ITAÚSA

Complete Financial Statements December 31, 2010

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

MANAGEMENT REPORT – January to December 2010

To our Stockholders:

We present the Management Report and the financial statements of Itaúsa - Investimentos Itaú S.A. (Itaúsa) and its subsidiaries for 2010, in accordance with the regulations established by the Brazilian Corporate Law and the Brazilian Securities and Exchange Commission (CVM). These financial statements have been approved by the Fiscal Council.

The financial statements made available on this date to CVM and BM&FBovespa contemplate the International Financial Reporting Standards (IFRS), in compliance with the CVM Instructions Nos. 457/07 and 485/10.

As the adjustments arising from the adoption of the IFRS significantly impacted the financial statements of the Company, as well as those of its subsidiaries Itaú Unibanco, Duratex, Itautec and Elekeiroz, and aiming at making a transition in a transparent way and according to the best practices, we will present the financial highlights before and after the adjustments, when applicable, for better comparability.

Highlights

Itaúsa

Itaúsa achieved the high rank of business group with higher revenue among the 200 largest companies in the country according to the survey conducted by the 2010 edition of the Melhores & Maiores (the best and largest companies) issue of Exame Magazine, rose 32 positions in the ranking of the 500 largest companies in the world published by Fortune magazine, occupying the 117th place. The Holding company was also selected to make up the portfolio of Dow Jones Sustainability World Index for the seventh time.

The Corporate Sustainability Index of BM&FBovespa (ISE) selected Itaúsa to make up its portfolio for the fourth consecutive year.

In May 2010, Bank of America Corporation (BAC) sold its interest in the capital of Itaú Unibanco. The preferred shares were traded abroad for qualified buyers, in a private offering of American Depositary Shares (ADS), whereas common shares were purchased by Itaúsa, which increased its direct and indirect interest in the capital of Itaú Unibanco from 35.46% to 36.57%.

Itaú Unibanco

The integration of Unibanco branches into the Itaú platform was completed in October 2010, less than two years after the announcement of the merger of the two institutions. With the renovation and integration of more than 1,200 points of services of Unibanco, the institution now counts on almost 5 thousand points throughout the country, all of which with the Itaú brand. As part of the strategy on differentiated service to individual clients, Itaú Uniclass was created in addition to Personnalité for top clients of Retail served by the branch network. In June, a new concept of customer relationship was introduced, increasing the focus of branches on advisory and sales of products, besides financial transactions.

With the objective of expanding its base of capital and, consequently, being able to increase the grant of loans, in 2010 Itaú Unibanco raised funds in the domestic and international markets. In the domestic market, R$ 3.3 billion in Subordinated CDBs were issued, while in the international market US$ 2.0 billion was raised in Notes.

In accordance with the company Bloomberg, in 2010 Itaú Unibanco ranked among the ten largest banks in the world, having market value as a parameter.

Duratex

In 2011, Duratex completed 60 years since its incorporation as leader in the segments of manufactured wood panels, and bathroom metal and porcelain fixtures and fittings in Brazil and in the Southern Hemisphere. The average age of assets is low, and the employed technology is modern. The scale of production plus the geographical location of its plants, near the most important consumer markets, and the high level of integration of its operations ensure it an important competitive differential.

Noteworthy in 2010 was the consolidation of the merger between Duratex and Satipel, occurred in August 2009. In November 2010, a binding proposal for the acquisition of total shares of a competitor in the bathroom ceramics segment, located in João Pessoa, State of Paraíba, was announced. In February 2011, thus subsequently to the end of 2010, such acquisition was completed, which will enable the increase of Duratex operations in the Brazilian Northeastern market.

During 2010, Duratex made important investments to increase its competitiveness. We highlight the completion of the assembly and start-up of operations, in April, of a resin plant in Agudos, State of São Paulo, focused on the supply of panel units located in the State of São Paulo. The company acquired 8,671 hectares of land with planted forests located in the State of São Paulo at an auction; therefore the land area totals 224 thousand hectares, of which 52% are owned and 48% are leased. This acquisition is strategic to meet the future demand for wood in a region of future expansions. The sites of the Deca Division at Cabo de Santo Agostinho (State of Pernambuco), Queimados (State of Rio de Janeiro) and Jundiaí (State of São Paulo) are included in an investment plan that shall total R$ 400 million from 2010 and 2012.

In terms of social and environmental responsibility, Duratex was the first Latin American company to have its forest areas certified with the Green Seal. It is signatory of the United Nations' Global Pact and carries out actions on issues concerning human and labor rights, environmental protection and the combat against corruption. It is a founder member of the Green Building Council Brazil, an organization dedicated to encourage sustainable building. It takes inventory of carbon emissions and contributes to the development of the Efficient Carbon Index of BM&FBovespa. The permanent preservation areas in its farms are the scenery of academic studies that attest the balance between its forest exploitation and the local flora and fauna.

Itautec

The year 2010 of Itautec was marked by an operational, strategic and management restructuring process that resulted in a company that is financially stronger and much better prepared to compete and win in each market segment in which it operates. During the period, Itautec achieved results that confirm the company's tendency towards becoming stronger, and especially noteworthy is the working capital management, which led to an operating cash generation of R$ 311.6 million, a cash balance of R$ 264.9 million and negative net debt of R$ 55.6 million for the Company. Consolidated net revenue from sales and services for 2010 reached R$ 1,571.4 million**,** 18.7% higher than in 2009, due to the performance of the Automation Solutions area, which accounted for a 60.5% increase in net revenue from sales as compared to the prior year. In the period, 16.3 thousand ATMs and self-service terminals were shipped, a volume 101.8% higher than in 2009.

In July, Itautec completed the sale of shares of subsidiaries Tallard Technologies to Avnet Inc., upon receipt of R$ 45 million for the shares, plus R$ 24 million related to credits from loans. The transaction strengthens Itautec's strategy for focusing its activities on the Automation Solutions, Computing Solutions and IT Services areas.

Elekeiroz

Elekeiroz launched in November a complete line of sustainable vegetal-based resins for production of parts in composites. Under the trade name BIOPOLI, the new line uses raw materials from renewable sources and reused thermoplastic resins, being thus able to save up to 20% of nonrenewable resources, such as oil, used in traditional polyester resins. With 100% national technology and the patent application already filed, it is a result of investments made by the company in research and development over the latest years. The launch of this technology into the market will enable the development of several sustainable products in the automotive, civil construction, electrical and electronics, and nautical sectors, among others.

In September 2010, a system for collecting and recovering carbon dioxide (CO2) started to operate in the Camaçari site (State of Bahia), substantially reducing the emissions of this gas into the atmosphere. The recovered carbon dioxide is being sold to a company that produces industrial gases, which receive them through a pipeline.

Economic Environment

In 2010, the figures of the international economic activity surprised positively, although in a differentiated manner. Europe is still facing recession, whereas emerging countries show overheated economies. International inflation rose again, pushed by the increase in the prices of commodities. This international growth recovery scenario, with export prices going up, import prices going down and the consequent appreciation of real, explains a considerable part of the growth factors in Brazil in 2010. The domestic demand has been exceeding GPD since 2009 and inflation continues rising. The demand was 2.8% higher than GDP in 2010, and this difference was made up with the foreign trade deficit and reduction of stocks in the economy.

The increase in the domestic demand was stimulated by the growth of government spending and by the higher availability of credit offered by the government banks. The industrial production, however, did not follow the rate of the domestic demand in the second half. In the civil construction industry, growth in 2010 reached 11.6%, recovering from the 6.3% drop in 2009. This industry posted a 10.5% expansion in 2010, but this growth was concentrated in the first half, when it grew 5.7% as compared to the second half of 2009, adjusted for seasonality. However, in the second half, there was a slight decline of -0.1% when compared to the first half. The wood manufacturing sector reached a 16% growth, whereas the chemicals sector posted a 10% decline, similarly to the IT equipment (13.1%) and furniture (10.7%) sectors.

Accordingly, inflation in 2010 rose to 5.9%, the highest in six years. The National Monetary Council adopted measures aimed at restricting the credit growth: increase of the additional compulsory deposits and increase of capital requirement. In December, the compulsory deposits of the banking system in the Central Bank increased by R$ 81.8 billion, in relation to November. Such measures have moderated the growth of loans. Actual data and seasonally-adjusted December data showed a drop in the daily average of new loan granting of 10.8 to individuals and 5.9% to companies as compared to November. However, total credit granted by the banking system became more important over the year, going up from 44.4% of GDP to 46.6%.

In the insurance market, an 11.7% increase in revenue until November was noted, in actual terms, as compared to the same period of 2009. This growth was caused mainly by the substantial increase in property and personal insurance. In the private pension market, contribution increase exceeded by 6.9% the amounts reached in the same period of 2009, of which we highlight the expansion of 10% in PGBL funds, in actual terms. Finally, in the cards market, revenue per card posted a significant increase of 15.1% in actual terms in 2010, in addition to an 11% increase in the number of cards.

