

investimento
atividade
criatividade
excelência
INTEGRAÇÃO
liderança
capacidade
difusão
foco
desempenho
governança
durabilidade
crescimento
ética
EVOLUÇÃO
cultura
fidelização
MARCA
DIVERSIDADE
resultado
PROGRESSO
qualidade
tradição
responsabilidade
SUSTENTABILIDADE
MOTIVAÇÃO
SABER
INFORMAÇÃO
sociedade
expansão
PERFORMANCE
SOLIDEZ
ideia
DESENVOLVIMENTO
CONHECIMENTO
cidadania

Complete Financial
Statements
December 31, 2011

ITAÚSA

segurança
relacionamento
talento
VALORES
pessoas
confiabilidade
GLOBALIZAÇÃO
ORGANIZAÇÃO
internacionalização

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

MANAGEMENT REPORT

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 December 2011, 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 the CVM and BM&FBovespa are prepared in accordance with the *International Financial Reporting Standards* (IFRS), in compliance with the CVM Instructions Nos. 457/07 and 485/10.

Aiming at making a transition in a transparent way and according to the best practices, we will present the financial highlights before and after adjustments, when applicable, for better comparability.

1) HIGHLIGHTS

Itaúsa

Itaúsa was selected for the eighth time to make up the portfolio of the Dow Jones Sustainability World Index (DJSI) in its 2011/2012 edition. The new portfolio is made up of 342 companies of 30 countries, of which only eight are Brazilian companies - among which are also Itaú Unibanco Holding and its subsidiary Redecard S.A. Highlights of Itaúsa are as follows:

- Leader in its sector (Financial Services) for the fifth consecutive year.
- Highest score of the sector in nine criteria: 1) Brand Management; 2) Code of Conduct and Corruption, 3) Business Risks / *Project Finance*, 4) Code of Ethics – Financing/Investments, 5) Labor Practice Indicators, 6) Philanthropy and Corporate Citizenship, 7) Occupational Health and Safety, 8) Financial Inclusion and Capacity, and 9) Standards for Suppliers.
- Scored above the sector average in all assessed items.

The Corporate Sustainability Index of BM&FBovespa (ISE) includes Itaúsa in its 2012 edition, for the fifth consecutive year. Established in 2005, the ISE reflects the return of a portfolio made up of equities of companies with the best performance in three dimensions of sustainability: economic, social and environmental. Its new portfolio is made up of 51 shares of 38 companies.

As part of this process of ongoing development and constant improvement in the sustainable business management, in January 2012 Itaúsa held for the first time a Dialogue with Experts, which counted on the attendance of professionals outstanding in their subject specific areas. These experts' opinions and expectations have assisted in understanding the challenges, risks and opportunities sustainability poses to Itaúsa, in view of its profile of a publicly-traded holding company. The outcome of this Dialogue will be useful both for defining the significant themes and indicators to be addressed in the 2011 annual sustainability report, which complies with the guidelines of the Global Reporting Initiative (GRI), and for establishing Itaúsa's strategic sustainability guidelines.

Itaú Unibanco

For the eighth consecutive time, the Itaú brand was recognized as the most valuable in Brazil by *Interbrand* consulting company, a pioneer in the development of the brand valuation method, being valued at R\$ 24.3 billion, 18% and 130% higher than the amount posted in 2010 and 2008 (the year the Itaú and Unibanco merger was carried out), respectively.

For the seventh consecutive year, Itaú Unibanco remained among the group of companies chosen to make up the portfolio of the Business Sustainability Index of BM&Bovespa (ISE) in its 2012 edition.

The remodeling process in the retail service network, based on the new relationship model with clients, which reviews concepts of service and *layouts*, reached the total of 1,500 units remodeled at the end of 2011, of which 535 were remodeled in 2011.

After the completion of the integration of Itaú and Unibanco branches in 2010, Itaú Unibanco implemented the "Efficiency Project", which favors the budget management and matrix monitoring of costs and revenues, the establishment of targets for each business units and the dissemination of a strong culture of operational efficiency. The principles of this project establish the detailed analysis of the result indicators, sharing of best practices and control. This project enables us to set the challenge of reaching the efficiency ratio that measures the relationship between operating revenues and expenses, of 41% at the end of 2013.

Besides these achievements, 2011 was also marked by the dissemination of several campaign films, in addition to tutorials focused on the Responsible Use of Money, which had great echo in the social networks and totaled over 20 million views. Itaú is currently on *Facebook* (Facebook.com/itau), on *Youtube* (youtube.com/bancoitau) and *Twitter* (twitter.com/itau) and after less than five months on the web, the *Fanpage* (page) of Itaú Unibanco at Facebook exceeded 730 thousand fans, being the leader in the number of followers in the whole category. Itaú Unibanco continuous to hold the leadership in *Twitter*, where it has over 80 thousand followers in all its profiles.

As a Material Fact on February 7, 2012, Itaú Unibanco communicated to its shareholders and announced to the market that it is planning to acquire shares held by non-controlling shareholders of Redecard S.A., within the scope of a unified public offering to subsequently cancel the registration of Redecard as a public company and withdrawal thereof from the Novo Mercado segment of BM&FBovespa. The closure aforesaid public offering is subject to approval by regulatory authorities and the terms and conditions of the offering will be disclosed to the market in due course, according to the applicable rules.

Duratex

Aware of the challenges it faces, Duratex keeps to its strategic plan to expand its production capacity. This is due to Duratex's perception that the conditions existing in the internal market remain favorable to the segments in which it operates. Accordingly, noteworthy is the investment of R\$ 635.8 million it made in the period, is of these investments are:

Wood division (i) making the down payment for acquisition of equipment for installing the two new MDF lines, with capacity of 1.2 million cubic meters; (ii) carrying out the infrastructure works of the building that will host the first of the two projected plants in the Itapetininga unit – SP; (iii) concluding the assembly and starting up operations of a new low pressure coating line, installed in Agudos - SP, which contributes for improving the sales mix of panels; and (iv) launching a new laminated floors line, in Agudos - SP, which enables meeting the increased demand for this type of product.

Deca division (i) acquiring Elizabeth Louças Sanitárias; (ii) concluding the assembly and starting up the operations of a new galvanoplasty equipment, in the segment of bathroom metals; (iii) installation of a new furnace with annual burning capacity of 800 thousand porcelain pieces in the Cabo de Santo Agostinho unit (State of Pernambuco); and (iv) also in the sanitary porcelain fixtures, revising the investments in the Queimados unit – RJ, from initial project estimated investments of R\$ 100 million for a capacity of 1,9 million annual fixtures to R\$ 130 million for an production capacity of 2.4 million annual fixtures.

Additional investments of approximately R\$ 650 million are scheduled for 2012, are as follows: (i) concluding the works and assembly of equipment of the new MDF line under installation in the Itapetininga unit, in São Paulo, with effective capacity of 520 thousand cubic meters and start-up scheduled for early 2013; (ii) planting trees and keeping to the existing forest base; and (iii) concluding and launching, in the second half of the year, the new sanitary porcelain fixtures unit in Queimados-RJ.

In celebration of its 60th anniversary, Duratex promoted a series of 12 concerts with the Filarmônica Bachiana SESI- SP, under the conduction of João Carlos Martins, in the cities in which it has installed units. These events

were held for employees and the local community, and at every performance, the attending public was invited to donate books or food to charities of the region. The orchestra conductor also paid visits to the social projects supported by the local municipalities.

Together with the series of concerts, starting in September the Rino Mania (rhino mania) project was held, gathering 75 rhino sculptures decorated by artists. Out of these sculptures, 60 were displayed in the city of São Paulo and an other 15 went on transient exhibits in 11 locations where the company operates through manufacturing and forest units. At the end of the exhibit cycle, the sculptures were auctioned and the resulting income, of approximately R\$ 600 thousand, was donated to the United Nations children's fund (Unicef), a number of entities of the Association for Parents and Friends of Disabled Individuals (APAEs), and to non-governmental organizations.

Itautec

In line with the Itautec Strategic Plan, R\$ 82.2 million was invested in 2011, of which R\$ 68.7 million in research and development, mainly in the development of products of the commercial and banking automation segment, including hardware and software, and R\$ 13.5 million in fixed assets. Noteworthy were the funds used for expanding the safe manufacturing plant, which enabled the increased production capacity to 600 units/ month starting in December. Investments were also made in Information Technology.

Itautec carried out a significant increase in portfolio, with offers services to meet the clients' needs in all segments, including solutions for security and applications. Outstanding is the ATM Adattis Touchless 3D project, the first piece of equipment in the world with this technology. In the IT products line, at the end of the year Itautec consisted of 16 models, among notebooks, netbooks and desktops, seven server platforms, two All-in-One models, and TabWay, a tablet launched in November, mixing hardware, software and business optimization services in the corporate segment.

The flexibility in the manufacturing of products, development of customized solutions and a large offer of technology services have enabled Itautec to expand its business in automation to small and medium businesses, thereby posting a consistent and sustained growth. In the foreign market, Itautec has strengthened its international growth strategy, by closing significant deals to boost the sales of banking automation products, particularly ATMs.

In the services area, Itautec has made investments towards the redesigning of organizational processes, including the training and development of teams, new management tools and new service models. The expected results were achieved, with increased revenue, improved margins and customer satisfaction. The strongly structured network of customer service, a distinguishing feature of the company, was the main tool for giving rise to new service businesses, including reverse logistics and equipment installation and maintenance.

Elekeiroz

The 70% increase in the production capacity of the 2-ethyl hexanoic acid production unit in the Camaçari complex was concluded. The production capacity of the oxo gas unit was also increased by 20%, which made Elekeiroz self-sufficient in the production of this significant raw material for the oxo-alcohol plants.

Another relevant highlight was the launch of the new plasticizer Plastek 81, which took place during the 12th ABRAFATI (Brazilian Association of Paint Manufacturers) Fair and Congress. This plasticizer uses, in its composition formula, raw material from renewable sources, showing excellent performance for use in footwear and toys, among others.

In the last quarter of 2011, Elekeiroz held a meeting with its stakeholders, which counted on the attendance of representatives from the Camaçari and Várzea Paulista sites, in addition to clients and suppliers of raw materials and services from all business areas of the company. Professionals from the communities, governments and learning and research institutions that have relationships with the two company's units also attended the event.

2) BUSINESS ENVIRONMENT

2011 was marked by high volatility in the international scenario, particularly as from August on. At the end of the fourth quarter there was a slight improvement in the sentiment of the international markets, even though uncertainty still prevailed. The perspective of growth in developed economies worsened, influenced also by the need for major tax adjustments in the following quarters, substantially by the Euro Zone economies. The private credit squeeze due to the crisis should be a factor to restrain growth. In Europe, the European Central Bank provided liquidity for a three-year period for a large number of financial institutions in December. This measure contributed to a certain short-term relief in the financial conditions of the region. In the United States, growth above expectations in the second half of 2011 was positive surprise. China should post a moderate slowdown over the following quarters, but the country's external position continues sound, family indebtedness is low and consumption continues with potential to grow.

In the domestic scenario, the trend towards slowdown in the economic activity was consolidated. This decrease is a consequence of the tax and monetary squeeze imposed from the end of 2010 to mid-2011, but it also reflects the recent deterioration of the global economic scenario. Expectations of consumers and entrepreneurs continue lower than those recorded in the recent past. Gross domestic product (GDP) for the fourth quarter of 2011 should post a small increase of approximately 0.2%, showing a modest recovery in relation to the stability noted in the previous quarter. For 2011, GDP annual growth is estimated at 2.7%.

Inflation measured by IPCA was 6.5% at the end of 2011. Inflation trend is equal towards deceleration along 2012. The economic deceleration, less pressure on commodities prices and lower increase in administered items contribute to the perspective of lower inflation in 2012.

With more uncertainties about the foreign scenario and its possible impact on the domestic activity, the Central Bank of Brazil started a process to reduce the Selic rate in August 2011. The annual basic interest rate closed in 2011 at 11.0%, as compared to 12.5% before the reduction cycle. In addition to the relaxation of the monetary policy, the government has adopted other instruments to stimulate the economy, including the reduction in IPI for the appliances segment and in IOF rates for certain loan operations.

The credit market posted a slight growth during 2011. In 2011 new loans to individuals increased 4.4% in actual terms, as compared to same period of 2010, after a 15.4% growth in 2010 when compared to 2009. In the corporate segment, loans granted grew 1.4% in 2011 when compared to 2010, a year in which there was a 2.5% expansion as compared to 2009. Total loans as a percentage of GDP reached 49.1% in December 2011, as compared to 45.2% in December 2010. Default over 90 days reached 5.5% in December, as compared to 4.5% at the end of 2010, influenced by the increase in the loan interest rate and the slower economic activity.

3) BUSINESS PERFORMANCE

MAIN INDICATORS OF RESULTS OF ITAÚSA – BEFORE IFRS ADJUSTMENTS

	Parent company		Non-controlling interests		Conglomerate	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Net income	5,192	4,953	9,768	9,714	14,960	14,667
Stockholders' equity	27,909	23,743	48,025	44,424	75,934	68,167
Annualized return on average equity (%)	20.1%	23.0%	21.6%	23.7%	21.0%	23.4%

MAIN INDICATORS OF THE ITAÚSA CONSOLIDATED – BEFORE IFRS ADJUSTMENTS

	January to December	FINANCIAL SERVICES AREA		INDUSTRIAL AREA		CONSOLIDATED/ CONGLOMERATE (1)
		Itaú Unibanco Holding S.A.	Duratex S.A.	Itautec S.A.	Elekeiroz S.A.	
Net income	2011	14,621	372	41	15	14,960
	2010	13,323	442	3	47	14,667
Stockholders' equity	2011	71,347	2,849	534	489	75,934
	2010	60,879	2,624	520	477	68,167

(1) Consolidated/Conglomerate data is net of consolidation elimination and unrealized results of intercompany transactions.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED – IN IFRS

	Parent company		Non-controlling interests		Conglomerate	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Net income	4,837	4,417	530	596	5,367	5,013
Recurring net income	5,040	4,837	514	578	5,554	5,415
Stockholders' equity	29,341	26,159	2,949	2,877	32,290	29,036
Annualized return on average equity (%)	17.5%	17.5%	18.3%	21.4%	17.6%	17.9%
Recurring annualized return on average equity (%)	18.3%	19.2%	17.8%	20.8%	18.2%	19.3%

MAIN FINANCIAL INDICATORS – UNDER IFRS

	12/31/2011	12/31/2010	Change %
Results per thousand shares – in R\$			
Net income of parent company	1.10	1.01	8.7
Recurring net income of parent company	1.15	1.11	3.4
Book value of parent company	6.66	5.98	11.4
Dividends/ interest on capital, net	0.37	0.33	12.5
Price of preferred share (PN) (1)	11.18	13.14	(14.9)
Market capitalization (2) – in millions of Brazilian reais - R\$	49,268	57,478	(14.3)

(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).

Reconciliation of recurring net income in IFRS

In order allow to 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		Conglomerate	
	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Net income	4,837	4,417	530	596	5,367	5,013
Exclusion of non-recurring effects	204	421	(16)	(18)	188	403
Own	-	40	-	-	-	40
Bank of America Corporation hedge operations x Itaú Unibanco Holding	-	30	-	-	-	30
Bank of America Corporation operations financial expense x Itaú Unibanco Holding	-	10	-	-	-	10
Arising from purchase of stockholding interest in Itaú Unibanco Holding	212	372	-	-	212	372
Change in treasury shares	205	(55)	-	-	205	(55)
Program for cash or installment payment of federal taxes - Law No. 11,941/09	(170)	(48)	-	-	(170)	(48)
Tax contingencies	-	135	-	-	-	135
Adjustment to market value - BPI	82	-	-	-	82	-
Provision for contingencies - economic plans	95	156	-	-	95	156
Expenditures with Itaú Unibanco merger	-	185	-	-	-	185
Arising from interest in other controlled companies	(9)	9	(16)	(18)	(25)	(10)
Other	(9)	9	(16)	(18)	(25)	(10)
Recurring net income	5,040	4,837	514	578	5,554	5,415

MAIN INDICATORS OF THE ITAÚSA CONGLOMERATE COMPANIES – UNDER IFRS

	January to December	FINANCIAL SERVICES AREA		INDUSTRIAL AREA		CONSOLIDATED/ CONGLOMERATE (1) (2)
		Itaú Unibanco Holding S.A.	Duratex S.A.	Itautec S.A.	Elekeiroz S.A.	
						<i>R\$ Million</i>
Total assets	2011	818,136	6,814	1,176	654	312,002
	2010	727,082	6,171	1,081	633	275,492
Operating revenues (3)	2011	124,877	2,970	1,542	777	56,238
	2010	104,414	2,742	1,571	851	47,492
Net income	2011	13,837	375	44	15	5,367
	2010	11,708	467	12	45	5,013
Stockholders' equity	2011	73,941	3,693	538	477	32,290
	2010	65,875	3,453	514	466	29,036
Annualized return on average equity (%) (4)	2011	19.9%	10.5%	8.3%	3.1%	17.6%
	2010	18.9%	14.1%	2.2%	10.1%	17.9%
Internal fund generation (5)	2011	43,182	861	66	35	17,166
	2010	40,100	839	70	88	16,668

(1) Itaúsa Conglomerate includes: the consolidation of 100% of controlled companies; and the consolidation proportional to the interest held, of 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 September 2011 of 36.82% (36.57% in September 2010).

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

- Itaú Unibanco: Interest and similar income, net gains (loss) on financial assets and liabilities, dividends income, income from financial services, income from premiums of insurance and private pension 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.

(4) Represents the ratio of net income for the period and the average equity ((Dec + Mar + Jun + Sep + Dec)/5).

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

MAIN CHANGES ARISING FROM THE ADOPTION OF IFRS

The main changes arising from the adoption of IFRS are shown in the tables below:

A - Loan operations

CPC 38 determines that an entity shall assess, on each base date, if there is objective evidence that loan operation or group of loan operations is impaired.

B – Recognition of total deferred tax assets

CPC 32 determines that deferred tax assets should be measured using substantively enacted tax rates, and recognized when the generation of future taxable income is probable, allowing the realization of asset.

C - Business combinations

CPC 15 requires that the acquirer for accounting purposes be identified in a business combination. Adjustments arising from the merger transaction between Duratex and Satipel; and the alliance between Itaú Unibanco and Porto Seguro.

D - Biological assets

This adjustment refers to the recognition of the fair value of forest reserves of Duratex, as required by CPC 29.

E - Additional dividends

This adjustment refers to the fact that the proposed dividend, above the mandatory minimum, is only recognized as liability when approved by the stockholders at a Stockholders' Meeting, CPC 25 - "Provisions, Contingent Liabilities and Contingent Assets".

I) Reconciliation of stockholders' equity

	References	12/31/2011	12/31/2010
Stockholders' equity under BR GAAP		27,909	23,743
Stockholders' equity of non-controlling interests		2,948	2,877
Adjustments that affect stockholders' equity between BR GAAP and IFRS		1,433	2,416
Loan operations	A	433	444
Recognition of total deferred tax assets	B	400	631
Business combinations	C	620	698
Biological assets	D	230	219
Additional dividends	E	-	445
Other		(250)	(21)
Stockholders' equity after IFRS adjustments		32,290	29,036
Stockholders' equity attributable to non-controlling interests		2,949	2,877
Stockholders' equity attributable to controlling interests		29,341	26,159

II) Reconciliation of consolidated net income:

	References	01/01 to 12/31/2011	01/01 to 12/31/2010
Net income before IFRS adjustments		5,192	4,953
Net income of non-controlling interests		530	596
Adjustments that affect net income between BR GAAP and IFRS		(355)	(536)
Loan operations	A	(11)	(523)
Recognition of total deferred tax assets	B	(231)	(241)
Business combinations	C	(78)	(339)
Biological assets	D	11	34
Other		(46)	306
Net income after IFRS adjustments		5,367	5,013
Net income attributable to non-controlling interests		530	596
Net income attributable to controlling interests		4,837	4,417

Proportionate consolidation of Itaú Unibanco Holding

CPC 19 (R), determines that jointly-controlled investments shall be recognized using the proportionate consolidation method. Accordingly, the financial statements of Itaú Unibanco were proportionally consolidated in the financial statements of Itaúsa. At December 31, 2011, the impact of the unconsolidated portion of Itaú Unibanco, on the total assets of Itaúsa Consolidated, was approximately R\$ 516,902 million (2010 – R\$ 461,188 million).

3.1) FINANCIAL SERVICES AREA

Itaú Unibanco

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 36.82% held by Itaúsa.

In 2011, the net income attributable to the controlling stockholders was 18.2% higher than in the previous year, and totaled R\$ 13.8 billion. This period presented annualized return of 19.9% on average equity (18.9% in the same period of 2010).

At December 31, 2011, consolidated assets totaled R\$ 818.1 billion, an increase of 12.5% as compared to the end of 2010. Net equity attributable to the controlling stockholders totaled R\$ 73.9 billion at the end of the fourth quarter of 2011.

Itaú Unibanco paid or provided for its own taxes and contributions in the amount of R\$ 14.5 billion for 2011. The bank also withheld and passed on taxes in the amount of R\$ 12.1 billion, which were directly levied on financial operations.

Loan operations, including endorsements and sureties, totaled R\$ 397.8 billion at December 31, 2011, an increase of 19.4% this year. Itaú Unibanco rates its clients and economic groups into strong, satisfactory, higher risk and impairment risk levels, and verifies the probability of loss associated with each of these levels. At the end of 2011, the relationship between the receivables rated as low risk and the total loan portfolio without endorsements and sureties reached 65.6%, while the relationship between the receivables with impairment and the total loan portfolio reached 5.4%, which shows the quality of the loan portfolio.

Itaú Unibanco Holding has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R\$ 444.1 billion at December 31, 2011, with an annual increase of 23.1%.

Capital strength:

Based on the assessment of Moody's, Standard & Poor's and Fitch Ratings, the bank and its subsidiaries hold the best credit rating in the Brazilian Market. In 2011, the bank achieved an improvement in the rating of Long-term deposits in foreign currency, from Baa2 to Baa1 from Moody's.

The Basel ratio was 16.0% at the end of December 2011, showing the strength of the bank's capital base. In 2011, we issued subordinated financial bills in the amount of R\$ 7.4 billion, a significant increase in the capital base. Of this total, R\$ 2.0 billion corresponds to new funds. The bank also carried out new placements of subordinate debt classified as Tier II in the total amount of US\$ 750 million.

Segments:

The Commercial Bank segment provides a broad range of banking services and products to a diversified client base of individuals and companies. The segment includes retail clients, high net worth clients, private banking clients and small and medium businesses.

At the end of 2011, we had 4,984 units, including regular branches and service centers (PAB), a growth of 105 branches in the one-year period.

In the Private Bank segment, Itaú Unibanco is the largest bank in Latin America and remains the absolute leader in the Brazilian market, with over 25% of market share, according to the Brazilian Financial and Capital Markets Association (ANBIMA), by providing services to over 5,500 economic groups.

In the Assets Under Administration segment, in which privatization funds, fixed income, equity funds, investment clubs and portfolios of clients and of the group are managed in Brazil and abroad, Itaú Unibanco has a 19.7% market share and ranks second in the global administration ranking, according to ANBIMA.

In the Solutions for Capital Markets area, leader in custody services and asset bookkeeping, providing services to 63.0% of the companies listed in the BM&FBovespa, Itaú Unibanco also offers solutions to companies, such as: fiduciary management of investment funds and performance as collateral agent.

Insurance, Life, Pension Plan and Capitalization operations presented a volume of income from premiums, social security contributions and capitalization certificates in the amount of R\$ 19.0 billion in 2011, and the technical reserves totaled R\$ 73.8 billion at the end of December 2011, including foreign operations. Noteworthy is that Itaú Unibanco holds 30% of capital of the Porto Seguro Group, the insurance company leading the residence and vehicle insurance segment in Brazil.

Itaú Unibanco is present in 18 countries besides Brazil. In South America we have operations in Argentina, Chile, Uruguay and Paraguay, by focusing on commercial bank activities, both in banking retail and companies. Additionally, we have operations in Europe (Portugal, United Kingdom, Luxembourg and Switzerland), in the United States (Miami and New York), Middle East (Dubai) and in Asia (Hong Kong, Shanghai and Tokyo), particularly operations with institutional clients, corporate and private banking. In 2011, these businesses recorded recurring net income of R\$ 2,559 million, with total assets of R\$ 162.1 billion at December 31, 2011.

Itaú Unibanco started operations in Switzerland through Banco Itaú Suisse, located in Zurich. The main focus of this operation is to provide services to private segment clients, both Brazilian and Latin American, which globally seek other investment opportunities.

In November 2011, Itaú BBA was authorized by the Central Bank of Brazil to structure its wholesale and investment bank operation in Colombia. The beginning of the operation is still pending approval by the local regulatory authorities. Itaú BBA's target market is composed of institutional investors and large companies present in that country. The products portfolio will include loan operations, foreign trade financing, foreign exchange and derivatives, and investment bank activities, such as advisory to mergers and acquisitions and access to capital markets. This action is another significant step towards the process of expanding the bank's wholesale and investment banking operations abroad and strengthens our presence in Latin America.

Itaú Unibanco, the leader in the consumer credit segment in Brazil, by means of Itaucard, Hipercard, and partnerships, offers a wide 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 2011, the transacted amount reached R\$ 154.2 billion, a 20.3% increase in relation to 2010. It has recently reached the volume of 1 million credit cards issued in other countries of Latin America. Operating in the Southern Cone, it is the leader in the credit cards segment in Paraguay and Uruguay, and it is the fourth largest in Chile, being also present in Argentina and Mexico.

Redecard, a company in which Itaú Unibanco holds a 50% interest, recorded net income of R\$ 1,404.3 million in 2011, with a 7.3% increase in banking service fees as compared to 2010.

Itaú BBA - In the investment banking area, we kept our distinguished performance this year, in spite of the downturn of the economy. The highlights are:

In variable income, Itaú BBA was the underwriter of 19 out of 23 public offerings, which totaled R\$ 13.5 billion and accounted for 83% of total transactions and 87% of the financial volume issued, consolidating its leading position in this market, in accordance with the ANBIMA ranking of November 2011. It also provided financial advisory to 38 merger and acquisitions operations and at year-end ranked second in terms of volume in the Thomson Reuters's ranking, thus accumulating a total of R\$ 22.8 billion in 2011.

In the fixed income area, Itaú BBA took part in operations of debentures, promissory notes and securitization, that totaled R\$ 15.1 billion. In the ANBIMA ranking for distribution of fixed income, Itaú BBA ranked first in March 2011, with a market share of 29%. In the fixed income international issues, Itaú BBA acted as joint bookrunner of offerings, with a total volume of US\$ 3.1 billion, ranked second in the Bloomberg's ranking of issues performed by Brazilian companies in December 2011.

Also noteworthy is that Itaú BBA is the leading investment bank in revenues in Brazil, according to Dealogic (a platform for global and regional investment banking). It was the first time a Brazilian bank reached leadership in this ranking.

We highlight the following operations in the Wholesale banking:

In Derivatives, Itaú BBA reached 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.

In relation to during 2011, the Project Finance area carried out 71 projects, which totaled R\$ 87.1 billion in investments.

The Cash Management area of Itaú BBA recorded increase of approximately 28% of transacted volumes in the period from January to December 2011, as compared to the same period of 2010.

During 2011, Itaú Corretora underwriter intermediated at BM&FBovespa a volume of R\$ 191.4 billion for individual, foreign and corporate clients and institutional investors. In that period, Itaú Corretora ranked fifth in the ranking of brokerage firms, with a 5.9% market share. In the futures market, Itaú Corretora closed 2011 with a 7.9% market share, with R\$ 100.7 million worth of traded contracts, a number 21.4% higher than in 2010.

3.2) INDUSTRIAL AREA

Duratex

In the year, net revenue totaled R\$ 2.9 billion, an 8.3% annual growth that resulted from an increase of 17.9% in the shipped volume in the Deca Division and increase in the unit net revenue in both divisions – Deca and Wood. The domestic market is still the target market of our sales, accounting for approximately 95% of the total for the year.

The cost of products sold, net of depreciation, amortization and depletion, and the variation in the fair value of biological asset, that is, cash cost, totaled R\$ 1.7 billion in the year, which represents a 17.4% growth as compared to the previous year. This increase is determined by the increased variable cost in the Deca Division, resulting from larger shipped volumes and increased costs in the period, mainly related to labor and commodities costs, such as copper and resins. In addition, there was pressure of the costs in dollar in the fourth quarter due to the effect of the foreign exchange devaluation in the period.

Accordingly, EBITDA amounted to R\$ 839 million in the year to date, which is equal to a margin of 28.3% in relation to net revenue. Eventually, net income totaled R\$ 374.9 million for the year.

The performance of the Wood Division in the year showed a 1.9% decrease in shipped volume, while the wood panels manufacturer showed a 3.6% increase, according to data on the industry provided by the Brazilian Association of the Wood Panel Industry (ABIPA). This performance can be explained by the company's early increase in prices as a tool to protect operating margin in an environment where costs were pushed up. Thus, the net revenue grew by 2.5% in 2011, to R\$ 1.875,9 million.

Deca's performance in the year was the highlight. The shipped volume increased 17.9%, reaching 25.5 million pieces. In addition to investments made in the past to organically expand the capacity, the acquisition of Elizabeth Louças Sanitárias contributes to this capacity to meet market demand. Even disregarding the aggregated volume of that operation, the organic growth of shipments would have reached approximately 10%. Net revenue show an even more impressive increased, 20.1%, totaling R\$ 1,094.4 million. For comparison purposes, the ABRAMAT Index, which measures the revenue of the construction materials industry in the domestic market, presented a growth of 2.9% in 2011.

Itautec

Consolidated selling and services revenue for 2011 reached R\$ 1,542.3 million, a volume 1.9% lower than 2010, impacted by the lower activity in the automation industry in the first half of 2011 and by the drop in average prices of computer equipment, particularly in the retail segment. Despite the general decrease in the consolidated net revenue, structured actions for improvement of the operating efficiency implemented along the year have contributed to improve the gross margin, that closed the period at 18.2%, 0.7 percentage point higher than that recorded in 2010.

In the automation segment, net revenue from the sale of banking and commercial automation solutions and products intended for the domestic and international markets reached R\$ 380.2 million, 19.7% below the one recorded in 2010, as a result of the downturn in activity in the first half of the year, as companies deferred investments in information technology. In the year, 15.7 thousand pieces of equipment were shipped, of which 8.4 thousand were ATMs, a volume 31.5% lower than in the previous year. In the international market, Itautec closed a major agreement for supplying ATMs with a large Mexican financial institution, with expected delivery of equipment up to 2013. By the end of 2011, 652 units had been shipped.

In the Computer Unit, accumulated net revenue for 2011 from the sale of microcomputers (desktops, notebooks, netbooks and servers), integrated computing solutions and resale of software reached R\$ 721.2 million, 1.1% higher as compared to 2010, with the sale of 549.6 thousand pieces of equipment, a volume 21.3% larger than that recorded in the previous year, prompted by sales to the retail segment, which recorded growth of 38.2%. Despite the increase in volume as compared to the previous period, a decrease in average selling prices of equipment, particularly notebooks, impacted the net revenue in the year caused by a higher competitiveness in the segment.

For corporate computing solutions, the decision made by the government segment to defer investments, especially in the first six months, prevented the company from achieving a better performance in the year.

Year-to-date, net revenue of the Technological Services Unit reached R\$ 440.9 million, 14.5% higher than that recorded in 2010. Growth is associated with new structured cabling and infrastructure projects carried out at major clients, onsite support and maintenance contracts with retail clients, for computing and telephone equipment under various brands, and projects involving reserve logistics.

Consolidated operating income for the year was R\$ 50.7 million, and EBITDA was R\$ 53.4 million, 56.2% higher than in 2010. Consolidated net income was 43.6 million year-to-date, 278.3% higher as compared to the previous year.

Elekeiroz

The company's performance was affected by non-recurring events that impaired production and, consequently, the shipments. These events are: the unexpected interruption in electric power supply occurred early February in Camaçari, state of Bahia, resulting in irregular supply of raw materials to the entire Complex; the interruptions of programs of maintenance of maleic anhydride, formaldehyde and sulphur plants in Várzea Paulista, State of São Paulo, and of alcohols and phthalic anhydride plants in Camaçari; and, finally, the financial problems with one of the companies engaged for the provision of maintenance services at the alcohols plants in Camaçari, which delayed the plant's return to the expected efficiency and production levels.

The company's total shipments, impaired by the see above events, were 442.8 thousand tons, a 7% reduction as compared to 2010. Organic products dropped 11.7% and inorganic products remain virtually unaltered, with a decrease of 0.7%.

Regarding the total organic and inorganic products, shipments to the domestic market were prioritized, showing a decrease of 1% as compared to the 46% reduction in exports.

Thus, the net revenue in the period totaled R\$ 776.7 million, which represents a drop of 8.7% as compared to the previous year (1.0% in the domestic market and 41.3% in exports). As regards to total exports and net revenue, which in 2010 had reached 15%, there was a 10% decrease in 2011.

In 2011 the results were as follows (2010 results in brackets): Net income of R\$ 14.8 million (R\$ 45.2 million); EBITDA of R\$ 29.9 million (R\$ 87.7 million); EBITDA margin of 3.9% (10.3%).

Indebtedness to financial institutions remained low and closed the year at R\$ 65.8 million, equivalent to 14% of the stockholders' equity.

4) PEOPLE MANAGEMENT

Itaúsa and its subsidiaries had 122 thousand employees at December 31, 2011. Fixed compensation of personnel, plus charges and benefits totaled R\$ 14 billion for the year. In the year, they also invested R\$ 264 million in education, training and development programs.

5) SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Itaú Unibanco

During 2011, Itaú Unibanco promoted an intense reflection on its sustainability strategy involving top management, the different business areas and the representatives of its stakeholders. This process has provided input for defining what sustainable performance is to the bank: generating shared value for employees, clients, stockholders and the society, by ensuring business continuity. Three priority operational issues were also defined: Financial Education, Social and Environmental Risks and Opportunities, and Dialogue and Transparency, which, since 2009, have consolidated the initiatives to disseminate business sustainability.

