Complete Financial Statements
June 30, 2012

ITAÚSA

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

MANAGEMENT REPORT – January to June 2012

We present the Management Report and the financial statements of Itaúsa - Investimentos Itaú S.A. (Itaúsa) and its subsidiaries for the period from January to June 2012, prepared in accordance with the regulations established by the Brazilian Corporate Law and the Brazilian Securities and Exchange Commission (CVM). These financial statements have been approved by the Fiscal Council.

The financial statements made available on this date to CVM and BM&FBovespa are prepared in accordance with the International Financial Reporting Standards (IFRS), and in compliance with CVM.

1) HIGHLIGHTS

Itaúsa

In the 2012 edition of Melhores e Maiores (best and largest) of the Exame magazine, published in July, Itaúsa is ranked sixth in terms of net revenue, among the 200 largest corporate groups in Brazil, with total revenues of R$ 56 billion.

The Extraordinary Stockholders' Meeting (ESM) of April 26, 2012 resolved the capital increase by R$ 500 million upon payment in cash and/or offset with credits arising from complementary interest on capital declared on February 29, 2012.

Considering the great volatility in the capital market, a result of the European financial crisis which caused the general drop in the quotation of the shares in the securities market, including those issued by Itaúsa, the remaining shares represented 17.73% of total shares to be issued. As a result of this event, the ESM of July 6, 2012 opted for the cancellation of the capital call. Return to subscribers was carried out on July 16, 2012, and the amounts were monetarily adjusted based on the variation of the SELIC rate.

Considering the increase in funds made available by Itaúsa to its stockholders, the Board of Directors decided, in a meeting held on June 26, 2012, that complementary interest on capital will not be declared for the first half of 2012, traditionally advanced to stockholders in August. Therefore, net flow in the stockholders' cash vision represented an additional amount of approximately R$ 205 million, as shown below, and that may possibly be offset in February 2013, when complementary annual interest for 2012 will be declared 2012:

R$ million

EVENTS	Net Amounts	
Complementary interest declared on February 29, 2012 in the amount of R$ 505 million, for payment/offset on June 8, 2012 in the capital increase of R$ 500 million, which paid up portions were returned to subscribers on July 16, 2012.	500	(a)
Non declaration/payment of interest related to the 1st half /2012, which amount was estimated based on the same parameters of 2011.	295	(b)
Additional net amount designated for stockholders	**205**	(a-b)

On July 13, 2012 Itaúsa raised funds in the market upon the issue of promissory notes, in the amount of R$ 400 million, remunerated at 104.40% of CDI, with full or partial early redemption option, at its sole discretion, as from the 31st day and maturing on March 28, 2013. The funds raised will be allocated to increase Itaúsa's working capital.

Itaú Unibanco Holding

On July 10 Itaú Unibanco announced that it entered into an association agreement with Banco BMG S.A., aiming at the offering, distribution and commercialization of payroll advance loans. The Association will be structured as a new business - Banco Itaú BMG Consignado S.A. - with initial capital of R$ 1 billion, in which Itaú Unibanco will hold the control (seventy per cent (70%) interest in the total voting capital), and BMG will hold the remaining thirty per cent (30%). The payroll advance loans carried out through branches for the clients of Itaú Unibanco will continue operating independently from the association. Itaú will provide, for the term of 5 years, part of the funds for BMG's Payroll Advance Loans operation in the monthly amount of up to R$ 300 million. The intention is to consummate the Association within 90 days, subject to the compliance with certain precedent conditions, the execution of the final agreements and the appropriate regulatory approvals.

Other relevant corporate events marked during the first half of the year:

Redecard – The completion of the Public Tender Offer ("OPA") is conditional on (i) acceptance or (ii) express agreement with the voluntary delisting by more than 2/3 of the Company's free float, thus understood as shares comprising the free float of the Company held by stockholders that have expressly agreed to the delisting of the Company or have qualified for the OPA auction, pursuant to article 16, II of CVM Instruction No. 361/02. The OPA launch is subject to: (i) the approval by regulatory bodies, (ii) market conditions; and (iii) terms of the draft of the Tender Notice, particularly Section 3.7 – "OPA Conditions", as posted on the website of Redecard's investor relations on June 22, 2012 and filed with CVM.

Acquisition of Banco Carrefour – On May 31, after authorization by the Central Bank of Brazil, we indirectly acquired shares representing 49% of the capital of Banco CSF S.A. ("Banco Carrefour") responsible for the offer and distribution, on an exclusive basis, of financial, insurance and pension plan products and services in the istribution channels operated under the "Carrefour" brand in Brazil. Nine internal committees were created to build upon synergies, already identified so far in Client Service, Credit and Costs.

Sale of BPI – In April 2012, the full interest in Banco BPI (18.87% in capital) was sold to La Caixa Group, BPI's largest stockholder. As a result of this operation, there was a positive impact of approximately R$ 124 million on the consolidated Itaú Unibanco and a negative non-recurring impact of R$ 186 million on net income for the first half of 2012 the Itaú Unibanco.

Completion of sale of Orbitall – The sale of the Orbitall card processor to Stefanini Group was completed in May 2012, the final outcome of this transaction will tend to be neutral, considering the established contractual conditions.

Duratex

In May Duratex carried out two strategic actions that should contribute to its better positioning in relation to competition:

- Agreement to subscribe and acquire a significant interest (up to 37%) in Tablemac, the leading company in the Colombian MDP wood panel construction market, which will ensure the majority interest in this company's capital and a relevant geographical diversification in a market deemed as promising;

- Acquisition of the industrial valves manufacturing unit (Metalúrgica Ipê, Mipel) of Lupatech located in Jacareí (State of SP), which ensures its entrance into the industrial valves segment, in addition to the possibility to rapidly improve the manufacturing of Deca valves.

The investments will amount to approximately R$ 160 million in Tablemac and to R$ 45 million in Mipel, both to be disbursed in the third quarter. Duratex may also increase to 47% its stockholding interest in the Colombian company, over a 24-month period, should it decide to exercise its right for subscription of shares.

Additionally, in the first half of 2012 the investments for the organic expansion of operations, totaled R$ 327.5 million, and noteworthy were: (i) the new MDF plant in Itapetininga/State of São Paulo; (ii) the new porcelain sanitary fixtures unit in Queimados/State of Rio de Janeiro; (iii) implementation of bathroom metals in the Jundiaí unit São Paulo; and (iv) forest planting and maintenance.

In 2012 investments should reach approximately R$ 860 million, including the above-mentioned acquisitions.

Elekeiroz

In the first half, Elekeiroz made investments of R$ 21 million, and noteworthy: (i) the project to expand the production capacity of the unsaturated polyester resins unit in Várzea Paulista, with completion is scheduled for the third quarter, in the amount of R$ 11 million; and (ii) priority programs and projects for safety of employees, preservation of the environment, remodeling and maintenance of installations, energy efficiency and research and development of products, in the amount of R$ 10 million.

Itautec

In line with the company's strategic plan, in the first half of 2012 Itautec invested R$ 42 million, of which R$ 35 million was invested in research and development, mainly in the development of products of the commercial and banking automation segments, including hardware and software and R$ 7 million in fixed assets and software.

To strengthen the portfolio of computing products, new equipment for the corporate market was launched, with cutting-edge technology, showing Itautec's capacity of technological update: the notebook Itautec W7540, focused on small and medium-sized companies, and two models All-in-One, which include the new line of 3rd generation Intel® Core™ processors have just been launched.

In the Automation segment, Itautec launched banking automation products in the CIAB FEBRABAN 2012 – the most important event in the financial sector and IT area in Latin America – and commercial automation, in Autocom 2012, 14th Exhibit and Congress of Commercial Automation, Services and Solutions for Commerce. Among the products launched are ATM Adattis Mobicash, ATM Adattis Touchless 3D Bidirectional, which reduces physical contact with the piece of equipment, increasing the safety of users' data and also enables the use by two users concurrently, providing more operating efficiency to Banks, SIAC Mobile, another feature of SIAC Store software- developed to support the centralized management of retail companies, and Tabway PoS, a solution that proposes that a tablet assumes PoS functions, providing economy of space in checkouts.

2) ECONOMIC ENVIRONMENT

Recent concerns regarding the elections in Greece and banking problems in Spain have brought new waves of pessimism to the markets. The economies in the USA and China do not offer optimism to counterbalance the European problems. After months of positive surprises, hopes of returning to the high growth in the past have faded. The Chinese economy continues to slow down. As uncertainty remains, financial conditions are worsening, recession in the Euro zone is worsening and tax adjustment become more problematic.

The Brazilian economy has recovered slower than expected. In view of the weak GDP data for the first quarter and the deterioration in the foreign scenario, the growth projection for 2012, by economic team Itaú Unibanco, was revised from 3.1% to approximately 2.0%. The stimuli from the economic policy implemented should lead to a reinvigoration of activity over the year, but probably less intense than expected.

The slower growth in Brazil and in the rest of the world reduces the risk of higher inflation in the next few quarters. In spite of this weaker growth, the labor market continues booming. Increasing total salary amount and low unemployment minimize the impact of the low inflation growth. Accordingly, revisited inflation rates arise mainly from macroeconomic measures adopted by the government (tax incentives and managed prices).

With increased uncertainties about the foreign scenario and its possible impact on the domestic activity, the Central Bank of Brazil continued with the process to reduce the Selic rate in the first half of 2012. At the end of the first half, the annual basic interest rate was 8.5%, as compared to 11.0% at the end of 2011, before the reduction cycle. In addition to the relaxation of monetary policy, the government has used other instruments to boost economy, such as tax reduction for certain industries and credit incentive measures to stimulate credit.

In May the industrial production decreased for the third consecutive month. The need to adjust inventories and bring them to an adequate level continues to negatively affect the industrial activities. In May, the highlights among the consumer categories were the decrease in durable consumer goods and the increase in the production of intermediate goods.

Production was reduced in order to adjust inventories. Considering the first five months of 2012, the production in the industry decreased in four of them. The percentage of companies with excess inventories decreased slightly, while the proportion of companies with insufficient inventories increased, thus reducing the difference between these two groups by 3.1 percentage points in June. Advancement has taken place, but there are still adjustments to be made. Therefore, the scenario of gradual production upturn is consistent with this adjustment process.

3) BUSINESS PERFORMANCE

Recurring net income in the first half of R$ 2,439 million, representing a 1.4% increase as compared to the amount reached in the same period of the prior year, with an annualized return of 16.3%. Net income reached R$ 2,292 million, a 3.5% decrease as compared to the same period of the prior year and annualized return of 15.3%.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

	Parent company		Non-controlling interests		Consolidated	
	30/06/2012	06/30/2011	30/06/2012	06/30/2011	30/06/2012	06/30/2011
Net income	2,292	2,376	266	240	2,558	2,616
Recurring net income	2,440	2,406	266	234	2,706	2,640
Stockholders’ equity	30,742	27,634	2,889	2,887	33,631	30,521
Annualized return on average equity (%)	15.3%	17.8%	18.2%	16.7%	15.6%	17.7%
Annualized recurring return on average equity (%)	16.3%	18.0%	18.2%	16.3%	16.5%	17.8%

MAIN FINANCIAL INDICATORS

	30/06/2012	30/06/2011	Change %
Indicators per share - in R$			
Net income of parent company	0.47	0.49	(4.1)
Recurring net income of parent company	0.50	0.50	0.8
Book value of parent company	6.34	5.69	11.5
Dividends/ interest on capital, net	0.11	0.12	(3.4)
Price of preferred share (PN) (1)	8.41	10.85	(22.5)
Market capitalization (2) – in millions of Brazilian reais - R$	40,767	52,677	(22.6)

(1) Calculated based on the average quotation of preferred shares on the last day of the period.

(2) Calculated based on the average quotation of preferred shares on the last day of the period (quotation of average PN multiplied by the number of outstanding shares at the end of the period).

Note: The number of outstanding shares and the quotation of the share were adjusted to reflect the 10% bonus carried out on April 26, 2012.

Reconciliation of recurring net income

In order to allow the appropriate analysis of the financial statements for the period, we present the net income with exclusion of the following main non-recurring effects, net of respective tax effects:

	Parent company		Non-controlling interests		Consolidated	
	01/01 to 06/30/2012	01/01 to 06/30/2011	01/01 to 06/30/2012	01/01 to 06/30/2011	01/01 to 06/30/2012	01/01 to 06/30/2011
Net income	**2,292**	**2,376**	**266**	**240**	**2,558**	**2,616**
Exclusion of non-recurring effects	**147**	**30**	**-**	**(6)**	**147**	**24**
Arising from purchase of stockholding interest in Itaú Unibanco Holding	**147**	**33**	**-**	**-**	**147**	**33**
Change in treasury shares	10	93	-	-	10	93
Program for Cash or Installment Payment of Federal Taxes - Law 11941/09	-	(170)	-	-	-	(170)
Sale of interest/Adjustment to market value - BPI	104	52	-	-	104	52
Provision for contingencies – economic plans	33	58	-	-	33	58
Arising from interest in other controlled companies	**-**	**(3)**	**-**	**(6)**	**-**	**(9)**
Other	-	(3)	-	(6)	-	(9)
Recurring net income	**2,439**	**2,406**	**266**	**234**	**2,705**	**2,640**

MAIN INDICATORS OF THE ITAÚSA CONGLOMERATE COMPANIES

	January to June	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED IFRS (1) (2)
		Itaú Unibanco Holding S.A. (IFRS)	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	
Total assets	**2012**	**833,083**	**7,164**	**652**	**1,088**	**317,585**
	2011	760,516	6,646	641	1,112	289,544
Operating revenues (3)	**2012**	**63,157**	**1,547**	**422**	**802**	**29,024**
	2011	59,246	1,411	369	690	26,893
Net income	**2012**	**6,407**	**185**	**(1)**	**(7)**	**2,558**
	2011	6,795	177	19	21	2,616
Stockholders' equity	**2012**	**77,875**	**3,817**	**475**	**535**	**33,631**
	2011	69,599	3,562	479	529	30,521
Annualized return on average equity (%) (4)	**2012**	**17.0%**	**9.8%**	**-0.6%**	**-2.6%**	**15.6%**
	2011	20.1%	10.1%	7.9%	8.1%	17.7%
Internal fund generation (5)	**2012**	**24,193**	**430**	**23**	**13**	**9,559**
	2011	22,762	416	33	34	8,654

(1) Itaúsa Conglomerate includes: the consolidation of 100% of controlled companies; and the proportional consolidation of the interest held in jointly-controlled companies.

(2) Consolidated/Conglomerate data is net of consolidation elimination and unrealized results of intercompany transactions. The amounts of Itaú Unibanco were consolidated proportionally to the interest held by Itaúsa, in June 2012, of 36,79% (36,65% in June 2011).

(3) Operating revenue by area of operations was obtained as follows:

- *Itaú Unibanco : Interest and similar income, net gain (loss) on financial assets and liabilities, dividends income, income from financial services, income from insurance, private pension and capitalization operations before claim and selling expenses, and other operating income.*

- *Duratex S.A., Itautec S.A. and Elekeiroz S.A.: Sales of products and services, and income from financial services.*

(4) Represents the ratio of net income for the period and the average equity ((Dec + Mar + Jun)/3).

(5) Refers to funds arising from operations, according to the statement of cash flows.

3.1) FINANCIAL SERVICES AREA

Itaú Unibanco Holding

The amounts commented on below, when related to the financial statements, were determined in accordance with the *International Financial Reporting Standards* (IFRS) and are not proportionately presented to reflect the stockholding interest of 36,79% held by Itaúsa.

In the first half of 2012, net income attributable to the controlling stockholders was 5.7% lower than the prior year, and totaled R$ 6.4 billion, with annualized return of 17.0% on average equity (20.1% in the first half of 2011). Recurring net income of Itaú Unibanco between January and June 2012 reached R$ 6.8 billion, a 2.8% increase as compared to the same period of 2011, with return on average equity of 17.9%.

At June 30, 2012, total consolidated assets reached R$ 833.1 billion, an increase of 9.5% as compared to the end of the first half of 2011 and 1.8% as compared to the end of 2011. Net equity attributable to the controlling stockholders totaled R$ 77.9 billion at the end of the first half of 2012, an 11.9% increase as compared to the same period of 2011.

At June 30, 2012, loan operations, including endorsements and sureties, totaled R$ 414.3 billion, which represents increases of 14.9% in the twelve-month period and 4.2% in 2012. At the end of the first half of 2012, the loan portfolio to individuals in Brazil reached R$ 148,2 billion, 8.6% higher than that recorded at June 30, 2011; in that same twelve-month period, the loan portfolio to companies recorded a 15.6% increase and reached the amount of R$ 241.1 billion at the end of June 2012. In Argentina, Chile, Uruguay and Paraguay, loan operations totaled R$ 24.9 billion at the end of the first half of 2012, a 60.5% increase as compared to June 30, 2011.

Total default rate, considering the balance of transactions overdue for over 90 days reached 5.2% at June 30, 2012, posting an improvement of 0.6% as compared to June 30, 2011 and 0.3% as compared to the end of 2011. The default rate reached 7.3% for the loan portfolio to individuals and 3.5% for the loan portfolio to companies at the end of June 2012.

Itaú Unibanco Holding has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R$ 446.2 billion at June 30, 2012 and had an annual evolution of 17.0% as compared to June 2011 and a decrease of 0.4% in 2012.

Segments:

Commercial Bank - At the end of June 2012, Itaú Unibanco had 5,006 bank points of service, including branches and service centers (Postos de Atendimento Bancário - PAB) distributed in Brazil and abroad, a growth of 113 branches in the one-year period.

The focus of Itaú Personnalité was maintained on gaining market share in investments and pension plan, and on continuing to expand the exclusive branch network, as we opened 11 new points in the first half of 2012, which, added to the 27 points opened in 2011, represent a 20% increase in the last eighteen months.

Itaú Unibanco consolidated the expansion of Itaú Uniclass service to 100% of retail network, and now we are serving clients with dedicated managers, exclusive tellers in major branches, higher credit limits, investment advisory and management services over the phone.

The Private Bank segment of Itaú Unibanco is the largest in Latin America and remains the leader in the Brazilian market, with over 25% of market share, according to the Brazilian Financial and Capital markets Association (ANBIMA), providing services to over 5,300 economic groups.

In the Assets Under Administration segment (in which Privatization Funds, Fixed Income, Equities Funds, Investment Clubs and Clients' and the Group's Portfolios are managed in Brazil and abroad), Itaú Unibanco reached R$ 422.6 billion, with a 19.7% market share and ranks second in the global administration ranking, according to ANBIMA.

Insurance, Life, Pension Plan and Capitalization –The operations in these businesses in terms of volume of revenue for premiums, social security contributions and capitalization certificates reached R$ 11.8 billion in the first half of 2012 and the technical provisions totaled R$ 82.5 billion at the end of June 2012, including foreign operations. Our market share, including 30% of capital of the Porto Seguro Group, reached 13.4% in total from January to May 2012, in accordance with information made available by Susep (which regulates all insurance lines, except for health insurance, which is regulated by ANS (Supplementary Healthcare Agency).

In this half, total funding of private pension plans reached R$ 8,720 million, an increase of 45.8% as compared to the same period of the previous year, mainly influenced by the 54.5% increase in funding from VGBL product. Net funding, which represents total funding less redemptions and external portability, posted a 82.3% increase as compared to the first half of 2011.

Porto Seguro - Noteworthy is that Itaú Unibanco holds 30% of capital of the insurance company Porto Seguro, the leading company in residence and automobile insurance segment in Brazil. Additionally, Itaú Unibanco has an operating agreement with the insurance company Porto Seguro to offer and distribute, on an exclusive basis, residence and automobile insurance products to clients in our network in Brazil and Uruguay. From January to May 2012, Porto Seguro held 26.0% and 28.2% market share in retained premiums in automobile and residence insurance, respectively (source: Susep – Superintendency of Private Insurance).

Consumer Credit - Itaú Unibanco (leader in the consumer credit segment in Brazil, by means of Itaucard, Hipercard, and partnerships), offering a diversified range of products to accountholders and non-accountholder clients, originated in proprietary channels and through partnerships with companies that have outstanding performance in the markets they are engaged. In the first half of 2012, the transacted amount reached R$ 81.7 billion, a 14.3% increase in relation to the same period of 2011.

Redecard, a company controlled by Itaú Unibanco, recorded net income of R$ 769.3 million in the first half of 2012, with a 27.4% increase as compared to the same period of 2011.

Itaú BBA – In the investment banking area, highlights are as follows:

• Fixed income - in the period from January to May 2012, it took part in operations of debentures, promissory notes and securitization, which totaled R$ 9.5 billion. In the ANBIMA ranking of distribution of fixed income from January to May 2012, it reached the 1st place in volume, with a 29.6% market share. In international issues of fixed income, it acted as the joint bookrunner of offerings, with a total volume of US$ 15.8 billion, reaching the 1st place in the ranking of issues by Brazilian companies in June 2012, BondRadar. It also achieved the 3rd position in the ranking of issues of Fixed Income in Latin America, with an 8.6% market share, according to the ranking from January to June 2012 disseminated by Dealogic.

• Mergers and Acquisitions – Itaú BBA provided financial advisory services for 32 transactions in the first half of 2012 and achieved the leadership of the Thomson Reuters ranking in volume of operations, accumulating an amount of US$ 14.5 billion.

• Capital markets – it reached the 2nd position in the Origination ranking of ANBIMA as May 2012, with volume of operations R$ 1.2 billion.

• Itaú Corretora – In the first half of 2012, Itaú Corretora was ranked fifth amongst the brokerage companies, with a 5.3% market volume. The Futures Market, it ended the half with an 8.7% market share, with R$ 63 million of traded contracts, and ranked 5th among the brokerage companies.

We highlight the following operations in the Wholesale banking activity of Itaú BBA:

• Derivatives – Itaú BBA maintained its leadership in CETIP (Clearing House for the Custody and Financial Settlement of Securities) in over-the-counter derivative operations with companies. The focus was on operations hedging the exposures to foreign currencies, interest rates and commodities, with clients. The volume of contracted operations in the first half of 2012 was 43.4% higher than in the same period of the prior year.

• Project Finance – we closed the first half of 2012 with 52 projects in which the bank was contracted to work on the structuring and/or advisory in the same period. Total investments involved in the projects analyzed for a number of sectors such as oil and gas, energy, industrial, mining, logistics and sanitation exceeded R$ 60 billion.

Activities Abroad—In addition to Brazil, Itaú Unibanco acted in regions such as: Latin America, Europe, North America, Middle East and Asia.

Capital Strength:

The Basel ratio was 16.6% at the end of June 2012, showing the strength of the bank's capital basis. In July 2012, Itaú Unibanco carried out a funding operation with the record amount of US$ 340 million with the International Finance Corporation (IFC) together with another seven international banks. The funds will be used to finance small and medium-market companies in the Northern and Northeastern regions of Brazil. The term of this funding is from 2 to 5 years, in different tranches; this is an unprecedented operation and the most relevant one in terms of volume raised by a Latin American institution with a multilateral body.

3.2) INDUSTRIAL AREA

Duratex

Consolidated net income totaled R$ 1,547 million in the half, a 9.6% increase regarding that recorded from January to June 2011. Cash generation, expressed by EBITDA was R$ 446 million, a 9.2% increase, with recurring EBITDA margin of 28.8%. Net income reached R$ 185 million, a 4.2% increase, with recurring net margin of 11.9%.

After having posted a substantial expansion in the volume shipped between 2011 and 2008, with an annual average of 13.2%, Deca recorded a 2.1% growth in the half, with 12,249 thousand pieces. Net revenue totaled R$ 554 million, a 7.2% increase as compared to that of 2011 – a performance higher than the average of the sector, i.e. 2.6%, measured by Abramat (Brazilian Association of Construction Material) indicator. Cost pressures, mainly associated with labor and natural gas, during the second quarter of 2012, in addition to the increase in advertising and marketing expenses, accounted for the decrease in the EBITDA margin to 22.3%, R$ 135.1 million in the first half of 2012.

The performance of the Wood Division was the real highlight of the period, with records of volumes shipped and net revenue. Shipments totaled 1,230.2 thousand cubic meters from January to June 2012, an 11.7% increase as compared to the same period of the prior year. The performance of shipments exceeded the industry's performance estimated by the Brazilian Association of the Wood Panel Industry (Abipa). The combination of economy of scale with increase in unit net revenue and cost management of products sold enabled an important rise of 21.5% of recurring EBITDA in relation to the same period of 2011, to R$ 311 million, with an EBITDA margin of 33.1%.

Elekeiroz

The shipment of the company's products increased 14.2% in the first half of 2012, totaling 234 thousand tons. There was a slowdown in the second quarter, when the increase was only 1.7%, a result of the drop in the economic activity in Brazil.

In the domestic market, that concentrated 90.3% of total shipped by Elekeiroz in the half, the increase was 11.2%. In the foreign market, this change was significant, i.e. of 52.0%. The organic product segment, which accounted for 51.6% of the total shipped in the half, posted a 16.3% increase when compared to the same period of the prior year.

In the first half of 2012, net revenue reached R$ 422 million, an increase of 14.4% in relation to the same period of 2011. In the domestic market, which corresponds to 83.4% of total sales, the increase was 9.2%, and in the foreign market, such increase reached 51.0%. EBITDA totaled R$ 14 million, a 55.7% decrease, and EBITDA margin was 3.3%, as compared with 8.6% in the prior year.

In the period, the company posted a net loss of R$ 1 million, as compared to a net income of R$ 19 million in the same period of 2011, arising from lower margins.

The indebtedness to financial institutions continued to be low, totaling R$ 79 million at June 30, 2012 and equivalent to 16.6% of stockholders' equity.

Itautec

Consolidated net revenue from sales and services in the first half of 2012 amounted to R$ 802 million, 16.2% higher than that posted in the first half of 2011. Noteworthy was the 49.8% growth in net revenue from the Automation Solutions Unit, resulting from the shipment of ATMs which was 97.8% higher than in the first half of 2011, and from the increase in net revenue of the Technology Services Unit by 24.5%, due to the expansion of logistics services and increase in support and multibrand maintenance services. In the Computing Solutions Unit, the sales of computers in the half, measured in number of shipped units, increased 17.3% as compared to the same period of 2011, showing the good acceptance of the Company's portfolio by the market and particularly by consumers. Net revenue arising from the sale of computers was 1.5% lower in the first half of 2012 as compared to the same period of 2011, reaching R$ 344 million, due to the change in the sale mix.

The good sales performance was not reflected in results. Itautec posted, in the first half of 2012, a decrease in its gross return (gross profit divided by net revenue) of 4.5 percentage points as compared to the same period of 2011. Gross profit in the first half of 2012 was R$ 123 million, 10.3% lower than that reported in the first half of 2011. The reduction in gross profit was caused by exchange depreciation, which affects the cost of products pegged to the dollar, and the pressure for price adjustment, particularly in the banking sector, which has requested a review of scope, renegotiation of conditions and reduction in contracted prices previously established.

To adjust to this new operating reality and to keep competitive in this scenario, Itautec implemented and has been implementing several actions in search for higher efficiency, better productivity and reduction in costs and expenses, including the adequacy of staff, renegotiation of agreements, focus on purchase negotiation, reestablishment of operating and administrative purposes, and redesign of product specifications. Reduction in staff caused an extraordinary expense of R$ 9 million in the second half of 2012, but it was important for the improvement of future results, with expected savings in personnel expenses of approximately R$ 2.5 million per month.

Due to the aforementioned events, consolidated EBITDA for the first half of 2012 was R$ 2 million and net loss was R$ 7 million.

4) PEOPLE MANAGEMENT

We had the support of 116 employees at the end of June, of which 6.8 thousand were abroad. The employees' fixed compensation plus charges and benefits totaled R$ 4.8 billion for the half. Welfare benefits granted to employees and their dependants totaled R$ 751 million. In addition, approximately R$ 124 million was invested in education, training and development programs.

5) SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Itaú Unibanco Holding

The British newspaper *Financial Times* and IFC (International Finance Corporation), the financial institution of the World Bank, elected Itaú as the Sustainable Bank of the Year – Americas. This is the fourth year in a row we are granted this award, one of the most important in the world for Sustainability. In 2012, 181 institutions for 67 countries competed for this award.

Duratex

Actions focused on the environment received investments of R$ 13 million in the half, 13.0% higher than in the same period of the prior year, particularly regarding the treatment of effluents, collection of residues and maintenance of forest lands.

In this period, the Inventory of Greenhouse Gas (GHG) for 2011 was completed, which totaled 322,633.77 equivalent tons of carbon dioxide (CO_2), and this work was audited for the first time by an independent firm. Based on this information, Duratex voluntarily responded to the Carbon Disclosure Project (CDP), an initiative that encourages companies to disclose their commitments and policies to mitigate impacts related to climate changes.

Another highlight was the launch of the Duratex Supplier Management program, with social, environmental, economic and quality criteria and service levels that are now considered in relationships with suppliers. In the first phase, information on the suppliers' labor policies, environmental practices and attitudes will be gathered, and scheduled visits and control of documents will be made.

Elekeiroz

In the first half of 2012, the system for collecting and recovering carbon dioxide (CO2) for sale to third parties, of the Camaçari site, accounted a the reduction in emissions of 2.829 thousand tons of CO_2.

The Bipoli resins line – manufactured with raw materials from renewable recycled sources - was used in "*Banco Contemporâneo"* (contemporary bank) project, for sustainable bank terminals developed with an important client.

Itautec

Committed with the social and environmental responsibility in its operations, Itautec implemented significant improvements related to its activities in the period. For the second year in a row, the company took the Inventory of Greenhouse Gas (GHG), which will contribute in establishing mitigating actions integrated into the activities, focused on the reduction of Itautec's impacts on the environment. With this information, the Company voluntarily responded to the Carbon Disclosure Project, the European initiative of the financial sector that encourages companies in the disclosure of commitments and policies related to climate changes.

Continuing with the project in roll the Brazilian suppliers started a project, which encompasses the dissemination of the best social and environmental practices among other actions, the first phase of a project for Integration of Sustainability in the Supply Chain was implemented in Asia. Two events were held in the cities of Shanghai (China) and Taipei (Taiwan) for approximately 50 suppliers. Visits were also made to eight factories to better learn the operation and social and environmental practices of these companies in the production lines that serve Itautec.

6) SOCIAL AND CULTURAL INVESTMENTS

Itaú Unibanco Holding

Aiming at anticipating changes, improving learning experiences and focusing on projects and initiatives that lead to transformation in society, Itaú Unibanco invested R$ 84 million in educational, culture and sports actions in the first half of 2012. Noteworthy are those related to education and culture, which received funds of R$ 44 million, and the celebration of 25 years of Itaú Cultural.

One of the main initiatives in the period was the execution of a technical cooperation instrument between Instituto Unibanco, the Government of the State of Ceará, and the Ministry of Education (MEC) to implement the "Jovem do Futuro" (Youth with a future) program in the State. The purpose is to qualify High School management and to help Ceará to come closer to the Basic Education Development Interest (IDEB) 6, which is the federal government's goal for 2022. The 100 schools in Ceará included in the Project in 2012 will receive funds, technical support and close supervision.

With over 120 thousand visitors in the half, Itaú Cultural highlights were the exhibition "*Convite à Viagem"* (invitation to travel), visited by over 58 thousand people, 130 national and international events held and the launch of eight products; catalogues, magazines and books. The Institute's website had over 5.9 million hits in the period. Up to June, Auditório Ibirapuera was visited by approximately 80 thousand people, where 83 shows were held.

Duratex

The support of social and cultural initiatives received funds of R$ 3.8 million in the first half. Focus was on the following projects: Community Library, which comprises the organization and remodeling of libraries in municipal schools in five cities; Annual Activity Plan for the Museum of Modern Art of São Paulo (MAM); Champions of Swimming, Athletics, and Weightlifting to provide better training conditions for disabled athletes who may take part in the 2016 Paralympics; "*Um Passe para Educação"* (one pass for education), a project developed for children and youth of the Paraisópolis community, in São Paulo, through the practice of soccer and support of integration activities with the community and society; *Judô do Futuro* (judo of the future), based on a methodology that stimulates the cognitive and intellectual development, tolerance, coexistence and concentration of children and youth; 1st Ibero American Biennial of Design, one of the most important events for the promotion of contemporary design; and Educational Action – *Fundação Bienal de São Paulo*, which will promote meetings among teachers and professionals of culture, during the 30th Biennial of Art of São Paulo, from September to December; among others.

Elekeiroz

The company was one of the sponsors of the 7th Week of Chemical Engineering at the Polytechnic School of the University of São Paulo (USP) with The Profile of the Modern Chemical Engineer topic. The purpose was to introduce to students the characteristics that a chemical engineer should have to be competitive in the labor market.

Itautec

In the first half of 2012, R$ 565 thousand were passed on to Instituto Ayrton Senna, an entity that shares the same principles of Itautec according to which investment in quality education can transform reality. Since September 2010, a Itautec designates a portion of income from each computer sold in retail market for the Institute.

7) AWARDS AND RECOGNITION

Itaú Unibanco Holding

World's Best Banks 2012 – Elected the Best Bank in Brazil and Paraguay, according to the Global Finance magazine, one of the most globally respected publications in economies and finance. Also considered the best in the provision of custody services in Brazil and Uruguay. The winners are chosen in a survey conducted with analysts, executives and consultants of financial institutions.

Customer Excellence Awards – Awarded with the “Customer Excellence” award as a benchmark in Call Center. With this achievement, the Bank is a three-time champion in Planning – it also won in 2009 and 2011 – and is a first-time winner in Quality.

The Best Companies to Start a Career -- Sponsored by Você S/A Guide, the award assesses the work environment and the practices and policies for people management focused on young audience**.**

Safest Emerging Market Banks in Latin America – Brazilian bank with the best position in the ranking in the Global Finance magazine*,* which ranks the ten Safest Emerging Market Banks in Latin America.

Highlight AE Projeções – Itaú Asset Management was one of the institutions awarded with the Top Basic and Itaú Unibanco won Top General and Top Basic. The award acclaims the institutions with projections for the key economic indicators in Brazil that are the closest to reality.

Top Management of Valor Econômico - Itaú Asset Management was granted the award because it was the best asset manager in capital markets of the year. Developed based on the Standard & Poor’s analysis, the award selects the best managers of the Brazilian investment funds industry.

World Business and Development Awards – Winner in the special “Brazil” category***.*** This award, granted by the International Chamber of Commerce, acknowledges private sector’s contributions to the millennium goals (targets defined by the UN to reduce poverty, promote gender equality, health, fight against child mortality, AIDS and other diseases).

Efinance – Itaú Unibanco was awarded in five categories: Internet Banking, E-commerce, Social Network, Corporate Mobile and Safety. Itaú BBA was the winner in three categories: Workflow, Risk Analysis Tools and Product Redesign. Sponsored by the *Executivos Financeiros* magazine, the *Efinance* award acknowledges the most innovative solutions, implementations and applications in the IT and Telecom areas of financial institutions.

Ethical Corporation Awards – Awarded in the “Sustainability Commercialized” category*.* Sponsored by Ethical Corporation since 2010, the award acknowledges corporate responsibility practices.

Insurer 2012 - Itaú Seguros was awarded in the categories “Best Global Development in Private Pension” and “Best Performance” in lines “Warranties”, “Life Group”, “Extended Warranty” and “Agricultural Risks” and won in the category “Sales Market Leader”, in lines “Liabilities”, “General Risks”, “Accident” and “Extended Warranty”***.*** The award is granted by *Segurador Brasil* magazine.

Best Brazilian Trade Bank in Trade Finance – granted an Awards of Excellence 2012 by Trade Finance magazine.

Best Investment Bank in Brazil – granted an Euromoney Awards for Excellence 2012***.***

Duratex

Best Company in the Wood Sector - The Forest Area was elected the best company in the wood and pulp sector, in the ranking Melhores e Maiores 2012 of Exame magazine.

Top Móbile - Duratex won for the fifth time in a row, the Top Móbile award. The company was awarded the in the categories: MDF panels and MDP panels, in the industry suppliers segment.

Itautec

- **Best Automated Banking Branch Technology of the Year Latin America:** this acknowledges the delivery capacity in the branch environment in all points of contact with clients;
- **Best Retail Banking Systems Technology Provider of the Year Latin America:** this evidences the expertise in the development of solutions focused on processes of clients, supporting retail banks in the expansion of its service channels, improvement of processes and growth of business.
- **Best Security Technology Company of the Year Latin America:** this attests the capacity of offering solutions for security, monitoring and fraud combat to its clients

8) INDEPENDENT AUDITORS – CVM Instruction No. 381

Procedures adopted by the Company

The policy adopted by Itaúsa and its subsidiaries, to engage non-audit related services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditor's independence. These principles include the following: (a) an auditor cannot audit his or her own work, (b) an auditor cannot function in the role of management in companies where he or she provides external audit services; and (c) an auditor cannot promote the interests of its client.

During the period from January to June 2012, the independent auditors and related parties did not provide non-audit related services in excess of 5% of total external audit fees.

As set forth by CVM Instruction No 381, the other services provided to subsidiaries and their engagement dates are as follows:

- January 24, 2012 – vulnerability analysis and application intrusion tests on the internet perimeter;
- February 17, 2012 – review of aspects related to the business continuity program;
- February 23 and March 29, 2012 – acquisition of technical material;
- February 28, 2012 – consulting services for obtaining GIPS (Global Investment Performance Standards) certification;
- March 6 and June 12, 2012 – attendance at courses open to the public, related to finance and accounting;
- April 27, 2012 – consulting services in the authorization request to the regulatory body for opening a subsidiary.

Summary of the Independent Auditors' justification - PricewaterhouseCoopers

The provision of the above described non-audit related professional services does not affect the independence or the objectivity of the external audit of Itaúsa and its subsidiary/affiliated companies. The policy adopted for providing non-audit related services to Itaúsa is based on principles that preserve the independence of Independent Auditors, all of which were considered in the provision of the referred services.

9) ACKNOWLEDGEMENTS

We thank our stockholders for their trust, which we always try to pay back by achieving differentiated results as compared to the market.

(Approved at the Board of Directors' Meeting of August 6, 2012).

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

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ITAÚ UNIBANCO HOLDING S.A.

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ITAUTEC S.A. - GRUPO ITAUTEC

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(*) Investor Relations Officer

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

CONSOLIDATED

FINANCIAL STATEMENTS

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Balance Sheet as at June 30, 2012 and December 31, 2011
(In millions of Reais)

ASSETS	NOTE	06/30/2012	12/31/2011
Cash and deposits on demand	3	5,181	3,994
Central Bank compulsory deposits	4	27,191	36,105
Interbank deposits	5	9,154	10,244
Securities purchased under agreements to resell	5	36,682	35,001
Financial assets held for trading	6a	46,311	45,049
Pledged as collateral		5,027	4,471
Other		41,284	40,578
Financial assets designated at fair value through profit or loss	6b	77	69
Derivatives	7 and 8	4,152	3,240
Available-for-sale financial assets	9	22,687	17,805
Pledged as collateral		4,307	3,113
Other		18,380	14,692
Held-to-maturity financial assets	10	1,147	1,144
Pledged as collateral		16	85
Other		1,131	1,059
Loan and lease operations, net	11	122,317	118,710
Loan operations		131,592	127,501
(-) Allowance for loan losses		(9,275)	(8,791)
Other financial assets	21a	15,624	14,925
Inventories	13	806	771
Investments in unconsolidated companies	14 II	1,176	938
Fixed assets, net	15	5,250	5,085
Biological assets	16	1,109	1,094
Intangible assets, net	17	3,106	3,012
Tax assets		11,185	10,716
Income tax and social contribution - current		1,144	1,364
Income tax and social contribution - deferred	25b	9,655	9,006
Other		386	346
Assets held for sale		34	31
Other assets	21a	4,396	4,069
TOTAL ASSETS		**317,585**	**312,002**

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Balance Sheet as at June 30, 2012 and December 31, 2011
(In millions of Reais)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	06/30/2012	12/31/2011
Raised funds		210,983	212,890
Deposits	18	86,427	89,326
Financial liabilities held for trading	19	231	1,037
Securities sold under repurchase agreements	20a	67,602	68,273
Interbank market debt	20a	34,831	33,323
Institutional market debt	20c	21,892	20,931
Derivatives	7	3,377	2,486
Other financial liabilities	21b	16,643	16,246
Reserves for insurance and private pension	29c III	29,314	26,108
Liabilities for capitalization plans		1,057	1,045
Provisions	31	6,612	6,221
Tax liabilities		3,865	4,449
Income tax and social contribution - current		653	707
Income tax and social contribution - deferred	25b	2,736	3,133
Other		476	609
Other liabilities	21b	12,103	10,267
Total liabilities		**283,954**	**279,712**
Stockholders' equity			
Capital	22a	16,500	13,678
Treasury shares	22a	-	(80)
Reserves	22c	14,331	16,083
Cumulative comprehensive income		(89)	(340)
Total stockholders' equity attributable to owners of the parent company		**30,742**	**29,341**
Non-controlling interests		2,889	2,949
Total stockholders' equity		**33,631**	**32,290**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**317,585**	**312,002**

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Income
Periods ended June 30, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Sales of products and services		1,401	2,680	1,301	2,570
Cost of products and services		(941)	(1,753)	(937)	(1,888)
Interest and similar income		8,432	18,032	8,910	17,160
Interest and similar expense		(4,688)	(9,628)	(4,445)	(8,494)
Dividend income		36	50	32	50
Net gain (loss) from financial assets and liabilities		44	581	(104)	(11)
Foreign exchange results and exchange variation on transactions		940	1,111	206	357
Banking service fees		1,743	3,457	1,728	3,352
Income from insurance, private pension and capitalization operations before claim expenses		543	1,084	742	1,198
Income from insurance and private pension	29	2,284	4,195	1,609	3,099
Premiums Reinsurance	29	(134)	(217)	(76)	(153)
Change in reserves for insurance and private pension		(1,654)	(2,986)	(1,098)	(2,097)
Revenue from capitalization plans		47	92	307	349
Other operating income	24a	152	246	622	826
Losses on loans and claims		(1,985)	(3,947)	(1,719)	(3,063)
Expenses for allowance for loan losses	11b	(2,211)	(4,440)	(2,029)	(3,531)
Recovery of loans written off as loss		415	853	507	945
Expenses for claims		(323)	(533)	(249)	(604)
Recovery of claim under reinsurance		134	173	52	127
Other operating expenses	24b	(919)	(1,740)	(1,199)	(1,971)
General and administrative expenses	24c	(3,089)	(6,012)	(3,060)	(5,640)
Tax expenses		(398)	(928)	(454)	(880)
Share of comprehensive income of unconsolidated companies	14b	(2)	19	(109)	(23)
Income before income tax and social contribution		**1,269**	**3,252**	**1,514**	**3,543**
Current income tax and social contribution	25	(762)	(1,799)	(619)	(1,421)
Deferred income tax and social contribution	25	683	1,105	354	494
NET INCOME		**1,190**	**2,558**	**1,249**	**2,616**
Net income attributable to owners of the parent company		1,050	2,292	1,116	2,376
Net income attributable to non-controlling interests		140	266	133	240
EARNINGS PER SHARE - BASIC AND DILUTED					
Common	26	0.22	0.50	0.25	0.54
Preferred	26	0.22	0.50	0.25	0.54
Weighted average number of shares outstanding – basic and diluted					
Common		1,866,289,554	1,781,458,211	1,686,072,938	1,683,434,456
Preferred		2,981,170,193	2,845,662,457	2,701,941,984	2,697,713,800

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Comprehensive Income
Periods ended June 30, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
NET INCOME		**1,190**	**2,558**	**1,249**	**2,616**
Available-for-sale financial assets		**213**	**304**	**(15)**	**(154)**
(Gains)/losses transferred to income on disposal	9	(63)	(143)	44	(111)
Change in fair value		386	604	(67)	(122)
Income tax effect		(110)	(157)	8	79
Foreign exchange differences on foreign investments		**119**	**109**	**(44)**	**(26)**
Cash flow hedge		**(120)**	**(162)**	**23**	**45**
Change in fair value		(182)	(246)	35	70
Income tax effect		62	84	(12)	(25)
Total comprehensive income		**1,402**	**2,809**	**1,213**	**2,481**
Comprehensive income attributable to owners of the parent company		1,262	2,543	1,080	2,241
Comprehensive income attributable to non-controlling interests		140	266	133	240

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Cash Flows
Periods ended June 30, 2012 and 2011
(In millions of Reais)

	Note	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
ADJUSTED NET INCOME		**4,369**	**9,559**	**4,716**	**8,654**
Net income		1,190	2,558	1,249	2,616
Adjustments to net income:		3,179	7,001	3,467	6,038
Granted options recognized	23a II.IV	(8)	32	(5)	29
Effects of changes in exchange rates on cash and cash equivalents		(354)	(141)	78	84
Allowance for loan losses	11b	2,212	4,441	2,029	3,531
Interest and foreign exchange expense from operations with subordinated debt		564	888	280	557
Interest expense from operations with debentures		33	63	71	83
Change in reserves for insurance and private pension		1,654	2,986	1,098	2,097
Revenue from capitalization plans		(47)	(92)	(307)	(349)
Depreciation, amortization and depletion	15, 16 and 17	367	705	341	577
Deferred taxes		(683)	(1,105)	(354)	(494)
Share of comprehensive income of unconsolidated companies		2	(19)	109	23
(Gain) loss from available-for-sale financial assets	9	(63)	(143)	(44)	(111)
Interest and foreign exchange income from available-for-sale financial assets		(698)	(943)	(91)	(313)
Interest and foreign exchange income from held-to-maturity financial assets		(62)	(88)	(26)	(67)
(Gain) loss from sale of assets held for sale	24 a and b	(3)	(4)	(13)	(12)
(Gain) loss from sale of investments	24 a and b	119	120	-	-
(Gain) loss from sale of fixed assets	24 a and b	1	3	(12)	(8)
Impairment losses fixed assets and intangible assets	17	1	1	11	5
Interest, foreign exchange and monetary variation, net		48	89	37	76
Change in fair value of biological assets		(36)	(69)	(76)	(112)
Other		132	277	341	442
CHANGE IN ASSETS AND LIABILITIES		**(7,496)**	**3,615**	**(7,433)**	**(15,959)**
(Increase) decrease in assets		**(4,555)**	**5,586**	**(9,973)**	**(23,496)**
Interbank deposits		201	(400)	(2,362)	(2,294)
Securities purchased under agreements to resell		1,831	5,627	1,740	(9,104)
Central Bank compulsory deposits		673	8,921	(373)	(2,225)
Financial assets held for trading		(2,034)	(1,366)	(2,376)	5
Derivatives (assets/liabilities)		(264)	(2)	(87)	(258)
Financial assets designated at fair value		(7)	(8)	(21)	37
Loan operations		(4,714)	(7,530)	(6,150)	(11,144)
Inventories		41	(44)	(55)	(130)
Other financial assets		(466)	(204)	(210)	1,101
Other tax assets		16	584	92	950
Other assets		168	8	(171)	(434)
(Decrease) Increase in liabilities		**(2,941)**	**(1,971)**	**2,540**	**7,537**
Deposits		698	(3,469)	1,976	2,540
Deposits received under securities repurchase agreements		(5,913)	(623)	(3,246)	(648)
Financial liabilities held for trading		(40)	(804)	149	(223)
Interbank market debt		1,721	1,466	1,748	3,956
Other financial liabilities.		841	383	991	(1,418)
Reserve for insurance and private pension		77	242	12	73
Liabilities for capitalization plans		53	105	64	140
Provisions		(126)	172	73	104
Tax liabilities		1,059	1,186	(1,126)	(1,178)
Other liabilities		(554)	1,033	2,081	4,987
Payment of income tax and social contribution		(757)	(1,662)	(182)	(796)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**(3,127)**	**13,174**	**(2,717)**	**(7,305)**
Interest on capital/dividends received from investments in unconsolidated companies		(5)	3	(2)	5
Purchase of available-for-sale financial assets		(2,522)	(7,643)	(4,894)	(6,101)
Cash received from sale of available-for-sale financial assets		1,237	4,012	6,408	8,129
Purchase of held-to-maturity financial assets		-	-	-	(45)
Cash received from redemption of held-to-maturity financial assets		23	84	17	123
Cash upon sale of assets held for sale		14	21	28	38
Disposal of investments		-	-	16	4
Purchase of investments		(301)	(301)	(6)	(6)
Cash upon sale of fixed assets	15	(1)	84	128	187
Purchase of fixed assets	15	(378)	(625)	(295)	(574)
Termination of contracts of intangible assets		-	-	1	2
Sale of intangible assets	17	(10)	(12)	2	129
Purchase of intangible assets	17	(193)	(316)	(308)	(534)
Disposal of investment in Unibanco Saúde Seguradora S.A.		(6)	(6)	-	-
Purchase/(Disposal) and formation of biological assets		(17)	(41)	79	9
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(2,159)**	**(4,740)**	**1,174**	**1,366**
Funding from institutional markets		2,623	4,801	2,069	3,716
Redemption in institutional markets		(3,075)	(4,814)	(1,328)	(2,475)
Decrease in non-controlling interests		(179)	(326)	-	(115)
Granting of stock options – exercised options		10	71	8	57
Dividends and interest on capital paid to non-controlling interests		(207)	(207)	(117)	(120)
Dividends and interest on capital paid		(295)	(1,079)	(555)	(1,276)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(1,123)**	**(1,554)**	**77**	**(213)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,409)**	**6,880**	**(1,466)**	**(6,152)**
Cash and cash equivalents at the beginning of the period	3	27,173	14,097	12,298	16,990
Effects of changes in exchange rates on cash and cash equivalents		354	141	(78)	(84)
Cash and cash equivalents at the end of the period	3	21,118	21,118	10,754	10,754
Additional information on cash flow					
Interest received		8,645	17,088	8,199	16,596
Interest paid		5,304	8,287	4,512	8,176
Non-cash transactions					
Loans transferred to assets held for sale		-	-	-	1
Dividends and interest on capital declared and not yet paid		(311)	619	(176)	647

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Added Value
Periods ended June 30, 2012 and 2011
(In millions of Reais)

	04/01 to 06/30/2012	%	01/01 to 06/30/2012	%	04/01 to 06/30/2011	%	01/01 to 06/30/2011	%
INCOME	**11,493**		**23,653**		**11,881**		**22,906**	
Sale of goods, products and services	1,401		2,680		1,301		2,570	
Income from financial operations and securities	9,416		19,724		9,012		17,506	
Income from insurance, pension plan and capitalization plans	542		1,084		633		1,198	
Interest, income, dividends and provision of financial services	1,779		3,507		1,759		3,402	
Result of loan losses	(1,797)		(3,588)		(1,532)		(2,597)	
Other	152		246		708		827	
EXPENSES	**(6,225)**		**(12,547)**		**(6,244)**		**(11,499)**	
Interest and similar expense	(4,688)		(9,628)		(4,445)		(8,494)	
Claims	(189)		(360)		(344)		(477)	
Other	(1,348)		(2,559)		(1,455)		(2,528)	
INPUTS PURCHASED FROM THIRD PARTIES	**(2,386)**		**(4,157)**		**(1,973)**		**(3,965)**	
Costs of products, goods and services sold	(874)		(1,617)		(849)		(1,800)	
Materials, energy, services and other	(37)		(80)		(41)		(80)	
Third-party services	(324)		(628)		(277)		(526)	
Other	(1,151)		(1,832)		(806)		(1,559)	
Data processing and telecommunications	(303)		(599)		(296)		(570)	
Advertising, promotions and publicity	(106)		(181)		(84)		(164)	
Installations, repairs and maintenance of asset items	(102)		(188)		(86)		(153)	
Transportation	(58)		(119)		(53)		(104)	
Security	(48)		(97)		(44)		(88)	
Travel expenses	(19)		(34)		(17)		(32)	
Legal and judicial	(330)		(330)		(150)		(150)	
Other	(185)		(284)		(76)		(298)	
GROSS ADDED VALUE	**2,882**		**6,949**		**3,664**		**7,442**	
DEPRECIATION, AMORTIZATION AND DEPLETION	(368)		(706)		(383)		(578)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**2,514**		**6,243**		**3,281**		**6,864**	
ADDED VALUE RECEIVED FROM TRANSFER	**(2)**		**19**		**(102)**		**(23)**	
Share of income	(2)		19		(102)		(23)	
TOTAL ADDED VALUE TO BE DISTRIBUTED	**2,512**		**6,262**		**3,179**		**6,841**	
DISTRIBUTION OF ADDED VALUE	**2,512**	**100.00%**	**6,262**	**100.00%**	**3,179**	**100.00%**	**6,841**	**100.00%**
Personnel	627	24.96%	1,596	25.49%	965	30.36%	1,926	28.15%
Compensation	379		1,160		734		1,481	
Benefits	144		277		157		309	
FGTS – Government severance pay fund	104		159		74		136	
Taxes, fees and contributions	610	24.28%	1,933	30.87%	880	27.68%	2,131	31.15%
Federal	521		1,758		795		1,966	
State	24		45		20		39	
Municipal	65		130		65		126	
Return on third parties' assets - Rent	87	3.46%	175	2.80%	85	2.67%	168	2.46%
Return on own assets	1,188	47.29%	2,558	40.85%	1,249	39.29%	2,616	38.24%
Dividends and interest on capital paid/provided for	279		614		301		642	
Retained earnings for the period	771		1,678		815		1,734	
Non-controlling interests in retained earnings	138		266		133		240	