BUSINESS PERFORMANCE

MAIN INDICATORS OF RESULTS OF ITAÚSA – BEFORE IFRS ADJUSTMENTS

	Parent company		Non-controlling interests		Group	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Net income	4.953	3.930	9.714	7.812	14.667	11.742
Stockholders' equity	23.743	19.785	44.424	38.170	68.167	57.956
Annualized return on average equity (%)	23,0%	21,5%	23,7%	22,3%	23,4%	22,1%

MAIN INDICATORS OF THE ITAÚSA CONGLOMERATE COMPANIES – BEFORE IFRS ADJUSTMENTS

	January to December	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED/ GROUP (1)
		Itaú Unibanco Holding S.A.	Duratex S.A. (5)	Itautec S.A.	Elekeiroz S.A.	
Total assets	**2010**	**755.112**	**5.011**	**1.079**	**640**	**764.211**
	2009	608.273	4.336	1.294	584	615.961
Operating revenues (2)	**2010**	**120.510**	**2.742**	**1.795**	**851**	**123.695**
	2009	111.994	1.930	1.872	571	117.369
Net income	**2010**	**13.323**	**442**	**3**	**47**	**14.667**
	2009	10.067	178	54	4	11.742
Stockholders' equity	**2010**	**60.879**	**2.623**	**479**	**477**	**68.167**
	2009	50.683	2.331	496	443	57.956
Annualized return on average equity (%) (3)	**2010**	**24,1%**	**17,9%**	**2,5%**	**9,9%**	**23,4%**
	2009	21,4%	7,8%	11,4%	0,9%	22,1%
Internal fund generation (4)	**2010**	**37.301**	**839**	**76**	**86**	**38.842**
	2009	37.887	301	35	(14)	36.013

(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 to the average equity ((Dec + Mar + Jun + Sep + Dec)/5)*

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

(5) *In 2009, it includes the results of Satipel (proforma) for comparative effects.*

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED – IN IFRS

	Parent company		Non-controlling interests		Group	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Net income	4.417	4.362	595	386	5.013	4.748
Stockholders' equity	26.302	23.190	2.876	2.650	29.178	25.840
Annualized return on average equity (%)	18,0%	20,6%	23,4%	20,7%	19,5%	21,2%

MAIN FINANCIAL INDICATORS – UNDER IFRS

	Dec/10	Dec/09	Change %
Results per thousand shares – in R$			
Net income of parent company	4.417	4.362	1,3
Book value of parent company	6,01	5,21	15,3
Interest on capital and dividends	0,33	0,28	15,1
Price of preferred share (PN) (1)	13,14	11,83	11,1
Market capitalization (2) – in millions of Reais - R$	57.478	51.411	11,8

(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).

MAIN INDICATORS OF THE ITAÚSA GROUP COMPANIES – UNDER IFRS

	January to December	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED/ GROUP (2) (3)
		Itaú Unibanco Holding S.A.	Duratex S.A.(1)	Itautec S.A.	Elekeiroz S.A.	*R$ Million*
Total assets	**2010**	**727.481**	**6.171**	**1.081**	**632**	**275.635**
	2009	578.604	5.467	1.314	597	213.504
Operating revenues (4)	**2010**	**119.473**	**2.742**	**1.571**	**851**	**47.942**
	2009	119.326	1.930	1.324	571	45.856
Net income	**2010**	**11.708**	**467**	**12**	**45**	**5.013**
	2009	11.838	181	51	2	4.749
Stockholders' equity	**2010**	**66.265**	**3.453**	**514**	**466**	**29.178**
	2009	57.516	3.142	502	433	25.840
Annualized return on average equity (%) (5)	**2010**	**19,2%**	**14,1%**	**2,2%**	**10,1%**	**19,5%**
	2009	23,4%	7,5%	10,7%	0,5%	21,2%
Internal fund generation (6)	**2010**	**36.996**	**839**	**76**	**86**	**15.374**
	2009	37.887	360	33	(14)	16.436

(1) In 2009, it includes the results of Satipel (proforma) for comparative effects.

(2) Itaúsa Group includes: the consolidation of 100% of controlled companies; and the consolidation proportional to the interest held, of jointly-controlled companies.

(3) Consolidated/Group 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 of 36.57% (35.46% in 2009).

(4) 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.*

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

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

MAIN CHANGES ARISING FROM THE ADOPTION OF IFRS

The main changes from the adoption of IFRS are shown in the tables below, and all descriptions of adjustments made are described in Note 2b, to the financial statements:

A - Loan operations
CPC 38 determines that the entity should 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 the asset.

C - Pension and health care plans
In accordance with CPC 33: for plans in which the actuarial calculations resulted in a positive net position, an asset was recognized; for those in which the actuarial calculations resulted in a negative net position, a liability was recognized.

D - 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.

E - Negative goodwill, net
Also in accordance with CPC 15, if the acquisition cost is lower than the fair value of net assets of the acquiree, the difference is directly recognized in the statement of income.

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

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

I) Reconciliation of stockholders' equity

	References	12/31/2010	12/31/2009	01/01/2009
Stockholders' equity before IFRS adjustments		**23.743**	**19.785**	**16.592**
Stockholders' equity of non-controlling interests		**2.340**	**2.126**	**1.410**
Adjustments that affect stockholders' equity between BR GAAP and IFRS		**3.095**	**3.929**	**2.897**
Loan operations	A	679	1.159	964
Recognition of total deferred tax assets	B	595	827	947
Pension and health care plans	C	44	573	441
Business combinations	D	717	1.029	481
Negative goodwill, net	E	483	483	482
Biological assets	F	219	203	284
Additional dividends	G	445	380	-
Income tax and social contribution		(532)	(1.003)	(916)
Other		445	278	214
Stockholders' equity under IFRS		**29.178**	**25.840**	**20.899**
Stockholders' equity attributable to non-controlling interests		**2.876**	**2.650**	**1.539**
Stockholders' equity attributable to controlling interests		**26.302**	**23.190**	**19.360**

The full description of adjustments made is included in Note 2b.

II) Reconciliation of consolidated net income:

	References	2010	2009
Net income before IFRS adjustments		**4.953**	**3.930**
Net income of non-controlling interests		586	387
Adjustments that affect net income between BR GAAP and IFRS		**(526)**	**431**
Loan operations	A	(513)	196
Recognition of total deferred tax assets	B	(239)	(83)
Pension and health care plans	C	76	169
Business combinations	D	(303)	148
Biological assets	F	34	(4)
Income tax and social contribution		330	(153)
Other		89	157
Net income under IFRS		**5.013**	**4.748**
Net income attributable to noncontrolling interests		595	386
Net income attributable to controlling interests		**4.417**	**4.362**

The full description of adjustments made is included in Note 2b.

Proportionate Consolidation Itaú Unibanco Holding

CPC 19, paragraphs 30 and 40, 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. We show below the main impacts on the Consolidated Balance Sheet:

I) Consolidated balance sheet at December 31, 2009:

(In millions of Reais)

	BEFORE IFRS ADJUSTMENTS	CONSOLIDATION ADJUSTMENTS	IFRS ADJUSTMENTS	IFRS
TOTAL ASSETS	**615.961**	**(398.487)**	**(3.970)**	**213.504**
LIABILITIES AND STOCKHOLDERS' EQUITY				
TOTAL LIABILITIES	**558.005**	**(362.434)**	**(7.906)**	**187.665**
TOTAL EQUITY OF OWNERS OF THE PARENT COMPANY	**19.786**	**(401)**	**3.805**	**23.190**
Non-controlling interests	38.170	(35.652)	131	2.649
STOCKHOLDERS' EQUITY	**57.956**	**(36.053)**	**3.936**	**25.839**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**615.961**	**(398.487)**	**(3.970)**	**213.504**

The detailed impact on Financial Statements is included in Note 36.

II) Reconciliation of balance sheet at December 31, 2010 (Note 36):

(In millions of Reais)

CONSOLIDATED BALANCE SHEET	BEFORE IFRS ADJUSTMENTS	UNCONSOLIDATED PORTION	IFRS ADJUSTMENTS	IFRS
TOTAL ASSETS	**764.211**	**(483.988)**	**(4.587)**	**275.635**
LIABILITIES AND STOCKHOLDERS' EQUITY				
TOTAL LIABILITIES	696.044	(441.074)	(8.514)	246.456
TOTAL EQUITY OF OWNERS OF THE PARENT COMPANY	**23.743**	**(1.799)**	**4.358**	**26.302**
Non-controlling interests	44.424	(41.116)	(431)	2.877
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS	**68.167**	**(42.915)**	**3.927**	**29.179**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**764.211**	**(483.989)**	**(4.587)**	**275.635**

The detailed impact on Financial Statements is included in Note 36.

FINANCIAL SERVICES AREA

Itaú Unibanco

The amounts commented on below, whenever extracted from the financial statements, were determined in accordance with the IFRS (International Financial Reporting Standards) and are not proportionately presented to reflect the stockholding interest of 36.57% held by Itaúsa.

Net income of Itaú Unibanco for 2010 reached R$ 11.7 billion, with an annualized return of 19.2% on average equity (23.4% in the same period of 2009). Itaú Unibanco paid or provided for its own taxes and contributions in the amount of R$ 11.8 billion for this same period in 2010. The Bank also withheld and passed on taxes in the amount of R$ 8.6 billion, which were directly levied on financial operations.

Consolidated assets totaled R$ 727.5 billion at December 31, 2010 and consolidated stockholders' equity totaled R$ 66.3 billion in the same period.

Loan operations, including endorsements and sureties, totaled R$ 333.9 billion at December 31, 2010, an increase of 20.3% as compared to December 31, 2009. 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 December 31, 2010, the relationship between the receivables rated as strong and the total loan portfolio without endorsements and sureties reached 68.0%, while the relationship between the receivable with impairment and the total loan portfolio reached 4.7%, which shows the quality of our 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$ 364.1 billion at December 31, 2010.

Basel ratio stood at 15.4% at the end of December 2010, based on economic-financial consolidated.

Itaú Unibanco's preferred shares rose 2.2% in 2010. The market value at Stock Exchanges of Itaú Unibanco, calculated considering the average quotation of preferred shares outstanding at the last trading session of the period, reached R$ 179.6 billion at the end of December. According to the company Bloomberg, Itaú Unibanco ranked tenth among banks in the world at December 31, 2010, having market value as parameter.

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 40.8 million accountholders and non-accountholder clients, originated in proprietary channels and through partnerships with companies that have outstanding performance in the markets they are engaged. From January through December, the transacted amount reached R$ 129.6 billion, a 26.1% increase in relation to the previous year.