Itaú Unibanco was selected for the 12th consecutive year to make up the Dow Jones Sustainability World Index (DJSI) portfolio, the main sustainability index in the world, in its 2011/2012 edition. Accordingly, it is the only Latin American bank to take part in the index since its creation.

Likewise, the Tatuapé Administrative Center was awarded the ISO 14001 certification, an international standard for environmental management that establishes requirements specific for the management of environmental impact and safety of people.

In addition, Itaú Unibanco was elected, for the seventh time, one of the 20 role model companies in sustainability by the *Guia Exame de Sustentabilidade* (Sustainability Guide of Exame magazine). This recognition was mainly due to the social and environmental impact analysis made for companies applying for financing from the bank. This policy comprises the assessment of social and environmental risks and opportunities surrounding the developments.

Duratex

In 2011, Duratex invested R\$ 26.7 million in actions focused on the environment, particularly the treatment of effluents, collection of residues, and maintenance of forest lands. This amount is 51.7% higher than the amount allocated to actions of the same nature in 2010.

In June 2011, Sustentabilidade Duratex (Sustainability Duratex), an electronic newsletter, was launched. The monthly newsletter aims at divulging themes related to Duratex's sustainability practices in the social, economic and environmental levels.

Itautec

In 2011, Itautec filed its Extended Producer Responsibility for Electronics program with the Department of Environment of the State of São Paulo. "The program provides a description of each stage in the production process and the environmentally adequate final disposal of the products.

In order to proceed with its process for fostering the suppliers' commitment, a workshop on the inclusion of sustainability in the supply chain was held. The event was attended by 60 strategic partners of the Company and will contribute to the development and implementation of a sustainability policy for the supply chain.

Aiming at sharing knowledge and good practices on sustainability with the academic audience, Itaotec was visited by a total of 768 students of 29 schools in 2011 in its industrial unit located in Jundiaí (SP), a number 20% higher when compared to 2010. The purpose of the program is to afford school, college and technical programs students a hands-on opportunity to consolidate and experience the knowledge learned in the classrooms and to introduce them to Itaotec's production process and Recycling Center, which in the year is responsible for the disposal of 5.0 thousand tons of residues corresponding to 93% of the total produced in the unit.

Itaotec became one of the companies supporting Instituto Akatu, a non-profit organization which main purpose is to disseminate to society the concept and practice of conscious consumption, a topic widely addressed among the Company's employees and clients, by way of the "*Guia do Usuário Consciente de Produtos Eletrônicos*" (a conscious user's guide of electronic products).

Elekeiroz

In 2011, the system for collecting and recovering carbon dioxide (CO₂) for sale to third parties, operating since the previous year in the Camaçari site, in the state of Bahia, accounted for the reduction of the emissions of 4.9 thousand tons of CO₂ into the atmosphere.

In addition to this initiative, the Company has a number of other programs that, by way of incentives to employees, are aimed at consistently improving labor systems and procedures. In 2011, 4,800 improvement actions were taken for operational and occupational safety, environmental preservation, recycling of materials and cost reduction.

All production lines and products of Elekeiroz are ISO 9001 certified. The Company also follows the guidelines provided under the Responsible Action Program, of the International Council of Chemical Associations, which is managed in Brazil by the Brazilian Association of Chemical Industry (ABIQUM).

In 2011, in order to proceed with the process for improving corporate governance, Elekeiroz approved policies for selecting members of the board of directors, that define the competencies, qualifications and knowledge required for selecting its members, and the variable compensation policy for members of the board of directors and the executive board, which links the statutory variable compensation of these bodies to the compliance with both the economic-financial performance and the social and environmental targets of the company.

The three advisory committees to the Board of Directors – Personnel, Strategy and Governance and Risks, coordinated by independent members, held all meetings scheduled for 2011 to address any applicable issues, therefore contributing to the preparation of analyses and proposals to help the Board of Directors in its resolutions.

6) SOCIAL AND CULTURAL INVESTMENTS

Itaú Unibanco

In 2011, Itaú Unibanco made important investments in the social and cultural areas, always strengthening its purpose to be a transformation agent. The investments in education and culture reached R\$ 293.8 million, of which R\$ 184.2 million were effectively used.

Fundação Itaú Social was the only Brazilian institution invited to take part of the Innovation Fair of the annual meeting of the UN Economic and Social Council held in Geneva, Switzerland. This event was attended by 600 participants from all around the world who gathered to debate about Education and share experiences that contribute to sustain and speed up the fulfillment of the Millennium Development Goals and the Education for All agenda, commitments undertaken by the UN. In the domestic arena, Fundação Itaú Social and Cenpec were the only civil society organizations invited by the Brazilian Department of Education to debate the increase in school hours x increase of school days in the year.

Another highlight of the year was the launch of a national campaign to encourage reading among children up to six years old. The initiative of Fundação Itaú Cultural is one of the “Itaú Criança” (Itaú Child) actions, which purpose is to contribute to high-quality education. For this purpose, four thousand “Bibliotecas Itaú Criança” (Itaú Child libraries) will be made available, including 100 titles carefully selected for children, teenagers and adults, totaling 400 thousand books.

The ninth review of the Itaú-Unicef Award, an initiative to encourage full-time education experiences in Brazil, beat the record of projects enrolled: 2.922. The organizations in charge for the four local winning projects were awarded prizes in the regional leg, whereas the great national winner was the Projeto Verde Vida, from the city of Crato, state of Ceará.

Instituto Unibanco engaged in a partnership with the Ministry of Education (MEC) and Department of Strategic Affairs of the Presidency of Republic (SAE) in order to include the “Jovem de Futuro” (youth with a future) program in the federal public policy for six states and to establish an official channel of financial support to eligible public middle schools. This initiative is expected to benefit middle school students in 4,117 schools throughout Brazil in the next three years.

Duratex

In 2011, R\$ 3,265 was invested in social-interest, sports and environmental projects, of which the following stand out: a series of free concerts with the Filarmônica Bachiana and the Orquestra de Câmara de João Pessoa under the conduction of João Carlos Martins for approximately 35 thousand spectators; the project “Cantando por um Brasil Melhor” (singing for a better Brazil), with the musical group “Trovadores Urbanos” (urban singers), that benefited citizens of 12 cities of the State of São Paulo, where some industrial units and forests of the Company are based; the “Vozes pela Infância” (voices of childhood musical) Musical Project, that was exhibited in an event with the participation of the conductor João Carlos Martins, Filarmônica Bachiana, “bateria” (type of orchestra of percussion instruments) of the Vai Vai Samba School and young talents of the classical music, which income was donated to the Childhood Brasil, under the scope of the “Na Mão Certa” (on the right way) program; the Teatro Itinerante Um Mundo Sustentável (a sustainable world transient theater group), exhibited in Estrela do Sul, in the State of Minas Gerais, and surrounding cities, which was seen by 2,600 children and adolescents of public schools; and the Morada Ecológica (ecologic house) held at the Museum of Modern Arts of São Paulo, which showed pioneer projects of architects from many parts of the world, aimed at preserving natural resources and that attracted more than 25 thousand visitors.

Additionally, the company invested approximately R\$ 0.5 million in structured and recurrent projects, such as the Escola de Marcenaria Tide Setubal (Tide Setubal Cabinetry School), which provides a technical and professional training for needy youth; Área de Vivência Ambiental Piatan (an environmental experience), which aims at divulging the sustainable forest plantation management through guided visits to schools, clients and community; and Programa Escola Formare (a school program), in partnership with Fundação lochpe de São Paulo and Universidade Federal Tecnológica do Paraná, which provides professional development to less

privileged youth at risk situation. A series of events, in which R\$ 3,141 thousand will be invested, are scheduled for 2012.

Itautec

In light of the partnership with Instituto Ayrton Senna, which shares the same principles and regards education as a means of social inclusion and human and sustainable development in the country, Itautec allocated R\$ 1.5 million in the year to support projects of that institution. The contribution is a share of the income from the sale of every computer in the retail market.

Noteworthy was also the Company's sponsorship through the Rouanet law of the 2011 season of the Orquestra Sinfônica do Estado de São Paulo (Osesp), institution acclaimed nationally and internationally for its quality and excellence.

Elekeiroz

Elekeiroz supported the documentary "*Serra do Japi*", which main theme is to raise awareness as to fauna and flora preservation of this forest, located in Jundiá (State of São Paulo), recognized by UNESCO as a biosphere reserve of the Mata Atlântica.

Since 2009, the Company has supported the "Na Mão Certa" (on the right way) program, aimed at fighting child sexual abuse on the Brazilian highways.

Another project sponsored by the Company was the Morada Ecológica (ecologic house) project, aimed at addressing the main innovations in contemporary architecture around the world and how sustainability has influenced the way people think in terms of urban constructions and development today.

Elekeiroz, together with ABIQUIM, was one of the companies sponsoring the events held along 2011, in celebration of the INTERNATIONAL YEAR OF CHEMISTRY. One of these sponsored events was the "Química para um mundo melhor" (Chemistry for a better world) exhibit at the Estação Ciência of the University of São Paulo (USP). Elekeiroz sponsored the visit of its employees and respective families to this exhibit, as well as of 144 apprentices of the "Associação de Educação do Homem de Amanhã" (association for the education of the man of tomorrow) of Várzea Paulista, in the State of São Paulo. Elekeiroz also sponsored the distribution of 5,000 primers called "Onde está a Química" (where chemistry is) for its employees and students of schools in the communities of Várzea Paulista and Camaçari, State of Bahia.

Visits by students from universities and technical schools: In order to proceed with the Open Door Policy, by promoting the exchange of experiences with schools, universities and people interested in getting to know the company, 10 institutions, totaling 252 visitors, were welcomed, which represented a 47% increase in the numbers of visitors to the company as compared to 2010. In Várzea Paulista, 5 institutions, totaling 61 visitors, were welcomed, which represented a 125% increase as compared to 2010.

7) AWARDS AND RECOGNITION

7.1) FINANCIAL AREA

Itaú Unibanco

Bank of the Year 2011 – Bank of the Year in Brazil and Latin America – Hosted by *The Banker* magazine, this award is deemed as one of the most prestigious in the global banking calendar. The winners are chosen by judging commissions independent from the magazine, which evaluate the following criteria: meeting the clients' needs, complexity of operations, innovation capacity and performance.

The World's Most Sustainable Bank – 2011 FT/IFC Sustainable Finance Awards, granted by the British newspaper *Financial Times* and by IFC (International Finance Corporation), the financial division of the World Bank.

Safest Emerging Market Banks, by *Global Finance* magazine - The magazine ranked the 10 Safest Emerging Market Banks in Latin America, and Itaú Unibanco was the best ranked Brazilian bank;

Private Banker International Awards 2011 – Outstanding Private Banking in Latin America – Hosted by British magazine *Private Banker International*, it recognizes the best organizations in the financial industry.

Global Private Banking Awards – Best Private Bank in Brazil and Latin America – This award is aimed at gathering quantitative and qualitative information from private banks with the purpose of making them stand out for the excellence of operations. The program is organized by two publications of the *Financial Times* group.

As Empresas de Maior Prestígio no Brasil (the most prestigious companies in Brazil) – List of the most prestigious companies in Brazil prepared annually by *Época Negócios* magazine, according to which Itaú Unibanco ranked among the 15 best ones.

As Marcas Mais Valiosas no Brasil (the most valuable brands in Brazil) - Itaú brand was deemed the second most valuable brand in the Brazilian market and ranked first among the banks in the ranking of Brand Analytics.

BrandZ Top 100 Most Valuable Global Brands 2011 – For the first time, Itaú brand is among the global brands *ranking* of Millward Brown Optimor. The Bank ranked 90th in the general ranking and first in terms of brands of Latin American financial institutions.

As Empresas Mais Admiradas no Brasil (the most admired companies in Brazil) - Organized by *Carta Capital* magazine, Itaú Unibanco was the winner in the retail banking category, and is the 6th most admired company in Brazil.

IR Magazine Brazil Awards 2011 - Granted by IR Magazine, a global publication about investor relations. Itaú Unibanco won in the Grand Prix category with the best investor relations program, considering companies with market capitalization over R\$ 3 billion.

Os 25 Melhores Bancos da América Latina – Itaú Unibanco leads the *ranking* “The 25 Best Banks in Latin America”, published yearly by the *América Economia* magazine.

Top of Mind – It was the winner in the Banks category, in accordance with a survey conducted by ABA (Brazilian Advertisers Association) in a partnership with Consultoria TopBrands. Itaú Unibanco was recognized for the third consecutive year.

Top 1000 World Banks – Prepared by the British magazine *The Banker*. Itaú Unibanco was ranked first among the financial institutions in Brazil. In the world's general ranking of banks, Itaú Unibanco ranks 34th.

As Melhores da Dinheiro (The Best of Dinheiro) – Sponsored by Isto É Dinheiro magazine, it elects the companies excelling in each sector every year. Itaú Unibanco was the winner in the Best Corporate Governance category of banking sector.

Best Investment Bank for Brazil – Granted to Itaú BBA by *Latin Finance*, one of the most renowned corporate finance publications in Latin America.

Best Research Team in Brazil – Title granted by the *Institutional Investor* magazine, for the second consecutive year, to Itaú BBA's team. The team was also awarded, for the first time, the title of best research team in Latin America.

Prêmio Intangíveis Brasil (PIB – Brazil Intangibles Award) – Grupo Padrão / DOM Strategy Partners, elected Itaú Unibanco as winner the Corporate Governance category.

Best “Cash Manager Brasil”- Award granted to Itaú BBA by Euromoney magazine.

Deal of the Year 2011 (Americas) – Granted by Project Finance International to Itaú BBA.

7.2) INDUSTRIAL AREA

Duratex

Melhores do Agronegócio 2011 (Best of Agribusiness 2011) – In the 7th edition of this award, sponsored by Globo Rural magazine, Duratex was the winner in the Vegetal Exploitation and Reforestation category.

Top of Mind – Deca was the most remembered brand in the bathroom metal and porcelain fixtures segment, and Duratex was elected the Company of the Year by the *Casa & Mercado* magazine.

Empresas que Mais Geram Valor ao Acionista (companies generating most value to shareholders) – Duratex ranked 2nd in the 2011 edition of the Capital Aberto magazine award.

Itautec

World Finance Technology Awards 2011: Itautec was granted three awards by the international magazine World Finance Technology Institute (England): Automated Banking Branch Technology Of The Year Latin America, which recognizes the delivery capacity in branch environment regarding all points of contact with clients; Retail Banking Systems Technology Provider of the Year Latin America, which highlights the expertise in the development of solutions focused on client processes; and Security Technology Provider of the Year Latin America, which attests the capacity of offering solutions for security, fraud monitoring and prevention to its clients.

Fintech 100 – 2011 Edition: For the third consecutive year, Itautec was acknowledged as the best Latin American technology company in the financial sector, occupying the 29th position. The survey is conducted by IDC Financial Insights and the *American Banker* and *Bank Technology News* publications.

500 Melhores Empresas do Brasil (500 best companies in Brazil): Ranked first in corporate governance for the electrical and electronic sector and outstanding company in all the other aspects analyzed in the 2011 edition, published by Isto É Dinheiro magazine.

IF Product Design Award 2011: Awarded to Prizis Kiosk Full.

Business Marketing Forum: Awarded in the category Institutional Marketing of the Business Marketing Forum in its 2011 edition, conducted by Lide.

50 Empresas do Bem (50 goodwill companies): Itautec was acknowledged as one of the 50 goodwill companies in the 2011 edition of the Isto É Dinheiro magazine.

Elekeiroz

Elekeiroz was granted award during the European Journey of Composites (JEC) - a world reference event in the composite market held in Paris - as it contributed to MVC Soluções em Plástico, a client in the resins line, as the Winner JEC 2011. The coating board project for the new airport of Carrasco, in Uruguay, that uses the new Biopoli resins line produced from renewable resources, was the winning project. Noteworthy is the fact that the BIOPOLI family resins, launched in late 2010, was fully accepted in its target markets and already represent, by the end of 2011, approximately 30% of the total volume of polyester resins shipped by Elekeiroz.

Elekeiroz was granted, by Sherwin-Williams, one of the leading companies in the paints segment in Brazil, the award in the “company with the largest growth” category. This award, in its 15th edition, is organized by Sherwin-Williams and granted to its best suppliers of raw materials. Elekeiroz supplies phthalic anhydride, maleic anhydride and plasticizers.

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 December 2011, the independent auditors and related parties did not provide non-audit related services in excess of 5% of total external audit fees.

According to CVM Instruction No. 381, we list below the engaged services and related dates:

- February 2, 2011 – Service agreement related to the analysis of the accounting recording process by the Treasury flow desk of the Itaú Unibanco Financial Group - Itaú Unibanco Holding S.A – Brazil;
- March 17, 2011 – Advisory service agreement related to tax effects generated in Banco Itaú Chile – Banco Itaú Chile S.A - Chile;
- March 28, 2011 – Attendance in the training in the QI/FATCA course - Module 3 Critical Customer Groups – Banco Itaú Europa Luxembourg S.A - Luxembourg;
- April 5, 2011 – Professional service agreement related to the improvement of knowledge of our internal auditors regarding the practices and recommendations for the performance of the internal audit activity (The IIA The Institute of Internal Auditors) – Redecard S.A – Brazil;
- May 13, 2011 – Attendance in the training course Finance: Consolidation of Accounts - Banco Itaú BBA International S.A.– Portugal;
- May 18, 2011 – Consulting service agreement in the Asset Management International project to obtain the GIPS (Global Investment Performance Standards) certification for investment funds - Itaú USA Asset Management Inc. – United States of America;
- June 9 and July 11, 2011 – License for using an electronic library of international accounting standards (Comperio) – Banco Itaú Europa International – United States of America; Itaú Unibanco S.A. and Itaú Unibanco Holding S.A.– Brazil;
- August 1, 2011 – Agreement for the acquisition of macroeconomic project in reports and presentations on the progress of the national, regional and global economy offered by Club Económico – Banco Itaú Paraguay S.A.– Paraguay;
- August 11, 2011 – Agreement for the extension of review services of aspects related to the Business Continuity Program of Banco Itaú BBA – Banco Itaú BBA S.A.– Brazil;
- September 6, 2011 – Service agreement for the review of documents to be submitted to the Financial Services Authority – FSA – to open its subsidiary in the United Kingdom – Banco Itaú BBA International S.A.– Portugal;
- September 15, 2011 – Service agreement related to the assessment of regulatory aspects of transfer of Banco Itaú Suisse's trading desk.– Banco Itaú Suisse S.A.– Switzerland;
- October 3, 2011 – Service agreement related to the assessment of requirements for the Federal Branch Charter defined by the Regulation K of the Federal Reserve and by the Office of the Comptroller of the Currency– Banco Itaú Europa International – Miami;
- February 10, 2011 and December 1, 2011 – Service agreement for the limited assurance of the data of the inventory of greenhouse gas emission – Itaú Unibanco Holding– Brazil;
- December 8 – Service agreement for the review of documents to be submitted to the Financial Services Authority – FSA – to open its subsidiary in the United Kingdom – Banco Itaú BBA International S.A.– Portugal;

- August 30 and December 19, 2011 – Participation in the salary survey called *Encuesta Financiera de Remuneraciones y Beneficios* – Banco Itaú Paraguay S.A.– Paraguay; OCA S.A.– Uruguay.

Summary of the Independent Auditors' justification

The provision of the above described non-audit related professional services do 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.

ACKNOWLEDGEMENTS

We thank our stockholders for their trust, believing in our strategic plan and the company's potential for growth, which we always try to pay back by achieving differentiated results as compared to the market.

(Approved at the Board of Directors' Meeting of February 28, 2012).

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

BOARD OF DIRECTORS

Chairman

CARLOS DA CAMARA PESTANA

Vice-Chairmen

ALFREDO EGYDIO ARRUDA VILLELA FILHO

ALFREDO EGYDIO SETUBAL

Members

JOSÉ SERGIO GABRIELLI DE AZEVEDO

PAULO SETUBAL

RICARDO VILLELA MARINO

Alternate members

RICARDO EGYDIO SETUBAL

RICARDO VILLELA MARINO

EXECUTIVE BOARD

Chief Executive Officer

ALFREDO EGYDIO ARRUDA VILLELA FILHO

Executive Vice-Presidents

HENRI PENCHAS (*)

JAIRO CUPERTINO

ROBERTO EGYDIO SETUBAL

(*) *Investor Relations Officer*

HONORARY PRESIDENT

JOSÉ CARLOS MORAES ABREU

FISCAL COUNCIL

President

TEREZA CRISTINA GROSSI TOGNI

Members

LUIZ ALBERTO DE CASTRO FALLEIROS

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Accountant

REGINALDO JOSÉ CAMILO

CT-CRC-1SP - 114.497/O – 9

ITAÚ UNIBANCO HOLDING S.A.

BOARD OF DIRECTORS

Chairman

PEDRO MOREIRA SALLES

Vice-Chairmen

ALFREDO EGYDIO ARRUDA VILLELA FILHO
ROBERTO EGYDIO SETUBAL

Members

ALCIDES LOPES TÁPIAS
ALFREDO EGYDIO SETUBAL
CANDIDO BOTELHO BRACHER
FERNANDO ROBERTO MOREIRA SALLES
FRANCISCO EDUARDO DE ALMEIDA PINTO
GUSTAVO JORGE LABOISSIÈRE LOYOLA
HENRI PENCHAS
ISRAEL VAINBOIM
PEDRO LUIZ BODIN DE MORAES
RICARDO VILLELA MARINO

AUDIT COMMITTEE

President

GUSTAVO JORGE LABOISSIÈRE LOYOLA

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EDUARDO AUGUSTO DE ALMEIDA GUIMARÃES
GUY ALMEIDA ANDRADE
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FISCAL COUNCIL

President

IRAN SIQUEIRA LIMA

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Chief Executive Officer

ROBERTO EGYDIO SETUBAL

Executive Vice-Presidents

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Executive Directors

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CLAUDIA POLITANSKI
MARCOS DE BARROS LISBOA
RICARDO BALDIN
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Directors

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JACKSON RICARDO GOMES
MARCO ANTONIO ANTUNES
RODRIGO LUÍS ROSA COUTO
ROGÉRIO PAULO CALDERÓN PERES

(*) Investor Relations Officer

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SALO DAVI SEIBEL

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DirectorsALEXANDRE COELHO NETO DO NASCIMENTO
ANTONIO JOAQUIM DE OLIVEIRA
ANTONIO MASSINELLI
FLÁVIO MARASSI DONATELLI (*)
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RAUL PENTEADO DE OLIVEIRA NETO
RENATO AGUIAR COELHO
ROBERTO SZACHNOWICZ**Managing Directors**FLÁVIO DIAS SOARES
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Vice-chairman

ALFREDO EGYDIO ARRUDA VILLELA FILHO

MembersLUIZ ANTONIO DE MORAES CARVALHO
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RICARDO VILLELA MARINO**EXECUTIVE BOARD****Chief Executive Officer**

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JOÃO BATISTA RIBEIRO
JOSÉ ROBERTO FERRAZ DE CAMPOS
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WILTON RUAS DA SILVA(*) *Investor Relations Officer***ELEKEIROZ S.A.****BOARD OF DIRECTORS****Chairman**

RODOLFO VILLELA MARINO

Vice-chairman

OLAVO EGYDIO SETUBAL JÚNIOR

MembersFERNANDO MARQUES OLIVEIRA
JOSÉ EDUARDO SENISE
REINALDO RUBBI
RICARDO EGYDIO SETUBAL
ROGÉRIO ALMEIDA MANSO DA COSTA REIS**Alternate members**PAULO SETUBAL
RICARDO VILLELA MARINO**EXECUTIVE BOARD****Chief Executive Officer**

REINALDO RUBBI (*)

DirectorsCARLOS CALVO SANZ
RICARDO JOSE BARALDI(*) *Investor Relations Officer*

CONSOLIDATED FINANCIAL STATEMENTS

ITAÚSA- INVESTIMENTOS ITAÚ S.A.**Consolidated Balance Sheet at December 31, 2011 and 2010***(In millions of Reais)*

ASSETS	NOTE	12/31/2011	12/31/2010
Cash and deposits on demand	3	3,994	4,029
Central Bank compulsory deposits	4	36,105	31,469
Interbank deposits	5	10,244	5,425
Securities purchased under agreements to resell	5	35,001	32,786
Financial assets held for trading	6	45,049	42,619
Pledged as collateral		4,471	19,896
Other		40,578	22,723
Financial assets designated at fair value through profit or loss	6	69	112
Derivatives	7 and 8	3,240	2,846
Available-for-sale financial assets	9	17,805	16,803
Pledged as collateral		3,113	3,766
Other		14,692	13,037
Held-to-maturity financial assets	10	1,144	1,159
Pledged as collateral		85	98
Other		1,059	1,061
Loan and lease operations, net	11	118,710	100,518
Loan operations		127,501	107,830
(-) Allowance for loan losses		(8,791)	(7,312)
Other financial assets	21a	14,925	15,831
Inventories	13	771	663
Investments in unconsolidated companies	14 II	938	1,079
Fixed assets, net	15	5,085	4,617
Biological assets	16	1,094	1,030
Intangible assets, net	17	3,012	2,691
Tax assets		10,716	9,545
Income tax and social contribution - current		1,364	1,438
Income tax and social contribution - deferred	25b	9,006	7,741
Other		346	366
Assets held for sale		31	32
Other assets	21a	4,069	2,238
TOTAL ASSETS		312,002	275,492

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.**Consolidated Balance Sheet at December 31, 2011 and 2010***(In millions of Reais)*

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2011	12/31/2010
Raised funds		212,890	187,876
Deposits	18	89,326	74,129
Financial liabilities held for trading	19	1,037	488
Securities sold under repurchase agreements	20a	68,273	73,020
Interbank market debt	20a	33,323	22,894
Institutional market debt	20c	20,931	17,345
Derivatives	7	2,486	2,077
Other financial liabilities.	21b	16,246	14,999
Reserves for insurance and private pension	29c III	26,108	20,789
Liabilities for capitalization plans		1,045	952
Provisions	31b	6,221	5,581
Tax liabilities		4,449	5,650
Income tax and social contribution - current		707	364
Income tax and social contribution - deferred	25b	3,133	3,114
Other		609	2,172
Other liabilities	21b	10,267	8,532
Total liabilities		279,712	246,456
Stockholders' equity			
Capital	22a	13,678	13,266
Treasury shares	22a	(80)	-
Reserves	22c	16,083	13,032
Cumulative comprehensive income		(340)	(139)
Total stockholders' equity attributed to owners of the parent company		29,341	26,159
Non-controlling interests		2,949	2,877
Total stockholders' equity		32,290	29,036
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		312,002	275,492

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Income
Years ended December 31, 2011 and 2010

(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2011	01/01 to 12/31/2010
Sales of products and services		5,094	5,240
Cost of products and services		(3,279)	(3,624)
Interest and similar income		35,809	28,210
Interest and similar expense		(20,525)	(10,378)
Dividends income		91	75
Net gain (loss) from financial assets and liabilities		532	698
Foreign exchange results and exchange variation on transactions		1,844	636
Banking service fees		7,126	7,239
Income from insurance, private pension and capitalization operations before claim and selling expenses		1,982	1,810
Income from insurance and private pension	29	6,322	4,989
Change in reserves for insurance and private pension		(4,520)	(3,336)
Revenue from capitalization plans		180	157
Other operating income	24a	1,083	884
Losses on loans and claims		(6,341)	(5,483)
Expenses for allowance for loan losses	11b	(7,358)	(5,686)
Recovery of loans written-off as loss		2,011	1,534
Expenses for claims		(994)	(1,331)
Other operating expenses	24b	(3,182)	(5,684)
General and administrative expenses	24c	(11,770)	(11,061)
Tax expenses		(1,681)	(1,660)
Share of comprehensive income of unconsolidated companies	14b	(152)	161
Income before income tax and social contribution		6,631	7,063
Current income tax and social contribution	25	(2,568)	(1,596)
Deferred income tax and social contribution	25	1,304	(454)
NET INCOME		5,367	5,013
Net income attributable to owners of the parent company		4,837	4,417
Net income attributable to non-controlling interests		530	596
EARNINGS PER SHARE - BASIC AND DILUTED (in R\$)			
Common	26	1.10	1.01
Preferred	26	1.10	1.01
Weighted average number of shares outstanding – basic and diluted			
Common		1,690,030,662	1,676,313,114
Preferred		2,704,942,594	2,686,114,746

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Comprehensive Income
Years ended December 31, 2011 and 2010

(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2011	01/01 to 12/31/2010
Net Income		5,367	5,013
Available-for-sale financial assets		(205)	20
(Gains)/losses transferred to income on disposal	9	(163)	(55)
Change in fair value		(148)	85
Income tax effect		106	(10)
Foreign exchange variation on foreign investments		115	(97)
Cash flow hedge		(111)	(25)
Change in fair value		(168)	(38)
Income tax effect		57	13
Total comprehensive income		5,166	4,911
Comprehensive income attributable to controlling interests		4,636	4,315
Comprehensive income attributable to non-controlling interests		530	596

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Cash Flows
Years ended December 31, 2011 and 2010
(In millions of Reais)

	Note	12/31/2011	12/31/2010
Net income		5,367	5,013
Adjustments to net income:		11,655	11,575
Granted options recognized	23a II.IV	60	48
Effects of changes in exchange rates on cash and cash equivalents		(800)	231
Expenses for allowance for loan losses	11b	7,358	5,686
Interest and foreign exchange expense from variation from operations with subordinated debt		1,635	952
Interest expense from operations with debentures		164	83
Change in reserves for insurance and private pension		4,520	3,336
Revenue from capitalization plans		(180)	(157)
Depreciation, amortization and depletion	15, 16 e 17	1,398	1,185
Deferred taxes		(1,304)	454
Share of comprehensive income of unconsolidated companies		152	(161)
(Gain) loss from available-for-sale securities	9	(163)	(55)
Interest and foreign exchange income from variation on available-for-sale securities		(1,379)	(1,059)
Interest and foreign exchange income from variation on held-to-maturity securities		(150)	(163)
(Gain) loss from sale of assets held for sale	24 a e b	(13)	26
(Gain) loss from sale of investments	24 a e b	(20)	(10)
(Gain) loss from sale of fixed assets	24 a e b	(35)	3
(Gain) loss from termination of operations of intangible assets		(16)	(20)
Loss on impairment of intangible assets	17	11	7
Interest, foreign exchange and monetary variation, net		206	131
Change in fair value of biological assets		(154)	(184)
Other		(126)	1,241
CHANGE IN ASSETS AND LIABILITIES (*)		(18,900)	(24,756)
(Increase) decrease in interbank deposits		(781)	1,708
(Increase) decrease in securities purchased under agreements to resell		(8,549)	7,499
(Increase) decrease in compulsory deposits with the Central Bank of Brazil		(4,487)	(26,312)
(Increase) decrease in financial assets held for trading		(2,348)	(21,952)
(Increase) decrease in derivatives (assets/liabilities)		36	(676)
(Increase) decrease in financial assets designated at fair value		233	353
(Increase) decrease in loan operations		(24,615)	(24,231)
(Increase) decrease in inventories		(126)	25
(Increase) decrease in other financial assets		277	(5,126)
(Increase) decrease in other tax assets		506	489
(Increase) decrease in other assets		(689)	650
(Decrease) increase in deposits		14,216	4,449
(Decrease) increase in deposits received under securities repurchase agreements		(5,248)	24,746
(Decrease) increase in financial liabilities held for trading		545	246
(Decrease) increase in funds from interbank markets		10,256	6,543
(Decrease) increase in other financial liabilities		1,113	5,193
(Decrease) increase in technical reserve for insurance and private pension		637	(74)
(Decrease) increase in liabilities for capitalization plans		266	282
(Decrease) increase in provisions		204	(170)
(Decrease) increase in tax liabilities		(237)	2,040
(Decrease) increase in other liabilities		1,368	706
Payment of income tax and social contribution		(1,477)	(1,144)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		(1,878)	(8,168)
Interest on capital/dividends received from investments in unconsolidated companies		26	38
Purchase of available-for-sale securities		(12,372)	(6,448)
Cash received from sale of available-for-sale securities		12,927	6,406
Purchase of held-to-maturity securities		(22)	(213)
Cash received from redemption of held-to-maturity securities		196	105
Cash upon sale of assets held for sale		52	135
Disposal of investments		13	86
Purchase of investments		(5)	-
Cash upon sale of fixed assets	15	278	83
Purchase of fixed assets	15	(1,286)	(1,047)
Termination of contracts of intangible assets		68	53
Purchase of additional share in Itaú Unibanco Holding		-	(1,649)
Sale of intangible assets	17	397	40
Purchase of intangible assets	17	(1,310)	(1,237)
Disposal of investment in Unibanco Saúde Seguradora S.A.		-	20
Disposal of investment in Unibanco Rodobens Adm. de Consórcios S.A.		-	15
Disposal of investment in Cia. Hipotecária Unibanco Rodobens		-	4
Purchase and formation of biological assets		(105)	(145)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		(1,143)	(3,754)
Funding from institutional markets		6,098	6,721
Redemption in institutional markets		(4,251)	(1,607)
Acquisition of interest of non-controlling stockholders		(458)	(453)
Change in non-controlling interests		-	90
Granting of stock options – exercised options		130	148
Subscription of shares		412	266
Treasury shares		(80)	-
Dividends and interest on capital paid to non-controlling interests		(244)	(261)
Dividends and interest on capital paid		(1,788)	(1,633)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		(672)	3,260
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,693)	(8,662)
Cash and cash equivalents at the beginning of the period	3	16,990	25,883
Effects of changes in exchange rates on cash and cash equivalents		800	(231)
Cash and cash equivalents at the end of the period	3	14,097	16,990
Additional information on cash flow			
Interest received		34,948	29,185
Interest paid		13,314	14,806
Non-cash transactions			
Loans transferred to assets held for sale		1	25
Dividends and interest on capital declared and not yet paid		776	712

(*) Includes the amounts of interest received and paid as shown above.

