. Clause of each ancillary document providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

(i) Clause of the Trust Deed providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Trust Deed that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.

(ii) Clause of the Subordinated Notes providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Subordinated Note that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.

(iii) Clause of the Agency Agreement providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Agency Agreement that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.

(iv) Clause of the Dealer Agreement providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Dealer Agreement that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.

4. Clause providing that, pursuant to article 7, III and paragraph two, of Resolution No. 3,444, any amendment, change or revocation affecting the provisions of this Subordination Nucleus will be subject to prior authorization of the Central Bank, as set forth below:

The execution of any amendment, change or revocation of any provision of this Subordination Nucleus is subject to the prior consent of the Central Bank, if required pursuant to applicable regulations then in effect.

5. Summary of the transaction, pursuant to article 7, IV, of Resolution No. 3,444:

[ ]

6. Definitions:

For the purposes hereof, capitalised terms and expressions used herein and not otherwise defined shall have the following meanings:

For the purposes of this Subordination Nucleus:

"**Affiliate**" means any legal entity related to the Issuer within the same financial conglomerate or economic/financial consolidated group (*consolidado econômico-financeiro*).

"Agency Agreement" means the agency agreement dated March 29, 2010 between the Issuer, the Trustee, and the agents as amended and/or supplemented from time to time.

"**Arrears Rate**" has the meaning given to it in the relevant Final Terms.

"**Benchmark**" means one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Terms.

"**Brazilian Governmental Authority**" means, as applicable, the government of Brazil, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Issuer.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms.

"**Central Bank**" means the Central Bank of Brazil or any Brazilian Governmental Authority that replaces the Central Bank of Brazil in its current functions applicable to this Subordination Nucleus.

"**Determination Date**" means the date specified as such on the relevant Final Terms or, if none is so specified, the Interest Payment Date.

"**Dealer Agreement**" means the amended and restated dealer agreement dated the date of the Trust Deed between the Issuer, Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs and Co. and Morgan Stanley & Co. Incorporated and includes any agreement by which any additional dealers accede to such dealer agreement.

"**Early Redemption Amount**" has the meaning given to it in the relevant Final Terms.

"**Event of Default**" subject to this Subordination Nucleus, means the following events: (1) the Issuer fails to pay any principal or interest (if any) in respect of any of the Subordinated Notes of such Series on the date when due and, with respect to principal, such failure continues for a period of three days and, with respect to interest, such failure continues for a period of ten days; or (2) the Issuer (a) is dissolved other than in connection with a consolidation, merger or reorganization not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Subordinated Notes are assumed by the successor entity; (b) suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due; (c) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy law; (d) consents to the commencement against it of an involuntary case in bankruptcy or any other action or proceeding, or a proceeding is commenced in an involuntary case if such proceeding is not dismissed on or before the 60th day after the entry thereof or if any such dismissal or stay ceases to be in effect; or (3) any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to on item (2) of this definition.

"**Euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

"**Exchange**" means any stock exchange on which the relevant Subordinated Notes could be listed.

"**Final Terms**" means in respect of a Tranche which includes such Subordinated Note (each the "**Final Terms**"), shall be deemed to include terms specified in the Subordination Nucleus) set out as an annex to the relevant Final Terms, issued in respect of a Tranche which includes such Subordinated Notes.

"**Floating Rate**" has the meaning given to it in the relevant Final Terms.

"**Instalment Note**" means any Note, the principal amount of which is repayable by installments.

"**Interest Commencement Date**" means in the case of the first issue of a Subordinated Note or Subordinated Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Payment Date**" has the meaning given to it in the relevant Final Terms.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

"**Issue Date**" means, in respect of any Subordinated Note or Subordinated Notes, the date of issue of such Subordinated Note or Subordinated Notes.

"**Issuer**" means Itaú Unibanco Holding S.A. or any successor thereto, acting through its head office or through its Grand Cayman Branch.

"**Maturity Date**" has the meaning given to it in the relevant Final Terms.

"**Noteholder**" means the person in whose name a Subordinated Note is registered.

"**Opinion of Counsel**" means a written opinion of counsel from any person which may include, without limitation, counsel for the Issuer, whether or not such counsel is an employee of the Issuer, in all cases in form and substance reasonably acceptable to the Trustee.

"**Optional Redemption Amount***"* has the meaning given to it in the relevant Final Terms.

"**Optional Redemption Date**" has the meaning given to it in the relevant Final Terms.

"**Original Withholding Level***"* has the meaning given to it in the relevant Final Terms.

"**Parity Liabilities**" means, with respect to the Issuer, any securities or liabilities that have been or will be deemed part of the Issuer's regulatory capital (*Patrimônio de Referência*) in accordance with and established by Resolution 3,444, except for the Second Priority Liabilities.

"**Rate of Interest**" has the meaning given to it in the relevant Final Terms.

"**Regulatory Event**" means, subsequent to the time that the Subordinated Notes initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Subordinated Notes may not be included in the consolidated Tier 2 Capital of the Issuer.

"**Relevant Business Day**" means (a) in case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; or (b) in the case of euro, a TARGET Business Day; and (c) in the case of any currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Business Centre(s) specified in the relevant Final Terms.

"**Relevant Financial Centre**" means the principal financial centre for the relevant currency (which in the case of Euro shall be Europe).

"**Resolution 2,099**" means Resolution No. 2,099 of August 17, 1994 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

"**Resolution 3,444**" means Resolution No. 3,444 of February 28, 2007 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

"**Second Priority Liabilities**" means all types or classes of the Issuer's capital stock.

"**Senior Liabilities**" means all liabilities of the Issuer except for the Parity Liabilities and the Second Priority Liabilities.

"**Series**" means Subordinated Notes of the Issuer in accordance with Resolution 3,444 which have identical terms and conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters.

"**Specified Denomination**" means the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

"**Specified Interest Payment Date**" means each date which falls on the last day of the Interest Period specified in the relevant Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Subordinated Note, in each case as adjusted by the Business Day Convention specified in the relevant Final Terms.

"**Subordinated Notes**" means the Notes issued by the Issuer in accordance with the Final Terms and Resolution 3,444.

"**Subordination Nucleus**" means this subordination nucleus prepared in accordance with Resolution 3,444.

"**Successor Corporation**" means the corporation formed by consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer (including in connection with a *cisão*) all or substantially all of the properties and assets of the Issuer.

"**TARGET Business Day**" means a day on which the TARGET System is operating.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on November 19, 2007 or any successor thereto.

"**Terms and Conditions**" means the terms and conditions of the Subordinated Notes as amended and supplemented by the relevant Final Terms in relation to a Series of Subordinated Notes.

"**Tier 2 Capital**" means raising of capital carried out by the Issuer or by its Affiliates, which were, or will be, authorised by the Central Bank as Tier 2 of the regulatory capital (*Patrimônio de Referência*), as set forth in Resolution 3,444.

"**Tranche**" means, in relation to a Series, those Subordinated Notes of such Series which have the same Issue Date.

"**Transaction Documents**" means the Trust Deed, the Agency Agreement, the Dealer Agreement and the Subordinated Notes (other than this Subordination Nucleus).

"**Treaty**" means the treaty establishing the European Community, as amended.

"**Trustee**" shall include all persons for the time being the trustee or trustees under the Trust Deed.

"**Trust Deed**" means the amended and restated trust deed dated March 17, 2011 between the Issuer and the Trustee, as amended and/or supplemented from time to time.

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