The technical reserves for insurance, private pension and capitalization plans totaled R$ 59.5 billion at December 31, 2010, an increase of 18.4% in relation to the previous year. In 2010, ANS - Brazilian Health Agency, the health market regulator, approved the transfer of 100% of capital from Unibanco Saúde Seguradora S.A. to Tempo Participações S.A. On October 6, 2010 SUSEP approved the contract related to the acquisition by Itaú Unibanco of a minority interest in the subsidiary company Itaú XL Seguros Corporativos S.A. Itaú Seguros will keep the structure dedicated to serve the segment of large industrial and commercial clients.

In 2010, Itaú BBA consolidated the internal segmentation started in 2009 in the commercial area, which now focus its efforts on two segments: Corporate and Large Corporate. In mandatory loans, Itaú BBA broadened the relationship with its clients, with the increase of the portfolio comprising lines subsidized by the BNDES of R$ 4.5 billion for 2010. In the BNDES funding ranking of BNDES-Exim (Program for the Support and Finance Exports) product, Itaú BBA exercised the leadership, with a volume of R$ 3.6 billion and 23% market share in 2010. It is also worth noting the performance of cash management operations, which posted a growth in volume of 30% in 2010.

During 2010, mainly in the fourth quarter of the year, Itaú BBA increased the focus on international client service, increasing the teams and structures located in Europe, the United States, Argentina and Chile, in addition to the opening of a representative office in Peru in January 2011.

In the investment banking area, Itaú BBA took part in operations of debentures and promissory notes that totaled R$ 18.9 billion, and of securitization that totaled R$ 4.7 billion in 2010 (ANBIMA ranking for distribution of fixed income: first position in December 2010). Noteworthy was the offering of Brazilian sovereign bonds carried out by Itaú BBA, which became the first Brazilian bank to lead the funding for the National Treasury. In capital markets, Itaú BBA coordinated thirteen public offerings that totaled R$ 132.3 billion, consolidating its leadership among the market leaders in 2010. In that period, Itaú BBA provided financial advisory services to 35 merger and acquisition operations (2010 Thomson ranking in number of transactions: 2nd position).

During 2010, Itaú Corretora intermediated at Bovespa a volume of R$ 204.2 billion with individual, corporate and foreign customers. This volume accounted for an addition of 28% as compared to the same period of 2009. In this period, Itaú Corretora was ranked second among the brokerage companies.

The Treasury acted to carry out the funding through subordinate notes in the international capital markets in 2010, in two issues of US$ 1 billion, maturing in 2020 and 2021, and coupons of 6.20% p.a. and 5.75% p.a., respectively. These funding transactions were important to keep the current comfortable Basel ratios in face of the strong growth of loans and financing operations. In addition to the subordinated notes, a senior debt in the amount of R$ 500 million, maturing in 2015, and coupon of 10.50% p.a. was also issued.

INDUSTRIAL AREA

Duratex

The financial statements made available to CVM and BM&FBovespa contemplate the International Financial Reporting Standards (IFRS) in compliance with the CVM Instructions Nos. 457/07 and 485/10. Under this new standard, total assets and stockholders' equity were mainly impacted by the following: (i) Business Combination as a result of the merger between Duratex and Satipel formalized on August 31, 2009; (ii) Biological Asset, by virtue of the recognition of forest reserves at fair value, net of estimated cost to sell at the harvest time, and (iii) Employee Benefits, arising from the recognition of credits existing in the pension plan fund of Fundação Itaúsa Industrial. In 2010, the effect of these items particularly increased the total assets of Duratex by R$ 1,159 million and the stockholders' equity by R$ 829.0 million.

Net revenue totaled R$ R$2,741 million for the year, a result 42.1% higher than that in 2009, under the IFRS basis that considers only Satipel's revenue from September to December of that year. On the pro forma basis, revenue expansion was 22.1%. The improved price base, a shipment mix that is more varied and the increase in shipped volumes of 15.8% as compared to the pro forma basis in 2009 in the panel segment, and 9.3% in Deca segment, brought important gains in the operating margin.

Thus, gross margin under IFRS methodology increased to 38.9% from 34.6% in 2009, disregarding the non-cash effect of biological assets. The EBITDA for the year totaled R$ 893.0 million, with a margin of 32.6%. This result was benefited by extraordinary events, in the amount of (+) R$ 42.4 million, related to the recovery of allowance for loan losses, the semi-annual payment of PIS and the sale of assets. Disregarding such effect, recurring income would amount to R$ 850.5 million, 71.9% above the income for 2009, and equivalent to a margin of 31.0%. The recurring Ebitda margin at Deca and Wood Divisions totaled 29.7% and 31.7%, representing a significant operating improvement when compared to the performance in 2009, where these margins totaled 24.3% and 26.5%, respectively.

The net income, after IFRS adjustments, totaled R$ 467.2 million in 2010, equivalent to a return on average equity of 13.9%. The recovery of price base, the growth in shipped volumes, and the improvement in the mix contributed to a higher return on equity as compared to 2009.

The added value in 2010 after IFRS adjustments totaled R$ R$ 1,571 million, an amount 53.5% higher than in the prior year. Of this amount, R$ 523,0 million, equivalent to 14,4% of total income and 33,3% of total added value, were paid to the federal, state and municipal governments as taxes and contributions.

Itautec

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

Consolidated net revenue from sales and services for 2010 reached R$ 1.6 billion, 18.7% higher than in 2009, due to the excellent performance of the Automation Solutions area, which accounted for a 60.5% increase in net revenue from sales as compared to the prior year, since ATM shipments posted a growth in recent years. In 2010, operating expenses totaled R$ 206.7 million, 13.6% higher than the expenses in prior year.

Selling and marketing expenses reached R$ 113.6 million, 24.6% higher than in 2009. This growth is the result of greater investments in marketing, required to support the company's new strategic positioning, which forecasts a growth in the sale of IT equipment to the retail segment, and the process for restructuring the commercial area, which included the strengthening of the staff by hiring executives for business units.

General and administrative expenses for 2010 accounted for 4.0% of net revenue, reaching R$ 63.6 million, remaining at the same levels of prior year, despite the higher investments in innovation technology and expenses associated with the strengthening of the administrative structure.

Expenses on research and development of equipment and software reached R$ 73.1 million, 33.1% higher than in 2009. Investments were allocated mainly to the development of banking automation and commercial products, required to meet major projects of financial institutions and retail chains, and to the development of software, such as the SIAC Store.

Consolidated operating income for the year was R$ 13.5 million and EBITDA was R$ 34.2 million, 41.2% lower than in 2009. Consolidated net income was 11.5 million year-to-date, corresponding to a return on average equity of 2.2%.

The operational cash generation for 2010 reached R$ 311.6 million, a result of the improvement of the asset management process implemented in that year, which resulted in better management of the cash operating cycle, and of the sale of subsidiaries Tallard Techologies. At the year end, Itautec posted a balance of cash and deposits on demand of R$ 264.9 million, R$ 55.6 million higher than its gross debt with financial institutions.

Elekeiroz

Elekeiroz adopted the international accounting standards (IFRS - International Financial Reporting Standards) for its 2010 financial statements, and also for 2009, on a retroactive basis, to enable better comparison between these fiscal years.

Total gross revenue for 2010 reached R$ 1.049 million, 47% higher than in 2009, and net revenue was R$ 850.5 million, a 49% increase as compared to the prior year.

Exports to 35 countries reached R$ 162.4 million, with an 86% growth in comparison with 2009. The Asian continent, and particularly China, accounted for 44% of this total, whereas South America posted 30%, North America, 18% and the remaining 8% were distributed among Europe, certain African and Middle East countries. The access to new markets, such as the Arab Emirates, Australia, Morocco, and Tunisia should be emphasized. With this increase, the ratio of exports to net revenue increased from 15% in 2009 to 19% in 2010.

The following results were achieved in 2010: net income of R$ 45.2 million, Ebitda of R$ 87.7 million, Ebitda margin of 10.3%, and the annualized return on average equity of 10.1% per year.

There was also an improvement in the debt profile with financial institutions, which was reduced to R$ 44.2 million, equivalent to only 50% of Ebitda and 9% of stockholders' equity. Cash and deposits on demand totaled R$ 88.3 million, exceeding twice the debt.

PEOPLE MANAGEMENT

Itaúsa and its subsidiaries had approximately125 thousand employees at the end of December 2010. In the period, R$ 243 million were invested in education, training and development programs. Fixed compensation of personnel, plus charges and benefits, totaled R$ 14.2 billion. Welfare benefits granted to employees and their dependants totaled R$ 1.8 billion.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Companies' actions for the benefit of society

Itaú Unibanco

Itaú Unibanco has been part in the Dow Jones Sustainability Index (DJSI), the main corporate sustainability index in the world, for 11 consecutive years, since its creation. For the sixth consecutive time, the Bank is included in the list of the 20 model companies in Sustainability, published by the Guia Exame de

Sustentabilidade. It was also selected to make up the portfolio of the Corporate Sustainability Index of BM&FBovespa (ISE) in its 2011 edition.

An unprecedented agreement for reduction of claims with Fundação Procon-SP, a consumer protection office in São Paulo, was signed by Itaú Unibanco and five other companies. Effective for 12 months as from June 2010, its goals include the reduction of at least 20% of Preliminary Information Letters, 6% of Grounded Claims Serviced and 40.8% of Grounded Claims Not Serviced.

Employees sent over one thousand suggestions, in approximately 40 days, for the 2010 edition of the Banco de Ideias Sustentáveis (BIS) (sustainable ideas bank). The proposals related to the eight themes of the Essence of Sustainability: financial education, microfinance, customer satisfaction, stakeholders' commitment, climate changes, diversity, social and environmental criteria, and transparency and governance.