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Added Value
Years ended December 31, 2011 and 2010

(In millions of Reais)

	01/01 to 12/31/2011	%	01/01 to 12/31/2010	%
INCOME	48,211		41,286	
Sale of goods, products and services	5,094		5,240	
Income from insurance, pension plan and capitalization plans	1,982		1,810	
Interest, income, dividends and provision of financial services	43,026		35,524	
Result of loan losses	(5,347)		(4,152)	
Other	3,456		2,864	
EXPENSES	(26,272)		(18,867)	
Interest and similar income	(20,525)		(13,450)	
Claims	(994)		(840)	
Other	(4,753)		(4,577)	
INPUTS PURCHASED FROM THIRD PARTIES	(7,815)		(7,965)	
Costs of products, goods and services sold	(2,945)		(3,531)	
Materials, energy, services and other	(169)		(166)	
Third-party services	(1,203)		(998)	
Other	(3,498)		(3,270)	
Data processing and telecommunications	(1,165)		(1,081)	
Advertising, promotions and publications	(388)		(452)	
Installations, repairs and maintenance of asset items	(417)		(467)	
Transportation	(260)		(217)	
Security	(177)		(164)	
Travel expenses	(72)		(61)	
Other	(1,019)		(828)	
GROSS ADDED VALUE	14,124		14,454	
DEPRECIATION, AMORTIZATION AND DEPLETION	(1,455)		(1,221)	
NET ADDED VALUE PRODUCED BY THE COMPANY	12,669		13,233	
ADDED VALUE RECEIVED FROM TRANSFER	(152)		161	
Share of income	(152)		161	
TOTAL ADDED VALUE TO BE DISTRIBUTED	12,517		13,394	
DISTRIBUTION OF ADDED VALUE	12,517	100.00%	13,394	100.00%
Personnel	3,237	25.86%	3,770	28.15%
Compensation	2,314		2,948	
Benefits	639		579	
FGTS – Government severance pay fund	284		243	
Taxes, fees and contributions	3,577	28.58%	4,299	32.10%
Federal	3,199		3,991	
State	88		77	
Municipal	290		231	
Return on third parties' assets - rent	336	2.68%	312	2.33%
Return on own assets	5,367	42.88%	5,013	37.43%
Dividends and interest on capital paid/provided for	1,308		1,191	
Retained earnings/(loss) for the year	3,529		3,226	
Non-controlling interests in retained earnings	530		596	

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL BALANCE SHEET AT DECEMBER 31, 2011 AND 2010
(In millions of Reais)

ASSETS	NOTE	31/12/2011	31/12/2010
Financial assets		802	1,028
Financial assets held for trading		317	489
Available-for-sale financial assets		12	29
Dividends/Interest on capital receivable		473	510
Tax assets		618	519
Income tax and social contribution - credit		160	136
Income tax and social contribution - deferred		458	383
Investments	14	29,000	25,638
Participation in subsidiaries		28,996	25,625
Other Investments		4	13
Fixed assets, net		72	7
Intangible assets	17	460	832
Other non-financial assets		91	51
Pledged as collateral		91	50
Other sundry receivables		-	1
TOTAL ASSETS		31,043	28,075

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.**INDIVIDUAL BALANCE SHEET AT DECEMBER 31, 2011 AND 2010***(In millions of Reais)*

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	31/12/2011	31/12/2010
Funding from institutional markets - debentures	20b	751	1,064
Tax liabilities – income tax and social contribution		112	104
Provisions		58	14
Dividends/Interest on capital payable		776	712
Other non-financial liabilities		5	22
TOTAL LIABILITIES		1,702	1,916
Stockholders' equity	22	29,341	26,159
Capital		13,678	13,266
Reserves		16,083	13,032
Cumulative comprehensive income		(340)	(139)
(-) Treasury stock		(80)	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		31,043	28,075

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.**INDIVIDUAL STATEMENT OF INCOME**

Years ended December 31, 2011 and 2010

(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2011	01/01 to 12/31/2010
OPERATING INCOME (Net)		5,041	4,663
Net gain from financial assets		58	41
Share of income	14	4,965	4,465
Other operating income		18	157
OPERATING EXPENSES		(280)	(424)
General and administrative expenses		(40)	(51)
Other operating expenses		(138)	(310)
Financial expenses		(102)	(63)
OPERATING INCOME		4,761	4,239
NET INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		4,761	4,239
INCOME TAX AND SOCIAL CONTRIBUTION		76	178
Income tax and social contribution – current		(1)	1
Income tax and social contribution – deferred		77	177
NET INCOME		4,837	4,417
EARNINGS PER SHARE - BASIC / DILUTED (in R\$)			
Common	26	1.10	1.01
Preferred	26	1.10	1.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC / DILUTED			
Common	26	1,690,030,662	1,676,313,114
Preferred	26	2,704,942,594	2,686,114,746

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

ITAUSA - INVESTIMENTOS ITAÚ S.A.
Statement of Changes in Stockholders' Equity (Note 22)
Years ended December 31, 2011 and 2010
(In millions of Reals)

	Attributed to owners of the parent company												
	Capital	Treasury shares	Additional paid-in capital	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
Adjustment Balance at 01/01/2010	13,000	(15)	12	11,313	-	380	(1,607)	225	(294)	32	23,046	2,549	25,595
Transactions with owners													
Subscription of shares	266										266		266
(-) Cancellation of treasury shares		15		(15)									
Granting of stock options – expenses recognized				48			(1,192)				48		48
Dividends and interest on capital						445	(445)				(1,192)		(1,192)
Dividend – amount to be proposed in addition to the minimum mandatory						(380)					(380)		(380)
Dividend - prior years												(368)	(368)
Change in minority interests				12			56				56		56
Other			(12)				4,417				4,417		5,013
Net income										(25)	(102)		(102)
Other comprehensive income									(97)				
Appropriations:				221			(221)						
Legal reserve							(1,008)						
Unappropriated reserves					1,008								
Balance at 12/31/2010	13,266	-	-	11,579	1,008	445	-	245	(391)	7	26,159	2,877	29,036
Balance at 01/01/2011	13,266	-	-	11,579	1,008	445	-	245	(391)	7	26,159	2,877	29,036
Transactions with owners													
Subscription of shares	412										412		412
(-) Treasury stock		(80)									(80)		(80)
Granting of stock options – expenses recognized				95			(1,308)				95		95
Dividends and interest on capital							(551)				(1,308)		(1,308)
Dividend – amount to be proposed in addition to the minimum mandatory						551							
Dividend - prior years						(445)					(445)		(445)
Change in minority interests												(458)	(458)
Other				(128)							(128)		(128)
Net income												530	5,367
Other comprehensive income										(111)	(201)		(201)
Appropriations:				242			(242)						
Legal reserve					2,736		(2,736)						
Unappropriated reserves								(205)					
Balance at 12/31/2011	13,678	(80)	-	11,788	3,744	851	-	40	(276)	(104)	29,341	2,949	32,290

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Cash Flows
Years ended December 31, 2011 and 2010
(In millions of Reais)

	2011	2010
ADJUSTED NET INCOME	(81)	(374)
Net income	4,837	4,417
Adjustments to net income:	(4,918)	(4,791)
Interest on debentures	102	-
Share of income	(4,965)	(4,465)
Deferred taxes	(77)	(177)
Other	22	(149)
CHANGE IN ASSETS AND LIABILITIES	145	464
(Increase) decrease in other assets	(501)	23
(Decrease) increase in provisions and accounts payable and other liabilities	458	114
Payment of income tax and social contribution	(1)	(1)
(Increase) decrease in financial assets	189	328
NET CASH FROM (USED IN) OPERATING ACTIVITIES	64	90
Disposal of investments	14	86
Purchase of investments	(4)	(1,649)
Purchase of fixed assets	(66)	(1)
Interest on capital/dividends received	1,743	1,570
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,687	6
Subscription of shares	412	266
Purchase of treasury shares	(80)	-
Interest on capital and dividends paid	(1,667)	(1,498)
Payment of debentures	(416)	-
Issue of institutional funds - debentures	-	1,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(1,751)	(232)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(136)
Cash and cash equivalents at the beginning of the year	-	136
Cash and cash equivalents at the end of the year	-	-

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Added Value
Years ended December 31, 2011 and 2010
(In millions of Reais)

	2011	%	2010	%
INCOME	76		198	
(Net) gain from financial assets	58		41	
Other operating income	18		157	
EXPENSES	(107)		(230)	
Other expenses	(107)		(230)	
Financial	(102)		(63)	
Other	(5)		(167)	
INPUTS PURCHASED FROM THIRD PARTIES	(21)		(28)	
Third-party services	(5)		(5)	
Other	(16)		(23)	
Agreement for apportionment of common costs	(13)		(19)	
Advertising, promotions and publications	(1)		(2)	
Other	(2)		(2)	
GROSS ADDED VALUE	(52)		(60)	
DEPRECIATION, AMORTIZATION AND DEPLETION	(1)		(1)	
NET ADDED VALUE PRODUCED BY THE COMPANY	(53)		(61)	
ADDED VALUE RECEIVED FROM TRANSFER	4,965		4,465	
Share of income	4,965		4,465	
TOTAL ADDED VALUE TO BE DISTRIBUTED	4,912	100.00%	4,404	100.00%
DISTRIBUTION OF ADDED VALUE	4,912		4,404	
Personnel	13	0.26%	18	0.41%
Compensation	13		18	
Taxes, fees and contributions	62	1.26%	(31)	-0.70%
Federal	62		(31)	
Return on own assets	4,837	98.47%	4,417	100.30%
Dividends / Interest on capital	1,308		1,192	
Retained earnings for the year	3,529		3,225	

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

ITAÚSA – INVESTIMENTOS ITAÚ S.A
Notes to the Consolidated Financial Statements
At December 31, 2011 and 2010
(In millions of Brazilian 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 markets for financial services (Itaú Unibanco Holding), wood panels, bathroom porcelains and metals (Duratex), information technology (Itautec), and in 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 17.8% of the preferred shares.

The consolidated financial statements for the years ended December 31, 2011 and 2010 were approved by the Board of Directors of Itaúsa – Investimentos Itaú S.A. on February 28, 2012.

NOTE 02 – 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

These consolidated financial statements were prepared and presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), as well as the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

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 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 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) Changes to accounting pronouncements applicable for the year ended December 31, 2011

- IFRIC 13 – “Customer Loyalty Programmes” – clarifies the concept of fair value in the event of granting credit as part of a customer loyalty programmes. This change in interpretation has not significantly impacted the consolidated financial statements.
- IFRIC 14 – “IAS 19 : The limit on a defined benefit asset, minimum funding requirements and their interaction”- averts an unintentional consequence of IFRIC 14 related to voluntary prepayments of pension plans whenever there is a minimum funding requirement. This change in interpretation has not impacted the consolidated financial statements.
- IFRIC 19 – “Extinguishing Financial Liabilities with Equity Instruments” – Addresses the accounting of extinguishing financial liabilities by issuing equity instruments. Clarifies that the gain or loss from extinguishing financial liabilities with equity instruments should be recorded in income. This change in interpretation has not impacted the consolidated financial statements.
- IAS 1 – “Presentation of Financial Statements” – clarifies that an entity should disclose an analysis of other comprehensive income in the statement of changes in stockholders' equity or in the notes to the financial statements. This change in the pronouncement has not significantly impacted the consolidated financial statements.

- IAS 24 – “Related Party Disclosure” – addresses new requirements for relations with government agencies and excludes operations between affiliates. This change in the pronouncement has not impacted the consolidated financial statements.
- IAS 27 – “Consolidated and Separate Financial Statements” – establishes that the loss of control of a subsidiary, loss of significant influence in an associate and loss of joint control in a joint venture are similar events and should be recorded and measured at fair value; any gains and losses should be recorded in income. This change in the pronouncement has not significantly impacted the consolidated financial statements.
- IAS 32 – “Financial Instruments: Presentation” – establishes the conditions under which the issue of certain rights, in a functional currency other than the entity’s functional currency, may be classified as an equity instrument. This change in the pronouncement has not impacted the consolidated financial statements.
- IAS 34 – “Interim Financial Reporting” – requires the disclosure of material transactions and events in interim financial statements. This change in the pronouncement has not impacted the consolidated financial statements.
- IFRS 1 – “First-time Adoption of International Financial Reporting Standards” – addresses limited exemptions from the comparative disclosures of IFRS 7. This change in the pronouncement has not significantly impacted the consolidated financial statements.
- IFRS 3 (R) – “Business Combinations” – addresses participation of non-controlling interests and acquired options. This change in the pronouncement has not significantly impacted the consolidated financial statements.
- IFRS 7 – “Financial Instruments: Disclosures” – emphasizes the interaction between quantitative and qualitative disclosures on the nature and extent of risks associated with financial instruments, particularly pledged guarantees maintained. The new disclosure requirements for example regarding the financial effect of guarantees are presented in Note 34.

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 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 October, 2010, a change was issued to this pronouncement requiring additional disclosures on transfers of assets (remaining risks) and transfers close to the balance sheet date. It is applicable for periods beginning after July 1, 2011. Additionally, in December 2011, a new change to the pronouncement was issued requiring additional disclosures on the offsetting process. These requirements are applicable for the 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 Itaúsa Consolidated. It is not applicable before January 1, 2015, although early adoption is permitted.
- 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. It is applicable for 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 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. IFRS 10 provides additional guidance to assist in the determination of which entity controls another

in certain cases where this judgment is complex. It is not effective until January 1, 2013. Currently it is being analyzed if there will be any possible impact arising from the adoption of this standard.

- IFRS 11 – “Joint Arrangements” – the pronouncement provides a different approach for 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. Currently it is being analyzed if there will be any possible impact arising from the adoption of this standard.
- 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. Currently it is being analyzed if there will be any possible impact arising from the adoption of this standard.
- 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. Currently it is being analyzed if there will be any possible impact arising from the adoption of this standard.

2.3 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with 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 accordance with 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 financial statements with respect to certain receivables or a group of receivables, Itaúsa and its subsidiary companies exercise their judgments to determine whether objective evidence indicates that an event of loss has occurred. This evidence may include observable data that indicates that an adverse change has occurred in relation to the expected cash inflows from the counterparty or the existence of a change in local or international economic conditions that correlates with impairment. 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 for estimating 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 December 31, 2011, the allowance amounted to R\$ 8,791 (R\$ 7,312 at December 31, 2010).

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 approximately R\$ 1,187 at December 31, 2011 and R\$ 1,005 at December 31, 2010.

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

b) Deferred income tax and social contribution

As explained in Note 2.4 (o), deferred tax assets are recognized only in relation to temporary differences and loss carryforwards to the extent that it is probable that Itaúsa will generate future taxable profit for their utilization. The expected realization of Itaúsa and its subsidiary companies

deferred tax asset is based on the projection of future income and other technical studies, as disclosed in Note 25. The carrying amount of deferred tax assets at December 31, 2011 is R\$ 9,006 (R\$ 7,741 at December 31, 2010).

c) Fair value of financial instruments, including derivatives

Financial instruments recorded at fair value at December 31, 2011 are assets amounting to R\$ 66,163 (R\$ 62,380 at December 31, 2010), of which R\$ 3,240 are derivatives (R\$ 2,846 at December 31, 2010) and liabilities in the amount of R\$ 3,523 (R\$ 2,565 at December 31, 2010), of which R\$ 2,486 are derivatives (R\$ 2,077 at December 31, 2010). The fair value of financial instruments, including derivatives that are not traded in active markets, is calculated 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.

Itaúsa 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 described in Note 30.

d) Defined benefit pension plan

At December 31, 2011, an amount of R\$ 36 (R\$ 89 at December 31, 2010) was recognized as an asset related to pension plans. 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 the discount rate. Any changes in these assumptions will affect the carrying amount of pension plan assets or liabilities.

Itaúsa and its subsidiary companies determine the appropriate discount rate at the end of each year, which is used for determining the present value of estimated future cash outflows necessary for settling the pension plan liabilities. In order to determine the appropriate discount rate, Itaú Unibanco Holding considers 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 maturity terms approximating the terms of the related liabilities.

Should the discount rate currently used be lower by 0.5% than Management's current estimates, the actuarial amount of the pension plan obligations would be increased by approximately R\$ 213.

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 and provisions

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 the balance sheet under "Provisions".

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

The carrying amount of these contingencies at December 31, 2011 is R\$ 6,221 (R\$ 5,581 at December 31, 2010).

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 the 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 Itaúsa, benchmarks and experience of the actuary, in order to comply with best market practices and continuously review 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 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 Itaúsa Consolidated:

	Incorporation country	Activity	Interest in capital at 12/31/ 2011	Interest in capital at 12/31/ 2010
Financial Services Area – Joint Control				
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding company	66.53%	66.53%
Itaú Unibanco Holding S.A.	Brazil	Bank	36.82%	36.57%
Industrial Area – Full consolidation				
Duratex S.A.	Brazil	Wood and bathroom porcelain and metals	35.40%	35.32%
Elekeiroz S.A.	Brazil	Chemical products	96.49%	96.60%
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:

	12/31/2011	12/31/2010
Total assets	837,292	743,790
Total liabilities	744,076	660,799
Total income	137,714	112,514
Total expenses	(120,756)	(97,968)

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 in such financial statements.

Pursuant to the provisions of the Shareholders' Agreement of IUPAR (Itaú Unibanco Participações), Itaúsa and the Moreira Sales family jointly exercise control over Itaú 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 Itaú 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.

Business combinations

Accounting for business combinations under CPC 15 (R1) is only applicable when a business is acquired. Under CPC 15 (R1), 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 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 combination, accounting under the purchase method is required. The acquisition cost is measured as 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 (I). 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.

Unrealized gains, transactions and balances in transactions among Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset.

b) FOREIGN CURRENCY TRANSLATION

I) Functional and presentation currency

The consolidated financial statements of Itaúsa 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; and
- exchange differences arising from translation are recorded in other 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as an integral part of “Foreign Exchange Results and Exchange Variation on Transactions”.

In the 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 amount of the instrument. 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 other 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 of 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 is also required.

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

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

Itaúsa Consolidated has purchased transactions with resale agreements (“resale agreements”), and sold transactions with repurchase agreements (“repurchase agreements”) of financial assets. Resale and repurchase agreements are accounted for under “Securities purchased under agreements to resell” and “Securities sold under repurchase agreements”, respectively.

The financial assets accepted as collateral in our resale agreements can be used by us, 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. We strictly monitor the fair value of financial assets received as collateral under our resale agreements and adjust 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 as “Pledged as collateral”.

g) FINANCIAL ASSETS AND LIABILITIES

In accordance with CPC 38 – “Financial Instruments – Recognition and Measurement”, 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 investments;
- 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 classified financial instruments into classes that reflect the nature and characteristics of these financial instruments.

Itaúsa classifies as loans and receivables the following headings of the balance sheet: cash and deposits on demand, Interbank deposits (Note 2.4(e)), Securities purchased under agreement to resell (Note 2.4(f)), Loan operations (Note 2.4(g)(VI)) and Other financial assets (Note 2.4(g)(IX)).

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

Financial assets are derecognized when the rights to receive cash flows have expired or when Itaúsa and its subsidiaries have transferred substantially all risks and rewards of ownership, and such transfer qualifies for derecognition, according to the requirements of CPC 38. Therefore, if the risks and rewards were not substantially transferred, Itaúsa and its subsidiaries evaluate the extent of control in order to determine whether the continuous involvement related to any retained control does not prevent derecognition. Financial liabilities are derecognized 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 disclose 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 be otherwise 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 expense", respectively.

Itaúsa and its subsidiaries designate certain assets at fair value through profit or loss upon their initial recognition, because they are reported to Management and their performance is evaluated 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 for designating these hybrid contracts as a whole as fair value through profit or loss.

Derivatives can be designated and qualify as hedging instruments under hedge accounting 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 are 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 hedged 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 a foreign operations.

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

Cash flow hedge

For derivatives that are designated and qualify as cash flow hedges, the effective portion of derivative gains or losses are 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 represents the ineffective portion or the hedge components excluded from the assessment of effectiveness is recognized immediately in income. Amounts originally recorded in other comprehensive income 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 ITAÚSA CONSOLIDADO designates a hedge, any cumulative gain or loss existing in other comprehensive income at the time remains in other comprehensive income and is recognized in income when the hedge item is ultimately recognized in the income statement. When a 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 other 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 other comprehensive income is reclassified to the income statement 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 other comprehensive income. Interest, including the amortization of premiums and discounts, are 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 other 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 an 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 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 method (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 rate 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.

A loan operation is classified as on nonaccrual status if the payment of 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 its carrying amount is reduced through an allowance for loan losses, the subsequent interest income is recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for purposes of measuring the allowance for loan losses.

The Individuals portfolio consists primarily of vehicle financing to individuals, credit card, 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 the 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 and 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 recognized 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 vary, depending upon the specific portfolio, between nine and twelve months. Management determined the period between the loss events and their identification for receivables individually tested for impairment is also twelve months.

Assessment

Itaúsa Consolidated first assesses whether objective evidence of impairment exists for receivables that are individually significant, and individually 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, it is used 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 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 in 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 of 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 on which the historical loss experience is based and to (ii) remove the effects of conditions in the historical period that do not exist currently.

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, that uses our historical experience for building internal models, which are 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 the 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.

This 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 updated regularly 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. The changes in the model, and the process leading up to the change, are detailed in specific documentation (describing step by step how the process is carried out to reach the updating the model). This documentation enables an independent area to replicate the process and validate the changes in the model. The area that validates the changes is separate and independent from the area that processes the changes. The model validation area issues a technical opinion on the adopted assumptions (integrity, consistency and replicability of bases) and on the mathematical methodology adopted to change the model. Subsequently, the technical opinion is submitted to the 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 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 objective evidence of impairment) - 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 through 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 the 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, among others.
- Foreign Units – 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 in the balance sheet against "Allowance for loan losses". Loans are written-off 360 days after they are past due or 540 days in the case of loans with original maturities over 36 months.

Renegotiated loans are not considered to be in default. In subsequent periods, the asset is considered and 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 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 as 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 rate method. Interest expense is presented in the 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. See Note 18;
- Securities sold under repurchase agreements (as previously described in item (e) above);
- Funds from interbank markets;
- Funds from institutional markets;
- Liabilities for capitalization plans; and
- Other financial liabilities. See Note 21(b).

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 are 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 we use 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 cost of acquisition and subsequently accounted for on the equity method. Investments in unconsolidated companies include the goodwill identified upon acquisition, net of any cumulative impairment loss.

The share of Itaúsa in the profits or losses of its unconsolidated companies after acquisition is recognized in the consolidated statement of income. The share of the changes in the reserves of corresponding stockholders' equity of its unconsolidated companies is recognized in its 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 or above its interest in the unconsolidated company, including any other receivables, Itaúsa and its subsidiaries does not recognize additional losses, unless it has incurred any obligations or made payments on behalf of the unconsolidated company.

Unrealized profits on transactions between Itaúsa 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 are consistent with the policies adopted by Itaúsa Consolidated.

If the interest in the unconsolidated company decreases, but Itaúsa retains significant influence, only the 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 substantially holds all risks and rewards incidental to the ownership are classified as finance leases. 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 lease future minimum payments.

Each lease installment is allocated part to the liability and part 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.

Expenses of operating leases are recognized in the consolidated statement of income, on a straight-line basis, over the period of the 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, 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 indications of impairment exist. If such indications are identified, fixed assets are tested for impairment. In accordance with CPC 01 – “Impairment of assets”, impairment losses are recognized for 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 purposes of assessing impairment, assets are grouped at the lowest level for which independent cash flows can be identified (cash-generating units). The assessment may be made at an individual asset level when the fair value less the cost to sell may be determined reliably. In the period ended December 31, 2011, impairment losses related to fixed assets were recognized due to the results achieved being lower than the expected economic benefits by R\$ 6. No impairment losses on fixed assets were recognized at December 31, 2010.

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”.

I) GOODWILL

In accordance with CPC 15 - "Business Combinations", 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 inflows 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 applied to 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 measured, 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 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 periodically in order to identify any impairment.

Itaúsa and its subsidiaries semiannually assess its intangible assets in order to identify whether any indications of impairment exist, as well as any 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 the recoverable amount of an asset (or group of assets), and 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 an impairment, assets are grouped into the minimum level for which cash flows can be identified. The assessment can be made at an individual asset level when the fair value less its cost to sell can be determined reliably.

In 2011, impairment losses of R\$11 (R\$ 7 at December 31, 2010) were recognized related to acquisition of rights to credit payroll and rights for the promotion and offer of financial products and services, caused by rescissions of agreements and results below those projected. As provided for in CPC 04, Itaúsa and its subsidiaries chose the cost model to measure its intangible assets after 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 a loss due to decreases in fair value less costs to sell, in the consolidated statement of income under "General and administrative 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 of 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 – 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 expense is recognized in the consolidated statement of income under "Income tax and social contribution", except when it refers to items directly recognized in other 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 other 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:

	2011 and 2010
Income tax	15%
Additional income tax	10%
Social contribution (*)	9%

(*) From May 1, for financial subsidiaries and similar companies, the rate was changed from 9% to 15% as provided in articles 17 and 41 of Law nº 11,727 of June 24, 2008.

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 which probability of realization is over 50%. Interest and fines on income tax and social contribution are treated as a nonfinancial expense.

p) INSURANCE CONTRACTS AND PRIVATE PENSION

CPC 11 – "Insurance contracts" defines insurance contracts 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 other 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 such 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 for 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 consolidated 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 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 doubt, these assets are reduced based on the provision recognized for credit risk associated to 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 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 the 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 IFRS 4 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 is 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 (less 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 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(f).

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 based on mathematical calculation.

r) EMPLOYEE BENEFITS

Retirement plans and other post-employment 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 it operates, which are expensed in the consolidated statement

of income as an integral part of “General and administrative expenses”, when incurred. These contributions totaled R\$ 526 for the period ended December 31, 2011 (R\$ 517 for the period ended December 31, 2010).

Additionally, Itaúsa and its subsidiaries also 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 the defined benefit plan corresponds to the present value of the defined benefit obligations on the balance sheet date 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 that 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 – representing the change in the present value of defined benefit obligations caused by employee service in prior periods, and that affect the current period
- Interest cost – defined as the increase during the year in the present value of obligations which arises from the passage of time.

In accordance with CPC33, 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 defined 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 defined benefit obligation, the result will be a curtailment loss.

Upon a settlement, a gain or loss will be recognized.

Pension plans - defined contribution

For defined contribution plans, contributions to plans made by Itaúsa 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 the 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 remaining an employee of the entity over a specified time period). The fulfillment of non-market vesting conditions is included in the assumptions about the number of options that are expected to be exercised. At the end of each period, Itaúsa 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 consolidated statement of income, with a corresponding adjustment to stockholders' equity.

When the options are exercised, treasury shares are generally delivered 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 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: (i) the amount initially recognized less accumulated amortization and; (ii) 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". Fair value is generally represented by the fee charged to the client for issuing the guarantee. This amount at the issuance date 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 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 the 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 case they are disclosed in the financial statements, but no provision is recorded; and
- Remote: those to which do not require neither 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 court 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 substantially 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 proceeds, net of taxes.

Treasury Shares

Common and preferred shares repurchased are recorded in stockholders’ equity under “Treasury shares” at their average purchase price.

Shares that are subsequently sold, such as those sold to grantees under our stock option plans, 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”. 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 net income for the year as determined in accordance with the corporate law. Minimum dividend amounts established in the bylaws are recorded as liabilities at the end of each year. 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).

Interest on capital is treated for accounting purposes as a dividend, and it 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 year. 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 shares 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\$ 0.014 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 shares under stock-based compensation plans had been issued and as if the assumed 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) were used to purchase shares of Itaúsa.

y) INCOME

I) Sales of products and services

Sales revenue is calculated on the accrual basis of accounting.

Sales of products

Revenues from sale of products are recognized in income at the time all risks and benefits inherent to 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 Itaútec 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 cards services, investment banking services and certain commercial banking services.

The main services related to current accounts are cash transfers, issuance of physical check books, issuance of current account statements and ATM and cash point consultation. Revenues from services related to current accounts are recognized when such services are provided. Revenue from annual current account fees is recognized over the related service period.

Fees from credit card services are annual charges for credit card holders. Revenues from these annual fees are recognized over the related period of service.

z) SEGMENT INFORMATION

CPC 22 – “Segment Information” requires that operating segments are disclosed consistently with 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 reportable segments: Financial and Industrial Service Area, subdivided into Duratex, Itaútec and Elekeiroz.

Segment information is presented in Note 32.

NOTE 03 – CASH AND CASH EQUIVALENTS

For purposes of consolidated statements of cash flow, cash and cash equivalents comprises the following items (amounts which maturity terms are equal to or less than 90 days):

	12/31/2011	12/31/2010
Cash and deposits on demand	3,994	4,029
Interbank deposits	6,967	2,794
Securities purchased under agreements to resell	3,136	10,167
Total	14,097	16,990

Amounts related to interbank deposits and securities purchased under agreements to resell over 90 days are R\$ 3,277 (R\$ 2,632 at December 31, 2010) and R\$ 31,865 (R\$ 22,619 at December 31, 2010), respectively.

NOTE 04 - CENTRAL BANK COMPULSORY DEPOSITS

	12/31/2011	12/31/2010
Non-interest-bearing deposits	2,110	1,734
Interest-bearing deposits	33,995	29,735
Total	36,105	31,469

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

ITAÚ UNIBANCO HOLDING	12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total
Interbank deposits	25,384	2,437	27,821	14,315	520	14,835
Securities purchased under agreements to resell (*)	92,248	-	92,248	82,094	6,588	88,682
Total	117,632	2,437	120,069	96,409	7,108	103,517
Share of Itaúsa		36.82%			36.57%	
	43,314	897	44,212	35,260	2,600	37,858
Industrial companies and Itaúsa	1,033	-	1,033	333	20	353
Total	44,347	897	45,245	35,593	2,620	38,211

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	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 – 36.82%	44,871	137	(127)	44,882
Mix fund	169	50	(52)	167
TOTAL	45,040	187	(179)	45,049

Financial assets held for trading pledged in guarantee of funding of financial institutions and clients at December 31, 2011 were: a) R\$ 12,010 and b) R\$ 0, c) R\$ 84 and d) R\$ 48 reflected in the Consolidated of Itaúsa proportionally: a) R\$ 4,422 and b) R\$ 0, c) R\$ 31 and d) R\$ 18.

ITAÚ UNIBANCO HOLDING	12/31/2010			
	Cost/ amortized cost	Unrealized results		Fair value
		Gain	Loss	
Investment funds	1,701	49	(2)	1,748
Brazilian government securities (1a)	86,636	77	(14)	86,699
Brazilian external debt bonds (1b)	653	17	(4)	666
Government securities – abroad (1c)	9,323	38	(8)	9,353
Argentina	295	6	(8)	293
United States	8,682	32	-	8,714
Mexico	29	-	-	29
Russia	45	-	-	45
Chile	248	-	-	248
Uruguay	24	-	-	24
Corporate securities (1d)	16,941	152	(62)	17,031
Shares	3,161	134	(47)	3,248
Securitized real estate loans	587	9	-	596
Bank deposit certificates	8,932	-	-	8,932
Debentures	2,799	1	-	2,800
Eurobonds and other	1,459	8	(15)	1,452
Other	3	-	-	3
TOTAL	115,254	333	(90)	115,497
Share of Itaúsa – 36.57%	42,152	122	(33)	42,241
Other companies	378	1	(1)	378
TOTAL	42,530	123	(34)	42,619

(1) Financial assets held for trading pledged in guarantee of funding of financial institutions and clients at December 31, 2010 were: a) R\$ 45,672, b) R\$ 125, c) R\$ 8,592 and d) R\$ 11, reflected in the Consolidated of Itaúsa proportionally: a) R\$ 16,701, b) R\$ 45, c) R\$ 3,142 and d) R\$ 4.

Realized gains and losses

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2011	01/01 to 12/31/2010
Financial assets held for trading		
Gain	2,995	1,668
Loss	(2,559)	(1,266)
TOTAL	436	402
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	161	147
TOTAL	161	147

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

ITAÚ UNIBANCO HOLDING	12/31/2011		12/31/2010	
	Cost/ amortized Cost	Fair value	Cost/ amortized Cost	Fair value
Current	37,701	37,706	58,534	58,705
Non-stated maturity	3,650	3,635	4,862	4,996
Up to one year	34,051	34,071	53,672	53,709
Non-current	84,159	84,183	56,720	56,792
From one to five years	72,064	72,088	49,392	49,403
From five to ten years	8,570	8,550	5,134	5,177
After ten years	3,525	3,545	2,194	2,212
TOTAL	121,860	121,889	115,254	115,497
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	44,871	44,882	42,152	42,241
Mix fund	169	167	378	378
TOTAL	45,040	45,049	42,530	42,619

(*) Financial assets held for trading include assets that belong to investment funds wholly owned by Itaú Vida e Previdência S.A. with a fair value of R\$ 57,734 (R\$ 46,051 at December 31, 2010) reflected in the Consolidated of Itaúsa proportionally by R\$ 21,259 and (R\$ 16,842 at December 31, 2010). 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	Cost/ amortized cost	12/31/2011		Fair value
		Gain	Loss	
Brazilian external debt bonds	182	4	-	186
Share of Itaúsa – 36.82%	68	1	-	69
TOTAL	68	1	-	69

ITAÚ UNIBANCO HOLDING	Cost/ amortized cost	12/31/2010		Fair value
		Gain	Loss	
Brazilian external debt bonds	297	9	-	306
Share of Itaúsa – 36.57%	109	3	-	112
TOTAL	109	3	-	112

Realized gains and losses

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2011		01/01 to 12/31/2010	
	Gain	Loss	Gain	Loss
Gain			20	-
Loss			-	(1)
TOTAL			20	(1)
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10			7	(0)
TOTAL			7	(0)

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	12/31/2011		12/31/2010	
	Cost/ amortized cost	Fair value	Cost/ amortized cost	Fair value
Non-current	182	186	297	306
After ten years	182	186	297	306
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	68	69	109	112
TOTAL	68	69	109	112

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.