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL BALANCE SHEET AS AT JUNE 30, 2012 AND DECEMBER 31, 2011
(In millions of Reais)

ASSETS	NOTE	06/30/2012	31/12/2011
Financial assets		**614**	**802**
Financial assets held for trading		181	317
Available-for-sale financial assets		13	12
Dividends/Interest on capital receivable		420	473
Tax assets		**595**	**618**
Income tax and social contribution - current		112	160
Income tax and social contribution - deferred		483	458
Investments		**30,456**	**29,000**
Investments in subsidiaries	14	30,452	28,996
Other investments		4	4
Fixed assets, net		**72**	**72**
Intangible assets	17	**460**	**460**
Other non-financial assets		**94**	**91**
Deposits in guarantee		94	91
TOTAL ASSETS		**32,291**	**31,043**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL BALANCE SHEET AS AT JUNE 30, 2012 AND DECEMBER 31, 2011
(In millions of Reais)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	06/30/2012	31/12/2011
Funding from institutional markets - debentures	20b	352	751
Tax liabilities		50	112
Provisions		111	58
Dividends/Interest on capital payable		619	776
Other non-financial liabilities		417	5
TOTAL LIABILITIES		**1,549**	**1,702**
Stockholders' equity	22	**30,742**	**29,341**
Capital		16,500	13,678
(-) Treasury stock		-	(80)
Reserves		14,331	16,083
Cumulative comprehensive income		(89)	(340)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**32,291**	**31,043**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL STATEMENT OF INCOME
Periods ended June 30, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
OPERATING INCOME (Net)		**1,148**	**2,420**	**1,152**	**2,492**
Net gain from financial assets		9	25	24	45
Share of income	14	1,138	2,392	1,127	2,446
Other operating income		1	3	1	1
OPERATING EXPENSES		**(41)**	**(152)**	**(80)**	**(165)**
General and administrative expenses		(9)	(18)	(9)	(19)
Other operating expenses		(18)	(100)	(42)	(87)
Financial expenses		(14)	(34)	(29)	(59)
OPERATING INCOME		**1,107**	**2,268**	**1,072**	**2,327**
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**1,107**	**2,268**	**1,072**	**2,327**
INCOME TAX AND SOCIAL CONTRIBUTION		**(57)**	**24**	**44**	**49**
Current income tax and social contribution		1	(1)	-	-
Deferred income tax and social contribution		(58)	25	44	49
NET INCOME		**1,050**	**2,292**	**1,116**	**2,376**
EARNINGS PER SHARE - BASIC / DILUTED (IN R$)					
Common	26	0.22	0.50	0.25	0.54
Preferred	26	0.22	0.50	0.25	0.54
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC / DILUTED					
Common	26	**1,866,289,554**	**1,781,458,211**	**1,686,072,938**	**1,683,434,456**
Preferred	26	**2,981,170,193**	**2,845,662,457**	**2,701,941,984**	**2,697,713,800**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Individual Statement of Comprehensive Income
Periods ended June 30, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
NET INCOME		**1,050**	**2,292**	**1,116**	**2,376**
Available-for-sale financial assets		**213**	**304**	**(15)**	**(154)**
(Gains)/losses transferred to income on disposal	9	(63)	(143)	44	(111)
Change in fair value		386	604	(67)	(122)
Income tax effect		(110)	(157)	8	79
Foreign exchange differences on foreign investments		**119**	**109**	**(44)**	**(26)**
Cash flow hedge		**(120)**	**(162)**	**23**	**45**
Change in fair value		(182)	(246)	35	70
Income tax effect		62	84	(12)	(25)
Total comprehensive income		**1,262**	**2,543**	**1,080**	**2,241**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Statement of Changes in Stockholders' Equity (Note 22)
Períods ended June 30, 2012 and 2011
(In millions of Reais)

	Attributable to owners of the parent company											
							Comprehensive income					
	Capital	Treasury shares	Appropriated reserves – Capital and revenue	Unappropriated reserves	Proposal for distribution of additional dividends	Retained earnings (accumulated deficit)	Available for sale	Cumulative translation adjustments	Gains and losses – Cash flow hedge	Total stockholders' equity – owners of the parent company	Total stockholders' equity – non-controlling interests	Total
Adjusted balance at 01/01/2011	**13,266**	**-**	**11,579**	**1,008**	**445**	**-**	**245**	**(391)**	**7**	**26,159**	**2,877**	**29,036**
Transactions with owners	412	-	30	-	(445)	(642)	-	-	-	**(645)**	-	**(645)**
Subscription of shares	412	-	-	-	-	-	-	-	-	**412**	-	**412**
Granting of stock options	-	-	30	-	-	-	-	-	-	**30**	-	**30**
Dividends and interest on capital	-	-	-	-	-	(642)	-	-	-	**(642)**	-	**(642)**
Dividends – prior years	-	-	-	-	(445)	-	-	-	-	**(445)**	-	**(445)**
Change in minority interests	-	-	-	-	-	-	-	-	-	**-**	(230)	**(230)**
Other	-	-	(122)	-	-	-	-	-	-	**(122)**	-	**(122)**
Transfers	-	-	1,008	(1,008)	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	2,376	(154)	(26)	45	**2,241**	240	**2,481**
Net income	-	-	-	-	-	2,376	-	-	-	**2,376**	240	**2,616**
Other comprehensive income	-	-	-	-	-	-	(154)	(26)	45	**(135)**	-	**(135)**
Appropriations:												
Legal reserve	-	-	119	-	-	(119)	-	-	-	**-**	-	**-**
Unappropriated reserves	-	-	-	1,615	-	(1,615)	-	-	-	**-**	-	**-**
										-	-	**-**
Balance at 06/30/2011	**13,678**	**-**	**12,614**	**1,615**	**-**	**-**	**91**	**(417)**	**52**	**27,633**	**2,887**	**30,520**
Balance at 01/01/2012	**13,678**	**(80)**	**11,788**	**3,744**	**551**	**-**	**40**	**(276)**	**(104)**	**29,341**	**2,949**	**32,290**
Transactions with owners	2,822	80	(2,872)	-	(551)	(614)	-	-	-	**(1,135)**	-	**(1,135)**
Increase in capital with reserves	2,822	-	(2,822)	-	-	-	-	-	-	**-**	-	**-**
(-) Treasury shares	-	80	(80)	-	-	-	-	-	-	**-**	-	**-**
Granting of stock options	-	-	30	-	-	-	-	-	-	**30**	-	**30**
Dividends and interest on capital	-	-	-	-	-	(614)	-	-	-	**(614)**	-	**(614)**
Dividend – amount in addition to the minimum mandatory dividend for prio	-	-	-	-	(551)	-	-	-	-	**(551)**	-	**(551)**
Change in minority interests	-	-	-	-	-	-	-	-	-	**-**	(326)	**(326)**
Other	-	-	(7)	-	-	-	-	-	-	**(7)**	-	**(7)**
Transfers	-	-	3,744	(3,744)	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	2,292	304	109	(162)	**2,543**	266	**2,809**
Net income	-	-	-	-	-	2,292	-	-	-	**2,292**	266	**2,558**
Other comprehensive income	-	-	-	-	-	-	304	109	(162)	**251**	-	**251**
Appropriations:												
Legal reserve	-	-	115	-	-	(115)	-	-	-	**-**	-	**-**
Unappropriated reserves	-	-	-	1,563	-	(1,563)	-	-	-	**-**	-	**-**
Balance at 06/30/2012	**16,500**	**-**	**12,768**	**1,563**	**-**	**-**	**344**	**(167)**	**(266)**	**30,742**	**2,889**	**33,631**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Cash Flows
Períods ended June 30, 2012 and 2011
(In millions of Reais)

	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
ADJUSTED NET INCOME	**(15)**	**(90)**	**5**	**(60)**
Net income	1,050	2,292	1,116	2,376
Adjustments to net income:	(1,065)	(2,382)	(1,111)	(2,436)
Interest on debentures	14	34	59	59
Share of income	(1,138)	(2,392)	(1,127)	(2,446)
Deferred taxes	58	(25)	(43)	(49)
Depreciation and amortization	1	1	-	-
CHANGE IN ASSETS AND LIABILITIES	**723**	**282**	**548**	**180**
(Increase) decrease in other assets	(10)	(29)	28	(463)
(Decrease) increase in provisions and accounts payable and other liabilities	182	176	20	493
Payment of income tax and social contribution	(2)	-	(1)	(1)
(Increase) decrease in financial assets	553	135	501	151
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**708**	**192**	**553**	**120**
Sale of investments	-	-	4	4
Purchase of investments	-	-	(4)	(4)
Purchase of fixed assets	-	-	(66)	(66)
Interest on capital/dividends received	87	1,338	68	1,151
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**87**	**1,338**	**2**	**1,085**
Subscription of shares	-	-	412	412
Interest on capital and dividends paid	(363)	(1,098)	(550)	(1,200)
Payment of debentures	(432)	(432)	(416)	(416)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(795)**	**(1,530)**	**(554)**	**(1,204)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-**	**-**	**1**	**1**
Cash and cash equivalents at the beginning of the period	-	-	-	-
Cash and cash equivalents at the end of the period	-	-	1	1

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Added Value
Periods ended June 30, 2012 and 2011
(In millions of Reais)

	04/01 to 06/30/2012	%	01/01 to 06/30/2012	%	04/01 to 06/30/2011	%	01/01 to 06/30/2011	%
INCOME	**10**		**28**		**25**		**46**	
Net gain from financial assets	9		25		25		45	
Other operating income	1		3		-		1	
EXPENSES	**(16)**		**(37)**		**(31)**		**(62)**	
Other expenses	(16)		(37)		(31)		(62)	
Financial	(14)		(34)		(29)		(59)	
Other	(2)		(3)		(2)		(3)	
INPUTS PURCHASED FROM THIRD PARTIES	**(4)**		**(10)**		**(5)**		**(11)**	
Third-party services	-		(1)		(1)		(3)	
Other	(4)		(9)		(4)		(8)	
Agreement for apportionment of common costs	(4)		(6)		(3)		(6)	
Advertising, promotions and publicity	-		(1)		(1)		(1)	
Other	-		(2)		-		(1)	
GROSS ADDED VALUE	**(10)**		**(19)**		**(11)**		**(27)**	
DEPRECIATION, AMORTIZATION AND DEPLETION	(1)		(1)		-		-	
NET ADDED VALUE PRODUCED BY THE COMPANY	**(11)**		**(20)**		**(11)**		**(27)**	
ADDED VALUE RECEIVED FROM TRANSFER	**1,138**		**2,392**		**1,127**		**2,446**	
Share of income	1,138		2,392		1,127		2,446	
TOTAL ADDED VALUE TO BE DISTRIBUTED	**1,127**	**100.00%**	**2,372**	**100.00%**	**1,116**	**100.00%**	**2,419**	**100.00%**
DISTRIBUTION OF ADDED VALUE	**1,127**		**2,372**		**1,116**		**2,419**	
Personnel	2	0.18%	5	0.21%	2	0.18%	5	0.21%
Compensation	2		5		2		5	
Taxes, fees and contributions	75	6.65%	75	3.16%	(2)	-0.18%	38	1.57%
Federal	75		75		(2)		38	
Return on own assets	1,050	93.17%	2,292	96.63%	1,116	100.00%	2,376	98.22%
Dividends / Interest on capital	279		614		301		642	
Retained earnings for the period	771		1,678		815		1,734	

The accompanying notes are an integral part of these financial statements.

ITAÚSA – INVESTIMENTOS ITAÚ S.A
Notes to the Consolidated Financial Statements
At June 30, 2012 and 2011
(In millions of Reais)

NOTE 01 – OVERVIEW

Itaúsa – Investimentos Itaú S.A. ("ITAÚSA") is a publicly-held company, organized and existing under the Laws of Brazil, and is located at Praça Alfredo Egydio de Souza Aranha, No. 100, Jabaquara, Torre Olavo Setubal, in the city of São Paulo, Brazil.

ITAÚSA has as its main objective supporting the companies in which it holds an equity interest, through studies, analyses and suggestions on the operating policy and projects for the expansion of the mentioned companies, obtaining resources to meet the related additional needs of risk capital through subscription or acquisition of securities issued, to strengthen their position in the capital market and related activities or subsidiaries of interest of the mentioned companies, except for those restricted to financial institutions.

Through its controlled and joint-controlled companies, ITAÚSA operates in the following markets, financial services (Itaú Unibanco Holding), wood panels, bathroom porcelains and metals (Duratex), information technology (Itautec), and in the chemical products (Elekeiroz) – as shown in Note 32 "Segment Information".

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family who holds 61.1% of the common shares and 17.9% of the preferred shares, 34.5% of the total.

These Consolidated Financial Statements were approved by the Board of Directors of ITAÚSA – Investimentos Itaú S.A. on August 6, 2012.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 BASIS OF PREPARATION

Consolidated financial statements

The consolidated financial statements of Itaúsa and its subsidiaries (ITAÚSA CONSOLIDATED) were prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were prepared in accordance with CPC 21 (R1) – Interim Financial Statements, with the option of presenting the complete consolidated financial statements in lieu of the condensed consolidated financial statements.

Individual financial statements

The individual financial statements of the controlling company were prepared in accordance with the Brazilian accounting practices issued by the CPC and are published together with the consolidated financial statements.

In the individual financial statements, controlled and affiliated companies are accounted for by the equity method. The same adjustments are made in both the individual and consolidated financial statements to arrive at the same income and stockholders' equity attributable to the stockholders of the parent company. In the case of ITAÚSA, the accounting practices adopted in Brazil, applied in the individual financial statements, differ from the IFRS applicable to the separate financial statements, only in relation to the measurement of investments in controlled and affiliated companies under the equity method, whereas under IFRS it would be at cost or fair value.

All references to the Pronouncements of the CPC shall also be understood as references to the corresponding IFRS Pronouncements, and vice versa, and it should be noted that, in general, the early adoption of revisions or new IFRSs is not available in Brazil.

The preparation of financial statements requires the Company's Management to use certain critical accounting estimates and exercise judgment in the process of application of accounting policies of ITAÚSA and its subsidiaries. The areas that require a higher degree of judgment and have higher complexity, as well as those in which assumptions and estimates that are significant to the consolidated financial statements are disclosed in Note 2.3.

2.2. NEW PRONOUNCEMENTS; CHANGES TO AND INTERPRETATIONS OF EXISTING PRONOUNCEMENTS

a) Amendments to accounting pronouncements applicable for the period ended june 31, 2012

- IFRS 7 – "Financial Instruments: Disclosures" – in October 2010, an amendment to this pronouncement was issued requiring additional disclosures on transfers of assets (remaining risks) and transfers. The effects of these disclosure requirements are presented in Note 11.

- IAS 12 – "Income taxes' – in December 2010, an amendment to this pronouncement was issued, which included an exception for the measurement of deferred tax assets and liabilities regarding investments in properties measured at fair value. This amendment did not impact the consolidated financial statements.

b) Accounting pronouncements recently issued and applicable in future periods

The following pronouncements will become applicable for periods after the date of these consolidated financial statements and were not early adopted:

- IAS 32 – "Financial Instruments: Presentation" – this change was issued to clarify the offsetting requirements for financial instruments in the balance sheet. The change is applicable for years beginning on or after January 1, 2014. Currently it is being analyzed if there will be any possible impact arising from the adoption of this change.

- IFRS 7 – "Financial Instruments: Disclosures" - In December 2011, a new amendment to this pronouncement was issued requiring additional disclosures about the offsetting process. These requirements are applicable to years beginning after January 1, 2013. Currently it is being analyzed if there will be any possible impact arising from the adoption of this change.

- IFRS 9 – "Financial Instruments" – the pronouncement is the first step in the process for replacing IAS 39 - "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets, and it is expected to significantly affect the accounting for financial instruments of ITAÚ UNIBANCO HOLDING. It is not applicable before January 1, 2015; early adoption is permitted by IASB but barred by the Central Bank of Brazil.

- IAS 19 – "Employee Benefits" – it will not be possible to use the "corridor" method any longer, and all changes should be recorded in Other Cumulative Comprehensive Income. It is applicable for years beginning or after January 1, 2013. The possible impacts arising from the adoption of this change are being analyzed.

- IFRS 10 – "Consolidated Financial Statements" – the pronouncement changes the current principle, identifying the concept of control as a determining fact of when an entity should be consolidated. It is not effective until January 1, 2013. The possible impacts arising from the adoption of this pronouncement are being analyzed.

- IFRS 11 – "Joint Arrangements" – the pronouncement provides a different approach for the analyses of "Joint Arrangements" focused on the rights and obligations of the arrangements rather than on the legal form. IFRS 11 divides the "Joint Arrangements" into two types: "Joint Operations" and "Joint Ventures", in accordance with the rights and obligations of the parties. For investments in "Joint Ventures", proportionate consolidation is no longer permitted. It is not effective until January 1, 2013. The possible impacts arising from the adoption of this pronouncement are being analyzed.

- IFRS 12 – "Disclosures of Interests in Other Entities" – the pronouncement includes new requirements for disclosure of all types of investments in other entities, such as Joint Arrangements, associates and special purpose entities. It is not effective until January 1, 2013. The possible impacts arising from the adoption of this pronouncement are being analyzed.

- IFRS 13 – "Fair Value Measurement" – the purpose of this pronouncement is a better alignment between IFRS and USGAAP, increasing consistency and reducing the complexity of the disclosures by using consistent definitions of fair value. It is not effective until January 1, 2013. The possible impacts arising from the adoption of this pronouncement are being analyzed.

- Annual Improvements cycle (2009-2011) – IASB makes, on an annual basis, minor changes in a number or pronouncements with the purpose of clarifying the current standards and avoiding dual meaning. In this cycle, IFRS 1 – "First-time adoption of IFRS", IAS 1 – "Presentation of Financial Statements", IAS 16 – "Property, Plant and Equipment", IAS 32 – "Financial Instruments: Presentation" and IAS 34 – "Interim Financial Reporting", were reviewed. Changes are not effective until or after January 2013. We do expect significant impacts.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in compliance with the CPCs requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue, expenses, gains and losses over the reporting and subsequent periods, because actual results may differ from those determined in accordance with such estimates and assumptions.

All estimates and assumptions made by Management are in compliance with the CPCs and represent the current best estimates made in conformity with the applicable rules. Estimates and judgments are evaluated on an ongoing basis, considering past experience and other factors.

The consolidated financial statements reflect a variety of estimates and assumptions. The critical accounting estimates and assumptions that have the most significant impact on the carrying amounts of assets and liabilities are described below:

a) Allowance for loan losses

ITAÚSA and its subsidiary companies periodically review their portfolios of loans and receivables to evaluate the existence of impairment.

In order to determine the amount of the allowance for loan losses in the consolidated statement of income for certain receivables or groups of receivables, ITAÚSA and its subsidiaries exercise their judgment to determine whether objective evidence indicates that there was an adverse change in relation to expected cash flows received from the counterparties or the existence of a change in local or foreign economic conditions related to impairment losses. Management uses estimates based on the history of loss experience in loan operations with similar characteristics and with similar objective evidence of impairment. The methodology and assumptions used to estimate future cash flows are regularly reviewed by Management, considering the adequacy of models and sufficiency of provision volumes in view of the experience of incurred loss.

At June 30, 2012, the allowance amounted to R$ 9,275 (R$ 8,791 at December 31, 2011).

If the present value of the estimated cash flows were to have a positive or negative variation of 1%, the allowance for loan losses would be increased or decreased by R$ 1,225 respectively (R$ 1,187 at December 31, 2011).

The details on the methodology and assumptions used by Management are disclosed in Note 2.4g VIII.

b) Deferred income tax and social contribution

As explained in Note 2.4o, deferred tax assets are recognized only in relation to temporary differences and loss carryforwards to the extent that it is probable that ITAÚSA and its subsidiary companies will generate future taxable profit for their utilization. The expected realization of deferred tax assets of ITAÚSA and its subsidiaries is based on the projection of future income and other technical studies, as disclosed in Note 25. The carrying amount of deferred tax assets was R$ 9,630 at June 30, 2012 (R$ 9,006 at December 31, 2011).

c) Fair value of financial instruments, including derivatives

The financial instruments recognized at fair value at June 30, 2012 totaled assets in the amount of R$ 73,228 (R$ 66,163 at December 31, 2011) (of which R$ 4,152 are derivatives) (R$ 3,240 at December 31, 2011) and liabilities in the amount of R$ 3,608 (R$ 3,523 at December 31, 2011) (of which R$ 3,377 are derivatives) (R$ 2,486 at December 31, 2011)). The fair value of financial instruments, including derivatives that are not traded in active markets is determined by using valuation techniques. This calculation is based on assumptions that take into consideration Management's judgment about market information and conditions existing at the balance sheet date.

ITAÚSA and its subsidiary companies rank the fair value measurements using a fair value hierarchy that reflects the significance and observability of inputs adopted in the measurement process. There are three broad levels related to the fair value hierarchy, detailed in Note 30.

ITAUSA and its subsidiary companies believe that all methodologies they have adopted are appropriate and consistent with market participants. Regardless of this fact, the adoption of other methodologies or use of different assumptions to estimate fair values may result in different fair value estimates.

The methodologies used to estimate the fair value of certain financial instruments are also described in Note 30.

d) Defined benefit pension plan

At June 30, 2012, an amount of R$ 95 (R$ 36 at December 31, 2011) related to defined benefit pension plans was recognized in the balance sheet. The current amount of the pension plan obligations is obtained from actuarial calculations that use a variety of assumptions. Among the assumptions used for estimating the net cost (income) of these plans is a discount rate. Any changes in these assumptions will affect the carrying amount of pension plan liabilities.

ITAÚSA and its subsidiary companies determine the appropriate discount rate at the end of each year, which is used in determining the present value of estimated future cash outflows necessary for settling the pension plan liabilities. In order to determine the appropriate discount rate, ITAÚSA and its subsidiaries consider the interest rates of the Brazilian federal government bonds that are denominated in Brazilian reais, the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related liabilities.

Should the discount rate currently used be 0.5% lower than Management’s current estimates, the actuarial amount of the pension plan obligations would be increased by approximately R$ 215.

Other important assumptions for pension plan obligations are, in part, based on current market conditions. Additional information is disclosed in Note 28.

e) Contingent liabilities

ITAÚSA and its subsidiary companies periodically review their contingencies. These contingencies are evaluated based on Management’s best estimates, taking into account the opinion of legal counsel, when there is a likelihood that financial resources will be required to settle the obligations and the amounts may be reasonably estimated.

Contingencies classified as probable losses are recognized in Balance Sheet under “Provisions.”

Contingent amounts are measured using appropriate models and criteria, despite uncertainty surrounding the ultimate timing and amounts, as detailed in Note 31.

The carrying amount of these contingencies at June 30, 2012 is R$ 6,612 (R$ 6,221 at December 31, 2011).

f) Biological assets

Forest reserves are recognized at their fair value, less estimated costs to sell at the harvest time, in accordance with Note 16. For immature plantations (up to one year of life), their cost is considered close to fair value. Gains and losses arising from the recognition of a biological asset at its fair value, less costs to sell, are recognized in the statement of income. The depletion appropriated in the statement of income is formed by the portion of the formation cost and the portion related to the difference of the fair value.

The formation costs of these assets are recognized in the statement of income as incurred, and they are reported net of the effects of changes in the biological asset fair value, in a specific account in the statement of income.

g) Technical provisions for insurance and pension plan

Technical provisions are liabilities arising from obligations of ITAÚSA to its policyholders and participants. These obligations may be short-term liabilities (property and casualty insurance) or medium- and long-term liabilities (life insurance and pension plans.)

The determination of the actuarial liability is subject to several uncertainties inherent in the coverage of insurance and pension contracts, such as; assumptions of persistence, mortality, disability, life expectancy, morbidity, expenses, frequency and severity of claims, conversion of benefits into annuities, redemptions and return on assets.

The estimates for these assumptions are based on the historical experience of ITAUSA CONSOLIDATED, benchmarks and experience of the actuary, in order to comply with best market practices and the continuous review of the actuarial liability. The adjustments resulting from these continuous improvements, when necessary, are recognized in the statement of income for the corresponding period.

2.4 SUMMARY OF MAIN ACCOUNTING PRACTICES

a) CONSOLIDATION AND PROPORTIONATE CONSOLIDATION

I. Subsidiaries

In accordance with CPC 36 – "Consolidated Financial Statements", subsidiaries are entities in which ITAÚSA CONSOLIDATED has the power to govern the financial and operating policies so as to obtain benefits from its activities, normally corresponding to ownership of more than 50% of the voting capital.

II. Special Purpose Entities (SPEs)

In accordance with SIC 12 – "Consolidation – Special Purpose Entities", we consolidate special purpose entities when the substance of the relationship between ITAÚSA CONSOLIDATED and the SPEs indicates that the SPEs are controlled by ITAÚSA CONSOLIDATED. The following circumstances may show evidence of control, in substance:

- the activities of the SPEs are being conducted on behalf of ITAÚSA CONSOLIDATED, according to its specific business needs so that ITAÚSA CONSOLIDATED obtains benefits from their operations;
- ITAÚSA CONSOLIDATED has the decision-making powers to obtain the majority of the benefits of the activities of SPEs or ITAÚSA CONSOLIDATED has the ability to delegate such powers;
- ITAÚSA CONSOLIDATED has the right to obtain the majority of the benefits of the SPEs and therefore may be exposed to risks incident to their activities; or
- ITAÚSA CONSOLIDATED retains the majority of the residual risks related to the SPEs or their assets in order to obtain benefits from their activities.

III. Joint Ventures

CPC 19 – "Interests in Joint Ventures" defines joint ventures as entities jointly controlled by two or more unrelated entities (venturers): Joint ventures include contractual agreements in which two or more entities have joint-control over entities or over operations or over assets, so that the strategic financial and operating decisions that affect them require the unanimous decision of the venturers.

Also in accordance with CPC 19, the accounting treatment for investments in joint ventures can be either proportionate consolidation or the equity method. ITAÚSA CONSOLIDATED has elected to use proportionate consolidation.

The following table shows the proportionally consolidated joint ventures and fully consolidated subsidiaries of ITAUSA CONSOLIDATED.

	Incorporation country	Activity	Interest in capital at 06/30/ 2012	Interest in capital at 06/30/ 2012
Financial Services Area – Joint Control				
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding company	66.53%	66.53%
Itaú Unibanco Holding S.A.	Brazil	Holding company/Financial institution	36.79%	36.65%
Industrial Area – Full consolidation				
Duratex S.A.	Brazil	Wood and bathroom porcelain and metals	35.40%	35.36%
Elekeiroz S.A.	Brazil	Chemical products	96.49%	96.49%
Itautec S.A.	Brazil	Information technology	94.01%	94.01%

The table below shows the amounts reflected in the consolidated balance sheets and statements of income of the jointly-controlled companies (Joint Ventures), proportionally consolidated by ITAÚSA:

	06/30/2012	12/31/2011
Total assets	853,228	837,292
Total liabilities	755,419	744,076
Total income	67,085	137,714
Total expenses	(59,365)	(120,756)

Proportionate Consolidation of Itaú Unibanco Holding

Proportionate consolidation is the accounting method through which the interest of the venturer in assets, liabilities, revenues and expenses of a jointly-controlled entity are combined, line by line, with similar items in the financial statements of the venturer, or in separate lines of such financial statements.

Pursuant to the provisions of the Shareholders' Agreement of IUPAR (Itaú Unibanco Participações), ITAUSA and the Moreira Sales family jointly exercise control over ITAU UNIBANCO HOLDING, with the full rights of partners, that permanently ensure them the majority of votes in the resolutions at the Stockholders' Meetings and the power to elect the majority of the management members of ITAU UNIBANCO HOLDING and its subsidiaries, effectively using their power to govern all of its activities.

As a result of the proportionate consolidation of Itaú Unibanco Holding, for better understanding, the notes to the financial statements which amounts have higher correlation with the financial activity are being presented with the full amounts of Itaú Unibanco Holding, with indication of the amount corresponding to the interest of ITAÚSA. In relation to other notes, the amounts are already presented in proportion to the equity interest held.

IV. Business combinations

Accounting for business combinations under CPC 15 (R) is only applicable when a business is acquired. Under CPC 15 (R), a business is defined as an integrated set of activities and assets that is conducted and managed for the purpose of providing a return to investors, or cost reduction or other economic benefits. In general, a business consists of inputs and processes applied to those inputs and the resulting outputs that are or will be used to generate income. If there is goodwill in a set of activities or transferred assets, this is presumed to be a business. For acquisitions that meet the definition of business, accounting under the purchase method is required. The acquisition cost is measured at the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the exchange date, plus costs directly attributable to the acquisition. Acquired assets and assumed liabilities and contingent liabilities identifiable in a business combination are initially measured at their fair value at the acquisition date, regardless of the existence of non-controlling interests. The excess of the acquisition cost over the fair value of identifiable net assets acquired is accounted for as goodwill. The treatment of goodwill is described in Note 2.4(l). If the acquisition cost is lower than the fair value of identifiable net assets acquired, the difference is recognized directly in income.

For each business combination, the purchaser should measure any non-controlling interest in the acquired company at the fair value or amount proportional to its interest in net assets of the acquired company.

b) FOREIGN CURRENCY TRANSLATION

I) Functional and presentation currency

The consolidated financial statements of ITAÚSA and its subsidiaries are presented in Brazilian reais, which is its functional currency and the presentation currency of these consolidated financial statements. For each investment held, ITAÚSA and its subsidiaries have defined the functional currency.

CPC 02 – "The effects of changes in foreign exchange rates and translation of financial statements" defines the functional currency as the currency of the primary economic environment in which the entity operates. If the indicators are mixed and the functional currency is not obvious, Management has to use its judgment to determine the functional currency that most faithfully represents the economic effects of the entity's operations, focusing on the currency that mainly influences the pricing of transactions. Additional indicators are the currency in which financing or in which funds from operating activities are generated or received, as well as the nature of activities and the extent of transactions between the foreign subsidiaries and the other entities of the consolidated group.

The assets and liabilities of subsidiaries with a functional currency other than the Brazilian real are translated as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at monthly average exchange rates;
- exchange differences arising from translation are recorded in Cumulative Comprehensive Income.

II) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income under "Foreign Exchange Results and Exchange Variation on Transactions" and amounted to R$ 365 for the period from January 1 to June 30, 2012 (R$ (428) for the period from January 1 to June 30, 2011).

In case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, the exchange differences resulting from a change in the amortized cost of the instrument are separated from all other changes in the carrying amounts of the instruments. The exchange differences resulting from a change in the amortized cost of the instrument are recognized in the income statement, while those resulting from other changes in the carrying amount, except impairment losses, are recognized in Cumulative Comprehensive Income until derecognition or impairment.

c) CASH AND CASH EQUIVALENTS

ITAÚSA CONSOLIDATED defines cash and cash equivalents as cash and current accounts in banks (included in the heading "Cash and deposits on demand" in the consolidated balance sheet), interbank deposits and securities purchased under agreements to resell that have original maturities equal to or less than 90 days or less, as shown in Note 3.

d) CENTRAL BANK COMPULSORY DEPOSITS

The Central Banks of the countries in which ITAÚ UNIBANCO HOLDING operates currently impose a number of compulsory deposit requirements on financial institutions. Such requirements are applied to a wide range of banking activities and operations, such as demand, savings, and time deposits. In the case of Brazil, the acquisition and deposit of Brazilian federal government securities are also required.

Compulsory deposits are initially recognized at fair value and subsequently at amortized cost, using the effective interest method, as detailed under Note 2.4g VI.

e) INTERBANK DEPOSITS

ITAÚSA CONSOLIDATED recognizes its interbank deposits in the balance sheet initially at fair value and subsequently at amortized cost using the effective interest method as detailed under Note 2.4g VI.

f) SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL AND SOLD UNDER REPURCHASE AGREEMENTS

ITAÚSA CONSOLIDATED has purchased transactions with resale agreements (“resale agreement”), and sold transactions with repurchase agreements ("repurchase agreement") of financial assets. Resale and repurchase agreements are accounted for under “Securities Purchased under Agreements to Resell” and “Securities Sold under Repurchase Agreements,” respectively.

Securities purchased with resale agreement and securities sold with repurchase agreement are recognized initially in the balance sheet at their respective amounts, and are subsequently measured at amortized cost. The difference between the sale and repurchase prices is treated as interest and is recognized over the life of the agreements using the effective interest method. Interest earned in resale agreement transactions and incurred in repurchase agreement transactions is recognized in Interest and Similar Income and Interest and Similar Expense, respectively.

The financial assets accepted as collateral in our resale agreements can be used, if provided for in the agreements, as collateral for our repurchase agreements or can be sold.

In Brazil, control over custody of financial assets is centralized and the ownership of investments under resale and repurchase agreements is temporarily transferred to the buyer. ITAÚSA CONSOLIDATED strictly monitors the fair value of financial assets received as collateral under our repurchase agreements and adjusts the collateral amount when appropriate.

Financial assets pledged as collateral to counterparties are also recognized in the consolidated financial statements. When the counterparty has the right to sell or repledge such instruments, they are presented in the balance sheet under the appropriate class of financial assets labeled as “Pledged as collateral.”

g) FINANCIAL ASSETS AND LIABILITIES

In accordance with CPC 38, all financial assets and liabilities, including derivative financial instruments, shall be recognized in the Balance Sheet and measured based on the category in which the instrument is classified.

Financial assets and liabilities can be classified into the following categories:

- Financial Assets and Liabilities at fair value through profit or loss – held for trading;
- Financial Assets and Liabilities at fair value through profit or loss – designated at fair value.
- Available-for-sale financial assets;
- Held-to-maturity financial assets;
- Loans and receivables; and
- Financial liabilities at amortized cost.

The classification depends on the purpose for which financial assets were acquired or financial liabilities were assumed. Management determines the classification of financial instruments at initial recognition.

ITAÚSA classifies financial instruments into classes that reflect the nature and characteristics of these financial instruments.

ITAÚSA CONSOLIDATED classifies as loans and receivables the following headings of the Balance Sheet: Cash and deposits on Demand, Central Bank Compulsory Deposits, Interbank Deposits (Note 2.4e, Securities Purchased under Agreement to Resell (Note 2.4f), Loan Operations (Note 2.4g VI) and Other Financial Assets (Note 2.4g IX).

Regular purchases and sales of financial assets are recognized and derecognized, respectively, on the trade date.

Financial assets are written off when the rights to receive cash flows from the investments have expired or when ITAÚSA and its subsidiaries transfer substantially all risks and rewards of ownership, and such transfer does not qualify for write off according to the requirements of CPC 38. Therefore, if the risks and rewards were not substantially transferred, ITAÚSA and its subsidiaries shall evaluate the control in order to determine whether the continuous involvement related to any retained control does not prevent the write off. Financial liabilities are written off when discharged or extinguished.

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet solely when there is a legally enforceable right to offset the recognized amounts and there is intention to settle them on a net basis, or simultaneously realize the asset and settle the liability.

I. Financial assets and liabilities at fair value through profit or loss - held for trading

These are assets and liabilities acquired or incurred principally for the purpose of selling them in the short term or when they are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent history of short-term sales. Derivatives are also classified as held for trading except for those designated and effective as hedging instruments. ITAÚSA and its subsidiaries opted for disclosing derivatives in a separate line in the consolidated balance sheet (see item III below).

The financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the Consolidated Statement of Income. Gains and losses arising from changes in fair value are directly included in the consolidated statement of income under “Net gain (loss) from financial assets and liabilities”. Interest income and expenses are recognized in “Interest and similar income” and “Interest and similar expense”, respectively.

II. Financial assets and liabilities at fair value through profit or loss – designated at fair value

These are assets and liabilities designated at fair value through profit or loss upon initial recognition (fair value option). This designation cannot be subsequently changed. In accordance with CPC 38, the fair value option can only be applied if it reduces or eliminates an accounting mismatch when the financial instruments are part of a portfolio for which risk is managed and reported to Management based on its fair value or when these instruments consist of hosts and embedded derivatives that shall otherwise be separated.

The financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the Consolidated Statement of Income. Gains and losses arising from changes in fair value are directly included in the Consolidated Statement of Income under “Net Gain (Loss) from Financial Assets and Liabilities.” Interest income and expenses are recognized in “Interest and similar income” and “Interest and similar expense”, respectively.

ITAÚSA and its subsidiaries designate certain assets at fair value through profit or loss upon its initial recognition, because their evaluation and performance are carried out daily based on their fair value.

III- Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are recognized as assets when the fair value is positive, and as liabilities when negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not recognized at fair value through profit or loss. These embedded derivatives are accounted for separately at fair value, with changes in fair value recognized in the consolidated statement of income in “Net gain (loss) from financial assets and liabilities – Financial assets and liabilities held for trading and derivatives”, except if the Management opts to designate these hybrid contracts, as a whole, as fair value through profit or loss.

Derivatives can be designated as hedge instruments for accounting purposes, and in the event they qualify, depending upon the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge exposures to risk or modify the characteristics of financial assets and liabilities and that meet CPC 38 criteria, are recognized as hedge accounting.

In accordance with CPC 38, to qualify for hedge accounting, all of the following conditions met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the *hedge*d risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- for a cash flow hedge, a forecast transaction that is the subject of the *hedge* must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured; and
- the hedge is assessed on an ongoing basis and it is determined that the hedge has in fact been highly effective throughout the periods for which the hedge was designated.

CPC 38 defines three hedge strategies: fair value hedge, cash flow hedge and hedge of net investments in foreign operations.

ITAÚSA and its subsidiaries use derivatives as hedge instruments under cash flow hedge strategies and hedges of net investments in foreign operations, as detailed in Note 8.

Fair value hedge

For derivatives that are designated and qualify as fair value hedge, the following practices are adopted:

a. gain or loss arising from the new measurement of hedge instrument at fair value should be recognized in income; and
b. gain or loss arising from the hedged item attributable to the effective portion of the hedged risk should adjust the book value of the hedged item should be recognized in income.

When the derivative expires or is sold, and hedge no longer meets the accounting hedge criteria or the entity revokes the designation, the entity should prospectively discontinue the accounting hedge. In addition, any adjustment in the book value of the hedged item should be amortized in income.

Cash flow hedge

For derivatives that are designated and qualify as cash flow hedges, the effective portion of derivative gains or losses is recognized in "Other Comprehensive Income – Gains and Losses - Cash Flow Hedge", and reclassified to income in the same period or periods in which the hedged transaction affects income. The portion of gain or loss on derivatives that represent the ineffective portion or the hedge components excluded from the assessment of effectiveness is recognized immediately in income. Amounts originally recorded in stockholders' equity and subsequently reclassified to income are recorded in the corresponding income or expense lines in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting and also when the entity revokes the designation of hedge accounting, any cumulative gain or loss existing in cumulative comprehensive income until that time should remain as a separate component of stockholders' equity until the forecast transaction occurs or is no longer expected to occur, and it is then reclassified to income. However, when the forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other Comprehensive Income is immediately transferred to the income statement.

Hedge of net investments in foreign operations

A hedge of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for in a manner similar to a cash flow hedge:

a) the portion of gain or loss on the hedge instrument determined as effective is recognized in cumulative comprehensive income; and
b) the ineffective portion is recognized in the statement of income.

Gains or losses on the hedging instrument related to the effective portion of the hedge which is recognized in cumulative comprehensive income are reclassified from stockholders' equity to the income statement as reclassification adjustment upon the disposal of the investment in the foreign operation.

IV. Available-for-sale financial assets

In accordance with CPC 38, financial assets are classified as available for sale when, in Management's judgment, they can be sold in response to or in anticipation of changes in market conditions, and were not classified into the categories of financial assets at fair value through profit or loss, loans and receivables or held to maturity.

Available-for-sale financial assets are initially and subsequently recognized in the consolidated balance sheet at fair value, which initially consists of the amount paid, including any transaction costs. Unrealized gains and losses (except losses for impairment, foreign exchange differences, dividends and interest income) are recognized, net of applicable taxes, in Cumulative Comprehensive Income. Interest, including the amortization of premiums and discounts, is recognized in the Consolidated Statement of Income under "Interest and similar income". The average cost is used to determine the realized gains and losses on disposal of available-for-sale financial assets, which are recorded in the Consolidated Statement of Income under "Net gain (loss) from financial assets and liabilities". Dividends on available-for-sale financial assets are recognized in the consolidated statement of income as "Dividend income" when ITAÚSA CONSOLIDATED is entitled to receive such dividends, and inflows of economic benefits are probable.

ITAÚSA CONSOLIDATED assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence of an impairment, resulting in the recognition of an impairment loss. If any impairment evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income, is recognized in the consolidated statement of income as a reclassification adjustment from cumulative comprehensive income.

Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the statement of income. However, if in a subsequent period the fair value of a debt instrument classified as available-for-sale financial asset increases and such increase can be objectively related to an event that occurred after the loss recognition, such loss is reversed through the statement of income.

V. Held-to-maturity financial assets

In accordance with CPC 38, the financial assets classified into the held-to-maturity category are non-derivative financial assets that ITAÚSA CONSOLIDATED has the positive intention and ability to hold it to maturity.

These assets are initially recognized at fair value, which is the amount paid including the transaction costs, and subsequently measured at amortized cost, using the effective interest rate (as detailed in item VI below). Interest income, including the amortization of premiums and discounts, is recognized in the Consolidated Statement of Income under "Interest and similar income".

When there is impairment of held-to-maturity financial assets, the loss is recorded as a reduction in the carrying amount and recognized in the consolidated statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the loss was recognized, the previously recognized loss is reversed. The reversal amount is also recognized in the Consolidated Statement of Income.

VI. Loan operations

Loan operations are initially recognized at fair value, which is the amount to originate or purchase the loan, including transaction costs and are subsequently measured at amortized cost using the effective interest method.

The effective interest rate approach is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the discount rate that is applied to future payments or receipts through the expected life of the financial instrument that results in an amount equal to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, ITAÚSA CONSOLIDATED estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions paid or received between parties to the contract, transaction costs, and all other premiums or discounts.

ITAUSA classifies a loan operation as having a non-accrual status if the payment of the principal or interest has been in default for 60 days or more. When a loan is placed on nonaccrual status, the accrual of interest of the loan is discontinued.

When a financial asset or group of similar financial assets is impaired and their carrying amount is reduced through an allowance for loan losses, the subsequent interest income is recognized on the reduced carrying amount at the interest rate used to discount the future cash flows for purposes of measuring the allowance for loan losses.

The “Individuals” portfolio of ITAÚ UNIBANCO HOLDING consists primarily of vehicle financing to individuals, credit cards, personal loans (including mainly consumer finance and overdrafts) and residential mortgage loans. The “Corporate” portfolio includes loans made to large corporate clients. The “Small / Medium Businesses Portfolio” corresponds to loans to a variety of customers from small to medium-sized companies. The “Foreign Loans Latin America” is substantially comprised of loans granted to individuals in Argentina, Chile, Paraguay, and Uruguay.

At a corporate level, Itaú Unibanco Holding has two groups (independent from their main business areas): the credit risk group and the finance group, which are responsible for defining the methodologies used to measure the allowance for loan losses and for performing the corresponding calculations on a recurring basis.

The credit risk group and the finance group, at the corporate level, monitor the trends observed in the allowance for loan losses at the portfolio segment level, in addition to establishing an initial understanding of the variables that may trigger changes in the allowance for loan losses, the probability of default or the loss given default.

Once the trends have been identified and an initial assessment of the variables has been made at the corporate level, the business areas are responsible for further analyzing these observed trends at a detailed level for each portfolio by understanding the underlying reasons for the trends observed and deciding whether changes are required in our credit policies.

VII. Lease operations (as lessor)

When assets are subject to a finance lease, the present value of lease payments is recognized as a receivable in the consolidated balance sheet under “Loan Operations”.

Initial direct costs when incurred by ITAÚSA CONSOLIDATED are included in the initial measurement of the lease receivable, reducing the amount of income to be recognized over the lease period. Such initial costs usually include commissions and legal fees.

The recognition of interest income reflects a constant return rate on the net investment of ITAÚSA CONSOLIDATED and is made in the consolidated statement of income under “Interest and similar income”.

VIII. Allowance for loan losses

General

ITAÚSA CONSOLIDATED periodically assesses whether there is any objective evidence that a receivable or group of receivables is impaired. A receivable or group of receivables is impaired and there is a need for recognizing an impairment loss if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated.

The allowance for loan losses is recognized for probable losses inherent in the portfolio at the balance sheet date. The determination of the level of the allowance rests upon various judgments and assumptions, including current economic conditions, loan portfolio composition, prior loan and lease loss experience and evaluation of credit risk related to individual loans. Our process for determining the allowance for loan losses includes Management's judgment and the use of estimates. The adequacy of the allowance is regularly analyzed by Management.

The criteria adopted by ITAÚSA CONSOLIDATED for determining whether there is objective evidence of impairment include the following:

- default in principal or interest payment;
- financial difficulties of the debtor and other objective evidence that results in the deterioration of the financial position of the debtor (for example, debt-to-equity ratio, percentage of net sales or other indicators obtained through processes adopted to monitor credit, particularly for retail portfolios);
- breach of loan clauses or terms;
- entering into bankruptcy; and
- loss of competitive position of the debtor.

The estimated period between the loss event and its identification is defined by Management for each identified portfolio of similar receivables. The periods adopted by Management are of twelve months, considering that the observed period for homogenous receivables portfolios varies, depending upon the specific portfolio, between nine and twelve months. Management opted to adopt the 12-month period as the most significant, and the observed periods for receivables portfolios individually tested for impairment is 12 months at most, considering the review cycle of each receivable.

Assessment

ITAÚSA CONSOLIDATED first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, or collectively for receivables that are not individually significant.

To determine the amount of the allowance for individually significant receivables with objective observable evidence of impairment, we use methodologies that consider both the quality of the client and the nature of the transaction, including its collateral, to estimate the cash flows expected from these loans.

If no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the asset is included in a group of receivables with similar credit risk characteristics and such group is collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is recognized are not included in the collective assessment. The amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.

For collectively assessed loans, the calculation of the present value of the estimated future cash flows for which there is a collateral, reflects the historical performance of the foreclosure and recovery of fair value, considering the cash flows that may arise from such a foreclosure less costs for obtaining and selling that collateral.

For the purpose of a collective evaluation of impairment, receivables are grouped on the basis of similar credit risk characteristics. The characteristics are relevant to the estimation of future cash flows for such receivables by being indicative of the debtors’ ability to pay all amounts due, according to the contractual terms of the receivables being evaluated. Future cash flows of a group of receivables that are collectively evaluated for purposes of identifying the need for recognizing impairment are estimated on the basis of the contractual cash flows of the group receivables and the historical loss experience for receivables with similar credit risk characteristics. The historical loss experience is adjusted on the basis of current observable data to reflect (i) the effects of current conditions that did not affect the period in which the historical loss experience is based and to (ii) remove the effects of conditions in the historical period that do not exist for the current evolution.

For individually significant receivables with no objective evidence of impairment, these loans are classified into certain rating categories based on several qualitative and quantitative factors applied through internally developed models. Considering the size and the different risk characteristics of each contract, the rating category determined according to internal models may be reviewed and modified by our Corporate Credit Committee, the members of which are executives and experts in corporate credit risk. We estimate inherent losses for each rating category considering an internally developed approach for low-default portfolios, which uses our historical experience over the most recent years to build internal models, used both to estimate the PD (probability of default) and to estimate the LGD (Loss given default.)

To determine the amount of the allowance for individually non-significant receivables, loans are segregated into classes considering the underlying risks and characteristics of each group. The allowance for loan losses is determined for each of those classes through a process that considers historical delinquency and loan loss experience over the most recent years.

Measurement

The methodology used to measure the allowance for loan losses was developed internally by credit risk and finance areas at corporate level. In those areas and considering the different characteristics of the portfolios, different areas are responsible for defining the methodology to measure the allowance for each of the portfolio segments: Corporate (including loan operations with objective evidence of impairment and individually significant loan operations but with no objective evidence of impairment), Individuals, Small and Medium Businesses and Foreign Units - Latin America. Each of the four portfolio segments responsible for defining the methodology to measure the allowance for loan losses is further divided into groups, including groups that develop the methodology and groups that validate the methodology. A centralized group in the credit risk area is responsible for measuring the allowance on a recurring basis following the methodologies developed and approved for each of the four segments.

The methodology is based on two components to determine the amount of the allowance: the probability of default by the client or counterparty (PD), and the potential and expected timing for recovery on defaulted credits (LGD) which are applied to the outstanding balance of the loan. Measurement and assessment of these risk components are part of the process for granting credit and for managing the portfolio. The estimated amounts of PD and LGD are measured based on statistical models that consider a significant number of variables which are different for each class and include, among others, income, equity, past loan experiences, level of indebtedness, economic sectors that affect collectability and other attributes of each counterparty and of the economic environment. These models are regularly updated for changes in economic and business conditions.

A model updating process is started when the modeling area identifies that it is not capturing, in a relatively short-time period, significant effects of the changes in economic conditions or when a change is made to the methodology for calculating the allowance for loan losses. When a change in the model is processed, the model is validated through back-testing, which is the process of periodically testing the models through comparison to historical data. Statistical models are applied to measure the model performance through detailed analysis of its documentation, describing step by step how the process is carried out to reach the updating of the model. This documentation enables an independent area to replicate the process. The area that validates the changes is separate and independent from the area that processes the changes. The models validation area issues a technical report on the assumptions used (integrity, consistency, and replicability of bases) and on the mathematical methodology adopted to change the model. Subsequently, the technical report is submitted to CTAM (Model assessment technical committee), which is the highest level for approval of model reviews.

Considering the different characteristics of the loans in each of the four portfolio segments (Corporate (with no objective evidence of impairment), Individuals, Small and Medium Businesses and Foreign Units - Latin America), different areas within the corporate credit risk area are held responsible for developing and approving the methodologies for loans in each of those four portfolio segments. Management believes that the fact that different areas focus on each of the four portfolio segments results in increased knowledge, specialization and awareness of the teams as to the factors that are more relevant for each portfolio segment in measuring the loan losses. Also, considering such different characteristics and other factors, different inputs and information are used to estimate the PD and LGD as further detailed below:

- Corporate (with no evidence of impairment) - The factors considered and inputs used are mainly the history of the customer relationship with us, the results of analysis of the customer’s financial statements and the information obtained from frequent contacts with its officers, aiming at understanding the strategy and the quality of its management. Additionally, industry and macroeconomic factors are also included in the analysis. All those factors (which are both quantitative and qualitative) are used as inputs to the internal model developed to determine the corresponding rating category. This approach is also applied to corporate credit portfolio outside Brazil.

- Individuals – Factors considered and inputs used are mainly the history of the customer relationship with us and information available through credit bureaus (negative information).