Duratex

Duratex invested R$ 17.6 million in actions focused on the environment, particularly the treatment of effluents, collection of residues, and maintenance of forest lands. Along the year, the company achieved several recognitions for its socially and environmentally responsible operation; noteworthy is the inclusion of its actions in the Corporate Sustainability Index (ISE) of BM&FBovespa.

Itautec

In compliance with the National Solid Residues Policy, Itautec developed the first regional recycling center in the city of Curitiba, State of Paraná, with the purpose of recycling a great part of materials locally, thus taking to the Recycling Center in the city of Jundiaí, State of São Paulo, only the residues of electronic boards, therefore reducing logistic costs. In the following 18 months, eight similar regional centers will be implemented, preferably where there are laboratories. Additionally, the "Guia do Usuário Consciente de Produtos Eletrônicos" (a conscious user's guide of electronic products), a pioneering initiative carried out by Itautec, was launched, in order to help consumers to make informed decisions on the purchase and use of electronic products.

Elekeiroz

The company was ranked first in the 5th Fiesp (Federation of Industries of the State of São Paulo) Award for Water Conservation and Reuse, as a result of the implementation of three projects for this purpose.

SOCIAL AND CULTURAL INVESTMENTS

Itaú Unibanco

Itaú Unibanco's social and cultural investments reached approximately R$ 241 million in 2010, and noteworthy were the investments in education and culture that reached the amount of R$ 126 million.

In 2010, by means of the Audiovisual and Rouanet federal culture incentive laws, the organization supported 48 projects in 8 Brazilian states in the amount of R$ 21 million.

In 2010, the Olimpíada de Língua Portuguesa Escrevendo o Futuro (Portuguese Language Olympiad – writing the future) reached 99% of the municipalities in the country and involved over seven million students. The "Programa Itaú Criança" (Itaú child program) gave away 16 million child books with the "Ler Faz Crescer" (reading makes a person grow up) campaign.

In 2010 the Jovem de Futuro (youth with a future) and Entre Jovens (among youth) programs, developed by Instituto Unibanco in partnership with the State Education Departments, benefited schools in the cities of São Paulo, Porto Alegre, Vale do Paraíba, Belo Horizonte, Brasília, Vitória, Rio de Janeiro, Juiz de Fora and Campinas.

In 2010 Itaú Cultural was visited by 283,574 people in its headquarters. The Artes Visuais, Arte e Tecnologia, Teatro e Literatura (visual arts, arts and technology, theater and literature) encyclopedias recorded a total of 6,615,117 hits. 456 events – of which 371 national and 85 international – were developed and 24 products were launched, of which 25,673 units were distributed. In this same period, Itaú Cultural signed a contract with 87 new TVs, with the distribution of 1,855 programs to 96 TV partners. In overall, 449 radio stations broadcasted the Rumos Música (directions music) series programs.

The Coleção Brasiliana Itaú (Itaú Brasiliana collection) transient exhibit, which has approximately 300 items related to the history of Brazil, including paintings, watercolor paints, drawings, prints, maps and books, was held in the cities of São Paulo; Paraty, Belo Horizonte and Rio de Janeiro.

Duratex

During the year, Duratex made investments of social, sports incentive and environmental nature in the amount of R$ 799.8 thousand. Outstanding were the Musical Vozes pela Infância (voices for childhood musical) Project, which income was donated to WCF Brasil under the scope of the Na Mão Certa (in the right way) Program; the Teatro Itinerante Um Mundo Sustentável (a sustainable world transient theater group), which seeks to make children and youth aware of sustainability issues; and the Atleta do Futuro (athletes of the future) Project, in partnership with the São Paulo municipality authorities of Agudos, Botucatu, Itapetininga, and Jundiaí. Several projects with social and environmental focus, incentives to culture and sports, are scheduled for 2011. In total, R$ 2.5 million will be invested in these projects.

Itautec

Strengthening the sustainability actions with social focus, Itautec entered into a partnership with Instituto Ayrton Senna, an entity that shares the same principles of the company and believes in education as a path for human development, social inclusion and sustainable development of the country.

In the year, 636 students from schools, universities and non-governmental organizations took part in the Programa de Visita à Fábrica da Itautec (visitation to Itauted factory program), which purpose is to introduce the company's production process and environmental management area, so that these students may consolidate and experience the knowledge acquired in the classroom.

Itautec took part of the "Natal do Bem" (Christmas of Goodwill), the third largest Brazilian charitable event, which this year benefited nine charities in the states of São Paulo, Santa Catarina and Bahia.

In continuity to the "De Olho no Computador" (keep your eye in the computer) Program, IT courses were taught for youth and adolescents of the Associação Beneficente Portas de São Pedro located in the Southern region of São Paulo.

Itautec sponsored the "Informatizando Conhecimentos" (computerizing knowledge) project, of the Associação Terapêutica de Estimulação Auditiva e Linguagem (Ateal) (the therapeutic association for aural and language stimulation), and encouraged its employees to support projects that promote the rights of children and adolescents.

Elekeiroz

The company supports the "Na Mão Certa" (on the right way) program, which purpose is to make truck drivers aware of the issue of sexual abuse of children in Brazilian highways, therefore making them to act as protection agents for the rights of children and adolescents. In 2010, a number of lectures were given to drivers of transportation companies that provide services to Elekeiroz.

AWARDS AND RECOGNITION

Itaúsa

- Itaúsa occupied the first position in the list of the 200 major business groups in the country, according to the ranking of Melhores e Maiores (Best and Largest) of Exame magazine.

Itaú Unibanco

- Best Brazilian Publicly-Held Company, for the fifth time in the last 12 years, according to Association of Investment Analysts and Professionals of the Capital Markets (Apimec).

- For the seventh consecutive time, the Itaú brand was recognized as the most valuable in Brazil, being valued at R$ 20.7 billion, by Interbrand consulting company.

- Best Private Banking in Brazil 2010, Best Private Banking in Chile 2010 and Latin America's Best Managed Companies - Most Convincing & Coherent Business Strategy - By sector: Banking & Financial, according to Euromoney magazine.

- Green Enterprise IT Awards, offered by Uptime Institute.

- Most sustainable financial institution in Latin America and in emerging markets - FT Sustainable Banking Award, granted by the Financial Times newspaper and the International Finance Corporation (IFC).

- Best bank in Brazil, for the 12th time, and Best Bank in Latin America in the Awards for Excellence by Euromoney magazine. The magazine has also rated Itaú BBA as the Best Bank in Cash Management in Brazil, for the second consecutive time.

- First bank of Brazil in the Top 1000 World Banks ranking, according to The Banker magazine.

- IR Magazine Awards Brazil 2010 in the categories Grand Prix of the Best Investor Relations Program of Large Caps Companies and Best Performance in IR by a CEO or CFO, with Roberto Setubal.

- Best Investors Relations program of the banking and financial services sectors in Latin America, according to Institutional Investor magazine.

- Ranked first among the most transparent companies of Ibovespa, prepared by Management & Excellence (M&E), for the fourth consecutive year.

- First place in the Banks category in the Most Admired Companies in Brazil ranking, promoted by Carta Capital magazine.

- Best research team in Brazil for Itaú BBA, according to Institutional Investor magazine.

- Best Latin America Equity House for Itaú BBA, according to IFR Thomson.

- Ranked first among the largest banks in Brazil based on stockholders' equity in the Melhores e Maiores (Best and Largest) 2010 of Exame magazine.

Duratex

- Red Dot Award 2010, granted to the Twin filter line of Deca Division, in the Home & Kitchen category. Duratex was the first Brazilian company to win this award. This product was also awarded in the Good Design Award and was granted the Senai/SP Excellence Design 2010 Award.

- The Excelência Empresarial Ciesp 2010 award (business excellence) was granted to the Agudos (SP) unit by the Center of Industries of the State of São Paulo (Ciesp), in the large company category.

- Most recalled brand in categories MDP and MDF panels in the 5th edition of the Top Mobile 2010 award.

- Top of Mind award in the category bathroom metal and porcelain fixtures, and Durafloor laminated floors.

- First place among construction and decoration material companies, according to the "500 Melhores Empresas da Dinheiro" (500 best companies from Dinheiro magazine).

Itautec

- The most known brand in banking and commercial automation, according to Pesquisa INFO de Marcas (brands INFO survey), organized by InfoExame magazine.

- Honorable mention in the Innovation and Pioneering Role category for subsidiary Itautec in Portugal at the Optimus Innovation Awards 2010.

- World Finance Technology Awards 2010, granted by the World Finance Technology Institute, in England, and considered the best technology supplier for the Latin America financial sector. Itautec was the first Brazilian company to receive this award.

- Best evaluated company in the Banking and Commercial Automation category in the Pesquisa Info de Marcas (brands INFO survey), according to Info Exame magazine.

- Destaque de Hardware de TI – Automação Bancária e Comercial (IT hardware highlight – banking and commercial automation) in the CW 300, a ranking designed by ComputerWorld.

- First place, for the third consecutive year, in the Electromechanical and Consumer Goods category of the Metrics Competition Awards, with the product Depositary Module Mechanism.

- IDEA Brasil 2010 award for its products SelfCheckout (silver category) and Prizis Kiosk (bronze category).

- Lide de Empreendedorismo (Lide enterpreneurship) award in category Enterpreneur company in Technology, conducted by LIDE - Grupo de Líderes Empresariais and JLide - Jovens Líderes Empresariais.

- Prêmio Excelência em P&D (excellence in R&D) award of Informática Hoje 2010, with the Self-Checkout PayTower project.

- Included in the Fintech 100 ranking, a survey conducted by IDC Financial Insights and American Banker and Bank Technology News publications. For the second consecutive year, Itautec was the Brazilian company best ranked: 23rd place among the 100 largest global technology suppliers to the financial sector.

Elekeiroz

- Ranked first in the 5th FIESP award in Water Conservation and Reuse in its industrial unit of Várzea Paulista, for the implementation of three projects: reduction of water collection in the Jundiaí river, reduction in the emissions of liquid effluents and collection of rain water for industrial use.