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 instruments forwards 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 interests, 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 with value relating to the credit risk associated to the debt issued by a third party (the reference entity), which permits that one party (the purchaser of the 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 its share was R\$ 2,870 at December 31, 2011 (R\$ 2,948 at December 31, 2010) and was basically comprised of government securities.

The following table shows the composition of derivatives by index:

ITAÚ UNIBANCO HOLDING	Off Balance Sheet	Amortized cost	Gains / Losses	Fair value
	Notional amount			
	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	Amortized cost	Gains / Losses	Fair value
	Notional amount			
	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Futures contracts	292,049	5	(60)	(55)
Purchase commitments	127,499	(1)	174	173
Foreign currency	8,128	(1)	1	-
Interbank market	98,353	-	45	45
Indices	19,288	-	95	95
Securities	1,645	-	-	-
Commodities	84	-	33	33
Other	1	-	-	-
Commitments to sell	164,550	6	(234)	(228)
Foreign currency	13,057	6	(20)	(14)
Interbank market	113,173	-	(45)	(45)
Indices	32,033	-	(127)	(127)
Securities	4,230	-	-	-
Commodities	2,048	-	(42)	(42)
Other	9	-	-	-
Swaps contracts		344	580	924
Asset position	68,839	2,160	777	2,937
Foreign currency	7,330	(292)	238	(54)
Interbank market	34,370	1,299	161	1,460
Fixed rate	9,277	326	140	466
Floating rate	865	2	18	20
Indices	16,745	819	218	1,037
Securities	32	3	-	3
Commodities	219	3	2	5
Other	1	-	-	-
Liability position	68,495	(1,816)	(197)	(2,013)
Foreign currency	14,609	(310)	(17)	(327)
Interbank market	19,443	(358)	138	(220)
Fixed rate	7,835	(256)	(133)	(389)
Floating rate	3,272	(2)	(1)	(3)
Indices	23,122	(865)	(181)	(1,046)
Securities	29	(1)	-	(1)
Commodities	178	(24)	(3)	(27)
Other	7	-	-	-
Option contracts	2,330,950	(570)	235	(335)
Purchase commitments - long position	695,908	1,182	(108)	1,074
Foreign currency	24,905	414	(104)	310
Interbank market	530,428	468	2	470
Floating rate	314	2	-	2
Indices	138,085	182	(53)	129
Securities	1,534	86	27	113
Commodities	642	30	20	50
Commitments to sell - long position	526,323	625	53	678
Foreign currency	12,295	339	142	481
Interbank market	404,532	128	(28)	100
Floating rate	282	-	-	-
Indices	107,034	109	(48)	61
Securities	1,625	40	(6)	34
Commodities	555	9	(7)	2
Purchase commitments - short position	527,731	(1,587)	342	(1,245)
Foreign currency	26,547	(802)	341	(461)
Interbank market	376,482	(256)	(7)	(263)
Indices	123,221	(449)	50	(399)
Securities	864	(49)	(27)	(76)
Commodities	617	(31)	(15)	(46)
Commitments to sell - short position	580,988	(790)	(52)	(842)
Foreign currency	16,715	(451)	(95)	(546)
Interbank market	444,963	(196)	3	(193)
Indices	118,333	(71)	22	(49)
Securities	825	(58)	7	(51)
Commodities	152	(14)	11	(3)

ITAÚ UNIBANCO HOLDING	Off Balance Sheet	Amortized cost	Gains / Losses	Fair value	
	Notional amount				
	12/31/2011	12/31/2011	12/31/2011	12/31/2011	
Forward operations	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	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 – 36.83% in Sep/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

ITAÚ UNIBANCO HOLDING	Off Balance Sheet	Amortized cost	Gains / Losses	Fair value
	Notional amount			
	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Forward operations	1,445	1,432	(27)	1,405
Purchases receivable	21	57	29	86
Interbank market	-	36	-	36
Floating rate	21	21	29	50
Purchases payable - Floating rate	-	(21)	(29)	(50)
Sales receivable	1,424	1,397	1	1,398
Foreign currency	4	4	-	4
Securities	1,419	1,392	1	1,393
Commodities	1	1	-	1
Sales deliverable - Floating rate	-	(1)	(28)	(29)
Credit derivatives	6,701	125	7	132
Asset position	2,902	258	3	261
Foreign currency	53	-	1	1
Fixed rate	2,622	258	(2)	256
Securities	227	-	4	4
Liability position	3,799	(133)	4	(129)
Foreign currency	22	-	(1)	(1)
Fixed rate	3,126	(133)	10	(123)
Securities	651	-	(5)	(5)
Forward operations	36,958	(522)	22	(500)
Asset position	13,832	597	15	612
Foreign currency	13,121	548	8	556
Fixed rate	3	1	-	1
Floating rate	509	8	-	8
Commodities	199	40	7	47
Liability position	23,126	(1,119)	7	(1,112)
Foreign currency	22,759	(1,098)	9	(1,089)
Interbank market	27	-	(1)	(1)
Floating rate	273	(3)	-	(3)
Commodities	67	(18)	(1)	(19)
Swap with target flow				
Asset position – Interbank market	6	-	-	-
Liability position - Interbank market	6	-	-	-
Check of swap – Liability position – Foreign currency	25	-	-	-
Other derivative financial instruments (*)	3,755	626	(91)	535
Asset position	3,395	785	(54)	731
Foreign currency	259	189	5	194
Fixed rate	698	375	2	377
Floating rate	-	-	(3)	(3)
Securities	2,438	221	(58)	163
Liability position – Foreign currency	360	(159)	(37)	(196)
	ASSETS	7,061	716	7,777
	LIABILITIES	(5,621)	(50)	(5,671)
	TOTAL	1,440	666	2,106
Assets –Share of Itaúsa – 36.57% in Dec/10		2,582	262	2,844
Liabilities – Itaúsa Share – 36.57% in Dec/10		(2,056)	(18)	(2,074)
TOTAL		527	244	770
Industrial Companies Assets		3	(1)	2
Industrial Companies Liabilities		(4)	1	(3)
ASSETS		2,585	261	2,846
LIABILITIES		(2,060)	(17)	(2,077)
TOTAL		525	244	769

Derivative contracts mature as follows (in days):					
Off Balance Sheet – Notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2010
Futures	108,359	64,874	49,747	69,069	292,049
Swaps	5,318	16,169	8,225	36,967	66,679
Options	1,292,156	439,940	506,039	92,815	2,330,950
Forwards (onshore)	274	1,143	28	-	1,445
Credit derivatives	-	1,011	592	5,098	6,701
Forwards (offshore)	13,658	13,233	6,051	4,016	36,958
Swaps with USD check	-	-	6	-	6
Check of swap	6	16	3	-	25
Other	105	927	405	2,318	3,755

Derivative financial instruments

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

	Fair value	%	12/31/2011							Over 720 days
			0-30 days	31-90 days	91-180 days	181-365 days	366-720 days			
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 – Adjustment 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 asset portfolio of Derivative Financial Instruments, R\$ 2,191 refer to current and R\$ 1,049 to non-current.

Derivative financial instruments

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

	12/31/2010							
	Fair value	%	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days
ITAÚ UNIBANCO HOLDING								
ASSETS								
Option premiums	1,752	22.5	213	230	222	405	106	576
BM&F Bovespa	1,305	16.7	746	72	123	287	77	-
Financial institutions	364	4.7	24	116	90	106	22	6
Companies	83	1.1	(557)	42	9	12	7	570
Forwards (onshore)	1,484	19.1	323	1,071	64	26	-	-
BM&F Bovespa	1,398	18.0	251	1,059	62	26	-	-
Financial institutions	86	1.1	72	12	2	-	-	-
Swaps – Difference receivable	2,937	37.8	286	249	191	655	621	935
BM&F Bovespa	271	3.5	5	8	14	55	63	126
Financial institutions	441	5.7	167	44	3	73	21	133
Companies	2,203	28.3	112	193	163	524	536	675
Individuals	22	0.3	2	4	11	3	1	1
Credit derivatives	261	3.4	-	22	1	2	1	235
Financial institutions	77	1.0	-	22	1	1	1	52
Companies	184	2.4	-	-	-	1	-	183
Forwards (offshore)	612	7.8	273	128	96	96	13	6
Financial institutions	151	1.9	64	39	21	19	4	4
Companies	460	5.9	209	88	75	77	9	2
Individuals	1	0.0	-	1	-	-	-	-
Other	731	9.4	50	326	-	130	12	213
Financial institutions	724	9.3	50	326	-	130	5	213
Companies	7	0.1	-	-	-	-	7	-
Total (*)	7,777	100.0	1,145	2,026	574	1,314	753	1,965
% per maturity term			14.7%	26.1%	7.4%	16.9%	9.7%	25.3%
Share of Itaúsa – 36.57% in Dec/10	2,844	37	419	741	210	481	275	719
Other companies	2	-	-	2	-	-	-	-
TOTAL	2,846	37	419	743	210	481	275	719

(*) Of the total value of the asset portfolio of Derivative Financial Instruments, R\$ 1,850 in 31/12/2010 refers to current and R\$ 996 to non-current.

ITAÚ UNIBANCO HOLDING	12/31/2011							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	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 fair value of the asset portfolio of Derivative Financial Instruments, R\$ (1,523) refers to current and (964) to non-current.

ITAÚ UNIBANCO HOLDING	12/31/2010							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	Over 720 days
LIABILITIES								
Futures								
BM&F Bovespa Companies	(55)	0.9	(22)	(52)	(12)	12	16	3
	(59)	0.9	(25)	(50)	(14)	11	16	3
	4	0.0	3	(2)	2	1	-	-
Option premiums	(2,087)	36.8	(812)	(414)	(231)	(413)	(207)	(10)
BM&F Bovespa	(1,677)	29.6	(756)	(298)	(108)	(349)	(163)	(3)
Financial institutions	(299)	5.3	(17)	(93)	(114)	(45)	(27)	(3)
Companies	(110)	1.9	(39)	(23)	(8)	(19)	(17)	(4)
Individuals	(1)	0.0	-	-	(1)	-	-	-
Forwards (onshore)	(79)	1.4	(50)	-	-	-	-	(29)
Financial institutions	(50)	0.9	(50)	-	-	-	-	-
Companies	(29)	0.5	-	-	-	-	-	(29)
Swaps - difference payable	(2,013)	35.4	(92)	(96)	(139)	(598)	(442)	(646)
BM&F Bovespa	(388)	6.8	(6)	(9)	(40)	(60)	(112)	(161)
Financial institutions	(396)	7.0	(14)	(29)	(3)	(149)	(26)	(175)
Companies	(1,170)	20.6	(70)	(50)	(73)	(364)	(303)	(310)
Individuals	(59)	1.0	(2)	(8)	(23)	(25)	(1)	-
Credit derivatives	(129)	2.3	(7)	(6)	(2)	(3)	(8)	(103)
Financial institutions	(126)	2.2	(7)	(6)	(2)	(2)	(8)	(101)
Companies	(3)	0.1	-	-	-	(1)	-	(2)
Forwards (offshore)	(1,112)	19.6	(176)	(267)	(205)	(317)	(87)	(60)
Financial institutions	(629)	11.1	(88)	(201)	(106)	(138)	(46)	(50)
Companies	(482)	8.5	(88)	(66)	(99)	(179)	(41)	(9)
Individuals	(1)	0.0	-	-	-	-	-	(1)
Other	(196)	3.6	46	(2)	3	(89)	(15)	(139)
Financial institutions	(173)	3.1	-	-	-	(87)	-	(86)
Companies	(23)	0.5	46	(2)	3	(2)	(15)	(53)
Total (*)	(5,671)	100.0	(1,113)	(837)	(586)	(1,408)	(743)	(984)
% per maturity term			19.6%	14.8%	10.3%	24.8%	13.1%	17.4%
Share of Itaúsa - 36.57% in Dec/10	(2,074)		(407)	(306)	(214)	(515)	(272)	(360)
Other companies	(3)		-	-	-	-	-	(3)
TOTAL	(2,077)	-	(407)	(306)	(214)	(515)	(272)	(363)

(*) Of the total asset portfolio of Derivative Financial Instruments, R\$ (1,442) refers to current and R\$ (635) to non-current.

Realized and unrealized gains and losses in the portfolio of derivatives

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2011	01/01 to 12/31/2010
Swap	(476)	169
Forwards (onshore)	(139)	29
Futures	91	1,370
Options	323	924
Credit derivatives	185	87
Other	367	(269)
Total	351	2,310
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	129	845
TOTAL	129	845

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 its customers. When we do not have 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 counterparty for the same reference entity or similar entity. The credit derivatives for which we are protection sellers are credit default swaps, total return swaps and credit-linked notes. At December 31, 2011 and 2010, 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.

12/31/2011						
ITAÚ UNIBANCO HOLDING	Maximum potential of future payments, gross	Before 1 year	From 1 to 3 years	From 3 to 5 years	After 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)

12/31/2010						
ITAÚ UNIBANCO HOLDING	Maximum potential of future payments, gross	Before 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Fair value
By instrument						
CDS	3,375	541	1,234	1,184	416	(121)
TRS	424	416	-	8	-	(8)
Total by instrument	3,799	957	1,234	1,192	416	(129)
Share of Itaúsa – 36.57% in Dec/10	1,389	350	451	436	152	(47)
TOTAL	1,389	350	451	436	152	(47)
By risk rating						
Investment grade	3,799	957	1,234	1,192	416	(129)
Total by risk	3,799	957	1,234	1,192	416	(129)
Share of Itaúsa – 36.57% in Dec/10	1,389	350	451	436	152	(47)
TOTAL	1,389	350	451	436	152	(47)
By reference entity						
Private entities	3,799	957	1,234	1,192	416	(129)
Total by entity	3,799	957	1,234	1,192	416	(129)
Share of Itaúsa – 36.57% in Dec/10	1,389	350	451	436	152	(47)
TOTAL	1,389	350	451	436	152	(47)

We 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 with the credit derivative is based on the notional amount of the derivative. We believe, based on our 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, has not incurred in any loss related to credit derivative contracts.

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

ITAÚ UNIBANCO HOLDING	12/31/2011		
	Notional amount of credit protection sold	Notional 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

ITAÚ UNIBANCO HOLDING	12/31/2010		
	Notional amount of credit protection sold	Notional amount of credit protection purchased with identical underlying amount	Net position
CDS	(3,375)	2,902	(473)
TRS	(424)	-	(424)
Total	(3,799)	2,902	(897)
Share of Itaúsa - 36.57% in Dec/10	(1,389)	1,061	(328)
TOTAL	(1,389)	1,061	(328)

NOTE 08 – HEDGE ACCOUNTING

Hedge accounting varies depending on the nature of the hedged item and of the transaction. Derivatives may qualify as hedging instrument 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 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 an amount multiplied by the CDI rate (the rate for interbank certificates of deposit in the Brazilian market) and an amount computed and multiplied by a fixed rate. Under a notional 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.

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

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

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 certificates of deposit (CDB): hedge of the variability in the cash flow of interest payments resulting from changes in the CDI interest rate.

To evaluate the effectiveness and to measure the 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 the change 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 of a hypothetical derivative 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 related affect the income statement 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.

Our strategies of net investments in foreign operations 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.

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 (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 rate and gain (loss) arising from the variation in exchange rates, on the amount of investment abroad designated as a hedged item.

Hedge relationships were designated in 2011 and the derivatives will mature on the sale of 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 amounts in the following tables are presented in millions of Brazilian Reals and represent the total position held by the jointly-controlled company Itaú Unibanco Holding

Derivatives used in cash flow hedge	12/31/2011			12/31/2010		
	Other Gain or (loss) recognized in other comprehensive income in cash flow hedge (effective portion)	Line item where the ineffective portion is recognized in the statement of income	Gain or (loss) recognized in derivatives (ineffective portion) (*)	Other gain or (loss) recognized in other comprehensive income in cash flow hedge (effective portion)	Line item where the ineffective portion is recognized in the statement of income	Gain or (loss) recognized in derivatives (ineffective portion) (*)
Interest rate futures	(282)	Net gain (loss) from financial assets and liabilities	1	8	Net gain (loss) from financial assets and liabilities	1
Interest rate swap	(30)	Net gain (loss) from financial assets and liabilities	-	(20)	Net gain (loss) from financial assets and liabilities	-
Total	(312)		1	(12)		1

(*) At December 31, 2011, 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\$ 167 (R\$ 1 at December 31, 2010).

Derivatives used in hedge of net investment in foreign operations	12/31/2011		
	Gain or (loss) recognized in other comprehensive income (effective portion)	Line item where the ineffective portion is recognized in the statement of income	Gain or (loss) recognized in derivatives (ineffective portion)
DDI Futures (1)	(890)	Net gain (loss) from financial assets and liabilities	42
Forwards	120	Net gain (loss) from financial assets and liabilities	19
NDF (2)	335	Net gain (loss) from financial assets and liabilities	2
Total	(435)		63

(1) DDI 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 (DJ) and a later maturity.

(2) NDF (Non-Deliverable Forward operations), or Forward Contract of Currency without Physical Delivery is a derivative traded on over-the-counter market which has the foreign exchange rate of a given currency as its subject.

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

Strategies	12/31/2011			12/31/2010		
	Derivatives		Hedged item	Derivatives		Hedged item
	Notional amount	Fair value	Carrying value	Notional amount	Fair value	Carrying value
Hedge of deposits and repurchase agreements	19,113	(4)	19,083	9,092	(10)	9,117
Hedge of redeemable preferred shares	737	(37)	737	655	(27)	655
Hedge of subordinated CDB	87	-	118	350	-	419
Hedge of investment in foreign operations (*)	6,886	31	4,131	-	-	-

(*) Hedge instruments include the overhedge rate of 40%.

With the purpose of extending the maturities of subordinated CDBs, Itaú Unibanco Holding partially discontinued the hedge operations of Subordinated CDBs by carrying out a debt roll-over (settlement of prior operation and issue of a new operation), which resulted in an effect of R\$ 3 in income statement during 2011.

Maturity	Strategies					Total
	Hedge of deposits and repurchase agreements	Hedge of redeemable preferred shares	Hedge of subordinated CDB	Hedge of investment in foreign operations		
2012	4,448	-	-	6,886		11,334
2013	8,652	-	-	-		8,652
2014	5,263	-	87	-		5,350
2015	-	737	-	-		737
2016	-	-	-	-		-
2017	750	-	-	-		750
Total	19,113	737	87	6,886		26,823

NOTE 09 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

ITAÚ UNIBANCO HOLDING	12/31/2011			
	Cost/amortized cost	Unrealized results		Fair value
		Gain	Loss	
Investment funds	802	4	-	806
Brazilian government securities (1a)	12,296	183	(55)	12,424
Brazilian external debt bonds (1b)	5,667	240	(1)	5,906
Government securities – abroad (1c)	4,327	5	(15)	4,317
Mexico	10	1	-	11
Denmark	1,949	-	-	1,949
Spain	418	-	-	418
Korea	295	-	-	295
Chile	992	4	(1)	995
Paraguay	358	-	(14)	344
Uruguay	268	-	-	268
Other	37	-	-	37
Corporate securities (1d)	23,174	1,699	(816)	24,057
Shares	3,458	698	(178)	3,978
Securitized real estate loans	7,806	707	(499)	8,014
Bank deposit certificates	274	-	-	274
Debentures	7,165	139	(68)	7,236
Eurobonds and others	3,554	152	(68)	3,638
Promissory notes	646	-	-	646
Other	271	3	(3)	271
TOTAL	46,266	2,131	(887)	47,510
Share of Itaúsa – 36.82%	17,036	785	(327)	17,494
Industrial companies	270	41	-	311
TOTAL	17,306	826	(327)	17,805

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and clients at December 31, 2011 were: a) R\$ 2,208, b) R\$ 3,880, c) R\$ 12 and d) R\$ 2,355, reflected in the Consolidated of Itaúsa proportionally: a) R\$ 813, b) R\$ 1,429, c) R\$ 5 and d) R\$ 867.

ITAÚ UNIBANCO HOLDING	12/31/2010			
	Cost/amortized cost	Unrealized results		Fair value
		Gain	Loss	
Investment funds	756	14	-	770
Brazilian government securities (1a)	9,949	130	-	10,079
Brazilian external debt bonds (1b)	4,584	181	(45)	4,720
Government securities – abroad (1c)	4,736	4	(181)	4,559
United States	679	-	-	679
Denmark	2,108	-	(92)	2,016
Spain	777	-	(43)	734
Korea	262	-	(26)	236
Chile	454	1	(2)	453
Paraguay	272	2	(18)	256
Uruguay	184	1	-	185
Corporate securities (1d)	22,865	1,734	(188)	24,411
Shares	3,889	1,395	(160)	5,124
Securitized real estate loans	6,799	190	(14)	6,975
Bank deposit certificates	559	-	-	559
Debentures	6,597	40	(3)	6,634
Eurobonds and others	3,745	109	(11)	3,843
Promissory notes	1,265	-	-	1,265
Other	11	-	-	11
TOTAL	42,890	2,063	(414)	44,539
Share of Itaúsa – 36.57%	15,686	754	(151)	16,289
Industrial companies	525	(61)	51	514
TOTAL	16,211	693	(100)	16,803

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and clients were: a) R\$ 3,396, b) R\$ 3,267, c) R\$ 13 and d) R\$ 2,149, reflected in the Itaúsa Consolidated proportionally: a) R\$ 1,780, b) R\$ 1,195, c) R\$ 5 and d) R\$ 786.

Realized gains and losses

ITAÚ UNIBANCO HOLDING	01/01 to	01/01 to
	12/31/2011	12/31/2010
Available-for-sale financial assets		
Gain	597	230
Loss	(153)	(79)
Total	444	151
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	163	55
Total	163	55

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

ITAÚ UNIBANCO HOLDING	12/31/2011		12/31/2010	
	Cost/ amortized cost	Fair value	Cost/ amortized cost	Fair value
Current	13,239	13,904	18,424	19,566
Without maturity	4,257	4,779	4,645	5,894
Up to one year	8,982	9,125	13,779	13,672
Non-current	33,027	33,606	24,466	24,973
From one to five years	16,875	17,042	12,060	12,228
From five to ten years	9,792	9,655	7,281	7,400
After ten years	6,360	6,909	5,125	5,345
Total	46,266	47,510	42,890	44,539
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	17,036	17,494	15,686	16,289
Industrial companies	270	311	525	514
TOTAL	17,306	17,805	16,211	16,803

During the year ended December 31, 2011 and 2010, we 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 are as follows:

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
	Amortized cost	Amortized cost
Brazilian government securities	2,812	2,764
Brazilian external debt bonds (1a)	196	226
Government securities – other countries	-	16
Corporate securities (1b)	97	164
Debentures	30	30
Eurobonds and other s	65	130
Securitized real estate loans	2	4
Total	3,105	3,170
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	1,144	1,159
TOTAL	1,144	1,159

(1) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients at December 31, 2011 were: a) R\$ 189 and b) R\$ 41 (R\$ 268 at December 31, 2010), totaling R\$ 230, reflected in the Consolidated of Itaúsa proportionally: a) R\$ 70 and b) R\$ 15 (R\$ 98 at 12/31/2010), totaling R\$ 85.

The results from the held-to-maturity financial assets were R\$ 360 (R\$ 456 at 12/31/2010) reflected in the Consolidated of Itaúsa proportionally: R\$ 133 (R\$ 167).

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

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
	Amortized cost	Amortized cost
Current	120	284
Due within one year	120	284
Non-current	2,985	2,886
From one to five years	242	344
From five to ten years	1,077	77
After ten years	1,666	2,465
Total	3,105	3,170
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	1,144	1,159
TOTAL	1,144	1,159

During the years ended December 31, 2011 and 2010, there were no impairment losses recognized with respect to held-to-maturity financial assets.

NOTE 11 - LOAN OPERATIONS - ITAÚ UNIBANCO HOLDING

a) Loan operations

Below is the composition of balances of loans and advances to clients by type, sector of debtor, maturity and concentration:

ITAÚ UNIBANCO HOLDING		
Loans and advances to clients, by type	12/31/2011	12/31/2010
Individuals	148,127	124,787
Credit card	38,961	33,041
Personal loan	35,253	23,528
Vehicles	60,463	60,151
Mortgage loans	13,450	8,067
Corporate	93,229	76,583
Small and medium businesses	85,649	79,950
Foreign loans Latin America	19,259	13,517
Total loans and advances to clients, gross of allowance for loan and lease losses	346,264	294,837
Allowance for loan and lease losses	(23,873)	(19,994)
Total loans and advances to clients, net of allowance for loan and lease losses	322,391	274,843
Share of Itaúsa	36.82%	36.57%
Loans and advances to clients	127,501	107,830
Allowance for loan and lease losses	(8,791)	(7,312)
Total share of Itaúsa	118,710	100,518
By sector of debtor	12/31/2011	12/31/2010
Public sector	1,990	1,138
Industry and commerce	99,859	84,997
Services	70,642	60,295
Primary sector	16,109	13,933
Other sectors	1,497	2,185
Individuals	156,167	132,289
Total loans and advances to clients, gross of allowance for loan and lease losses	346,264	294,837
Share of Itaúsa	36.82%	36.57%
	127,501	107,830
By maturity	12/31/2011	12/31/2010
Overdue as from 1 day	5,479	4,472
Falling due up to 3 months	35,146	30,212
Falling due more than 3 months but less than 1 year	31,460	28,291
Falling due after 1 year	55,416	44,855
Total loans and advances to clients, gross of allowance for loan and lease losses	127,501	107,830
By concentration	12/31/2011	12/31/2010
Largest debtor	858	592
10 largest debtors	5,013	4,137
20 largest debtors	7,955	6,698
50 largest debtors	13,073	11,642
100 largest debtors	17,778	15,708

The addition of net present value of loan operations with impairment and the respective allowance for loan losses are not presented at their gross amounts in the statement of income. If they were presented at gross amounts, there would be an increase of R\$ 705 and R\$ 566 in interest and similar income in 2011 and 2010, respectively, with the same impact on the expenses for allowance for loan losses.

b) Allowance for loan and lease losses

The movements in the allowance for loan and lease losses in the heading Loans and advances to clients are as follows:

ITAÚ UNIBANCO HOLDING				
	Opening balance	Write-offs	Net increase/ (Reversal)	Closing balance
Composition of balance by class of assets	12/31/2010	01/01 to	12/31/2011	12/31/2011
Individuals	10,619	(8,631)	11,641	13,629
Credit card	3,306	(3,558)	4,077	3,825
Personal loans	3,492	(2,959)	4,810	5,343
Vehicles	3,709	(2,041)	2,747	4,415
Mortgage loans	112	(73)	7	46
Corporate	1,071	(294)	(19)	758
Small and medium businesses	8,041	(7,001)	8,157	9,197
Foreign loans Latin America	263	(233)	259	289
Total	19,994	(16,159)	20,038	23,873
	36.57%			36.82%
Share of Itaúsa	7,312	(5,879)	7,358	8,791

The composition of the allowance for loan and lease losses by sector of our clients is shown in the following table:

By sector of the debtor	12/31/2011	12/31/2010
Public sector	1	16
Industry and commerce	6,266	5,658
Services	3,476	3,020
Primary sector	273	318
Other sectors	32	123
Individuals	13,825	10,859
Total	23,873	19,994
	36.82%	36.57%
Share of Itaúsa	8,791	7,312

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

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

ITAÚ UNIBANCO HOLDING	12/31/2011					
	Impaired		Not Impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated						
Corporate	1,033	430	92,196	328	93,229	758
II – Collectively evaluated						
Individuals	10,986	6,738	137,141	6,891	148,127	13,629
Credit card	3,083	1,918	35,878	1,907	38,961	3,825
Personal loans	3,455	2,087	31,798	3,256	35,253	5,343
Vehicles	4,329	2,707	56,134	1,708	60,463	4,415
Mortgage loans	119	26	13,331	20	13,450	46
Small and medium businesses	6,770	4,808	78,879	4,389	85,649	9,197
Foreign loans Latin America	63	36	19,196	253	19,259	289
Total	18,852	12,012	327,412	11,861	346,264	23,873
Share of Itaúsa			36.82%			
	6,942	4,423	120,559	4,367	127,501	8,791

ITAÚ UNIBANCO HOLDING	12/31/2010					
	Impaired		Not Impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated						
Corporate	884	394	75,699	677	76,583	1,071
II – Collectively evaluated						
Individuals	8,086	4,839	116,701	5,780	124,787	10,619
Credit card	2,411	1,458	30,630	1,848	33,041	3,306
Personal loans	2,195	1,380	21,333	2,112	23,528	3,492
Vehicles	3,315	1,938	56,836	1,771	60,151	3,709
Mortgage loans	165	63	7,902	49	8,067	112
Small and medium businesses	4,856	3,412	75,094	4,629	79,950	8,041
Foreign loans Latin America	52	35	13,465	228	13,517	263
Total	13,878	8,680	280,959	11,314	294,837	19,994
Share of Itaúsa			36.57%			
	5,076	3,175	102,755	4,138	107,830	7,312

(*) 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 minimum payments receivable from finance leases by maturity basically composed of individual operations - vehicles:

Itaú Unibanco Holding	12/31/2011		
	Minimum future 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

Itaú Unibanco Holding	12/31/2010		
	Minimum future payments	Future financial income	Present value
Current	19,462	(2,047)	17,415
Up to 1 year	19,462	(2,047)	17,415
Non-current	29,611	(8,879)	20,732
From 1 to 5 years	28,793	(8,693)	20,100
Over 5 years	818	(186)	632
Total	49,073	(10,926)	38,147
		36.57%	
Share of Itaúsa	17,947	(3,996)	13,951

The allowance for loan losses related to the leasing portfolio amounts to: R\$ 744 at 12/31/2011 and R\$ 1,006 at 12/31/2010, including the share of Itaúsa.

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\$ 125 at December 31, 2011 (R\$ 77 at December 31, 2010).

The table below shows the total future minimum payments:

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
Current	220	129
Up to 1 year	220	129
Non-current	120	83
From 1 to 5 years	120	83
Total future minimum payment	340	212
Future interest	1	2
Present value	339	210
	36.82%	36.57%
Share of Itaúsa	125	77

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 for services provided by third parties and rents under operating and capital lease agreements with non-cancelable initial and remaining lease terms of more than one year were as follows.

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
Current	882	823
Up to 1 year	882	823
Non-current	3,132	3,311
From 1 to 5 years	2,537	2,571
Over 5 years	595	740
Total future minimum payment	4,014	4,134
	36.82%	36.57%
Share of Itaúsa	1,478	1,512

NOTE 13 – INVENTORIES – INDUSTRIAL AREA

	12/31/2011	12/31/2010
Raw materials, supplies and packaging	397	307
Finished products	259	245
Work in process	74	81
Showroom	77	62
Advances to suppliers	20	16
Allowance for inventory losses	(58)	(50)
Other	2	2
Total	771	663

At December 31, 2011 and 2010, the subsidiaries of ITAÚSA CONSOLIDATED did not have any inventories pledged as collateral.

NOTE 14 - INVESTMENTS

1) Interest in subsidiaries and jointly-controlled - ITAÚSA

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

C o m p a n i e s	Balances at 12/31/2010	Dividends and interest on capital received / receivable (1)	Share of income of subsidiaries	Change in adjustment for market value	Accumulated translation adjustments	Granting of options recognized	Cash flow hedge	Other adjustments in stockholders' equity	Balances at 12/31/2011	Market value (2)
Itaú Unibanco Holding S.A.	12,910	(1,269)	3,223	(105)	60	50	(59)	-	14,810	-
IUPAR - Itaú Unibanco Participações S.A.	10,521	(139)	1,563	(93)	53	43	(52)	-	11,896	-
Duratex S.A.	1,212	(49)	132	-	2	2	-	-	1,299	1,719
Elekeiroz S.A.	460	(4)	14	-	-	-	-	(10)	460	289
Itautec S.A.	387	(11)	25	(7)	-	-	-	(6)	388	307
Itausa Empreendimentos S.A.	97	-	3	-	-	-	-	-	100	-
ITH Zux Cayman Company Ltd.	38	-	5	-	-	-	-	-	43	-
GRAND TOTAL	25,625	(1,472)	4,965	(205)	115	95	(111)	(16)	28,996	-

(1) Income receivable includes dividends and interest on capital receivable.

(2) Fair value of investments in affiliates and subsidiaries with price quotations disclosed.

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	75,336	14,610	885,142,980	77,193	36.82%	64.16%
IUPAR - Itaú Unibanco Participações S.A.	6,000	17,880	2,348	355,227,092	350,942,273	66.53%	50.00%
Duratex S.A.	1,550	3,693	375	194,070,169	-	35.40%	35.40%
Elekeiroz S.A.	320	477	15	14,261,761	16,117,360	96.49%	98.23%
Itautec S.A.	280	538	44	10,953,371	-	94.01%	94.01%
Itaúsa Empreendimentos S.A.	48	100	3	752,189	-	100.00%	100.00%
ITH Zux Cayman Company Ltd.	66	44	-	35,000,000	-	100.00%	100.00%

II - INVESTMENTS IN UNCONSOLIDATED COMPANIES - ITAÚSA CONSOLIDATED

a) Composition

ITAÚ UNIBANCO HOLDING	Interest % at		12/31/2011		12/31/2010		Market value	Share of income	Net income	Stockholders' equity	Share of income	Market value
	Total	Voting	Investment	Net income	Investment	Net income						
Porto Seguro Itaú Unibanco Participações S.A. (a)	42.93	42.93	2,014	415	2,094	466	2,094	144	2,494	1,968	161	2,782
Banco BPI S.A. (b) (c)	19.01	19.01	219	(1,880)	219	442	219	(343)	3,589	682	75	524
Serasa S.A. (D)	16.14	16.14	273	310	-	301	-	102	1,052	256	80	-
Other (e)	-	-	38	-	-	-	-	(16)	-	42	33	-
Total - Itaú Unibanco	-	-	2,544	-	-	-	-	(113)	-	2,948	349	-
Share - Itaúsa								36.82%				
Other investments (c)			937	(42)	-	-	-	(42)	-	1,078	128	-
Total			938	(110)	(152)	1,079	1,079	161	1,079	1,079	33	161

(a) For the purposes of market value, the quotation of Porto Seguro S.A.'s shares was taken into account. The investment includes the amounts of R\$ 862 at December 31, 2011 (R\$ 897 at December 31, 2010) that 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, reflected in the Consolidated of Itaúsa proportionally; R\$ 317 at December 31, 2011 (R\$ 328 at December 31, 2010).