- Small/ Medium Businesses – Factors considered and inputs used include, in addition to the history of the customer relationship and credit bureau information about the customer's revenues, industry expertise and information about its shareholders and officers, amongst others.

- Foreign Loans - Latin America - Considering the relative smaller size of this portfolio and its more recent nature, the models are simpler and use the past-due *status* and an internal *rating* of the customer as the main factors.

Reversal, write-off and renegotiation

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment is reversed. The amount of reversal is recognized in the Consolidated Statement of Income under "Expense for allowance for loan losses".

When a loan is uncollectible, it is written off from the Balance Sheet against "Allowance for loan losses". Loans are written off 360 days after they become past due or 540 days in the case of loans original maturities over 36 months.

Renegotiated loans are not considered to be in default but are considered to be new loans. In subsequent periods, if the asset is considered as such, it will be disclosed as a non-performing loan when the renegotiated terms are not met.

IX. Other financial assets

ITAÚSA CONSOLIDATED presents these assets, as detailed in Note 21a, in the Consolidated balance sheet initially at fair value and subsequently at amortized cost using the effective interest method.

Interest income is recognized in the Consolidated Statement of Income under "Interest and Similar Income".

X. Financial liabilities at amortized cost

The financial liabilities that are not classified at fair value through profit or loss are classified into this category and initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Interest expense is presented in consolidated statement of income under "Interest and similar expense".

The following financial liabilities are presented in the Consolidated balance sheet and recognized at amortized cost:

- Deposits (Note 18);
- Securities sold under repurchase agreements (as previously described in item f);
- Funds from interbank markets;
- Funds from institutional markets;
- Liabilities for capitalization plans; and
- Other financial liabilities (Note 21b).

h) INVENTORIES

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined using the average cost of purchase or production. The cost of finished goods and products in progress comprises raw materials, direct labor, and other direct costs, excluding borrowing costs, and is recognized in income when products are sold. When applicable, a valuation allowance is recognized for inventories, products obsolescence and physical inventory losses.

Imports in transit are stated at the cost of each import.

The net realizable value is the selling price estimated in the ordinary course of business, less the applicable variable selling expenses.

i) INVESTMENTS IN UNCONSOLIDATED COMPANIES

Unconsolidated companies (the term ITAÚSA CONSOLIDATED uses for associates under CPC 18) are those companies in which the investor has significant influence, but does not have control. Significant influence is usually presumed to exist when an interest in voting capital from 20% to 50% is held. Investments in these companies are initially recognized at the cost of acquisition and subsequently accounted for using the equity method. Investments in unconsolidated companies include the goodwill identified upon acquisition, net of any cumulative impairment loss.

The share of ITAÚSA, and its subsidiaries, in the profits or losses of their unconsolidated companies after acquisition is recognized in the consolidated statement of income. The share of changes in the reserves of corresponding stockholders' equity of their unconsolidated companies is recognized in their own reserves in stockholders' equity. The cumulative changes after acquisition are adjusted against the carrying amount of the investment. When the share of ITAÚSA and its subsidiaries in the losses of an unconsolidated company is equal to or above their interest in the unconsolidated company, including any other receivables, ITAÚSA and its subsidiaries do not recognize additional losses, unless they have incurred any obligations or made payments on behalf of the unconsolidated company.

Unrealized gains on transactions between ITAÚSA CONSOLIDATED and its unconsolidated companies are eliminated to the extent of the interest of ITAÚSA CONSOLIDATED. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The accounting policies of unconsolidated companies were changed, when necessary, to ensure consistency with the policies adopted by ITAÚSA CONSOLIDATED.

If the interest in the unconsolidated company decreases, but ITAÚSA CONSOLIDATED retains significant influence, only a proportional amount of the previously recognized amounts in “Other comprehensive income” is reclassified to Income, when appropriate.

Gains and losses from dilution arising from investments in unconsolidated companies are recognized in the Consolidated Statement of Income.

j) LEASE COMMITMENTS (as lessee)

As a lessee, ITAÚSA CONSOLIDATED has finance and operating lease agreements.

ITAÚSA CONSOLIDATED leases certain fixed assets. Leases of fixed assets in which Itaú Unibanco Holding holds substantially all risks and rewards incidental to the ownership are classified as finance lease. They are capitalized on the commencement date of the leases at the lower of the fair value of the asset and the present value of the minimum future lease payments.

Each lease installment is allocated partially to the liability and partially to financial charges, so that a constant rate is obtained for the outstanding debt balance. The corresponding obligations, net of future financial charges, are included in Other financial liabilities. The interest expense is recognized in the Consolidated statement of income over the lease term, to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Fixed assets acquired through finance lease are depreciated over their useful lives.

In case of operations carried out by ITAÚSA CONSOLIDATED classified as operating lease, expense is recognized in the Consolidated statement of income, on a straight-line method, over the period of lease.

When an operating lease is terminated before the end of the lease term, any payment to be made to the lessor as a penalty is recognized as an expense in the period the termination occurs.

k) FIXED ASSETS

In accordance with CPC 27 – “Property, plant and equipment”, fixed assets are recognized at cost of acquisition less accumulated depreciation, which is calculated using the straight-line method and rates based on the estimated useful lives of these assets. Such rates are presented in Note 15.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

ITAÚSA CONSOLIDATED reviews its assets in order to identify whether any indication of impairment exists. If such indications are identified, fixed assets are tested for impairment. In accordance with CPC 01 – "Impairment of assets", impairment losses are recognized at the amount for which the carrying amount of the asset (or group of assets) exceeds the recoverable amount, and they are recognized in the Consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest level for which independent cash flows can be identified (cash-generating units.) The assessment can be made at an individual asset level when the fair value less its cost to sell can be determined reliably.

ITAUSA CONSOLIDATED did not recognize impairment losses in the periods ended June 30, 2012 or June 30, 2011.

Gains and losses on disposals of fixed assets are recognized in the Consolidated Statement of Income under "Other operating income" or "General and administrative expenses".

l) GOODWILL

In accordance with CPC 15 – "Business Combination", goodwill represents the excess of the cost of an acquisition over the fair value of net identifiable assets and liabilities of the acquired entity at the date of acquisition. Goodwill is not amortized, but its recoverable amount is tested for impairment annually or when there is any indication of impairment, using an approach that involves the identification of cash-generating units and estimates of fair value less cost to sell and/or value in use.

As defined in CPC 01, a cash-generating unit is the lowest identifiable group of assets that generates cash flows that are independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination.

CPC 01 determines that an impairment loss shall be recognized for a cash-generating unit if the recoverable amount of the cash-generating unit is less than its carrying amount. The loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro rata basis of the carrying amount of each asset. The loss cannot reduce the carrying amount of an asset below the higher of its fair value less costs to sell and its value in use. The impairment loss of goodwill cannot be reversed.

Goodwill of unconsolidated companies is reported as part of the investments in the Consolidated Balance Sheet under "Investments in unconsolidated companies", and the impairment test is carried out in relation to the total balance of the investments (including goodwill).

m) INTANGIBLE ASSETS

Intangible assets are non-physical assets, including software and other assets, and are initially recognized at cost. Intangible assets are recognized when they arise from legal or contractual rights, their costs can be reliably measurable, and in the case of intangible assets not arising from separate acquisitions or business combinations, it is probable that future economic benefits may arise from their use. The balance of intangible assets refers to acquired assets or those that are internally generated.

Intangible assets may have finite or indefinite useful lives. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested annually in order to identify any impairment.

ITAÚSA and its subsidiaries semiannually assess their intangible assets in order to identify whether any indications of impairment exist, as well as the possible reversal of previous impairment losses. If such indications are found, intangible assets are tested for impairment. In accordance with CPC 01, impairment losses are recognized as the difference between the carrying and recoverable amount of an asset (or group of assets) in the Consolidated Statement of Income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For the purpose of assessing an impairment, assets are grouped into the minimum level for which cash flows can be identified (cash-generating units). The assessment can be made at an individual asset level when the fair value less its cost to sell can be determined reliably.

In the period ended June 30, 2012, ITAÚSA CONSOLIDATED recognized impairment losses in the amount of R$ 1, related to the association for the promotion and offer of financial products and services, caused by results below expectations (R$ 6 at June 30, 2011 refers to acquisition of rights to payroll and associations).

As provided for in CPC 4, ITAÚ UNIBANCO HOLDING chose the cost model to measure its intangible assets after their initial recognition.

n) ASSETS HELD FOR SALE

Assets held for sale are recognized in the Consolidated Balance Sheet when they are actually repossessed or there is an intention to sell. These assets are initially recorded at their fair value.

Subsequent reductions in the carrying value of the asset are recorded as losses due to decreases in fair value less costs to sell, in the Consolidated statement of income under “Other operating expenses”. In the case of recovery of the fair value less cost to sell, the recognized losses can be reversed.

o) INCOME TAX AND SOCIAL CONTRIBUTION

There are two components to the provision for income tax and social contribution: current and deferred.

Current income tax expense approximates taxes to be paid or recovered for the applicable period. Current assets and liabilities are recorded in the balance sheet under “Tax assets – Income tax and social contribution - current” and “Tax liabilities – Income tax and social contribution - current”, respectively.

Deferred income tax and social contribution represented by deferred tax assets and liabilities are based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements at each year-end. Deferred tax assets, including those arising from tax losses, are only recognized when it is probable that future taxable income will be available for offset. Deferred tax assets and liabilities are recognized in the Balance Sheet under “Tax assets – income tax and social contribution – deferred” and “Tax liabilities – income tax and social contribution - deferred”, respectively.

Income tax and social contribution expenses are recognized in the Consolidated statement of income under “income tax and social contribution”, except when it refers to items directly recognized in Cumulative comprehensive income, such as: deferred tax on fair value measurement of available-for-sale financial assets, and tax on cash flow hedges. Deferred taxes of such items are initially recognized in Cumulative comprehensive income and subsequently recognized in Income together with the recognition of the gain/loss originally deferred.

Changes in tax legislation and rates are recognized in the Consolidated statement of income under “Income tax and social contribution” in the period in which they are enacted. Interest and fines are recognized in the Consolidated statement of income under “General and administrative expenses”. Income tax and social contribution are calculated at the rates shown below, considering the respective taxable bases, based on the current legislation related to each tax, which, in the case of the operations in Brazil, are for all the reporting periods as follows:

	2012 and 2011
Income tax	15%
Additional income tax	10%
Social contribution (*)	9%

(*) From May 5, 2008, for financial subsidiaries and similar companies, the rate was changed from 9% to 15% as provided for by articles 17 and 41 of Law No. 11,727 of June 24, 2008.

In order to determine the proper level of provisions for taxes to be maintained for uncertain tax positions, a two-phased approach was applied, according to which a tax benefit is recognized if it is more probable than not that a position can be sustained. The benefit amount is then measured to be the highest tax benefit when its probability of realization is over 50%. Interest and penalties on income tax and social contribution are treated as a non-financial expense.

p) INSURANCE CONTRACTS AND PRIVATE PENSION

CPC 11 – “Insurance contracts” defines an insurance as a contract under which the issuer accepts a significant insurance risk of the counterparty, by agreeing to compensate it if a future specific uncertain event affects it adversely.

ITAÚSA CONSOLIDATED, through the subsidiaries of Itaú Unibanco Holding, issues contracts to clients that have insurance risks, financial risks or a combination of both. A contract under which ITAÚSA CONSOLIDATED accepts significant insurance risk from its clients and agrees to compensate them upon the occurrence of a given specific uncertain future event is classified as an insurance contract. The insurance contract may also transfer a financial risk, but is accounted for as an insurance contract should the insurance risk be significant.

Investment contracts are those that transfer a significant financial risk. Financial risk is the risk of a future change in one or more variables, such as interest rate, price of financial assets, price of commodities, foreign exchange rate, index of prices or rates, credit risk rating, credit index or another variable.

Investment contracts may be reclassified as insurance contracts after their initial classification should the insurance risk become significant.

Investment contracts with discretionary participation characteristics are financial instruments, but they are treated as insurance contracts, as established by CPC 11.

Once the contract is classified as an insurance contract, it remains as such until the end of its life, even if the insurance risk is significantly reduced during this period, unless all rights and obligations are extinguished or expire.

Note 29 presents a detailed description of all products classified as insurance contracts.

Private pension plans

In accordance with CPC 11, an insurance contract is one that exposes its issuer to a significant insurance risk. An insurance risk is significant only if the insured event could cause an issuer to pay significant additional benefits in any scenario, except for those that do not have commercial substance. Additional benefits refer to amounts that exceed those that would be payable if no insured event occurred.

Contracts that contemplate retirement benefits after an accumulation period (known as PGBL, VGBL and FGB) assure, at the commencement date of the contract, the basis for calculating the retirement benefit (mortality table and minimum interest). The contracts specify the annuity fees, and, therefore, the contract transfers the insurance risk to the issuer at the commencement date, and they are classified as insurance contracts.

The payment of additional benefit is considered significant in all scenarios with commercial substance, since survival of beneficiaries may exceed the survival estimates in the actuarial table used to define the benefit agreed in the contract. The option of conversion into a fixed amount to be paid for the life of the beneficiary is not available and all contracts give the right to the counterparty to choose a life annuity benefit.

Insurance premiums

Insurance premiums are recognized over the period of the contracts in proportion to the amount of the insurance coverage. Insurance premiums are recognized as income in the consolidated statement of income.

If there is evidence of impairment loss to receivables from insurance premiums, ITAÚSA CONSOLIDATED recognizes a provision sufficient to cover this loss, based on the analysis of realization of insurance premiums receivable with installments overdue for over 60 days.

Reinsurance

Reinsurance premiums are recognized in income over the same period in which the related insurance premiums are recognized in the Statement of Income.

In the ordinary course of business, ITAÚSA CONSOLIDATED reinsures a portion of the risks underwritten, particularly property and casualty risks that exceed the maximum limits of responsibility that we determine to be appropriate for each segment and product (after a study which considers size, experience, specificities and necessary capital to support these limits). ITAÚSA CONSOLIDATED reinsures most of its risks with IRB Brasil Resseguros S.A., an entity controlled by the Brazilian government. These reinsurance agreements allow the recovery of a portion of the losses from the reinsurer, although they do not release the insurer from the main obligation as the direct insurer of the risks contemplated in the reinsurance.

Reinsurance assets are valued according to consistent basis of risk assignment contracts, and in the event of loss effectively paid are revalued after 365 days elapse in relation to the possibility of non-recovery of such losses. In the event of uncertainty, these assets are reduced based on the provision recognized for credit risk associated which reinsurance.

Acquisition Costs

Acquisition costs include direct and indirect costs related to the origination of insurance. These costs, except for the commissions paid to brokers and others, are expensed directly in income as incurred. Commissions, on the other hand, are deferred and expensed in proportion to the recognition of the premium revenue, i.e. over the period of the corresponding insurance contract.

Liabilities

Reserves for insurance claims are established based on historical experience, claims in the process of payment, estimated amounts of claims incurred but not yet reported, and other factors relevant to the levels of reserves required. A liability for premium deficiency is recognized if the estimated amount of premium deficiency exceeds deferred acquisition costs. Expenses related to recognition of liabilities for insurance contracts are recognized in the consolidated statement of income under, “Change in reserves for insurance and private pension”.

Embedded derivatives

ITAÚSA analyzes all contracts in order to check for any embedded derivatives. In cases where these derivatives meet the definition of insurance contracts on their own, we do not separate them. We have not identified any embedded derivatives in our insurance contracts, which may be separated or measured at fair value in accordance with CPC 11 requirements.

Liability adequacy test

CPC 11 requires that insurance companies analyze the adequacy of their insurance liabilities in each reporting period through a minimum adequacy test. The liability adequacy test for IFRS was conducted by adopting the current actuarial assumptions for future cash flows of all insurance contracts in force on the balance sheet date.

As a result of this test, if the assessment shows that the carrying amount of the insurance liabilities (deducting deferred acquisition costs of contracts and related intangible assets) is lower than the estimated future cash flows, any identified deficiency (after recording the deferred acquisition costs and intangible assets related to deficit portfolios, in compliance with the accounting policy) will have to be immediately recognized in income for the period. In order to perform the adequacy test, insurance contracts are grouped in portfolios that are broadly subject to similar risks and for which risks are jointly managed as a single portfolio. The test covers property as well as life insurance and pension plan.

The assumptions used to conduct the liability adequacy test are detailed in Note 29.

q) CAPITALIZATION PLANS

ITAÚSA, through Itaú Unibanco Holding, sells capitalization certificates, in which clients deposit specific amounts, depending on the plan, which are redeemable at the original amount plus interest. Clients enter, during the term of the plan, into raffles of cash prizes.

While for regulatory purposes in Brazil they are regulated by the insurance regulator, these plans do not meet the definition of insurance contract under CPC 11, and therefore are classified as a financial liability at amortized cost under CPC 39.

Revenue from capitalization plans is recognized during the period of the contract and measured as the difference between the amount deposited by the client and the amount that ITAÚSA has to reimburse. We recognize as an expense the liability for cash prizes measured actuarially.

r) EMPLOYEE BENEFITS

ITAÚSA and its subsidiaries are required to make contributions to the social security and labor indemnity plans, in Brazil and in other countries where they operate, which are expensed in the Consolidated statement of income as an integral part of “General and administrative expenses”, when incurred. These contributions totaled R$ 268 from January 1 to June 30, 2012 (R$ 127 from January 1 to June 30, 2011).

Additionally, ITAÚSA and its subsidiaries sponsor defined benefit plans and defined contribution plans, accounted for pursuant to CPC 33.

Pension plans - defined benefit plans

The liability (or asset, as the case may be) recognized in the consolidated balance sheet with respect to defined benefit plans corresponds to the present value of the defined benefit obligations less the fair value of the plan assets. The defined benefit obligation is calculated annually by an independent actuarial company using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated amount of future cash flows of benefit payments based on the Brazilian government securities denominated in reais and with maturity periods similar to the term of the pension plan liabilities.

Actuarial gains and losses are fully recognized in income in the period in which they arise under “General and administrative expenses – Retirement plans and post-employment benefits”.

The following amounts are recognized in the consolidated statement of income:

- the expected return on plan assets, and gains or losses corresponding to the difference between expected and actual returns;
- Actuarial gains and losses are defined as those that result from differences between the previous actuarial assumptions and what has actually occurred and include the effects of changes in actuarial assumptions;
- Current service cost – defined as the increase in the present value of obligations resulting from employee service in the current period;
- Past service cost – represents the change in the present value of defined benefit obligations caused by employee service in prior periods, which affects the current period.
- Interest cost – defined as the increase during the year in the present value of obligations which arise from the passage of time.

In accordance with CPC 33, a curtailment is an event that significantly decreases the years of future service by current employees or that eliminates or reduces, for a significant number of employees, the qualification for benefits for all or part of future services. Settlement is a transaction in which an irrevocable action relieves the employer (or plan) of the primary responsibility for a pension or post-retirement benefit, and therefore eliminates significant risks related to the obligation and to the related assets.

A gain or loss from the curtailment of a plan is the sum of two elements: (a) the recognition in income of deferred past service cost associated with the years of service that no longer will have to be provided, and (b) the change in the projected benefit obligation. If the curtailment causes the reduction of the defined benefit obligation, the result will be a curtailment gain. If the curtailment causes the increase of the projected defined benefit obligation, the result will be a curtailment loss.

Upon settlement, a gain or loss will be recognized.

Pension plans - defined benefit plans

For the defined contribution plans, contributions to the plan made by ITAÚSA and its subsidiaries are recognized as an expense when due.

Other post-employment benefit obligations

Certain companies merged into ITAÚSA over the past few years were sponsors of post-employment healthcare benefit plans, and ITAÚSA is committed as per the acquisition contracts to maintain such benefits over a specific period. Such benefits are also accounted for in accordance with CPC 33, in a manner similar to defined benefit plans.

s) STOCK BASED COMPENSATION

Stock-based compensation is accounted for in accordance with CPC 10 - “Share-based payment”, which requires the entity to measure the value of equity instruments granted, based on their fair value at the option grant date. This cost is recognized during the vesting period of the right to exercise the instruments.

The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any service and non-market performance vesting conditions (notably an employee remaining in the entity over a specified time period). The fulfillment of non-market vesting conditions is included in the presumptions about the number of options that are expected to be exercised. At the end of each period, the entity revises its estimates for the number of options that are expected to be exercised based on non-market vesting conditions. It recognizes the impact of the revision of the original estimates, if any, in the statement of income, with a corresponding adjustment to the stockholders’ equity.

When the options are exercised, ITAÚ UNIBANCO HOLDING generally delivers treasury shares to the beneficiaries.

The fair value of stock options is estimated by using option pricing models that take into account the exercise price of the option, the current stock price, the risk-free interest rate, the expected volatility of the stock price and the life-span of the option.

All stock based compensation plans established by Itaú Unibanco Holding correspond to plans that can be settled exclusively through the delivery of shares – Note 23.

t) FINANCIAL GUARANTEES

In accordance with CPC 38, the issuer of a financial guarantee contract has an obligation and should recognize it initially at its fair value. Subsequently, this obligation should be measured at the amount initially recognized less accumulated amortization and the amount determined pursuant to CPC 25 – “Provisions, contingent liabilities and contingent assets”, whichever is higher.

ITAÚSA and its subsidiaries recognize the fair value of the guarantees issued in the Consolidated Balance Sheet under “other liabilities”, on the issue date. Fair value is generally represented by the fee charged to client for issuing the guarantee. This amount is amortized over the life of the guarantee issued and recognized in the Consolidated Statement of Income under “Banking service fees”.

After issuance, if based on the best estimate we conclude that the occurrence of a loss regarding a guarantee issued is probable, and if the loss amount is higher than the initial fair value less cumulative amortization of the guarantee, a provision is recognized for such amount.

u) PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

These are assessed, recognized and disclosed in accordance with CPC 25. Contingent assets and contingent liabilities are potential rights and obligations arising from past events for which materialization depends on future events.

Contingent assets are not recognized in the consolidated financial statements, except when Management of ITAÚSA understands that realization is virtually certain, which generally corresponds to lawsuits with favorable rulings in final and unappealable judgments, withdrawal from lawsuits as a result of a payment in settlement or as a result of an agreement to offset against an existing liability.

Contingent liabilities mainly arise from administrative proceedings and lawsuits, inherent in the ordinary course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, and tax and social security claims.

These contingencies are evaluated based on Management's best estimates, taking into account the opinion of legal counsel when there is a likelihood that financial resources are required to settle the obligations and the amounts can be estimated with reasonable certainty.

Contingent losses are classified as:

- Probable: those to which liabilities are recognized in the Consolidated Balance Sheet under "Provisions";
- Possible: those to which details are disclosed in the financial statements, but no provision is recorded; and
- Remote: those to which do not require a provision or disclosure.

Contingent liabilities recorded under "Provisions" and those disclosed as possible are measured using best estimates through the use of models and criteria which allow their appropriate measurement even if there is uncertainty as to their ultimate timing and amount, and the criteria are detailed in Note 31.

The amount of legal escrow deposits is updated in accordance with current legislation.

Contingent liabilities guaranteed by indemnity clauses provided by third parties, such as in business combinations carried out before the transition date to IFRS, are recognized when a claim is asserted, and a receivable is recognized simultaneously subject to its collectability. For business combinations carried out after the transition date, indemnification assets are recognized at the same time and measured on the same basis as the indemnified item, subject to collectability or contractual limitations on the indemnified amount.

v) CAPITAL AND TREASURY SHARES

Capital

Common and preferred shares, which are considered common shares but without voting rights, are classified in stockholders' equity. The additional costs directly attributable to the issue of new shares are included in stockholders' equity as a deduction from the amount raised, net of taxes.

Treasury shares

Common and preferred shares repurchased are recorded in Stockholders' Equity under Treasury Shares at their average purchase price.

Treasury shares that are subsequently sold, such as those sold to grantees under our Stock Option Plan, are recorded as a reduction in treasury shares, measured at the average price of treasury stock held at such date.

The difference between the sale price and the average price of the treasury shares is recorded as a reduction or increase in "Additional Paid-in Capital" depending upon the circumstance. The cancellation of treasury shares is recorded as a reduction in treasury shares against Appropriated Reserves, at the average price of treasury shares at the cancellation date.

w) DIVIDENDS AND INTEREST ON CAPITAL

Pursuant to the Company's bylaws, stockholders are entitled to a mandatory minimum dividend of 25% of the net income for the year with quarterly payments, adjusted in accordance with the legislation in force. Minimum dividend amounts established in the bylaws are recorded as liabilities at the end of each quarter. Any other amount above the mandatory minimum dividend is accounted for as a liability when approved by the stockholders at a Stockholder´s Meeting. Since January 1, 1996, Brazilian companies have been permitted to attribute a tax-deductible nominal interest rate charge on net equity (called interest on capital).

For accounting purposes interest on capital is treated as a dividend and is presented as a reduction of stockholders' equity in the Consolidated Financial Statements. The related tax benefit is recorded in the Consolidated Statement of Income.

x) EARNINGS PER SHARE

Earnings per share are computed by dividing net income attributable to the owners of ITAÚSA by the weighted average number of common and preferred shares outstanding for each reporting period. Weighted average shares are computed based on the periods for which the shares were outstanding.

Earnings per share are presented based on the two types of stock issued by ITAÚSA. Both types, common and preferred, participate in dividends on substantially the same basis, except that preferred shares are entitled to a priority non-cumulative minimum annual dividend of R$ 0,015 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚSA after giving effect to the preference indicated above, without regard to whether the earnings will ultimately be fully distributed. Earnings per share amounts have been determined as if all earnings were distributed and computed following the requirements of CPC 41 – “Earnings per share”.

ITAÚSA grants stock-based compensation whose dilutive effect is reflected in diluted earnings per share, with the application of the “treasury stock method”. Under the treasury stock method, earnings per share are calculated as if all options had been exercised and as if the received proceeds (funds to be received upon exercise of the stock options and the amount of compensation cost attributed to future services and not yet recognized) had been used to purchase ITAÚSA’s own shares.

y) REVENUES

I) Sales of products and services

Sales revenue is calculated on an accrual basis of accounting.

Sales of products

Revenues from sale of products are recognized in income at the time all risks and benefits inherent in the product are transferred to the purchaser. Revenues are not recognized if there is a significant uncertainty as to their realization.

Sales of services

ITAÚSA CONSOLIDATED, through its subsidiary Itautec S.A., provides services in the automation and computing segments. Revenue is generally recognized based on the services provided so far.

II) REVENUE FROM SERVICES – ITAÚ UNIBANCO HOLDING

Itaú Unibanco Holding provides a number of services to its clients, such as investment management, credit card, investment banking and commercial banking services.

Services related to current accounts are offered to clients either in the formal packages or individually. Revenues from services related to current accounts are recognized when such services are provided.

Revenue from certain services such as fees from funds management, performance, collection for retail clients, custody, and those related to credit cards is recognized over the life of the related contracts on a straight-line basis.

z) SEGMENT INFORMATION

CPC 22 – “Segment Information” determines that operating segments be disclosed consistently with the information provided to the chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. ITAÚSA considers that its Board of Directors is the chief operating decision maker.

ITAÚSA has the following business segments: Financial and Industrial Service Area, subdivided into Duratex, Itautec and Elekeiroz.

Segment information is presented in Note 32.

NOTE 03 - CASH AND CASH EQUIVALENTS

For the purpose of consolidated statements of cash flows, cash and cash equivalents of ITAÚSA CONSOLIDATED comprises the following items (amounts with original maturity terms are equal to or less than 90 days):

	06/30/2012	12/31/2011
Cash and deposits on demand	5,181	3,994
Interbank deposits	5,195	6,967
Securities purchased under agreements to resell	10,742	3,136
Total	**21,118**	**14,097**

At June 30, 2012 a amounts related to interbank deposits and securities purchased under agreements to resell over 90 days are R$ 3,958 (R$ 3,277at December 31, 2011) and R$ 25,181 (R$ 31,865 at December 31, 2011)

NOTE 04 - CENTRAL BANK COMPULSORY DEPOSITS

	06/30/2012	12/31/2011
Non-interest bearing deposits	1,939	2,110
Interest-bearing deposits	25,252	33,995
Total	**27,191**	**36,105**

NOTE 05 – INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

ITAÚ UNIBANCO HOLDING	06/30/2012			12/31/2011		
	Current	Non-current	Total	Current	Non-current	Total
Interbank deposits	22,239	2,642	24,881	25,384	2,437	27,821
Securities purchased under agreements to resell (*)	97,645	-	97,645	92,248	-	92,248
Total	**119,884**	**2,642**	**122,526**	**117,632**	**2,437**	**120,069**
Share of Itaúsa		36.79%			36.82%	
	44,104	**972**	**45,076**	**43,314**	**897**	**44,212**
Itaúsa and industrial companies	760	-	760	1,033	-	1,033
Total	**44,864**	**972**	**45,836**	**44,347**	**897**	**45,245**

(*) The amount of R$ 11,432 (R$ 7,046 at December 31,2011) is pledged in guarantee of operations on BM&F Bovespa S.A. - Bolsa de Valores, Mercadorias e Futuros (Brazilian Securitis, Commodities and Futures Exchange) and the Central Bank of Brazil (BACEN) and R$ 44,661 (R$ 49,701 at December 31, 2011) is pledged in guarantee of operations under repurchase agreements, in compliance with the policies described in Note 2.4f, reflected in the Consolidated of Itaúsa proportionally: R$ 4,206 (R$ 2,595 at December 31, 2011) and R$ 16,431 (R$ 18,301 at December 31,2011).

NOTE 06 – FINANCIAL ASSETS HELD FOR TRADING AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Financial assets held for trading recognized at their fair value are presented in the following table:

ITAÚ UNIBANCO HOLDING	06/30/2012			
	Cost/ Amortized cost	Unrealized results		Fair Value
		Gain	Loss	
Investment funds	1,806	52	(10)	1,848
Brazilian government securities (1a)	93,078	378	(22)	93,434
Brazilian external debt bonds	1,179	49	(1)	1,227
Government securities – abroad (1b)	**857**	**22**	**(6)**	**873**
Argentina	103	7	(6)	104
United States	300	11	-	311
Mexico	138	2	-	140
Chile	128	1	-	129
Uruguay	36	-	-	36
Colombia	142	1	-	143
Other	10	-	-	10
Corporate securities (1c)	**28,285**	**102**	**(157)**	**28,230**
Shares	1,787	72	(124)	1,735
Securitized real estate loans	24	-	-	24
Bank deposit certificates	5,840	-	-	5,840
Debentures	3,571	6	-	3,577
Eurobonds and other	1,641	23	(33)	1,631
Financial credit bills	14,290	-	-	14,290
Other	1,132	1	-	1,133
TOTAL	**125,205**	**603**	**(196)**	**125,612**
Share of Itaúsa – 36.79%	**46,062**	**222**	**(72)**	**46,212**
Other Companies	**76**	**23**	**-**	**99**
TOTAL	**46,138**	**245**	**(72)**	**46,311**

(1) Financial assets held for trading pledged in guarantee of funding of financial institutions and clients at June 30, 2012 were: a) R$ 13,574, b) R$ 91 and c) R$ 0, totaling R$ 13,665, reflected in Consolidated of Itaúsa proportionally as: a) R$ 4,994, b) R$ 33 and c) R$ 0, totaling R$ 5,027.

ITAÚ UNIBANCO HOLDING	12/31/2011			
	Cost/ Amortized cost	Unrealized results		Fair Value
		Gain	Loss	
Investment funds	1,326	35	(22)	1,339
Brazilian government securities (1a)	93,914	184	(184)	93,914
Brazilian external debt bonds (1b)	868	42	-	910
Government securities – abroad (1c)	**787**	**28**	**(13)**	**802**
Argentina	226	12	(13)	225
United States	280	12	-	292
Mexico	201	4	-	205
Chile	50	-	-	50
Uruguay	27	-	-	27
Other	3	-	-	3
Corporate securities (1d)	**24,965**	**84**	**(125)**	**24,924**
Shares	2,325	69	(97)	2,297
Securitized real estate loans	23	1	-	24
Bank deposit certificates	7,820	-	-	7,820
Debentures	3,525	2	(1)	3,526
Eurobonds and other	1,446	12	(27)	1,431
Financial credit bills	8,973	-	-	8,973
Other	853	-	-	853
TOTAL	**121,860**	**373**	**(344)**	**121,889**
Share of Itaúsa – 36.79%	**44,871**	**137**	**(127)**	**44,882**
Other Companies	**169**	**50**	**(52)**	**167**
TOTAL	**45,040**	**187**	**(179)**	**45,049**

(1) Financial assets held for trading pledged in guarantee of funding of financial institutions and clients at December 31, 2011 were: a) R$ 12,010, b) R$ 84 and c) R$ 48, reflected in the Consolidated of Itaúsa proportionally as: a) R$ 4,422, b) R$ 31 and c) R$ 18.

Realized gains and losses

ITAÚ UNIBANCO HOLDING	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Financial assets held-for-trading				
Gain	1,082	2,209	181	513
Loss	(751)	(1,209)	(1,032)	(1,453)
TOTAL	**331**	**1,000**	**(851)**	**(940)**
Share of Itaúsa – 36.79% in Jun/12 and 36.65% in Jun/11	122	368	(312)	(345)
TOTAL	**122**	**368**	**(312)**	**(345)**

The amortized cost and fair value of financial assets held for trading, by maturity, are as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012		12/31/2011	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Current	**45,335**	**45,340**	**37,701**	**37,706**
Without maturity	3,593	3,584	3,650	3,635
Up to one year	41,742	41,756	34,051	34,071
Non-current	**79,870**	**80,272**	**84,159**	**84,183**
From one to five years	62,956	63,244	72,064	72,088
From five to ten years	8,938	9,001	8,570	8,550
Over ten years	7,976	8,027	3,525	3,545
TOTAL	**125,205**	**125,612**	**121,860**	**121,889**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**46,062**	**46,212**	**44,871**	**44,882**
Other Companies	**76**	**99**	**169**	**167**
	46,138	**46,311**	**45,040**	**45,049**

(*) Financial assets held for trading include assets of exclusive funds that belong to Itaú Vida e Previdência S.A. with a fair value of R$ 65,606 (R$ 57,734 at December 31, 2011), reflected in the Consolidated of Itaúsa proportionally by R$ 24,136 and (R$ 21,259 at December 31, 2011). The return on those assets (positive or negative) is fully transferred to customers of PGBL and VGBL private pension plans whose premiums (less fees charged by us) are used by our subsidiary to purchase quotas of those investment funds.

b) Financial assets designated at fair value through profit or loss are presented in the following table:

ITAÚ UNIBANCO HOLDING	06/30/2012			
	Cost/ Amortized cost	Unrealized results		Fair Value
		Gain	Loss	
Brazilian external debt bonds	205	4	-	209
Share of Itaúsa – 36.79%	**75**	**1**	**-**	**77**
TOTAL	**75**	**1**	**-**	**77**

ITAÚ UNIBANCO HOLDING	12/31/2011			
	Cost/ Amortized cost	Unrealized results		Fair Value
		Gain	Loss	
Brazilian external debt bonds	182	4	-	186
Share of Itaúsa – 36.82%	**68**	**1**	**-**	**69**
TOTAL	**68**	**1**	**-**	**69**

Realized gains and losses

ITAÚ UNIBANCO HOLDING	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/31/12	01/01 to 06/30/2011
Gain	4	9	4	10
TOTAL	**4**	**9**	**4**	**10**
Share of Itaúsa – 36.79% in June 2012 and 36.65% in June 2011	**1**	**3**	**1**	**4**
TOTAL	**1**	**3**	**1**	**4**

The amortized cost and fair value of financial assets designated at fair value through profit or loss, by maturity, were as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012		12/31/2011	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Non-current	**205**	**209**	**182**	**186**
Over ten years	205	209	182	186
Share of Itaúsa - 36.79% in Jun/12 and 36.82% in Dec/11	**75**	**77**	**68**	**69**
TOTAL	**75**	**77**	**68**	**69**

NOTE 07 – DERIVATIVES

ITAÚSA, through its subsidiary Itaú Unibanco Holding enters into derivative financial instruments with various counterparties to manage its overall exposures and to assist its customers in managing their own exposures. The main derivative financial instruments negotiated are the following:

Futures - Interest rate and foreign currency futures contracts are commitments to buy or sell a financial instrument at a future date, at a contracted price or yield, and may be settled in cash or through delivery. The notional amount represents the face value of the underlying instrument. Commodity futures contracts or financial instruments are commitments to buy or sell commodities (mainly gold, coffee and orange juice), at a future date, at a contracted price, which are settled in cash. The notional amount represents the quantity of such commodities multiplied by the future price at the contract date. Daily cash settlements of price movements are made for all instruments.

Forward - Interest forward contracts are agreements to exchange payments on a specified future date, based on a market change in interest rates from trade date to contract settlement date. Foreign exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price, at an agreed settlement date. Financial instrument forward contracts are commitments to buy or sell a financial instrument on a future date at a contracted price and are settled in cash.

Swaps - Interest rate and foreign exchange swap contracts are commitments to settle in cash at a future date or dates, based on differentials between specified financial indices (either two different interest rates in a single currency or two different rates each in a different currency), as applied to a notional principal amount. Swap contracts presented in Other in the table below correspond substantially to inflation rate swap contracts.

Options - Option contracts give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time a financial instrument including a flow of interest, foreign currencies, commodities, or financial instruments at a contracted price that may also be settled in cash, based on differentials between specific indices.

Credit Derivatives – Credit derivatives are financial instruments which value results from the credit risk associated to the debt issued by a third party (the reference entity), which permits that a party (the purchaser of hedge) transfers the risk to the counterparty (the seller of the hedge). The seller of the hedge should make payments as set forth in the contract when the reference entity undergoes a credit event, such as bankruptcy, default or debt restructuring. The seller of the hedge receives a premium for the hedge, but, on the other hand, assumes the risk that the underlying asset referenced in the contract undergoes a credit event, and the seller would have to make the payment to the purchaser of the hedge, which could be a notional amount of the credit derivative.

The total value of margins pledged in guarantee by ITAÚSA and its subsidiaries proportional to their share was R$ 1,506 at June 30, 2012 (R$ 3,029 at December 31, 2011) and was mainly comprised of government securities.

The following table shows the composition of derivatives by index:

ITAÚ UNIBANCO HOLDING	Off-balance sheet Notional amount	Amortized cost	Gains / Losses	Fair value
	06/30/2012	06/30/2012	06/30/2012	06/30/2012
Futures contracts	**378,074**	**652**	**(69)**	**583**
Purchase commitments	**146,230**	**(530)**	**(67)**	**(597)**
Foreign currency	7,025	(351)	(74)	(425)
Interbank market	117,292	21	-	21
Indices	16,932	(199)	8	(191)
Securities	4,524	-	(8)	(8)
Commodities	457	(1)	7	6
Commitments to sell	**231,844**	**1,182**	**(2)**	**1,180**
Foreign currency	13,007	419	3	422
Interbank market	131,510	(12)	-	(12)
Indices	80,989	775	(4)	771
Securities	6,163	-	2	2
Commodities	175	-	(3)	(3)
Swap contracts		**(597)**	**(134)**	**(731)**
Asset position	**109,629**	**2,248**	**1,166**	**3,414**
Foreign currency	8,692	745	35	780
Interbank market	40,309	307	12	319
Fixed rate	28,495	338	390	728
Floating rate	4,034	12	2	14
Indices	27,755	799	709	1,508
Commodities	4	-	-	-
Other	-	-	3	3
Liability position	**110,226**	**(2,845)**	**(1,300)**	**(4,145)**
Foreign currency	12,540	(1,195)	132	(1,063)
Interbank market	26,466	(62)	5	(57)
Fixed rate	31,696	(444)	(490)	(934)
Floating rate	6,296	(102)	(1)	(103)
Indices	32,632	(943)	(970)	(1,913)
Securities	507	(99)	24	(75)
Commodities	72	-	-	-
Other	17	-	-	-
Option contracts	**1,349,395**	**412**	**(537)**	**(125)**
Purchase commitments – long position	**309,581**	**938**	**(208)**	**730**
Foreign currency	16,408	665	(25)	640
Interbank market	65,253	97	(83)	14
Floating rate	323	2	(2)	-
Indices	225,804	126	(97)	29
Securities	688	27	6	33
Commodities	971	20	(9)	11
Other	134	1	2	3
Commitments to sell – long position	**435,550**	**1,316**	**464**	**1,780**
Foreign currency	11,496	162	(31)	131
Interbank market	46,387	282	99	381
Floating rate	1,059	1	-	1
Indices	372,152	654	225	879
Securities	2,845	151	146	297
Commodities	1,188	26	(6)	20
Other	423	40	31	71
Purchase commitments – short position	**196,191**	**(803)**	**83**	**(720)**
Foreign currency	10,579	(408)	(202)	(610)
Interbank market	40,721	(72)	57	(15)
Indices	144,029	(303)	243	(60)
Securities	590	(10)	(14)	(24)
Commodities	140	(9)	1	(8)
Other	132	(1)	(2)	(3)
Commitments to sell - short position	**408,073**	**(1,039)**	**(876)**	**(1,915)**
Foreign currency	8,322	(185)	81	(104)
Interbank market	61,875	(123)	(455)	(578)
Indices	335,975	(546)	(334)	(880)
Securities	1,256	(129)	(137)	(266)
Commodities	222	(15)	-	(15)
Other	423	(41)	(31)	(72)

ITAÚ UNIBANCO HOLDING	Off-balance sheet Notional amount	Amortized cost	Gains/losses	Fair value
	12/31/2011	12/31/2011	12/31/2011	12/31/2011
Futures contracts	**268,806**	**75**	**(49)**	**26**
Purchase commitments	**251,094**	**75**	**19**	**94**
Foreign currency	59,087	(1)	12	11
Interbank market	144,154	1	-	1
Indices	41,365	75	7	82
Securities	6,338	-	-	-
Commodities	122	-	-	-
Other	28	-	-	-
Commitments to sell	**17,712**	**-**	**(68)**	**(68)**
Foreign currency	15,796	-	(63)	(63)
Interbank market	52	-	-	-
Indices	1,106	-	-	-
Securities	230	-	(3)	(3)
Commodities	513	-	(2)	(2)
Other	15	-	-	-
Swap contracts	**-**	**72**	**(120)**	**(48)**
Asset position	**94,806**	**2,155**	**595**	**2,750**
Foreign currency	9,883	605	7	612
Interbank market	39,936	545	50	595
Fixed rate	16,808	227	241	468
Floating rate	3,809	3	-	3
Indices	23,995	739	312	1,051
Securities	28	23	(26)	(3)
Commodities	3	-	-	-
Other	344	13	11	24
Liability position	**94,734**	**(2,083)**	**(715)**	**(2,798)**
Foreign currency	11,171	(608)	22	(586)
Interbank market	24,958	(100)	10	(90)
Fixed rate	21,733	(325)	(301)	(626)
Floating rate	6,144	(133)	2	(131)
Indices	29,225	(816)	(477)	(1,293)
Securities	112	(85)	34	(51)
Commodities	108	(1)	(4)	(5)
Other	1,283	(15)	(1)	(16)
Option contracts	**1,108,517**	**576**	**(739)**	**(163)**
Purchase commitments – long position	**237,863**	**1,122**	**(373)**	**749**
Foreign currency	17,481	887	(289)	598
Interbank market	36,911	65	(36)	29
Floating rate	278	1	(1)	-
Indices	181,517	124	(58)	66
Securities	1,162	31	11	42
Commodities	501	14	-	14
Other	13	-	-	-
Commitments to sell – long position	**354,697**	**1,457**	**237**	**1,694**
Foreign currency	7,635	149	(41)	108
Interbank market	27,212	293	(49)	244
Fixed rate	2	-	1	1
Floating rate	218	1	-	1
Indices	315,903	915	(2)	913
Securities	2,821	82	317	399
Commodities	768	14	-	14
Other	138	3	11	14
Purchase commitments – short position	**174,398**	**(778)**	**47**	**(731)**
Foreign currency	10,325	(454)	(97)	(551)
Interbank market	23,954	(47)	11	(36)
Indices	139,248	(258)	144	(114)
Securities	795	(15)	(13)	(28)
Commodities	65	(4)	2	(2)
Other	11	-	-	-
Commitments to sell - short position	**341,559**	**(1,225)**	**(650)**	**(1,875)**
Foreign currency	10,757	(309)	113	(196)
Interbank market	35,433	(178)	(239)	(417)
Fixed rate	2	-	(1)	(1)
Indices	293,394	(647)	(197)	(844)
Securities	1,636	(79)	(316)	(395)
Commodities	197	(9)	1	(8)
Other	140	(3)	(11)	(14)

ITAÚ UNIBANCO HOLDING	Off-balance sheet Notional amount	Amortized cost	Gains / Losses	Fair value
	06/30/2012	06/30/2012	06/30/2012	06/30/2012
Forward operations (onshore)	**16,646**	**1,271**	**(48)**	**1,223**
Purchases receivable	**7,196**	**1,078**	**(75)**	**1,003**
Foreign currency	6,788	688	(75)	613
Fixed rate	131	131	-	131
Floating rate	258	259	-	259
Commodities	3	-	-	-
Other	16	-	-	-
Purchases payable	**2,473**	**(465)**	**-**	**(465)**
Foreign currency	2,426	(70)	(1)	(71)
Fixed rate	-	(131)	-	(131)
Floating rate	-	(256)	-	(256)
Commodities	39	(8)	1	(7)
Other	8	-	-	-
Sales receivable	**4,439**	**1,887**	**1**	**1,888**
Foreign currency	1,962	33	5	38
Interbank market	508	4	-	4
Fixed rate	954	980	1	981
Floating rate	165	164	-	164
Indices	19	19	-	19
Securities	681	674	-	674
Commodities	135	12	(5)	7
Other	15	1	-	1
Sales deliverable	**2,538**	**(1,229)**	**26**	**(1,203)**
Foreign currency	2,523	(177)	28	(149)
Fixed rate	-	(885)	(1)	(886)
Floating rate	-	(164)	-	(164)
Commodities	15	(3)	(1)	(4)
Credit derivatives	**9,115**	**631**	**133**	**764**
Asset position	**3,643**	**760**	**175**	**935**
Foreign currency	130	-	1	1
Fixed rate	2,341	760	152	912
Securities	1,073	-	21	21
Other	99	-	1	1
Liability position	**5,472**	**(129)**	**(42)**	**(171)**
Foreign currency	124	-	(1)	(1)
Fixed rate	4,204	(129)	(18)	(147)
Securities	1,045	-	(21)	(21)
Other	99	-	(2)	(2)
Forward operations (offshore)	**37,935**	**(23)**	**81**	**58**
Asset position	**18,597**	**455**	**53**	**508**
Foreign currency	18,159	447	53	500
Interbank market	20	-	-	-
Floating rate	405	7	-	7
Swap with USD check	**130**	**-**	**(2)**	**(2)**
Asset position – Interbank market	**65**	**-**	**-**	**-**
Interbank market	65	-	-	-
Liability position – Interbank market	**65**	**-**	**(2)**	**(2)**
Interbank market	65	-	(2)	(2)
Check of swap – Asset position - Foreign currency	**74**	**-**	**3**	**3**
Asset position	**74**	**-**	**3**	**3**
Foreign currency	74	-	3	3
Other derivative financial instruments	**4,283**	**169**	**77**	**246**
Asset position	**3,762**	**251**	**102**	**353**
Foreign currency	645	74	107	181
Securities	3,117	177	(5)	172
Liability position	**521**	**(82)**	**(25)**	**(107)**
Foreign currency	410	(82)	(25)	(107)
Securities	111	-	-	-
	ASSETS	**9,585**	**1,612**	**11,197**
	LIABILITIES	**(7,070)**	**(2,108)**	**(9,178)**
	TOTAL	**2,515**	**(496)**	**2,019**
Assets –Share of Itaúsa – 36.79% in Jun/12		**3,526**	**593**	**4,119**
Liabilities – Share of Itaúsa – 36.79% in Jun/12		**(2,601)**	**(776)**	**(3,377)**
TOTAL		**925**	**(182)**	**743**
Industrial Companies Assets		15	18	33
Industrial Companies Liabilities		-	-	-
ASSETS		**3,541**	**611**	**4,152**
LIABILITIES		**(2,601)**	**(776)**	**(3,377)**
TOTAL		**940**	**(164)**	**776**

Derivative contracts mature as follows (in days):

Off-Balance Sheet - Notional amount	0 - 30	31 - 180	181 - 365	Over 365	06/30/2012
Futures	72,399	84,077	109,018	112,580	378,074
Swaps	7,033	27,526	22,995	49,827	107,381
Options	314,789	106,792	900,981	26,833	1,349,395
Forwards (onshore)	3,607	6,981	2,893	3,165	16,646
Credit derivatives	109	2,752	964	5,290	9,115
Forwards (offshore)	9,784	19,449	5,453	3,249	37,935
Swaps with USD check	-	-	-	65	65
Check of swap	-	-	-	74	74
Other	23	842	366	3,052	4,283

ITAÚ UNIBANCO HOLDING	Off-balance sheet Notional amount	Amortized cost	Gains/losses	Fair value
	12/31/2011	12/31/2011	12/31/2011	12/31/2011
Forward operations (onshore)	**17,248**	**1,092**	**(31)**	**1,061**
Purchases receivable	**8,702**	**921**	**(62)**	**859**
Foreign currency	7,883	623	(62)	561
Interbank market	520	-	-	-
Fixed rate	-	35	-	35
Floating rate	262	262	-	262
Commodities	37	1	-	1
Purchases payable	**1,351**	**(324)**	**(9)**	**(333)**
Foreign currency	1,218	(43)	(8)	(51)
Floating rate	-	(262)	-	(262)
Commodities	131	(19)	(1)	(20)
Other	2	-	-	-
Sales receivable	**2,230**	**1,013**	**7**	**1,020**
Foreign currency	1,181	24	9	33
Interbank market	48	1	-	1
Fixed rate	148	148	(1)	147
Floating rate	110	110	-	110
Securities	731	726	(1)	725
Commodities	12	4	-	4
Sales deliverable	**4,965**	**(518)**	**33**	**(485)**
Foreign currency	4,905	(342)	32	(310)
Fixed rate	-	(54)	-	(54)
Floating rate	-	(110)	-	(110)
Commodities	60	(12)	1	(11)
Credit derivatives	**7,194**	**153**	**136**	**289**
Asset position	**3,659**	**242**	**157**	**399**
Foreign currency	117	-	1	1
Fixed rate	1,820	226	134	360
Floating rate	-	5	11	16
Indices	-	11	(1)	10
Securities	1,721	-	12	12
Other	1	-	-	-
Liability position	**3,535**	**(89)**	**(21)**	**(110)**
Foreign currency	117	-	(1)	(1)
Fixed rate	2,900	(89)	(8)	(97)
Securities	**517**	**-**	**(12)**	**(12)**
Other	1	-	-	-
Forward operations (offshore)	**31,285**	**69**	**56**	**125**
Asset position	**16,257**	**421**	**30**	**451**
Foreign currency	15,862	415	30	445
Interbank market	19	-	-	-
Floating rate	376	6	-	6
Liability position	**15,028**	**(352)**	**26**	**(326)**
Foreign currency	14,946	(348)	26	(322)
Interbank market	13	-	-	-
Floating rate	69	(1)	-	(1)
Indices	-	(1)	-	(1)
Securities	-	(2)	-	(2)
Swap with USD check	**102**	**-**	**(2)**	**(2)**
Asset position – Interbank market	**51**	**-**	**-**	**-**
Liability position – Interbank market	**51**	**-**	**(2)**	**(2)**
Check of swap – Asset position - Foreign currency	**53**	**-**	**4**	**4**
Other derivative financial instruments	**4,894**	**695**	**20**	**715**
Asset position	**4,640**	**769**	**33**	**802**
Foreign currency	608	55	31	86
Fixed rate	973	521	-	521
Securities	3,054	193	2	195
Other	5	-	-	-
Liability position	**254**	**(74)**	**(13)**	**(87)**
Foreign currency	118	(74)	(11)	(85)
Securities	75	-	-	-
Other	61	-	(2)	(2)
	ASSETS	**8,175**	**579**	**8,754**
	LIABILITIES	**(5,443)**	**(1,304)**	**(6,747)**
	TOTAL	**2,732**	**(725)**	**2,007**
Assets –Share of Itaúsa – 36.82% in Dec/11		**3,010**	**214**	**3,224**
Liabilities – Share of Itaúsa – 36.82% in Dec/11		**(2,004)**	**(480)**	**(2,484)**
TOTAL		**1,006**	**(266)**	**740**
Industrial Companies Assets		7	9	16
Industrial Companies Liabilities		(3)	1	(2)
ASSETS		**3,017**	**223**	**3,240**
LIABILITIES		**(2,007)**	**(479)**	**(2,486)**
TOTAL		**1,010**	**(256)**	**754**

Derivative contracts mature as follows (in days):

Off-Balance Sheet - Notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2011
Futures	75,850	67,789	36,072	89,095	268,806
Swaps	9,939	16,691	19,679	46,342	92,651
Options	846,277	58,377	176,965	26,898	1,108,517
Forwards (onshore)	3,393	7,970	3,626	2,259	17,248
Credit derivatives	88	1,902	1,025	4,179	7,194
Forwards (offshore)	6,636	14,066	6,899	3,684	31,285
Swaps with USD check	-	-	-	51	51
Check of swap	-	-	-	53	53
Other	112	1,372	760	2,650	4,894

Derivative financial instruments

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated at cost and market value and by maturity.