- Ranked among the 35 best private sector companies in the State of São Paulo, in the “As Melhores Empresas para Estagiar” (best companies for interns) award event, carried out by the Centro de Integração Empresa-Escola (CIEE) (the Company-School Integration Center).

- The company was also granted an honorable mention in the Economic-financial analysis category in the 12^{th} “ABRASCA de Melhor Relatório Anual” (best annual report of ABRASCA, the Brazilian association of public-held companies) award, and had its report ranked 2^{nd} among the companies with revenue up to R$ 1 billion in 2009.

INDEPENDENT AUDITORS – CVM Instruction No. 381

. Procedures adopted by the Company

The policy adopted by Itaúsa, its subsidiaries and parent company, 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 September 2010, 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 5, 2010 – Service agreement for the limited assurance of the data of the inventory of greenhouse gas emission – Itaú Unibanco – Brazil;

- March 3, 2010– Licenses for using an electronic library of international accounting standards (Comperio) – Itaú Unibanco Holding S.A. – Brazil.

- June 2, 2010 – Attendance in the "Mercado de Seguros" (insurance market) seminar: new accounting and actuarial dynamics of the market in 2010 – Itaú Unibanco Holding S.A. – Brazil;

- June 23, 2010– License for using an electronic library of international accounting standards (Comperio) – Banco Itaú Europa International – Miami;

- July 12, 2010 – Service agreement related to tax advisory regarding the US legislation and review of the Schedule O Form - Itaú Unibanco Holding S.A – Brazil;

- August 6, 2010 – Service agreement for reviewing aspects related to the Business Continuity Program – Itaú BBA S.A.. – Brazil;

- August 11, 2010 – Service agreement related to the examination of the differences between the performance of activities as subsidiary and as a Bank – Banco Itaú Europa International – Miami;

- August 17, 2010 – Participation in the 10th Annual IFRS Presentation – Advanced Level – Itaú Unibanco S.A. – Brazil

. 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 and clients for their trust, which we always try to pay back by obtaining results differentiated from those of the market, and making available quality products and services, and our employees for their talent, which has enabled the sustainable growth of our business.

(Approved at the Board of Directors' Meeting of March 28, 2011).

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

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Vice-chairmen

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PAULO SETUBAL

Alternate members

RICARDO EGYDIO SETUBAL
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PAULO RICARDO MORAES AMARAL

Accountant

REGINALDO JOSÉ CAMILO
CT-CRC-1SP - 114.497/O – 9

ITAÚ UNIBANCO HOLDING S.A.

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ROGÉRIO ALMEIDA MANSO DA COSTA REIS

Alternate members
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RICARDO VILLELA MARINO

EXECUTIVE BOARD

Chief Executive Officer and General Manager
REINALDO RUBBI (*)

Diretors
CARLOS CALVO SANZ
RICARDO JOSÉ BARALDI

(*) Investor Relations Officer

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Balance Sheet at December 31, 2009 and 2010
(In millions of Reais)

ASSETS	NOTE	12/31/2010	12/31/2009	Opening balance - 01/01/2009
Cash and deposits on demand	3	4.029	3.903	5.818
Central Bank compulsory deposits	4	31.469	5.970	5.724
Interbank deposits	5	5.425	6.312	9.316
Securities purchased under agreement to resell	5	32.786	48.644	39.993
Financial assets held for trading	6	42.619	20.470	21.468
Pledged as collateral		19.896	2.247	1.083
Other		22.723	18.223	19.290
Financial assets designated at fair value through profit or loss	6	112	132	216
Derivatives	7	2.846	1.984	6.185
Available-for-sale financial assets	9	16.803	14.794	16.990
Pledged as collateral		3.766	1.071	1.327
Other		13.037	13.723	15.663
Held-to-maturity financial assets	10	1.159	862	2.250
Pledged as collateral		98	44	1.332
Other		1.061	818	918
Loan operations, net	11	100.756	79.727	79.923
Loan operations		108.068	86.907	85.907
(-) Allowance for doubtful accounts		(7.312)	(7.180)	(5.984)
Other financial assets	21a	15.724	9.483	11.057
Inventories	13	663	733	732
Investments in unconsolidated companies	14 II	1.079	1.129	488
Fixed assets, net	15	4.617	4.304	3.393
Biological assets	16	1.030	870	466
Intangible assets, net	17	2.691	1.904	1.498
Tax assets		9.450	9.892	10.764
Income tax and social contribution - credits		1.438	1.655	1.752
Income tax and social contribution - deferred	25b	7.646	7.867	8.558
Other		366	370	454
Other assets - non financial	21a	2.345	2.299	2.045
Assets held for sale		32	92	115
TOTAL ASSETS		**275.635**	**213.504**	**218.441**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Balance Sheet at December 31, 2009 and 2010
(In millions of Reais)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2010	12/31/2009	Opening balance - 01/01/2009
Raised funds		187.876	141.348	148.274
Deposits	18	74.129	67.634	73.231
Deposits received under securities repurchase agreements	20a	73.020	46.792	44.065
Financial liabilities held for trading	19	488	235	105
Interbank market	20a	22.894	15.860	18.947
Institutional market	20c	17.345	10.827	11.926
Derivatives	7	2.077	1.976	5.081
Other financial liabilities	21b	14.999	9.585	8.892
Reserves for insurance and private pension	29	20.797	17.003	14.485
Liabilities for capitalization plan		952	802	746
Provisions	31	5.581	5.101	6.404
Tax liabilities		5.650	5.658	3.686
Income tax and social contribution - current		364	131	394
Income tax and social contribution - deferred	25b	3.114	2.839	2.376
Other		2.172	2.688	916
Other non-financial liabilities	21b	8.524	6.193	9.975
Total liabilities		**246.456**	**187.666**	**197.542**
Stockholders' equity				
Capital	22a	13.266	13.000	10.000
Treasury shares	22a	-	(15)	(46)
Additional paid-in capital	22c	12	12	-
Reserves		13.129	11.836	12.510
Accumulated deficit		-	(1.601)	(3.061)
Cumulative comprehensive income		(105)	(43)	(44)
Total stockholders' equity of owners of parent company		**26.302**	**23.189**	**19.359**
Non-controlling interests		2.877	2.649	1.539
Total stockholders' equity including non-controlling interests		**29.179**	**25.838**	**20.898**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**275.635**	**213.504**	**218.441**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Income
Year ended December 31, 2010 and 2009
(In millions of Reais, except per share information)

	NOTE	12/31/2010	12/31/2009
Sales of products and services		5.240	4.299
Interest and similar income		28.210	26.050
Net gain (loss) from financial assets and liabilities		698	1.042
Dividends income		75	97
Banking service fees		7.239	7.670
Income from insurance and private pension	29	4.989	5.007
Other operating income	24a	1.041	1.225
Interest and similar expenses		(9.742)	(7.064)
Losses on loans, receivables and claims		(8.819)	(9.488)
Expenses for allowance for loan losses	11b	(5.686)	(5.560)
Recovery of credits written off as loss		1.534	792
Expenses for claims and variation in provisions		(4.667)	(4.720)
Cost of products and services		(3.624)	(3.330)
Other operating expenses	24b	(2.691)	(3.870)
General and administrative expenses	24c	(14.054)	(12.447)
Tax expenses		(1.660)	(1.617)
Share of income of unconsolidated companies	14b	161	135
Net income before income tax and social contribution		**7.063**	**7.709**
Current income tax and social contribution	25	(1.596)	(2.037)
Deferred income tax and social contribution	25	(454)	(923)
NET INCOME		**5.013**	**4.749**
Net income attributable to owners of the parent company		4.417	4.362
Net income attributable to non-controlling interests		596	387
EARNINGS PER SHARE - BASIC AND DILUTED			
Common	26	1,01	1,03
Preferred	26	1,01	1,03
Weighted average number of shares outstanding - Basic and Diluted			
Common		1.676.313.114	1.620.340.077
Preferred		2.686.114.746	2.597.394.834

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Comprehensive Income
Year ended December 31, 2010 and 2009
(In millions of Reais, except per share information)

	NOTE	12/31/2010	12/31/2009
NET INCOME		**5,013**	**4,749**
Available-for-sale financial assets		**56**	**243**
Change in fair value		92	405
Tax effect		(36)	(162)
Foreign exchange variation in investments abroad		**(93)**	**(294)**
Cash flow hedge		**(25)**	**51**
Change in fair value		(42)	85
Tax effect		17	(34)
Total comprehensive income		**4,951**	**4,749**
Comprehensive income attributable to owners of parent company		4,355	4,362
Comprehensive income attributable to non-controlling interests		596	387

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, 2010 and 2009
(In millions of Reais)