(b) At December 31, 2011 impairment of R\$ 277 was recognized in relation to that investment, reflected in the Consolidated of Itaúsa proportionally; R\$ 102.

(c) Investment recorded under the equity method due to significant influence exerted by management members on the conduction of business.

(d) 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.

(e) At 12/31/2011 includes interest in total capital and voting capital of the following companies: Companhia Uruguaia de Medicos de Processamento S.A. (26.88% total and voting capital); Latosol Empreendimentos e Participações 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.

ITAUSA CONSOLIDATED	12/31/2011	12/31/2010
Total assets (*)	107,783	107,250
Total liabilities (*)	102,831	100,114
Total income (*)	8,739	8,275
Total expense (*)	(9,894)	(7,065)

(*) Basically represented by Banco BPI S.A., in the amount of R\$ 103,696 (R\$ 103,472 at December 31, 2010) related to assets, R\$ 102,544 (R\$ 99,883 at December 31, 2010) related to liabilities, R\$ 7,081 (R\$ 6,428 at December 31, 2010) related to income, and R\$ 8,961 (R\$ 5,986 at December 31, 2010) related to expenses.

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

ITAÚSA	12/31/2011	12/31/2010
Total assets	846,083	751,816
Total liabilities	748,016	664,257
Total income	142,552	115,677
Total expense	(125,158)	(100,608)

NOTE 15 – FIXED ASSETS

FIXED ASSETS (1)	Annual depreciation rates (%)	Balance at 12/31/2010			Changes				Balance at 12/31/2011		
		Cost	Accumulated depreciation	Net book value	Acquisitions	Disposals	Depreciation expense	Other	Cost	Accumulated depreciation	Net book value
REAL ESTATE IN USE (2)		2,990	(1,025)	1,965	252	(58)	(152)	13	3,152	(1,133)	2,019
Land	-	997	-	997	89	(18)	-	(12)	1,056	-	1,056
Buildings	4	1,587	(848)	739	79	(39)	(63)	13	1,638	(909)	729
Improvements	10	406	(177)	229	84	(1)	(89)	12	458	(224)	234
OTHER FIXED ASSETS		5,689	(3,037)	2,652	1,034	(37)	(527)	(196)	6,153	(3,087)	3,066
Installations	5 a 20	671	(417)	254	67	(1)	(43)	46	773	(450)	323
Furniture and equipment	10 a 20	2,721	(1,022)	1,699	165	(10)	(194)	(19)	2,807	(1,166)	1,641
EDP systems (3)	20 a 50	1,783	(1,392)	391	349	(22)	(253)	10	1,868	(1,253)	615
Other (communication, security and transportation)	4 a 20	514	(206)	308	453	(4)	(37)	(233)	705	(218)	487
TOTAL FIXED ASSETS		8,679	(4,062)	4,617	1,286	(95)	(679)	(183)	9,305	(4,220)	5,085

(1) Includes the contractual commitment for the purchase of fixed assets in the amount of R\$ 61.

(2) Includes the amount of R\$ 1 related to attached real estate, fixed assets under construction in the amount of R\$ 48, consisting of R\$ 21 in real estate in use, R\$ 19 in improvements, and R\$ 9 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.

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 December 31, 2011, it had approximately 138 thousand hectares with actual plantings (136 thousand hectares at December 31, 2010) which are cultivated in the States of São Paulo, Minas Gerais and Rio Grande do Sul.

a) Fair value estimate

The 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 estimated. 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:

	12/31/2011	12/31/2010
Cost of formation of biological assets	519	471
Difference between cost and fair value	575	559
Fair value of biological assets	1,094	1,030

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

c) Changes

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

	12/31/2011	12/31/2010
Opening balance	1,030	870
Variation in fair value		
Volume price	154	184
Depletion	(138)	(132)
Variation in historic value		
Formation	98	86
Depletion	(57)	(36)
Acquisition	7	58
Closing balance	1,094	1,030
	12/31/2011	12/31/2010
Effects of the variation in fair value of biological assets	16	52
Variation in fair value	154	184
Depletion of fair value	(138)	(132)

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 higher productivity.

NOTE 17 – INTANGIBLE ASSETS – ITAÚSA CONSOLIDATED (*)

INTANGIBLE ASSETS	Annual amortization rates (%)	12/31/2010					Changes					12/31/2011	
		Cost	Accumulated amortization	Net value	Acquisitions	Terminated agreements/write-off	Amortization expense	Impairment (1)	Other	Cost	Accumulated amortization	Net value	
Acquisition of rights to credit payroll	0%	889	(473)	416	135	(41)	(222)	(9)	(2)	607	(330)	277	
Goodwill on shares acquired from Itaú Unibanco Holding (Note 27)		832	-	832	45	-	-	-	(877)	-	-	-	
Other intangible assets		1,860	(417)	1,443	1,130	(14)	(359)	(2)	537	3,408	(673)	2,735	
Association for the promotion and offer of financial products and services	0%	543	(21)	522	117	(10)	(42)	(2)	(111)	516	(41)	475	
Expenditures on acquisition of software	20%	557	(321)	236	366	(1)	(88)	-	16	859	(330)	529	
Brands and patents	0 to 50%	2	-	2	1	-	(8)	-	82	85	(8)	77	
Goodwill for future profitability	0%	210	-	210	477	-	-	-	-	687	-	687	
Customer portfolio	6 to 50%	329	(29)	300	55	-	(196)	-	633	1,016	(224)	792	
Other intangible assets	10 to 20%	219	(46)	173	114	(3)	(25)	-	(63)	245	(70)	175	
		3,581	(890)	2,691	1,310	(55)	(581)	(11)	(342)	4,015	(1,003)	3,012	

(1) Note 2.4.i;

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

(*) At Itaúsa, total intangible assets refer to goodwill on shares issued by Itaú 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	12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total
Interest-bearing deposits	130,523	83,181	213,704	114,017	63,134	177,151
Time deposits	61,560	82,909	144,469	53,522	62,894	116,416
Interbank deposits	1,793	272	2,065	1,689	240	1,929
Investment deposits	-	-	-	906	-	906
Savings deposits	67,170	-	67,170	57,900	-	57,900
Non-interest bearing deposits	28,932	-	28,932	25,537	-	25,537
Demand deposits	28,932	-	28,932	25,349	-	25,349
Other deposits	-	-	-	188	-	188
Total	159,455	83,181	242,636	139,554	63,134	202,688
		36.82%			36.57%	
Share of Itaúsa	58,714	30,629	89,343	51,039	23,090	74,129
Eliminations	(17)	-	(17)	-	-	-
TOTAL	58,697	30,629	89,326	51,039	23,090	74,129

NOTE 19 – FINANCIAL LIABILITIES HELD FOR TRADING

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

ITAU UNIBANCO HOLDING	12/31/2011	12/31/2010
	CURRENT	CURRENT
Structured notes	2,815	1,335
Total	2,815	1,335
Itaúsa share – 36.82% in Dec/2011 and 36.57% in Dec/2010	1,037	488
TOTAL	1,037	488

The amount of changes in Financial liabilities held for trading was R\$ 545 (R\$ 246 at December 31, 2010).

The effect of the credit risk of these instruments is not significant at December 31, 2011 and December 31, 2010.

The balance is comprised of short position in shares in the amount of R\$ 613 (R\$ 339 at 12/31/2010) and debt securities in the amount of R\$ 423 (R\$ 149 at 12/31/2010). 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:

	12/31/2011	12/31/2010
	Cost/ amortized cost	Cost/ amortized cost
CURRENT	1,803	658
Up to one year	1,803	658
NON-CURRENT	1,012	677
From one to five years	909	632
From five to ten years	89	32
After ten years	14	13
Total	2,815	1,335
Itaúsa share – 36.82% in Dec/2011 and 36.57% in Dec/2010	1,037	488
TOTAL	1,037	488

During the year ended December 31, 2011, December 31, 2010 and January 1, 2010, we did not recognize any impairment losses on Financial liabilities held for trading.

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

a) Securities sold under repurchase agreements and Interbank markets

The table below shows the breakdown of funds:

ITAÚ UNIBANCO HOLDING	12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total
Securities sold under repurchase agreements	78,408	107,005	185,413	122,445	77,212	199,657
Interbank	47,265	43,233	90,498	32,551	30,048	62,599
Mortgage notes	37	207	244	48	254	302
Real estate credit bills	14,470	1,281	15,751	8,259	477	8,736
Bills of credit of agribusiness	1,422	1,862	3,284	2,660	114	2,774
Financial bills	2,544	11,764	14,308	-	2,466	2,466
Import and export financing	17,755	3,697	21,452	11,815	3,640	15,455
Onlending - domestic	11,037	24,422	35,459	9,769	21,920	31,689
Other	-	-	-	-	1,177	1,177
Share of Itaúsa		36.82%			36.57%	
Securities sold under repurchase agreements	28,871	39,401	68,273	44,782	28,239	73,020
Interbank markets	17,404	15,919	33,323	11,905	10,989	22,894

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	50% CDI to 16.68%	0.37% to 5.28%
Mortgage notes	-	2.70% to 7.50%
Real estate credit bills	82% to 100.00% CDI	-
Financial bills	IGPM to 112.75% CDI	-
Bills of credit of agribusiness	20% to 95% CDI	-
Import and export financing	0.20% to 105.25% CDI	0.86% to 11.75%
Onlending - domestic	0.50% to 10.50% TJLP	-

In “Securities sold under repurchase agreements”, we present our liabilities in transactions in which we sold to clients in exchange for cash debt securities issued by our consolidated subsidiaries previously held in treasury, and we undertook to repurchase them at any time after the sale up to a repurchase deadline, at which time they must be repurchased by us. The repurchase price is computed as the price paid on the sale date plus interest at rates ranging from 50% CDI to 16.68%. 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, Itaúsa made a payment in the amount of R\$ 416, related to the amortization of the first installment.

c) Institutional markets

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

ITAÚ UNIBANCO HOLDING	12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total
Subordinated debt	10,719	28,996	39,715	979	33,508	34,487
Debentures	1,039	-	1,039	293	1,091	1,384
Foreign borrowings and securities	8,143	5,910	14,053	2,659	5,983	8,642
Total	19,901	34,906	54,807	3,931	40,582	44,513
		36.82%			36.57%	
Share of Itaúsa	7,328	12,853	20,180	1,438	14,842	16,280
Itaúsa debentures	401	350	751	365	700	1,065
Total	7,729	13,203	20,931	1,803	15,542	17,345

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 9.50%	1.52% to 11.00%

NOTE 21 - OTHER ASSETS AND LIABILITIES

a) Other assets

	12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total
Financial (1)	10,763	4,162	14,925	12,296	3,535	15,831
Receivables from credit card issuers	6,745	-	6,745	6,606	-	6,606
Insurance and reinsurance operations	1,322	-	1,322	1,131	-	1,131
Deposits in guarantee for contingent liabilities (Note 31)	957	3,915	4,872	661	3,477	4,138
Deposits for foreign borrowing program	221	-	221	686	-	686
Negotiation and intermediation of securities	593	-	593	1,953	-	1,953
Receivables from reimbursement of contingent liabilities (Note 31)	236	-	236	601	51	652
Receivables from services provided	463	-	463	417	-	417
Amounts receivable from FCVS – Salary Variations Compensation Fund (2)	-	247	247	211	-	211
Foreign exchange portfolio	99	-	99	-	-	-
Operations without credit granting characteristics	127	-	127	29	7	36
Non-financial	3,522	547	4,069	1,878	360	2,238
Prepaid expenses (Note 29)	868	547	1,415	408	360	768
Retirement plan assets (Notes 28(b) and (c))	735	-	735	701	-	701
Sundry - domestic	1,611	-	1,611	597	-	597
Sundry - foreign	41	-	41	71	-	71
Other	267	-	267	101	-	101

(1) In this period, there were 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

	12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total
Financial	16,202	44	16,246	14,951	48	14,999
Credit card operations	15,169	-	15,169	13,637	8	13,645
Foreign exchange portfolio	-	-	-	117	-	117
Negotiation and intermediation of securities	922	-	922	1,133	-	1,133
Finance lease	81	44	125	47	30	77
Funds from consortia participants	30	-	30	17	10	27
Non-financial	10,015	252	10,267	8,441	91	8,532
Expenses for industrial companies	2,498	-	2,498	2,056	-	2,056
Collection and payment of taxes and contributions	320	-	320	256	-	256
Sundry creditors – Local and abroad	754	-	754	674	-	674
Funds in transit	1,420	-	1,420	803	-	803
Provision for sundry payments	768	210	978	796	83	879
Social and statutory	1,488	31	1,519	1,465	9	1,474
Related to insurance operations	341	-	341	291	-	291
Liabilities for official agreements and rendering of payment services	555	-	555	475	-	475
Provision for retirement plan benefits (Note 28b and d)	127	11	138	84	-	84
Personnel provision	568	-	568	497	-	497
Provision for health insurance	229	-	229	222	-	222
Deferred income	266	-	266	170	-	170
Other	681	-	681	651	-	651

NOTE 22 – STOCKHOLDERS' EQUITY**a) Capital**

The Annual and Extraordinary Stockholders' Meeting held on April 29, 2011 and as ratified the following proposals of the Board of Directors:

- Capital increase amounting to R\$ 412, through the issue of 41,200,000 new book-entry shares, with no par value, of which 15,830,895 are common shares and 25,369,105 are preferred shares, with payment either in cash or credits arising from dividends or interest on capital.

In view of the aforementioned items, capital was increased to R\$ 13,678, represented by 4,415,481,589 book-entry shares, with no par value, of which 1,696,626,868 are common shares with voting rights and 2,718,854,721 are preferred without voting rights, but with the following advantages:

- Priority in the receipt of annual minimum dividend of R\$ 10.00 per thousand shares, non-cumulative;
- 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 table below shows the breakdown of and change in shares of paid-in capital and reconciliation of the opening and closing balances of 2010 and December 31, 2011:

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at 12/31/2010	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
(-) Treasury shares at 01/01/2010 (*)	-	(1,382,038)	(1,382,038)	(15)
Cancellation of shares (ESM of 04/30/2010)	-	1,382,038	1,382,038	15
Treasury shares at 12/31/2010 (*)	-	-	-	-
Shares outstanding at December 31, 2010	1,680,795,973	2,693,485,616	4,374,281,589	13,266

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at 12/31/2010	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 at 01/01/2011 and 12/31/2011	15,830,895	25,369,105	41,200,000	412
Increase in capital	15,830,895	25,369,105	41,200,000	412
(-) Treasury shares at 12/31/2011 (*)	-	(8,700,000)	(8,700,000)	-
Purchase of shares	-	(8,700,000)	(8,700,000)	-
Shares outstanding at December 31, 2011	1,696,626,868	2,710,154,721	4,406,781,589	13,678
Residents in Brazil	1,696,361,573	1,811,897,595	3,508,259,168	10,895
Residents abroad	265,295	898,257,126	898,522,421	2,783

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

b) Dividends

Stockholders are entitled to a mandatory minimum dividend of not less than 25% of adjusted profit 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 the 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\$ 0.014 per share. The amount per share was maintained according to a resolution passed at the A/ESM held on November 10, 2008.

Additionally, interest on capital was declared after December 31, 2011, segregated into stockholders' equity in special revenue reserves in the amount of R\$ 551 - R\$ 0.1250 per share, which, net of withholding income tax, totals R\$ 468.

I. Calculation

	12/31/2011		12/31/2010	
Net income	4,837		4,417	(1)
(-) Legal reserve	(242)		(221)	
Dividend calculation basis	4,595		4,196	
Mandatory minimum dividend	1,149	25.00%	1,049	25.00%
Declared after December 31, 2011 (Recorded in Revenue Reserve - Unrealized profits)	468		378	
Proposed dividends/interest on capital	1,617	35.18%	1,427	34.01%

(In millions of Reais)

II. Provision of interest on capital and dividends

	Gross	WTS	Net
Paid / Prepaid	467	(51)	416
Dividends	123	-	123
1 quarterly installment of R\$ 0.014 per share paid on 07/01/2011	61	-	61
1 quarterly installment of R\$ 0.014 per share paid on 10/03/2011	62	-	62
Interest on capital	344	(51)	293
1 quarterly installment of R\$ 0.078 per share paid on 08/22/2011	344	(51)	293
Declared until December 31, 2011 (Recorded in Other Liabilities)	841	(108)	733
Dividends	124	-	124
1 quarterly installment of R\$ 0.014 per share payable on 04/02/2012	62	-	62
1 quarterly installment of R\$ 0.014 per share payable on 01/02/2012	62	-	62
Interest on capital	717	(108)	609
1 installment of R\$ 0.140 per share to be paid by March, 13, 2012	617	(93)	524
1 installment of R\$ 0.01288 per share to be paid by March, 13, 2012	57	(9)	48
1 installment of R\$ 0.00982 per share to be paid by June, 08, 2012	43	(6)	37
Declared after December 31, 2011 (Recorded in Revenue Reserve - Unrealized profits)	551	(83)	468
1 installment of R\$ 0.1250 per share to be paid by June, 08, 2012	551	(83)	468
Total at 12/31/2011 - R\$ 0.3669 net per share (1)	1,859	(242)	1,617
Total at 12/31/2010 - R\$ 0.3262 net per share (1)	1,635	(208)	1,427

(1) Considers the value declared after the respective date base.

c) Additional paid-in capital

- **A reserve**

Legal reserve 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.

	12/31/2011	12/31/2010
REVENUE RESERVES	15,268	11,406
Legal	2,019	1,777
Statutory	13,249	9,629
Dividends equalization	4,501	3,539
Working capital increase	4,313	3,053
Increase in capital of investees	4,435	3,037
Proposal for distribution of additional dividends	551	445
Other reserves	264	1,181
Total reserves at parent company	16,083	13,032

d) Unappropriated reserves

Refers to the balance of profit remaining after the distribution of dividends and interest on capital appropriations to statutory reserves in the statutory of ITAÚSA CONSOLIDADO.

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 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 base 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 10 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 programs were 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 the 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 times they acquire 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 fiscal year ended December 31, 2011 – R\$ 37.00 per share (R\$ 39.90 per share at December 31, 2010).

The fair value of Share-Based Instrument is the market price 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\$ 48 in 2011 (R\$ 62 in 2010).

Summary of changes in the plan

No.	Granting date	Vesting period until	Exercise deadline	Restated exercise price (R\$1)	Exercised options		Prior balance 12/31/2010	Number of shares			To be exercised at 12/31/2011
					Exercise price weighted average	Market value weighted average		Granted	Exercised	Forfeited (*) / Canceled	
Simple options											
10th	2/16/2004	12/31/2008	12/31/2011	13.46	13.23	35.17	712,942	-	712,942	-	-
27th	2/1/2005	5/5/2009	1/31/2011	16.52	16.42	39.50	12,650	-	12,650	-	-
11th	2/21/2005	12/31/2009	12/31/2012	18.94	18.39	34.88	2,877,600	-	1,912,825	27,500	937,275
11th	8/1/2005	12/31/2009	12/31/2012	18.94	18.39	34.88	27,500	-	27,500	-	-
11th	8/6/2007	12/31/2009	12/31/2012	18.94	-	-	11,357	-	-	-	11,357
27th	2/1/2005	2/1/2010	1/31/2011	16.52	16.42	39.50	16,389	-	16,389	-	-
34th	3/21/2007	3/21/2010	3/20/2011	35.34	-	-	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	28.49	28.45	36.48	52,710	-	52,710	-	-
29th	9/19/2005	9/19/2010	9/18/2011	21.77	21.30	38.45	12,650	-	12,650	-	-
12th	2/21/2006	12/31/2010	12/31/2013	28.18	27.30	36.42	8,025,250	-	1,110,385	60,500	6,854,365
12th	8/6/2007	12/31/2010	12/31/2013	28.18	-	-	15,867	-	-	-	15,867
16th	8/10/2009	12/31/2010	12/31/2014	32.05	-	-	874,167	-	-	-	874,167
34th	3/21/2007	3/21/2011	3/20/2012	36.85	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2011	3/21/2012	36.80	-	-	29,518	-	-	-	29,518
36th	5/14/2008	5/14/2011	5/13/2012	45.79	-	-	25,301	-	-	-	25,301
30th	7/4/2006	7/4/2011	7/3/2012	29.21	-	-	52,707	-	-	-	52,707
33rd	8/30/2006	8/30/2011	8/29/2012	32.34	-	-	21,083	-	-	-	21,083
13th	2/14/2007	12/31/2011	12/31/2014	35.89	34.82	36.93	8,546,975	-	507,375	306,625	7,732,975
13th	8/6/2007	12/31/2011	12/31/2014	35.89	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	35.89	-	-	45,954	-	-	-	45,954
Total options to be exercised					21.84	35.62	21,572,589	-	4,365,426	500,044	16,707,119
34th	3/21/2007	3/21/2012	3/20/2013	36.85	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2012	3/21/2013	36.80	-	-	29,514	-	-	-	29,514
36th	5/14/2008	5/14/2012	5/13/2013	45.79	-	-	25,300	-	-	-	25,300
17th	9/23/2009	9/23/2012	12/31/2014	37.02	-	-	29,551	-	-	-	29,551
14th	2/11/2008	12/31/2012	12/31/2015	41.37	-	-	10,846,487	-	-	1,580,421	9,266,066
14th	5/5/2008	12/31/2012	12/31/2015	41.37	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	41.37	-	-	45,954	-	-	-	45,954
36th	5/14/2008	5/14/2013	5/13/2014	45.79	-	-	25,300	-	-	-	25,300
15th	3/3/2009	12/31/2013	12/31/2016	27.06	26.97	33.88	15,067,330	-	804,770	147,620	14,114,940
15th	10/28/2009	12/31/2013	12/31/2016	27.06	-	-	45,954	-	-	-	45,954
18th	4/17/2010	12/31/2014	12/31/2017	43.95	-	-	6,126,609	-	-	74,386	6,052,223
18th	5/11/2010	12/31/2014	12/31/2017	43.95	-	-	1,206,340	-	-	42,421	1,163,919
37th	4/19/2011	12/31/2015	12/31/2018	42.93	-	-	-	9,863,110	-	93,678	9,769,432
Total options outstanding					26.97	33.88	33,544,865	9,863,110	804,770	1,938,526	40,664,679
Total simple options					22.64	35.35	55,117,454	9,863,110	5,170,196	2,438,570	57,371,798
Partner options											
4th	3/3/2008	3/3/2011	-	-	-	37.22	416,487	-	376,581	-	39,906
5th	9/3/2008	9/3/2011	-	-	-	28.83	490,624	-	431,185	12,729	46,710
Total options to be exercised						37.22	907,111	-	807,766	12,729	86,616
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	-	-	19,673	309,508
3rd	2/29/2008	9/3/2012	-	-	-	-	33,474	-	-	-	33,474
4th	3/3/2008	3/3/2013	-	-	-	-	415,930	-	-	27,498	388,432
8th	8/17/2010	8/16/2013	-	-	-	-	376,916	-	-	37,284	339,632
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	-	-	40,684	449,442
10th	9/30/2010	9/29/2013	-	-	-	-	1,940,987	-	-	78,578	1,862,409
12th	2/28/2011	2/28/2014	-	-	-	-	-	1,585,541	-	26,957	1,558,584
6th	3/6/2009	3/6/2014	-	-	-	-	739,608	-	-	35,004	704,604
7th	6/19/2009	3/6/2014	-	-	-	-	79,445	-	-	-	79,445
14th	11/4/2011	8/18/2014	-	-	-	-	-	509	-	-	509
13th	8/19/2011	8/19/2014	-	-	-	-	-	706,397	-	-	706,397
8th	8/17/2010	8/16/2015	-	-	-	-	376,876	-	-	37,953	338,923
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	-	-	82,433	1,858,518
12th	2/28/2011	2/28/2016	-	-	-	-	-	1,585,497	-	28,282	1,557,215
13th	8/19/2011	8/19/2016	-	-	-	-	-	706,338	-	-	706,338
14th	11/4/2011	8/18/2016	-	-	-	-	-	508	-	-	508
Total options outstanding							8,298,684	4,584,790	-	496,775	12,386,699
Total partner options						37.22	9,205,795	4,584,790	807,766	509,504	12,473,315
TOTAL SIMPLE/PARTNER OPTIONS					22.84	32.92	64,323,249	14,447,900	5,977,962	2,948,074	69,845,113

(*) Refers to options not exercised at the discretion of the beneficiary.

Summary of changes in the plan

Nº	Granting date	Vesting period until	Exercise deadline	Restated exercise price (R\$1)	Exercised options		Prior balance 01/01/2010	Number of shares			
					Exercise price weighted average	Market value weighted average		Granted	Exercised	Forfeited (*) / Canceled	To be exercised at 12/31/2010
Simple options											
9th	3/10/2003	12/31/2007	12/31/2010	-	7.85	38.55	570,500	-	570,500	-	-
9th	5/2/2005	12/31/2007	12/31/2010	-	7.85	38.55	6,187	-	6,187	-	-
16th	9/2/2003	9/2/2008	2/25/2010	-	7.77	36.03	38,263	-	38,263	-	-
10th	2/16/2004	12/31/2008	12/31/2011	12.70	12.15	39.34	1,886,792	-	1,173,850	-	712,942
24th	7/19/2004	1/13/2009	5/5/2010	-	12.58	39.59	29,516	-	29,516	-	-
25th	8/4/2004	1/13/2009	5/5/2010	-	6.76	39.65	329,506	-	329,506	-	-
27th	2/1/2005	2/1/2009	5/5/2010	-	15.76	36.97	206,342	-	206,342	-	-
27th	2/1/2005	5/5/2009	1/31/2011	16.38	-	-	12,650	-	-	-	12,650
30th	7/4/2006	7/4/2009	7/3/2010	-	26.73	32.50	52,710	-	52,710	-	-
33rd	8/30/2006	8/30/2009	8/29/2010	-	29.62	38.45	21,084	-	21,084	-	-
29th	9/19/2005	9/19/2009	9/18/2010	-	20.14	38.33	12,650	-	12,650	-	-
11th	2/21/2005	12/31/2009	12/31/2012	17.88	16.69	39.49	7,082,200	-	4,204,600	-	2,877,600
11th	8/1/2005	12/31/2009	12/31/2012	17.88	-	-	27,500	-	-	-	27,500
11th	8/6/2007	12/31/2009	12/31/2012	17.88	-	-	11,357	-	-	-	11,357
27th	2/1/2005	2/1/2010	1/31/2011	16.38	15.76	36.97	1,068,901	-	999,802	52,710	16,389
34th	3/21/2007	3/21/2010	3/20/2011	34.60	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2010	3/21/2011	34.56	-	-	29,518	-	-	-	29,518
30th	7/4/2006	7/4/2011	7/3/2012	27.42	-	-	52,707	-	-	-	52,707
33rd	8/30/2006	8/30/2011	8/29/2012	30.37	-	-	21,083	-	-	-	21,083
13th	2/14/2007	12/31/2011	12/31/2014	33.87	31.99	38.98	10,220,925	-	1,660,200	13,750	8,546,975
13th	8/6/2007	12/31/2011	12/31/2014	33.87	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	33.87	-	-	45,954	-	-	-	45,954
34th	3/21/2007	3/21/2012	3/20/2013	34.60	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2012	3/21/2013	34.56	-	-	29,514	-	-	-	29,514
36th	5/14/2008	5/14/2012	5/13/2013	42.99	-	-	25,300	-	-	-	25,300
17th	9/23/2009	9/23/2012	12/31/2014	34.94	-	-	29,551	-	-	-	29,551
14th	2/11/2008	12/31/2012	12/31/2015	39.05	38.12	41.31	11,485,485	-	612,599	26,399	10,846,487
14th	5/5/2008	12/31/2012	12/31/2015	39.05	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	39.05	-	-	45,954	-	-	-	45,954
36th	5/14/2008	5/14/2013	5/13/2014	42.99	-	-	25,300	-	-	-	25,300
15th	3/3/2009	12/31/2013	12/31/2016	25.54	24.80	40.27	16,829,780	-	1,533,100	229,350	15,067,330
15th	10/28/2009	12/31/2013	12/31/2016	25.54	-	-	45,954	-	-	-	45,954
18th	4/17/2010	12/31/2014	12/31/2017	41.48	-	-	-	6,258,877	-	132,268	6,126,609
18th	5/11/2010	12/31/2014	12/31/2017	41.48	-	-	-	1,290,289	-	83,949	1,206,340
Total options to be exercised					16.67	39.08	22,030,089	-	9,232,878	52,710	12,744,501
Total options in the vesting period					30.08	39.87	39,115,402	7,549,166	3,805,899	485,716	42,372,953
Total simple options							61,145,491	7,549,166	13,038,777	538,426	55,117,454
Weighted average price – simple options					20.59	39.31	25.46	41.48		31.92	31.38
Bonus options											
1st	9/3/2007	9/3/2010	-	-	-	37.85	342,502	-	340,340	2,162	-
3rd	2/29/2008	9/3/2010	-	-	-	-	33,474	-	-	33,474	-
Total options to be exercised						37.85	375,976	-	340,340	35,636	-
4th	3/3/2008	3/3/2011	-	-	-	-	423,212	-	-	6,725	416,487
5th	9/3/2008	9/3/2011	-	-	-	-	502,189	-	-	11,565	490,624
6th	3/6/2009	3/6/2012	-	-	-	-	769,830	-	-	29,468	740,362
7th	6/19/2009	3/6/2012	-	-	-	-	79,446	-	-	-	79,446
1st	9/3/2007	9/3/2012	-	-	-	-	342,479	-	-	13,298	329,181
3rd	2/29/2008	9/3/2012	-	-	-	-	33,474	-	-	-	33,474
4th	3/3/2008	3/3/2013	-	-	-	-	423,190	-	-	7,260	415,930
8th	8/17/2010	8/16/2013	-	-	-	-	-	384,961	-	8,045	376,916
9th	8/30/2010	8/16/2013	-	-	-	-	-	359,991	-	-	359,991
11th	9/30/2010	8/16/2013	-	-	-	-	-	17,717	-	-	17,717
5th	9/3/2008	9/3/2013	-	-	-	-	502,164	-	-	12,038	490,126
10th	9/30/2010	9/29/2013	-	-	-	-	-	1,940,987	-	-	1,940,987
6th	3/6/2009	3/6/2014	-	-	-	-	769,807	-	-	30,199	739,608
7th	6/19/2009	3/6/2014	-	-	-	-	79,445	-	-	-	79,445
8th	8/17/2010	8/16/2015	-	-	-	-	-	384,920	-	8,044	376,876
9th	8/30/2010	8/16/2015	-	-	-	-	-	359,962	-	-	359,962
11th	9/30/2010	8/16/2015	-	-	-	-	-	17,712	-	-	17,712
10th	9/30/2010	9/29/2015	-	-	-	-	-	1,940,951	-	-	1,940,951
Total options outstanding							3,925,236	5,407,201	-	126,642	9,205,795
Total bonus options						37.85	4,301,212	5,407,201	340,340	162,278	9,205,795
TOTAL SIMPLE/BONUS OPTIONS					20.59	39.28	65,446,703	12,956,367	13,379,117	700,704	64,323,249

(*) Refers to options not exercised at the discretion of the beneficiary.

Summary of Changes in Share-Based Instruments (SBI)

No.	Vesting period		Prior balance 12/31/2010	New	Converted into shares	Cancelled	To be converted into shares at 12/31/2011
1 st	8/17/2010	8/16/2011	114,980	-	110,598	4,382	-
1 st	8/17/2010	8/16/2012	114,969	-	-	4,381	110,588
1 st	8/17/2010	8/16/2013	114,958	-	-	4,381	110,577
1 st	8/30/2010	8/16/2011	10,221	-	10,221	-	-
1 st	8/30/2010	8/16/2012	10,216	-	-	-	10,216
1 st	8/30/2010	8/16/2013	10,212	-	-	-	10,212
1 st	9/30/2010	8/16/2011	3,972	-	3,972	-	-
1 st	9/30/2010	8/16/2012	3,971	-	-	-	3,971
1 st	9/30/2010	8/16/2013	3,970	-	-	-	3,970
2 nd	9/30/2010	9/29/2011	424,172	-	424,172	-	-
2 nd	9/30/2010	9/29/2012	424,163	-	-	-	424,163
2 nd	9/30/2010	9/29/2013	424,154	-	-	-	424,154
3 rd	2/28/2011	2/27/2011	-	444,040	-	-	444,040
3 rd	2/28/2011	2/27/2012	-	444,030	-	-	444,030
3 rd	2/28/2011	2/27/2013	-	444,020	-	-	444,020
Total			1,659,958	1,332,090	548,963	13,144	2,429,941

No.	Vesting period		New	Converted into shares	Cancelled	To be converted into shares at 12/31/2010
1 st	8/17/2010	8/16/2011	123,231	-	8,251	114,980
1 st	8/17/2010	8/16/2012	123,220	-	8,251	114,969
1 st	8/17/2010	8/16/2013	123,209	-	8,251	114,958
1 st	8/30/2010	8/16/2011	10,221	-	-	10,221
1 st	8/30/2010	8/16/2012	10,216	-	-	10,216
1 st	8/30/2010	8/16/2013	10,212	-	-	10,212
1 st	9/30/2010	8/16/2011	3,972	-	-	3,972
1 st	9/30/2010	8/16/2012	3,971	-	-	3,971
1 st	9/30/2010	8/16/2013	3,970	-	-	3,970
2 nd	9/30/2010	9/29/2011	424,172	-	-	424,172
2 nd	9/30/2010	9/29/2012	424,163	-	-	424,163
2 nd	9/30/2010	9/29/2013	424,154	-	-	424,154
Total			1,684,711	-	24,753	1,659,958

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 issue is adopted, adjusted by the IGP-M variation;

Price of the underlying asset: the share price of Itaú Unibanco Holding (ITUB4) used for calculation is the closing price at BM&FBOVESPA on the calculation base date;

Expected dividends the average annual return rate for the last three years, of the dividends paid plus interest on capital 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 Nº	Data	Vesting period	Exercise period until	Price of the underlying asset	Fair value	Expected dividends	Risk-free interest rate	Expected volatility
Simple options								
37 th	04/19/2011	12/31/2015	12/31/2018	37.26	11.02	2.97%	5.80%	30.53%
Bonus Options (*)								
12 th	02/28/2011	02/28/2014	-	37.00	33.85	2.97%	-	-
12 th	02/28/2011	02/28/2016	-	37.00	31.83	2.97%	-	-
13 th	08/19/2011	08/19/2014	-	26.65	24.39	2.97%	-	-
13 th	08/19/2011	08/19/2016	-	26.65	22.98	2.97%	-	-
14 th	11/04/2011	08/18/2014	-	32.62	30.04	2.97%	-	-
14 th	11/04/2011	08/18/2016	-	32.62	28.30	2.97%	-	-

(*) The fair value of bonus options is measured based on the fair value of Itaú Unibanco Holding's share 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 was R\$ 60 (R\$ 48 for the year ended December 31, 2010), with a correspondence to entry to "Additional paid-in capital – granted options recognized".