	30/06/2012							
	Fair value	**%**	**0-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**366-720 days**	**Over 720 days**
ASSETS								
Futures	**583**	**5.2**	**(25)**	**507**	**96**	**82**	**(42)**	**(35)**
BM&F Bovespa	581	5.2	(25)	506	96	82	(43)	(35)
Financial institutions	2	0.0	-	1	-	-	1	-
Option premiums	**2,510**	**22.4**	**1,020**	**234**	**200**	**953**	**65**	**38**
BM&F Bovespa	1,855	16.6	893	92	154	702	14	-
Financial institutions	258	2.3	88	99	19	42	7	3
Companies	397	3.5	39	43	27	209	44	35
Forwards (onshore)	**2,891**	**25.7**	**507**	**646**	**153**	**327**	**411**	**847**
BM&F Bovespa	697	6.2	256	375	65	1	-	-
Financial institutions	153	1.4	107	6	1	39	-	-
Companies	2,040	18.1	144	265	87	287	411	846
Individuals	1	0.0	-	-	-	-	-	1
Swaps – Difference receivable	**3,414**	**30.5**	**271**	**447**	**240**	**216**	**729**	**1,511**
BM&F Bovespa	443	4.0	20	45	17	25	108	228
Financial institutions	367	3.3	54	83	18	31	73	108
Companies	2,589	23.1	197	319	201	158	542	1,172
Individuals	15	0.1	-	-	4	2	6	3
Credit derivatives	**935**	**8.4**	**58**	**507**	**1**	**4**	**44**	**321**
Financial institutions	633	5.7	58	507	1	2	1	64
Companies	302	2.7	-	-	-	2	43	257
Forwards (offshore)	**508**	**4.6**	**92**	**114**	**85**	**99**	**57**	**61**
Financial institutions	331	3.0	71	76	57	59	29	39
Companies	177	1.6	21	38	28	40	28	22
Swap with USD check – Companies	**3**	**0.0**	**-**	**-**	**-**	**-**	**1**	**2**
BM&F Bovespa	**353**	**3.2**	**55**	**1**	**43**	**3**	**81**	**170**
BM&F Bovespa	54	0.5	54	-	-	-	-	-
Financial institutions	237	2.1	-	-	11	2	81	143
Companies	62	0.6	1	1	32	1	-	27
Total (*)	**11,197**	**100.0**	**1,978**	**2,456**	**818**	**1,684**	**1,346**	**2,915**
% per maturity term			**17.7%**	**21.9%**	**7.3%**	**15.0%**	**12.0%**	**26.0%**
Share of Itaúsa – 36.79% in Jun/12	**4,119**		**728**	**904**	**301**	**620**	**495**	**1,072**
Industrial companies	33		-	-	-	-	33	-
TOTAL	**4,152**		**728**	**904**	**301**	**620**	**528**	**1,072**

(*) Of the total asset portfolio of Derivative Financial Instruments, R$ 2,552 refers to current and R$ 1,600 to non-current.

Derivative financial instruments

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated at cost and market value and by maturity.

ITAÚ UNIBANCO HOLDING	12/31/2011							
	Fair value	%	0-30	31-90	91-180	181-365	366-720	Over 720
ASSETS								
Futures	**26**	**0**	**1**	**51**	**5**	**(1)**	**(3)**	**(27)**
BM&F Bovespa	31	0	1	57	5	(1)	(4)	(27)
Financial institutions	(4)	-	-	(2)	-	(2)	-	-
Companies	(1)	-	-	(4)	-	2	1	-
Option premiums	**2,443**	**27.9**	**1,252**	**182**	**223**	**660**	**113**	**13**
BM&F Bovespa	1,689	19.3	1,162	11	35	471	10	-
Financial institutions	286	3.3	45	67	59	87	27	1
Companies	468	5.3	45	104	129	102	76	12
Forwards (onshore)	**1,879**	**21.3**	**644**	**384**	**156**	**209**	**146**	**340**
BM&F Bovespa	727	8.3	461	219	47	-	-	-
Financial institutions	80	0.9	74	-	1	2	3	-
Companies	1,072	12.1	109	165	108	207	143	340
Swaps – Difference receivable	**2,750**	**31.4**	**230**	**351**	**168**	**502**	**534**	**965**
BM&F Bovespa	332	3.8	13	25	31	61	22	180
Financial institutions	259	3.0	29	63	13	28	49	77
Companies	2,155	24.6	187	262	122	413	463	708
Individuals	4	-	1	1	2	-	-	-
Credit derivatives	**399**	**4.6**	**-**	**15**	**17**	**6**	**52**	**309**
Financial institutions	95	1.1	-	15	17	2	2	59
Companies	304	3.5	-	-	-	4	50	250
Forwards (offshore)	**451**	**5.2**	**96**	**101**	**73**	**67**	**44**	**70**
Financial institutions	279	3.2	83	73	45	31	8	39
Companies	172	2.0	13	28	28	36	36	31
Swaps with USD check - Companies	4	0.0	-	-	-	-	-	4
Other	**802**	**9.2**	**54**	**470**	**3**	**30**	**74**	**171**
Financial institutions	778	8.9	54	467	1	11	74	171
Companies	24	0.3	-	3	2	19	-	-
Total (*)	**8,754**	**100.0**	**2,277**	**1,554**	**645**	**1,473**	**960**	**1,845**
% per maturity term			**26.0%**	**17.8%**	**7.4%**	**16.8%**	**11.0%**	**21.1%**
Share of Itaúsa – 36.82% in Dec/11	**3,224**	**37**	**838**	**572**	**238**	**542**	**353**	**679**
Industrial companies	16	-	-	-	-	-	16	-
TOTAL	**3,240**	**37**	**838**	**572**	**238**	**542**	**369**	**679**

(*) Of the total fair value of the asset portfolio of Derivative Financial Instruments, R$ 2,191 refers to current and R$ 1,049 to non-current.

ITAÚ UNIBANCO HOLDING	06/30/2012							
	Fair value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days
LIABILITIES								
Option premiums	**(2,635)**	**28.7**	**(1,049)**	**(154)**	**(153)**	**(1,171)**	**(70)**	**(38)**
BM&F Bovespa	(1,992)	21.7	(895)	(82)	(105)	(892)	(18)	-
Financial institutions	(524)	5.7	(121)	(63)	(38)	(230)	(37)	(35)
Companies	(119)	1.3	(33)	(9)	(10)	(49)	(15)	(3)
Forwards (onshore)	**(1,668)**	**18.2**	**(158)**	**(71)**	**(34)**	**(209)**	**(353)**	**(843)**
Financial institutions	(106)	1.2	(105)	(1)	-	-	-	-
Companies	(1,562)	17.0	(53)	(70)	(34)	(209)	(353)	(843)
Swaps – Difference payable	**(4,145)**	**45.1**	**(208)**	**(560)**	**(144)**	**(698)**	**(624)**	**(1,911)**
BM&F Bovespa	(727)	7.9	(1)	(123)	(16)	(135)	(83)	(369)
Financial institutions	(967)	10.5	(84)	(102)	(39)	(197)	(138)	(407)
Companies	(2,399)	26.1	(113)	(327)	(81)	(347)	(398)	(1,133)
Individuals	(52)	0.6	(10)	(8)	(8)	(19)	(5)	(2)
Credit derivatives	**(171)**	**1.9**	**(8)**	**(6)**	**(6)**	**(4)**	**(5)**	**(142)**
Financial institutions	(165)	1.8	(8)	(6)	(5)	(2)	(4)	(140)
Companies	(6)	0.1	-	-	(1)	(2)	(1)	(2)
Forwards (offshore)	**(450)**	**4.9**	**(88)**	**(175)**	**(46)**	**(89)**	**(50)**	**(2)**
Financial institutions	(342)	3.7	(70)	(156)	(28)	(45)	(43)	-
Companies	(108)	1.2	(18)	(19)	(18)	(44)	(7)	(2)
Swaps with USD check - Companies	**(2)**	0.0	**-**	**-**	**-**	**-**	**-**	**(2)**
Companies	(2)	0.0	-	-	-	-	-	(2)
Other	**(107)**	**1.2**	**-**	**(1)**	**(11)**	**-**	**(89)**	**(6)**
Financial institutions	(89)	1.0	-	-	-	-	(85)	(4)
Companies	(18)	0.2	-	(1)	(11)	-	(4)	(2)
Total (*)	**(9,178)**	**100.0**	**(1,511)**	**(967)**	**(394)**	**(2,171)**	**(1,191)**	**(2,944)**
% per maturity term			**16.5%**	**10.5%**	**4.3%**	**23.7%**	**13.0%**	**32.1%**
Share of Itaúsa – 36.79% in Jun/12	**(3,377)**		**(556)**	**(356)**	**(145)**	**(799)**	**(438)**	**(1,083)**
Other companies			-	-	-	-		-
TOTAL	**(3,377)**		**(556)**	**(356)**	**(145)**	**(799)**	**(438)**	**(1,083)**

(*) Of the total liability portfolio of Derivative Financial Instruments, R$ (1,855) refers to current and R$ (1,521) to non-current.

ITAÚ UNIBANCO HOLDING	12/31/2011							
	Fair value	**%**	**0 - 30**	**31 - 90**	**91 - 180**	**181 - 365**	**366 - 720**	**Over 720 days**
LIABILITIES								
Option premiums	**(2,606)**	**38.6**	**(1,205)**	**(289)**	**(235)**	**(712)**	**(153)**	**(12)**
BM&F Bovespa	(1,768)	26.2	(1,114)	(87)	(20)	(484)	(63)	-
Financial institutions	(687)	10.2	(86)	(185)	(180)	(162)	(63)	(11)
Companies	**(151)**	**2.2**	**(5)**	**(17)**	**(35)**	**(66)**	**(27)**	**(1)**
Forwards (onshore)	(818)	12.1	(42)	(92)	(194)	(56)	(99)	(335)
Financial institutions	(67)	1.0	(6)	(31)	(30)	-	-	-
Companies	(751)	11.1	(36)	(61)	(164)	(56)	(99)	(335)
Swaps - Difference payable	(2,798)	41.5	(211)	(177)	(116)	(534)	(497)	(1,263)
BM&F Bovespa	**(518)**	**7.7**	**(6)**	**(11)**	**(24)**	**(131)**	**(102)**	**(244)**
Financial institutions	(682)	10.1	(134)	(75)	(13)	(41)	(110)	(309)
Companies	(1,557)	23.1	(70)	(89)	(73)	(342)	(274)	(709)
Individuals	**(41)**	**0.6**	**(1)**	**(2)**	**(6)**	**(20)**	**(11)**	**(1)**
Credit derivatives	(110)	1.7	-	(5)	(9)	(7)	(8)	(81)
Financial institutions	(106)	1.6	-	(5)	(9)	(5)	(7)	(80)
Companies	(4)	0.1	-	-	-	(2)	(1)	(1)
Forwards (offshore)	(326)	4.8	(68)	(67)	(61)	(49)	(47)	(34)
Financial institutions	**(246)**	**3.6**	**(55)**	**(51)**	**(40)**	**(33)**	**(38)**	**(29)**
Companies	(80)	1.2	(13)	(16)	(21)	(16)	(9)	(5)
Swaps with USD check - Companies	(2)	0.0	-	-	-	-	-	(2)
Other	**(87)**	**1.3**	**-**	**-**	**-**	**(6)**	**(81)**	**-**
Financial institutions	(80)	1.2	-	-	-	-	(80)	-
Companies	(7)	0.1	-	-	-	(6)	(1)	-
Total (*)	**(6,747)**	**100.0**	**(1,526)**	**(630)**	**(615)**	**(1,364)**	**(885)**	**(1,727)**
% per maturity term			**22.60%**	**9.3%**	**9.1%**	**20.2%**	**13.1%**	**25.6%**
Share of Itaúsa – 36.82% in Dec/11	**(2,484)**		**(562)**	**(232)**	**(226)**	**(502)**	**(326)**	**(636)**
Other companies	(2)	-	-	-	-	-	(2)	-
TOTAL	**(2,486)**	**-**	**(562)**	**(232)**	**(226)**	**(502)**	**(328)**	**(636)**

(*) Of the total liability portfolio of Derivative Financial Instruments, R$ (1,523) refers to current and R$ (964) to non-current.

Realized and unrealized gains and losses on the portfolio of derivatives

ITAÚ UNIBANCO HOLDING	01/04 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Swaps	(470)	(457)	621	915
Forwards (onshore)	21	35	12	82
Futures	(1,563)	(1,690)	190	262
Options	(50)	344	(16)	224
Credit derivatives	(3)	54	24	59
Other	896	704	(425)	(947)
Total	**(1,169)**	**(1,010)**	**406**	**595**
Share of Itaúsa – 36.79% in Jun/12 and 36.65% in Jun/11	**(430)**	**(372)**	**149**	**218**
TOTAL	**(430)**	**(372)**	**149**	**218**

a) Information on credit derivatives

ITAÚSA and its subsidiaries buy and sell credit protection mainly related to securities of the Brazilian government and securities of Brazilian listed companies in order to meet the needs of their clients. When ITAÚSA and its subsidiaries sell contracts for credit protection, the exposure for a given reference entity may be partially or totally offset by a credit protection purchase contract of another counterpart for the same reference entity or similar entity. The credit derivatives for which ITAÚSA and its subsidiaries are protection sellers are credit default swaps, total return swaps and credit-linked notes. At June 30, 2012 and December 31, 2011, ITAÚSA and its subsidiaries did not have open contracts for protection in the form of credit-linked notes.

Credit Default Swaps – CDS

CDS are credit derivatives in which, upon a credit event related to the reference entity pursuant to the terms of the contract, the protection buyer is entitled to receive, from the protection seller, the amount equivalent to the difference between the face value of the CDS contract and the fair value of the liability on the date the contract was settled, also known as the recovered amount. The protection buyer does not need to hold the debt instrument of the reference entity for it to receive the amounts due pursuant to the CDS contract terms when a credit event occurs.

Total Return Swap – TRS

TRS is a transaction in which a party swaps the total return of a reference entity or of a basket of assets for regular cash flows, usually interest and a guarantee against capital loss. In a TRS contract, the parties do not transfer the ownership of the assets.

The table below presents the portfolio of credit derivatives in which we sell protection to third parties, by maturity, and the maximum potential of future payments, gross of any guarantees, as well as its classification by instrument, risk and reference entity.

06/30/2012						
ITAÚ UNIBANCO HOLDING	**Maximum Potential future payments, gross**	**Before 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Fair value**
By instrument						
CDS	5,472	1,891	1,389	1,323	869	**(161)**
TRS	-	-	-	-	-	**(10)**
Total by instrument	**5,472**	**1,891**	**1,389**	**1,323**	**869**	**(171)**
Share of Itaúsa – 36.79% in Jun/12	**2,013**	**696**	**511**	**487**	**320**	**(63)**
TOTAL	**2,013**	**696**	**511**	**487**	**320**	**(63)**
By risk rating						
Investment grade	5,472	1,891	1,389	1,323	869	**(161)**
Total by risk	**5,472**	**1,891**	**1,389**	**1,323**	**869**	**(161)**
Share of Itaúsa – 36.79% in Jun/12	**2,013**	**696**	**511**	**487**	**320**	**(59)**
TOTAL	**2,013**	**696**	**511**	**487**	**320**	**(59)**
By reference entity						
Private entities	5,472	1,891	1,389	1,323	869	(161)
Total by entity	**5,472**	**1,891**	**1,389**	**1,323**	**869**	**(161)**
Share of Itaúsa – 36.79% in Jun/12	**2,013**	**696**	**511**	**487**	**320**	**(59)**
TOTAL	**2,013**	**696**	**511**	**487**	**320**	**(59)**

12/31/2011						
ITAÚ UNIBANCO HOLDING	**Maximum potential future payments, gross**	**Before 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Fair value**
By instrument						
CDS	3,526	1,290	1,106	990	140	**(101)**
TRS	9	-	-	9	-	**(9)**
Total by instrument	**3,535**	**1,290**	**1,106**	**999**	**140**	**(110)**
Share of Itaúsa – 36.82% in Dec/11	**1,302**	**475**	**407**	**368**	**52**	**(41)**
TOTAL	**1,302**	**475**	**407**	**368**	**52**	**(41)**
By risk rating						
Investment grade	3,535	1,290	1,106	999	140	**(110)**
Total by risk	**3,535**	**1,290**	**1,106**	**999**	**140**	**(110)**
Share of Itaúsa – 36.82% in Dec/11	**1,302**	**475**	**407**	**368**	**52**	**(41)**
TOTAL	**1,302**	**475**	**407**	**368**	**52**	**(41)**
By reference entity						
Private entities	3,535	1,290	1,106	999	140	**(110)**
Total by entity	**3,535**	**1,290**	**1,106**	**999**	**140**	**(110)**
Share of Itaúsa – 36.82% in Dec/11	**1,302**	**475**	**407**	**368**	**52**	**(41)**
TOTAL	**1,302**	**475**	**407**	**368**	**52**	**(41)**

ITAÚSA and its subsidiaries assess the risk of a credit derivative based on the credit ratings attributed to the reference entity by independent credit rating agencies. Investment grade are those entities for which credit risk is rated as Baa3 or higher, as rated by Moody's, and BBB- or higher, according to the ratings of Standard & Poor's and Fitch Ratings. The maximum potential loss that may be incurred by the credit derivative is based on the notional amount of the derivative. ITAÚSA and its subsidiaries believe, based on their historical experience, that the amount of the maximum potential loss does not represent the actual level of loss. This is so because should there be an event of loss, the amount of maximum potential loss should be reduced from the notional amount by the recoverable amount.

The credit derivatives sold are not covered by guarantees and, during this period, ITAÚSA and its subsidiaries did not incur any loss related to credit derivative contracts.

The following table presents the notional amount of purchased credit derivatives which underlying amounts are identical to those for which ITAÚSA and its subsidiaries operate as seller of the hedge:

ITAÚ UNIBANCO HOLDING	06/30/2012		
	Notional amount of credit protection sold	**Nominal amount of credit protection purchased with identical underlying amount**	**Net position**
CDS	(5,472)	2,585	(2,887)
TRS	-	1,058	1,058
Total	**(5,472)**	**3,643**	**(1,829)**
Share of Itaúsa – 36.79% in Jun/12	**(2,013)**	**1,340**	**(673)**
TOTAL	**(2,013)**	**1,340**	**(673)**

ITAÚ UNIBANCO HOLDING	12/31/2011		
	Notional amount of credit protection sold	**Nominal amount of credit protection purchased with identical underlying amount**	**Net position**
CDS	(3,526)	2,471	(1,055)
TRS	(9)	1,188	1,179
TOTAL	**(3,535)**	**3,659**	**124**
Share of Itaúsa – 36.82 in Dec/11	**(1,302)**	**1,347**	**46**
TOTAL	**(1,302)**	**1,347**	**46**

NOTA 08 – HEDGE ACCOUNTING

Hedge accounting varies depending on the nature of the hedged item and of the transaction. Derivatives may qualify as hedging instruments for accounting purposes if they are designated as hedging instruments under fair value hedges, cash flow hedges or hedges of net investment in foreign operations.

To hedge the variability of future cash flows of interest payments, ITAÚSA CONSOLIDATED, through the subsidiary Itaú Unibanco Holding, uses: (i) DI Futures contracts exchange traded at BM&FBOVESPA with respect to certain real-denominated variable-interest liabilities, and (ii) interest rate swaps with respect to US dollar-denominated redeemable preferred shares issued by one of our subsidiaries.

Under a DI Futures contract, a net payment (receipt) is made for the difference between a normal amount multiplied by the CDI rate and an amount computed and multiplied by a fixed rate. Under interest rate swap, a net payment (receipt) is made for the difference between an amount computed and multiplied by LIBOR and a notional amount computed and multiplied by a fixed rate.

Our cash flow hedge strategies consist of the hedge of the exposure to the variability in cash flows on interest payments that are attributable to changes in interest rates with respect to recognized liabilities.

ITAÚSA CONSOLIDATED, through its subsidiary Itaú Unibanco Holding, has applied cash flow hedge strategies as follows:

- Hedge of time deposits and repurchase agreements: hedge of the variability in cash flows of interest payments resulting from changes in the CDI interest rate;
- Hedge of redeemable preferred shares: hedge of the variability in cash flows of interest payments resulting from changes in the LIBOR interest rate; and
- Hedge of subordinated CDB:. hedge of the variability in cash flows of interest payments resulting from changes in the CDI interest rate;

To evaluate the effectiveness or ineffectiveness of such strategies, ITAÚSA CONSOLIDATED, through its subsidiary Itaú Unibanco Holding, uses the hypothetical derivative method. The hypothetical derivative method is based on a comparison of changes in the fair value of a hypothetical derivative with terms identical to the critical terms of the variable-rate liability, and this change in the fair value is considered a proxy of the present value of the cumulative change in the future cash flow expected for the hedged liability.

Hedge relationships were designated in 2008 (hedge of subordinated CDB), 2009 (hedge of redeemable preferred shares) and 2010 (hedge of deposits denominated in Brazilian reais and agreements to resell) and derivatives will mature between 2012 and 2017. Periods in which expected cash flows should be paid and affect the statement of income are as follows.

- Hedge of time deposits and repurchase agreements: interest paid/received daily
- Hedge of redeemable preferred shares: interest paid/received every half year;
- Hedge of subordinated CDB. Interest paid/received at the end of the operation.

The strategies of net investments of ITAÚSA abroad and its subsidiaries consist of a hedge of the exposure in foreign currency arising from the functional currency of the foreign operation, with respect to the functional currency of the head office.

To hedge the changes of future cash flows of exchange variation of net investments in foreign operations, Itaú Unibanco Holding uses DI Futures contracts traded at BM&F Bovespa, and Forward contracts or NDF contracts entered into by our foreign subsidiaries.

In DDI Future contracts, the gain (loss) from exchange variation is computed as the difference between two periods of market quotation between the US dollar and Brazilian Real. In the Forward or NDF contracts, gains (loss) from exchange variation are computed based on the difference between two periods of market quotations between the FUNCTIONAL CURRENCY and the US dollar.

ITAÚSA CONSOLIDATED applies the hedge of net investment in foreign operations as follows:

- To hedge the risk of variation in the investment amount, when measured in Brazilian reais (the head office's functional currency), arising from changes in exchange rates between the functional currency of the investment abroad and Brazilian real.

To evaluate the effectiveness and to measure the ineffectiveness of such strategies, ITAÚSA CONSOLIDATED uses the Dollar Offset Method. The Dollar Offset Method is based on a comparison of the change in fair value (cash flow) of the hedge instrument, attributable to changes in exchange rates and the gain (loss) arising from the variation in exchange rates, on the amount of investment abroad designated as a hedged item.

The hedge relationships were designated in 2012 and the derivatives will mature on the sale of the investment abroad, which will be in the period when the cash flows of exchange variation are expected to occur and affect the statement of income.

The fair value hedge strategy of ITAÚ UNIBANCO HOLDING consists of hedging the exposure to variations in fair value, interest received, which are attributable to changes in interest rates related to recognized assets.

To protect the variation in the fair value of interest received, ITAÚSA CONSOLIDATED uses interest rate swap contracts related to certain fixed assets, in expressed in UF (Chilean Unit of Account - CLF), issued in Chile.

Under an interest rate swap contract, net receipt (payment) is made for the difference between the amount computed and multiplied by ICPR (*Índice de Camera Promédio Real*) and an amount computed and multiplied by a fixed rate.

ITAÚSA CONSOLIDATED applies fair value hedge as follows:

• To protect the risk of variation in the fair value of the receipt of interest resulting from variations in the fair value of the ICPR rate.

To evaluate the effectiveness or ineffectiveness of such a strategy, ITAÚSA CONSOLIDATED uses the percentage approach method. The percentage approach is based on the calculation of change in the fair value of the reviewed estimate for the hedged position (hedge item) attributable to the protected risk versus change in the fair value of the hedge derivative instrument.

Hedge relationships were designated in 2012 and the respective swaps will mature in 2022. Receipts (payments) of interest flows are expected to occur on a monthly basis, and they will affect the statement of income.

The amounts in the following tables are presented in millions of Brazilian reais and represent the total position held by the jointly-controlled company Itaú Unibanco Holding:

	06/30/2012			12/31/2011		
Hedge instruments used in cash flow hedge	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line item where the ineffective portion is recognized in the statement of income**	**Gain (loss) recognized in derivatives (ineffective portion) (*)**	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line item where the ineffective portion is recognized in the statement of income**	**Gain (loss) recognized in derivatives (ineffective portion) (*)**
Interest rate futures	(554)	Net gain (loss) from financial assets and liabilities	1	(282)	Net gain (loss) from financial assets and liabilities	1
Interest rate swaps	(24)	Net gain (loss) from financial assets and liabilities	-	(30)	Net gain (loss) from financial assets and liabilities	-
Total	**(578)**		**1**	**(312)**		**1**

(*) At June 30, 2012, the gain (loss) related to the cash flow hedge expected to be reclassified from Comprehensive Income to Income in the following 12 months is R$ 545 (R$ 167 at December, 31 2011).

	06/30/2012			12/31/2011		
Hedge instruments used in hedge of net investment in foreign operations	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line Item where the ineffective portion is recognized in the statement of income**	**Other gain (loss) recognized in derivatives (ineffective portion)**	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line Item where the ineffective portion is recognized in the statement of income**	**Other gain (loss) recognized in derivatives (ineffective portion)**
DDI Futures (1)	(1,383)	Net gain (loss) from financial assets and liabilities	64	(890)	Net gain (loss) from financial assets and liabilities	42
Forwards	197	Net gain (loss) from financial assets and liabilities	28	130	Net gain (loss) from financial assets and liabilities	19
NDF (2)	302	Net gain (loss) from financial assets and liabilities	2	335	Net gain (loss) from financial assets and liabilities	2
Financial assets	(9)	Net gain (loss) from financial assets and liabilities	-	(10)	Net gain (loss) from financial assets and liabilities	-
Total	**(893)**		**94**	**(435)**		**63**

(1) DI Futures is a Futures contract in which participants may trade a clean coupon for any period between the first maturity of the futures contract of foreign currency coupon (DI) and a later maturity.
(2) NDF (Non Deliverable Forward operations), or Forward Contract of Currency without Physical Delivery, is a derivative traded an over-the-counter market which has the foreign exchange rate of a given currency as its hedged item.

At June 30, accumulated gain or (loss) recognized in Income from Hedge Instruments and Items used in Fair Value Hedge is R$ 0,077.

The tables below present, for each strategy, the notional amount and the fair value of derivatives and the carrying amount of the hedged item at June 30, 2012:

Strategies	06/30/2012			12/31/2011		
	Hedge instruments		Hedged item	Hedge instruments		Hedged item
	Notional amount	Fair value	Carrying value	Notional amount	Fair value	Carrying value
Hedge of deposits and repurchase agreements	28,198	1	28,198	19,113	(4)	19,083
Hedge of redeemable preferred shares	795	(31)	795	737	(37)	737
Hedge of subordinated CDB	87	-	124	87	-	118
Hedge of net investment in foreign operations (*)	7,012	279	4,207	6,886	31	4,131
Fair value hedge	36	-	36	-	-	-
Fair value hedge	**36,128**	**249**	**33,360**	**26,823**	**(10)**	**24,069**

(*) Hedge instruments include the overhedge rate of 40%, related to taxes.

Maturity	Strategies					Total
	Hedge of deposits and repurchase agreements	Hedge of redeemable preferred shares	Hedge of subordinated CDB	Hedge of net investment in foreign operations	Fair value hedge	
2012	10,273	-	-	7,012	-	17,285
2013	11,636	-	-	-	-	11,636
2014	5,505	-	87	-	-	5,592
2015	-	795	-	-	-	795
2016	-	-	-	-	-	-
2017	784	-	-	-	36	820
Total	**28,198**	**795**	**87**	**7,012**	**36**	**36,128**

NOTE 09 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

The fair values and corresponding amortized cost or cost of available-for-sale financial assets are as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012				12/31/2011			
	Cost/ Amortized cost	Unrealized results Gain	Unrealized results Loss	Fair value	Cost/Amortized cost	Unrealized results Gain	Unrealized results Loss	Fair value
Investment funds	784	4	-	788	802	4	-	806
Brazilian government securities (1a)	10,916	539	25	11,480	12,296	183	(55)	12,424
Brazilian external debt bonds (1b)	10,206	365	(9)	10,562	5,667	240	(1)	5,906
Government securities – abroad (1c)	**6,047**	**6**	**(28)**	**6,025**	**4,327**	**5**	**(15)**	**4,317**
United States	198	-	-	198	-	-	-	-
Mexico	-	-	-	-	10	1	-	11
Denmark	1,445	-	-	1,445	1,949	-	-	1,949
Spain	-	-	-	-	418	-	-	418
Korea	1,672	-	-	1,672	295	-	-	295
Chile	2,110	4	(5)	2,109	992	4	(1)	995
Paraguay	262	-	(22)	240	358	-	(14)	344
Uruguay	294	1	(1)	294	268	-	-	268
Other	66	1	-	67	37	-	-	37
Corporate securities (1d)	**30,900**	**1,215**	**(171)**	**31,944**	**23,174**	**1,699**	**(816)**	**24,057**
Shares	3,129	439	(26)	3,542	3,458	698	(178)	3,978
Securitized real estate loans	8,237	453	(4)	8,686	7,806	707	(499)	8,014
Bank deposit certificates	308	-	-	308	274	-	-	274
Debentures	9,858	167	(15)	10,010	7,165	139	(68)	7,236
Eurobonds and other	4,763	139	(126)	4,776	3,554	152	(68)	3,638
Promissory notes	966	-	-	966	646	-	-	646
Financial credit bills	2,858	-	-	2,858	-	-	-	-
Other	781	17	-	798	271	3	(3)	271
TOTAL	**58,853**	**2,129**	**(183)**	**60,799**	**46,266**	**2,131**	**(887)**	**47,510**
Itaúsa Share – 36.79% in June 2012 and 36.82% in December 20	**21,652**	**783**	**(67)**	**22,368**	**17,036**	**785**	**(327)**	**17,494**
Industrial companies	251	68	-	319	270	41	-	311
TOTAL	**21,903**	**851**	**(67)**	**22,687**	**17,306**	**826**	**(327)**	**17,805**

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and clients at June 30, 2012 were: a) R$ 4,151 (R$ 2,208 at December 31, 2011), b) R$ 5,637 (3,880 at December 31, 2011), c) R$ 0 (R$ 12 at December 31, 2011) and d) R$ 1,920 (R$ 2,355 at December 31, 2011, totaling R$ 11,708 (R$ 8,455 at December 31, 2011), reflected in the Consolidated Balance Sheet of Itaúsa proportionally: a) R$ 1,527 (R$ 812 at December 31, 2011), b) R$ 2,074 (1,427 at December 31, 2011), c) R$ 0 (R$ 4 at December 31, 2011) and d) R$ 706 (R$ 866 at December 31,2011, totaling R$ 4,307 (R$ 3,109 at December 31, 2011).

Realized gains and losses

ITAÚ UNIBANCO HOLDING	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Available-for-sale financial assets				
Gain	239	500	159	376
Loss	(67)	(111)	(39)	(72)
Total	**172**	**389**	**120**	**304**
Itaúsa Share – 36.79% in June 2012 and 36.65% in June 2011	**63**	**143**	**44**	**111**
Total	**63**	**143**	**44**	**111**

The amortized cost and fair value of available-for-sale financial assets per maturity are as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012		12/31/2011	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Current	**17,626**	**18,083**	**13,239**	**13,904**
Without maturity	3,909	4,326	4,257	4,779
Up to one year	13,717	13,757	8,982	9,125
Non-current	**41,227**	**42,716**	**33,027**	**33,606**
From one to five years	17,154	17,508	16,875	17,042
From five to ten years	12,566	12,622	9,792	9,655
Over ten years	11,507	12,586	6,360	6,909
Total	**58,853**	**60,799**	**46,266**	**47,510**
Share of Itaúsa – 36.79% in Jun/12 and 36.82% in Dec/11	**21,652**	**22,368**	**17,036**	**17,494**
Industrial companies	**251**	**319**	**270**	**311**
TOTAL	**21,903**	**22,687**	**17,306**	**17,805**

During the period ended June 30, 2012 and December 31, 2012, ITAÚSA and its subsidiaries did not recognize any impairment losses of available-for-sale financial assets.

NOTE 10 - HELD-TO-MATURITY FINANCIAL ASSETS

The amortized cost of held-to-maturity financial assets is as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
	Amortized cost	Amortized cost
Brazilian government securities	2,894	2,812
Brazilian external debt bonds (1a)	117	196
Government securities – other countries	1	-
Corporate securities (1b)	**104**	**97**
Debentures	32	30
Eurobonds and other	70	65
Securitized real estate loans	2	2
Total	**3,116**	**3,105**
Share of Itaúsa – 36.79% in Jun/12 and 36.82% in Dec/11	**1,147**	**1,144**
TOTAL	**1,147**	**1,144**

(1) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients at June 30, 2012 were: a) R$ 0 (R$ 189 at December 31, 2011) and b) R$ 44 (R$ 41 at December 31, 2011), totaling R$ 44 (R$ 230 at December 31, 2011), reflected in the Consolidated Balance Sheet of Itaúsa proportionally as: a) R$ 0 (R$ 70 at December 31, 2011) and b) R$ 16 (R$ 15 at December 31, 2011), totaling R$ 16 (R$ 85 at December 31, 2011).

The results from held-to-maturity financial assets were R$ 219 (R$ 210 from January 1 to June 30, 2011) reflected in the Consolidated Balance Sheet of Itaúsa proportionally as: R$ 81 (R$ 77 from January 1 to June 30, 2011).

The amortized cost of held-to-maturity investments, by maturity, is as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
	Amortized cost	Amortized cost
Current	**152**	**120**
Up to one year	152	120
Non-current	**2,964**	**2,985**
From one to five years	133	242
From five to ten years	1,252	1,077
Over ten years	1,579	1,666
Total	**3,116**	**3,105**
Share of Itaúsa – 36.79% in Jun/12 and 36.82% in Dec/11	**1,147**	**1,144**
TOTAL	**1,147**	**1,144**

During the periods ended June 30, 2012 and December 31, 2011, ITAUSA and its subsidiaries did not recognize any impairment losses with respect to held-to-maturity investments.

NOTE 11 - LOAN OPERATIONS AND LEASE OPERATIONS PORTFOLIO - ITAÚ UNIBANCO HOLDING

a) Composition of loan operations and lease operations

Below is the composition of the carrying amount of loan operations and lease operations by type, sector of debtor, maturity and concentration:

ITAU UNIBANCO HOLDING		
Loan operations and lease operations by type	**06/30/2012**	**12/31/2011**
Individuals	**148,020**	**148,127**
Credit card	36,777	38,961
Personal loan	38,449	35,253
Vehicles	57,058	60,463
Mortgage loans	15,736	13,450
Corporate	**98,318**	**93,229**
Small and medium businesses	**87,996**	**85,649**
Foreign loans - Latin America	**23,358**	**19,259**
Total loan operations and lease operations	**357,692**	**346,264**
Allowance for loan losses	(25,212)	(23,873)
Total loan operations and lease operations, net of allowance for loan losses	**332,480**	**322,391**
Share of Itaúsa	36.79%	36.82%
Loan operations and lease operations	131,592	127,501
Allowance for loan losses	(9,275)	(8,791)
Total share of Itaúsa	**122,317**	**118,710**

By sector of debtor	**06/30/2012**	**12/31/2011**
Public sector	1,132	1,990
Industry and commerce	104,152	99,859
Services	76,198	70,642
Primary sector	17,224	16,109
Other sectors	933	1,497
Individuals	158,053	156,167
Total loan operations and lease operations	**357,692**	**346,264**
Share of Itaúsa	36.79%	36.82%
	131,592	**127,501**

By maturity	**06/30/2012**	**12/31/2011**
Overdue as from 1 day	5,478	5,479
Falling due up to 3 months	37,030	35,146
Falling due more than 3 months but less than 1 year	32,526	31,460
Falling due after 1 year	56,558	55,416
Total loan operations and lease operations	**131,592**	**127,501**

By concentration	**06/30/2012**	**12/31/2011**
Largest debtor	1,254	858
10 largest debtors	6,263	5,013
20 largest debtors	9,087	7,955
50 largest debtors	14,538	13,073
100 largest debtors	19,723	17,778

The accretion of the net present value of impaired loan operations and lease operations and the respective allowance for loan losses are not presented using their gross amounts in the statement of income but on a net basis within interest and similar income. If they were presented at gross amounts, there would be an increase of R$ 344 and R$ 333 in interest and similar income at June 30, 2012 and 2011, respectively, with the same impact on the allowance for loan losses expenses.

b) Allowance for loan losses

The changes in the allowance for loan losses are shown in the table below:

ITAÚ UNIBANCO HOLDING							
Composition of the carrying amount by class of assets	Opening balance	Write-offs	Net increase / (Reversal)	Closing balance	Write-offs	Net increase / (Reversal)	Closing balance
	12/31/2010	01/01 to 12/31/2011		12/31/2011	01/01 to 06/30/2012		06/30/2012
Individuals	**10,619**	**(8,631)**	**11,641**	**13,629**	**(5,406)**	**6,770**	**14,993**
Credit card	3,306	(3,558)	4,077	3,825	(2,169)	1,696	3,352
Personal loans	3,492	(2,959)	4,810	5,343	(2,126)	3,367	6,584
Vehicles	3,709	(2,041)	2,747	4,415	(1,093)	1,687	5,009
Mortgage loans	112	(73)	7	46	(18)	20	48
Corporate	**1,071**	**(294)**	**(19)**	**758**	**(153)**	**154**	**759**
Small and medium businesses	**8,041**	**(7,001)**	**8,157**	**9,197**	**(5,066)**	**4,988**	**9,119**
Foreign loans - Latin America	**263**	**(233)**	**259**	**289**	**(111)**	**163**	**341**
Total	**19,994**	**(16,159)**	**20,038**	**23,873**	**(10,736)**	**12,075**	**25,212**
Share of Itaúsa	36.57%			36.82%			36.79%
	7,312			**8,791**			**9,275**

The composition of the allowance for loan losses by customers sector is shown in the following table:

By sector of the debtor	06/30/2012	12/31/2011
Public sector	3	1
Industry and commerce	6,117	6,266
Services	3,524	3,476
Primary sector	278	273
Other sectors	36	32
Individuals	15,254	13,825
Total	**25,212**	**23,873**
	36.79%	36.82%
Share of Itaúsa	**9,275**	**8,791**

ITAÚSA CONSOLIDATED assesses the objective evidence of impairment for loan operations and lease operations on an individual basis for financial assets that are individually significant and, in aggregate, for financial assets that are not individually significant (Note 2.4.g. VIII).

The composition of the allowance for loan losses by type of assessment, based on objective evidence of impairment is shown in the following table:

ITAÚ UNIBANCO HOLDING	06/30/2012						12/31/2011					
	Impaired		Not Impaired		Total		Impaired		Not Impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated												
Corporate (*)	**1,168**	**435**	**97,150**	**324**	**98,318**	**759**	**1,033**	**430**	**92,196**	**328**	**93,229**	**758**
II – Collectively evaluated												
Individuals	**12,534**	**7,882**	**135,486**	**7,111**	**148,020**	**14,993**	**10,986**	**6,738**	**137,141**	**6,891**	**148,127**	**13,629**
Credit card	2,619	1,648	34,158	1,704	36,777	3,352	3,083	1,918	35,878	1,907	38,961	3,825
Personal loans	4,587	2,850	33,862	3,734	38,449	6,584	3,455	2,087	31,798	3,256	35,253	5,343
Vehicles	5,180	3,357	51,878	1,652	57,058	5,009	4,329	2,707	56,134	1,708	60,463	4,415
Mortgage loans	148	27	15,588	21	15,736	48	119	26	13,331	20	13,450	46
Small and medium businesses	**6,814**	**4,825**	**81,182**	**4,294**	**87,996**	**9,119**	**6,770**	**4,808**	**78,879**	**4,389**	**85,649**	**9,197**
Foreign loans - Latin America	**87**	**38**	**23,271**	**303**	**23,358**	**341**	**63**	**36**	**19,196**	**253**	**19,259**	**289**
Total	**20,603**	**13,180**	**337,089**	**12,032**	**357,692**	**25,212**	**18,852**	**12,012**	**327,412**	**11,861**	**346,264**	**23,873**
Share of Itaúsa			36.79%						36.82%			
	7,580	**4,849**	**124,013**	**4,426**	**131,592**	**9,275**	**6,942**	**4,423**	**120,559**	**4,367**	**127,501**	**8,791**

(*) As detailed in Note 2.4.g. VIII, corporate loans are first evaluated on an individual basis. In the event there is no objective indication of impairment, these are subsequently evaluated on an aggregate basis in accordance with the characteristics of the operation. As a result, an allowance for loan losses for corporate loans is recognized, both in the individual and the aggregate evaluation.

c) **Present value of lease operations**

Below is the analysis of the present value of future minimum payments receivable from finance leases by maturity, mainly composed of individual operations - vehicles:

ITAÚ UNIBANCO HOLDING	06/30/2012		
	Future minimum payments	Future financial income	Present value
Current	**13,134**	**(1,208)**	**11,926**
Up to 1 year	13,134	(1,208)	11,926
Non-current	**13,611**	**(3,888)**	**9,723**
From 1 to 5 years	13,334	(3,831)	9,503
Over 5 years	277	(57)	220
Total	**26,745**	**(5,096)**	**21,649**
		36.79%	
Share of Itaúsa	**9,839**	**(1,875)**	**7,965**

ITAÚ UNIBANCO HOLDING	12/31/2011		
	Future minimum payments	Future financial income	Present value
Current	**15,244**	**(1,172)**	**14,072**
Up to 1 year	15,244	(1,172)	14,072
Non-current	**18,133**	**(5,361)**	**12,772**
From 1 to 5 years	17,901	(5,310)	12,591
Over 5 years	232	(51)	181
Total	**33,377**	**(6,533)**	**26,844**
		36.82%	
Share of Itaúsa	**12,290**	**(2,406)**	**9,884**

The allowance for loan losses related to the lease portfolio amounts to: R$ 693 at 06/30/2012 (R$ 744 at 12/31/2011), including the share of Itaúsa.

d) Operations of Sale or Transfer of Financial Assets

ITAÚSA CONSOLIDATED carried out operations related to the sale or transfer of financial assets in which the entity retained credit risks from the financial assets transferred, through joint obligation clauses or the acquisition of subordinated quotas in the credit right funds. Therefore, such credits remain recorded as loan operations and are represented at June 30, 2012 as follows:

Nature of operation	Assets		Liabilities	
	Book value	Fair value	Book value	Fair value
Individuals – mortgage loan	168	179	168	164
Corporate – working capital	11	11	11	11

NOTE 12 – LEASE COMMITMENTS AS LESSEE

a) Finance lease

ITAÚSA CONSOLIDATED, through its subsidiary ITAÚ UNIBANCO HOLDING, is the lessee in finance lease contracts of data processing equipment, with the option of purchase or extension, without contingent rental payments or imposed restrictions. The net carrying amount of these assets is R$ 95 as at June 30, 2012 (R$ 125 at December 31, 2011).

The table below shows the total future minimum payments:

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
Current	**202**	**220**
Up to 1 year	202	220
Non-current	**56**	**120**
From 1 to 5 years	56	120
Total future minimum payment	**258**	**340**
Future interest	-	1
Present value	**258**	**339**
	36.79%	36.82%
Share of Itaúsa	**95**	**125**

b) Operating leases

ITAÚSA, through its subsidiary ITAÚ UNIBANCO HOLDING, leases many properties, for use in its operations, under standard real estate leases that usually can be cancelled at its option and include renewal options and price escalation clauses. No lease agreement imposes any restriction on our ability to pay dividends, engage in debt or equity financing transactions, or enter into further lease agreements, and there is no contingent payments related to the agreements.

Minimum payments of services provided by third parties and rents according to operating and capital lease agreements with non-cancellable initial and remaining lease terms of more than one year were as follows.

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
Current	**495**	**882**
Up to 1 year	495	882
Non-current	**3,684**	**3,132**
From 1 to 5 years	2,964	2,537
Over 5 years	720	595
Total future minimum payment	**4,179**	**4,014**
	36.79%	36.82%
Share of Itaúsa	**1,537**	**1,478**

NOTE 13 – INVENTORIES – INDUSTRIAL AREA

	06/30/2012	31/12/2011
Raw material, supplies and packaging	370	397
Finished products	321	259
Work in process	74	74
Showroom	77	77
Advance to suppliers	17	20
Allowance for inventory losses	(52)	(58)
Other	-	2
Total	**806**	**771**

At June 30, 2012 and December 31, 2011, the subsidiaries of ITAÚSA CONSOLIDATED did not have any inventories pledged as collateral.

NOTE 14 - INVESTMENTS

I) Interest in subsidiaries and jointly-controlled entities - ITAÚSA

The table below shows ITAÚSA's interest in subsidiaries and jointly-controlled entities, which are consolidated in the financial statements:

Companies	Balances at 12/31/2011	Dividends and interest on capital received / receivable (1)	Share of income of subsidiaries	Change in adjustment to market value	Cumulative translation adjustments	Granting of options recognized	Cash flow hedge	Other adjustments in stockholders' equity	Balances at 06/30/2012	Market value (2)
Itaú Unibanco Holding S.A.	14,810	(1,145)	1,722	160	59	15	(86)	(3)	15,532	46,619
IUPAR - Itaú Unibanco Participações S.A.	11,896	(45)	607	140	51	14	(76)	(2)	12,585	-
Duratex S.A.	1,299	(22)	65	-	(1)	1	-	-	1,342	2,057
Elekeiroz S.A.	460	-	(1)	-	-	-	-	-	459	178
Itautec S.A.	388	-	(5)	4	-	-	-	-	387	476
Itaúsa Empreendimentos S.A.	100	-	1	-	-	-	-	-	101	-
ITH Zux Cayman Company Ltd.	43	-	3	-	-	-	-	-	46	-
GRAND TOTAL	**28,996**	**(1,212)**	**2,392**	**304**	**109**	**30**	**(162)**	**(5)**	**30,452**	

(1) Other assets include dividends and interest on capital receivable.

(2) Fair value of investments in affiliates and subsidiaries based on stock price quotations.

Companies	Capital	Stockholders' equity	Net income for the period	Number of shares owned by ITAÚSA		Interest in capital	Interest in voting capital
				Common	Preferred		
Itaú Unibanco Holding S.A.	45,000	78,894	6,807	885,142,980	77,193	36.79%	64.16%
IUPAR - Itaú Unibanco Participações S.A.	6,000	18,916	913	355,227,092	350,942,273	66.53%	50.00%
Duratex S.A.	1,542	3,817	185	194,070,169	-	35.40%	35.40%
Elekeiroz S.A.	320	475	(1)	14,261,761	16,117,360	96.49%	98.23%
Itautec S.A.	280	535	(7)	10,953,371	-	94.01%	94.01%
Itaúsa Empreendimentos S.A.	48	101	1	752,189	-	100.00%	100.00%
ITH Zux Cayman Company Ltd.	71	47	-	35,000,000	-	100.00%	100.00%

II - INVESTMENTS IN UNCONSOLIDATED COMPANIES – ITAÚSA CONSOLIDATED

a) Composition

ITAÚ UNIBANCO HOLDING	Interest % at 06/30/2012		06/30/2012					12/31/2011			06/30/2011	
	Total	Voting	Stockholders' equity	Net income	Investment	Share of income	Market value	Stockholders' equity	Investment	Market value	Net income	Share of income
Porto Seguro Itaú Unibanco Participações S.A. (a) (b)	42.93	42.93	2,816	176	2,054	58	1,715	2,681	2,014	2,094	98	25
BSF Holding S.A.(c)	49.00	49.00	489	13	823	6	-	-	-		-	-
Banco BPI S.A. (d)	-	-	-	-	-	(101)	-	1,151	219	219	(1,105)	(210)
Serasa S.A. (e)	16.14	16.14	1,120	120	273	29	1,404	1,119	273	1,161	115	27
Other (f)	-	-	-	-	43	-	-	-	38	-	-	27
Total - Itaú Unibanco	**-**	**-**	**-**	**-**	**3,193**	**(8)**	**-**	**-**	**2,544**	**-**	**-**	**(131)**
Share of Itaúsa						36.79%			36.82%			36.65%
					1,175	**(3)**			**937**			**(48)**
Other investments (f)					1	22			1			25
Total					**1,176**	**19**			**938**			**(23)**

(a) In order to account for equity in earnings in 2012, the position as at 05/31/2012 was used, as per IAS 27;

(b) For purposes of market value, the quoted share price of Porto Seguro S.A. was taken into account. The investment includes the amounts of R$ 845 at June 30, 2012 and R$ 862 at December 31, 2011, which correspond to the difference between the share in the net assets at fair value of Porto Seguro Itaú Unibanco Participações S.A. and the investment cost;

c) In May 2012, Itaú Unibanco S.A. acquired 137,004,000 common shares of BSF Holding S.A. (parent company of Banco Carrefour), which corresponds to 49% interest in BSF Holding S.A.'s capital. The investment amount includes R$ 583 at June 30, 2012, which corresponds to goodwill;

(d) Investment sold on April 20, 2012;

(e) Indirect investment of ITAÚ UNIBANCO HOLDING as a result of its 66% interest in BIU Participações S.A. which holds 24% of Serasa S.A.'s voting capital;

(f) At 06/30/2012, includes interest in total capital and voting capital of the following companies: Compañia Uruguaya de Medios de Procesamiento S.A. (30.06% total and voting capital), Latosol Empreendimentos e Participação Ltda (32.11% total and voting capital); Redebanc SRL (20.00% total and voting capital) and Tecnologia Bancária S.A. (24.81% total and voting capital).

b) Other Information

The table below shows the summary of the financial information of the investees under the equity method of accounting, on an aggregate basis.

ITAÚSA CONSOLIDATED	06/30/2012	12/31/2011	06/30/2011
Total assets (*)	4,777	107,783	-
Total liabilities (*)	352	102,831	-
Total income (*)	719	-	3,611
Total expenses (*)	(410)	-	(3,228)

(*) Mainly represented by Banco BPI S.A., in the amount of R$ 103,696 at 12/31/2011 related to assets, R$ 102,544 at 12/31/2011 related to liabilities, R$ 3,119 at 06/30/2011 related to income and R$ 2,950 at 06/30/2011 related to expenses.This investment was sold at 04/12/2012.

The investees do not have contingent liabilities to which Itaúsa Consolidated is significantly exposed.