	01/01 to 12/31/2010	01/01 to 12/31/2009
Net income	5.013	4.749
Adjustments to net income:	10.169	11.687
Granted options recognized	48	42
Allowance for loan losses	5.686	5.560
Change in reserves for insurance and private pension	3.410	3.093
Revenue from capitalization plans	(170)	(154)
Depreciation, amortization and depletion	1.221	1.182
Change in fair value of biological assets	(270)	(155)
Deferred taxes	454	923
Share of profit of unconsolidated companies	(161)	(135)
Gain of capital on the alliance with Porto Seguro	-	(332)
(Gain) loss from available-for-sale securities	(65)	(31)
(Gain) loss from sale of assets held for sale	51	18
(Gain) loss from sale of investments	-	(2)
(Gain) loss from sale of fixed assets	4	5
(Gain) loss from rescissions of operations of intangible assets	(20)	-
Loss from impairment of intangible assets	7	-
Other	(26)	1.673
CHANGE IN ASSETS AND LIABILITIES	**(24.495)**	**(1.151)**
(Increase) decrease in interbank deposits	1.169	1.215
(Increase) decrease in securities purchased under agreements to resell	8.178	7.653
(Increase) decrease in compulsory deposits with the Central Bank of Brazil	(26.312)	(232)
(Increase) decrease in financial assets held for trading	(21.624)	938
(Increase) decrease in derivatives (assets/liabilities)	(676)	1.033
(Increase) decrease in financial assets designated at fair value	25	83
(Increase) decrease in loan operations	(24.159)	(6.447)
(Increase) decrease in inventories	25	10
(Increase) decrease in tax assets	411	505
(Increase) decrease in other financial assets	(5.118)	2.059
(Increase) decrease in other assets	156	(470)
(Decrease) increase in deposits	4.449	(6.668)
(Decrease) increase in deposits received under securities repurchase agreements	24.745	4.964
(Decrease) increase in financial liabilities held for trading	246	131
(Decrease) increase in funds from interbank markets	6.526	(2.988)
(Decrease) increase in reserve for insurance and private pension	(140)	(1.286)
(Decrease) increase in liabilities for capitalization plans	295	955
(Decrease) increase in provisions	173	(2.012)
(Decrease) increase in tax liabilities	2.049	1.794
(Decrease) increase in other financial liabilities	5.119	96
(Decrease) increase in other liabilities	1.105	(956)
Payment of income tax and social contribution	(1.137)	(1.528)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**(9.313)**	**15.285**
Interest on capital/dividends received from investments in unconsolidated companies	38	27
Cash received from sale of available-for-sale securities	6.410	7.272
Cash received upon maturity of held-to-maturity securities	105	56
Cash upon sale of assets held sale	73	135
Sale of investment in Unibanco Saúde Seguradora S.A.	20	-
Sale of investment in Unibanco Rodobens Adm. De Consórcios S.A.	15	-
Sale of investment in Cia. Hipotecária Unibanco Rodobens	4	-
Net cash received from purchase of Satipel	-	55
Purchase of additional share in Itaú Unibanco Holding S.A.	(1.649)	-
Sale of investments	86	-
Sale of fixed assets	50	18
Cash received on rescission of contracts of intangible assets	60	-
Purchase of available-for-sale securities	(6.447)	(4.887)
Purchase of held-to-maturity securities	(213)	-
Purchase of investments	1	(360)
Purchase of fixed assets	(1.047)	(532)
Purchase of intangible assets	(229)	(377)
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES	**(2.723)**	**1.407**
Funding from institutional markets	5.737	4
Redemption in institutional markets	(657)	(1.545)
Inflow of financing	979	486
Payment of financing	(940)	(627)
Change in non-controlling interests	4	47
Purchase of additional non-controlling interests in Redecard	-	(210)
Subscription of shares	266	450
Purchase of treasury shares	-	(15)
Dividends and interest on capital paid to non-controlling interests	(372)	(166)
Dividends and interest on capital paid	(1.644)	(1.624)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**3.373**	**(3.200)**
NET INCREASE (DECREASE) IN CASH AND DEPOSITS ON DEMAND	**(8.663)**	**13.492**
Cash and cash equivalents at the beginning of year	25.883	13.438
Effects of changes in exchange rates on cash and cash equivalents	(231)	(1.047)
Cash and cash equivalents at the end of year	16.989	25.883
Additional information on cash flow		
Interest received	29.167	31.301
Interest paid	15.028	12.412
Non-cash transactions		
Loans transferred to assets held for sale	25	78
Dividends and interest on capital declared and not yet paid	832	739
Increase of non-controlling interests in the purchase of Satipel by Duratex	-	1.096

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, 2010 and 2009
(In millions of Reais)

	01/01 to 12/31/2010	%	01/01 to 12/31/2009	%
INCOME	**44.649**		**41.891**	
Sales of products and services	6.099		5.102	
Income from insurance and private pension operations	4.989		5.007	
Interest, income, dividends and provision of financial services	36.222		34.859	
Result of loan losses	(4.152)		(4.768)	
Other	1.491		1.691	
EXPENSES	**(21.181)**		**(19.685)**	
Interest and similar income	(9.742)		(7.064)	
Claims	(4.380)		(4.735)	
Other	(7.059)		(7.886)	
INPUTS PURCHASED FROM THIRD PARTIES	**(7.921)**		**(6.612)**	
Cost of products and services	(3.624)		(3.330)	
Materials	(166)		(107)	
Third-party services	(987)		(889)	
Other	(3.144)		(2.286)	
Data processing and telecommunications	(1.103)		(841)	
Advertising, promotions and publications	(459)		(353)	
Installations	(570)		(347)	
Transportation	(217)		(139)	
Security	(164)		(141)	
Travel expenses	(61)		(43)	
Other	(570)		(422)	
GROSS ADDED VALUE	**15.547**		**15.594**	
DEPRECIATION, AMORTIZATION AND DEPLETION	**(1.221)**		**(1.182)**	
NET ADDED VALUE PRODUCED BY THE COMPANY	**14.326**		**14.412**	
ADDED VALUE RECEIVED FROM TRANSFER	**161**		**135**	
Share of income of unconsolidated companies	161		135	
TOTAL ADDED VALUE TO BE DISTRIBUTED	**14.487**		**14.547**	
DISTRIBUTION OF ADDED VALUE	**14.486**	**100,00%**	**14.547**	**100,00%**
Personnel	4.465	30,82%	3.987	27,41%
Compensation	3.504		3.398	
Benefits	718		404	
FGTS – GOVERNMENT SEVERANCE PAY FUND	243		185	
Taxes, fees and contributions	5.300	36,59%	5.896	40,53%
Federal	4.854		5.447	
State	200		235	
Municipal	246		214	
Return on third party's assets – Rent and interest	304	2,10%	302	2,08%
Return on own assets	4.417	30,49%	4.362	29,98%
Dividends and interest on capital paid/provided for	1.191		1.407	
Retained earnings for the year	2.630		2.568	
Non-controlling interests in retained earnings	596		387	

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL BALANCE SHEET AT DECEMBER 31, 2009 AND 2010
(In millions of Reais)

ASSETS	NOTE	12/31/2010	12/31/2009	Opening balance 01/01/2009
Financial assets		**1.028**	**1.839**	**1.730**
Cash and deposits on demand	3	-	136	-
Financial assets held for trading		489	845	769
Available-for-sale financial assets		29	-	9
Dividends/Interest on capital receivable		510	858	952
Tax assets		**519**	**291**	**329**
Income tax and social contribution - credit		136	72	96
Income tax and social contribution - deferred		383	219	233
Investments	14	**25.768**	**21.662**	**18.605**
Fixed assets, net		**7**	**7**	**7**
Intangible assets	17	**832**	**22**	**-**
Other non-financial assets		**64**	**121**	**37**
Pledged as collateral		50	36	33
Other sundry receivables		14	85	4
TOTAL ASSETS		**28.218**	**23.943**	**20.708**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL BALANCE SHEET AT DECEMBER 31, 2010 AND 2009
(In millions of Reais)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2010	12/31/2009	Opening balance 01/01/2009
Funding from institutional market - Debentures	20	1.064	-	-
Tax liabilities - income tax and social contribution		104	47	31
Provisions		14	36	10
Dividends/Interest on capital payable		712	667	1.303
Other non-financial liabilities		22	4	4
TOTAL LIABILITIES		**1.916**	**754**	**1.348**
Stockholders' equity	22	**26.302**	**23.189**	**19.359**
Capital		13.266	13.000	10.000
Treasury shares		-	(15)	(46)
Additional paid-in capital		12	12	-
Reserves		13.129	11.836	12.510
Accumulated deficit		-	(1.601)	(3.061)
Cumulative comprehensive income		(105)	(43)	(44)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**28.218**	**23.943**	**20.708**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
INDIVIDUAL STATEMENT OF INCOME
Years ended December 31, 2010 and 2009
(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2010	01/01 to 12/31/2009
OPERATING INCOME (Net)		**4.663**	**4.585**
Net gain from financial assets		41	141
Share of income	14	4.465	4.369
Other operating income		157	75
OPERATING EXPENSES		**(424)**	**(179)**
General and administrative expenses		(51)	(42)
Other operating expenses		(167)	(135)
Financial expense		(206)	(2)
NET INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**4.239**	**4.406**
INCOME TAX AND SOCIAL CONTRIBUTION		**178**	**(43)**
Income tax and social contribution - current		1	(4)
Income tax and social contribution - deferred		177	(39)
NET INCOME		**4.417**	**4.362**
EARNINGS PER SHARE - BASIC / DILUTED			
Common	26	1,01	1,03
Preferred	26	1,01	1,03
WEIGHTED AVERAGE NUMBER OF SHARES OUSTANDING – BASIC / DILUTED			
Common	26	**1.676.313.114**	**1.620.340.077**
Preferred	26	**2.686.114.746**	**2.597.394.834**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A

Statement of Changes in Stockholders' Equity (Note 21)

Period ended December 31, 2010 and 2009

(In millions of Reais)