In the stockholders' equity Itaú Unibanco Holding, the effect was as follows:

	12/31/2011	12/31/2010
Amount received for the sale of shares – exercised options	353	406
(-) Cost of treasury shares sold	(268)	(403)
Effect of sale (*)	85	3

(*) 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 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 base date of that year-end balance sheet.

The exercise price to be paid to Duratex is established by the Personnel committee at the option grant. 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 the 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
Total stock options granted	2,659,180	2,787,050	2,678,901	2,517,951	1,333,914	1,875,322
Exercise price at granting date	11.16	11.82	15.34	9.86	16.33	13.02
Fair value at granting date	9.79	8.88	7.26	3.98	7.04	5.11
Exercise deadline	10 years	10 years	10 years	8 years	8 years	8.5 years
Vesting period	1,5 years	1.5 years	1.5 years	3 years	3 years	3.5 years

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

	2006	2007	2008	2009	2010	2011
Volatility of share price	34.80%	36.60%	36.60%	46.20%	38.50%	32.81%
Dividend yield	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%
Effective exercise rate	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%

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

(1) IGP-M coupon

Granting date	Granted number	Maturity date	Exercise deadline	Granting price	Exercisable balance		Option price	Total amount	Base period					Other periods	
					Dec/10	Dec/11			2007	2008	2009	2010	Dec/11		
						(*)									
3/30/2006	2,659,180	7/1/2007	Up to 12/31/2016*	11.16	40,714	48,856	11.42	1	1	-	-	-	-	-	-
1/31/2007	2,787,050	7/1/2008	Up to 12/31/2017	11.82	2,112,699	2,535,227	10.36	25	16	9	-	-	-	-	-
2/13/2008	2,678,901	7/1/2009	Up to 12/31/2018	15.34	2,443,506	2,932,193	8.47	19	-	12	7	-	-	-	-
6/30/2009	2,517,951	7/1/2012	Up to 12/31/2017	9.86	1,652,752	1,983,285	4.64	9	-	-	2	-	5	1	1
4/14/2010	1,333,914	1/1/2014	Up to 12/31/2018	16.33	1,220,697	1,464,818	8.21	9	-	-	-	-	2	2	4
6/29/2011	1,875,322	12/31/2014	Up to 12/31/2019	13.02	-	1,875,322	5.11	10	-	-	-	-	-	1	8
Sum	13,852,318				7,470,368	10,839,701		72	17	21	9	8	4	13	13
Exercise effectiveness								96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%
Computed value								70	16	20	9	7 (1)	4 (2)	13 (3)	

(1) Value charged to income for 2010.

(2) Value charged to income up to December 2011.

(3) Value charged to income up to December 2019.

(*) Includes bonus shares of 20% as per resolution at the A/ESM of April 29, 2011

At December 31, 2011, Duratex S.A. had 1,889,486 treasury shares, which may be used in a possible option exercise.

c) Itaotec S.A.

As set forth in the bylaws, until 2006 Itaotec has a stock option plan with the purpose of integrating its executives in the Company's development process in the medium and long terms, 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 grant of stock options is based on the average quotation of shares of Itaotec 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% was made.

Pursuant to CVM Resolution No. 562 of December 17, 2008, the fair value of options was recognized as from the grant date 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 2010 and 2011.

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	06/30/2001	06/30/2002	06/30/2003	06/30/2003	06/30/2004	06/30/2005	06/30/2007	
Maturity	12/31/2010	12/31/2011	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2016	
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 has been exercised to this date.

The fair value of the options granted, resulting from the table above, is R\$ 37, which was accounted for as a reserve in 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 stockholders' equity, which does not eliminate the requirement to the Company to recognize the transfer of a component to another under stockholders' equity, should options be exercised (expire). In 2011 no adjustment was made in stockholders' equity in view of the lack of exercise of the options which expired on December 31, 2011.

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 terms, 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 statement.

NOTE 24 – OTHER OPERATING INCOME AND EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES**a) Other operating income**

	01/01 to 12/31/2011	01/01 to 31/12/2010
Recovery of charges and expenses	60	29
Reversal of operating provisions	138	160
operating revenues	403	268
Gains on sale of investments	20	18
Income/(loss) from sale of assets	97	220
Reversal of non-operating provisions	25	62
Other	340	127
Total	1,083	884

b) Other operating expenses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Expenses related to credit cards	(666)	(1,237)
Refunds related to acquisitions	(54)	(42)
Losses with third-party frauds	(276)	(204)
Loss on sale of assets held for sale, fixed assets and investments in unconsolidated companies	(68)	(208)
Contingencies	(889)	(1,624)
Operating expenses from industrial companies	(747)	(1,322)
Other	(482)	(1,047)
Total	(3,182)	(5,684)

c) General and administrative expenses

	01/01 to 12/31/2011	01/01 to 12/31/2010
Personnel expenses	(5,485)	(4,941)
Compensation	(2,313)	(2,059)
Charges	(916)	(796)
Welfare benefits	(639)	(708)
Retirement plans and other post-employment benefits	(47)	(51)
Stock option plan	(60)	(48)
Training	(98)	(86)
Dismissals	(488)	(347)
Employee profit sharing	(924)	(846)
Administrative expenses	(4,699)	(4,700)
Data processing and telecommunications	(1,165)	(1,197)
Third-party services	(1,203)	(1,000)
Installations	(417)	(468)
Advertising, promotions and publications	(388)	(452)
Rent	(336)	(315)
Transportation	(260)	(218)
Materials	(169)	(167)
Financial services	(162)	(166)
Security	(177)	(165)
Utilities	(108)	(103)
Travel	(73)	(61)
Other	(241)	(388)
Depreciation	(727)	(649)
Amortization	(393)	(404)
Insurance acquisition expenses	(466)	(367)
Total	(11,770)	(11,061)

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	01/01 to 12/31/2011	01/01 to 12/31/2010
Income before income tax and social contribution	6,631	7,063
Charges (income tax and social contribution) at the enacted rates	(2,612)	(2,810)
Increase/decrease to income tax and social contribution charges arising from:		
Permanent additions (exclusions)	1,348	760
Share of comprehensive income of unconsolidated companies, net	24	78
Foreign exchange variation on assets and liabilities abroad	337	(94)
Interest on capital	675	613
Dividends, interest on external debt bonds and tax incentives	100	107
Other (*)	212	56
Total income tax and social contribution	(1,264)	(2,050)

(*) It includes the Program for Cash Settlement or Installment Payment of Federal Taxes – Law No. 11,941/09.

b) Deferred taxes

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

	12/31/2010	Realization/ reversal	Increase	12/31/2011
Reflected in income	9,907	(4,040)	5,214	11,081
Related to income tax and social contribution tax carryforwards	1,336	(492)	1,013	1,857
Allowance for loan losses	3,814	(1,590)	2,499	4,723
Adjustment to market value - securities and derivative financial instruments	94	(98)	118	114
Goodwill on purchase of investments	2,251	(1,059)	508	1,700
Legal liabilities – tax and social security	499	3	68	570
Provision for contingent liabilities	<u>925</u>	<u>(388)</u>	<u>510</u>	<u>1,047</u>
Civil lawsuits	378	(127)	183	434
Labor claims:	366	(264)	263	365
Tax and social security contributions	162	15	64	241
Other	19	(12)	-	7
Adjustments of operations carried out in futures settlement market	17	(16)	3	4
Provision related to health insurance operations	87	2	3	92
Other	884	(402)	492	974
Reflected in other comprehensive income	77	(52)	124	149
Adjustment to market value of available-for-sale securities	49	(24)	102	127
Other	28	(28)	22	22
Total (*)	9,984	(4,092)	5,338	11,230

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 9,006 and R\$ 3,133.

	12/31/2009	Realization/ reversal	Increase	12/31/2010
Reflected in income	9,884	(3,565)	3,588	9,907
Related to income tax and social contribution tax carryforwards	1,272	(162)	226	1,336
Allowance for loan losses	3,291	(1,515)	2,038	3,814
Adjustment to market value - securities and derivative financial instruments	157	(74)	11	94
Goodwill on purchase of investments	2,820	(684)	115	2,251
Legal liabilities – tax and social security	697	(247)	49	499
Provision for contingent liabilities	<u>862</u>	<u>(352)</u>	<u>415</u>	<u>925</u>
Civil lawsuits	317	(234)	295	378
Labor claims:	340	(44)	70	366
Tax and social security contributions	168	(48)	42	162
Other	37	(26)	8	19
Adjustments of operations carried out in futures settlement market	4	-	13	17
Provision related to health insurance operations	86	-	1	87
Other	695	(531)	720	884
Reflected in other comprehensive income	57	(17)	37	77
Adjustment to market value of available-for-sale securities	30	(17)	36	49
Other	27	-	1	28
Total (*)	9,941	(3,582)	3,625	9,984

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 7,741 and R\$ 3,114.

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

	12/31/2010	Realization/ reversal	Increase	12/31/2011
Reflected in income	4,756	(1,114)	1,219	4,861
Depreciation in excess – finance lease	3,011	(848)	600	2,763
Taxation of results abroad – capital gains	11	2	16	29
Adjustments of operations carried out in futures settlement market	15	1	18	34
Adjustment to market value of securities and derivative financial instruments	131	(131)	64	64
Restatement of escrow deposits and contingent liabilities	256	(55)	97	298
Capital gain – Redecard operation	137	(137)	-	-
Pension plans	220	(19)	19	220
Amortization of negative goodwill	818	1	4	823
Other	157	72	401	630
Reflected in other comprehensive income	602	(199)	93	496
Adjustment to market value of available-for-sale securities	266	(177)	93	182
Other	336	(22)	-	314
Total	5,358	(1,313)	1,312	5,357

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 9,006 and R\$ 3,133.

	12/31/2009	Realization/ reversal	Increase	12/31/2010
Reflected in income	4,274	(921)	1,403	4,756
Depreciation in excess – finance lease	2,661	(759)	1,109	3,011
Taxation of results abroad – capital gains	11	(2)	2	11
Adjustments of operations carried out in futures settlement market	13	(3)	5	15
Adjustment to market value of securities and derivative financial instruments	80	(48)	99	131
Restatement of escrow deposits and contingent liabilities	209	(42)	89	256
Capital gain – Redecard operation	133	-	4	137
Pension plans	200	(8)	28	220
Amortization of negative goodwill	818	-	-	818
Other	149	(59)	67	157
Reflected in other comprehensive income	548	(29)	83	602
Adjustment to market value of available-for-sale securities	186	(3)	83	266
Other	362	(26)	-	336
Total	4,822	(950)	1,486	5,358

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 7,741 and R\$ 3,114.

III- The estimates of realization and present value of deferred tax assets for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001, and deferred tax liabilities at December 31, 2011, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

	Deferred tax assets			Deferred tax liabilities	Net deferred taxes
	Temporary differences	Tax loss/social contribution on loss carryforwards	Total		
2012	3,261	469	3,730	(1,389)	2,341
2013	1,993	545	2,538	(1,511)	1,027
2014	1,301	504	1,805	(1,075)	730
2015	943	310	1,253	(505)	748
2016	662	20	682	(317)	365
After 2016	1,213	9	1,222	(560)	662
Total	9,373	1,857	11,230	(5,357)	5,873
Present value (*)	8,193	1,669	9,862	(4,709)	5,153

(*) 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 recommended 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 and liabilities which have not been recognized.

NOTE 26 – EARNINGS PER SHARE

Basic and diluted earnings per share were computed as shown in the table below for the exercises 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 exercises, 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 in the denominator when assuming the conversion of all shares that may dilute earnings.

Net income attributable to owners of the parent company	01/01 to 12/31/2011	01/01 to 12/31/2010
Net income	4,837	4,417
Minimum non-cumulative dividend on preferred shares in accordance with our bylaws	(27)	(27)
Subtotal	4,810	4,390
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(17)	(17)
Subtotal	4,793	4,373
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis		
To common equity owners	1,843	1,681
To preferred equity owners	2,950	2,693
Total net income available to common equity owners	1,860	1,697
Total net income available to preferred equity owners	2,977	2,720
Weighted average number of shares outstanding		
Common shares	1,690,030,662	1,676,313,114
Preferred shares	2,704,942,594	2,686,114,746
Earnings per share – Basic and diluted - R\$		
Common shares	1.10	1.01
Preferred shares	1.10	1.01

The impact of 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 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 a 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 fair value estimated for assets acquired and liabilities assumed at the acquisition date, including assets and liabilities previously identifiable and not recorded and the amount of goodwill computed, proportionally to the acquisition of 1.22%:

	06/30/2010	Amortization/ Realization	12/31/2011
Total goodwill computed (I)	877		-
Total allocated at fair value of assets and liabilities (II)	13	(13)	-
Allocation of intangible assets subject to amortization			
Customer relationships	470	(140)	330
Exclusive access to customers of retailers and real estate brokers	163	(32)	131
Unibanco brand	11	(8)	3
Other	5	(1)	4
Total allocated to intangible assets subject to amortization (III)	649	(181)	468
Allocation of intangible assets not subject to amortization			
Redecard brand	4	-	4
Hipercard brand	2	-	2
Itaú brand	65	-	65
Total allocated to intangible assets not subject to amortization (IV)	71	-	71
Total allocated to intangible assets (V = III + IV)	720	(181)	539
Deferred tax liability (VI)	(293)	77	(216)
Total goodwill allocated (VII = V + VI)	440	(117)	323
Goodwill (I - VII)	437	-	437

The difference in the goodwill amount, net of respective appropriations and amortization for the period was reflected in the results for December 2011, as follows:

Effects in results	12/31/2011
Goodwill computed in 2010	809
Goodwill recalculated in 2011	877
Supplemental goodwill	68
Appropriation of goodwill allocated	
Assets and liabilities at fair value	(8)
Intangible assets subject to amortization	(108)
	(116)
Total recognized in income	(48)

The fair value of financial assets and liabilities were fully recognized in income for the period. Identifiable intangible assets subject to amortization will be recorded in income for a period from two to sixteen 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 that impacted 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 above-mentioned plans. As regards the employees hired after these dates, they have the option to voluntarily participate in a defined contribution plan (PGBL), managed by Itaú Vida e Previdência S.A. 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 Itaúbanco	Supplementary retirement plan - PAC (1) Franprev benefit plan - PBF (1) 002 benefit plan - PB002 (1) Itaulam basic plan - PBI (1) Itaulam supplementary plan - PSI (2) Itaubanco CD plan (3) (4)
Fundação Bemgeprev	Supplementary retirement plan – Flexible premium annuity (ACMV) (1)
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 Itaú Fundo Multipatrocinado	Prebeg benefit plan (1) 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) (5)
Itaubank Sociedade de Previdência Privada UBB-PREV - Previdência Complementar	Itaubank retirement plan (3) Unibanco pension plan (3) Basic plan (1) IJMS plan (1)
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	II benefit plan (1)

(1) Defined benefit plan;

(2) Variable contribution plan (recorded as defined benefit plan);

(3) Defined contribution plan;

(4) The Plano Itaúbanco CD was set up as a result of the partial spin-off of the PAC, and has been offered exclusively to the participants of that plan, including former employees still contributing to the plan and those employees who have opted for this plan, or when this option is presumed for the deferred proportional benefit, who are not receiving supplementary retirement benefits from PAC. The participants who have not joined the Itaúbanco defined contribution plan, as well as those already receiving benefits from the PAC plan, will remain in this latter, without any interruption, and will have their vested rights guaranteed. As set forth in the Itaúbanco defined contribution plan regulation, the novation period ended on May 8, 2010.

(5) Redecard pension plan was changed in January 2011 from defined benefit – BD to defined contribution – CD, with adhesion of 95% of employees. This plan enables the employee to contribute monthly with a defined percentage to be deducted from the monthly compensation and, additionally, the company contributes with 100% of the option chosen by the employees, limited to 9% of their income;

b) Defined benefit plans**I - Main assumptions used in actuarial valuation of retirement plans**

	Financial services area (1)	
	12/31/2011	12/31/2010
Discount rate	9.72% p.a.	9.72% p.a.
Expected return rate on assets	11.32 % p.a.	12.32 % p.a.
Mortality table (3)	AT-2000	AT-2000
Turnover	Itaú Exp. 2008/2010	Itaú Exp. 2003/2004
Future salary growth	7.12 % p.a.	7.12 % p.a.
Growth of the pension fund and social security benefits	4.00 % p.a.	4.00 % p.a.
Inflation	4.00 % p.a.	4.00 % p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit

	Industrial area (2)	
	12/31/2011	12/31/2010
Discount rate	9.52% p.a.	9.20% p.a.
Expected return rate on assets	10.37 % p.a.	10.56 % p.a.
Mortality table (3)	AT-2000	AT-2000
Turnover	Zero	Zero
Future salary growth	7.43 % p.a.	7.12 % p.a.
Growth of the pension fund and social security benefits	4.30 % p.a.	4.00 % p.a.
Inflation	4.30 % p.a.	4.00 % p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit

(1) Corresponds to the assumptions adopted by the plans managed by Fundação Itaúbanco, Bemgeprev, Funbep, Prebeg, 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 which corresponds to the 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 the 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 December 31, 2011 and 2010 the allocation of plan assets and the allocation target for 2012, by type of asset, are as follows:

Types	At		% allocation		2012 target
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	
Fixed income securities	10,574	10,035	87.96%	87.50%	53% to 100%
Variable income securities	1,066	1,026	8.87%	8.95%	0% to 25%
Structured investments	14	11	0.12%	0.10%	0% to 10%
Foreign investments	-	4	0.00%	0.04%	0% to 3%
Real estate	344	369	2.86%	3.22%	0% to 6%
Loans to participants	23	23	0.19%	0.20%	0% to 5%
Total	12,021	11,468	100.00%	100.00%	

The defined benefit plan assets include shares of Itaúsa and its subsidiaries, with a fair value of R\$ 545 (R\$ 562 at 12/31/2010 and real estate rented to Group companies, with a fair value of R\$ 298 (R\$ 309 at 12/31/2010).

The expected income from portfolios of benefit plan assets is adopted based on projections of returns for each of the asset type 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 balance sheet date.

III- Net amount recognized in the balance sheet

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

	12/31/2011	12/31/2010
1 - Net assets of the plans	12,021	11,468
2 - Actuarial liabilities	(10,545)	(9,997)
3- Surplus (1-2)	1,476	1,471
4- Asset ceiling (*)	(1,379)	(1,227)
5 - Net amount recognized in the balance sheet (3-4)	97	244
Amount recognized in assets	342	367
Amount recognized in liabilities	(245)	(123)

(*) – 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:

	12/31/2011	12/31/2010
Net amount recognized in the balance sheet (*)	36	89
Amount recognized in assets	126	134
Amount recognized in liabilities	(90)	(45)

(*) Includes the interest in IUH of 36.82% and 36.57% at December 31, 2011 and December 31, 2010, respectively, and 100% in other subsidiaries.

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

	01/01 to 12/31/2011			01/01 to 12/31/2010		
	Plan assets	Defined benefit obligation	Surplus	Plan assets	Defined benefit obligation	Surplus
Present value – beginning of the period	11,468	(9,997)	1,471	15,045	(11,354)	3,691
Effects of the partial spin-off of PAC (1)	-	-	-	(5,147)	2,710	(2,437)
Inclusion of Itaú Defined Benefit Plan	12	(13)	(1)	-	-	-
Effects of the partial spin-off of Redecard (2)	(44)	42	(2)	-	-	-
	1,366	-	1,366	1,368	-	1,368
Cost of current service	-	(92)	(92)	-	(87)	(87)
Interest cost	-	(941)	(941)	-	(953)	(953)
Benefits paid	(610)	610	-	(578)	578	-
Contributions of sponsors	42	-	42	42	-	42
Contributions of participants	9	-	9	41	-	41
Actuarial gain/(loss) (3) (4)	(222)	(154)	(376)	697	(891)	(194)
End of the period	12,021	(10,545)	1,476	11,468	(9,997)	1,471

(1) Corresponds to the effect of the partial spin-off of the PAC and creation of the Plano Itaúbanco CD, which migration process resulted in the curtailment and partial settlement of PAC obligations. The curtailment, which implied a reduction in obligations and thus in actuarial liabilities, made on December 31, 2009, is already adjusted in the opening balance (January 1, 2010). At March 31, 2010, the PAC participants who opted for the voluntary migration to the Plano Itaúbanco CD had all of their obligations settled by PAC through the initial contribution of the assets previously held by PAC to individual accounts corresponding to the Plano Itaúbanco CD. PAC is no longer responsible for any retirement benefit at the PAC level related to these participants. After the partial settlement of PAC, assets were transferred from PAC to Plano Itaúbanco CD.

(2) 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.

(3) Gains (losses) recorded in plan assets correspond to the income earned above/(below) the expected return rate of assets.

(4) The actual return on assets was R\$ 1,145 (R\$ 2,065 at December 31, 2010).

The history of actuarial gains and losses is as follows:

	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Plan net assets	12,021	11,468	15,045	12,673	12,767
Actuarial liabilities	(10,545)	(9,997)	(11,354)	(11,371)	(9,541)
Surplus	1,476	1,471	3,691	1,302	3,226
Experience adjustments in net assets	(222)	697	1,086	(993)	1,063
Experience adjustments in actuarial liabilities	(154)	(891)	162	(829)	(186)

The amounts for 12/31/2009, 12/31/2008 and 12/31/2007 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 income (expenses) recognized in income for the year

Total amount recognized for defined benefit plans by the companies controlled by Itaúsa includes the following components at December 31:

	2011	2010
Cost of current service	(92)	(87)
Interest cost	(941)	(953)
Expected return on the plan assets	1,366	1,368
Effects of the partial spin-off of PAC	-	(2,437)
Effects of the partial spin-off of Redecard	(2)	-
Effect on asset ceiling	(157)	1,092
Gain/(loss) for the year	(376)	(194)
Contributions of participants	9	41
Total recognized in income for the year	(193)	(1,170)

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

	2011	2010
Total recognized in income for the year (*)	(71)	(412)

(*) Includes interest in IUH of 36.82% and 36.57% at December 31, 2011 and December 31, 2010, respectively, and 100% in other subsidiaries.

During the period, considering the share of Itaúsa, the contributions made totaled R\$ 15 (R\$ 15 at December 31, 2010). 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 2021	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 and to loss of eligibility to a plan 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 December 31, 2011, in assets is R\$ 686 (R\$ 567 at December 31, 2010).

Total recognized for defined contribution plans by the companies controlled by Itaúsa includes the following components at December 31:

	2011	2010
Effect of the partial spin-off of PAC	-	1,477
Contribution	(150)	(115)
Actuarial gain/(loss)	167	287
Effect on asset ceiling	272	(579)
Total recognized in income for the year	289	1,070

Total recognized in the defined contribution plans in view of the share of Itaúsa was as follows:

	2011	2010
Total recognized in income for the year (*)	106	411

(*) Includes interest in IUH of 36.82% and 36.57% at December 31, 2011 and December 31, 2010, respectively, and 100% in other subsidiaries.

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

During the period, considering the share of Itaúsa, contributions to the defined contribution plans, including PGBL, totaled R\$ 77 (R\$ 61 at December 31, 2010), of which R\$ 59 (R\$ 45 at December 31, 2010) were 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:

	12/31/2011	12/31/2010
At the beginning of the year	(105)	(100)
Interest cost	(10)	(10)
Benefits paid	6	5
Actuarial gain/(loss)	(11)	-
At the end of the year	(120)	(105)

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

Total recognized in income for the year (*)	(44)	(39)
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(*) Consider interest in IUH of 36.82% and 36.57% for December 31, 2011 and December 31, 2010, respectively, and 100% in other subsidiaries.

The actuarial gains and losses for the period were recognized in income in "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 2021	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), an 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**

Itaúsa Consolidated, through its subsidiaries, offers to the market insurance and private pension plans. 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 product and evaluation areas, forming an organized group of activities that aims to add value to customers and to promote 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 the process and product results.

There are also policies on 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 Itaú 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 insurance companies 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	
	%		%	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	86.4	87.0	1.5	1.4
Group life	39.0	41.5	11.5	12.8
Individual accident	29.0	28.8	12.3	17.6
General liability	33.9	42.7	9.2	13.3
Credit life	21.8	25.8	25.2	29.4
Extended warranty - property	19.5	21.1	65.4	68.5
Group accident insurance	6.3	7.8	45.3	43.9
Petroleum risks	6.2	3.2	3.2	1.8
Multiple risks	5.3	16.2	59.4	50.0

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 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 represent an obligation to Itaúsa. Although there are plans still in existence, they are no longer sold.

III- Income from insurance and private pension

The revenue from the main insurance and private pension products is as follows:

	Premiums and contributions direct issue		Reinsurance		Retained premiums and contributions	
	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010
VGBL	10,010	7,036	-	-	10,010	7,036
PGBL	1,424	1,247	(1)	-	1,423	1,247
Warranty extension - assets	1,365	1,158	-	-	1,365	1,158
Group life	1,165	1,150	(24)	(17)	1,141	1,133
Group accident insurance	661	625	(1)	-	660	625
Specified and operational risks	480	360	(384)	(209)	96	151
Credit life	461	424	-	(1)	461	423
Traditional	369	391	-	-	369	391
DPVAT	308	284	-	-	308	284
Petroleum risks	257	61	(220)	(43)	37	18
Multiple risks	207	238	(36)	(34)	171	204
General liability	80	87	(27)	(38)	53	49
Engineering risks	72	88	(64)	(74)	8	14
Aircraft	49	56	(49)	(47)	-	9
Other lines	1,271	1,034	(204)	(139)	1,067	895
	18,179	14,239	(1,010)	(602)	17,169	13,637
	36.82%	36.57%	36.82%	36.57%	36.82%	36.57%
Share of Itaúsa	6,694	5,209	(372)	(220)	6,322	4,989

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	12/31/2011			12/31/2010				
	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	5,527	18,296	33,041	56,864	4,758	16,053	27,135	47,946
(+) Additions arising from premiums/contribution	16,681	1,706	9,936	28,323	11,861	1,621	6,975	20,457
(-) Deferral for risk	(15,694)	-	-	(15,694)	(11,709)	-	-	(11,709)
(-) Payment of losses/benefits	(1,508)	(103)	(6)	(1,617)	(1,556)	(118)	(53)	(1,727)
(+) Reported claims	2,020	-	-	2,020	2,029	-	-	2,029
(-) Redemptions	(152)	(917)	(3,745)	(4,814)	-	(907)	(3,240)	(4,147)
(+/-) Net portability	(115)	152	(14)	23	-	139	(180)	(41)
(+) Adjustment of reserves and financial surplus	1	1,658	3,362	5,021	-	1,512	2,352	3,864
(+/-) Other (recognition/reversal)	849	101	(172)	778	144	(4)	52	192
Reserves for insurance and private pension	7,609	20,893	42,402	70,904	5,527	18,296	33,041	56,864
		36.82%				36.57%		
Share of Itaúsa	2,802	7,693	15,613	26,108	2,020	6,688	12,080	20,789

ITAÚ UNIBANCO HOLDING	INSURANCE		PRIVATE PENSION		TOTAL	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Mathematical reserve for benefits to be granted and benefits granted	17	30	61,953	50,070	61,970	50,100
Unearned premiums	3,026	1,354	-	-	3,026	1,354
Unsettled claims (*)	2,297	2,163	-	-	2,297	2,163
IBNR (*)	712	587	10	9	722	596
Premium deficiency	313	273	-	-	313	273
Insufficient contribution	-	-	692	602	692	602
Financial surplus	1,242	1,118	475	458	477	460
Other	1,242	1,118	165	198	1,407	1,316
TOTAL	7,609	5,527	63,295	51,337	70,904	56,864
	36.82%	36.57%	36.82%	36.57%	36.82%	36.57%
Share of Itaúsa	2,802	2,021	23,306	18,767	26,108	20,789

(*) The provision for unsettled claims is detailed in Note 29e.

d) Deferred acquisition costs

Deferred acquisition cost 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:

ITAU UNIBANCO HOLDING	Insurance
Balance at 01/01/2011	1,649
Increase	583
Amortization	(168)
Balance at 12/31/2011	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
Balance at 01/01/2010	1,650
Increase	36
Amortization	(37)
Balance at 12/31/2010	1,649
Balance to be amortized in up to 12 months	1,339
Balance to be amortized after 12 months	310
Share of Itaúsa – 36.57% in Dec/10	603

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 first part of the table below shows how the final loss estimate changes through time. The second part of the table reconciles the amounts pending payment and the liability disclosed in the balance sheet.

The reserve for unsettled claims is comprised as follows, at December 31, 2011.

I – Gross of reinsurance - ITAÚ UNIBANCO HOLDING

Reserve for unsettled claims and for claims incurred but not reported	12/31/2011
Liability claims presented in the table of development	2,574
DPVAT operations	282
Retrocession and other estimates	163
Total reserve	3,019
	36.82%
Share of Itaúsa	1,112

(*) The total reserve refers to unsettled claims and provision for claims incurred but not reported (IBNR), stated in Note 29cIII.

Occurrence date – ITAÚ UNIBANCO HOLDING	2.005	2.006	2.007	2.008	2.009	2.010	2.011	Total
At the end of reporting year	1,030	1,906	2,137	1,768	1,530	1,890	1,771	
After 1 year	1,030	1,963	2,140	1,787	1,590	2,031	-	
After 2 years	1,037	2,036	2,206	1,778	1,606	-	-	
After 3 years	1,046	2,059	2,212	1,739	-	-	-	
After 4 years	1,056	2,052	2,201	-	-	-	-	
After 5 years	1,056	2,036	-	-	-	-	-	
After 6 years	1,052	-	-	-	-	-	-	
Current estimate	1,052	2,036	2,201	1,739	1,606	2,031	1,771	12,436
Accumulated payments through base date	1,006	1,964	2,078	1,584	1,319	1,404	852	10,207
Liabilities recognized in the balance sheet	46	72	123	155	287	627	919	2,229
Liabilities in relation to years prior to 2005								345
Total liabilities included in balance sheet								2,574
								36.82%
Share of Itaúsa								948

II - Net of reinsurance - ITAÚ UNIBANCO HOLDING

Reserve for unsettled claims and for claims incurred but not reported	12/31/2011
Liability claims presented in the table of development	1,245
DPVAT operations	282
Reinsurance, retrocession and other estimates	1,492
Total reserve	3,019
	36.82%
Share of Itaúsa	1,112

(*) The total reserve refers to unsettled claims and provision for claims incurred but not reported (IBNR), stated in Note 29cIII.

Occurrence date – ITAÚ UNIBANCO HOLDING	2.005	2.006	2.007	2.008	2.009	2.010	2.011	Total
At the end of reporting year	808	865	1,027	1,157	1,197	1,269	1,311	
After 1 year	808	899	1,044	1,164	1,188	1,180	-	
After 2 years	813	921	1,063	1,161	1,190	-	-	
After 3 years	820	929	1,071	1,157	-	-	-	
After 4 years	829	928	1,076	-	-	-	-	
After 5 years	827	932	-	-	-	-	-	
After 6 years	834	-	-	-	-	-	-	
Current estimate	834	932	1,076	1,157	1,190	1,180	1,311	7,680
Accumulated payments through base date	796	879	1,002	1,061	1,083	1,031	743	6,595
Liabilities recognized in the balance sheet	38	53	74	96	107	149	568	1,085
Liabilities in relation to years prior to 2005								160
Total liabilities included in balance sheet								1,245
								36.82%
Share of Itaúsa								458

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 IFRS 4 – “Insurance Contracts”, an 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 assumptions used were as follows:

- a) The risk grouping criteria are in compliance with the legislation in force.
- 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, conversions 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).

The Liability Adequacy Test did not show insufficiency in any of presented year-ends.

g) Insurance risk – effect of changes on 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 and amount of claim indemnities may result in unexpected losses.

Life insurance and pension plans are, in general, short- 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: i) more than expected increase in life expectancies for products with survivorship coverage (mostly pension plans); ii) 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 to the underwriting risk, with such risk being considered 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, market benchmarks and the experience of the actuaries.