ITAÚSA	06/30/2012	12/31/2011	06/30/2011
Total assets	862,284	846,083	-
Total liabilities	759,500	748,016	-
Total income	69,858	-	74,212
Total expenses	(61,960)	-	(66,077)

NOTE 15 – FIXED ASSETS

FIXED ASSETS (1)	Annual depreciation rates (%)	Balance at 31/12/2011			Changes				Balance at 06/30/12		
		Cost	Accumulated depreciation	Net book value	Acquisitions	Disposals	Depreciation expense	Other	Cost	Accumulated depreciation	Net book value
REAL ESTATE IN USE (2)	**-**	**3,152**	**(1,133)**	**2,019**	**85**	**(63)**	**(76)**	**6**	**3,180**	**(1,209)**	**1,971**
Land	-	1,056	-	1,056	17	(61)	-	(7)	1,005	-	1,005
Buildings	4	1,638	(909)	729	27	(2)	(29)	-	1,663	(938)	725
Improvements	10	458	(224)	234	41	-	(47)	13	512	(271)	241
OTHER FIXED ASSETS	**-**	**6,153**	**(3,087)**	**3,066**	**540**	**(13)**	**(300)**	**(14)**	**6,666**	**(3,387)**	**3,279**
Installations	5 to 20	773	(450)	323	44	-	(29)	16	833	(479)	354
Furniture and equipment	10 to 20	2,807	(1,166)	1,641	60	(21)	(103)	19	2,865	(1,269)	1,596
EDP systems (3)	20 to 50	1,868	(1,253)	615	171	(4)	(150)	-	2,035	(1,403)	632
Other (communication, security and transport	4 to 20	705	(218)	487	265	12	(18)	(49)	933	(236)	697
TOTAL FIXED ASSETS		**9,305**	**(4,220)**	**5,085**	**625**	**(76)**	**(376)**	**(8)**	**9,846**	**(4,596)**	**5,250**

(1) There are no contractual commitments for the purchase of fixed assets;

(2) Includes the amount of R$ 1 related to attached real estate; fixed assets under construction in the amount of R$ 64, consisting of R$ 37 in real estate in use, R$ 16 in improvements, and R$ 11 in equipment;

(3) Includes lease contracts, mainly related to data processing equipment, which are accounted for as lease operations. The asset and the liability are recognized in the financial statements.

Financial statements

NOTE 16 – BIOLOGICAL ASSETS (Forest reserves)

ITAÚSA CONSOLIDATED, through its subsidiary Duraflora S.A., owns eucalyptus and pine forest reserves that are mainly used as raw materials in the production of wood panels, floors and components, and are also sold to third parties.

These reserves guarantee the supply of its plants, as well as protect us from future risks of increase in wood prices. It is an operation that is sustainable and integrated to its industrial complexes, which together with the supply network, provides a high self-sufficiency level in wood supply.

At June 30, 2012, it had approximately 140 thousand hectares with actual planting (138 thousand hectares at December 31, 2011) which are cultivated in the states of São Paulo, Minas Gerais and Rio Grande do Sul.

a) Fair value estimate

Fair value is determined based on the estimated wood volume at the point of harvest, at the current prices of standing timber, except (i) forests that have up to two years of life that are stated at cost, as a result of the judgment that these amounts approximate the fair value; (ii) forests in process of growth in which case we use the discounted cash flow method.

Biological assets are measured at fair value, less cost to sell at the point of harvest.

The fair value was determined by valuing the estimated volumes at the point of harvest considering the current market prices in view of the volume estimates. The assumptions used were as follows:

I. Discounted cash flow – forecasted wood volume at the point of harvest, considering the current market prices, net of realizable planting costs and capital costs of lands used in planting (brought to present value).

II. Prices – prices in R$/cubic meter through current market prices, disclosed by specialized companies in regions and products similar to those of the Company, in addition to the prices set in transactions with third parties, in active markets as well.

iii. Differentiation – harvest volumes were separated and valued according to the species (a) pine and eucalyptus, (b) region, (c) use: saw and process.

iv. Volumes – estimates of volumes to be harvested (6th year for eucalyptus and 12th year for pine), based on the average productivity for each region and species. The average productivity may vary based on age, cropping, climate conditions, quality of seedlings, fires and other natural risks. In relation to formed forests, the current wood volumes are used. Rotating inventories are taken from the second year of life of forests and their effects are included in the financial statements.

v. Periodicity – expectations on future wood prices and volumes are reviewed at least quarterly or to the extent the rotating inventories are completed.

b) Composition of balances

Biological assets balances are composed of cost of forest planting and the difference between the fair value and the planting cost, as shown below:

	06/30/2012	12/31/2011
Cost of formation of biological assets	540	519
Difference between cost and fair value	569	575
Fair value of biological assets	**1,109**	**1,094**

Forests are free from any lien or guarantees to third parties, including financial institutions. In addition, there is no forest for which legal title is restricted.

c) Changes

The changes in the accounting balances from the beginning and end of the year are as follows:

	06/30/2012	12/31/2011
Opening balance	**1,094**	**1,030**
Variation in fair value		
Volume price	69	154
Depletion	(75)	(138)
Variation in historic value		
Formation	41	98
Depletion	(20)	(57)
Acquisition	-	7
Closing balance	**1,109**	**1,094**

	06/30/2012	12/31/2011
Effects of the variation in fair value of biological assets	**(6)**	**16**
Variation in fair value	69	154
Depletion of fair value	(75)	(138)

The increase in the balance is a result of the increase in the areas planted to support the expansion of the company's operations.

The adjustment of the variation in fair value is due to the higher prices of standing timber, in addition to increased productivity.

NOTE 17 - INTANGIBLE ASSETS - ITAÚSA CONSOLIDATED (*)

INTANGIBLE ASSETS	Annual amortization rates (%)	31/12/2011			Changes					30/06/2012		
		Cost	Accumulated amortization	Net value	Acquisitions	Write-offs	Amortization expense	Impairment (1)	Other	Cost	Accumulated amortization	Net value
Acquisition of rights to credit payroll	0%	**607**	**(330)**	**277**	**56**	**-**	**(70)**	**-**	**-**	**663**	**(400)**	**263**
Other intangible assets (*)		**3,408**	**(673)**	**2,735**	**260**	**-**	**(164)**	**(1)**	**12**	**3,680**	**(837)**	**2,843**
Association for the promotion and offer of financial products and services	0%	516	(41)	475	4	-	(25)	(1)	5	525	(66)	459
Expenditures on acquisition of software	20%	859	(330)	529	239	-	(51)	-	6	1,104	(381)	723
Brands and patents	0 to 50%	85	(8)	77	-	-	(3)	-	-	85	(11)	74
Goodwill for future profitability	0%	687	-	687	-	-	-	-	-	687	-	687
Customer portfolio	6 to 50%	1,016	(224)	792	-	-	(70)	-	-	1,016	(294)	722
Other intangible assets	10 to 20%	245	(70)	175	17	-	(15)	-	1	263	(85)	178
		4,015	**(1,003)**	**3,012**	**316**	**-**	**(234)**	**(1)**	**12**	**4,343**	**(1,237)**	**3,106**

(1) Note 2.4.l;

(2) The amortization term is based on the agreement term.

(*) At ITAÚSA, total intangible assets refer to goodwill on shares issued by Itáú Unibanco Holding acquired after the transition date, as shown in Note 27.

NOTE 18 - DEPOSITS

The table below shows the breakdown of deposits:

Deposits and funding of clients

ITAÚ UNIBANCO HOLDING	06/30/2012			12/31/2011		
	Current	Non-current	Total	Current	Non-current	Total
Interest-bearing deposits	**129,051**	**74,564**	**203,615**	**130,523**	**83,181**	**213,704**
Time deposits	46,522	74,351	120,873	61,560	82,909	144,469
Interbank deposits	9,473	213	9,686	1,793	272	2,065
Savings deposits	73,056	-	73,056	67,170	-	67,170
Non-interest bearing deposits	**31,360**	**-**	**31,360**	**28,932**	**-**	**28,932**
Demand deposits	31,360	-	31,360	28,932	-	28,932
Total	**160,411**	**74,564**	**234,975**	**159,455**	**83,181**	**242,636**
		36.79%			36.82%	
Share of Itaúsa	**59,014**	**27,432**	**86,446**	**58,714**	**30,629**	**89,343**
Eliminations	(19)	-	(19)	(17)	-	(17)
TOTAL	**58,995**	**27,432**	**86,427**	**58,697**	**30,629**	**89,326**

NOTE 19 – FINANCIAL LIABILITIES HELD FOR TRADING

Financial liabilities held for trading are presented in the following table:

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
	CURRENT	CURRENT
Structured notes	629	2,815
Total	**629**	**2,815**
Share of Itaúsa – 36.79% in Jun/12 and 36.82% in Dec/11	**231**	**1,037**
TOTAL	**231**	**1,037**

The amount of changes in Financial liabilities held for trading was R$ (804) (R$ 545 at December 31, 2011).

The effect of the credit risk of these instruments was not significant at June 30, 2012 or December 31, 2011.

The balance is composed of shares in the amount of R$ 108 (R$ 613 at 12/31/2011) and debt securities in the amount of R$ 123 (R$ 115 at 12/31/2011). For shares, in view of the characteristics of the instrument, there is no definite value to be paid at the maturity date. For debt securities, the amount to be paid at maturity comprises several exchange rates and indices, and there is no contractual amount for settlement.

The cost or amortized cost and fair value of financial liabilities held for trading are as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
	Cost / Fair value	Cost / Fair value
Current	**113**	**1,803**
Up to one year	113	1,803
Non-current	**516**	**1,012**
From one to five years	478	909
From five to ten years	21	88
After ten years	17	15
Total	**629**	**2,815**
Share of Itaúsa – 36.79% in Jun/12 and 36.82% in Dec/11	**231**	**1,037**
TOTAL	**231**	**1,037**

NOTE 20 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, INTERBANK AND INSTITUTIONAL MARKET DEBT

a) Securities sold under repurchase agreements and Interbank market debt

The table below shows the breakdown of funds:

ITAÚ UNIBANCO HOLDING	06/30/2012			12/31/2011		
	Current	Non-current	Total	Current	Non-current	Total
Securities sold under repurchase agreements	**77,170**	**106,577**	**183,747**	**78,408**	**107,005**	**185,413**
Interbank market debt	**51,535**	**43,143**	**94,678**	**47,265**	**43,233**	**90,498**
Mortgage notes	46	195	241	37	207	244
Real estate credit bills	15,062	1,904	16,966	14,470	1,281	15,751
Agribusiness credit bills	1,357	2,532	3,889	1,422	1,862	3,284
Financial credit bills	4,343	13,318	17,661	2,544	11,764	14,308
Import and export financing	17,812	2,928	20,740	17,755	3,697	21,452
Onlending - domestic	12,915	21,779	34,694	11,037	24,422	35,459
Other	-	487	487	-	-	-
Share of Itaúsa		36.79%			36.82%	
Securities sold under repurchase agreements	**28,392**	**39,210**	**67,602**	**28,871**	**39,401**	**68,273**
Interbank market debt	**18,959**	**15,872**	**34,831**	**17,404**	**15,919**	**33,323**

Funding for import and export financing represents credit facilities available for financing of imports and exports of Brazilian companies, in general denominated in foreign currency. The interest rate for each one of the operations (p.a.) is presented in the table below:

	Brazil	**Foreign**
Securities sold under repurchase agreements	60% CDI to 13.23%	0.15% to 5.00%
Mortgage notes	-	2.70% to 7.50%
Real estate credit bills	82% to 100% CDI	-
Financial credit bills	IGPM to 112.75% CDI	-
Agribusiness credit bills	20% to 95% CDI	-
Import and export financing	0.40% to 105.25% CDI	0.63% to 11.75%
Onlending - domestic	0,50% to 16,55% TJLP	-

In “Securities sold under repurchase agreements”, we present the liabilities in transactions in which ITAÚSA CONSOLIDATED sells to customers, in exchange for cash, debt securities issued by the consolidated subsidiaries previously held in treasury, and where it undertakes to repurchase them at any time after the sale up to a repurchase deadline, at which time they must be repurchased by ITAÚSA CONSOLIDATED. The repurchase price is computed as the price paid on the sale date plus interest at rates ranging from 60% of CDI to 13.23%. The deadline for repurchase expires in January 2027.

b) By the parent company

On June 1, 2010 Itaúsa raised funds in the market upon the issue of 10,000 debentures of a single series, not convertible into shares, with face value of R$ 100 thousand each, remunerated at 106.5% of CDI, and with amortization in three annual and consecutive installments, in June 2011, 2012 and 2013, and Itaúsa may advance these redemptions, at its discretion. In June 2011 and 2012 Itaúsa made payments in the amount of R$ 416 and R$ 432, related to the amortization of the first and second installments, respectively.

c) Institutional market debt

The table below presents the breakdown of funds obtained in Institutional markets:

	06/30/2012			12/31/2011		
ITAÚ UNIBANCO HOLDING	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Subordinated debt (*)	5,347	38,399	43,746	10,719	28,996	39,715
Debentures	1,033	1,532	2,565	1,039	-	1,039
Foreign borrowings through securities	5,518	6,719	12,237	8,143	5,910	14,053
Total	**11,898**	**46,650**	**58,548**	**19,901**	**34,906**	**54,807**
		36.79%			36.82%	
Share of Itaúsa	**4,377**	**17,163**	**21,540**	**7,328**	**12,853**	**20,180**
Itaúsa debentures	352	-	352	401	350	751
Total	**4,729**	**17,163**	**21,892**	**7,729**	**13,203**	**20,931**

(*) At June 30, 2012, R$ 38,983 (R$ 38,257 at December 31, 2011), with effects in the Consolidated Balance Sheet of Itaúsa of R$ 14,342 and R$ 14,087, respectively, is included in the Reference Equity, under the proportionality defined by CMN Resolution No. 3,444, of February 28, 2007, as amended by CNM Resolution No. 3,352, of January 31, 2008.

The interest rate for each one of the operations (p.a.) is presented in the table below.

	Brazil	**Foreign**
Subordinated debt	CDI + 0.35% to IPCA + 7.80%	3.04% to 6.20%
Debentures	CDI +0.35	-
Foreign borrowings through securities	1.40% to 8.00%	0.24% to 16.43%

NOTE 21 - OTHER ASSETS AND LIABILITIES

a) Other assets

	06/30/2012			12/31/2011		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial (1)	**10,514**	**5,110**	**15,624**	**10,604**	**4,321**	**14,925**
Receivables from credit card issuers	5,753	-	5,753	6,745	-	6,745
Insurance and reinsurance operations	1,488	-	1,488	1,322	-	1,322
Deposits in guarantee for contingent liabilities (Note 31)	382	4,744	5,126	957	3,915	4,872
Deposits for foreign borrowing program	271	-	271	221	-	221
Negotiation and intermediation of securities	1,543	-	1,543	593	-	593
Receivables from reimbursement of contingent liabilities (Note 31)	165	103	268	77	159	236
Receivables from services provided	846	-	846	463	-	463
Amounts receivable from FCVS – Salary Variations Compensation Fund (2)	-	263	263	-	247	247
Foreign exchange portfolio	-	-	-	99	-	99
Operations without credit granting characteristics	66	-	66	127	-	127
Non-financial	**3,842**	**554**	**4,396**	**3,522**	**547**	**4,069**
Prepaid expenses	834	554	1,388	868	547	1,415
Retirement plan assets (Note 28(b) and (c))	864	-	864	735	-	735
Sundry domestic	1,799	-	1,799	1,611	-	1,611
Sundry foreign	66	-	66	41	-	41
Other	279	-	279	267	-	267

(1) In this period, there was no impairment losses for other financial assets.

(2) The Salary Variation Compensation Fund – FCVS was established through Resolution No. 25, of June 16, 1967, of the Board of the former BNH (National Housing Bank), and its purpose is to settle balances remaining after the end of real estate financing contracted up to March 1990, relating to agreements financed under the SFH (National Housing System), and provided that they are covered by FCVS.

b) Other liabilities

	06/30/2012			12/31/2011		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial	**16,622**	**21**	**16,643**	**16,202**	**44**	**16,246**
Credit card operations	13,683	-	13,683	15,169	-	15,169
Foreign exchange portfolio	71	-	71	-	-	-
Negotiation and intermediation of securities	2,606	-	2,606	922	-	922
Finance lease	74	21	95	81	44	125
Funds from consortia participants	31	-	31	30	-	30
Other	157	-	157	-	-	-
Non-financial	**11,828**	**276**	**12,104**	**10,015**	**252**	**10,267**
Expenses for industrial companies	2,613	-	2,613	2,498	-	2,498
Collection and payment of taxes and contributions	1,560	-	1,560	320	-	320
Sundry creditors – Local and abroad	1,276	-	1,276	754	-	754
Funds in transit	1,505	-	1,505	1,420	-	1,420
Provision for sundry payments	1,128	245	1,373	768	210	978
Social and statutory	1,491	15	1,506	1,488	31	1,519
Related to insurance operations	407	-	407	341	-	341
Liabilities for official agreements and rendering of payment services	182	-	182	555	-	555
Provision for retirement plan benefits (Note 28b and d)	104	15	119	127	11	138
Personnel provision	688	-	688	568	-	568
Provision for health insurance	232	-	232	229	-	229
Deferred income	257	-	257	266	-	266
Other	386	-	386	681	-	681

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NOTE 22 – STOCKHOLDERS' EQUITY

a) Capital

The Extraordinary Stockholders' Meeting held on April 26, 2012, approved the following proposal of the Board of Directors:

- Cancellation of 8,700,000 book entry shares of own issue existing in Treasury, with no capital reduction;

- Capital increase of R$ 2,822, upon capitalization of funds allocated to Revenue Reserve, of which R$ 1,062 of the Reserve for Dividends Equalization and R$ 1,760 of the Reserve for Working Capital Increase;

- Issue of 440,678,158 new book-entry shares, with no par value, of which 169,662,686 are common shares and 271,015,472 are preferred shares, which will be attributed at no expense to the stockholders, as a bonus, in the proportion of one (1) new share for each batch of ten 10 (ten) shares of the same type they hold at the end of April 26,2012, after the cancellation of shares of own issue proposed in item I above;

As a result of the aforementioned items, capital was increased to R$ 16,500, represented by 4,847,459,747 book-entry shares, with no par value, of which 1,866,289,554 are common shares and 2,981,170,193 are preferred shares without voting rights, but with the following advantages:

- Priority in the receipt of non-cumulative, annual minimum dividend of R$ 10.00 per thousand shares;

- 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.

The Extraordinary Stockholders' Meeting (ESM) of April 26, 2012 resolved the capital increase by R$ 500 million upon payment in cash and/or offset with credits arising from complementary interest on capital declared on February 29, 2012.

Considering the great volatility if the capital market, a result of the European financial crisis which caused the general drop in the quotation of the shares in the securities market, including those issued by Itaúsa, the remaining shares represented 17.73% of total shares to be issued. As a result of this event, the ESM of July 6, 2012 opted for the cancellation of the capital call. Return to subscribers was carried out on July 16, 2012, and the amounts were monetarily adjusted based on the variation of the SELIC rate.

The table below shows the breakdown of and change in shares of paid-in capital and a reconciliation of the balances at December 31, 2011 to June 30, 2012:

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at 01/01/2011	**1,680,795,973**	**2,693,485,616**	**4,374,281,589**	**13,266**
Residents in Brazil	1,680,546,641	1,746,312,444	3,426,859,085	10,393
Residents abroad	249,332	947,173,172	947,422,504	2,873
Changes in shares of paid-in capital from ESM onf 04/29/2011	**15,830,895**	**25,369,105**	**41,200,000**	**412**
Increase in capital	15,830,895	25,369,105	41,200,000	412
Shares of capital stock at 12/31/2011	**1,696,626,868**	**2,718,854,721**	**4,415,481,589**	**13,678**
Residents in Brazil	1,696,361,573	1,820,597,595	3,516,959,168	10,895
Residents abroad	265,295	898,257,126	898,522,421	2,783
Treasury shares at 01/01/2011	**-**	**-**	**-**	**-**
Acquisition of Shares		(8,700,000)	(8,700,000)	(80)
Treasury shares at 12/31/2011 (*)	**-**	**(8,700,000)**	**(8,700,000)**	**(80)**
Shares outstanding at 12/31/2011	**1,696,626,868**	**2,710,154,721**	**4,406,781,589**	**13,598**

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at 06/01/2012	**1,696,626,868**	**2,718,854,721**	**4,415,481,589**	**13,678**
Residents in Brazil	1,696,361,573	1,820,597,595	3,516,959,168	10,895
Residents abroad	265,295	898,257,126	898,522,421	2,783
Changes in shares of paid-in capital from ESM onf 04/26/2012	**169,662,686**	**271,015,472**	**440,678,158**	**2,822**
Capital Increase with Capitalization of Reserves	-	-	-	2,822
Share bonus	169,662,686	271,015,472	440,678,158	-
Shares of capital stock at 06/30/2012	**1,866,289,554**	**2,981,170,193**	**4,847,459,747**	**16,500**
Residents in Brazil	1,865,986,068	1,998,286,365	3,864,272,433	13,153
Residents abroad	303,486	982,883,828	983,187,314	3,347
Treasury shares at 01/01/2012 (*)	**-**	**(8,700,000)**	**(8,700,000)**	**(80)**
(-) Cancellation of shares (ESM of 04/26/2012)	-	8,700,000	8,700,000	80
Treasury shares at 06/30/2012	**-**	**-**	**-**	**-**
Shares outstanding at 06/30/2012	**1,866,289,554**	**2,981,170,193**	**4,847,459,747**	**16,500**

(*) Own shares, purchased based on authorization of the Board of Directors, to be held in treasury for subsequent cancellation or replacement in the market.

b) Dividends

Stockholders are entitled to a mandatory minimum dividend of not less than 25% of adjusted net income, pursuant to the provisions of the Brazilian Corporate Law. Both common and preferred shares participate equally, after common shares have received dividends equal to the minimum priority dividend of R$ 0.01 per share to be paid on preferred shares. The minimum dividend may be paid in four or more installments, at least quarterly or at short intervals.

The calculation of the quarterly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, with payment being made on the first business day of the subsequent month, in the amount of R$ 0.015 per share according to a resolution passed at the A/ESM held on March 5, 2012.

Due to the cancelation of the Capital Increase approved in EGM held on July 6, 2012, shall not be declared Interest on Capital (IOC) for the 1st Semester of 2012, traditionally anticipated to shareholders in August.

I. Calculation

(In millions of Reais)

Net income	2,292	
Adjustments		
(-) Legal reserve	(115)	
Dividend calculation basis	2,177	
Mandatory minimum dividend	544	
Proposed dividends/interest on capital	544	25.00%

II. Provision for interest on capital and dividends

	Gross	WTS	Net
Provided for	**614**	**(70)**	**545**
Dividends	**146**	**-**	**146**
1 quarterly installment of R$ 0.015 per share payable on 07/02/2012	73	-	73
1 quarterly installment of R$ 0.015 per share payable on 10/01/2012	73	-	73
Interest on capital	**468**	**(70)**	**398**
1 quarterly installment of R$ 0.0968 per share to be declared	468	(70)	398
Total at 06/30/2012 - R$ 0.1123 net per share	**614**	**(70)**	**544**
Total at 06/30/2011 - R$ 0.1279 net per share	**642**	**(78)**	**564**

c) Appropriated reserves

- **Legal reserve**

It is recognized at 5% of net income for each year, pursuant to Article 193 of Law No. 6,404/76, amended by Law No.11,638/07 and Law No.11,941/09, up to the limit of 20% of capital.

- **Statutory reserves**

These reserves are recognized aimed at:

- dividend equalization with the purpose of guaranteeing funds for the payment of dividends, including interest on capital or its advances, to maintain the flow of the stockholders' compensation;

- increasing working capital, guaranteeing funds for the company's operations; and

- increasing the capital of investees, to guarantee the preemptive right of subscription upon capital increases of investees.

	30/06/2012	31/12/2011
REVENUE RESERVES	**14,038**	**15,268**
Legal	2,133	2,019
Statutory	11,905	13,249
Dividends equalization	4,215	4,501
Working capital increase	2,786	4,313
Increase in capital of investees	4,904	4,435
Proposal for distribution of additional dividends	**-**	**551**
Other reserves	**293**	**264**
Total reserves at parent company	**14,331**	**16,083**

e) Unappropriated reserves

Refers to balance of profit remaining after the distribution of dividends and appropriations to statutory reserves in the statutory accounts of ITAÚSA CONSOLIDATED.

NOTE 23 – SHARE-BASED PAYMENT

Stock option plan of subsidiaries

a) Itaú Unibanco Holding

I – Purpose and guidelines of the plan

The Group has a stock option plan for its executives. This program aims at involving the members of management in the medium and long-term corporate development process, by granting simple stock options or bonus options, that are personal and cannot be pledged or transferred, entitling the holders to subscribe one authorized capital share or, at the discretion of the management, one treasury share which has been acquired for the purpose of reselling.

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 date of the year-end balance sheet. ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the quantity, the beneficiaries, the type of option, the life of the option under each series, which may vary between a minimum of five years and a maximum of ten years, and the vesting and lockup periods for exercising the options. The executive officers and members of the Board of Directors of ITAÚ UNIBANCO HOLDING and of its subsidiaries, as well as employees, may participate in this program, based on assessment of potential and performance.

ITAÚ UNIBANCO HOLDING settles the benefits under this plan solely 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, both Itaú and Unibanco had Stock Option Plans (Prior Programs). The eligible beneficiaries of the program are granted simple options depending upon individual performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA over the period of at least one and at most three months prior to the option issue date. The price is subject to 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 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

For eligible beneficiaries of the program, simple options are granted 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 in the last three months of the year prior to the granting year, and an adjustment up to plus or minus 20% is allowed. 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 to seven years, as from the issue date.

II. II – Partner options

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 from three to five years and they are subject to market fluctuation. At the time they acquire their own shares and/or share-based instruments, partner options are granted in accordance with the classification of executives. Vesting periods of partner options or share-based instruments are from one to seven years. Share-based instruments and partner options are converted into shares of ITAÚ UNIBANCO HOLDING in the ratio of one preferred share for each instrument after the respective vesting period, with no payment of exercise price in cash.

The acquisition price of own shares and Share-Based Instruments is established every six months and is equivalent to the average 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 five to eight years, as from the acquisition date of the shares.

The weighted average of the fair value of share-based instruments on the grant date was estimated for shares purchased in the period ended June 30, 2012 as R$ 36.00 per share (R$ 37.00 per share at June 30, 2011).

The fair value of Share-Based Instrument is the market priced at the grant date for the preferred shares of Itaú Unibanco Holding, less the cash price paid by the beneficiaries. The amount received for the purchase of Share-Based Instruments was R$ 50 at June 30, 2012 (R$ 48 at June 30, 2011).

Summary of changes in the plan

Granting		Vesting period	Exercise	Restated exercise	Exercised options		Number of shares				
					Exercise price	Market value	Prior balance				To be exercised
No.	Date	until	deadline	price (R$1)	weighted average	weighted average	12/31/2011	Granted	Exercised	Forfeited (*) / Canceled	at 06/30/2012
Simple options											
11th	2/21/2005	12/31/2009	12/31/2012	19.40	19.00	33.92	937,275	-	(333,375)	-	603,900
11th	8/6/2007	12/31/2009	12/31/2012	19.40	-	-	11,357	-	-	-	11,357
12th	2/21/2006	12/31/2010	12/31/2013	28.86	28.22	37.08	6,854,365	-	(1,894,985)	-	4,959,380
12th	8/6/2007	12/31/2010	12/31/2013	28.86	-	-	15,867	-	-	-	15,867
16th	8/10/2009	12/31/2010	12/31/2014	32.81	-	-	874,167	-	-	-	874,167
34th	3/21/2007	3/21/2011	3/20/2012	37.81	-	-	75,901	-	-	(75,901)	-
35th	3/22/2007	3/22/2011	3/21/2012	37.76	-	-	29,518	-	-	(29,518)	-
36th	5/14/2008	5/14/2011	5/13/2012	46.72	-	-	25,301	-	-	(25,301)	-
30th	7/4/2006	7/4/2011	7/3/2012	29.96	-	-	52,707	-	-	-	52,707
33rd	8/30/2006	8/30/2011	8/29/2012	33.18	32.70	38.42	21,083	-	(21,083)	-	-
13th	2/14/2007	12/31/2011	12/31/2014	36.74	35.91	38.32	7,732,975	-	(344,650)	(1,048,200)	6,340,125
13th	8/6/2007	12/31/2011	12/31/2014	36.74	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	36.74	-	-	45,954	-	-	-	45,954
34th	3/21/2007	3/21/2012	3/20/2013	37.81	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2012	3/21/2013	37.76	-	-	29,514	-	-	-	29,514
36th	5/14/2008	5/14/2012	5/13/2013	46.98	-	-	25,300	-	-	-	25,300
Total options to be exercised					**28.09**	**36.85**	**16,837,834**	**-**	**(2,594,093)**	**(1,178,920)**	**13,064,821**
17th	9/23/2009	9/23/2012	12/31/2014	37.91	-	-	29,551	-	-	-	29,551
14th	2/11/2008	12/31/2012	12/31/2015	42.36	-	-	9,266,066	-	-	(1,963,220)	7,302,846
14th	5/5/2008	12/31/2012	12/31/2015	42.36	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	42.36	-	-	45,954	-	-	-	45,954
36th	5/14/2008	5/14/2013	5/13/2014	46.98	-	-	25,300	-	-	-	25,300
15th	3/3/2009	12/31/2013	12/31/2016	27.70	27.10	35.23	14,114,940	-	(1,418,080)	-	12,696,860
15th	10/28/2009	12/31/2013	12/31/2016	27.70	-	-	45,954	-	-	-	45,954
18th	4/17/2010	12/31/2014	12/31/2017	45.00	-	-	6,052,223	-	-	(33,005)	6,019,218
18th	5/11/2010	12/31/2014	12/31/2017	45.00	-	-	1,163,919	-	-	(29,548)	1,134,371
37th	4/19/2011	12/31/2015	12/31/2018	43.96	-	-	9,769,432	-	-	(85,298)	9,684,134
37th	1/13/2012	12/31/2015	12/31/2018	43.96	-	-	-	15,383	-	-	15,383
38th	1/13/2012	12/31/2016	12/31/2019	32.88	-	-	-	15,097	-	-	15,097
38th	4/27/2012	12/31/2016	12/31/2019	32.88	-	-	-	10,373,657		(19,186.00)	10,354,471
Total options outstanding					**27.10**	**35.23**	**40,533,964**	**10,404,137**	**(1,418,080)**	**(2,130,257)**	**47,389,764**
Total simple options					**27.74**	**36.28**	**57,371,798**	**10,404,137**	**(4,012,173)**	**(3,309,177)**	**60,454,585**
Partner options											
4th	3/3/2008	3/3/2011	-	-	-	-	39,906	-	-	(39,906)	-
5th	9/3/2008	9/3/2011	-	-	-	-	46,710	-	-	(46,710)	-
6th	3/6/2009	3/6/2012	-	-	-	35.90	719,023	-	(681,490)	(37,533)	-
7th	6/19/2009	3/6/2012	-	-	-	35.90	79,446	-	(79,446)	-	-
Total options to be exercised						**35.90**	**885,085**	**-**	**(760,936)**	**(124,149)**	**-**
1st	9/3/2007	9/3/2012	-	-	-	-	309,508	-	-	-	309,508
3rd	2/29/2008	9/3/2012	-	-	-	-	33,474	-	-	-	33,474
4th	3/3/2008	3/3/2013	-	-	-	-	388,432	-	-	-	388,432
8th	8/17/2010	8/16/2013	-	-	-	-	339,632	-	-	-	339,632
9th	8/30/2010	8/16/2013	-	-	-	-	329,711	-	-	(5,285)	324,426
11th	9/30/2010	8/16/2013	-	-	-	-	17,717	-	-	-	17,717
5th	9/3/2008	9/3/2013	-	-	-	-	449,442	-	-	(2,929)	446,513
10th	9/30/2010	9/29/2013	-	-	-	-	1,862,409	-	-	(38,519)	1,823,890
17th	6/14/2012	2/27/2014		-	-	-	-	7,791	-	-	7,791
12th	2/28/2011	2/28/2014	-	-	-	-	1,558,584	-	-	(21,802)	1,536,782
6th	3/6/2009	3/6/2014	-	-	-	-	704,604	-	-	(2,374)	702,230
7th	6/19/2009	3/6/2014	-	-	-	-	79,445	-	-	-	79,445
14th	11/4/2011	8/18/2014	-	-	-	-	509		-	-	509
17th	6/14/2012	8/18/2014	-	-	-	-		2,527	-	-	2,527
13th	8/19/2011	8/19/2014	-	-	-	-	706,397	-	-	(18,476)	687,921
17th	6/14/2012	2/23/2015	-	-	-	-		8,187			8,187
15th	2/24/2012	2/24/2015	-	-	-	-	-	1,583,044	-	(2,843)	1,580,201
16th	2/24/2012	2/24/2015	-	-	-	-	-	69,156	-	(4,673)	64,483
8th	8/17/2010	8/16/2015	-	-	-	-	338,923	-	-	-	338,923
9th	8/30/2010	8/16/2015	-	-	-	-	329,152	-	-	(5,464)	323,688
11th	9/30/2010	8/16/2015	-	-	-	-	17,712	-	-	-	17,712
10th	9/30/2010	9/29/2015	-	-	-	-	1,858,518	-	-	(39,030)	1,819,488
17th	6/14/2012	2/27/2016	-	-	-	-	-	7,790	-	-	7,790
12th	2/28/2011	2/28/2016	-	-	-	-	1,557,215	-	-	(22,010)	1,535,205
14th	11/4/2011	8/18/2016	-	-	-	-	508	-	-	-	508
17th	6/14/2012	8/18/2016	-	-	-	-	-	2,527	-	-	2,527
13th	8/19/2011	8/19/2016	-	-	-	-	706,338	-	-	(16,780)	689,558
17th	6/14/2012	2/23/2017	-	-	-	-	-	8,186	-	-	8,186
15th	2/24/2012	2/24/2017	-	-	-	-	-	1,582,979	-	(2,843)	1,580,136
16th	2/24/2012	2/24/2017	-	-	-	-	-	69,151	-	(4,751)	64,400
Total options outstanding					**-**	**-**	**11,588,230**	**3,341,338**	**-**	**(187,779)**	**14,741,789**
Total partner options					**-**	**35.90**	**12,473,315**	**3,341,338**	**(760,936)**	**(311,928)**	**14,741,789**
TOTAL SIMPLE/PARTNER OPTIONS					**27.74**	**36.22**	**69,845,113**	**13,745,475**	**(4,773,109)**	**(3,621,105)**	**75,196,374**

(*) Refers to non-exercise due to the beneficiary's option.

Summary of changes in the plan

Granting		Vesting period until	Exercise deadline	Restated exercise price (R$1)	Exercised options		Number of shares				
Nº	Date				Exercise price weighted average	Market value weighted average	Prior balance 12/31/2010	Granted	Exercised	Forfeited(*) Cancelled	To be exercised 06/30/2011
Simple options											
10th	2/16/2004	12/31/2008	12/31/2011	13.22	12.89	38.60	712,942	-	(273,943)	-	438,999
27th	2/1/2005	5/5/2009	1/31/2011	16.52	17.90	39.15	12,650	-	(12,650)	-	-
11th	2/21/2005	12/31/2009	12/31/2012	18.60	18.27	37.05	2,877,600	-	(1,362,125)	-	1,515,475
11th	8/1/2005	12/31/2009	12/31/2012	18.60	18.27	37.05	27,500	-	(27,500)	-	-
11th	8/6/2007	12/31/2009	12/31/2012	18.60	-	-	11,357	-	-	-	11,357
27th	2/1/2005	2/1/2010	1/31/2011	16.52	17.90	39.15	16,389	-	(16,389)	-	-
34th	3/21/2007	3/21/2010	3/20/2011	35.94	-	-	75,901	-	-	(75,901)	-
35th	3/22/2007	3/22/2010	3/21/2011	35.31	-	-	29,518	-	-	(29,518)	-
30th	7/4/2006	7/4/2010	7/3/2011	28.48	-	-	52,710	-	-	-	52,710
29th	9/19/2005	9/19/2010	9/18/2011	21.59	-	-	12,650	-	(12,650)	-	-
12th	2/21/2006	12/31/2010	12/31/2013	27.68	27.20	37.51	8,025,250	-	(938,725)	-	7,086,525
12th	8/6/2007	12/31/2010	12/31/2013	27.68	-	-	15,867	-	-	-	15,867
16th	8/10/2009	12/31/2010	12/31/2014	31.47	-	-	874,167	-	-	-	874,167
34th	3/21/2007	3/21/2011	3/20/2012	35.94	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2011	3/21/2012	35.89	-	-	29,518	-	-	-	29,518
36th	5/14/2008	5/14/2011	5/13/2012	44.66	-	-	25,301	-	-	-	25,301
Total options to be exercised					**20.79**	**37.22**	**12,875,221**	**-**	**(2,643,982)**	**(105,419)**	**10,125,820**
30th	7/4/2006	7/4/2011	7/3/2012	28.48	-	-	52,707	-	-	-	52,707
33th	8/30/2006	8/30/2011	8/29/2012	31.54	-	-	21,083	-	-	-	21,083
13th	2/14/2007	12/31/2011	12/31/2014	35.24	34.82	36.93	8,546,975	-	(507,375)	(106,425)	7,933,175
13th	8/6/2007	12/31/2011	12/31/2014	34.24	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	35.24	-	-	45,954	-	-	-	45,954
34th	3/21/2007	3/21/2012	3/20/2013	35.94	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2012	3/21/2013	35.89	-	-	29,514	-	-	-	29,514
36th	5/14/2008	5/14/2012	5/13/2013	44.66	-	-	25,300	-	-	-	25,300
17th	9/23/2009	9/23/2012	12/31/2014	36.36	-	-	29,551	-	-	-	29,551
14th	2/11/2008	12/31/2012	12/31/2015	40.63	-	-	10,846,487	-	-	(1,427,659)	9,418,828
14th	5/5/2008	12/31/2012	12/31/2015	40.63	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	40.63	-	-	45,954	-	-	-	45,954
36th	5/14/2008	5/14/2013	5/13/2014	44.66	-	-	25,300	-	-	-	25,300
15th	3/3/2009	12/31/2013	12/31/2016	26.57	26.46	36.57	15,067,330	-	(94,850)	(83,490)	14,888,990
15th	10/28/2009	12/31/2013	12/31/2016	26.57	-	-	45,954	-	-	-	45,954
18th	4/17/2010	12/31/2014	12/31/2017	43.16	-	-	6,126,609	-	-	(74,386)	6,052,223
18th	5/11/2010	12/31/2014	12/31/2017	43.16	-	-	1,206,340	-	-	(12,082)	1,194,258
37th	4/19/2011	12/31/2015	12/31/2018	42.16	-	-	-	9,863,110	-	-	9,863,110
Total options outstanding					**33.50**	**36.87**	**42,242,233**	**9,863,110**	**(602,225)**	**(1,704,042)**	**49,799,076**
Total simple options					**23.15**	**37.16**	**55,117,454**	**9,863,110**	**(3,246,207)**	**(1,809,461)**	**59,924,896**
Partner options											
4th	3/3/2008	3/3/2011	-	-	-	37.22	416,487	-	(376,581)	-	39,906
Total options to be exercised						**37.22**	**416,487**	**-**	**(376,581)**	**-**	**39,906**
5th	9/3/2008	9/3/2011	-	-	-	-	490,624	-	-	(11,687)	478,937
6th	3/6/2009	3/6/2012	-	-	-	-	740,362	-	-	(21,339)	719,023
7th	6/19/2009	3/6/2012	-	-	-	-	79,446	-	-	-	79,446
1st	9/3/2007	9/3/2012	-	-	-	-	329,181	-	-	(12,577)	316,604
3rd	2/29/2008	9/3/2012	-	-	-	-	33,474	-	-	-	33,474
4th	3/3/2008	3/3/2013	-	-	-	-	415,930	-	-	(16,016)	399,914
8th	8/17/2010	8/16/2013	-	-	-	-	376,916	-	-	(33,483)	343,433
9th	8/30/2010	8/16/2013	-	-	-	-	359,991	-	-	(30,280)	329,711
11th	9/30/2010	8/16/2013	-	-	-	-	17,717	-	-	-	17,717
5th	9/3/2008	9/3/2013	-	-	-	-	490,126	-	-	(22,255)	467,871
10th	9/30/2010	9/29/2013	-	-	-	-	1,940,987	-	-	(61,009)	1,879,978
12th	2/28/2011	2/28/2014	-	-	-	-	-	1,585,541	-	(10,121)	1,575,420
6th	3/6/2009	3/6/2014	-	-	-	-	739,608	-	-	(35,004)	704,604
7th	6/19/2009	3/6/2014	-	-	-	-	79,445	-	-	-	79,445
8th	8/17/2010	8/16/2015	-	-	-	-	376,876	-	-	(33,483)	343,393
9th	8/30/2010	8/16/2015	-	-	-	-	359,962	-	-	(30,810)	329,152
11th	9/30/2010	8/16/2015	-	-	-	-	17,712	-	-	-	17,712
10th	9/30/2010	9/29/2015	-	-	-	-	1,940,951	-	-	(62,161)	1,878,790
12th	2/28/2011	2/28/2016	-	-	-	-	-	1,585,497	-	(10,360)	1,575,137
Total options outstanding					**-**	**-**	**8,789,308**	**3,171,038**	**-**	**(390,585)**	**11,569,761**
Total partner options					**-**	**37.22**	**9,205,795**	**3,171,038**	**(376,581)**	**(390,585)**	**11,609,667**
TOTAL SIMPLE/PARTNER OPTIONS					**23.15**	**37.16**	**64,323,249**	**13,034,148**	**(3,622,788)**	**(2,200,046)**	**71,534,563**

(*) Refers to non-exercise due to the beneficiary's option.

Summary of Changes in Share-Based Instruments (SBI)

Nº	Vesting period		Prior balance 12/31/2011	New SBI's	Converted into shares	Cancelled	Balance at 06/30/2012
1st	8/17/2010	8/16/2012	110,588	-	-	-	110,588
1st	8/17/2010	8/16/2013	110,577	-	-	-	110,577
1st	8/30/2010	8/16/2012	10,216	-	-	-	10,216
1st	8/30/2010	8/16/2013	10,212	-	-	-	10,212
1st	9/30/2010	8/16/2012	3,971	-	-	-	3,971
1st	9/30/2010	8/16/2013	3,970	-	-	-	3,970
2nd	9/30/2010	9/29/2012	424,163	-	(5,533)	(11,834)	406,796
2nd	9/30/2010	9/29/2013	424,154	-	-	(11,834)	412,320
3rd	2/28/2011	2/27/2011	444,040	-	(444,040)	-	-
3rd	2/28/2011	2/27/2012	444,030	-	-	(8,679)	435,351
3rd	2/28/2011	2/27/2013	444,020	-	-	(8,678)	435,342
4th	2/24/2012	2/24/2013	-	468,852	-	(4,671)	464,181
4th	2/24/2012	2/24/2014	-	468,836	-	(4,671)	464,165
4th	2/24/2012	2/24/2015	-	468,821	-	(4,671)	464,150
Total			**2,429,941**	**1,406,509**	**(449,573)**	**(55,038)**	**3,331,839**

Nº	Vesting period		Balance at 12/31/2010	New SBI's	Converted into shares	Cancelled	Balance at 06/30/2011
1st	8/17/2010	8/16/2011	114,980	-	-	-	114,980
1st	8/17/2010	8/16/2012	114,969	-	-	-	114,969
1st	8/17/2010	8/16/2013	114,958	-	-	-	114,958
1st	8/30/2010	8/16/2011	10,221	-	-	-	10,221
1st	8/30/2010	8/16/2012	10,216	-	-	-	10,216
1st	8/30/2010	8/16/2013	10,212	-	-	-	10,212
1st	9/30/2010	8/16/2011	3,972	-	-	-	3,972
1st	9/30/2010	8/16/2012	3,971	-	-	-	3,971
1st	9/30/2010	8/16/2013	3,970	-	-	-	3,970
2nd	9/30/2010	9/29/2011	424,172	-	-	-	424,172
2nd	9/30/2010	9/29/2012	424,163	-	-	-	424,163
2nd	9/30/2010	9/29/2013	424,154	-	-	-	424,154
3rd	2/28/2011	2/27/2011	-	444,040	-	-	444,040
3rd	2/28/2011	2/27/2012	-	444,030	-	-	444,030
3rd	2/28/2011	2/27/2013	-	444,020	-	-	444,020
Total			**1,659,958**	**1,332,090**	**-**	**-**	**2,992,048**

II.III) Fair value and economic assumptions for cost recognition

ITAÚ UNIBANCO HOLDING recognizes, at the grant 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 time the option issued was adopted, adjusted by the IGP-M variation.

Price of the underlying asset: the share price of ITAÚ UNIBANCO HOLDING (ITUB4) used for the calculation is the closing price at BM&FBOVESPA on the calculation base date.

Expected dividends: the average annual return rate for the last three years of the dividends plus interest on capital paid of the ITUB4 share;

Risk-free interest rate: the risk-free rate used 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 BM&FBOVESPA, adjusted by the IGP-M variation.

Granting		Vesting period	Exercise period until	Price of the underlying asset	Fair value	Expected dividends	Risk-free interest rate	Expected volatility
No.	Data							
Simple options								
37th	1/13/2012	12/31/2015	12/31/2018	35.50	11.06	2.97%	5.25%	30.32%
38th	1/13/2012	12/31/2016	12/31/2019	35.50	11.57	2.97%	5.25%	30.32%
38th	4/27/2012	12/31/2016	12/31/2019	29.70	11.57	3.07%	3.91%	29.93%
Partner options (*)								
15th	2/24/2012	2/24/2015	-	36.00	32.94	2.97%	-	-
15th	2/24/2012	2/24/2017	-	36.00	31.04	2.97%	-	-
16th	2/24/2012	2/24/2015	-	36.00	32.94	2.97%	-	-
16th	2/24/2012	2/24/2017	-	36.00	31.04	2.97%	-	-
17th	6/14/2012	8/18/2014	-	29.57	27.66	3.07%	-	-
17th	6/14/2012	2/27/2014	-	29.57	28.05	3.07%	-	-
17th	6/14/2012	2/23/2015	-	29.57	27.22	3.07%	-	-
17th	6/14/2012	8/18/2016	-	29.57	26.01	3.07%	-	-
17th	6/14/2012	2/27/2016	-	29.57	26.39	3.07%	-	-
17th	6/14/2012	2/23/2017	-	29.57	25.59	3.07%	-	-

(*) The fair value of bonus options is measured based on the fair value of ITAÚ UNIBANCO HOLDING shares at the granting date.

II.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. The accounting entries related to the plan are recorded during the vesting period, at the portion 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 June 30, 2012 was R$ (32) ((R$ 29) from January 1 to June 30, 2011), with a corresponding entry to Additional paid-in capital –Granted options recognized.

In the stockholder's equity of Itaú Unibanco Holding the effect was as follows:

	06/30/2012	06/30/2011
Amount received from the sale of shares – exercised options	71	57
(-) Cost of treasury shares sold	(80)	(51)
Effect of sale (*)	(8)	6

(*) Recorded in "Additional paid-in capital".

b) Duratex S.A.

As set forth in the bylaws, Duratex S.A. has a stock option plan with the purpose of integrating its executives in the company’s development process in the medium and long term, providing them with the option of taking part in the valuation that their work and dedication brought to the capital stock of Duratex.

The options will entitle their holders to subscribe common shares of Duratex, subject to the conditions established in the plan.

The rules and operating procedures related to the plan will be proposed by the Personnel committee, appointed by the Company’s board of directors. This committee will periodically submit proposals regarding the application of the plan to the approval of the board of directors.

Options may only be granted in years in which there are sufficient profits to distribute mandatory dividends to stockholders. The total number of options to be granted in each year will not exceed the limit of 0.5% of the total shares held by Duratex that the controlling and non-controlling interest holders own on the date of that year-end balance sheet.

The exercise price to be paid to Duratex is established by the Personnel committee at the option granting date. The exercise price will be calculated by the Personnel committee based on the average prices of Duratex common shares at the BM&FBOVESPA trading sessions, over the period of at least five and at most ninety trading sessions prior to the option issue date; at the discretion of that committee, which will also decide on the positive or negative adjustment of up to 30%. The established prices will be adjusted up to the month prior to the exercise of the option at IGP-M or, in its absence, at the index established by the Personnel committee.

Assumptions	2006	2007	2008	2009	2010	2011	2012
Total stock options granted	2,659,180	2,787,050	2,678,901	2,517,951	1,333,914	1,875,322	1,315,360
Exercise price at granting date	11.16	11.82	15.34	9.86	16.33	13.02	10.21
Fair value at granting date	9.79	8.88	7.26	3.98	7.04	5.11	5.69
Exercise deadline	10 years	10 years	10 years	8 years	8 years	8,5 years	8,8 years
Vesting period	1,5 years	1,5 years	1,5 years	3 years	3 years	3,5 years	3,8 years

To determine this value, the following economic assumptions were adopted:

	2006	2007	2008	2009	2010	2011	2012
Volatility of share price	34.80%	36.60%	36.60%	46.20%	38.50%	32.81%	37.91%
Dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk-free return rate (1)	8.90%	7.60%	7.20%	6.20%	7.10%	5.59%	4.38%
Effective exercise rate	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%

(1) IGP-M coupon

The company carries out the settlement of this benefit by delivering its own shares held in treasury until the effective exercise of the options by executives.

Granting date	Granted number	Maturity date	Exercise deadline	Granting price	To be exercised		Option price	Total amount	Base period				Other periods
					Dec/11	Mar/12 (*)			2007 to 2009	2010	2011	1st half/12	
3/30/2006	2,659,180	7/1/2007	Up to 12/31/2016	11.16	48,856	48,856	11.42	1	1	-	-	-	-
1/31/2007	2,787,050	7/1/2008	Up to 12/31/2017	11.82	2,535,227	2,535,227	10.36	25	25	-	-	-	-
2/13/2008	2,678,901	7/1/2009	Up to 12/31/2018	15.34	2,932,193	2,932,193	8.47	19	19	-	-	-	-
6/30/2009	2,517,951	7/1/2012	Up to 12/31/2017	9.86	1,983,285	1,983,285	4.64	9	2	5	2	1	-
4/14/2010	1,333,914	1/1/2014	Up to 12/31/2018	16.33	1,464,818	1,464,818	8.21	9	-	2	2	1	3
6/29/2011	1,875,322	12/31/2014	Up to 12/31/2019	13.02	1,875,322	1,875,322	5.11	9	-	-	1	1	7
4/2/2012	1,315,360	12/31/2015	Up to 12/31/2020	10.21	-	1,315,360	5.69	7	-	-	-	1	7
Sum	**15,167,678**				**10,839,701**	**12,155,061**		**79**	**47**	**7**	**5**	**4**	**17**
	Exercise effectiveness							**96.63%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**
	Computed value							**77**	**45**	**7**	**5 (1)**	**4 (2)**	**16 (3)**

(1) Value charged to income in 2011.
(2) Value charged to income in the first half of 2012.
(3) Value charged to income up to December 2015.
(*) Includes bonus shares of 20% as per resolution at the A/ESM of April 29, 2011.

At June 30, 2012, the Company had 1,889,486 treasury shares, which may be used in a possible option exercise.

c) Itautec S.A.

As set forth in the bylaws, until 2006 Itautec had a stock option plan with the purpose of integrating its executives in the Company's development process in the medium and long term, providing them with the option of participating in the valuation that their work and dedication brought to the Company's shares.

This plan was managed by a committee and the options granted were approved by the board of directors; at present, it is subject to the study and review by the board of directors itself.

The price established for the granting of stock options is based on the average quotation of shares of Itautec S.A. in the stock exchange trading session, comprising a period of at least one month and at most twelve months prior to the option issue date. At the discretion of the Options committee, a positive or negative adjustment in the average price of up to 50% can be made.