	Attributed to owners of parent company												
								Comprehensive income					
	Capital	Treasury shares	Additional paid-in capital	Appropriated reserves – Capital and Revenue	Unappropriated reserves	Proposal for distribution of additional dividends	Retained earnings	Available for sale	Cumulative translation adjustments	Gains and losses – Cash flow	Total stockholders' equity – owners of the parent company	Total stockholders' equity – non-controlling interests	TOTAL
Balance at 01/01/2009	**10.000**	**(46)**	**-**	**12.510**	**-**	**-**	**(3.061)**	**3**	**-**	**(47)**	**19.359**	**1.539**	**20.899**
Transactions with owners											**-**		**-**
Purchase of treasury shares		(15)									**(15)**		**(15)**
(-) Cancellation of treasury shares		46		(46)							**(0)**		**(0)**
Purchase of non-controlling interests in Redecard			(179)								**(179)**	(12)	**(191)**
Effect of the purchase by the subsidiary Duratex of the control over Satipel			192								**192**	854	**1.046**
Subscription of shares	450										**450**		**450**
Capitalization of reserves	2.550			(2.550)							**-**		**-**
Granting of stock options – expenses recognized for the year				42							**42**		**42**
Dividends and interest on capital							(1.026)				**(1.026)**		**(1.026)**
Dividend - amount to be proposed in addition to the minimum mandatory						380	(380)				**-**		**-**
Dividends paid to non-controlling interests											**-**	(166)	**(166)**
Change in non-controlling interests											**-**		**-**
Other				(218)			223				**5**	47	**52**
Total comprehensive income											**-**		**-**
Net income							4.362				**4.362**	387	**4.749**
Other comprehensive income for the year								243	(294)	51	**1**		**1**
Appropriations:											**-**		**-**
Legal reserve				145			(145)				**-**		**-**
Statutory reserves				1.573			(1.573)				**-**		**-**
											-		**-**
Balance at 12/31/2009	**13.000**	**(15)**	**12**	**11.456**	**-**	**380**	**(1.601)**	**246**	**(294)**	**5**	**23.189**	**2.649**	**25.838**
Balance at 01/01/2010	**13.000**	**(15)**	**12**	**11.456**	**-**	**380**	**(1.601)**	**246**	**(294)**	**5**	**23.189**	**2.649**	**25.838**
Transactions with owners											**-**		**-**
Subscription of shares	266										**266**		**266**
(-) Cancellation of treasury shares		15		(15)							**-**		**-**
Change in non-controlling interests												(49)	
Granting of stock options – expenses recognized for the year				48							**48**		**48**
Dividends and interest on capital							(1.192)				**(1.192)**		**(1.192)**
Dividend - amount to be proposed in addition to the minimum mandatory						445	(445)				**-**		**-**
Dividend - amount in addition to the minimum mandatory for prior years						(380)					**(380)**		**(380)**
Dividends paid to non-controlling interests												(372)	
Change in non-controlling interests											**-**		**-**
Other							16				**16**	53	**69**
Total comprehensive income											**-**		**-**
Net income							4.417				**4.417**	596	**5.013**
Other comprehensive income for the year								56	(93)	(25)	**(62)**		**(62)**
Appropriations:											**-**		**-**
Legal reserve				221			(221)				**-**		**-**
Unappropriated reserves					974		(974)				**-**		**-**
											-		**-**
Balance at 12/31/2010	**13.266**	**(0)**	**12**	**11.710**	**974**	**445**	**0**	**302**	**(387)**	**(20)**	**26.302**	**2.877**	**29.179**

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, 2010 and 2009
(In millions of Reais)

	01/01 to 12/31/2010	01/01 to 12/31/2009
ADJUSTED NET INCOME	**(374)**	**25**
Net income	4.417	4.362
Adjustments to net income:	(4.791)	(4.337)
Share of income	(4.465)	(4.369)
Deferred taxes	(177)	31
Other	(149)	1
CHANGE IN ASSETS AND LIABILITIES	**464**	**(76)**
(Increase) decrease in other non-financial assets	23	(17)
(Decrease) increase in provisions and accounts payable and other non-financial liabilities	114	28
Payment of income tax and social contribution	(1)	(11)
(Increase) decrease in financial assets held for trading	328	(76)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**90**	**(51)**
Sale of investments	86	-
Purchase of investments	(1.649)	(51)
Purchase of intangible assets	-	(22)
Purchase of fixed assets	(1)	(1)
Interest on capital/Dividends received	1.570	1.489
NET CASH FROM/(USED IN) INVESTMENT ACTIVITIES	**6**	**1.415**
Subscription of shares	266	451
Purchase of treasury shares	-	(15)
Interest on capital and dividends paid	(1.498)	(1.664)
Issue of institutional funds - Debentures	1.000	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**(232)**	**(1.228)**
NET INCREASE (DECREASE) IN CASH AND DEPOSITS IN DEMAND	**(136)**	**136**
Cash and deposits on demand at the beginning of the year	136	-
Cash and deposits on demand at the end of the year	-	136

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, 2010 and 2009
(In millions of Reais)

	01/01 to 12/31/2010	%	01/01 to 12/31/2009	%
INCOME	**198**		**216**	
(Net) gain from financial assets	41		141	
Other operating income	157		75	
EXPENSES	**(196)**		**(2)**	
Other expenses	(196)		(2)	
INPUTS PURCHASED FROM THIRD PARTIES	**(29)**		**(22)**	
Materials, energy, services and others	(22)		(15)	
Third-party services	(5)		(5)	
Other	(2)		(2)	
Advertising, promotions and publications	(2)		(2)	
GROSS ADDED VALUE	**(27)**		**192**	
DEPRECIATION, AMORTIZATION AND DEPLETION	**(1)**		**(1)**	
NET ADDED VALUE PRODUCED BY THE COMPANY	**(28)**		**191**	
ADDED VALUE RECEIVED FROM TRANSFER	**4.465**		**4.369**	
Share of income	4.465		4.369	
TOTAL ADDED VALUE TO BE DISTRIBUTED	**4.437**	**100,00%**	**4.560**	**100,00%**
DISTRIBUTION OF ADDED VALUE	**4.437**		**4.560**	
Personnel	20	0,45%	18	0,39%
Compensation	18		16	
Benefits	1		1	
FGTS – GOVERNMENT SEVERANCE PAY FUND	1		1	
Taxes, fees and contributions	-	0,00%	180	3,95%
Federal	-		180	
Return on third party's assets	-	0,00%	-	0,00%
Rent	-		-	
Return on own assets	4.417	99,55%	4.362	95,66%
Interest on capital	1.191		1.407	
Retained earnings for the year	3.226		2.955	

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, 2010 and 2009
(In millions of Reais)

NOTE 01 – OVERVIEW

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

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

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

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family who holds 61.1% of the common shares and 18.0% of the preferred shares.

The consolidated financial statements for the years ended December 31, 2001 and 2009 were approved by the Board of Directors of ITAÚSA – Investimentos Itaú S.A. on March 28, 2011.

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 are being 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 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 they are published with the consolidated financial statements. These are the first financial statements submitted by the Company in accordance with CPC and IFRS. The main differences between the previously accounting practices adopted in Brazil ("prior GAAP") and the CPC/IFRS are reconciled in Note 2.5b, including the reconciliations of stockholders' equity and comprehensive income.

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 shareholders 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.

Until December 31, 2009, the financial statements of ITAÚSA were prepared in accordance with the accounting practices adopted in Brazil ("prior BRGAAP"), based on the provisions of the Brazilian Corporate Law, and the rules issued by CVM, which differ in certain aspects from the IFRS. When preparing the consolidated financial statements for 2010, the management changed certain methods for accounting and measurement of the financial statements under the BRGAAP in order to comply with the new accounting standard.

All references to the Pronouncements of the CPC shall also be understood as references to the corresponding IFRS Pronouncements, and vice versa.

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.

In order to allow the appropriate analysis of the financial statements of ITAÚSA, the significant events that occurred over 2010 are described below.

In May 2010, Bank of America Corporation (BAC) sold its interest in the capital of Itaú Unibanco Holding. The preferred shares were traded out of Brazil, and the 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%. This operation generated a goodwill that is preliminarily estimated at R$ 809, recorded under the heading Intangible Assets.

2.2 PRONOUNCEMENTS, CHANGES AND INTERPRETATIONS THAT ARE NOT YET IN EFFECT

a) Pronouncements and changes and interpretations that are not yet in effect and not early adapted

The following pronouncements shall enter into effect for periods after the date of these consolidated financial statements and were not early adopted by ITAÚSA.

- IFRS 9 – “Financial instruments”: the pronouncement is the first step in the process for replacing the IAS 39 - “Financial Instruments: Recognition and Measurement”. IFRS 9 simplifies the model for measurement of financial assets, establishing two main categories: amortized cost and fair value (the available-for-sale, held-to-maturity and loans and advances categories will cease to exist).

  The classification shall be based on the entity’s business model for managing and the contractual cash flow characteristics of the financial assets. Reclassifications between the two categories are prohibited, unless there is a change in the entity’s business model.

  A financial asset shall be measured at amortized cost if both of the following criteria are met: (i) the objective of the business model is to hold the financial asset in order to receive contractual cash flows; and (ii) the contractual cash flows of financial assets refers only to the payment of principal and interest on the amount outstanding. When classified at fair value, changes in fair value are recognized in income, except in the case of investments in equity instrument in which the entity has the option to designate an instrument, which is not held for trading, at fair value, in other comprehensive income. If this option is elected, subsequent changes in fair value shall be recognized in the statement of comprehensive income, without recognition of gains and losses in income. Received dividends shall continue to be recognized in income.

  It is only allowed to designate at fair value a financial asset that meets the amortized cost criteria, if this classification reduces or changes accounting inconsistencies. This designation shall be done at initial recognition and shall be irrevocable.

  The standard is effective for annual periods beginning on or after January 1, 2013, earlier application being permitted. IFRS 9 shall be applied retrospectively, and if adopted at a date before January 1, 2012, the entity is exempt from disclosing comparative information.

  The following steps of this project to replace IAS 39 shall address the treatment of impairment of financial assets measured at amortized cost and hedge accounting. IASB has already indicated that it intends to complete the replacement of IAS 39 in June 2011. There may be impacts of IFRS as a consequence of new developments resulting from the IASB project. Accordingly, it is not possible to quantify the IFRS impacts on the publication date of these financial statements.

- Amendment to IFRIC 14 – “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”: removes an unintentional consequences of IFRIC 14 related to spontaneous prepayment of pension plans when there is a minimum funding requirement. The results in prepayments of contributions in certain circumstances are recognized as asset, not as expense. The amendment is effective from January 1, 2011. We do not expect significant impacts.