Sensitivity analyses were carried out with the amounts of current estimates based on variations of the main actuarial assumptions. The results of insufficiency (liability adequacy test) were as follows:

Sensitivity analysis	Impact on the LAT	
	Gross of reinsurance	Net of reinsurance
5% increase in mortality rates	Without insufficiency	Without insufficiency
5% decrease in mortality rates	Without insufficiency	Without insufficiency
10bp increase in risk-free interest rates	Without insufficiency	Without insufficiency
10bp increase in risk-free interest rates	Without insufficiency	Without insufficiency
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 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 concentration risk of products and distribution channels. For large risks products, the strategy of lower retention is adopted, in accordance with certain lines shown below:

	12/31/2011			12/31/2010		
	Insurance premiums	Retained premiums	Retention (%)	Insurance premiums	Retained premiums	Retention (%)
PROPERTY AND CASUALTY						
Extended warranty	1,365	1,365	100.0	1,158	1,158	100.0
Credit life	461	461	100.0	424	423	99.8
Mandatory personal injury caused by motor vehicle (DPVAT)	308	308	100.0	284	284	100.0
Multiple risks	207	171	82.6	238	204	85.7
INDIVIDUALS						
Group life	1,165	1,141	97.9	1,150	1,141	99.2
Group accident insurance	661	660	99.8	625	625	100.0
Individual accident	109	108	99.1	118	117	99.2
Individual life	20	19	95.0	23	22	95.7
LARGE RISKS						
Specified and operational risks	480	96	20.0	360	151	41.9
Petroleum risks	257	37	14.4	61	18	29.5
Engineering risks	72	8	11.1	88	14	15.9
Aeronautical	49	-	0.0	56	9	16.1

I) Underwriting risk management structure

- **Centralized control over underwriting risk**

The control of risk of 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 insurance company.

- **Decentralized management of underwriting risk**

The underwriting risk management is the responsibility of the business area coordinated by the risk management area of the insurance company 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 remuneration 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 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 company;
- Respond to requests of 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 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 company.

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 area of the insurance company
- 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 company;
- Submit the managerial reports to the independent executive area responsible for risk control and the risk management area of the insurance company;
- Guarantee the update, reach, scope, accuracy and timeliness of information on reinsurance.

V- Risk management area of the insurance company

- 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 of provisions and reserves and submit them duly documented to the Independent executive area responsible for risk control and risk management area of the insurance company. 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 the accounting reconciliation was properly carried out;
- 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.

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 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 variation in foreign exchange and interest rates, share values and commodity prices.

The market risk limits are structured in accordance with the guidelines established by the Superior Risk Committee (CSRisc), by evaluating the projected results, the amount of stockholders' equity and the risk profile of each legal entity, which are defined within risk metrics used by management.

The market risk is controlled by an area independent from the business areas, which is responsible for daily assessment and also report activities.

Market risk is analyzed based on the following metrics:

- Statistical Value at Risk (VaR - Value at Risk): statistical metric that estimates the expected maximum potential economic loss under regular market conditions, taking into consideration a defined time horizon and confidence level (Note 34);
- Losses in stress scenarios (Stress Test): simulation technique to assess the behavior of assets and liabilities of a portfolio when various risk factors are taken to extreme market situations (based on prospective scenarios) in the portfolio;
- Sensitivity (DV01 – Discount Value): the impact on the cash flows market value when submitted to an one annual basis point increase in the current interest rates.

Class	12/31/2011		12/31/2010	
	Account balance	DV01	Account balance	DV01
Government securities				
NTN-C	2,766	(2.7)	2,648	(2.8)
NTN-B	1,400	(1.3)	667	(1.0)
NTN-F	28	-	57	-
Private securities				
Indexed to IGPM	141	-	137	-
Indexed to IGPM	224	(0.2)	122	(0.1)
Indexed to PRE	93	-	-	-
Floating assets	5,607		5,013	
Under agreements to resell – over	6,433		4,408	
Total	16,692	(4.20)	13,052	(3.90)
Share of Itaúsa	36.82%		36.57%	
	6,146	(1.55)	4,773	(1.43)

The column DV01 is the impact for a movement of + 0.01% (BPS) 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 ITAÚ UNIBANCO HOLDING 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, ITAÚ UNIBANCO HOLDING has funds invested in short-term assets, available on demand, to cover its regular needs and any liquidity contingencies.

Liabilities	12/31/2011		12/31/2010		12/31/2011		12/31/2010	
	Amount	DU (*)	Amount	DU (*)	Amount	DU (*)	Amount	DU (*)
Technical provision								
PPNG, PPNG-RVNE, PCP and OPT (1)	1,690	11.95	1,232	13	1,690	7	1,232	5
Reserve for premium deficiency	233	187.22	199	172	233	7	199	4
IBNR and Provision for unsettled claims (2)	1,401	18.97	1,077	20	1,401	7	1,077	5
Other Reserves	303	-	299	-	303	7	299	-
Subtotal	3,627		2,807		3,627		2,807	
Reserves								
Administrative expenses	43	125	32	128	43	7	32	3
Mathematical reserve for benefits granted	977	126	860	128	977	124	860	130
Mathematical reserve for benefits to be granted – PGBL/VC	57,626	109	46,037	116	57,626	8	46,037	5
Mathematical reserve for benefits to be granted – Traditions	3,365	116	3,205	109	3,365	109	3,205	101
Insufficient contribution	692	109	603	109	692	109	603	101
Financial surplus	477	109	461	109	477	109	461	101
Subtotal	63,180		51,198		63,180		51,198	
Total technical reserves	66,807		54,005		66,807		54,005	
(*) DU – Duration in months								
(1) Net Amount of Credit Right								
(2) Net of escrow deposits and reserves retained IRB								
(3) Excluding PGBL/VCBL reserves allocated in variable income								

Credit risk

For reinsurance operations, the internal policy prohibits the excess concentration in only one reinsurer. At present the reinsurer with the largest share of our operations represents less than 37.22% 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 transferred are recognized on the 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 the 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 transferred 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 transferred 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 doubts, 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 regulating 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 others assets "prepaid expenses" 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	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Opening balance	176	253	106	302
Issued contracts	-	-	926	561
Recovered claims	52	29	-	-
Prepayments/Payments to Reinsurer	32	(82)	(751)	(754)
Monetary adjustment and interest of claims	-	-	32	(3)
Other increase/ reversal	(46)	(24)	-	-
Closing balance	214	176	313	106
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	79	64	115	39

II – Balances of reserves with reinsurance assets

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
Reinsurance claims	1,394	1,185
Reinsurance premiums	535	404
Reinsurance commission	(58)	(59)
	1,871	1,530
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	689	560

III – Changes in balances of reserves for reinsurance claims

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
Opening balance	1,185	886
Reported claims	615	713
Paid claims	(101)	(390)
Other increase/ reversal	(305)	(24)
Closing balance	1,394	1,185
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	513	433

IV – Changes in balances of reserves for reinsurance premiums

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
Opening balance	404	529
Receipts	814	614
Payments	(683)	(739)
Closing balance	535	404
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	197	148

V – Changes in balances of reserves for reinsurance commission

ITAÚ UNIBANCO HOLDING	12/31/2011	12/31/2010
Opening balance	(59)	(59)
Receipts	(50)	(54)
Payments	51	54
Closing balance	(58)	(59)
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	(21)	(22)

m) Regulatory authorities

Insurance and private pension operations are regulated by the National Council of Private Insurance (CNSP) and the Superintendency 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 Superintendency 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 the 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.

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 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 in R\$ 854 (R\$ 964 at 12/31/2010).

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 in the immediate settlement of the instrument.

The following table summarizes the carrying and estimated fair values for financial instruments:

	12/31/2011		12/31/2010	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	40,099	40,099	35,498	35,498
Interbank deposits	10,244	10,255	5,425	5,425
Securities purchased under agreements to resell	35,001	35,001	32,786	32,786
Financial assets held for trading (*)	45,049	45,049	42,619	42,619
Financial assets designated at fair value through profit or loss (*)	69	69	112	112
Derivatives (*)	3,240	3,240	2,846	2,846
Available-for-sale financial assets (*)	17,805	17,805	16,803	16,803
Held-to-maturity financial assets	1,144	1,367	1,159	1,380
Loan operations	118,710	118,942	100,518	100,826
Other financial assets	14,925	14,925	15,831	15,831
Financial liabilities	-	-	-	-
Deposits	89,326	89,296	74,129	74,099
Securities sold under repurchase agreements	68,273	68,273	73,020	73,020
Financial liabilities held for trading (*)	1,037	1,037	488	488
Derivatives (*)	2,486	2,486	2,077	2,077
Interbank market debit	33,323	33,269	22,894	22,873
Institutional market debit	20,931	20,885	17,345	16,245
Liabilities for capitalization plans	1,045	1,045	952	952
Other financial liabilities.	16,246	16,246	14,999	14,999

(*) These assets and liabilities are recorded in the balance sheet at their fair value.

(1) The amounts in these tables 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, with amount recorded in memorandum account totals R\$ 51,530 (R\$ 38,374 at December 31, 2010) and estimated fair value of R\$ 695 (R\$ 537 at December 31, 2010), reflected in the Consolidated of Itaúsa proportionally R\$ 18,974 (R\$ 14,034 at December 31, 2010) and R\$ 256 (R\$ 196 at December 31, 2010).

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
 - b) approximate their fair values.
- b) Interbank Deposits** – we estimate the fair values of interbank investments by discounting the estimated cash flows and adopting the market interest rates.
- c) Financial Assets Held for Trading (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 value of government securities is determined based on the interest rates provided by market participants and they are validated by tracing 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.
- 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 these data are 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 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 transactions was based on the discount of estimated 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 which include: Deposits, Securities Sold under Repurchase Agreements, Financial Liabilities Held for Trading, Funds from Interbank and Institutional Markets, Liabilities for Capitalization Plans and Other Financial Liabilities

And for:

- **Non-interest bearing 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 approximates to their carrying amount. The fair value of time deposits at 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 deposits received under securities repurchase agreements, commercial lines and other short-term loan liabilities are 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 Note 7 for the notional amount and estimated fair value of our derivative financial instruments.

In accordance with IFRS, Itaú Unibanco Holding classifies 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 occur 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 other securities traded in an active market.

Level 2: when the 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, CRIs.

Derivatives:

Level 1: derivatives traded on stock exchanges are classified in Level 1 of the hierarchy.

Level 2: For derivatives not traded in 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 observed in the actively quotation markets, these products were classified in 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 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 used are appropriate and consistent with those used by other market participants. However the adoption of other methodologies or 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 December 31, 2011 and 2010 for held for trading and available-for-sale financial assets.

Itaú Unibanco Holding	12/31/2011				12/31/2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds	-	1,339	-	1,339	-	1,748	-	1,748
Brazilian government securities	93,727	187	-	93,914	86,422	277	-	86,699
Brazilian external debt bonds	910	-	-	910	666	-	-	666
Government securities – other countries	722	80	-	802	9,036	317	-	9,353
Argentina	225	-	-	225	293	-	-	293
United States	292	-	-	292	8,714	-	-	8,714
Mexico	205	-	-	205	29	-	-	29
Chile	-	50	-	50	-	248	-	248
Uruguay	-	27	-	27	-	24	-	24
Russia	-	-	-	-	-	45	-	45
Other	-	3	-	3	-	-	-	-
Corporate securities	4,682	19,952	290	24,924	4,321	12,551	159	17,031
Shares	2,241	56	-	2,297	3,208	40	-	3,248
Securitized real estate loans	-	24	-	24	-	439	157	596
Bank deposit certificates	-	7,820	-	7,820	-	8,932	-	8,932
Debentures	2,434	1,092	-	3,526	1,112	1,688	-	2,800
Eurobonds and others	7	1,424	-	1,431	-	1,452	-	1,452
Promissory notes	-	-	290	290	-	-	-	-
Financial bills	-	8,973	-	8,973	-	-	-	-
Other Credit	-	563	-	563	1	-	2	3
Financial assets held for trading	100,041	21,558	290	121,889	100,445	14,893	159	115,497
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	36,837	7,938	107	44,882	36,736	5,447	58	42,241
Industrial companies	-	-	-	167	-	378	-	378
TOTAL	36,837	7,938	107	45,049	36,736	5,825	58	42,619
Investment funds	-	806	-	806	-	770	-	770
Brazilian government securities	12,165	-	259	12,424	9,753	6	320	10,079
Brazilian external debt bonds	5,906	-	-	5,906	4,720	-	-	4,720
Government securities – other countries	11	4,306	-	4,317	679	3,880	-	4,559
United States	-	-	-	-	-	-	-	-
Denmark	-	1,949	-	1,949	-	2,016	-	2,016
Spain	-	418	-	418	-	734	-	734
Korea	-	295	-	295	-	236	-	236
Mexico	11	-	-	11	679	-	-	679
Chile	-	995	-	995	-	453	-	453
Paraguay	-	344	-	344	-	256	-	256
Uruguay	-	268	-	268	-	185	-	185
Other	-	37	-	37	-	-	-	-
Corporate securities	2,914	19,806	1,337	24,057	3,746	19,338	1,327	24,411
Shares	808	3,170	-	3,978	624	4,500	-	5,124
Securitized real estate loans	-	7,323	691	8,014	-	6,913	62	6,975
Bank deposit certificates	-	274	-	274	-	559	-	559
Debentures	2,103	5,133	-	7,236	3,122	3,512	-	6,634
Eurobonds and others	3	3,635	-	3,638	-	3,843	-	3,843
Promissory notes	-	-	646	646	-	-	1,265	1,265
Other	-	271	-	271	-	11	-	11
Available-for-sale financial assets	20,996	24,918	1,596	47,510	18,898	23,994	1,647	44,539
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	7,731	9,175	588	17,494	6,912	8,775	602	16,289
Industrial companies	-	-	-	311	-	514	-	514
TOTAL	7,731	9,175	588	17,805	6,912	9,289	602	16,803
Brazilian government securities	-	186	-	186	306	-	-	306
Financial assets designated at fair value through profit or loss	-	186	-	186	306	-	-	306
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	-	69	-	69	112	-	-	112
TOTAL	-	69	-	69	112	-	-	112
Structured notes	-	(2,815)	-	(2,815)	-	(1,335)	-	(1,335)
Financial liabilities designated at fair value	-	(2,815)	-	(2,815)	-	(1,335)	-	(1,335)
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	-	(1,037)	-	(1,037)	-	(488)	-	(488)
TOTAL	-	(1,037)	-	(1,037)	-	(488)	-	(488)

The following table presents the breakdown of risk levels at December 31, 2011 and 2010 for our derivative assets and liabilities.

Itaú Unibanco Holding	12/31/2011				12/31/2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Itaú Unibanco Holding	-	1,755	688	2,443	-	1,696	56	1,752
Forwards (onshore)	-	2,326	4	2,330	-	2,096	-	2,096
Swap – Differential receivable	-	2,732	18	2,750	-	2,932	5	2,937
Swap with USD check	-	4	-	4	-	-	-	-
Credit derivatives	-	399	-	399	-	-	261	261
Futures	17	9	-	26	-	-	-	-
Other derivatives	-	607	195	802	-	568	163	731
Derivatives - Assets	17	7,832	905	8,754	-	7,292	485	7,777
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	6	2,884	333	3,224	-	2,667	177	2,844
Industrial companies	-	-	-	16	-	2	-	2
TOTAL	6	2,884	333	3,240	-	2,669	177	2,846
Options	-	(1,930)	(676)	(2,606)	-	(1,899)	(188)	(2,087)
Forwards (onshore)	-	(1,136)	(8)	(1,144)	-	(1,191)	-	(1,191)
Swap – Differential payable	-	(2,782)	(16)	(2,798)	-	(2,007)	(6)	(2,013)
Check of swap	-	(2)	-	(2)	-	-	-	-
Credit derivatives	-	(110)	-	(110)	-	(10)	(119)	(129)
Futures	-	-	-	-	(46)	-	(9)	(55)
Other derivatives	-	(87)	-	(87)	-	(183)	(13)	(196)
Derivatives - Liabilities	-	(6,047)	(700)	(6,747)	(46)	(5,290)	(335)	(5,671)
Share of Itaúsa – 36.82% in Dec/11 and 36.57% in Dec/10	-	(2,227)	(258)	(2,484)	(17)	(1,935)	(123)	(2,074)
Other companies	-	-	-	(2)	-	(3)	-	(3)
TOTAL	-	(2,227)	(258)	(2,486)	(17)	(1,938)	(123)	(2,077)

Level 3 recurring fair value measurements

The tables below show the changes in the balance sheet, for financial instruments classified by Itaúsa Consolidated in Level 3 of the fair value hierarchy:

Distribution by level

Itaú Unibanco Holding	Fair value at 12/31/2010	Total gains or losses (realized/unrealized)	Purchases and issues	Settlements	Transfers others levels	Fair value at 12/31/2011	Total gains (losses) related to assets and liabilities still held at 12/31/2011
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	1,708	(1,812)	(182)	694	98

Itaú Unibanco Holding	Fair value at 12/31/2010	Total gains or losses (realized/unrealized)	Purchases and issues	Settlements	Transfers others levels	Fair value at 12/31/2011	Total gains (losses) related to assets and liabilities still held at 12/31/2011
Derivatives - Assets	485	811	835	(1,226)	-	905	(93)
Options	56	89	690	(147)	-	688	(63)
Swap – Differential receivable	5	-	28	-	-	33	3
Forwards (onshore)	-	(15)	4	-	-	(11)	-
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 – Differential 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	(573)	-	75	(110)

Derivative financial instruments classified in Level 3 mainly correspond to other derivatives credit default swaps linked to shares.

There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2011 and 2010.

There were transfers from Level 3 to Level 2 in view of the extension of curves verified in the market.

Sensitivity analyses for Level 3 operations

The fair value of financial instruments classified in Level 3 is measured through assessment techniques comprising assumptions not evidenced by current transactions prices in active markets, as explained in item f above. The table below shows the sensitivity of these fair values in scenarios in which it is reasonably likely that changes will occur in the prices in which it is reasonably likely that changes will occur in the prices of assets, interest rates or in scenarios mixing shocks in prices with shocks in volatility for non-linear assets (volatility arising from lack of alignment between the derivative and underlying asset prices).

Types	Scenarios		
	I	II	III
Interest rate	(1)	(17)	(34)
Impact on income	-	(1)	(2)
Impact on stockholders' equity	(1)	(16)	(32)
Currencies, Commodities and Ratios	(1)	(1)	-
Impact on income	(1)	(1)	-
Impact on stockholders' equity	-	-	-
Non linear	(30)	(56)	-
Impact on income	(30)	(56)	-
Impact on stockholders' equity	-	-	-
TOTAL	(32)	(74)	(34)
Impact on income	(31)	(58)	(2)
Impact on stockholders' equity	(1)	(16)	(32)

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 percentage 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	12/31/2011	12/31/2010
Civil	1,186	1,108
Labor	1,549	1,518
Tax and social security	3,425	2,917
Other	61	63
Total	6,221	5,606
Current	1,156	995
Non-current	5,065	4,611

In the ordinary course of their business, Itaúsa and its subsidiaries are subject to contingencies, as follows:

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) Provisions 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, is 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. Itaúsa Consolidated 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 Federal Supreme Court 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\$ 222; 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 moving average of payments in relation to lawsuits settled in the last 12 months, plus the average cost of legal fees. These are adjusted for the amounts deposited as guarantee for their execution when 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, is estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as probable losses are recorded as provisions.

Itaúsa Consolidated has contingencies 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;

Labor claims are not 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.

	01/01 to 12/31/2011			
	Civil	Labor	Other	Total
Opening balance	1,108	1,518	63	2,689
(-) Contingencies guaranteed by indemnity clause	(114)	(410)	-	(524)
Subtotal	994	1,108	63	2,165
Interest	44	48	-	92
Changes in the period reflected in results	<u>551</u>	<u>296</u>	<u>(2)</u>	<u>845</u>
Increase	729	384	5	1,118
Reversal	(178)	(88)	(7)	(273)
Payment	(453)	(245)	-	(698)
Subtotal	1,136	1,207	61	2,404
(+) Contingencies guaranteed by indemnity clause	50	342	-	392
Closing balance	1,186	1,549	61	2,796
Escrow deposits at 12/31/2011	751	898	-	1,649

	01/01 to 12/31/2010			
	Civil	Labor	Other	Total
Opening balance	862	1,172	63	2,097
(-) Contingencies guaranteed by indemnity clause	(35)	(203)	-	(238)
Subtotal	827	969	63	1,859
Interest	51	28	-	79
Changes in the period reflected in results	<u>430</u>	<u>301</u>	<u>-</u>	<u>731</u>
Increase	655	338	4	997
Reversal	(225)	(37)	(4)	(266)
Payment	(313)	(187)	-	(500)
Subtotal	995	1,111	63	2,169
(+) Contingencies guaranteed by indemnity clause	113	407	-	520
Closing balance	1,108	1,518	63	2,689
Escrow deposits at 12/31/2010	778	1,194	-	1,972

- 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 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 in the provisions for and escrow deposits related to tax and social security lawsuits:

The table below shows the changes in the balances of provisions for contingent liabilities and the respective escrow deposits balances:

Provision	01/01 to 12/31/2011	01/01 to 12/31/2010
Opening balance	2,917	3,064
(-) Contingencies guaranteed by indemnity clause	(16)	(13)
Subtotal	2,901	3,051
Interest	213	164
Changes in the year reflected in results	375	330
Increase	452	646
Reversal (1)	(77)	(316)
Payment (1)	(85)	(644)
Subtotal	3,404	2,901
(+) Contingencies guaranteed by indemnity clause	21	16
Closing balance (Notes 13c and 14c)	3,425	2,917

(1) Itaúsa 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.

Escrow Deposits	01/01 to 12/31/2011	01/01 to 12/31/2010
Opening balance	3,007	2,953
Appropriation of interest	225	183
Changes in the period	(30)	(217)
Deposits made	165	300
Withdrawals	(184)	(491)
Deposits released	(11)	(26)
Other adjustments	20	88
Closing balance	3,222	3,007

The main discussions related to "Provisions" for tax are described as follows:

- PIS and COFINS – Calculation basis – R\$ 1062: 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\$ 384.
- CSLL – Isonomy – R\$ 496; the law increased the CSLL rate for financial and insurance companies to 15%; 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\$ 85.
- IRPJ and CSLL –Taxation of profits earned abroad – R\$ 180: 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 law. The escrow deposit balance totals R\$ 181.
- PIS – R\$ 138 - 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\$ 47.

Contingencies for tax not recognized in the balance sheet - in the accounting records no amount is recognized in relation to tax and social security lawsuits with likelihood of loss possible, which total an estimated risk of R\$ 2,184. The main discussions are as follows:

- IRPJ, CSLL, PIS and COFINS – request for offset dismissed - R\$ 404: cases in which the liquidity and the offset of credits are discussed.
- INSS – Non-compensatory amounts – R\$ 233: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.
- IRPJ/CSLL - Losses and discounts granted on receipt of credits – R\$ 169: we defend that these are necessary operating expenses and deductible as losses on loan operations and discounts upon their renegotiation and recovery, as provided by law.
- ISS – Banking Institutions – R\$ 166: these are banking operations, the revenue from which cannot be interpreted as compensation per service rendered and/or arise from activities not listed in a supplementary law.
- IRPJ, CSLL, PIS and COFINS – Usufruct of quotas and shares - R\$ 137: we discuss the proper accounting and tax treatment for the amount received due to the onerous recognition of usufruct.
- IRPJ/CSLL - Interest on capital - R\$ 132: we defend the deductibility of interest on capital declared to stockholders based on the Brazilian long-term interest rate applied to stockholders' equity for the year and prior years.

c) Receivables - Reimbursement of contingencies

The receivables balance arising from reimbursements of contingencies totals R\$ 236 (R\$ 652 at December 31, 2010) (Note 21a), basically 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:

	12/31/2011	12/31/2010
Securities (basically Financial Treasury Bills)	569	578
Deposits in guarantee	1,193	1,204

In general the litigation provisions of the group are long term considering the time required to conclude legal cases through the court system in Brasil. 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 the group 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 may 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 maker 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 chief operating 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 Itaotec, 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 36.82% at December 31, 2011 (36.57% at December 31, 2010).

- **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 from the wide range of products, the bold design, and the superior quality; and produces wood panels from pinus 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 floors are manufactured (Durafloor) and ceiling and wall coatings.

II) 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 chemical products of over 700 thousand tons in its industrial units, which are basically designated for the industrial sector, particularly civil construction, clothing, automotive and food.

III) Itaotec: operates in the IT market, and it is specialized in the development of products and solutions in computing, automation and technology services.

	January to December	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED IFRS (1)
		Itaú Unibanco Holding S.A.	Duratex S.A.	Itautec S.A.	Elekeiroz S.A.	
Total assets	2011	818,136	6,814	1,176	654	312,002
	2010	727,082	6,171	1,081	633	275,492
Operating revenues (2)	2011	124,877	2,970	1,542	777	56,238
	2010	104,414	2,742	1,571	851	47,942
Net income	2011	13,837	375	44	15	5,367
	2010	11,708	467	12	45	5,013
Stockholders' equity	2011	73,941	3,693	538	477	32,290
	2010	65,875	3,453	514	466	29,036
Annualized return on average equity (%) (3)	2011	19.9%	10.5%	8.3%	3.1%	17.6%
	2010	18.9%	14.1%	2.2%	10.1%	17.9%
Internal fund generation (4)	2011	43,182	861	66	35	17,166
	2010	40,100	839	70	88	16,668

(1) Consolidated/Conglomerate data is net of consolidation elimination and unrealized results of intercompany transactions.

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

- Itaú Unibanco : Interest and similar income, net gains (loss) on financial assets and liabilities, dividends income, income from financial services, income from premiums of insurance and private pension operations, and other operating income.
- Duratex S.A., Itautec S.A. and Elekeiroz S.A.: Sales of products and services, and income from financial services.

(3) Represents the ratio of net income for the period and the average equity (Dec + Mar + Jun + Sep + Dec)/5

(4) Refers to funds arising from operations, according to the Statement of Cash Flows.

The information of revenue from 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 12/31/2011			01/01 to 12/31/2010		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Income from financial operations	36,484	1,797	38,281	28,979	1,314	30,293
Non-current assets	3,125	256	3,381	2,613	216	2,829

Additional Information

No revenue from transactions with only one external client or counterparty reached 10% or more of total income of Itaúsa Consolidated in 2011 and 2010.

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 Itaúbanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev, Itaúbank 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 subsidiaries to act in their respective areas of interest; and
- The interest in Porto Seguro Itaú Unibanco Participações S.A.

The transactions with these related parties are basically characterized by:

a) Related parties

	Parent company				Consolidated			
	Outstanding balance		Transaction amount		Outstanding balance			
	01/01 to 12/31/2011	01/01 to 12/31/2010	12/31/2011	12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010	12/31/2011	12/31/2010
Amounts receivable from (payable to) related companies		(143)	-	-	-	-	(107)	(98)
Itaú Unibanco S.A.	-	(143)	-	-	-	-	-	-
Fundação Bemgeprev	-	-	-	-	-	-	(3)	(13)
UBB Prev Previdência Complementar	-	-	-	-	-	-	(19)	(17)
Fundação Banorte Manoel Baptista da Silva de Seguridade Social	-	-	-	-	-	-	(76)	(79)
Caixa de Prev. Dos Func. Do Banco BEG - PREBEG	-	-	-	-	-	-	(9)	-
Other	-	-	-	-	-	-	-	11
Banking service fees					30	18	-	-
Itaú Unibanco S.A.	-	-	-	-	(1)	(1)	-	-
Fundação Itaúbanco	-	-	-	-	21	10	-	-
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	5	3	-	-
UBB Prev Previdência Complementar	-	-	-	-	1	3	-	-
Other	-	-	-	-	4	3	-	-
Rent income (expenses)	1	1	-	-	(37)	(24)	-	-
Itaú Unibanco S.A.	1	1	-	-	-	-	-	-
Fundação Itaúbanco	-	-	-	-	(27)	(15)	-	-
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	(10)	(8)	-	-
Other	-	-	-	-	-	(1)	-	-
Donation expenses					(57)	(45)	-	-
Instituto Itaú Cultural	-	-	-	-	(56)	(44)	-	-
Instituto Unibanco de Cinema	-	-	-	-	(1)	(1)	-	-

b) Guarantees provided

In addition to these transactions, there are guarantees provided by Itaúsa, represented by endorsements, sureties and other, as follows:

	12/31/2011	12/31/2010
Duratex S.A.	382	362
Elekeiroz S.A.	46	15
Itautec S.A.	164	167
Total	592	544

c) Compensation of the management key personnel

The fees attributed in the period to Itaúsa management members are as follows:

	12/31/2011	12/31/2010
Compensation	7	9
Profit sharing	6	8
Contributions to pension plans	-	1
Total	13	18

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 companies. Accordingly, the risks to which Itaúsa is subject are certainly 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 of cash of Itaúsa is invested in government securities and investment fund quotas.

At the reporting date, Itaúsa had short-term funds amounting to R\$ 327, which is 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 companies 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, pursuant to the Central Bank of Brazil Resolution No. 3,721, is defined as the possibility of incurring financial losses in connection with: (i) the breach by the borrower or counterparty of their respective financial obligations under agreed conditions, (ii) the loss of value of a financial asset as result of the downgrade of the counterparty's risk rating, (iii) the reduction in gains or income, concessions given on renegotiation of the financial assets and (iv) the costs of recovery.

Itaú Unibanco Holding manages credit risk with the objective of maximizing the risk and return ratio of its assets, maintaining the credit portfolio quality at levels appropriate to each market segment in which it operates. The strategy is aimed at creating value for stockholders greater than the minimum risk-adjusted return.

Itaú Unibanco Holding establishes its credit policies based on internal and external factors. Among the internal factors, we highlight the client rating criteria, analysis of evolution of the portfolios, observed levels of default, actual rates of return, the quality of the portfolio and allocated economic capital. External factors are related to the economic environment in Brazil and abroad, including factors such as market share, interest rates, market default indicators, inflation, and increase (or decrease) in levels of consumer spending.

The process for making decisions and establishing the credit policy of Itaú Unibanco Holding is designed to achieve coordinated credit actions and optimization of business opportunities, through a structure of committees and commissions. With respect to retail lending, decisions about granting and managing the credit portfolio are made based on scoring models that are continuously followed up. With respect to wholesale lending, several committees are subordinated to the Management Committee responsible for the credit risk management through a structure of levels of approval that ensures detailed analysis of the risk of the transaction, as well as the necessary timeliness and flexibility for the approval process.

1. Credit risk measurement

1.1. 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 of economic groups reflect 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, impairment) of the group and the probability of default associated with each of these levels.

Internal rating	PD
Strong	Lower than 4.44%
Satisfactory	From 4.44% up to 25.95%
Higher risk	Higher than 25.95%
Impairment	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 collateral offered and the use of proceeds.

With respect to retail transactions (individuals and small and middle market companies), the rating is assigned based on statistical models of credit and behavior scoring in line with the Basel Committee requirements. Occasionally, an individual analysis of specific cases may be performed, in which case credit approval follows the applicable approval levels.

1.2. Government securities and other debt instruments

Government securities and other debt instruments are classified according to their credit quality, with the purpose of managing its credit risk exposures.

2. Control risk limits

Itaú Unibanco Holding controls the exposure to and concentration of credit risk by type of economic activity, geographical region, type of products and other variables that it deems relevant, through the establishment of maximum exposure limits considered acceptable, and the monitoring of early-warning alerts, such as overdue indicators and the pattern of use of credit limits. This process aims to align the strategies established considering changes in the credit scenario.

In addition, the Group strictly controls the credit exposure of clients and counterparties, actively taking action to address situations in which the actual exposure exceeds that desired. For this purpose, the loan contracts include clauses, in certain circumstances, such as right to demand 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.

Collaterals are an important credit risk management tool, and for this reason, they are only accepted when they meet the criteria established by the Group.

Itaú Unibanco Holding ensures that any collateral kept is sufficient, 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.

Commitments to grant credit (e.g. overdraft limits, pre-approved limits, commitments to grant credit, standby letters of credit, and other guarantees) represent undrawn amounts of loans available. The maximum exposure, considering the total utilization of the limits, is shown in the table below. The limits are continuously monitored and changed according to customer behavior. Thus, the potential loss values represent a fraction of the amount available.

4. Policy on the recognition of the allowance for loan losses

The policies for recognition of the allowance for loan losses adopted by Itaú Unibanco are aligned with the guidelines of IFRS and the Basel Accord. As a result, an allowance for loan losses is recognized as from moment when time there are indications of impairment of the portfolio and take 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 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

	12/31/2011			12/31/2010		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Interbank deposits	9,820	18,001	27,821	4,684	10,151	14,835
Securities purchased under agreements to resell	91,643	605	92,248	87,396	1,286	88,682
Financial assets held for trading	116,615	5,274	121,889	101,815	13,682	115,497
Financial assets designated at fair value through profit or loss	-	186	186	-	306	306
Derivatives	5,864	2,890	8,754	5,571	2,206	7,777
Available-for-sale financial assets	7,323	40,187	47,510	19,602	24,937	44,539
Held-to-maturity financial assets	2,500	605	3,105	2,478	692	3,170
Loan operations	251,034	71,357	322,391	220,835	54,008	274,843
<i>Off balance sheet</i>	254,711	14,830	269,541	214,962	7,074	222,036
Endorsements and sureties	48,908	2,622	51,530	36,510	1,864	38,374
Letters of credit	11,172	-	11,172	8,628	-	8,628
Commitments to be released	194,631	12,208	206,839	169,824	5,210	175,034
Mortgage loans	14,308	-	14,308	9,064	-	9,064
Overdraft accounts	91,904	-	91,904	82,299	-	82,299
Credit cards	83,767	489	84,256	72,034	522	72,556
Other pre-approved limits	4,652	11,719	16,371	6,427	4,688	11,115
Total	739,510	153,935	893,445	657,343	114,342	771,685

The table presents the maximum exposure at December 31, 2011 and December 31, 2010, without considering any collateral received or other additional credits 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.

For guarantees pledged (endorsements, sureties and letters of credit) the maximum exposure to credit risk is the amount that Itaú Unibanco Holding may disburse if the guarantees are enforced.