Pursuant to CVM Resolution No. 562 of December 17, 2008, the fair value of options was recognized as from the granting date and up to the end of the vesting period. Considering the vesting period and the last granting date (February 8, 2006), there are no expenses related to the stock option plan for the base periods of June 30, 2012 and June 30, 2011, respectively.

Since there is no market price available for the options granted, the Company adopted the Binomial method to estimate the prices of options on the granting dates and the results are shown in the table below:

Assumptions

Granting date	02/09/00	03/06/01	03/06/01	05/08/02	02/12/03	05/05/04	02/08/06	Total
Number of shares (a) (b)	93,332	58,423	58,423	110,335	159,826	127,831	191,666	799,836
Vesting period	30/06/01	30/06/02	30/06/03	30/06/03	30/06/04	30/06/05	30/06/07	
Maturity	31/12/10	31/12/11	31/12/11	31/12/12	31/12/13	31/12/14	31/12/16	
Option (b) (R$/share)	64.80	72.15	78.15	31.05	21.45	23.55	36.45	
Premium (b) (R$/share)	66.87	78.04	77.83	45.3	34.94	38.52	32.88	
Total value (R$ thousand)	**6,241**	**4,559**	**4,546**	**4,998**	**5,585**	**4,924**	**6,302**	**37,155**

Granting date	02/09/00	03/06/01	03/06/01	05/08/02	02/12/03	05/05/04	02/08/06
Volatility of share price	104%	115%	115%	116%	81%	64%	65%
Dividend Yield	0.9%	1.4%	1.4%	1.8%	2.9%	1.5%	2.7%
Risk-free return rate	26.5%	20.6%	20.6%	32.6%	48.2%	24.9%	13.7%

(a) Deducting cancellations;

(b) Considering the reverse split, at the rate of 15 shares for 1, carried out in October 2006.

None of the above-mentioned grants have been exercised to date.

The fair value of the options granted, resulting from the table above, is R$ 37, which was accounted for as a reserve in the stockholders' equity account (Note 22), based on the appropriation of the retained earnings account, pursuant to CPC 10. After the recognition of the fair value of granted options, the Company shall not make any subsequent adjustment to the stockholders' equity, which does not eliminate the requirement of the Company to recognize the transfer of a component to another under stockholders' equity, should options be exercised (expire). In the period of 2012 no adjustment was made in stockholders' equity in view of the failure to of exercise options which expired on June 30, 2012.

d) Elekeiroz S.A.

Stock option plan

With the purpose of integrating the managers and employees in the Company's development process in the medium and long term, the Extraordinary Stockholders' Meeting held on July 31, 2003 resolved to adopt a stock option plan, providing them with the option of participating in the valuation that their work and dedication may bring to the Company's capital. Up to the closing of these financial statements, this plan had not produced any effects to be recognized in the Company's financial statements.

NOTE 24 – OTHER OPERATING INCOME AND EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

a) Other operating income

	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Recovery of charges and expenses	13	23	28	40
Reversal of operating provisions	18	33	326	414
Operating revenues	71	130	146	223
Gains on sale of investments	3	4	4	6
Gains on sale of assets	30	34	5	11
Reversal of non-operating provisions	8	10	4	14
Other	9	12	109	118
Total	**152**	**246**	**622**	**826**

b) Other operating expenses

	04/01 to 06/30/2012	1/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Expenses related to credit cards	(179)	(335)	(166)	(378)
Refunds related to acquisitions	(3)	(7)	(7)	(40)
Losses from third-party frauds	(69)	(139)	(65)	(122)
Loss on sale of assets held for sale, fixed assets and investments in unconsolidated companies	(133)	(140)	(19)	(32)
Contingencies	(205)	(457)	(97)	(161)
Operating expenses from industrial companies	(211)	(399)	(231)	(435)
Other	(119)	(263)	(614)	(803)
Total	**(919)**	**(1,740)**	**(1,199)**	**(1,971)**

c) General and administrative expenses

	04/01 to 06/30/2011	04/01 to 06/30/2011	04/01 to 06/30/2011	01/01 to 12/31/2011
Personnel expenses	**(1,450)**	**(2,842)**	**(1,270)**	**(2,498)**
Compensation	(576)	(1,160)	(561)	(1,035)
Charges	(237)	(471)	(237)	(461)
Welfare benefits	(144)	(277)	(157)	(309)
Retirement plans and other post-employment benefits	(12)	(28)	(10)	(22)
Stock option plan	(20)	(36)	(1)	(2)
Training	(26)	(47)	(26)	(44)
Employee profit sharing	(257)	(493)	(173)	(446)
Dismissals	(51)	(105)	(17)	(29)
Provision for labor claims (Note 31)	(127)	(225)	(88)	(150)
Administrative expenses	**(1,226)**	**(2,386)**	**(1,122)**	**(2,184)**
Data processing and telecommunications	(303)	(599)	(296)	(570)
Third-party services	(324)	(628)	(277)	(526)
Installations	(102)	(188)	(86)	(153)
Advertising, promotions and publicity	(106)	(181)	(84)	(164)
Rent	(87)	(175)	(85)	(168)
Transportation	(58)	(119)	(53)	(104)
Materials	(37)	(80)	(41)	(80)
Financial services	(50)	(93)	(34)	(84)
Security	(48)	(97)	(44)	(88)
Utilities	(27)	(56)	(27)	(56)
Travel	(19)	(34)	(17)	(32)
Other	(65)	(136)	(78)	(159)
Depreciation	**(213)**	**(399)**	**(101)**	**(200)**
Amortization	**(88)**	**(170)**	**(194)**	**(289)**
Insurance acquisition expenses	**(112)**	**(215)**	**(373)**	**(469)**
Total	**(3,089)**	**(6,012)**	**(3,060)**	**(5,640)**

NOTE 25 - INCOME TAX AND SOCIAL CONTRIBUTION

ITAÚSA and each of its subsidiaries file separate corporate income tax returns for each fiscal year. Income tax in Brazil comprises federal income tax and social contribution on net income, which is a federal tax on income additional to income tax.

a) Composition of income tax and social contribution expense

The amounts recorded as income tax and social contribution expense in the consolidated financial statements are reconciled to the statutory rates, as follows:

Current income tax and social contribution	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Income before income tax and social contribution	**1,269**	**3,252**	**1,514**	**3,543**
Charges (income tax and social contribution) at the enacted rates	(507)	(1,298)	(579)	(1,387)
Increase/decrease to Income tax and social contribution charges arising from:				
Permanent additions (exclusions)	**428**	**604**	**314**	**460**
Share of comprehensive income of unconsolidated companies	12	12	(55)	(27)
Foreign exchange variation on investments abroad	194	96	(108)	(167)
Interest on capital	125	347	207	365
Dividends, interest on external debt securities and tax incentives	28	46	44	70
Other (*)	69	103	226	219
	(79)	**(694)**	**(265)**	**(927)**

b) Deferred taxes

I - The deferred tax asset balance and respective changes are as follows:

	12/31/2011	Realization/ reversal	Increase	06/30/2012
Reflected in income	**11,081**	**(2,204)**	**3,105**	**11,982**
Related to income tax and social contribution tax carryforwards	1,857	(298)	676	2,235
Allowance for loan losses	4,723	(933)	1,554	5,344
Adjustment to market value - securities and derivative financial instruments	114	(111)	141	144
Goodwill on purchase of investments	1,700	(346)	19	1,373
Legal liabilities – tax and social security	570	9	54	633
Provision for contingent liabilities	1,047	(128)	209	1,128
Civil lawsuits	434	(68)	99	465
Labor claims:	365	(35)	54	384
Tax and social security contributions	241	(25)	56	272
Other	7	-	-	7
Adjustments from operations carried out in futures settlement market	4	(1)	-	3
Provision related to health insurance operations	92	-	1	93
Other	974	(396)	451	1,029
Reflected in stockholders' equity	**149**	**(36)**	**-**	**113**
Adjustment to market value of available-for-sale securities	127	(36)	-	91
Other	22	-	-	22
Total (*)	**11,230**	**(2,240)**	**3,105**	**12,095**

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet, offset by a taxable entity and total R$ 9,655(R$ 9,006 at December 31, 2011) and R$ 2,736 (R$ 3,133 at December 31, 2011).

II - The deferred tax liability balance and respective changes are as follows:

	12/31/2011	Realization/ reversal	Increase	06/30/2012
Reflected in income	**4,861**	**(750)**	**766**	**4,877**
Depreciation in excess – finance lease	2,763	(567)	106	2,302
Taxation of results abroad – capital gains	29	-	55	84
Adjustments of operations carried out in futures settlement market	34	-	69	103
Adjustment to market value of securities and derivative financial instruments	64	-	-	64
Restatement of escrow deposits and contingent liabilities	298	(64)	58	292
Capital gain – Redecard operation	-	(23)	58	35
Pension plans	220	(1)	32	251
Amortization of negative goodwill	823	-	3	826
Other	630	(95)	385	920
Reflected in stockholders' equity	**496**	**(314)**	**116**	**298**
Adjustment to market value of available-for-sale securities	182	-	116	298
Other	314	(314)	-	-
Total	**5,357**	**(1,064)**	**882**	**5,175**

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet, offset by a taxable entity and total R$ 9,655 (R$ 9,006 at December 31, 2011) and R$ 2,736 (R$ 3,133 at December 31, 2011).

III- The estimates of realizable and present value of deferred tax assets for offset, arising from Provisional Measure 2,158-35 of August 24, 2001, for deferred tax liabilities at June 30, 2012, 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**	**%**	**Deferred tax liabilities**	**%**	**Net deferred taxes**	**%**
2012	3,240	33%	220	10%	3,460	29%	(1,287)	25%	2,173	31%
2013	1,850	19%	659	30%	2,509	21%	(1,260)	24%	1,249	18%
2014	1,618	16%	649	29%	2,267	19%	(1,078)	21%	1,189	17%
2015	1,025	10%	600	27%	1,625	13%	(453)	9%	1,172	17%
2016	886	9%	107	4%	993	8%	(369)	7%	624	9%
After 2016	1,241	13%	-		1,241	10%	(728)	14%	513	8%
Total	**9,860**	**100%**	**2,235**	**100%**	**12,095**	**100%**	**(5,175)**	**100%**	**6,921**	**100%**
Present value (*)	8,854		2,035		10,889		(4,624)		6,265	(4,624)

(*) 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, due to differences between accounting criteria and tax legislation, besides corporate aspects. Accordingly, it is recommend that the trend of the realization of deferred tax assets arising from temporary differences, and tax loss carryforwards should not be used as an indication of future net income.

There were no deferred tax assets or liabilities which have not been recognized.

NOTE 26 – EARNINGS PER SHARE

Basic and diluted earnings per share were computed pursuant to the table below for the years indicated. Basic earnings per share are computed by dividing the net income attributable to the stockholders of ITAÚSA - Investimentos Itaú S.A. by the average number of shares for the year, and by excluding the number of shares purchased and held as treasury shares. Diluted earnings per share are computed in a similar way, but with the adjustment made to the denominator when assuming the conversion of all shares that may dilute earnings.

Net income attributable to owners of the parent company	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011
Net income	**1,050**	**2,292**	**1,116**	**2,376**
Minimum non-cumulative dividend on preferred shares in accordance with our bylaws	(30)	(28)	(27)	(27)
Subtotal	**1,020**	**2,264**	**1,089**	**2,349**
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(18)	(18)	(17)	(17)
Subtotal	**1,002**	**2,246**	**1,072**	**2,332**
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis				
To common equity owners	386	865	412	896
To preferred equity owners	616	1,381	660	1,436
Total net income available to common equity owners	**404**	**882**	**429**	**913**
Total net income available to preferred equity owners	**646**	**1,410**	**687**	**1,463**
Weighted average number of shares outstanding				
Common shares	1,866,289,554	1,781,458,211	1,686,072,938	1,683,434,456
Preferred shares	2,981,170,193	2,845,662,457	2,701,941,984	2,697,713,800
Earnings per share – Basic and diluted - R$				
Common shares	0.22	0.50	0.25	0.54
Preferred shares	0.22	0.50	0.25	0.54

The impact from the dilution of earnings per share is lower than R$ 0.01.

NOTE 27 – BUSINESS COMBINATIONS

In May 2010, Bank of America Corporation (BAC) sold its interest in the capital of Itaú Unibanco Holding. Preferred shares were traded in the market and common shares were purchased by ITAÚSA, which increased its direct and indirect interest in the capital of Itaú Unibanco Holding from 35.46% to 36.57%.

June 30, 2010 was determined for the application of the acquisition method set forth in CPC 15 – Business Combinations. The application of the acquisition method consists of the recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree, and the recognition and measurement of goodwill or gain arising from a bargain purchase.

On the purchase date ITAÚSA recorded goodwill of R$ 809 and used the calculation period set forth in CPC 15 (up to one year after the purchase date) to obtain the information required to identify and measure its allocation. In the second quarter of 2011, goodwill was allocated considering:

(i) identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree;
(ii) the consideration for the control of the purchased company*;* and
(iii) goodwill or gain from a bargain purchase.

The table below shows the balance of identifiable assets and liabilities and the amount of goodwill computed proportionally to the acquisition of 1.22%:

	31/12/2011	Amortization/ Realization	06/30/2012
Intangible assets subject to amortization			
Customer relationships	330	(46)	284
Exclusive access to retail customers and real estate brokers	131	(10)	121
Unibanco brand	3	(2)	1
Other	4	(2)	2
Total intangible assets subject to amortization (I)	**468**	**(60)**	**408**
Intangible assets not subject to amortization			
Redecard brand	4	-	4
Hipercard brand	2	-	2
Itaú brand	65	-	65
Total intangible assets not subject to amortization (II)	**71**	**-**	**71**
Total allocated to intangible assets (III = I = II)	**539**	**(60)**	**479**
Deferred tax liability (IV)	**(216)**	**24**	**(192)**
Total goodwill allocated (V = III + IV)	**323**	**(36)**	**287**
Goodwill	**437**	**-**	**437**

Identifiable intangible assets subject to amortization are recorded in income for a period of 2 to 16 years, according to the useful life defined based on the expected future economic benefit generated by the asset.

Intangible assets not subject to amortization and the residual goodwill, which also represent expected future economic benefits, do not have defined useful lives, and will have their recovery tested at least annually by Management.

This purchase of shares represented an increase in the interest of ITAÚSA, and most of identifiable assets and liabilities were recorded in ITAÚSA based on criteria of similarity with previously recorded operations, before the increase in interest. Likewise, the same was followed for income, expenses and net income of ITAÚSA.

NOTE 28 –EMPLOYEE BENEFITS

As prescribed in CPC 33, we present the policies of ITAÚSA and its subsidiaries regarding employee benefits, as well as the accounting procedures adopted:

ITAÚSA and its subsidiaries sponsor defined benefit plans including variable contribution plans, the basic purpose of which is to provide benefits that, in general, represent 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 of individual accounts at the eligibility date, according to the plan's regulation, and does not require an actuarial calculation.

Employees hired up to July 31, 2002, by Itaú, and up to February 27, 2009, by Unibanco, are beneficiaries of the plans mentioned below. 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. In turn, employees hired by the industrial area companies have the option to voluntarily participate in a defined contribution plan (PAI – CD) managed by Fundação Itaúsa Industrial.

a) Description of the plans

The assets of the plans are invested in separate funds, with the exclusive purpose of providing benefits to eligible employees, and they are maintained independently from ITAÚSA CONSOLIDATED. These funds are maintained by closed-end private pension entities with independent legal structures, as detailed below:

Entity	Name of benefit plan
Fundação Itaú Unibanco- Previdência Complementar	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) Itaubank retirement plan (3)
Fundação Bemgeprev	Supplementary retirement plan – Flexible premium annuity (ACMV) (1)
Fundação Itaúsa Industrial	Defined contribution benefit plan - PAI-CD (3) Defined benefit plan - BD (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 - IFM	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 pension plan (3) (4)
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 (recorded as defined benefit plan).
(3) Defined contribution plan.
(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 also contributes 100% of the option chosen by the employees, limited to 9% of their income.

b) Defined benefit plans

I - Main assumptions used in actuarial valuation of Retirement Plans

	Financial services area (1)	
	06/30/2012	**12/31/2011**
Discount rate	9.72% p.a.	9.72% p.a.
Expected return rate on assets	11.32 % p.a.	11.32 % p.a.
Mortality table (3)	AT-2000	AT-2000
Turnover	Itaú Exp. 2008/2010	Itaú Exp. 2008/2010
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 (4)	Projected Unit Credit	Projected Unit Credit

	Industrial Area (2)	
	06/30/2012	**12/31/2011**
Discount rate	9.52% p.a.	9.52% p.a.
Expected return rate on assets	10.37 % p.a.	10.37 % p.a.
Mortality table (3)	AT-2000	AT-2000
Turnover	Zero	Zero
Future salary growth	7.43 % p.a.	7.43 % p.a.
Growth of the pension fund and social security benefits	4.30 % p.a.	4.30 % p.a.
Inflation	4.30 % p.a.	4.30 % p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit

(1)Corresponds to the assumptions adopted by the plans managed by Fundação Itaú Unibanco, Bemgeprev, Funbep, Prebeg, IFM, Múltipla, UBB Prev and Fundação Banorte;

(2) Corresponds to the assumptions adopted by the defined benefit plan managed by Fundação Itaúsa Industrial;

(3) The mortality tables adopted correspond to those disclosed by SOA – Society of Actuaries, the North-American entity equivalent 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.

(4) Using the Projected Unit Credit method, the mathematical reserve is calculated as the current projected benefit amount multiplied by the ratio between the length of service 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 to determine the actuarial liability of defined benefit plans, for purposes of recognition in the balance sheet of the closed-end private pension entities that manage them, is the actuarial method. For this purpose, the aggregate method is adopted, 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, in accordance with the methodology defined in the respective actuarial technical note.

II – Management of defined benefit plan assets

The management of funds of the closed-end private pension entities seeks to achieve the long-term balance between pension 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 avoiding the risk of mismatching assets and liabilities in each pension plan.

At June 30, 2012 and December 31, 2011, the allocation of plan assets and the allocation target for 2012, by type of asset, are as follows:

Types	At		% allocation		2012 target
	06/30/2012	12/31/2011	06/30/2012	12/31/2011	
Fixed income securities	11,449	10,574	91.81%	87.96%	53% to 100%
Variable income securities	643	1,066	5.16%	8.87%	0% to 25%
Structured investments	15	14	0.12%	0.12%	0% to 10%
Real estate	341	344	2.73%	2.86%	0% to 6%
Loans to participants	23	23	0.18%	0.19%	0% to 5%
Total	**12,471**	**12,021**	**100.00%**	**100.00%**	

The defined benefit plan assets include shares of ITAÚSA and its subsidiaries, with a fair value of R$ 654 (R$ 545 at 12/31/2011) and real estate rented to Group companies, with a fair value of R$ 293 (R$ 298 at 12/31/2011).

The expected income from portfolios of benefit plan assets is based on projections of returns for each of the asset types detailed above. For the fixed-income segment, the interest rates were taken from long-term securities included in the portfolios, and the interest rates practiced in the market at the balance sheet date. For the variable-income segment, the 12-month expected returns of the market for this segment 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 respective balance sheet dates.

III- Net amount recognized in the balance sheet

We present below the calculation of the net amount recognized in the balance sheet of companies controlled by ITAÚSA:

	06/30/2012	12/31/2011
1 - Net assets of the plans	12,471	12,021
2 - Actuarial liabilities	(10,746)	(10,545)
3- Surplus (1-2)	**1,725**	**1,476**
4- Asset ceiling (*)	(1,467)	(1,379)
5 - Net amount recognized in the balance sheet (3-4)	258	97
Amount recognized in assets	450	342
Amount recognized in liabilities	(192)	(245)

(*) Corresponds to the excess of present value of the available economic benefit, in conformity with item 58 of CPC-33.

The net amount recognized due to the share of ITAÚSA CONSOLIDATED was as follows:

	06/30/2012	12/31/2011
Net amount recognized in the balance sheet (*)	**95**	**36**
Amount recognized in assets	166	126
Amount recognized in liabilities	(71)	(90)

(*) Includes interest in IUH of 36.79% and 36.82% at June 30, 2012 and December 31, 2011, respectively, and 100% in other subsidiaries.

IV - Change in plan assets, defined benefit obligations, and surplus

	01/01 to 06/30/2012			01/01 to 12/31/2011		
	Plan assets	Defined benefit obligation	Surplus	Plan assets	Defined benefit obligation	Surplus
Present value – beginning of the period	**12,021**	**(10,545)**	**1,476**	11,468	(9,997)	**1,471**
Inclusion of Itaú Defined Benefit Plan	-	-	**-**	12	(13)	**(1)**
Effects of the partial spin-off of Redecard	-	-	**-**	(44)	42	**(2)**
Expected return on assets (3)	663	-	**663**	1,366	-	**1,366**
Cost of current service	-	(42)	**(42)**	-	(92)	**(92)**
Interest cost	-	(499)	**(499)**	-	(941)	**(941)**
Benefits paid	(340)	340	**-**	(610)	610	**-**
Contributions of sponsors	21	-	**21**	42	-	**42**
Contributions of participants	7	-	**7**	9	-	**9**
Actuarial gain/(loss) (2) (3)	99	-	**99**	(222)	(154)	**(376)**
Present value – end of the period	**12,471**	**(10,746)**	**1,725**	**12,021**	**(10,545)**	**1,476**

(1) During the fiscal year 2011, a process of migration of participants from Redecard Retirement Plan, structured as a defined benefit plan, to the Redecard Pension Plan, which is structured as a defined contribution plan, was carried out. For those participants who migrated to the Redecard Pension Plan, the accumulation of future benefit is now performed as a defined contribution, and therefore there is no replacement for the same type of benefit.

(2) Gains (losses) recorded in plan assets correspond to the income earned above/(below) the expected return rate of assets.
(3) The actual return on assets amounted to R$ 762 (R$ 1,144 at 12/31/2011).

The history of actuarial gains and losses is as follows:

	06/30/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Plan net assets	12,471	12,021	11,468	15,045	12,673
Defined benefit obligation	(10,746)	(10,545)	(9,997)	(11,354)	(11,371)
Surplus	**1,725**	**1,476**	**1,471**	**3,691**	**1,302**
Experience adjustments in plan net assets	99	(222)	697	1,086	(993)
Experience adjustments in defined benefit obligation	-	(154)	(891)	162	(829)

The amounts for 12/31/2009 and 12/31/2008 are presented for historical comparative purposes only, considering that in conformity with the exemption set forth in IFRS 1, assets, liabilities, and gains and losses were recognized at 01/01/2010.

V- Total revenue (expenses) recognized in income for the year

The total amount recognized Defined Benefit Plans by the companies controlled by ITAÚSA includes the following at June 30:

	2012	2011
Cost of current service	(42)	(47)
Interest cost	(499)	(473)
Expected return on the plan assets	663	685
Effects of the partial spin-off of Redecard	-	-
Effects on asset ceiling	(87)	(109)
Gain/(loss) for the year	99	(5)
Contributions of participants	7	5
Total recognized in income for the period	**141**	**56**

The total recognized due to the share of ITAÚSA was as follows:

Total recognized in income for the period (*)	52	21

(*) Includes the interest in IUH of 36.79% and 36.82% at June 30, 2012 and June 30, 2011, respectively, and 100% in other subsidiaries.

During the period, considering the share of ITAÚSA, the contributions made totaled R$ 8 (R$ 5 at 06/30/2011). The contribution rate increases based on the beneficiary's salary.

In 2012, considering the share of ITAÚSA, we expect to contribute R$ 14 to the pension plans we sponsor.

The estimate for payment of benefits for the next 10 years is as follows:

Period	Payment estimate
2012	238
2013	248
2014	257
2015	265
2016	275
2017 to 2022	1,517

c) Defined contribution plans

The defined contribution plans have assets relating to sponsors' contributions not yet included in the participant's account balance due to loss of eligibility to a plans benefit, as well as 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.

The amount recognized, considering the share of ITAÚSA at June 30, 2012, in assets is R$ 698 (R$ 686 at December 31, 2011).

The total amount recognized for Defined Contribution Plans by the companies controlled by ITAÚSA includes the following at June 30:

	2012	2011
Contribution	(77)	(77)
Actuarial gain/(loss)	129	8
Effects on asset ceiling	(20)	82
Total recognized in income for the period	**32**	**13**

Total recognized in defined contribution plans in view of the share of ITAÚSA is as follows:

Total recognized in income for the period (*)	**12**	**9**

(*) Includes the interest in IUH of 36.79% and 35.65% at June 30, 2012 and June 30, 2011, respectively, and 100% in other subsidiaries.

The actuarial gains and losses for the period were recognized in income under "General and Administrative Expenses".

During the period, considering the share of ITAÚSA, contributions to the defined contribution plans, including PGBL, totaled R$ 77 (R$ 38 at June 30, 2011), of which R$ 59 (R$ 31 at June 30, 2011) was from pension funds.

d) Other post-employment benefits

ITAÚSA and its subsidiaries do not offer other post-employment benefits, except in those cases arising from obligations under the acquisition agreements signed by ITAÚSA, in accordance with the terms and conditions established, in which health plans are totally, or partially, sponsored for former workers and beneficiaries.

I- Changes

Based on the report prepared by independent actuary, the changes in obligations for these other projected benefits and the amounts recognized in the balance sheet, under liabilities, of ITAÚSA are as follows:

	06/30/2012	12/31/2011
At the beginning of the year	**(120)**	**(105)**
Interest cost	(6)	(10)
Benefits paid	3	6
Actuarial gain/(loss)	-	(11)
At the end of the period	**(123)**	**(120)**

The amount of Other post-employment benefits recognized in view of the share of ITAÚSA is as follows:

Total recognized in liabilities (*)	**(45)**	**(44)**

(*) Includes interest in IUH of 36.79% and 36.82% at June 30, 2012 and December 31, 2011, respectively, and 100% in other subsidiaries.

The actuarial gains and losses for the period were recognized in income under "General and administrative expenses".

The estimate for payment of benefits for the next 10 years is as follows:

Period	Payment estimate
2012	2
2013	3
2014	3
2015	3
2016	3
2017 to 2022	18

II- Assumptions and sensitivity at 1%

For calculation of projected benefit obligations in addition to the assumptions used for the defined benefit plans (28b I), the 8.16%p.a. increase in medical costs is assumed.

Assumptions about medical care cost trends have a significant impact on the amounts recognized in income. A change of one percentage point in the medical care cost rates would have the following effects:

	1.0% increase	1.0% decrease
Effects on service cost and interest cost	2	(1)
Effects on present value of obligation	17	(14)

NOTE 29 – INSURANCE CONTRACTS

a) Insurance contracts

ITAUSA CONSOLIDATED, through its subsidiaries, offers insurance and private pension plans to the market. Products are offered through insurance brokers (third parties operating in the market and its own broker), Banco Itaú Unibanco branches and electronic channels, according to their characteristics and regulatory requirements.

In all segments, a new product is created when new demands and opportunities arise in the market or from a specific negotiation.

The products developed are submitted to a committee, coordinated and controlled by the Governance of Products, in which the operational, commercial, legal, accounting, financial, internal control and technology aspects are analyzed, discussed and approved by the various areas involved.

The governance process of product evaluation is regulated by the Corporate Policy on Product and Operations Evaluation, and requires the integration of activities between the product and evaluation areas, forming an organized group of activities that will add value to clients and provide competitive differentials.

Internal rules provide for and support product evaluation and approval flows, attribution of responsibilities, provisions for carrying out processes, and also maximum and minimum balance limits, contribution, minimum premium and other, which aim at preserving the consistency of process and product results.

There are also policies for underwriting risks in each segment, such as technical actuarial limits per insurance line and coverage, which are controlled systemically or operationally.

This product creation process involves the following steps:

- Development of the product by managers in order to meet a market demand;
- Submission of the detailed product characteristics to Governance;
- Parameterization of new products in IT systems with the concomitant evaluation of the need for developing new implementation process;
- Launch of the product after authorization from the Product Governance Committee.

For private pension products, registration with the Brazilian Securities Commission (CVM) and the approval of actuarial technical notes and rules from SUSEP for sales is required. It is also possible to customize minimum amounts, fund management and entry fees, actuarial table and interest upon negotiation with evaluation of an internal pricing model agreed in a specific contract.

There are policies on appropriate balances and minimum contributions for each negotiation. Risk benefits, considered ancillary coverage, follow their own and specific conditions, such as coverage limits, target audience and proof of good health, among others, according to each agreement. In addition, increased risks may be insured in excess of loss coverage through reinsurance.

Each product has rules according to the channel and segment to which it will be sold. Pricing policies are determined according to internal models, in compliance with the corporate standard pricing model developed by the Risk and Financial Controls Area, in the context of the Governance of product evaluation.

The cost management of insurance and private pension products includes the groups of administrative, operating and selling expenses, where administrative expenses based on the recognition by cost centers, are allocated to products and sales channels according to the definition of the respective activities, following the corporate managerial model of the ITÚ UNIBANCO HOLDING. Operating and selling expenses are based on the line for product identification and policy segmentation in order to define the sales channel.

b) Main Products

I- Insurance

ITAÚ UNIBANCO HOLDING, through its insurance companies, supplies the market with insurance products with the purpose of assuming risks and restoring the economic balance of the assets of the policyholder if damaged.

In this segment, clients are mainly divided into the Individual (Retail, UniClass, Personnalité and Private) and Corporate (Companies, Corporate and Condominium) markets.

The contract entered into between the parties aims at protecting the client's assets. Upon payment of a premium, the policyholder is protected through previously-agreed replacement or indemnification clauses for damages. ITAÚ UNIBANCO HOLDING insurance companies then recognize technical reserves administered by themselves, through specialized areas within the conglomerate, with the objective of indemnifying the insured loss in the event of claims for insured risks.

The insurance risks sold by insurance companies of ITAÚ UNIBANCO HOLDING are divided into property and casualty, and life insurance.

- Property and casualty insurance: covers losses, damages or liabilities for assets or persons, excluding from this classification life insurance lines;

- Life insurance: includes coverage for death and personal accidents.

Main insurance lines	Loss ratio %		Sales ratio %	
	01/01 to 06/30/2012	01/01 to 06/30/2011	01/01 to 06/30/2012	01/01 to 06/30/2011
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	88.3	86.9	1.5	1.5
Group life	46.5	49.4	17.0	14.9
Commercial multiple peril	46.3	40.4	10.3	11.3
Credit life	21.4	23.0	19.2	26.0
Extended warranty - assets	19.0	20.6	64.6	65.8
Group accident insurance	9.0	8.1	34.1	46.6

II- Private pension

Developed as a solution to ensure the maintenance of the quality of life of participants, as a supplement to the government plans, through long-term investments, private pension products are divided into three major groups:

- PGBL (Plan Generator of Benefits): The main objective of this plan is the accumulation of financial resources, but it can be purchased with additional risk coverage. Recommended for clients that file the full version of income tax return (rather than the simplified version), because they can deduct contributions paid for tax purposes up to 12% of the annual taxable gross income.

- VGBL (Redeemable Life Insurance): this is an insurance structured as a pension plan. Its taxation differs from the PGBL; in this case, the tax basis is the earned income.

- FGB (Fund) Generator of Benefits: this is a pension plan with minimum income guarantee, and the possibility of receiving earnings from asset performance. Once recognized the distribution of earnings at a certain percentage, as established by the FGB policy, it is not at management's discretion, but instead represents an obligation to ITAÚSA. Although there are plans still in existence but they are no longer sold.

III – Income from insurance and private pension

The income from the main insurance and private pension products is as follows:

	Premiums and contributions directly issued		Reinsurance		Retained premiums and contributions	
	01/01 to 06/30/2012	01/01 to 06/30/2011	01/01 to 06/30/2012	01/01 to 06/30/2011	01/01 to 06/30/2012	01/01 to 06/30/2011
VGBL	7,094	4,522	-	-	7,094	4,522
PGBL	689	655	-	-	689	655
Warranty extension - assets	658	673	-	-	658	673
Group life	641	548	(22)	(8)	619	540
Group accident insurance	318	323	(1)	(1)	317	322
Petroleum risks	239	155	(206)	(127)	33	28
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	227	176	-	-	227	176
Traditional	202	170			202	
Credit life	195	227	-	-	195	227
Specified and all risks	182	139	(129)	(106)	53	33
Commercial multiple peril	109	90	(22)	(14)	87	76
Multiple risks	89	91	(4)	(9)	85	82
Serious or terminal diseases	65	51	-	-	65	51
Mortgage insurance – Credit life	60	40	(6)	(4)	54	36
General liability	60	47	(24)	(16)	36	31
Individual accident	58	56	-	-	58	56
Engineering risks	48	36	(43)	(31)	5	5
Uncertain events	45	38			45	38
Individual life	9	10			9	10
Other lines	419	407	(135)	(101)	284	306
	11,407	**8,454**	**(592)**	**(417)**	**10,815**	**8,037**
Share of Itaúsa	36.79%	36.65%	36.79%	36.65%	36.79%	36.65%
	4,197	**3,098**	**(219)**	**(153)**	**3,978**	**2,946**

c) Technical reserves for insurance and pension plan

Technical reserves for insurance and private pension are recognized according to the criteria established by the National Council of Private Insurance (CNSP) Resolution No. 162 of December 26, 2006 and subsequent amendments.

I - Insurance:

- **Reserve for unearned premiums** – recognized based on premiums issued, calculated on a "pro rata" basis, and represents the portion of premium corresponding to the policy period not yet elapsed; The reserve for unearned premiums for risks in force but not yet issued is recognized based on a technical actuarial note, and has the objective of estimating a portion of unearned premiums related to risks assumed by insurance companies and that are for policies that are still in the process of issuance;

- **Reserve for premium deficiency** – recognized according to technical actuarial note if a premium deficiency is found;

- **Reserve for unsettled claims** - recognized based on claims of loss in an amount sufficient to cover future commitments. In order to determine the amount to be provided for claims awaiting judicial decision, court-appointed experts and legal advisors make assessments based on the insured amounts and technical rules, taking into consideration the likelihood of an unfavorable outcome for the insurance company;

- **Reserve for claims incurred but not reported (IBNR)** – recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not yet reported;

- **Other provisions** – recognized based on 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 – Private Pension:

The mathematical reserves represent amounts of obligations assumed as insurance for benefits, retirement plans, disability, pension, annuity and individual life, and are calculated according to the method of accounting provided for in the contract.

- **Mathematical reserves 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 when insufficient premiums or contributions are determined;

- **Reserve for unexpired risks** – recognized to reflect the estimate of risks in force but not expired;

- **Reserve for claims incurred but not reported (IBNR)** – recognized based on the estimated amount of claims incurred but not reported;

- **Reserve for financial surplus** – refers to the difference between the contributions adjusted daily by the gains/losses in the investment portfolio and the accumulated fund recorded;

- **Other reserves** – mainly refer to the reserve for administrative expenses recognized according to an actuarial technical note to cover expenses arising from the payment of benefits provided for in the plan, in view of the claims incurred and to be incurred. It also includes the heading Redemptions and/or Other Policy Benefits that refers to amounts not yet paid through the balance sheet date.

III - Change in technical reserves for insurance and private pension

The details about the changes in balances of technical reserves for insurance and private pension operations are as follows:

ITAÚ UNIBANCO HOLDING	06/30/2012				12/31/2011			
	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total
Opening balance	**7,609**	**20,893**	**42,402**	**70,904**	**5,527**	**18,296**	**33,041**	**56,864**
(+) Additions arising from premiums/contribution	3,399	839	7,043	**11,281**	16,681	1,706	9,936	28,323
(-) Deferral for risk	(3,197)	-	-	**(3,197)**	(15,694)	-	-	(15,694)
(-) Payment of claims/benefits	(1,056)	(33)	(1)	**(1,090)**	(1,508)	(103)	(6)	(1,617)
(+) Reported claims	1,364	-	-	**1,364**	2,020	-	-	2,020
(-) Redemptions	(2)	(529)	(2,353)	**(2,884)**	(152)	(917)	(3,745)	(4,814)
(+/-) Net portability	-	210	26	**236**	(115)	152	(14)	23
(+) Adjustment of reserves and financial surplus	1	876	1,997	**2,874**	1	1,658	3,362	5,021
(+/-) Other (recognition/reversal)	170	16	7	**193**	849	101	(172)	778
Reserves for insurance and private pension	**8,288**	**22,272**	**49,121**	**79,681**	**7,609**	**20,893**	**42,402**	**70,904**
Share of Itaúsa	36.79%				36.82%			
	3,049	**8,194**	**18,071**	**29,314**	**2,802**	**7,693**	**15,613**	**26,108**

ITAÚ UNIBANCO HOLDING	INSURANCE		PRIVATE PENSION		TOTAL	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Mathematical reserve for benefits to be granted and benefits granted	18	17	69,989	61,953	70,007	61,970
Unearned premiums	3,233	3,026	-	-	3,233	3,026
Unsettled claims (*)	2,598	2,297	-	-	2,598	2,297
IBNR (*)	808	712	11	10	819	722
Premium deficiency	341	313	-	-	341	313
Insufficient contribution	-	-	715	692	715	692
Financial surplus	2	2	495	475	497	477
Other	1,288	1,242	183	165	1,471	1,407
TOTAL	**8,288**	**7,609**	**71,393**	**63,295**	**79,681**	**70,904**
Share of Itaúsa	36.79%	36.82%	36.79%	36.82%	36.79%	36.82%
	3,049	**2,802**	**26,265**	**23,306**	**29,314**	**26,108**

(*) The provision for unsettled claims is detailed in Note 29e.

d) Deferred acquisition costs

Deferred acquisition costs of insurance are direct and indirect costs incurred to sell, underwrite and originate a new insurance contract.

Direct costs are basically commissions paid for brokerage services, agency and prospecting efforts and are deferred for amortization in proportion to the recognition of revenue from earned premiums, that is, over the coverage period, for the term of effectiveness of contracts, according to the calculation rules in force.

Balances are recorded under gross reinsurance assets and charges are shown in the table below:

ITAÚ UNIBANCO HOLDING	Insurance
Balance at 01/01/2012	**2,064**
Increase	14
Amortization	(19)
Balance at 06/30/2012	**2,059**
Balance to be amortized in up to 12 months	1,513
Balance to be amortized after 12 months	546
Share of Itaúsa – 36.79% in Jun/12	**757**
Balance at 01/01/2011	**1,649**
Increase	583
Amortization	(168)
Balance at 31/12/2011	**2,064**
Balance to be amortized in up to 12 months	1,495
Balance to be amortized after 12 months	569
Share of Itaúsa – 36.82% in Dec/11	**760**

The amounts of deferred selling expenses from reinsurance are stated in Note 29I.

e) Table of loss development

Changes in the amount of obligations of ITAÚ UNIBANCO HOLDING may occur at the end of each annual reporting period. The table below shows the development by the claims incurred method. The top of the table below shows how the final loss estimate changes over time. The second part of the table reconciles the amounts pending payment and the liability disclosed in the balance sheet at December 31, 2011.

The reserve for unsettled claims at June 30, 2012 is comprised as follows:

I – Gross of reinsurance - ITAÚ UNIBANCO HOLDING

Reserve for unsettled claims and for claims incurred but not reported	
Liability claims presented in the development table	2,793
DPVAT operations	459
Retrocession and other estimates	165
Total reserve (*)	**3,417**
Share of Itaúsa	36.79% **1,257**

(*) The total provision refers to unsettled claims and provision for claims incurred but not reported (IBNR).

Occurrence date	**06/30/2005**	**06/30/2006**	**06/30/2007**	**06/30/2008**	**06/30/2009**	**06/30/2010**	**06/30/2011**	**06/30/2012**	**Total**
At the end of reporting year	994	1,903	1,298	2,211	1,562	1,868	1,845	1,916	
After 1 year	994	1,909	1,353	2,368	1,655	1,860	1,957		
After 2 years	1,000	1,919	1,397	2,309	1,615	1,776	-		
After 3 years	1,010	2,035	1,386	2,288	1,604	-	-		
After 4 years	1,029	2,002	1,381	2,351	-	-	-		
After 5 years	1,023	1,996	1,378	-	-	-	-		
After 6 years	1,013	1,992	-	-	-	-	-		
After 7 years	998	-	-	-	-	-	-		
Current estimate	998	1,992	1,378	2,351	1,604	1,776	1,957	1,916	13,972
Accumulated payments through base date	949	1,929	1,312	2,153	1,443	1,463	1,476	795	11,520
Liabilities recognized in the balance sheet	49	63	66	198	161	313	481	1,121	2,452
Liabilities in relation to years prior to 2005									341
Total liabilities included in balance sheet									**2,793**
Share of Itaúsa									36.79% **1,028**

II – Net of reinsurance - ITAÚ UNIBANCO HOLDING

Reserve for unsettled claims and for claims incurred but not reported	
Liability claims presented in the development table	1,347
DPVAT operations	459
Reinsurance, retrocession and other estimates	1,611
Total reserve	**3,417**
Share of Itaúsa	36.79% **1,257**

(*) The total provision refers to unsettled claims and provision for claims incurred but not reported (IBNR).

Occurrence date	**06/30/2005**	**06/30/2006**	**06/30/2007**	**06/30/2008**	**06/30/2009**	**06/30/2010**	**06/30/2011**	**06/30/2012**	**Total**
At the end of reporting year	774	811	923	1,052	1,150	1,174	1,303	1,344	
After 1 year	774	832	968	1,118	1,219	1,188	1,241	-	
After 2 years	779	839	994	1,122	1,189	1,170	-	-	
After 3 years	786	867	997	1,112	1,050	-	-	-	
After 4 years	796	873	978	1,000	-	-	-	-	
After 5 years	801	858	894	-	-	-	-	-	
After 6 years	792	845	-	-	-	-	-	-	
After 7 years	782	-	-	-	-	-	-	-	
Current estimate	782	845	894	1,000	1,050	1,170	1,241	1,344	8,326
Accumulated payments at balance sheet date	751	804	840	930	952	1,060	1,055	725	7,117
Liabilities recognized in the balance sheet	31	41	54	70	98	110	186	619	1,209
Liabilities in relation to years prior to 2005									138
Total liabilities included in balance sheet									**1,347**
Share of Itaúsa									36.79% **496**

Variations observed in the estimates of losses occurred in 2010 result mainly from atypical events, with gross amounts frequently higher than the average previously observed. However, as the percentages for reinsurance are high, the net analysis is not affected by this factor. In addition, in view of the high volatility inherent in the analysis of reinsurance gross data, particularly in all risks operations, the analysis of amounts net of reinsurance is recommended.

f) Liability adequacy test

As established in CPC 11 – “Insurance Contracts”, the insurance company must carry out the Liability Adequacy Test, comparing the amount recognized for its technical provisions with the current estimate of projected cash flow. The estimate should consider all cash flows related to the business, which is the minimum requirement for carrying out the adequacy test.

The Liability Adequacy Test did not show any deficiency in this period.

The assumptions used were as follows:

a) The risk grouping criteria for insurance plans follow SUSEP Circular 410, whereas for pension plans the risk grouping criteria were changed this year and consider groups subject to similar risks jointly managed as a single portfolio. Should we apply the same grouping criteria to the prior year, the result of the test would have showed R$ 13.6 million of insufficiency rather than the R$ 24 million presented then.

b) The relevant structure of risk-free interest rate was obtained from the curve of securities deemed to be credit risk free, available in the Brazilian financial market and determined pursuant to an internal policy.

c) The methodology for testing all products is based on the projection of cash flows. Specifically for insurance products, cash flows were projected using the method known as chain-ladder triangle of quarterly frequency.

d) Cancellations, partial redemptions, future contributions, conversion into annuity income and administrative expenses are periodically reviewed, pursuant to the best practices and analysis of the experience in the subsidiaries. Accordingly, they represent the current best estimates for projections.

e) Mortality biometric tables broken down by gender, adjusted according to life expectancy development (improvement).

g) Insurance risk – effect of changes in actuarial assumptions

Property insurance is a short-lived insurance, and the main actuarial assumptions involved in the management and pricing of the associated risks are claims frequency and severity. Volatility above the expected number of claims or amount of claim indemnities may result in unexpected losses.

Life insurance and pension plans are, in general, medium- or long-lived products and the main risks involved in the business may be classified as biometric risk, financial risk and behavioral risk.

Biometric risk relates to: a more than expected increase in life expectancies for products with survivorship coverage (mostly pension plans); ii) a more than expected decrease in mortality rates for products with survivorship coverage (mostly life insurance).

Products offering financial guarantee predetermined under contract involve financial risk inherent in the underwriting risk, with such risk being considered as an insurance risk.

Behavioral risk relates to a more than expected increase in the rates of conversion into annuity income, resulting in increased payments of retirement benefits.

The estimated actuarial assumptions are based on the historical evaluation of ITAÚ UNIBANCO HOLDING’s benchmarks and the experience of the actuaries.

Sensitivity analyses were carried out with the amounts of current estimates based on the variations of the main actuarial assumptions. The results of LAT (liability adequacy test) sensitivity analysis were as follows:

Sensitivity analysis	Impact on the liability adequacy test result	
	Gross of reinsurance	Net of reinsurance
5% increase in mortality rates	1	1
5% decrease in mortality rates	14	14
10bp increase in risk-free interest rates	Without insufficiency	Without insufficiency
10bp decrease in risk-free interest rates	2	2
5% increase in conversion in income rates	Without insufficiency	Without insufficiency
5% decrease in conversion in income rates	Without insufficiency	Without insufficiency
5% increase in claims	Without insufficiency	Without insufficiency
5% decrease in claims	Without insufficiency	Without insufficiency

h) Risks of insurance and private pension

ITAÚ UNIBANCO HOLDING has specific committees to define the management of funds from the technical reserves for insurance and private pension, issue guidelines for managing these funds with the objective of achieving long-term return and develop evaluation models, risk limits and strategies on allocation of funds to defined financial assets. Such committees are comprised not only of executives and those directly responsible for the business management process, but also of an equal number of professionals that head up or coordinate the commercial and financial areas.

Large risks products are distributed by brokers. In the case of the extended warranty product, this is marketed by the retail company that sells the product to consumer. The DPVAT production results from the participation that the insurance companies of ITAÚ UNIBANCO HOLDING have in the Leading Insurance Company of the DPVAT consortium.

There is no product concentration in relation to insurance premiums, reducing the risk of product concentration and distribution channels. For all risks products, the strategy of lower retention is adopted, in accordance with certain lined shown below:

	06/30/2012			06/30/2011		
	Insurance premiums	Retained premiums	Retention (%)	Insurance premiums	Retained premiums	Retention (%)
PROPERTY AND CASUALTY						
Extended warranty	658	658	100.0	673	673	100.0
Credit life	195	195	100.0	227	227	100.0
DPVAT	227	227	100.0	176	176	100.0
Multiple risks	89	85	95.5	91	82	90.1
INDIVIDUALS						
Group life	641	619	96.6	548	540	98.5
Group accident	318	317	99.7	323	322	99.7
Individual accident	58	58	100.0	56	56	100.0
Individual life	9	9	100.0	10	10	100.0
LARGE RISKS						
Specified and operational risks	182	53	29.1	139	33	23.7
Petroleum risks	239	33	13.8	155	28	18.1
Engineering risks	48	5	10.4	36	5	13.9

i) Underwriting risk management structure

- **Centralized control over underwriting risk**

  The control of the risk with the insurance company is centralized by the independent executive area responsible for risk control, while the management of risk is the responsibility of the business units with exposure to underwriting risk and the risk management area of the ITAÚ CONSOLIDATED insurance companies.

- **Decentralized management of underwriting risk**

  The underwriting risk management is the responsibility of the business area coordinated by the risk management area of the ITAÚSA CONSOLIDATED insurance companies with the participation of the institutional actuarial area and product units and managers. These units, in their daily operations, accept risks based on the profitability of their businesses.

j) Duties and responsibilities

I- independent executive area responsible for risk control

This area has the following attributes:

- Validation and control of the underwriting risk models.
- Control and evaluation of changes in the policies of insurance and private pension.
- Monitoring the performance of the insurance and private pension portfolios.

- Construction of underwriting risk models.
- Risk assessment of insurance and private pension products when created and on an ongoing basis.
- Establishment and publication of the Underwriting Risk Management structure.
- Adoption of compensation policies that discourage behaviors incompatible with a risk level considered prudent in the policies and long-term strategies established by ITAÚ UNIBANCO HOLDING.

II- Executive area responsible for operational risk and efficiency

- Devise methods for identifying, assessing, monitoring, controlling and mitigating operational risk.
- Report, on a timely basis, operational risk events to the independent executive area responsible for risk control.
- Respond to requests from the Central Bank of Brazil and other Brazilian regulatory authorities related to operational risk management, as well as monitor the adherence of the units and control areas of ITAÚ UNIBANCO HOLDING, under the coordination of the legal compliance area, to the regulation of the legal oversight authorities.

III- Business units with exposure to underwriting risk

- Set out and/or adjust products to the requirements of the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.
- Respond to requests from the independent executive area responsible for risk control, preparing or providing database and information for preparation of managerial reports or specific studies, when available.
- Guarantee the quality of the information used in probability of loss models and claim losses.
- Guarantee an appropriate level of knowledge regarding the concepts of risks for their identification and classification, ensuring the proper understanding for modeling by the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.

IV - Reinsurance area

- Formulate policies on access to reinsurance markets, regulating the underwriting operations aligned with the underwriting credit rating by the independent executive area responsible for risk control and the risk management areas of the insurance companies of ITAÚSA CONSOLIDATED.
- Guarantee an appropriate level of knowledge about the concepts of risks for their identification and classification, ensuring the proper understanding for modeling by the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.
- Submit the managerial reports to the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.
- Guarantee the update, reach, scope, accuracy and timeliness of information on reinsurance.

V- Risk management area of the insurance subsidiaries of ITAÚSA CONSOLIDATED

- Formulate policies and underwriting procedures that address the entire underwriting cycle.
- Develop strategic indicators, informing about possible gaps to higher levels.
- Submit managerial reports to the independent executive area responsible for risk control.
- Guarantee an appropriate level of knowledge about the concepts of risks for their identification and classification, ensuring the proper understanding and modeling by the independent executive area responsible for risk control.
- Monitor the risks incurred by business units exposed to Underwriting Risk.

- Report with quality and speed the required information under the responsibility of the Brazilian regulatory authorities.

VI- Actuarial area

- Construct and improve models for provisions and reserves and submit them duly documented to the Independent executive area responsible for risk control and risk management of the insurance companies of ITAÚSA CONSOLIDATED. Submit managerial reports to the independent executive area responsible for risk control;
- Guarantee the reach, scope, accuracy and timeliness of information related to the operations for which accounting reconciliation was properly carried out.
- Guarantee an appropriate level of knowledge regarding the concepts of risks for their identification and classification, ensuring the proper understanding and modeling by the independent executive area responsible for risk control.

VII- Internal control area

- Check, on a regular basis, the adequacy of the internal controls system.
- Conduct periodic reviews of the risk process of insurance operations to ensure completeness, accuracy and reasonableness.

VIII- Internal Audit

Carry out independent and periodic checks as to the effectiveness of the risk control process of insurance and private pension operations, according to the guidelines of the audit committee.

Management works together with the investment manager to ensure that assets backing long-term products, with guaranteed minimum returns, are managed according to the characteristics of the liabilities aiming at actuarial balance and long-term solvency.

A detailed mapping of the liabilities of long-term products that result in payment flows of projected future benefits is performed annually. This mapping is carried out in accordance with actuarial assumptions.

The investment manager, having this information, uses Asset Liability Management models to determine the best asset portfolio composition that enables the mitigation of risks entailed in this type of product, considering long-term economic and financial feasibility. The portfolio of backing assets is periodically balanced based on the fluctuations in market prices of assets, liquidity needs, and changes in characteristics of liabilities.

k) Market, Credit and Liquidity Risk

Market risk

Market risk is the possibility of incurring losses due to fluctuations in the market values of positions held by a financial institution, including risks of transactions subject to the *var*iation in foreign exchange and interest rates, share values and commodity prices.

The market risk limit structure is designed and approved by the Superior Risk Committee (CSRisc) after discussions and deliberations of the Superior Institutional Treasury Committee (CSTI) on metrics and market risk limits.

Market risk is analyzed based on the following metrics:

- Statistical Value at Risk (VaR - Value at Risk): a statistical metric that estimates the maximum expected potential economic loss in normal market conditions, considering a defined time horizon and confidence interval (Note 34);
- Losses in stress scenarios (Stress Test): a 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) in the portfolio;
- Sensitivity (DV01 – Delta Variation): in relation to insurance operations, the impact on the cash flows market value when submitted to an one annual basis point increase in the current interest rates.

	06/30/2012		12/31/2011	
Class	**Account balance**	**DV01**	**Account balance**	**DV01**
Government securities				
NTN-C	2,680	(2.92)	2,766	(2.70)
NTN-B	1,279	(1.76)	1,400	(1.30)
NTN-F	7	(0,00)	28	-
LTN	173	(0.01)	-	-
DI Futures	158	(0,00)	-	-
Private securities				
Indexed to IGPM	147	(0.01)	141	-
Indexed to IPCA	270	(0.20)	224	(0.20)
Indexed to PRE	79	(0,00)	93	-
Floating assets	5,588	-	5,607	-
Under agreements to resell – over	4,911	-	6,433	-
Total	**15,293**	**(4.90)**	**16,692**	**(4.20)**
Share of Itaúsa	36.79%		36.82%	
	5,626	**(1.80)**	**6,146**	**(1.55)**

The column DV01 is the impact for a movement of + 0.01% (basis point) in the index rate. In this case, as they are asset positions, the positive impact on the rate contributes negatively for income.

Liquidity Risk

Liquidity risk is the risk that ITAÚSA CONSOLIDATED may have insufficient net funds available to honor its current obligations at a given moment. The liquidity risk is managed continuously based on the monitoring of payment flows related to its liabilities vis a vis the inflows generated by its operations and financial assets portfolio. Additionally, according to the principles of prudence and conservative accounting, ITAÚSA CONSOLIDATED has funds invested in short-term assets, available upon demand, to cover its regular needs and any liquidity contingencies.

Liabilities	06/30/2012		12/31/2011		Assets	06/30/2012		12/31/2011	
Technical provision	**Amount**	**DU (*)**	**Amount**	**DU (*)**	**Backing asset**	**Amount**	**DU (*)**	**Amount**	**DU (*)**
PPNG, PPNG-RVNE, PCP and OPT (1)	1,638	16	1,690	12	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	1,638	2	1,690	7
Reserve for premium deficiency	260	189	233	187	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	260	2	233	7
IBNR and Provision for unsettled claims (2)	1,346	16	1,401	19	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	1,346	2	1,401	7
Other Reserves	326	-	303	-	LFT, Repurchase Agreements, NTN-B, CDB and Debentures	326	2	303	7
Subtotal	**3,570**	-	**3,627**		**Subtotal**	**3,570**		**3,627**	
Provisions									
Administrative expenses	47	121	43	125	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	47	2	43	7
Mathematical reserve for benefits granted	1,024	121	977	126	LFT, Repurchase Agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and Debentures	1,024	130	977	124
Mathematical reserve for benefits to be granted – PGBL/ VGBL	65,508	99	57,626	109	LFT, Repurchase Agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and Debentures (3)	65,508	14	57,626	8
Mathematical reserve for benefits to be granted – Traditional	3,474	117	3,365	116	LFT, Repurchase Agreements, NTN-B, NTN-C, Debentures	3,474	106	3,365	109
Insufficient contribution	716	118	692	109	LFT, Repurchase Agreements, NTN-B, NTN-C, CDB, LF and Debentures	716	106	692	109
Financial surplus	496	118	477	109	LFT, Repurchase Agreements, NTN-B, NTN-C, CDB, LF and Debentures	496	106	477	109
Subtotal	**71,265**		**63,180**		**Subtotal**	**71,265**		**63,180**	
Total technical reserves	**74,835**		**66,807**		**Total backing assets**	**74,835**		**66,807**	

(*) DU – Duration in months

(1) Net amount of Credit Right.

(2) Net of escrow deposits and reserves retained IRB.

(3) Excluding PGBL/VGBL reserves allocated in variable income

Credit risk

For reinsurance operations, the internal policy prohibits an excess concentration in only one reinsurer. At present the reinsurer with the largest share of our operations represents less than 35.37% of the total. In addition, we follow the SUSEP rules about reinsurers with which we operate, mainly with respect to “solvency rating, issued by a rating agency”, with the following minimum levels:

Rating agency	Minimum required level
Standard & Poor's	BBB-
Fitch	BBB-
Moody´s	Baa3
AM Best	B+

I) Reinsurance

Expenses and revenue from reinsurance premiums ceded are recognized on an accrual basis, with no offset of assets and liabilities related to reinsurance except if there is a contractual provision for the offset of accounts between the parties. Analyses of reinsurance requirements are made to meet the current needs of Itaú Unibanco Holding, maintaining the necessary flexibility, to comply with changes in management strategy in response to several scenarios to which it may be exposed.

With the approval of Supplementary Law No. 126 of January 15, 2007, the reinsurance market was opened up to competition with the creation of three categories of companies authorized to operate in Brazil: local, admitted and occasional (the two latter being foreign reinsurance companies respectively with, or without, a representative office in Brazil). The transition to the new market was made progressively, maintaining the right of local reinsurance companies to 60% of premiums ceded by insurance companies until January 2010; after this period, this percentage may be reduced to 40%. From March 31, 2011, this percentage of 40% must obligatorily be ceded to local reinsurance companies.

Reinsurance assets

Reinsurance assets represent the estimated amounts recoverable from reinsurers in connection with losses incurred. Such assets are recorded based on risk assignment contracts, and for cases of losses effectively paid, they are reassessed after 365 days as to the possibility of impairment; in case of uncertainly, such assets are reduced by recognizing an allowance for losses on reinsurance.

Reinsurance transferred

ITAÚ UNIBANCO HOLDING transfers, in the normal course of its businesses, reinsurance premiums to cover losses on underwriting risks to its policyholders and is in compliance with the operational limits established by the regulatory authority. In addition to proportional contracts, non-proportional contracts are also entered into in order to transfer a portion of the responsibility to the reinsurance company for losses that exceed a certain level of losses in the portfolio. Non-proportional reinsurance premiums are included in “other assets” and amortized to “other operating expenses” over the effectiveness period of the contract on a daily accrual basis.

I- Changes in balances of transactions with reinsurance companies

ITAÚ UNIBANCO HOLDING	Credits		Debits	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Opening balance	**214**	**176**	**313**	**106**
Issued contracts	-	-	558	926
Recoverable claims	12	52	-	-
Prepayments/Payments to reinsurer	11	32	(419)	(751)
Monetary adjustment and interest of claims	-	-	10	32
Other increase/ reversal	1	(46)	-	-
Closing balance	**238**	**214**	**462**	**313**
Share of Itaúsa	36.79%	36.82%	36.79%	36.82%
	88	**79**	**170**	**115**

II – Balances of technical reserves with reinsurance assets

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
Reinsurance claims	1,511	1,394
Reinsurance premiums	621	535
Reinsurance commission	(57)	(58)
	2,075	**1,871**
Share of Itaúsa	36.79%	36.82%
	763	**689**

III – Changes in balances of technical reserves for reinsurance claims

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
Opening balance	**1,394**	**1,185**
Reported claims	469	615
Claims paid	(354)	(101)
Other increase/ reversal	2	(305)
Closing balance	**1,511**	**1,394**
Share of Itaúsa	36.79%	36.82%
	556	**513**

IV – Changes in balances of technical reserves for reinsurance premiums

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
Opening balance	**535**	**404**
Receipts	534	814
Payments	(448)	(683)
Closing balance	**621**	**535**
Share of Itaúsa	36.79%	36.82%
	228	**197**

V – Changes in balances of technical reserves for reinsurance commission

ITAÚ UNIBANCO HOLDING	06/30/2012	12/31/2011
Opening balance	**(58)**	**(59)**
Receipts	(30)	(50)
Payments	31	51
Closing balance	**(57)**	**(58)**
Share of Itaúsa	36.79%	36.82%
	(21)	**(21)**

m) Regulatory authorities

Insurance and private pension operations are regulated by the National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP). These authorities are responsible for regulating the market and, consequently, for assisting in the mitigation of risks inherent in the business.

The National Council of Private Insurance (CNSP) is the regulatory authority of insurance activities in Brazil, created by Decree-Law No. 73, of November 21, 1966. The main attribution of CNSP, at the time of its creation, was to set out the guidelines and rules of government policy on private insurance segments, and with the enactment of Law No. 6.435, of July 15, 1977 (revoked by Supplementary Law No. 109/01), its attributions included private pension of public companies.

The Superintendence of Private Insurance (SUSEP) is the authority responsible for controlling and overseeing the insurance, private pension, and reinsurance markets. An agency of the Ministry of Finance, it was created by Decree-Law No. 73, of November 21, 1966, which also created the National System of Private Insurance, comprising the National Council of Private Insurance (CNSP), IRB Brasil Resseguros S.A. (IRB Brasil), the companies authorized to have pension plans and the open-ended private pension companies.– IRB Brasil Re, the companies authorized to have private pension plans and the open-ended private pension companies.

n) Capital requirements for insurance activity

The National Council of Private Insurance (CNSP), following the worldwide trend towards the strengthening of the insurance market, disclosed on December 6, 2010, CNSP Resolution No. 227, (which revoked Resolutions No. 178 of December 28, 2007 and No. 200 of December 16, 2008), and Circular No. 411 of December 22, 2010. These documents define the rules on the regulatory capital required for the authorization and operation of insurance and private pension companies, and rules for the allocation of capital to underwriting risk for the various insurance lines. In January 2011, CNSP Resolution No. 228, of December 6, 2010, which provides for the criteria for establishment of additional capital based on the credit risk of the supervised companies, came into effect.

The adjusted stockholders’ equity of ITAÚ UNIBANCO HOLDING companies exclusively engaged in insurance and private pension activities, is higher than the required regulatory capital. The insurance companies of ITAÚ UNIBANCO HOLDING recorded capital in excess of the required regulatory capital by R$ 1,464 (R$ 2,049 at December 31, 2011) in Itaú Seguros S.A. and R$ 660 (R$ 1,565 at December 31, 2011) in Itaú Vida e Previdência S.A..

NOTE 30 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In cases where market prices are not available, fair values are based on estimates using discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions adopted, including the discount rate and estimate of future cash flows. The estimated fair value achieved through these techniques cannot be substantiated by comparison with independent markets and, in many cases, it cannot be realized upon the immediate settlement of the instrument.

The following table summarizes the carrying value and estimated fair value of financial instruments:

	06/30/2012		12/31/2011	
	Carrying value	**Estimated fair value**	**Carrying value**	**Estimated fair value**
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	32,372	32,372	40,099	40,099
Interbank deposits	9,154	9,171	10,244	10,255
Securities purchased under agreements to resell	36,682	36,682	35,001	35,001
Financial assets held for trading (*)	46,311	46,311	45,049	45,049
Financial assets designated at fair value through profit or loss (*)	77	77	69	69
Derivatives (*)	4,152	4,152	3,240	3,240
Available-for-sale financial assets (*)	22,688	22,688	17,805	17,805
Held-to-maturity financial assets	1,147	1,504	1,144	1,367
Loan operations and lease operations	122,317	123,138	118,710	118,942
Other financial assets	15,624	15,624	14,925	14,925
Financial liabilities	-	-		
Deposits	86,427	86,451	89,326	89,296
Securities sold under repurchase agreements	67,602	67,602	68,273	68,273
Financial liabilities held for trading (*)	231	231	1,037	1,037
Derivatives (*)	3,377	3,377	2,486	2,486
Interbank market debt	34,831	34,779	33,323	33,269
Institutional market debt	21,892	20,286	20,931	20,935
Liabilities for capitalization plans	1,057	1,057	1,045	1,045
Other financial liabilities	16,643	16,643	16,246	16,246

(*) These assets and liabilities are recorded in the balance sheet at their fair value.

(1) The amounts in the tables above already reflect the share of Itaúsa.

Financial instruments not included in the Balance Sheet (Note 34) are represented by Standby Letters of Credit and Guarantees Provided, the amount is R$ 56,611 (R$ 51,530 at December 31, 2011), is proportionally reflected in the Consolidated financial statements of Itaúsa at R$ 20,827 (R$ 18,974 at December 31, 2011), and the estimated fair value of R$ 715 (R$ 695 at December 31, 2011), reflected in the Consolidated financial statements of Itaúsa at R$ 263 in 2012 (R$ 256 at December 31, 2011).

The methods and assumptions adopted to estimate the fair value are defined below:

a) **Cash and Deposits on Demand, Central Bank Compulsory Deposits, Securities Purchased under Agreements to Resell and Other Financial Assets -** the carrying amounts for these instruments approximate their fair values.

b) **Interbank Deposits** – ITAÚ UNIBANCO HOLDING estimates the fair values of interbank deposits by discounting the estimated cash flows and adopting the market interest rates.

c) **Financial Assets Held for Trading, including Derivatives (Assets and Liabilities), Financial Assets designated at Fair Value through Profit or Loss, Available-for-Sale Financial Assets and Held-to-Maturity Financial Assets** – under normal conditions, the prices quoted in the market are the best indicators of the fair values of financial instruments. However, not all instruments have liquidity or quoted market prices and, in such cases, present value estimates and other pricing techniques are required. The fair values of government securities are determined based on the interest rates provided by market participants and are validated by tracking them to the information disclosed by ANDIMA. The fair values of corporate debt securities are computed by adopting criteria similar to those applied to interbank deposits, as described above. The fair values of shares are computed based on their prices quoted in the market. The fair values of derivative financial instruments were determined as follows:

- Swaps: the cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves may be mainly based on the exchange price of derivatives at BM&F, of Brazilian government securities in the secondary market or derivatives and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.)

- Futures and Forwards: Quoted market prices on exchanges or criteria identical to those applied to swaps;

- Options: the fair values are determined based on mathematical models (such as Black - Scholes) that use implicit volatility data, interest rate yield curve and fair value of the underlying asset. Current market prices of options are used to compute the implicit volatilities. All this data is obtained from different sources (usually Bloomberg).

- Credit Risk: inversely related to the probability of default (allowance for loan losses) in a financial instrument subject to credit risk. The process of adjusting the market price of these spreads is based on the differences between the yield curves with no risk and the yield curves adjusted for credit risk.

d) Loan Operations – The fair value is estimated based on groups of loans with similar financial and risk characteristics, using valuation models. The fair value of fixed-rate loans was determined by discounting estimated cash flows, applying interest rates close to our current rates for similar loans. For the majority of loans at the floating rate, the carrying amount was considered close to their fair value. The fair value of loan and lease operations not overdue was calculated by discounting the expected payments of principal and interest through maturity, at the aforementioned rates. The fair value of overdue loan and lease operations was based on estimated discount cash flows, using a rate proportional to the risk associated with the estimated cash flows, or on the underlying collateral. The assumptions related to cash flows and discount rates are determined using information available in the market and information specific of the debtor.

e) Interest-bearing and non-interest bearing financial liabilities include: Deposits, Securities Sold under Repurchase Agreements, Financial Liabilities Held for Trading, Interbank and Institutional Market Debt, Liabilities for Capitalization Plans and Other Financial Liabilities.

- **Non-interest bearing financial liabilities (demand deposits) -** The fair value of demand deposits is equal to the carrying amount.

- **Interest-bearing financial liabilities** – the fair value of time deposits with a floating rate was considered close to their carrying amount. The fair value of time deposits at a fixed rate was estimated using discounted cash flow, with the adoption of the interest rate we offer on the respective balance sheet date. The carrying amount of securities sold under repurchase agreements, commercial lines and other short-term loan liabilities is close to the fair value of such instruments. The fair value of other long-term liabilities is estimated using cash flows discounted at the interest rates offered in the market for similar instruments. These interest rates are obtained from different sources (usually Bloomberg), from which the risk-free yield curve and the risk-free spread traded for similar instruments are derived.

f) Off-balance sheet financial instruments – The fair value of commitments to grant credit was estimated based on the rates currently charged for similar agreements, considering the remaining term of the agreement and the credit quality of the counterparties. The fair value of standby letters of credit, commercial letters and guarantees was based on commissions currently charged for similar agreements or at the cost estimated to settle the agreements, or otherwise settle the obligations with the counterparties. The fair value of derivatives includes financial assets/liabilities at fair value through profit or loss or in other liabilities, as described in Note 2.4.f and presented in Notes 6 and 7. See Notes 7 and 30 for the notional amount and estimated fair value of our derivative financial instruments.

In accordance with CPC, ITAUSA CONSOLIDATED classifies fair value measurements using a fair value hierarchy that reflects the significance of inputs adopted in the measurement process:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market is a market in which transactions for the asset or liability being measured generally occurs often enough and with sufficient volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 generally includes: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (iii) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, etc.); (iv) inputs that are mainly derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable for the asset or liability. Unobservable information shall be used to measure fair value to the extent that observable information is not available, thus allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Financial Assets Held for Trading, Available for Sale, and Designated at Fair Value through Profit or Loss:

Level 1: Highly-liquid securities with prices available in an active market are classified in Level 1 of the fair value hierarchy. This classification level includes most of the Brazilian Government Securities (mainly LTN, LFT, NTN-B, NTN-C and NTN-F), securities of foreign governments, shares and debentures traded on stock exchanges and other securities traded in an active market.

Level 2: When pricing information is not available for a specific security, the assessment is usually based on prices quoted in the market for similar instruments, pricing information obtained through pricing services, such as Bloomberg, Reuters and brokers (only when the prices represent actual transactions) or discounted cash flows, which use information for assets actively traded in an active market. These securities are classified into Level 2 of the fair value hierarchy and are comprised of certain Brazilian government securities, debentures and some government securities quoted in a less-liquid market in relation to those classified into Level 1, and some share prices in investment funds. ITAÚSA CONSOLIDATED does not hold positions in alternative investment funds or private equity funds.

Level 3: When there is no pricing information in an active market, ITAÚSA CONSOLIDATED uses internally developed models, from curves generated according to the proprietary model. Level 3 classification includes some Brazilian government securities (mainly NTN-I, NTN-A1, CRIs and TDA falling due after 2025, and CVS), promissory notes and securities that are not usually traded in an active market, such as CRIs.

Derivatives:

Level 1: Derivatives traded on stock exchanges are classified in Level 1 of the hierarchy.

Level 2: For derivatives not traded on stock exchanges, ITAÚSA CONSOLIDATED estimates the fair value by adopting a variety of techniques, such as Black - Scholes, Garman - Kohlhagen, Monte Carlo or even the discounted cash flow models usually adopted in the financial market. Derivatives included in Level 2 are credit default swaps, cross currency swaps, interest rates swaps, plain vanilla options, certain forwards and generally all swaps. All models adopted by ITAÚSA CONSOLIDATED are widely accepted in the financial services industry and reflect all derivative contractual terms. Considering that many of these models do not require a high level of subjectivity, since the methodologies adopted in the models do not require major decisions and information for the model is readily observable in the actively quoted markets, these products were classified into level 2 of the measurement hierarchy.

Level 3: The derivatives with fair values based on non-observable information in an active market were classified into Level 3 of the fair value hierarchy, and are comprised of non-standard options, certain swaps indexed to non-observable information, and swaps with other products, such as swap with option and with USD check, credit derivatives and futures of certain commodities. These operations have their pricing derived from a range of volatility using the basis of historical volatility.

All aforementioned valuation methodologies may result in a fair value that may not be indicative of the net realizable value or future fair values. However, ITAÚSA CONSOLIDATED believes that all methodologies adopted are appropriate and consistent with those used by other market participants. Regardless of this fact, the adoption of other methodologies or use of different assumptions to estimate fair value may result in different fair value estimates at the balance sheet date.

Distribution by level

The following table presents the breakdown of Risk Levels at June 30, 2012 and December 31, 2011 for held-for-trading and available-for-sale financial assets.

ITAÚ UNIBANCO HOLDING	06/30/2012				12/31/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds	-	1,848	-	**1,848**	-	1,339	-	**1,339**
Brazilian government securities	93,247	187	-	**93,434**	93,727	187	-	**93,914**
Brazilian external debt bonds	1,227	-	-	**1,227**	910	-	-	**910**
Government securities – other countries	**562**	**311**	**-**	**873**	**722**	**80**	**-**	**802**
Argentina	104	-	-	**104**	225	-	-	**225**
United States	311	-	-	**311**	292	-	-	**292**
Mexico	140	-	-	**140**	205	-	-	**205**
Chile	-	129	-	**129**	-	50	-	**50**
Uruguay	-	36	-	**36**	-	27	-	**27**
Colombia	-	143	-	**143**				
Other	7	3	-	**10**	-	3	-	**3**
Corporate securities	**3,506**	**24,455**	**269**	**28,230**	**4,682**	**19,952**	**290**	**24,924**
Shares	1,735	-	-	**1,735**	2,241	56	-	**2,297**
Securitized real estate loans	-	24	-	**24**	-	24	-	**24**
Bank deposit certificates	-	5,840	-	**5,840**	-	7,820	-	**7,820**
Debentures	1,762	1,815	-	**3,577**	2,434	1,092	-	**3,526**
Eurobonds and other	9	1,622	-	**1,631**	7	1,424	-	**1,431**
Promissory notes	-	-	269	**269**	-	-	290	**290**
Financial credit bills	-	14,290	-	**14,290**	-	8,973		**8,973**
Other (basically financial credit bills)	-	864	-	**864**	-	563	-	**563**
Financial assets held for trading	**98,542**	**26,801**	**269**	**125,612**	**100,041**	**21,558**	**290**	**121,889**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**36,253**	**9,860**	**99**	**46,212**	**36,837**	**7,938**	**107**	**44,882**
Itaúsa and industrial companies	99	-	-	99	-	-	-	167
TOTAL	**36,352**	**9,860**	**99**	**46,311**	**36,837**	**7,938**	**107**	**45,049**
Investment funds	-	788	-	**788**	-	806	-	**806**
Brazilian government securities	11,181	37	262	**11,480**	12,165	-	259	**12,424**
Brazilian external debt bonds	10,562	-	-	**10,562**	5,906	-	-	**5,906**
Government securities – other countries	**237**	**5,788**	**-**	**6,025**	**11**	**4,306**	**-**	**4,317**
United States	198	-	-	**198**	-	-	-	**-**
Denmark	-	1,445	-	**1,445**	-	1,949	-	**1,949**
Spain	-	-	-	**-**	-	418	-	**418**
Korea	-	1,672	-	**1,672**	-	295	-	**295**
Mexico	-	-	-	**-**	11	-	-	**11**
Chile	-	2,109	-	**2,109**	-	995	-	**995**
Paraguay	-	240	-	**240**	-	344	-	**344**
Uruguay	-	294	-	**294**	-	268	-	**268**
Other	39	28	-	**67**	-	37	-	**37**
Corporate securities	**4,422**	**25,377**	**2,145**	**31,944**	**2,914**	**19,806**	**1,337**	**24,057**
Shares	1,746	1,796	-	**3,542**	808	3,170	-	**3,978**
Securitized real estate loans	-	7,507	1,179	**8,686**	-	7,323	691	**8,014**
Bank deposit certificates	-	308	-	**308**	-	274	-	**274**
Debentures	2,676	7,334	-	**10,010**	2,103	5,133	-	**7,236**
Eurobonds and other	-	4,776	-	**4,776**	3	3,635	-	**3,638**
Promissory notes	-	-	966	**966**	-	-	646	**646**
Financial credit bills	-	2,858	-	**2,858**	-	-	-	**-**
Other	-	798	-	**798**	-	271	-	**271**
Available-for-sale financial assets	**26,402**	**31,990**	**2,407**	**60,799**	**20,996**	**24,918**	**1,596**	**47,510**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**9,713**	**11,769**	**886**	**22,368**	**7,731**	**9,175**	**588**	**17,494**
Itaúsa and industrial companies	-	320	-	320	-	-	-	311
TOTAL	**9,713**	**12,089**	**886**	**22,688**	**7,731**	**9,175**	**588**	**17,805**
Brazilian government securities	-	209	-	209	-	186	-	186
Financial assets designated at fair value through profit or loss	**-**	**209**	**-**	**209**	**-**	**186**	**-**	**186**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**-**	**77**	**-**	**77**	**-**	**69**	**-**	**69**
TOTAL	**-**	**77**	**-**	**77**	**-**	**69**	**-**	**69**
Structured notes	-	629	-	629	-	2,815	-	2,815
Financial liabilities designated at fair value	**-**	**629**	**-**	**629**	**-**	**2,815**	**-**	**2,815**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**-**	**231**	**-**	**231**	**-**	**1,037**	**-**	**1,037**
TOTAL	**-**	**231**	**-**	**231**	**-**	**1,037**	**-**	**1,037**

The following table presents the breakdown of Risk Levels at June 30, 2012 and December 31, 2011 for our derivatives:

ITAÚ UNIBANCO HOLDING	06/30/2012				12/31/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Options	-	2,302	208	**2,510**	-	1,755	688	**2,443**
Forwards (onshore)	-	3,391	8	**3,399**	-	2,326	4	**2,330**
Swap – Difference receivable	-	3,393	21	**3,414**	-	2,732	18	**2,750**
Swap with USD check	-	-	-	**-**	-	4	-	**4**
Check of swap	-	3	-	**3**	-	-	-	**-**
Credit derivatives	-	935	-	**935**	-	399	-	**399**
Futures	586	(6)	3	**583**	17	9	-	**26**
Other derivatives	-	180	173	**353**	-	607	195	**802**
Derivatives - Assets	**586**	**10,198**	**413**	**11,197**	**17**	**7,832**	**905**	**8,754**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**216**	**3,752**	**152**	**4,120**	**6**	**2,884**	**333**	**3,224**
Itaúsa and industrial companies	-	32	-	32	-	-	-	16
TOTAL	**216**	**3,784**	**152**	**4,152**	**6**	**2,884**	**333**	**3,240**
Options	-	(2,427)	(208)	**(2,635)**	-	(1,930)	(676)	**(2,606)**
Forwards (onshore)	-	(2,111)	(7)	**(2,118)**	-	(1,136)	(8)	**(1,144)**
Swap – Difference payable	-	(4,128)	(17)	**(4,145)**	-	(2,782)	(16)	**(2,798)**
Swap with USD check	-	(2)	-	**(2)**	-	-	-	**-**
Check of swap	-	-	-	**-**	-	(2)	-	**(2)**
Credit derivatives	-	(171)	-	**(171)**	-	(110)	-	**(110)**
Futures	-	-	-	**-**	-	-	-	**-**
Other derivatives	-	(107)	-	**(107)**	-	(87)	-	**(87)**
Derivatives - Liabilities	**-**	**(8,946)**	**(232)**	**(9,178)**	**-**	**(6,047)**	**(700)**	**(6,747)**
Share of Itaúsa – 36.79% in June 2012 and 36.82% in December 2011	**-**	**(3,291)**	**(85)**	**(3,377)**	**-**	**(2,227)**	**(258)**	**(2,484)**
Itaúsa and industrial companies	-	-	-	-	-	-	-	(2)
TOTAL	**-**	**(3,291)**	**(85)**	**(3,377)**	**-**	**(2,227)**	**(258)**	**(2,486)**

Measurement of Level 2 Fair Value based on pricing services and brokers

When pricing information is not available for securities classified into Level 2, pricing services, such as Bloomberg or brokers, are used to value such instruments.

In all cases, to assure that the fair value of these instruments is properly classified into Level 2, internal analyses of the information received are conducted, so as to understand the nature of the inputs used in the determination of such values by the service provider.

Prices provided by pricing services that meet the following requirements are considered as Level 2: Input are immediately available, regularly distributed, provided by sources actively involved in relevant markets and are not proprietary.

Of the total R$ 21,706 million in financial instruments classified into Level 2 at June 30, 2012, pricing services or brokers were used to evaluate securities at the fair value of R$ 5,720 million, substantially represented by:

- **Debentures:** When available, we use price information for transactions recorded in the Brazilian Debenture System (SND), an electronic platform operated by CETIP, which provides multiple services for transactions involving debentures in the secondary market. Alternatively, prices of debentures provided by ANBIMA are used. Its methodology includes obtaining, on a daily basis, illustrative and non-binding prices from a group of market players deemed to be significant. Such information is subject to statistical filters established in the methodology, with the purpose of eliminating outliers.

- **Global and corporate securities:** The pricing process for these securities consists of capturing 2 to 8 quotations from Bloomberg, depending on the asset. The methodology consists in comparing the highest purchase prices and the lowest sale prices of trades provided by Bloomberg for the last day of the month. Such prices are compared with information from purchase orders that the Institutional Treasury of Itaú Unibanco provides for Bloomberg. Should the difference between both prices be lower than 0.5%, the average price of Bloomberg is used. Should it be 0.5% higher or if the Institutional Treasury does not provide information on this specific security, the average price gathered directly from other banks is used. The price of the Institutional Treasury is used as a reference only and never in the computation of the final price.

Level 3 recurring fair value measurements

The tables below show the changes in the balance sheet for financial instruments classified by ITAUSA CONSOLIDATED into Level 3 of the fair value hierarchy:

Distribution by level

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2011	Total gains or losses (realized/unrealized)	Purchases, issues and settlements	Settlements	Transfers, other levels	Fair value at 06/30/2012	Total gains (losses) related to assets and liabilities still held at the reporting date
Financial assets held for trading	**290**	**13**	**20**	**(54)**	**-**	**269**	**-**
Corporate securities	**290**	**13**	**20**	**(54)**	**-**	**269**	**-**
Promissory notes	290	13	20	(54)	-	269	-
Available-for-sale financial assets	**1,596**	**91**	**1,144**	**(424)**	**-**	**2,407**	**467**
Brazilian government securities	259	3	-	-	-	262	(80)
Corporate securities	**1,337**	**88**	**1,144**	**(424)**	**-**	**2,145**	**547**
Securitized real estate loans	691	123	365	-	-	1,179	547
Promissory notes	646	(35)	779	(424)	-	966	-
	36.82%			36.79%			
Share of Itaúsa	**694**	**38**	**428**	**(176)**	**-**	**984**	**172**

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2011	Total gains or losses (realized/unrealized)	Purchases, issues and settlements	Settlements	Transfers, other levels	Fair value at 06/30/2012	Total gains (losses) related to assets and liabilities still held at the reporting date
Derivatives - Assets	**905**	**371**	**263**	**(1,126)**	**-**	**413**	**78**
Options	688	29	180	(689)	-	208	78
Swap – Difference receivable	18	(3)	8	(2)	-	21	4
Forwards (onshore)	4	-	7	(3)		8	1
Futures	-	-	3			3	
Other derivatives	195	345	65	(432)	-	173	(5)
Derivatives - Liabilities	**(700)**	**25**	**(78)**	**521**	**-**	**(232)**	**(108)**
Options	(676)	27	(74)	515	-	(208)	(92)
Forwards (onshore)	(8)	-	(4)	5	-	(7)	-
Swap – Difference payable	(16)	(2)	-	1	-	(17)	(16)
Futures	-	-	-	-	-	-	-
	36.82%			36.79%			
Share of Itaúsa	**75**	**146**	**68**	**(223)**	**-**	**67**	**(32)**

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2010	Total gains or losses (realized/unrealized)	Purchases, issues and settlements	Settlements	Transfers, other levels	Fair value at 12/31/2011	Total gains (losses) related to assets and liabilities still held at the reporting date
Financial assets held for trading	**159**	**89**	**1,422**	**(1,391)**	**11**	**290**	**-**
Corporate securities	**159**	**89**	**1,422**	**(1,391)**	**11**	**290**	**-**
Securitized real estate loans	157	85	562	(804)	-	-	-
Promissory notes	-	3	697	(410)	-	290	-
Other	2	1	163	(177)	11	-	-
Available-for-sale financial assets	**1,647**	**767**	**3,217**	**(3,530)**	**(505)**	**1,596**	**266**
Brazilian government securities	320	-	38	(64)	(35)	259	(100)
Corporate securities	**1,327**	**767**	**3,179**	**(3,466)**	**(470)**	**1,337**	**366**
Shares	-	-	227	-	(227)	-	-
Securitized real estate loans	62	686	1,125	(1,103)	(79)	691	366
Promissory notes	1,265	78	1,666	(2,363)	-	646	-
Other	-	3	161	-	(164)	-	-
	36.57%			36.82%			
Share of Itaúsa	**661**	**315**	**1,707**	**(1,810)**	**(182)**	**695**	**98**

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2010	Total gains or losses (realized/unrealized)	Purchases, issues and settlements	Settlements	Transfers, other levels	Fair value at 12/31/2011	Total gains (losses) related to assets and liabilities still held at the reporting date
Derivatives - Assets	**485**	**811**	**835**	**(1,226)**	**-**	**905**	**(93)**
Options	56	89	690	(147)	-	688	(63)
Swap – Difference receivable	5	(15)	28	-	-	18	3
Forwards (onshore)	-	-	4	-		4	-
Credit derivatives	261	57	104	(422)	-	-	-
Other derivatives	163	680	9	(657)	-	195	(33)
Derivatives - Liabilities	**(335)**	**130**	**(166)**	**(329)**	**-**	**(700)**	**(316)**
Options	(188)	82	(110)	(460)	-	(676)	(302)
Forwards (onshore)	-	-	(8)	-	-	(8)	-
Swap – Difference payable	(6)	(13)	(16)	19	-	(16)	(14)
Credit derivatives	(119)	55	(5)	69	-	-	-
Futures	(9)	6	(27)	30	-	-	-
Other derivatives	(13)	-	-	13	-	-	-
	36.57%			36.82%			
Share of Itaúsa	**55**	**346**	**246**	**(572)**	**-**	**75**	**(150)**

Derivative financial instruments classified into Level 3 as Other Derivatives basically correspond to credit default swaps (CDS) linked to shares.

There were no significant transfers between Level 1 and Level 2 during the periods ended June 30, 2012 and December 31, 2011.

There were transfers from Level 3 to Level 2 in view of the extension of curves observed in the market.

Sensitivity analysis for Level 3 operations

The fair value of financial instruments classified into Level 3 is measured through valuation techniques comprising assumptions not evidenced by current transactions prices in active markets. The table below shows the sensitivity of these fair values in scenarios of changes in interest rates, prices of assets or in scenarios mixing shocks in prices with shocks in volatility for non-linear assets (volatility arising from lack of alignment between derivative and underlying asset prices):

Market risk factor groups	Scenarios	Impacts	
		Income	Equity
Interest rate	I	-	(1.1)
	II	(1.1)	(28.3)
	III	(2.2)	(55.9)
Currencies, Commodities and Ratios	I	(0.4)	-
	II	(0.9)	-
Non-linear	I	(5.6)	-
	II	(5.7)	-

The following scenarios are used to measure the sensitivity:

Interest rate

Shocks at 1, 25 and 50 base points (scenarios I, II and III, respectively) in the interest curves, both for increase and decrease, considering the largest losses resulting in each scenario.

Currencies, Commodities and Ratios

Shocks at 5 and 10 base points (scenarios I and II, respectively) in prices of currencies, commodities and ratios, both for increase and decrease, considering the largest losses resulting in each scenario.

Non-linear

Scenario I: Combined shocks at 5 percentage points in prices and 25 percentage points in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Scenario II: Combined shocks at 10 percentage points in prices and 25 percentage points in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

NOTE 31 – PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

Provisions	06/30/2012	12/31/2011
Civil	1,260	1,186
Labor	1,615	1,549
Tax and social security	3,673	3,425
Other	64	61
Total	**6,612**	**6,221**
Current	**390**	**1,156**
Non-current	**6,222**	**5,065**

In the ordinary course of their business, ITAÚSA and its subsidiaries are subject to contingencies.

Data is presented considering the proportional interest of ITAÚSA in Itaú Unibanco Holding, as follows:

a) Contingent assets: there are no contingent assets recorded.

b) Provision and contingencies: the criteria to quantify contingencies are appropriate in relation to the specific characteristics of civil, labor and tax litigation, as well as other risks.

- **Civil lawsuits**

  Collective lawsuits (related to claims of a similar nature and with individual amounts 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 court (Small Claims Court or Regular Court).

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined periodically, based on the amount claimed and the likelihood of loss, which, in turn, are estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as probable losses are recorded as provisions.

  Contingencies generally arise from revision of contracts and compensation for damages and pain and suffering; most of these lawsuits are filed in the Small Claims Court and therefore limited to 40 minimum monthly wages. Itaú Unibanco Holding is also party to specific lawsuits over alleged understated inflation adjustments to savings accounts in connection with economic plans implemented by the Brazilian government.

  The case law at the Federal Supreme Court is favorable to banks in relation to economic phenomena 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.

  No amount is recognized in the financial statements in relation to civil lawsuits which represent possible losses and which have a total estimated risk of R$ 602 (R$ 222 at December 31, 2011); these refer to claims for compensation or collection, the individual amounts of which are not significant.

- **Labor claims:**

  Collective lawsuits (related to claims of a similar nature and with individual amounts not considered significant): the expected amount of loss is determined and accrued monthly based on the statistical share pricing model plus the average cost of legal fees. These are adjusted for the amounts deposited as guarantee for their execution when they are realized.

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined periodically, based on the amount claimed and the likelihood of loss, which, in turn, are estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as probable losses are recorded as provisions.

Contingencies are related to lawsuits in which alleged labor rights based on labor legislation, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other, are claimed.

There are no labor claims categorized as a possible loss.

- **Other Risks**

These are quantified and recorded as provisions mainly based on the evaluation of agribusiness credit transactions with joint obligation and FCVS (salary variations compensation fund) credits transferred to Banco Nacional.

Change in the balances of provision for contingent liabilities	01/01 to 06/30/2012			
	Civil	Labor	Other	Total
Opening balance	**1,186**	**1,549**	**61**	**2,796**
(-) Contingencies guaranteed by indemnity clause	(50)	(342)	-	(392)
Subtotal	**1,136**	**1,207**	**61**	**2,404**
Interest	28	23	-	51
Changes in the period reflected in results	321	205	3	529
Increase	396	217	4	617
Reversal	(75)	(12)	(1)	(88)
Payment	(272)	(153)	-	(425)
Subtotal	**1,213**	**1,282**	**64**	**2,559**
(+) Contingencies guaranteed by indemnity clause	47	333	-	380
Closing balance	**1,260**	**1,615**	**64**	**2,939**
Escrow deposits at 06/30/2012 (Note 19a)	**768**	**920**	**-**	**1,688**

Change in the balances of provision for contingent liabilities	01/01 to 06/30/2011			
	Civil	Labor	Other	Total
Opening balance	**1,108**	**1,518**	**63**	**2,689**
(-) Contingencies guaranteed by indemnity clause	(113)	(406)	-	(519)
Subtotal	**995**	**1,112**	**63**	**2,170**
Interest	19	22	-	41
Changes in the period reflected in results	248	149	(4)	393
Increase	323	182	1	506
Reversal	(75)	(33)	(5)	(113)
Payment	(202)	(122)	-	(324)
Subtotal	**1,060**	**1,161**	**59**	**2,280**
(+) Contingencies guaranteed by indemnity clause	82	398	-	480
Closing balance	**1,142**	**1,559**	**59**	**2,760**
Escrow deposits at 06/30/2011	**657**	**597**	**-**	**1,254**

- **Tax and social security lawsuits**

Contingencies are equivalent to the principal amount of taxes involved in administrative or judicial disputes, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is recorded as a provision when it involves a legal liability, regardless of the likelihood of loss, that is, a favorable outcome is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, a provision is set up whenever the loss is considered probable.

The table below shows the changes to the provisions and respective escrow deposits for tax and social security lawsuits:

Provisions	01/01 to 06/30/2012	01/01 to 06/30/2011
Opening balance	**3,425**	**2,892**
(-) Contingencies guaranteed by indemnity clause	(21)	(16)
Subtotal	**3,404**	**2,876**
Interest (1)	174	109
Changes in the period reflected in results	93	171
Increase (1)	164	206
Reversal (1) (2)	(71)	(35)
Payment (2)	(20)	(36)
Subtotal	**3,651**	**3,120**
(+) Contingencies guaranteed by indemnity clause	22	4
Closing balance (3)	**3,673**	**3,124**

(1) The amounts are included in the headings Tax expenses, General and administrative expenses and Current income tax and social contribution.

(2) ITAÚ UNIBANCO HOLDING and its subsidiaries adhered to the Program for Cash Settlement or Installment Payment of Federal Taxes, established by Law No. 11.941, of May 27, 2009. In the first half of 2010, taxes administered by the Federal Reserve Service of Brazil were included, mainly relating to the increase of the calculation basis of PIS and COFINS, set forth in paragraph 1 of article 3 of Law No. 9,718, of November 27, 1998.

(3) Includes amounts arising from investments in joint ventures of R$ 4.

Escrow Deposits	01/01 to 06/30/2012	01/01 to 06/30/2011
Opening balance	**2,029**	**1,806**
Appropriation of interest	81	57
Changes in the period	56	91
Deposits made	77	113
Withdrawals	(11)	(14)
Deposits released	(10)	(8)
Other adjustments	2	-
Closing balance (Note 19a)	**2,168**	**1,954**
Reclassification of assets pledged as collateral for contingencies	(329)	-
Closing balance after Reclassification	**1,839**	**1,954**

The main discussions related to “Provisions” for tax are described as follows:

- PIS and COFINS – Calculation basis – R$ 1,171: we are claiming that those contributions on revenue should be applied only to the revenue from sales of assets and services. The escrow deposit balance totals R$ 402.

- CSLL – Isonomy – R$ 604; the law increased the CSLL rate for financial and insurance companies to 15% and maintained the rate of 9% for other legal entities; we argue that there is no constitutional support for this measure and, due to the principle of isonomy, we believe we should only pay the regular rate of 9%. The escrow deposit balance totals R$ 131.

- IRPJ and CSLL –Taxation of profits earned abroad – R$ 186: we are challenging the calculation basis for these taxes on profits earned abroad and argue that Regulatory Instruction SRF No. 213-02 is not applicable since it goes beyond the text of the law. The escrow deposit balance totals R$ 170.

- PIS – R$ 140 - Principles of anteriority over 90 days and non-retroactivity: we request the rejection of Constitutional Amendments No. 10/96 and No. 17/97 in view of the principle of anteriority and non-retroactivity, seeking authorization to make payment based on Supplementary Law No. 07/70. The corresponding escrow deposit totals R$ 40.

Tax contingencies not recognized in the balance sheet - in the accounting books no amount is recognized in relation to tax and social security lawsuits with possible loss, which total estimated risk is R$ 2,721. The main discussions are as follows:

- IRPJ, CSLL, PIS and COFINS – request for offset dismissed - R$ 504: cases in which the liquidity and the offset of credits are discussed.

- INSS – Non-compensatory amounts – R$ 340: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.

- IRPJ/CSLL - Interest on capital - R$ 315: we defend the deductibility of interest on capital declared to stockholders based on the Brazilian long-term interest rate (TJLP) applied to stockholders' equity for the year and prior years.

- IRPJ/CSLL - Losses and discounts on receipt of credits – R$ 165: deductibility of effective losses as operating expense – credit assignment and renegotiation.

- ISS – Banking Institutions – R$ 148: these are banking operations, the revenue from which cannot be interpreted as compensation for service rendered and/or arise from activities not listed in a Supplementary Law.

- IRPJ, CSLL – Profit made available abroad R$ 116: Application of the Brazilian tax rule (taxable income) - IN No. 213/2002 and non availability of profit with the simple transfer of capital between the investees of ITAÚ UNIBANCO HOLDING.

c) Receivables - Reimbursement of contingencies

The receivables balance arising from reimbursements of contingencies totals R$ 268 (R$ 236 at December 31, 2011) (Note 21a), mainly represented by the guarantee received in the Banco Banerj S.A. privatization process of 1997, whereby the State of Rio de Janeiro created a fund to guarantee the equity recomposition with respect to civil, labor and tax contingencies.

d) Assets pledged as collateral for contingencies

Assets pledged as collateral for lawsuits involving contingent liabilities are restricted or deposited as shown below:

	06/30/2012	06/30/2011
Held-for-trading and available for sale financial assets (basically Financial treasury bills)	638	580
Deposits in guarantee (Note 21a)	1,594	1,239

In general ITAÚSA litigation provisions are long-term liabilities considering the time required to conclude legal cases through the court system at Brazil. Due to this fact, we note that it is difficult to make accurate estimates regarding the specific year that a legal case will be concluded, particularly in the earlier stages of a case. For this reason, ITAÚSA has not included estimates regarding future settlement date for the most significant provisions resulting from litigation.

In the opinion of the legal advisors, ITAÚSA and its subsidiaries are not parties to any other administrative proceedings or legal lawsuits that could significantly impact the results of their operations.

NOTE 32 –SEGMENT INFORMATION

In accordance with the standards in force, an operating segment may be understood as a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity's chief operating decision makes to make decisions about resources to be allocated to the segment and assess its performance;

(c) for which optional financial information is available.

The operating segments of ITAÚSA were defined according to the reports submitted to the Board of Directors for decision making. Therefore, the segments are divided into the Financial Services and the Industrial Areas.

ITAÚSA is a holding company and its subsidiaries are: Duratex, Elekeiroz and Itautec, which operate in the industrial area, and Itaú Unibanco Holding, under our joint control and operating in the financial area.

The Itaúsa subsidiaries have independence to define their differentiated and specific standards in the management and segmentation of their respective businesses.

- **Financial Area**

Itaú Unibanco Holding is a banking institution that offers, directly or through its subsidiaries, a broad range of credit and other financial services to a diversified client base of individuals and companies in and outside Brazil.

ITAÚSA exercises the joint control over the businesses of Itaú Unibanco Holding, and had an interest of 36.79% at June 30, 2012 (36.82% at December 31, 2011).

- **Industrial Area**

In the industrial segment, we have a broad range of companies; for this reason, we separated information by company. A brief description of the products manufactured by each company is as follows:

I) Duratex manufactures bathroom porcelain and metals, and respective fittings, with the Deca and Hydra brands (for flush toilet valves), which stand out for the wide range of products, the bold design, and the superior quality; and produces wood panels from pine and eucalyptus, largely used in the manufacturing of furniture, mainly fiberboard, chipboard and medium, high and super density fiberboards, best known as MDF, HDF and SDF, from which laminated floor (Durafloor) and ceiling and wall coatings are manufactured.

II) Elekeiroz: Elekeiroz operates in the chemicals market and is engaged in the manufacturing and sale of chemical and petrochemical products in general, including those of third parties, and import and export operations. The company has an annual production capacity of over 700 thousand tons of chemical products in its industrial units, which are basically designated for the industrial sector, particularly civil construction, clothing, automotive and food.

III) Itautec: operates in the IT market and is specialized in the development of products and solutions in computing, automation and technology services.

	January to June	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED IFRS (1) (2)
		Itaú Unibanco Holding S.A. (IFRS)	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	
Total assets	**2012**	**833,083**	**7,164**	**652**	**1,088**	**317,585**
	2011	760,516	6,646	641	1,112	289,544
Operating revenues (3)	**2012**	**63,157**	**1,547**	**422**	**802**	**29,024**
	2011	59,246	1,411	369	690	26,893
Net income	**2012**	**6,407**	**185**	**(1)**	**(7)**	**2,558**
	2011	6,795	177	19	21	2,616
Stockholders' equity	**2012**	**77,875**	**3,817**	**475**	**535**	**33,631**
	2011	69,599	3,562	479	529	30,521
Annualized return on average equity (%) (4)	**2012**	**17.0%**	**9.8%**	**-0.6%**	**-2.6%**	**15.6%**
	2011	20.1%	10.1%	7.9%	8.1%	17.7%
Internal fund generation (5)	**2012**	**24,193**	**430**	**23**	**13**	**9,559**
	2011	22,762	416	33	34	8,654

(1) Itaúsa Conglomerate includes: the consolidation of 100% of controlled companies; and the consolidation of jointly-controlled companies proportional to the interest held.

(2) Consolidated/Conglomerate data is net of consolidation elimination and unrealized results of intercompany transactions. The amounts of Itaú Unibanco were consolidated proportionally to the interest held by Itaúsa in June 2012 of 36.79% (36.65% in June 2011).

(3) Operating revenue by area of operations was obtained as follows:

- *Itaú Unibanco : Interest and similar income, net gain (loss) on financial assets and liabilities, dividends income, income from financial services, income from insurance, private pension and capitalization operations before claim and selling expenses, and other operating income.*
- *Duratex S.A., Itautec S.A. and Elekeiroz S.A.: Sales of products and services, and income from services.*

(4) Represents the ratio of net income for the period and the average equity ((Dec + Mar + Jun)/3).

(5) Refers to funds arising from operations, according to the statement of cash flows.

The information of revenue by geographical area of the financial services area, already in proportion to ITAÚSA's shares, is presented below.

The industrial area subsidiaries do not account for significant foreign transactions in the consolidated data.

	01/01 to 06/30/2012			01/01 to 06/30/2011		
	Brazil	**Abroad**	**Total**	**Brazil**	**Abroad**	**Total**
Income from financial operations (*)	18,493	1,181	19,674	16,607	940	17,547
Non-current assets	3,264	279	3,543	3,164	201	3,366

(*) Includes interest and similar income, net gain (loss) from financial assets and liabilities, results from foreign exchange operations and exchange variation on transactions abroad.

Additional Information

Revenue from transactions with only one external client or counterparty did not reached 10% or more of the total income of ITAÚSA CONSOLIDATED in 2012 or 2011.

NOTE 33 – RELATED PARTIES

a) Transactions between related parties are carried out at amounts, maturities and average rates in accordance with normal market practices on the respective dates, as well as under reciprocal conditions.

Transactions between companies included in the consolidation were eliminated from the consolidated financial statements. The transaction terms take into consideration the absence of risk.

The unconsolidated related parties are the following:

- The controlling stockholders of ITAÚSA;
- 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 Manoel Baptista da Silva de Seguridade Social and Fundação Itaúsa Industrial, closed-end private pension entities that administer supplementary retirement plans sponsored by ITAÚSA 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 its subsidiaries to act in their respective areas of interest; and
- Investments in unconsolidated companies (Note 14) - Porto Seguro Itaú Unibanco Participações S.A., SERASA S.A. and BSF Holding S.A..

The transactions with these related parties are basically characterized by:

a) Related parties

	Parent company				Consolidated						
	Transaction amount				Transaction amount				Outstanding balance		
	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011	04/01 to 06/30/2012	01/01 to 06/30/2012	04/01 to 06/30/2011	01/01 to 06/30/2011	06/30/2012	12/31/2011	12/31/2011
Amounts receivable from (payable to) related companies	-	-	-	-	-	-	-	-	**(123)**	**(107)**	**(14)**
Fundação BEMGEPREV	-	-	-	-	-	-	-	-	(8)	(3)	-
UBB Prev Previdência Complementar	-	-	-	-	-	-	-	-	(24)	(19)	(3)
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	-	-	-	-	-	-	-	-	(85)	(76)	(11)
Caixa de Prev. Dos Func. Do Banco BEG - PREBEG	-	-	-	-	-	-	-	-	(7)	(9)	
Fundação Itaubanco	-	-	-	-	-	-	-	-	1	-	
Banking service fees	-	-	-	-	**6**	**15**	**6**	**12**	-	-	**15**
Itaú Unibanco Holding S.A.	-	-	-	-	-	1	-	-	-	-	6
Fundação Itaubanco	-	-	-	-	6	12	5	10	-	-	6
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	-	2	1	2	-	-	2
Rent income (expenses)	-	-	-	**1**	**(8)**	**(18)**	**(9)**	**(17)**	-	-	**(29)**
Itaú Unibanco Holding S.A.	-	-	-	1	-	-	-	-	-	-	-
Fundação Itaubanco	-	-	-	-	(7)	(14)	(7)	(13)	-	-	(23)
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	(1)	(4)	(2)	(4)	-	-	(6)
Donation expenses	-	-	-	-	**(15)**	**(35)**	**(13)**	**(27)**	-	-	**(37)**
Instituto Itaú Cultural	-	-	-	-	(15)	(35)	(13)	(27)	-	-	(37)

b)Guarantees provided

In addition to these transactions, there are guarantees provided by ITAÚSA, represented by endorsements, sureties and other, as follows:

	06/30/2012	12/31/2011
Duratex S.A.	424	382
Elekeiroz S.A.	61	46
Itautec S.A.	146	164
Total	**631**	**592**

c) Compensation of the Key Management Personnel

The fees attributed in the period to ITAÚSA management members are as follows:

	06/30/2012	06/30/2011
Compensation	3	2
Profit sharing	3	2
Total	**6**	**4**

NOTE 34 – MANAGEMENT OF FINANCIAL RISKS

Introduction

In order to understand the risks inherent in the activities of ITAÚSA, it is important to know that its objective is the management of investments in its companies. Accordingly, the risks to which ITAÚSA is subject are those that are managed by its subsidiaries and affiliates.