As shown in the table, 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:

- 78% of total loan operations and other financial assets exposure (Tables 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating, further more;
- only 7.3% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired; and
- 5.4% 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

	12/31/2011	%	12/31/2010	%
Public sector	1,990	0.57%	1,138	0.39%
Industry and commerce	99,859	28.85%	84,997	28.82%
Services	70,642	20.40%	60,295	20.45%
Primary sector	16,109	4.65%	13,933	4.73%
Individuals	156,167	45.10%	132,289	44.86%
Other sectors	1,497	0.43%	2,185	0.75%
Total	346,264	100.00%	294,837	100.00%

b) Other financial assets (*)

	12/31/2011	%	12/31/2010	%
Primary sector	1,029	0.34%	581	0.21%
Public sector	88,174	29.24%	85,364	31.06%
Industry and commerce	5,381	1.78%	5,614	2.04%
Services	72,281	23.97%	72,491	26.38%
Other sectors	14,574	4.83%	7,218	2.63%
Individuals	5	0.00%	21	0.01%
Financial	120,069	39.82%	103,517	37.67%
Total	301,513	100.00%	274,806	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 sheet" 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 neither overdue nor impaired and loans overdue not impaired and loans impaired:

Internal Rating	12/31/2011				12/31/2010			
	Loans neither overdue nor impaired	Loans overdue not impaired	Loans impaired	Total loans	Loans neither overdue nor impaired	Loans overdue not impaired	Loans impaired	Total loans
Strong	221,315	5,800	-	227,115	195,988	4,346	-	200,334
Satisfactory	63,763	10,921	-	74,684	52,561	8,053	-	60,614
Higher Risk	16,910	8,703	-	25,613	13,663	6,348	-	20,011
Impairment	-	-	18,852	18,852	-	-	13,878	13,878
Total	301,988	25,424	18,852	346,264	262,212	18,747	13,878	294,837
%	87.3%	7.3%	5.4%	100.0%	88.9%	6.4%	4.7%	100%

The following table shows the breakdown of loans by portfolios of segments and classes, based on indicators of credit quality:

	12/31/2011				12/31/2010					
	Strong	Satisfactory	Higher Risk	Impairment	TOTAL	Strong	Satisfactory	Higher Risk	Impairment	Total
Individuals	73,354	49,320	14,467	10,886	148,127	65,564	41,080	10,057	8,086	124,787
Credit cards	19,332	13,061	3,485	3,083	38,961	15,538	12,142	2,950	2,411	33,041
Personal	7,765	15,985	8,048	3,455	35,253	10,129	7,001	4,203	2,195	23,528
Vehicles	33,934	19,357	2,843	4,329	60,463	32,321	21,666	2,849	3,315	60,151
Mortgage loans	12,323	917	91	119	13,450	7,576	271	55	165	8,067
Corporate	88,353	3,500	343	1,033	93,229	73,051	2,505	143	884	76,583
Small and Medium Businesses	51,548	17,444	9,887	6,770	85,649	48,254	17,029	9,811	4,856	79,950
Foreign Loans Latin America	13,860	4,420	916	63	19,259	13,465	-	-	52	13,517
Total	227,115	74,684	25,613	18,852	346,264	200,334	60,614	20,011	13,878	294,837
%	65.6%	21.6%	7.4%	5.4%	100.0%	67.9%	20.6%	6.8%	4.7%	100.0%

The following table shows the breakdown of loans neither overdue nor impaired, by portfolios of segments and classes, based on indicators of credit quality:

	12/31/2011					12/31/2010				
	Strong	Satisfactory	Higher Risk	Total		Strong	Satisfactory	Higher Risk	Total	
I – Individually-evaluated										
Corporate	86,992	3,423	314	90,729		72,602	2,499	134	75,235	
II – Collectively-evaluated										
Individuals	70,501	40,321	8,952	119,774		62,956	33,892	6,256	103,104	
Credit card	19,245	12,580	2,503	34,328		15,447	11,571	2,083	29,101	
Personal loans	7,648	14,893	5,870	28,411		9,816	6,447	3,178	19,441	
Vehicles	31,516	12,248	565	44,329		30,327	15,752	976	47,055	
Mortgage loans	12,092	600	14	12,706		7,366	122	19	7,507	
Small and medium businesses	50,774	15,899	6,828	73,501		47,789	16,170	7,273	71,232	
Foreign loans Latin America	13,048	4,120	816	17,984		12,641	-	-	12,641	
Total	221,315	63,763	16,910	301,988		195,988	52,561	13,663	262,212	

6.1.1 Loan operations overdue not impaired, by portfolios of segments and classes, are classified by maturity as follows:

	12/31/2011					12/31/2010				
	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	11,764	4,112	1,491	17,367		9,234	3,280	1,091	13,605	
Credit cards	805	344	401	1,550		871	352	306	1,529	
Personal	2,056	871	460	3,387		1,227	507	202	1,936	
Vehicles	8,456	2,760	589	11,805		6,851	2,331	564	9,746	
Mortgage loans	447	137	41	625		285	90	19	394	
Corporate	1,232	185	51	1,468		367	55	42	464	
Small and Medium Businesses	3,433	1,349	596	5,378		2,275	1,114	473	3,862	
Foreign Loans Latin America	1,144	41	26	1,211		771	31	14	816	
Total	17,573	5,687	2,164	25,424		12,647	4,480	1,620	18,747	

6.1.2 The table below shows other financial assets classified by rating:

		12/31/2011							
Internal rating	Interbank deposits and securities purchased under agreements to resell	Financial assets					Available-for-sale financial assets	Held-to-maturity financial assets	Total
		Held-for-trading financial assets	Financial assets designated at fair value through profit or loss	Derivative assets	Derivative assets	Derivative assets			
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%		
		12/31/2010							
Internal rating	Interbank deposits and securities purchased under agreements to resell	Financial assets					Available-for-sale financial assets	Held-to-maturity financial assets	Total
		Held-for-trading financial assets	Financial assets designated at fair value through profit or loss	Derivative assets	Derivative assets	Derivative assets			
Strong	103,517	107,798	306	5,140	22,055	3,163	241,979		
Satisfactory	-	7,564	-	2,577	22,428	7	32,576		
Higher risk	-	135	-	60	56	-	251		
Total	103,517	115,497	306	7,777	44,539	3,170	274,806		
%	37.7%	42.0%	0.1%	2.8%	16.2%	1.2%	100.0%		

6.1.3 Collateral held for loan and lease operations

The financial effect of collateral	12/31/2011				12/31/2010			
	(I) Over-collateralised assets		(II) Under-collateralised assets		(I) Over-collateralised assets		(II) Under-collateralised 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
Loans to individuals	75,802	152,646	19	30	70,111	98,605	12	10
Personal Loans	1,136	2,735	15	25	85	303	12	10
Vehicles	61,274	88,881	4	5	62,910	79,866	-	-
Mortgage Loans	13,392	61,030	-	-	7,116	18,436	-	-
Companies	146,817	269,179	12,504	30,373	120,279	246,473	6,774	5,018
Argentina/Chile/Uruguay/Paraguay	-	-	13,497	19,259	-	-	13,509	12,479
Total of collateralized and loans and lease operations	222,619	421,825	26,020	49,662	190,390	345,078	20,295	17,507

The difference between the total loan portfolio and the collateralized loan portfolio is generated by noncollateralized loans (total amount R\$ 73,983 as of dec/11) (total amount R\$ 84,152 as of dec/10).

ITAÚ UNIBANCO HOLDING uses collateral to reduce the occurrence of losses in operations with credit risk. Thus, the collateral is used in order to maximize the potential recovery of credit in case of default, and not to reduce the exposure value of customers or counterparties.

Collateral is an important tool for managing credit risk and therefore is only accepted when consistent with the stringent criteria established by ITAÚ UNIBANCO HOLDING.

ITAÚ UNIBANCO HOLDING manages its collateral with the objective that collateral held is sufficient, legally exercisable (effective), feasible and is regularly reviewed.

Loans to individuals

Personal Loans - This category of credit products usually requires collaterals in accordance with ITAÚ UNIBANCO HOLDING's credit policies, focusing on endorsements and sureties.

Vehicles - For this type of operation clientes assets server as collateral, which is also the leased assets in leasing operations.

Mortgage Loans - Buildings themselves are given in guarantee.

Companies - In credit operations for companies including those related to capital goods, the collateral used is related to the credit, it is possible to use any type of collateral under institutional credit policies of ITAÚ UNIBANCO HOLDING (Fiduciary, Fiduciary Assignment, Endorsement / Borrower Outreach, Mortgage and others).

Argentina/Chile/Uruguay/Paraguay - For those operations it can be used any collateral within the credit policy of ITAÚ UNIBANCO HOLDING (Chattel Mortgage, Assignment Trust, Surety / Debtor Outreach, Mortgage and others).

Financial assets that are overdue without impairment or those individually overdue with impairment are partially or fully covered by collateral.

Loans to individuals are collateralized as follows:

Credit cards – operations are usually contracted with no collateral required

Personal loans – these usually require personal guarantees, according to the credit policies adopted.

Collaterals obtained are mainly endorsements and joint debtor guarantees.

Vehicles – operations are fully covered by collateral. For this type of operation the typical collateral is the statutory lien on the items subject to financing or leased under lease operations.

Mortgage loan – used for mortgage financing, in which the properties are pledged as collateral. The portfolio generated up to 2003 comprises mortgages pledged as guarantees. The most recent portfolios, originated from 2004, require the statutory lien of the financed real estate.

With respect to loans to corporations, a large volume of operations are collateralized as follows.

Corporate, small and medium business – collateral is required according to the purpose of the loans to corporations, including loans to finance the production of goods. Collateral usually includes liens, sureties, and mortgage of real estate. Individual collaterals usually include endorsements and sureties.

Foreign units Latin America – these adopt several types of collaterals established by the credit policies (statutory liens, sureties, endorsement/ 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 customer's account (previously overdue) is no longer considered to be past due and is rated (considering all available information including renegotiation) in the appropriate rating category. Renegotiated credit operations that would otherwise be overdue totaled R\$ 14,570 (R\$ 9,032 at December 31, 2010).

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 a 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 the BACEN. This period may be extended at the discretion of BACEN.

The amounts below represent total assets repossessed in the periods January 1 to December 31, 2011 and 2010.

	01/01 to 12/31/2011	01/01 to 12/31/2010
Real estate not for own use	8	3
Residential properties – mortgage loans	34	21
Vehicles – linked to loan operations	4	68
Other (vehicles/real estate/equipment) – payment in kind	1	2
Total	47	94

Market risk

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

Market risk management is the process through which the institution plans, monitors and controls risks arising from changes in market prices of financial instruments, aiming at 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 basically 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 in 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 of control and management of market risks in all business units and legal entities of the Group ITAÚ UNIBANCO.

The guidelines set forth by the internal policy on market risk management may be viewed on the website www.itaunibanco.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 market best 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.

The market risk is controlled by an area independent from the business areas, which is responsible for carrying out daily measurement, assessment and report activities through control units operating in the different legal entities. Moreover, it also carries out the consolidated monitoring, assessment and reporting of market risk information, including possible exceeding 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, the bank has a structured reporting and information process, with the objective of providing 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.

According to the criteria for classification of operations provided for in BACEN Resolution No. 3,464 of June 26, 2007, and Circular No. 3,354/07, of June 27, 2007, and the New Capital Accord – Basel II, the financial instruments, including all transactions with derivatives, are segmented into Trading and Banking portfolios. Market risk measurement is performed observing this segmentation.

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 are transactions not intended for trading in the short term and their respective hedges, as well as transactions entered into for the active management of financial risks that may or may not be carried out with derivatives.

Itaú Unibanco Holding hedges 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. When these transactions are designated for as hedge accounting, specific supporting documentation is prepared, including with continuous review of the hedge effectiveness and other changes in the accounting process (retrospective and prospective) and other changes in the accounting process, as defined by Itaú Unibanco Holding's internal policies.

The exposures to market risks of products, including derivatives, are broken down into risk factors. A risk factor refers to a market benchmark whose change results in 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;
- Shares: risk of financial losses on transactions subject to changes in share prices.

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 that covers from the monitoring of aggregate indicators of risk, to the monitoring of granular limits, assuring effectiveness and coverage of control. These limits are dimensioned considering the projected results of the balance sheet, the level of equity and the profile of risk of each legal entity, which are defined in terms of risk measures used by management. Limits are monitored daily and excesses are reported and discussed in the corresponding committees.

In this last quarter, Itaú Unibanco Holding improved its structure to control market risk limits, by making it more detailed and aligned with the business structure, segregating metrics into risk factors groups, according to the business areas. This new limit control structure aims at:

- Providing more assurance to all executive levels that the assumption of market risks is in line with the bank's and the risk-return objective, by conducting an organized and educated dialogue on the risk profile and its development;
- Increasing transparency on the way the business seeks the optimization of results;
- Providing early warning mechanisms in order to make the effective risk management easier, without jeopardizing the business purposes; and
- Avoiding risk concentration.

In this control structure, the limits, now even more detailed, are monitored and the limit reached warning trigger decision-making discussions on positions.

Market risk is analyzed based on the following metrics:

- Statistical Value at Risk (VaR - Value at Risk): statistical metric that estimates the expected maximum potential economic loss under normal market conditions, taking into consideration a defined time horizon and confidence level. Applied to the risk factors group;
- Losses in stress scenarios (Stress Test): simulation technique to assess the behavior of assets and liabilities of a portfolio when several risk factors are taken to extreme market situations (based in prospective scenarios) in the portfolio;
- Stop loss alert: effective losses added to the potential maximum loss in optimistic and pessimistic scenarios;
- Unrealized result analysis (RaR): Assessment of the difference between the accrued interest amount and the fair value, in normal and stress scenarios, reflecting the accountancy asymmetries. It is the risk measure used to evaluate the banking portfolio risk at management level.
- Earnings at risk (EaR): a measure quantifying the impact on earnings in the balance sheet in adverse situations of changes in interest rates;

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 (DV01): the impact on the cash flows market value when submitted to an one annual basis point increase in the current interest rates. Applied to the risk factors group;
- Sensitivity to the several risk factors (*Gregas*) – partial derivatives of an options portfolio in relation to the underlying asset price, implicit 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 gives greater weight to the most recent information.

The Consolidated Global VaR provides for an analysis of the exposure to market risk of Itaú Unibanco Holding portfolios, and of its foreign subsidiaries (Banco Itaú BBA International S.A., Banco Itaú Argentina S.A., Banco Itaú Chile S.A., Banco Itaú Uruguai S.A. and Banco Itaú Paraguai S.A.); by showing where the largest concentration of market risk are found.

The consolidated Itaú Unibanco Holding, maintaining its conservative management and portfolio diversification, continued with its policy of operating within low limits in relation to its capital. In this quarter, it increased the protection of its fixed exposure, reducing its total Global VaR, as compared to the end of 2010.

In this period, the average Global VaR was R\$ 142.0 million, or 0.19% of total stockholders' equity (throughout 2010 it was R\$ 109.4 million or 0.16%).

	VaR Global (*)							
	Average	Minimum (**)	Maximum(**)	12/31/2011	Average	Minimum (**)	Maximum(**)	12/31/2010
	(in R\$ million)							
Risk factor group								
Interest rate	105.3	27.0	229.2	114.8	109.5	47.3	207.8	123.7
Foreign exchange linked interest rate	29.5	12.6	59.0	23.6	18.4	3.7	50.8	17.3
Foreign exchange	38.1	14.2	69.2	29.0	31.8	3.3	98.1	34.0
Price index linked interest rate	17.7	2.5	41.6	21.1	17.1	6.4	30.0	18.6
Equities	13.4	3.7	26.1	4.4	15.1	5.1	27.7	14.4
Foreign units								
Itaú BBA International	2.9	0.4	6.5	1.5	1.3	0.5	3.4	0.6
Itaú Argentina	4.0	1.6	9.4	3.7	1.0	0.4	2.3	1.6
Itaú Chile	5.3	1.9	10.3	5.3	5.1	2.6	9.4	3.3
Itaú Uruguay	0.5	0.2	1.1	0.7	0.4	0.2	0.8	0.2
Itaú Paraguay	0.6	0.2	1.7	0.2	0.6	0.2	1.6	0.9
Effect of diversification	-	-	-	(53.4)				(82.8)
Global Risk	142.0	74.0	278.5	150.9	109.4	61.6	181.8	131.9

(*) Adjusted to reflect the tax treatment of individual classes of assets.

(**) Determined in local currency and converted into Brazilian reais at the closing price on the base date

Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

In compliance with CVM Instruction No. 475 of December 17, 2008, Itaú Unibanco Holding carried out a sensitivity analysis by market risk factors considered relevant to which the group was exposed. 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 exposure under exceptional scenarios.

In accordance with the operations classification criteria set forth in CMN Resolution No. 3,464 of June 26, 2007 and BACEN Circular No. 3,354 of June 27, 2007, and the New Capital Accord – Basel II, the financial instruments, including all transactions with derivatives, are segregated into Trading and Banking portfolios. Market risk measurement is performed observing this segregation.

The sensitivity analyses shown in this report are an evaluation of an instant position of the portfolio exposure and, therefore, do not consider the management's quick response capacity (treasury and control areas), which triggers risk mitigating measures, whenever a situation of high loss or risk is identified by minimizing the sensitivity towards significant losses. In addition, we point out that the presented results do not necessarily translate into accounting results, because the study's sole purpose is to disclose the exposure to risks and the respective protective actions, taking into account the fair value of financial instruments, irrespective of the accounting practices adopted by the institutions.

The trading portfolio consists of all transactions, including derivatives, which are entered into with the intention of being traded in the short term and intended for hedging other financial instruments of this portfolio or locking of the arbitrage results.

		Amount in R\$ (000)		
Trading portfolio	Exposures	12/31/2011 (*)		
Risk factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed rates in reais	(1,118)	(27,821)	(55,369)
Foreign exchange linked interest rate	Foreign currency coupon rates	246	(6,207)	(12,531)
Foreign exchange	Foreign exchange rate	(7,486)	(187,152)	(374,305)
Price index linked interest	Price index linked interest rate	(163)	(4,060)	(8,083)
Reference rate	Rate of TR coupon	367	(9,267)	(18,706)
Shares	Share prices	525	(13,121)	(26,243)
Total without correlation		(7,629)	(247,628)	(495,236)
Total with correlation		(5,501)	(178,532)	(357,049)

(*) Amounts net of tax effects.

The banking portfolio consists of all transactions not classified in the trading book. It consists of transactions held with the intention of being traded in the medium and long terms, and their respective hedges, as well as transactions intended for the active management of financial risks, which may or may not be carried out with derivative financial instruments.

		Amount in R\$ (000)		
Trading and Banking portfolios	Exposures	12/31/2011 (*)		
Risk factors	Risk of variation in:	Scenarios		
		I	II	III
Fixed rate	Fixed rates in reais	(4,343)	(108,226)	(215,754)
Foreign exchange linked	Foreign currency coupon rates	(1,068)	(26,420)	(52,268)
Foreign exchange	Foreign exchange rate	(1,960)	(49,009)	(98,018)
Price indices	Price index linked interest rate	(1,021)	(25,313)	(50,197)
Reference rate	Rate of TR coupon	(3,355)	(82,061)	(160,429)
Shares	Share prices	1,381	(34,523)	(69,046)
Total without correlation		(10,366)	(325,552)	(645,712)
Total with correlation		(7,474)	(234,712)	(465,538)
Total without correlation – industrial area (**)			(3,556)	(5,142)

(*) 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, foreign currency coupon, inflation and interest rate indices, and 1 percentage point in currency and equities prices, which are based on market information (BM&F BOVESPA, 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.

All derivative financial instruments contracted by Itaú Unibanco Holding in the item Derivative financial instruments in note 7.

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 on the position of accounts 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 mismatches 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)

	12/31/2011					12/31/2010						
	0-30	31-180	181-365	1-3 years	Over 3 years	Total	0-30	31-180	181-365	1-3 years	Over 3 years	Total
Interest-bearing assets	236,921	142,241	90,272	164,644	111,752	745,830	222,161	145,250	69,989	151,046	66,973	655,419
Interbank deposits	18,911	3,226	3,247	2,122	315	27,821	8,209	2,954	3,153	518	1	14,835
Securities purchased under agreements to resell	50,131	40,462	1,655	-	-	92,248	47,929	32,267	1,898	5,165	1,423	88,682
Central Bank compulsory deposits	98,053	-	-	-	-	98,053	85,776	-	-	-	-	85,776
Financial assets held for trading	7,188	3,369	27,149	49,914	34,269	121,889	28,366	19,403	10,936	29,507	27,285	115,497
Financial assets held for trading and designated at fair value through	186	-	-	-	-	186	306	-	-	-	-	306
Available-for-sale financial assets	6,139	3,997	3,768	13,221	20,385	47,510	6,809	8,098	4,659	8,249	16,724	44,539
Held-to-maturity financial assets	87	-	33	190	2,795	3,105	4	144	136	295	2,591	3,170
Derivatives	2,277	2,199	1,473	1,531	1,274	8,754	1,142	2,602	1,315	1,212	1,506	7,777
Loan and lease operations	53,949	88,988	52,947	97,666	52,714	346,264	43,620	79,782	47,892	106,100	17,443	294,837
Interest-bearing liabilities	167,707	69,188	47,978	167,503	104,446	556,822	172,825	58,287	49,042	135,939	77,436	493,529
Savings deposits	67,170	-	-	-	-	67,170	57,900	-	-	-	-	57,900
Time deposits	30,918	19,167	11,475	41,702	41,207	144,469	15,332	16,714	21,476	33,002	29,892	116,416
Interbank deposits	665	683	445	242	30	2,065	348	836	505	203	37	1,929
Investment deposits	-	-	-	-	-	-	906	-	-	-	-	906
Deposits received under securities repurchase agreements	55,866	11,403	11,139	83,623	23,382	185,413	89,010	21,369	12,067	60,200	17,011	199,657
Interbank market	5,904	24,588	16,773	30,133	13,100	90,498	4,905	16,209	11,438	20,897	9,150	62,599
Institutional market	2,772	11,248	5,881	9,565	25,341	54,807	658	1,419	1,857	20,261	20,318	44,513
Derivatives	1,526	1,245	1,364	1,541	1,071	6,747	1,113	1,423	1,408	1,090	637	5,671
Financial liabilities held for trading	48	854	901	697	315	2,815	50	317	291	286	391	1,335
Liabilities for capitalization plans	2,838	-	-	-	-	2,838	2,603	-	-	-	-	2,603
Difference asset/ liability (2)	66,626	73,907	43,195	(2,162)	7,621	189,187	48,701	87,280	21,238	15,393	(10,072)	162,540
Cumulative difference	66,626	73,907	43,195	(2,162)	7,621	189,187	48,701	87,280	21,238	15,393	(10,072)	162,540
Ratio of cumulative difference to total interest-bearing assets	8.9%	9.9%	5.8%	(0.3%)	1.0%	25.4%	7.4%	13.3%	3.2%	2.3%	(1.5%)	24.8%

(1) Remaining contractual terms.

(2) The difference arises from the mismatch between the maturities of all remunerated assets and liabilities, at the respective base date, considering the contractually agreed terms.

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
Held-for-trading financial assets	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	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)
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12/31/2010					
ASSETS	Dollar	Euro	Yen	Other	Total
Cash and deposits on demand	3,433	124	130	1,154	4,841
Central Bank compulsory deposits	-	8	-	898	906
Interbank deposits	6,726	2,724	-	701	10,151
Securities purchased under agreements to resell	1,177	-	-	109	1,286
Held-for-trading financial assets	12,447	694	-	541	13,682
Financial assets designated at fair value through profit or loss	-	306	-	-	306
Derivatives	1,974	111	-	121	2,206
Available-for-sale financial assets	22,320	47	-	2,570	24,937
Held-to-maturity financial assets	692	-	-	-	692
Loan operations, net	30,558	4,158	2,511	16,781	54,008
TOTAL ASSETS	79,327	8,172	2,641	22,875	113,015

12/31/2010					
LIABILITIES	Dollar	Euro	Yen	Other	Total
Deposits	21,603	1,435	274	13,822	37,134
Securities sold under repurchase agreements	15,327	-	-	259	15,586
Financial liabilities held for trading	-	1,335	-	-	1,335
Derivatives	1,684	119	-	130	1,933
Interbank market	25,013	712	1	1,360	27,086
Institutional market	27,355	1,333	-	932	29,620
Technical provisions for insurance, pension plan and capitalization Provisions					
Deferred tax liabilities					
Other financial liabilities.					
TOTAL LIABILITIES	90,982	4,934	275	16,503	112,694

NET POSITION	(11,655)	3,238	2,366	6,372	321
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The exposure to share 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 improving 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 in technical committees, and their purpose is to provide an additional safety margin to the minimum projected needs. The liquidity management policies and the respective limits are established based on prospective scenarios 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 2,804/00 and Circular 3,393/08 of the Central Bank of Brazil, 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 support to the decision-making process:

- Different scenarios projected for changes in liquidity;
- Contingency plans for crisis situations;
- Reports and carts that describe the risk positions;
- 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\$ 410.6 billion in 2011, particularly funding from time deposits. A considerable portion of these funds – 29.9% of total, or R\$ 122.7 billion – is available on demand to the client. 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	12/31/2011			12/31/2010		
	0-30 days	Total	%	0-30 days	Total	%
Deposits	127,686	242,638		91,011	190,773	
Demand deposits	28,933	28,933	6.5	24,837	24,837	8.4
Savings deposits	67,170	67,170	15.0	48,222	48,222	16.3
Time deposits	30,917	144,469	32.2	16,374	114,671	38.7
Other	666	2,066	0.5	1,578	3,043	1.0
Funds from acceptance and issuance of securities (1)	4,862	51,557	11.5	2,303	17,320	5.8
Funds from own issue (2)	2,913	114,155	25.5	4,170	65,457	22.1
Subordinated debt	60	39,715	8.9	13	22,726	7.7
Total	135,521	448,065		97,497	296,275	

(1) Includes mortgage notes, real estate credit bills, agribusiness and financial bills recorded in interbank and institutional market funds and liabilities for issue of debentures and foreign borrowings and securities recorded in funds from institutional markets.

(2) Refer to deposits received under securities repurchase agreements with securities from 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 2011, 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\$ 80.8 billion and accounted for 59.6% of the short-term redeemable obligations, 18.0% 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	%
Net assets /funds within 30 days	59.6
Net assets / total funds	18.0
Net assets / total assets	15.4

The following table presents assets and liabilities according to their contractual maturities, considering their undiscounted flows:

	R\$ Million									
	12/31/2011				12/31/2010					
	0 - 30	31 - 365	366-720	Over 365 days	Total	0 - 30	31 - 365	366-720	Over 365 days	Total
Undiscounted future flows except for derivatives										
ASSETS (1)										
Cash and deposits on demand	10,633	-	-	-	10,633	10,097	-	-	-	10,097
Interbank investments	68,277	36,721	2,295	287	107,580	50,739	24,031	469	172	75,411
Securities purchased under agreements to resell – Funded position (2)	25,438	-	-	-	25,438	24,773	-	-	-	24,773
Securities purchased under agreements to resell – Financed position	23,948	29,706	-	-	53,654	17,764	17,617	-	-	35,381
Interbank deposits	18,891	7,015	2,295	287	28,488	8,202	6,414	469	172	15,257
Securities	50,127	5,368	3,979	54,096	113,570	50,962	25,808	5,130	58,920	140,820
Government securities - available	44,741	-	-	-	44,741	23,473	-	-	-	23,473
Government securities – subject to repurchase commitments	686	1,779	916	23,210	26,591	21,488	19,063	3,694	38,588	82,833
Private securities - available	4,693	3,299	2,332	28,648	38,972	5,954	6,193	1,411	17,748	31,306
Private securities – subject to repurchase commitments	7	290	731	2,238	3,266	47	552	25	2,584	3,208
Derivative financial instruments	2,277	3,672	960	1,845	8,754	1,145	3,914	753	1,965	7,777
Loan and lease operations (3)	48,966	133,015	78,609	110,750	371,340	41,720	116,494	62,832	99,394	320,440
	180,280	178,776	85,843	166,978	611,877	154,663	170,247	69,184	160,451	554,545

(1) The assets portfolio does not take into consideration the balance of compulsory deposits in Central Bank, amounting to R\$ 98,053 (R\$ 85,776 at December 31, 2010), which 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\$ 7,227 (R\$ 8,670 at 12/31/2010) which 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\$ 25,749 (R\$ 18,758 at 12/31/2010).

Undiscounted future flows except for derivatives	12/31/2011					12/31/2010				
	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
LIABILITIES										
Deposits	122,173	38,410	33,101	67,913	261,597	100,235	43,094	18,217	63,733	225,279
Demand deposits	28,933	-	-	-	28,933	25,537	-	-	-	25,537
Savings deposits	67,170	-	-	-	67,170	57,899	-	-	-	57,899
Time deposit	25,423	37,239	32,903	67,806	163,371	15,531	41,687	18,159	63,534	138,911
Interbank deposit	647	1,171	198	107	2,123	362	1,407	58	199	2,026
Other deposits	-	-	-	-	-	906	-	-	-	906
Compulsory Deposits	(39,562)	(15,790)	(13,951)	(28,750)	(98,053)	(31,547)	(18,323)	(7,981)	(27,925)	(85,776)
Demand deposits	(9,939)	-	-	-	(9,939)	(8,210)	-	-	-	(8,210)
Savings deposits	(18,843)	-	-	-	(18,843)	(16,511)	-	-	-	(16,511)
Time deposit	(10,780)	(15,790)	(13,951)	(28,750)	(69,271)	(6,826)	(18,323)	(7,981)	(27,925)	(61,055)
Securities sold under repurchase agreements (1)	56,618	24,205	45,139	91,587	217,549	89,375	35,558	27,096	62,490	214,519
Funds from acceptance and issuance of securities (2)	4,365	25,714	12,998	13,274	56,351	3,455	11,825	5,854	6,224	27,358
Borrowings and onlending (3)	3,339	25,276	10,617	24,484	63,716	2,372	19,742	17,343	16,935	56,392
Subordinated debt (4)	69	11,338	3,174	40,941	55,522	28	2,039	14,801	29,396	46,264
Derivative financial instruments	1,526	2,609	885	1,727	6,747	1,113	2,831	743	984	5,671
	148,528	111,762	91,963	211,176	563,429	165,031	96,766	76,073	151,837	489,707

(1) Includes Own and Third Parties' Portfolios.

(2) Includes mortgage notes, real estate credit bills, agribusiness and financial bills recorded in interbank and institutional market funds and liabilities for issue of debentures and foreign borrowings and securities recorded in funds from institutional markets.

(3) Recorded in funds from interbank markets

(4) Recorded in funds from institutional markets

The above table does not show amounts related to endorsements and sureties because they are a contingent liability that includes liquidity risk with a 0.03% probability of materialization, in accordance with historical data.

NOTE 35 - Change in Estimate - Correction

Certain amounts were corrected at January 1, 2010 by our jointly-controlled subsidiary Itaú Unibanco Holding. These corrections were made to meet the requirements of CPC 38 - Financial Instruments: Recognition and Measurement, regarding the recognition of loan operations using the effective interest method, and they are proportionally reflected in ITAÚSA.

Balances at December 31, 2010	Previous presentation	Current presentation	Correction
Loan operations	108,068	107,830	(238)
Income tax and social contribution - deferred	7,646	7,741	95
Stockholders' equity	29,179	29,036	(143)

The above-mentioned corrections affected the balance sheet and the statement of changes in stockholders' equity.

NOTE 36 – TRANSACTION WITH CARREFOUR

On April 14, 2011, Itaú Unibanco Holding entered into with Carrefour Comércio e Indústria Ltda. ("Carrefour Brazil"), an Agreement for Purchase and Sale of Share to acquire 49% of Banco CSF S.A. ("Banco Carrefour") for R\$ 725 million, corresponding to a 2010 price/earnings ratio of 11.6. The completion of this transaction depends on the approval from the Central Bank of Brazil.

NOTE 37 – SUBSEQUENT EVENTS**Transaction with Redecard**

ITAÚ UNIBANCO HOLDING communicated to its stockholders and announced to the market, on February 7, 2012, as a Material Fact, its intention to acquire, directly or through its subsidiary companies, the shares held by non-controlling shareholders of Redecard S.A., within the scope of a unified public offering and subsequently cancel the registration of Redecard as a public company and withdrawal thereof from the *Novo Mercado* segment of BM&FBOVESPA S.A. - Brazilian Mercantile and Futures Exchange ("*Novo Mercado*" segment).

The Public Offering will target 336,390,251 common shares issued by Redecard, which represent 49.9859% of Redecard's capital. The cap price to be tendered will be R\$ 35.00 (thirty-five Brazilian reais) per share, payable in national currency.

The performance of the aforesaid public offering is subject to approval by regulatory authorities and the other terms and conditions of the offering will be disclosed to the market in due course, according to the applicable rules.

Independent Auditor's Report

To the Board of Directors and Shareholders

Itaúsa - Investimentos Itaú S.A.

We have audited the accompanying financial statements of Itaúsa - Investimentos Itaú S.A. ("Parent Company"), which comprise the balance sheet as at December 31, 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. as at December 31, 2011, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and its subsidiaries as at December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Itaúsa - Investimentos Itaú S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified with respect to this matter.

Other matters Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2011, prepared under the responsibility of management, which are required to be presented by Brazilian corporate law for public companies, and are supplementary information under IFRS, which do not require the presentation of the DVA. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, February 28, 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 perused the management report and the financial statements for December 31 2011, have verified the accuracy of all the items examined and, in view of the unqualified opinion and information provided by PricewaterhouseCoopers Auditores Independentes, understand that these documents adequately reflect the company's capital structure, financial position and the activities conducted by the company during the period. São Paulo-SP, February 28 2012. (signed) Tereza Cristina Grossi Togni – President; Luiz Alberto de Castro Falleiros and Paulo Ricardo Moraes Amaral – Councilors.

HENRI PENCHAS
Investor Relations Officer