As to liquidity risk, the cash flow forecast of ITAÚSA is made by Management, which monitors the continuous forecasts of liquidity requirements to ensure that it has sufficient cash to meet the operating needs, which mainly reflect the payment of dividends and interest on capital, and settlement of issued debentures.

The excess cash of ITAÚSA is invested in government securities and investment fund quotas.

At the reporting date, ITAÚSA had short-term funds amounting to R$ 194, which are expected to readily generate cash inflows to manage the liquidity risk.

According to Note 20c, debentures pay interest at 106.5% of CDI, and amortization is in three annual and successive installments in June 2011, 2012 and 2013.

With the purpose of maintaining investments at acceptable risk levels, new investments or increases in interests are discussed at a joint meeting of ITAÚSA's Executive Board and Board of Directors.

To improve the management of its exposure, ITAÚSA has control over the investments with greater tendency to entail risk, mainly those of the financial area. The entities in which ITAÚSA holds direct or indirect interest but not the control, are not subject to significant risks. This note about risks gives priority to the management of the jointly-controlled company that concentrates the higher level of market, credit and liquidity risks, Itaú Unibanco Holding. Therefore, we present its information on risk management at full amounts, without applying the proportion of ITAÚSA's interest.

FINANCIAL AREA

Credit risk

Credit risk is the possibility of incurring losses in connection with a breach by the borrower or counterparty of their respective financial obligations under agreed conditions, the loss of value of a financial asset as a result of the downgrade of the borrower's risk rating, the reduction in gains or income, concessions given on renegotiation of the financial assets and the costs of recovery.

In line with the principles of CMN Resolution No 3.721, of April 30, 2009, ITAÚ UNIBANCO HOLDING has a structure and policy on credit risk management, approved by its Board of Directors, applicable to companies and subsidiaries in Brazil and abroad.

Credit risk management of ITAÚ UNIBANCO HOLDING aims at creating value for stockholders, managing the risk-adjusted return and maintaining the credit portfolio quality at levels appropriate to each market segment in which it operates.

ITAÚ UNIBANCO HOLDING establishes its credit policy based on internal and external factors. Among the internal factors, we highlight the client rating criteria, performance and evolution of the portfolios, default levels, return rates, and allocated economic capital. External factors are related to the economic environment, market share, interest rates, market default indicators, inflation and changes in levels of consumer spending.

The centralized control area analyzes the impact of creating or changing credit policies or products (before its implementation) so as to permit the identification and quantification of uncertainties inherent in each business unit. The process for analyzing the policy and products enables Itaú Unibanco to identify potential risks, so as to make sure that credit decisions make sense from both an economic and risk perspective.

The centralized process for validation and approval of credit policies and models of ITAÚ UNIBANCO HOLDING assures the synchrony of credit actions and optimization of business opportunities.

1. Credit risk measurement

In loans to customers and interbank deposits

ITAÚ UNIBANCO HOLDING takes into account three components to quantify the credit risk: the probability of default by the client or counterparty (PD), the estimated exposure in the event of default (EAD), and the potential for recovery on defaulted credits (LGD). Measurement and assessment of these risk components is part of the process for granting credit and for managing the portfolio.

The credit risk rating of customers and economic groups reflects their probability of default, and is a fundamental element in the process for measuring risk, because it is used to determine the credit limits. The following table shows the relationship between the risk levels of the internal models (strong, satisfactory, higher risk and impaired) of the group and the probability of default associated with each of these levels.

Internal rating	PD
Strong	Lower than or equal to 4.44%
Satisfactory	From 4.44% up to 25.95%
Higher Risk	Higher than 25.95%
Impaired	Corporate operations with PD higher than 31.84% Operations past due for over 90 days Renegotiated operations past due for over 60 days

The credit rating in corporate transactions is based on information such as economic and financial condition of the potential borrower, its cash-generating capabilities, the economic group to which it belongs, the current and prospective situation of the economic sector in which it operates. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism subordinated to the Superior Credit Committee.

With respect to retail transactions (individuals and small and medium businesses), the rating is assigned based on statistical models of credit and behavior scoring in line with the Basel Committee requirements. Decisions are made based on scoring models that are continuously followed upon by an independent structure. Occasionally, an individual analysis of specific cases may be performed, in which case credit approval follows the applicable approval levels.

Government securities and other debt instruments are classified by ITAÚ UNIBANCO HOLDING according to their credit quality aiming at managing their exposures.

2. Control risk limits

ITAÚ UNIBANCO HOLDING maintains control of credit risk on a centralized and independent basis, separated from other business units and the internal audit. Credit risk is managed in a decentralized manner by each business unit.

The centralized management of portfolios is maintained by an independent executive area responsible for controlling credit risk, which uses risk and performance indicators to analyze the credit portfolio on an aggregate basis, by business line, segment, product and other variables that it deems relevant.

This process aims at aligning the strategies established by the organization considering changes in the credit scenario.

The decentralized monitoring of portfolios, focused on management, is performed by all credit areas of the business units. Monitoring for management purposes analyzes the loan portfolio in detail, and it may be performed on an aggregate basis (preferably following the same parameters used in credit policies) or at client level.

ITAÚ UNIBANCO HOLDING strictly controls the credit exposure of clients and counterparties, taking action to address situations in which the actual exposure exceeds the desired one. For this purpose, contractually provided actions can be taken, such as early payment or requirement of additional collateral.

3. Collaterals and policies for mitigating credit risk

ITAÚ UNIBANCO HOLDING manages collateral in order to reduce the amount of losses on transactions that present credit risk. Collaterals are used in order to enhance the potential for credit recovery in the event of default and not to reduce the exposure from clients or counterparties.

For the guarantees to be considered a risk mitigating instrument, requirements and guidelines of the standards that regulate them, either internal or external ones, must be complied with.

ITAÚ UNIBANCO HOLDING ensures that any collateral impacting mitigation, appropriation of capital and provision is legally valid (effective), enforceable and periodically reassessed.

ITAÚ UNIBANCO HOLDING also uses credit derivatives, such as single name CDS, to mitigate the risk of its portfolios of loans and securities; these instruments are priced based on models that use the fair value of market inputs, such as credit spreads, recovery rates, correlations and interest rates.

The limits are continually monitored and changed according to customer behavior. Thus, the potential loss values represent a fraction of the amount available.

4. Policies on the recognition of allowance for loan losses

The policies for recognition of the allowance for loan losses adopted by ITAÚ UNIBANCO HOLDING are aligned with the guidelines of IFRS and the Basel Accord. As a result, an allowance for loan losses is recognized as from the moment there are indications of the impairment of the portfolio and takes into account a horizon of loss appropriate for each type of transaction. We consider as impaired loans overdue for more than 90 days, renegotiated loans overdue for more than 60 days and corporate loans below a specific internal rating. Loans are written down 360 days after such loans become past due or 540 days of being past due in the case of loans with original maturities over 36 months.

5. Credit risk exposure

	06/30/2012			12/31/2011		
	Brazil	**Abroad**	**Total**	**Brazil**	**Abroad**	**Total**
Interbank deposits	11,444	13,437	24,881	9,820	18,001	27,821
Securities purchased under agreements to resell	96,712	933	97,645	91,643	605	92,248
Financial assets held for trading	120,252	5,360	125,612	116,615	5,274	121,889
Financial assets designated at fair value through profit or loss	-	209	209	-	186	186
Derivatives	11,197	-	11,197	5,864	2,890	8,754
Available-for-sale financial assets	12,261	48,538	60,799	7,323	40,187	47,510
Held-to-maturity financial assets	2,553	563	3,116	2,500	605	3,105
Loan operations	256,522	75,958	332,480	251,034	71,357	322,391
Off-balance sheet	268,472	13,796	282,268	254,711	14,830	269,541
Endorsements and sureties	53,170	3,441	56,611	48,908	2,622	51,530
Letters of credit	18,801	-	18,801	11,172	-	11,172
Commitments to be released	196,501	10,355	206,856	194,631	12,208	206,839
Mortgage loans	13,706	-	13,706	14,308	-	14,308
Overdraft accounts	93,066	-	93,066	91,904	-	91,904
Credit cards	83,495	559	84,054	83,767	489	84,256
Other pre-approved limits	6,234	9,796	16,030	4,652	11,719	16,371
Total	**779,413**	**158,794**	**938,207**	**739,510**	**153,935**	**893,445**

The following table presents the maximum exposure at June 30, 2012 and December 31, 2011, respectively without considering any collateral received or other additional credit improvements.

For assets recognized in the balance sheet, the exposures presented are based on net carrying amounts. This analysis includes only financial assets subject to credit risk and excludes non-financial assets.

The contractual amounts of endorsements and sureties and letters of credit represent the maximum potential credit risk in the event the counterparty does not meet the terms of the agreement. The vast majority of commitments (real estate loans, overdraft accounts and other pre-approved limits) mature without being drawn, since they are renewed monthly and we have the power to cancel them at any time. As a result, the total contractual amount does not represent our effective future exposure to credit risk or the liquidity needs arising from such commitments.

As shown in the table below, the most significant exposures correspond to loan operations, financial assets held for trading and securities purchased under agreements to resell, in addition to sureties, endorsements and other commitments.

The maximum exposure to the quality of the financial assets presented highlights that:

- 76.3% of loan operations and other financial assets (Tables 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating;

- only 7.0% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired; and

- 5.8% of the total loans exposure (Table 6.1) corresponds to overdue loans impaired.

5.1) Maximum exposure of financial assets segregated by business sector

a) Loan operations

	06/30/2012	%	12/31/2011	%
Public sector	1,132	0.32%	1,990	0.57%
Industry and commerce	104,152	29.12%	99,859	28.85%
Services	76,198	21.30%	70,642	20.40%
Primary sector	17,224	4.82%	16,109	4.65%
Other sectors	933	0.26%	1,497	0.43%
Individuals	158,053	44.18%	156,167	45.10%
Total	**357,692**	**100.00%**	**346,264**	**100.00%**

b) Other financial assets (*)

	06/30/2012	%	12/31/2011	%
Primary sector	1,620	0.50%	1,029	0.34%
Public sector	131,805	40.75%	88,174	29.24%
Industry and commerce	8,487	2.62%	5,381	1.78%
Services	55,858	17.27%	72,281	23.97%
Other sectors	3,146	0.97%	14,574	4.83%
Individuals	17	0.01%	5	0.00%
Financial	122,526	37.88%	120,069	39.82%
Total	**323,459**	**100.00%**	**301,513**	**100.00%**

(*) includes financial assets held for trading, derivatives, assets designated at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, interbank deposits and securities purchased under agreements to resell.

c) The credit risks of "off-balance" items (endorsements and sureties, letters of credit and commitments to be released) are not categorized or managed by business sector.

6. Credit quality of financial assets

6.1 The following table shows the breakdown of loans considering: loans not overdue, and loans overdue either impaired or not impaired:

	06/30/2012				12/31/2011			
Internal rating	**Loans not overdue and not impaired**	**Loans overdue and not impaired**	**Loans overdue and impaired**	**Total loans**	**Loans not overdue and not impaired**	**Loans overdue and not impaired**	**Loans overdue and impaired**	**Total loans**
Strong	233,079	5,443	-	238,522	221,315	5,800	-	227,115
Satisfactory	61,998	10,571	-	72,569	63,763	10,921	-	74,684
Higher Risk	16,902	9,096	-	25,998	16,910	8,703	-	25,613
Impaired	-	-	20,603	20,603	-	-	18,852	18,852
Total	**311,979**	**25,110**	**20,603**	**357,692**	**301,988**	**25,424**	**18,852**	**346,264**
%	**87.2%**	**7.0%**	**5.8%**	**100.0%**	**87.3%**	**7.3%**	**5.4%**	**100.0%**

The following table shows the breakdown of loans by portfolios of segments and classes, based on indicators of credit quality.

	06/30/2012					12/31/2011				
	Strong	**Satisfactory**	**Higher Risk**	**Impaired**	**Total**	**Strong**	**Satisfactory**	**Higher Risk**	**Impaired**	**Total**
Individuals	**75,010**	**45,745**	**14,731**	**12,534**	**148,020**	**73,354**	**49,320**	**14,467**	**10,986**	**148,127**
Credit card	19,381	11,817	2,960	2,619	36,777	19,332	13,061	3,485	3,083	38,961
Personal loans	8,651	16,646	8,565	4,587	38,449	7,765	15,985	8,048	3,455	35,253
Vehicles	32,618	16,167	3,093	5,180	57,058	33,934	19,357	2,843	4,329	60,463
Mortgage loans	14,360	1,115	113	148	15,736	12,323	917	91	119	13,450
Corporate	**94,782**	**2,278**	**90**	**1,168**	**98,318**	**88,353**	**3,500**	**343**	**1,033**	**93,229**
Small and medium businesses	**51,164**	**20,498**	**9,520**	**6,814**	**87,996**	**51,548**	**17,444**	**9,887**	**6,770**	**85,649**
Foreign loans - Latin America	**17,566**	**4,048**	**1,657**	**87**	**23,358**	**13,860**	**4,420**	**916**	**63**	**19,259**
Total	**238,522**	**72,569**	**25,998**	**20,603**	**357,692**	**227,115**	**74,684**	**25,613**	**18,852**	**346,264**
%	**66.6%**	**20.3%**	**7.3%**	**5.8%**	**100.0%**	**65.6%**	**21.6%**	**7.4%**	**5.4%**	**100.0%**

The table below shows the breakdown of loans not overdue and not impaired by portfolios of segments and classes, based on indicators of credit quality:

	06/30/2012				12/31/2011			
	Strong	Satisfactory	Higher Risk	Total	Strong	Satisfactory	Higher Risk	Total
I – Individually evaluated								
Corporate	**93,788**	**2,204**	**74**	**96,066**	**86,992**	**3,423**	**314**	**90,729**
II – Collectively evaluated								
Individuals	**72,507**	**37,108**	**8,633**	**118,248**	**70,501**	**40,321**	**8,952**	**119,774**
Credit card	19,253	11,184	1,988	32,425	19,245	12,580	2,503	34,328
Personal loans	8,572	15,617	5,813	30,002	7,648	14,893	5,870	28,411
Vehicles	30,545	9,583	817	40,945	31,516	12,248	565	44,329
Mortgage loans	14,137	724	15	14,876	12,092	600	14	12,706
Small and medium businesses	**50,379**	**18,884**	**6,675**	**75,938**	**50,774**	**15,899**	**6,828**	**73,501**
Foreign loans - Latin America	**16,405**	**3,802**	**1,520**	**21,727**	**13,048**	**4,120**	**816**	**17,984**
Total	**233,079**	**61,998**	**16,902**	**311,979**	**221,315**	**63,763**	**16,910**	**301,988**

6.1.1 Loan operations overdue, by portfolios of segments and classes, are classified by maturity as follows:

	06/30/2012				12/31/2011			
	Overdue up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total	Overdue up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total
Individuals	**10,898**	**4,631**	**1,709**	**17,238**	**11,764**	**4,112**	**1,491**	**17,367**
Credit card	981	363	388	1,732	805	344	401	1,550
Personal loans	2,191	1,132	537	3,860	2,056	871	460	3,387
Vehicles	7,266	2,949	719	10,934	8,456	2,760	589	11,805
Mortgage loans	460	187	65	712	447	137	41	625
Corporate	**819**	**184**	**81**	**1,084**	**1,232**	**185**	**51**	**1,468**
Small and medium businesses	**3,454**	**1,199**	**591**	**5,244**	**3,433**	**1,349**	**596**	**5,378**
Foreign loans - Latin America	**1,446**	**59**	**39**	**1,544**	**1,144**	**41**	**26**	**1,211**
Total	**16,617**	**6,073**	**2,420**	**25,110**	**17,573**	**5,687**	**2,164**	**25,424**

6.1.2 The table below shows other financial assets, individually evaluated, classified by rating:

Internal rating	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Financial assets designated at fair value through profit or loss	Derivative Assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
	06/30/2012						
Strong	122,526	114,746	209	6,855	33,633	3,093	281,062
Satisfactory	-	10,751	-	4,045	26,897	23	41,716
Higher Risk	-	115	-	297	269	-	681
Total	**122,526**	**125,612**	**209**	**11,197**	**60,799**	**3,116**	**323,459**
%	**37.9%**	**38.8%**	**0.1%**	**3.5%**	**18.8%**	**1.0%**	**100.0%**

Internal rating	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Financial assets designated at fair value through profit or loss	Derivative Assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
	12/31/2011						
Strong	120,069	111,938	186	4,750	26,849	3,101	266,893
Satisfactory	-	9,197	-	3,742	20,580	4	33,523
Higher Risk	-	754	-	262	81	-	1,097
Total	**120,069**	**121,889**	**186**	**8,754**	**47,510**	**3,105**	**301,513**
%	**39.8%**	**40.4%**	**0.1%**	**2.9%**	**15.8%**	**1.0%**	**100.0%**

6.1.3 Collateral held for loan and lease operations

Financial effect of collateral	06/30/2012				12/31/2011			
	(I) Over-collateralized assets		(II) Under-collateralized assets		(I) Over-collateralized assets		(II) Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Individuals	**61,276**	**137,267**	**11,434**	**9,918**	**67,786**	**146,078**	**7,608**	**6,924**
Personal loans	398	1,000	23	16	635	1,607	88	70
Vehicles	44,955	71,139	11,198	9,767	54,062	82,309	7,216	6,638
Mortgage loans	15,923	65,128	213	135	13,089	62,162	304	216
Small, Medium Businesses and Corporate	**130,272**	**312,098**	**29,260**	**10,455**	**115,349**	**238,458**	**61,710**	**42,887**
Foreign loans - Latin America	**4,622**	**7,412**	**18,736**	**9,914**	**-**	**-**	**19,259**	**13,497**
Total	**196,170**	**456,777**	**59,430**	**30,287**	**183,135**	**384,536**	**88,577**	**63,308**

The difference between the total loan portfolio and collateralized loan portfolio is generated by noncollateralized loans amounting to R$ 102,092 at June 30, 2012 (R$ 74,553 at December 31, 2011).

ITAÚ UNIBANCO HOLDING uses collateral to reduce the occurrence of losses in operations with credit risk manages and regularly reviews its collateral with the objective that collateral held is sufficient, legally valid (effective), enforceable and periodically reassessed. Thus, collaterals are used to maximize the recoverability of impaired loans and not to reduce the exposure value of customers and counterparties.

Individuals

Personal Loans – This category of credit products usually requires collaterals, focusing on endorsements and sureties.
Vehicles – For this type of operation, clients' assets serve as collateral, which are also the leased assets in leasing operations.
Mortgage Loans – Buildings themselves are given in guarantee.

Small, Medium Businesses and Corporate – For those operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, mortgage and other).

Foreign loans – Latin America – For those operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, mortgage and other).

7. Renegotiated loan operations

Renegotiated activities include agreements for changes in maturities, payment schedules and deferral of payments. After the restructuring, the client status (previously overdue) is no longer considered to be past due and is rated (considering all available information including the renegotiation) in the appropriate rating category. Renegotiated loan operations that would otherwise be overdue at June 30, 2012 totaled R$ 18,450 (R$ 14,570 at December 31, 2011).

8. Repossessed assets

Repossessed assets are recognized as assets when possession is effectively obtained.

Assets received from the foreclosure of loans, including real estate, are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, and (ii) the carrying amount of the loan.

Further impairment of assets is recorded as a provision, with corresponding charge to income. The maintenance costs of these assets are expensed as incurred.

The policy for sales of these assets (assets not for use) includes periodic auctions that are announced in advance and considers that the assets cannot be held for more than one year as stipulated by BACEN. This period may be extended at the discretion of BACEN.

The amounts below represent total assets repossessed in the periods from January 1 to June 30, 2012 and from January 1 to December 31, 2011:

	01/01 to 06/30/2012	01/01 to 06/30/2011
Real estate not for own use	1	3
Residential properties – mortgage loans	25	17
Vehicles – linked to loan operations	1	3
Total	**27**	**23**

Market risk

Market risk is the possibility of incurring losses due to fluctuations in the market values of positions held by a financial institution, including risks of transactions subject to variations in foreign exchange and interest rates, share and commodity prices.

Market risk management is the process through which the institution monitors and controls risks arising from changes in market prices of financial instruments, with the objective of maximizing the risk-return ratio, through adequate limit structure, models and management tools.

ITAÚ UNIBANCO HOLDING uses proprietary systems to measure the consolidated market risk. The processing of these systems mainly takes place in São Paulo, in an access-controlled, of high availability, environment, with data safekeeping and recovery processes, and counts on such an infrastructure to ensure the continuity of business in contingency (disaster recovery) situations. The use of market solutions is currently under analysis to supplement the risk technology architecture as part of the evolutionary process that will meet any future regulatory and managerial requirements.

The market risk control exercised by ITAÚ UNIBANCO HOLDING includes all financial instruments of its subsidiaries. Accordingly, its market risk management policy is in line with the principles of CMN Resolution No. 3,464, of June 26, 2007, comprising a set of principles that drive the institution's strategy for control and management of market risks in all business units and legal entities of ITAÚ UNIBANCO HOLDING.

The guidelines set forth by the internal policy on market risk management may be viewed on the website www.itau-unibanco.com.br/ri, in the section Corporate Governance/Rules and Policies/Public Access Report - Market Risk.

The strategy adopted by ITAÚ UNIBANCO HOLDING is based on the comprehensive and complementary use of methods, as well as of quantitative tools to estimate, monitor and manage risks, based on the best market practices.

In this context, the risk management strategy of ITAÚ UNIBANCO HOLDING aims at achieving a balance between business objectives, considering the following:

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

Market risk is controlled by an area independent from the business areas, which is responsible for carrying out daily measurement, assessment and reporting activities through control units operating in the different legal entities of ITAÚ UNIBANCO HOLDING. Moreover, the executive area also carries out the consolidated monitoring, assessment and reporting of market risk information, including possible exceedence of risk limits, by reporting any such event to the business unit in charge and following up the actions required for adjusting the position and/or risk level. For that purpose, ITAÚ UNIBANCO HOLDING has a structured reporting and information process that provides input for the follow-up by senior-level committees and complying with the requirements of Brazilian and foreign regulatory agencies.

The market risk control and management process is periodically reviewed with the purpose of keeping the process aligned with best market practices and complying with continuous improvement processes at ITAÚ UNIBANCO HOLDING.

Market risk measurement is performed by segregating operations in the trading portfolios and banking portfolio, pursuant to the criteria set forth in the New Capital Accord: Basel II, CMN Resolution No. 3.464 of June 26, 2007 and BACEN Circular No. 3.354 of June 27, 2007.

The trading portfolio consists of all transactions, including derivatives, which are entered into with the intention of trading or hedging other financial instruments of this portfolio, and which are not subject to trading restrictions. These are transactions expected to benefit from changes in expected or actual prices in the short term, or entering into arbitrage activities.

The banking portfolio consists of all transactions not classified in the trading book. These transactions are intended for the active management of financial risks and are not intended for trading in the short term and may include derivatives.

ITAÚ UNIBANCO HOLDING *hedge*s transactions with clients and proprietary positions, including foreign investments, aiming at mitigating risks arising from fluctuations in significant market factors and adjusting the transactions into the current exposure limits. Derivatives are the most frequently used instruments for these *hedges*. In situations in which these operations are characterized as *hedge* accounting, specific supporting documentation is prepared, including with continuous monitoring of the effectiveness of the hedge and other chances in the accounting process. Accounting and managerial hedges are governed by internal policies of ITAÚ UNIBANCO HOLDING.

The exposures to market risks of products, including derivatives, are broken down by risk factors. A risk factor refers to a market benchmark whose change results in an impact on income, and the main risk factors measured by ITAÚ UNIBANCO HOLDING are:

- Interest rates risk: risk of financial losses on operations subject to changes in interest rates, including the following:
  - Fixed rates in Brazilian reais;
  - Rates of interest rate coupon;
- Foreign exchange linked interest rate: risk of losses on positions in operations subject to foreign currency coupon rate;
- Foreign exchange rates: risk of losses on positions in foreign currency in operations subject to foreign exchange variation;
- Price indices: risk of financial losses on operations subject to changes in price index coupon rates;
- Equities: risk of loss on transactions subject to changes in equities prices.

The market risk treatment for interest rates of the banking portfolio adopts the mark-to-market methodology for several products, determining the sensitivity to variation and shocks in interest rates, Value at Risk (VaR) and Earnings at Risk (EaR), as established by internal policies of ITAÚ UNIBANCO HOLDING.

To evaluate the share position of the banking and trading portfolios, Value at Risk (VaR) is applied, in addition to stress tests, as presented below in the paragraph about metrics.

The process for managing market risks of ITAÚ UNIBANCO HOLDING occurs within the governance and hierarchy of committees and limits approved specifically for this purpose, and covers from the monitoring of aggregate indicators of risk, in line with the organization's appetite for risk, to the monitoring of granular limits, assuring effectiveness and coverage of control. These limits are determined considering the projected results of the balance sheet, the level of equity and the risk profile 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 limit structure is designed and approved by the Superior Risk Committee (CSRisc) after discussions and deliberations of the Superior Institutional Treasury Committee (CSTI) on metrics and market risk limits.

This limit control structure aims at:

- Providing more assurance to all executive levels that the assumption of market risks is in line with the risk-return objectives of ITAÚ UNIBANCO HOLDING, by conducting an organized and educated dialogue on the risk profile and its development;
- Increasing transparency on the way the business seeks the results optimization;
- Providing early warning mechanisms in order to make effective risk management easier, without jeopardizing the business purposes; and
- Avoiding risk concentration.

The limits are monitored and the limit reached warning triggers decision-making discussions on positions.

Market risk is analyzed based on the following metrics:

- Statistical Value at Risk (*VaR - Value at Risk*): a statistical metric that estimates the expected maximum potential economic loss under normal market conditions, taking into consideration a defined time horizon and confidence level;
- Losses in stress scenarios (Stress Test): a 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) in the portfolio;
- *Stop Loss* alert: effective losses added to the potential maximum loss in optimistic and pessimistic scenarios;
- *Earnings at Risk* (EaR): a measure that quantifies the impact on the unrealized result of a given portfolio, considering the regular market conditions, time horizon related to the longest operation of the banking portfolio and a predetermined confidence level.

In addition to the risk measures, sensitivity and loss control measures are also analyzed. They include:

- Gap analysis: accumulated exposure, by risk factor, of cash flows expressed at market value, allocated at the maturity dates;
- Sensitivity analysis (DV01 – Delta Variation Risk): the impact on the cash flows market value when submitted to a one annual basis point increase in the current interest rates;
- Sensitivity to the Several Risk Factors (Greeks): Partial derivatives of an options portfolio in relation to the underlying assets price, implicity volatility, interest rate and timing; and
- *Stop Loss*: The maximum loss that transactions classified in the trading book may reach.

VaR - Consolidated ITAÚ UNIBANCO HOLDING

The internal VaR model used by ITAÚ UNIBANCO HOLDING 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 Consolidated Global VaR table provides an analysis of the exposure to market risk of the portfolios of ITAÚ UNIBANCO HOLDING and its foreign subsidiaries (Banco Itaú BBA International S.A., Banco Itaú Argentina S.A., Banco Itaú Chile S.A., Banco Itaú Uruguay S.A. and Banco Itaú Paraguay S.A.) by showing where the largest concentrations of market risk are found.

Aiming at improving the quality of quantitative information on Market Risk, this quarter ITAÚ UNIBANCO HOLDING relocated risk factors within their respective groups in the VaR table. This relocation does not affect the institution’s exposure to market risk, which may be observed by the lack of changes in the values of Total Global VaR. The figures presented in this publication referring to cumulative amounts in current and prior years already reflect this relocation of risk factors.

Maintaining its conservative management and portfolio diversification, ITAÚ UNIBANCO HOLDING Consolidated continued to operate within low limits in relation to its capital.

In this period, the average Global VaR was R$ 278 million, or 0.35% of total stockholders’ equity (throughout 2011 it was R$ 142 million or 0.19%).

VaR Global (*)								
	Average	Minimum	Maximum	06/30/2012	Average	Minimum	Maximum	12/31/2011
		(in R$ million)				(in R$ million)		
Risk factor group								
Interest rate	154.8	71.8	328.5	190.8	100.9	24.6	222.6	104.8
Foreign exchange linked interest rate	22.8	17.1	32.0	24.8	29.5	12.6	59.0	23.6
Foreign exchange	28.4	10.4	53.9	17.0	19.1	5.2	38.8	18.0
Price index linked interest rate	114.1	14.8	325.0	229.6	17.7	2.5	41.6	21.1
Equities	26.0	13.6	43.5	17.7	36.9	17.4	57.1	25.2
Foreign units (**)								
Itaú BBA International	1.9	0.7	5.1	1.6	2.9	0.4	6.5	1.5
Itaú Argentina	2.8	1.7	4.5	2.4	4.0	1.6	9.4	3.7
Itaú Chile	5.9	4.1	9.6	6.1	5.3	1.9	10.3	5.3
Itaú Uruguay	1.2	0.3	2.5	1.7	0.5	0.2	1.1	0.7
Itaú Paraguay	0.3	0.2	0.4	0.2	0.6	0.2	1.7	0.2
Effect of diversification				(90.3)				(53.4)
Total	**277.8**	**118.0**	**601.4**	**401.5**	**142.0**	**74.0**	**278.5**	**150.9**

(*) Adjusted to reflect the tax treatment of individual classes of assets.

(**) Determined in local currency and converted into Brazilian reais at the closing price of the day.

Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

In compliance with CVM Instruction No. 475 of December 17, 2008, ITAU UNIBANCO HOLDING carried out a sensitivity analysis by market risk factors considered relevant for factors to which ITAÚ UNIBANCO HOLDING was exposed. Each market risk factor was subject to a sensitivity level, with shock applications of 25% and 50%, both for growth and declines. 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 under exceptional scenarios.

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.

Amount

Trading portfolio:	**Exposures**	**30/06/2012 (*)**		
Risk factors	**Risk of variation in:**	**Scenarios**		
		I	**II**	**III**
Fixed rate	Fixed rates in reais	(1,003)	(24,937)	(49,594)
Foreign exchange linked interest rate	Rates of foreign currency coupon	252	(6,385)	(12,940)
Foreign exchange	Exchange variation	(8,752)	(218,804)	(437,609)
Price index linked interest	Rates of inflation rate coupon;	(336)	(8,349)	(16,580)
Reference rate	Rate of TR coupon	371	(9,360)	(18,888)
Equities	Equities prices	1,116	(27,912)	(55,825)
	Total without correlation	**(8,352)**	**(295,749)**	**(591,435)**
	Total with correlation	**(5,682)**	**(201,207)**	**(402,372)**

(*) Amounts net of tax effects

Amount in R$ (000)

Trading and Banking	**Exposures**	**30/06/2012 (*)**		
Risk factors	**Risk of variation in:**	**Scenarios**		
		I	**II**	**III**
Fixed rate	Fixed rates in reais	(3,478)	(86,650)	(172,674)
Foreign exchange linked	Rates of foreign currency coupon	(944)	(23,313)	(46,058)
Foreign exchange	Exchange variation	2,889	(72,220)	(144,440)
Price index linked interest	Rates of inflation rate coupon	(5,209)	(126,735)	(246,557)
Reference rate	Rate of TR coupon	(5,756)	(140,859)	(275,576)
Equities	Equities prices	4,580	(114,512)	(229,024)
	Total without correlation	**(7,917)**	**(564,287)**	**(1,114,329)**
	Total with correlation	**(5,386)**	**(383,902)**	**(758,113)**
	Total without correlation – industrial area (**)		**(963)**	**(1,053)**

(*) Amounts net of tax effects.

(**) Includes exposures in foreign currency, interest rates and prices.

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 equities prices, which are based on market information (BM&FBOVESPA, Andima, etc);

Scenario II: Shocks at 25 base points in fixed-rate curves, foreign currency coupon, inflation and interest rate indices, and 25 percentage points in currency and equities 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, foreign currency coupon, inflation and interest rate indices, and 50 percentage points in currency and equities prices, both for growth and fall, considering the largest resulting losses per risk factor.

Interest rate

Management of interest rate risk is performed based on mark-to-market amounts at maturity of several products, grouping them by common dates, calculating the sensitivity to interest rates and applying shocks in the interest rates. The table of the accounts positions subject to interest rate risk shows a different view, grouping them by products, book value of accounts distributed by maturity. This table is not used directly to manage interest rate risks; it is mostly used to enable the assessment of mismatchings between accounts and products associated thereto and to identify possible risk concentration.

The following table sets forth our interest-earning assets and interest-bearing liabilities and therefore does not reflect interest rate gap positions that may exist as of any given date. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period.

Position of accounts subject to interest rate risk (1)

	06/30/2012						12/31/2011					
	0-30	31-180	181-365	1-5 years	Over 5 years	Total	0-30	31-180	181-365	1-5 years	Over 5 years	Total
Interest-bearing assets	**246,744**	**139,907**	**82,147**	**213,109**	**73,153**	**755,060**	**236,921**	**142,241**	**90,272**	**221,640**	**54,756**	**745,830**
Interbank deposits	15,422	3,650	3,167	2,642	-	24,881	18,911	3,226	3,247	2,177	260	27,821
Securities purchased under agreements to resell	62,251	35,394	-	-	-	97,645	50,131	40,462	1,655	-	-	92,248
Central Bank compulsory deposits	73,909	-	-	-	-	73,909	98,053	-	-	-	-	98,053
Financial assets held for trading	22,975	6,808	15,557	63,244	17,028	125,612	7,188	3,369	27,149	72,088	12,095	121,889
Financial assets held for trading and designated at fair value through	209	-	-	-	-	209	186	-	-	-	-	186
Available-for-sale financial assets	7,458	4,456	6,169	17,508	25,208	60,799	6,139	3,997	3,768	17,042	16,564	47,510
Held-to-maturity financial assets	-	33	119	133	2,831	3,116	87	-	33	190	2,795	3,105
Derivatives	1,976	3,274	1,686	3,560	701	11,197	2,277	2,199	1,473	2,315	490	8,754
Loan and lease operations	62,544	86,292	55,449	126,022	27,385	357,692	53,949	88,988	52,947	127,828	22,552	346,264
Interest-bearing liabilities	**163,650**	**61,112**	**52,920**	**224,535**	**51,050**	**553,267**	**167,707**	**69,188**	**47,978**	**220,222**	**51,727**	**556,822**
Savings deposits	73,056	-	-	-	-	73,056	67,170	-	-	-	-	67,170
Time deposits	19,871	16,735	9,916	70,725	3,626	120,873	30,918	19,167	11,475	79,542	3,367	144,469
Interbank deposits	3,242	3,799	2,432	213	-	9,686	665	683	445	272	-	2,065
Securities sold under repurchase agreements	56,430	8,598	12,142	-	20,003	97,173	55,866	11,403	11,139	89,261	17,744	185,413
Interbank market	5,745	25,149	20,641	39,267	3,876	94,678	5,904	24,588	16,773	38,781	4,452	90,498
Institutional market	922	5,427	5,549	23,843	22,807	58,548	2,772	11,248	5,881	9,565	25,341	54,807
Derivatives	1,512	1,361	2,170	3,435	700	9,178	1,526	1,245	1,364	2,104	508	6,747
Financial liabilities held for trading	-	43	70	478	38	629	48	854	901	697	315	2,815
Liabilities for capitalization plans	2,872	-	-	-	-	2,872	2,838	-	-	-	-	2,838
Asset/ liability difference (2)	83,094	78,795	29,227	(11,426)	22,103	201,793	69,214	73,053	42,294	1,418	3,029	189,008
Cumulative difference	**83,094**	**161,889**	**191,116**	**179,690**	**201,793**		**69,214**	**142,267**	**184,561**	**185,979**	**189,008**	
Ratio of cumulative difference to total interest-bearing assets	11.0%	21.4%	25.3%	23.8%	26.7%		9.3%	19.1%	24.7%	24.9%	25.3%	

(1) Remaining contractual terms.

(2) The difference arises from the mismatch between the maturities of all interest-bearing assets and liabilities, at the respective base date, considering the contractually agreed terms.

Currency risk

	06/30/2012				
ASSETS	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Cash and deposits on demand	5,783	324	58	2,597	8,762
Central Bank compulsory deposits	-	-	-	2,196	2,196
Interbank deposits	10,339	1,516	-	1,582	13,437
Securities purchased under agreements to resell	843	-	-	90	933
Financial assets held for trading	4,439	630	-	291	5,360
Financial assets designated at fair value through profit or loss	-	209	-	-	209
Derivatives	-	-	-	-	-
Available-for-sale financial assets	44,708	85	-	3,745	48,538
Held-to-maturity financial assets	563	-	-	-	563
Loan operations, net	47,946	4,904	1	23,107	79,998
TOTAL ASSETS	**114,621**	**7,668**	**59**	**33,608**	**155,956**

	06/30/2012				
LIABILITIES	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Deposits	44,793	1,963	389	24,417	71,562
Securities sold under repurchase agreements	7,713	-	-	207	7,920
Financial liabilities held for trading	-	736	-	-	736
Derivatives	-	-	-	-	-
Interbank market debt	24,368	809	1	2,420	27,598
Institutional market debt	46,825	3,476	-	1,622	51,923
TOTAL LIABILITIES	**123,699**	**6,984**	**390**	**28,666**	**159,739**
NET POSITION	**(9,078)**	**684**	**(331)**	**4,942**	**(3,783)**

Currency risk

	12/31/2011				
ASSETS	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Cash and deposits on demand	2,560	323	64	2,221	5,168
Central Bank compulsory deposits	-	13	-	2,098	2,111
Interbank deposits	15,681	1,274	2	1,044	18,001
Securities purchased under agreements to resell	478	-	-	127	605
Financial assets held for trading	4,327	643	-	304	5,274
Financial assets designated at fair value through profit or loss	-	186	-	-	186
Derivatives	2,018	614	-	258	2,890
Available-for-sale financial assets	37,880	98	-	2,209	40,187
Held-to-maturity financial assets	605	-	-	-	605
Loan operations, net	40,494	5,338	2,832	22,693	71,357
TOTAL ASSETS	**104,043**	**8,489**	**2,898**	**30,954**	**146,384**

	12/31/2011				
LIABILITIES	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Deposits	36,830	2,390	409	19,438	59,067
Securities sold under repurchase agreements	7,228	-	-	176	7,404
Financial liabilities held for trading	-	2,815	-	-	2,815
Derivatives	1,684	537	-	137	2,358
Interbank market debt	28,022	643	2	2,015	30,682
Institutional market debt	47,643	3,530	-	1,230	52,403
TOTAL LIABILITIES	**121,407**	**9,915**	**411**	**22,996**	**154,729**
NET POSITION	**(17,364)**	**(1,426)**	**2,487**	**7,958**	**(8,345)**

The exposure to equity price risk is disclosed in Note 6, related to financial assets held for trading and Note 9 related to available-for-sale financial assets.

Liquidity Risk

Liquidity risk is defined as the existence of imbalances between marketable assets and liabilities due – "mismatching" between payments and receipts - which may affect the institution's payment capacity, taking into consideration the different currencies and payment terms and the respective rights and obligations.

Policies and Procedures

Management of liquidity risk seeks to adopt best practices to avoid having insufficient cash available and to avoid difficulties in meeting obligations as they fall due.

ITAÚ UNIBANCO HOLDING has a structure dedicated to improve the monitoring, control and analysis, through models of projections of the variables that affect cash flows and the level of reserves in local and foreign currencies.

Additionally, ITAÚ UNIBANCO HOLDING establishes guidelines and limits. Compliance with these guidelines and limits is periodically analyzed by technical committees, and their purpose is to provide an additional safety margin to the minimum projected needs. The liquidity management policies and their respective limits are established based on prospective scenarios which are periodically reviewed and on the definitions of the top management.

These scenarios may be reviewed as necessary, considering the cash requirements, due to atypical market situations or arising from strategic decisions.

In compliance with the requirements of BACEN Resolution No. 2.804/00 and Circular No. 3.393/08, a Statement of Liquidity Risk is sent monthly to the Central Bank, and periodically the following items are sent to top management for monitoring and supporting the decision-making process:

- Different scenarios projected for changes in liquidity;
- Contingency plans for crisis situations.
- Reports and charts that describe the risk position.
- Assessment of funding costs and alternative sources of funding.
- Monitoring of changes in funding through a constant control over sources of funding, considering the type of investor and maturities, among other factors.

Primary sources of Funding

ITAÚ UNIBANCO HOLDING has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R$ 446.2 billion (R$ 448.1 billion at December 31, 2011), particularly funding from time deposits. A considerable portion of these funds – 30.2% of total, or R$ 134.8 billion – is available to clients upon demand. However, the historical behavior of the accumulated balance of the two largest items in this group – demand and savings deposits - is relatively consistent; with the balances increasing over time and inflows exceeding outflows for monthly average amounts.

Funding from clients	06/30/2012			12/31/2011		
	0-30 days	Total	%	0-30 days	Total	%
Deposits	127,530	234,975		127,686	242,638	
Demand deposits	31,361	31,361	7.0	28,933	28,933	6.5
Savings deposits	73,056	73,056	16.4	67,170	67,170	15.0
Time deposits	19,871	120,872	27.1	30,917	144,469	32.2
Other	3,242	9,686	2.2	666	2,066	0.5
Funds from acceptances and issuance of securities (1)	2,876	54,296	12.2	4,862	51,557	11.5
Funds from own issue (2)	3,659	113,159	25.4	2,913	114,155	25.5
Subordinated debt	779	43,746	9.8	60	39,715	8.9
Total	**134,844**	**446,176**		**135,521**	**448,064**	

(1) Includes mortgage notes, real estate credit bills, agribusiness and financial credit bills recorded in interbank market debt and liabilities for the issue of debentures and securities abroad recorded in institutional market debt.

(2) Refers to securities sold under repurchase agreements with securities of own issue.

Control over liquidity

ITAÚ UNIBANCO HOLDING manages its liquidity reserves based on estimates of funds that will be available for investment, considering the continuity of business in normal conditions.

During the first half of 2012, ITAÚ UNIBANCO HOLDING maintained appropriate levels of liquidity in Brazil and abroad. Liquid assets (cash and deposits on demand, funded positions of securities purchased under agreements to resell and government securities available) totaled R$ 86.4 billion and accounted for 64.1% of short-term redeemable obligations, 19.4% of total funding, and 15.4% of total assets.

The table below shows the indicators used by Itaú Unibanco Holding in the management of liquidity risk:

Liquidity Indicators	**06/30/2012 %**	**12/31/2011 %**
Net assets /funds within 30 days	64.1	59.6
Net assets / total funds	19.4	18.0
Net assets / total assets	15.4	15.4

The following table presents assets and liabilities according to their contractual maturities, considering their undiscounted flows:

R$ Million

Undiscounted future flows except for derivatives	**30/06/2012**					**31/12/2011**				
ASSETS (1)	**0 - 30**	**31 - 365**	**366-720**	**Over 720 days**	**Total**	**0 - 30**	**31 - 365**	**366-720**	**Over 720 days**	**Total**
Cash and deposits on demand	**13,614**	**-**	**-**	**-**	**13,614**	**10,633**	**-**	**-**	**-**	**10,633**
Interbank investments	**75,575**	**28,761**	**2,711**	**247**	**107,294**	**68,277**	**36,721**	**2,295**	**287**	**107,580**
Securities purchased under agreements to resell – Funded position (2)	35,763	-	-	-	35,763	25,438	-	-	-	25,438
Securities purchased under agreements to resell – Financed position	24,389	21,301	-	-	45,690	23,948	29,706	-	-	53,654
Interbank deposits	15,423	7,460	2,711	247	25,841	18,891	7,015	2,295	287	28,488
Securities	**42,438**	**9,069**	**9,477**	**87,268**	**148,252**	**50,127**	**5,368**	**3,979**	**54,096**	**113,570**
Government securities - available	37,008	-	-	-	37,008	44,741	-	-	-	44,741
Government securities – subject to repurchase commitments	606	3,621	4,039	53,118	61,384	686	1,779	916	23,210	26,591
Private securities - available	4,818	5,198	5,364	31,636	47,016	4,693	3,299	2,332	28,648	38,972
Private securities – subject to repurchase commitments	6	250	74	2,514	2,844	7	290	731	2,238	3,266
Derivative financial instruments	**1,978**	**4,958**	**1,346**	**2,915**	**11,197**	**2,277**	**3,672**	**960**	**1,845**	**8,754**
Loan and lease operations (3)	**48,054**	**142,380**	**75,084**	**122,869**	**388,387**	**48,966**	**133,015**	**78,609**	**110,750**	**371,340**
	181,659	**185,168**	**88,618**	**213,299**	**668,744**	**180,280**	**178,776**	**85,843**	**166,978**	**611,877**

(1) The assets portfolio does not take into consideration the balance of compulsory deposits in the Central Bank, amounting to R$ 73,909 (R$ 98,053 at December 31, 2011), whose release of funds is linked to the maturity of the liability portfolios. The amounts of PGBL and VGBL are not considered in the assets portfolio because they are covered in Note 29.

(2) Net of R$ 11,432 (R$ 7,227 at 12/31/2011) whose securities are restricted to guarantee transactions at BM&FBovespa S.A. and the Central Bank of Brazil.

(3) Net of payment to merchants of R$ 23,723 (R$ 25,749 at 12/31/2011).

Undiscounted future flows except for derivatives	06/30/2012					12/31/2011				
LIABILITIES	**0 - 30 days**	**31 - 365 days**	**365 - 720 days**	**Over 720 days**	**Total**	**0 - 30 days**	**31 - 365 days**	**365 - 720 days**	**Over 720 days**	**Total**
Deposits	**121,839**	**39,166**	**23,677**	**78,850**	**263,532**	**122,173**	**38,410**	**33,101**	**67,913**	**261,597**
Demand deposits	31,361	-	-	-	31,361	28,933	-	-	-	28,933
Savings deposits	73,056	-	-	-	73,056	67,170	-	-	-	67,170
Time deposits	13,915	32,809	23,592	78,746	149,062	25,423	37,239	32,903	67,806	163,371
Interbank deposits	3,507	6,357	85	104	10,053	647	1,171	198	107	2,123
Other deposits	-	-	-	-	-	-	-	-	-	-
Compulsory deposits	**(34,332)**	**(11,717)**	**(7,815)**	**(20,045)**	**(73,909)**	**(39,562)**	**(15,790)**	**(13,951)**	**(28,750)**	**(98,053)**
Demand deposits	(8,756)	-	-	-	(8,756)	(9,939)	-	-	-	(9,939)
Savings deposits	(20,506)	-	-	-	(20,506)	(18,843)	-	-	-	(18,843)
Time deposits	(5,070)	(11,717)	(7,815)	(20,045)	(44,647)	(10,780)	(15,790)	(13,951)	(28,750)	(69,271)
Securities sold under repurchase agreements (1)	**59,025**	**22,353**	**45,526**	**91,514**	**218,418**	**56,618**	**24,205**	**45,139**	**91,587**	**217,549**
Funds from acceptances and issuance of securities (2)	**3,570**	**25,294**	**13,920**	**18,321**	**61,105**	**4,365**	**25,714**	**12,998**	**13,274**	**56,351**
Borrowings and onlending (3)	**3,875**	**25,794**	**9,438**	**23,301**	**62,408**	**3,339**	**25,276**	**10,617**	**24,484**	**63,716**
Subordinated debt (4)	**827**	**6,248**	**5,523**	**47,154**	**59,752**	**69**	**11,338**	**3,174**	**40,941**	**55,522**
Derivative financial instruments	**1,511**	**3,532**	**1,191**	**2,944**	**9,178**	**1,526**	**2,609**	**885**	**1,727**	**6,747**
	156,315	**110,670**	**91,460**	**242,039**	**600,484**	**148,528**	**111,762**	**91,963**	**211,176**	**563,429**

(1) Includes Own and Third Parties' Portfolios.

(2) Includes mortgage notes, real estate credit bills, agribusiness and financial credit bills recorded in interbank market debt and liabilities for the issue of debentures and securities abroad recorded in institutional market debt.

(3) Recorded in Interbank market debt.

(4) Recorded in institutional market debt.

The above table does not include the financial effect on liquidity of endorsements, sureties and other loan commitments because these have a 0.11% probability of materialization, in accordance with historical data related to notional amounts (Note 35.5).

NOTE 35 – SUBSEQUENT EVENTS

a - Association with Banco BMG S.A.

On July 9, 2012, ITAÚ UNIBANCO HOLDING entered into an Association Agreement with Banco BMG S.A. ("BMG"), aiming at the offering, distribution and commercialization of payroll advance loans.

This Association will be structured as a new business of Itaú Unibanco and BMG through a new financial institution to be named Banco Itaú BMG Consignado S.A. "JV" – Joint Venture, in which Itaú Unibanco will hold the control, through a seventy per cent (70%) interest in the total voting capital, and BMG will hold the remaining thirty per cent (30%). The JV's initial capital will be R$ 1 billion, to be subscribed by stockholders in the aforementioned proportion. The completion of the transaction depends on the approval of BACEN.

b – Issue of promissory notes

On July 13, 2012 the company's executive board resolved, based on article 7 of the Bylaws, to carry out the 1st issue of promissory notes of Itaúsa. The issue, in the amount of R$ 400 million, was carried out on July 13, 2012, with remuneration of 104.4% of CDI, with the option of full or partial early redemption from the 31st day and maturity on March 28, 2013.

Report on Review of Interim Financial Statements

To the Board of Directors and Shareholders
Itaúsa – Investimentos Itaú S.A.

Introduction

We have reviewed the balance sheet of Itaúsa - Investimentos Itaú S.A. ("Parent Company") as at June 30, 2012 and the related statements of income, comprehensive income, changes in equity and cash flows for the period, and a summary of significant accounting policies and other explanatory information.

We have also reviewed the consolidated balance sheet of Itaúsa - Investimentos Itaú S.A. and its subsidiaries ("Consolidated") as at June 30, 2012 and the consolidated statements of income, comprehensive income and cash flows for the period, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the Parent Company interim financial statements in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the Consolidated interim financial statements in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the Parent Company interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements referred to above do not present, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. at June 30, 2012, and its financial performance and cash flows for the period, in accordance with CPC 21 - Interim Financial Reporting.

Conclusion on the Consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above do not present , in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. and its subsidiaries, at June 30, 2012, and their financial performance and the cash flows for the period, in accordance with CPC 21 - Interim Financial Reporting and the International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB)

Other matters Interim statements of value added

We have also reviewed the Parent Company and Consolidated interim statements of value added for the period, which are presented as additional information. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been properly prepared, in all material respects, in relation to the Parent Company and Consolidated interim financial statements taken as a whole.

São Paulo, August 6, 2012.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15 A Publicly Listed Company NIRE. 35300022220

OPINION OF THE FISCAL COUNCIL

The effective members of the Fiscal Council of ITAÚSA - INVESTIMENTOS ITAÚ S.A., having reviewed the financial statements for the second quarter of 2012, verified the accuracy of all items examined and, in view of the review report issued by PricewaterhouseCoopers Auditores Independentes, understand that they adequately reflect the company's capital structure, financial position and the activities conducted during the period.

São Paulo, August 6, 2012.

TEREZA CRISTINA GROSSI TOGNI
President

JOSÉ CARLOS DE BRITO E CUNHA
Councilor

PAULO RICARDO MORAES AMARAL
Councilor