- Revised IAS 24 – “Related Party Disclosures” issued in November 2009: Replaces IAS 24 "Related Party Disclosures" issued in 2003. The revised standard clarifies and simplifies the related party definition and takes out the requirement to government-related entities to disclose details of all transactions with the government and its related entities. Its application is mandatory for all periods beginning on or after January 1, 2011. We do not expect significant impacts.

b) Interpretations and amendments to pronouncements that are not yet in effect nor are significant to the ITAÚSA operations

- Amendment to IAS 32 – “Financial Instruments Presentation – Classification of Rights Issues”: this amendment permits rights, options or warrants to purchase a fixed number of the entity’s own equity instruments for a fixed amount of any currency to be classified as equity instruments, provided that the entity offers proportional rights, options or warrants to all of its owners of the same class of its own non-derivative equity instruments. Its application is mandatory for all periods beginning on or after February 1, 2010.

- IFRIC 19 – “Extinguishing Financial Liabilities with Equity Instruments”: clarifies the IFRS requirements when an entity renegotiates the terms of a financial liability with its creditor, and the latter agrees to accept the entity’s shares or other equity instruments to partially or fully settle the financial liability. Its application is mandatory of the periods beginning on or after July 1, 2010. Amendment to IFRS 1 – “First-time adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”: It offers to entities that are first-time adopters of IFRS and for periods beginning on or after July 1, 2010 the same options given to current IFRS users when adopting IFRS 7. It also clarifies the transition rules of the amendments to IFRS 7.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The consolidated financial statements include a variety of estimates and assumptions used. 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 controlled companies periodically review their portfolios of loans and receivables to evaluate the existence of impairment on its operations.

In order to determine the amount of the allowance for loan losses that shall be recorded in the consolidated statement of income related to a certain receivable or group of receivables, ITAÚSA and its controlled companies exercise their judgment to determine whether observable evidences indicate that an event of loss has occurred. This evidence may include observable data that indicate that an adverse change has occurred in relation to the cash inflows received and expected from counterparts 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 for operations with similar characteristics and with similar objective evidence of impairment. The methodology and assumptions used for estimating the amount and timing of future cash flows are regularly revised to reduce any differences between estimates and actual losses.

At December 31, 2010, the allowance amounted to R$ 7,312.

Should the net present value of estimated cash flows post a positive or negative variation of 1%, the allowance for loan losses to be estimated would be increased or decreased by approximately R$ 1,007.

The details of methodology and assumptions made by the Management are disclosed in note 2.4(f)(vii).

b) Deferred income tax and social contribution

As explained in Note 2.4(n), deferred tax assets are recognized only in relation to temporary differences and tax assets and loss for offset to the extent it is probable that ITAÚSA will generate future taxable profit against which deferred tax assets can be utilized. The expected realization of deferred tax assets of ITAÚSA and its subsidiaries is based on the projection of future revenues and technical studies, as disclosed in note 25.

At December 31, 2010 the deferred tax assets amounted to R$ 9,891.

c) Fair value of financial instruments, including derivatives

The financial instruments recognized at fair value at December 31, 2010 totaled assets in the amount of R$ 62,268 (of which R$ 2,846 are derivatives) and liabilities in the amount of R$ 2,565 (of which R$ 2,077 are derivatives). The fair value of financial instruments, including derivatives that are not traded in active markets is determined by using valuation techniques. ITAÚSA and its controlled companies use its judgment to choose a variety of methodologies and make assumptions to be used in calculations. These assumptions are mainly based on information and market conditions existing at the balance sheet date.

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

However, ITAÚSA and its subsidiaries believe that all methodologies adopted are adequate and consistent with the market players. Regardless of this fact, the adoption of other methodologies and use of different presuppositions to estimate fair value may result in estimates different from fair values at the base date.

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

d) Defined benefit pension plan

At December 31, 2010, the amount of R$ 89 was recognized as defined benefit asset in relation to defined benefit pension plans. The current amount of defined benefit pension plan obligations is obtained by 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 liabilities.

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

Should the discount rate used post a reduction of 0.5% regarding the Management’s estimates, the actuarial amount of the pension plan obligations would increase by R$ 515.

Other assumptions important for pension plan obligations are in part based on current market conditions. Additional information is disclosed in Note 29.

e) Contingent liabilities

ITAÚSA and its subsidiaries 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 probability that financial resources are required to settle the obligations and the amount of which may be estimated with reasonable safety.

For contingencies classified as “Probable”, provisions are recognized in Balance Sheet in the heading Provisions.

The amounts of contingencies are measured using models and criteria which allow their adequate measurement, despite the uncertainty inherent in their terms and amounts, as detailed in Note 31.

f) Measurement of the recoverable amount of goodwill

ITAÚSA and its subsidiaries annually test the goodwill for impairment, in accordance with the accounting policy mentioned in Note 2.4(k). The balances can be impacted by changes in the economic or market scenario.

g) Measurement of the recoverable amount of tangible and intangible assets

At the disclosure base dates of financial statements, ITAÚSA and its subsidiaries adopt the practice of verifying the existence of objective evidences of impairment of non-financial assets. This measurement may involve subjective estimate criteria, such as the analysis of technical and operational obsolescence or the expectation of replacement of an asset by another that provides future economic benefits in excess of the former. The calculation criteria for a possible impairment of tangible and intangible assets are discussed in detail in Notes 2.4j, 2.4k and 2.4l.

h) Fair value of stock options

The fair value of stock options, for which there is not an active market, is determined by using valuation techniques. ITAÚSA and its subsidiaries use their judgment to choose several methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

i) 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 two years 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 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 recorded net of effects of changes in the biological asset fair value in a specific account in the statement of income.

2.4 SUMMARY OF THE MAIN ACCOUNTING PRACTICES

a) CONSOLIDATION

- **Subsidiaries**

In accordance with CPC 36 – "Consolidated Financial Statements", a subsidiary is an entity in which the parent company owns, directly or through other subsidiaries, rights of interest holder that permanently ensure to it predominance in the corporate resolutions and power to elect most of the management members.

Subsidiaries are fully consolidated from the date on which control is transferred to ITAÚSA. The purchase method is used to record the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the amount paid on the transaction date, plus costs directly attributable to the acquisition. The identifiable assets, contingencies and liabilities assumed are initially measured at fair value at the acquisition date. Any amount paid upon acquisition that exceeds the fair value of the equity interest of identifiable assets, contingencies and liabilities acquired is recorded as goodwill. If the cost of acquisition is lower than the fair value of the equity interest, the negative goodwill is recognized directly in income at the acquisition date.

The entities that are controlled by ITAÚSA CONSOLIDATED are consolidated until the date on which the control ceases. Transactions between the companies of ITAÚSA CONSOLIDATED are eliminated upon consolidation.

- **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;
- In substance, ITAÚSA CONSOLIDATED has the power of decision to obtain the majority of the benefits of the activities of SPEs or ITAÚSA CONSOLIDATED has power to delegate such powers;
- In substance, ´ITAÚSA CONSOLIDATED has rights to obtain the majority of the benefits of the SPEs and, consequently, may be exposed to risks inherent in their activities; or
- In substance, ITAÚSA CONSOLIDATED retains the majority of the residual risks related to the SPEs or their assets in order to obtain benefits from their activities.

- **Joint Ventures**

CPC 19 – "Joint Ventures", paragraph 3, defines joint ventures as follows:

Joint control is the sharing of control, established in a contract, over an economic activity, and it only exists when the strategic, financial and operating decisions related to the activity require the unanimous consent of the parties that share the control (the venturers).

A joint venture is a contractual agreement in which two or more parties undertake to carry out an economic activity that is subject to joint control.

CPC 19, paragraphs 30 and 40, also determines that jointly controlled investments shall be accounted for using proportionate consolidation, not being permitted the application of the equity method in the consolidated financial statements.

The sole corporate objective of ITAÚ UNIBANCO PARTICIPAÇÕES, which is proportionally consolidated by ITAÚSA CONSOLIDATED consists of holding, directly and on permanent basis, the ownership of the shares that represent at least 51% of voting rights issued by ITAU UNIBANCO HOLDING.

Considering the accounting practices established by CPC 19 – “Joint Ventures”, the controlling company shall favor the essence and economic reality of the shareholders’ contractual agreement for purposes of consolidating the financial statements of jointly-controlled entities. The essence and the economic reality of the agreement are reflected in the consolidated financial statement of the controlling company when it recognizes its interest in assets, liabilities, revenues and expenses of the jointly-controlled entity using the proportionate consolidation method. In this context, the financial statements of IUPAR – ITAÚ UNIBANCO PARTICIPAÇÕES and of its subsidiary ITAÚ UNIBANCO HOLDING, as they refer to a financial entity under shared control of ITAÚSA CONSOLIDATED, are proportionally consolidated by ITAÚSA.

IAS 31 “Interest in Joint Ventures” would permit that this joint venture is recognized under the equity method; however, CPC 19 does not provide this alternative, reinforcing the requirement of proportionate consolidation.

The following table shows the jointly-controlled entities of ITAÚSA CONSOLIDATED, which are proportionally consolidated in these financial statements, and the fully consolidated subsidiaries.

	Incorporation country	Activity	Interest in voting capital at 12/31/2010	Interest in voting capital at 12/31/2009
Financial Services Area - Joint Control				
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding	66,53%	66,53%
Itaú Unibanco Holding S.A.	Brazil	Bank	36,57%	35,46%
Industrial Area - Full Consolidation				
Duratex S.A.	Brazil	Wood, bathroom porcelain and metals	35,32%	35,26%
Elekeiroz S.A.	Brazil	Chemical products	96,60%	96,45%
Itautec S.A.	Brazil	Information technology	94,01%	94,01%

PROPORTIONATE CONSOLIDATION OF ITAÚ UNIBANCO HOLDING

Proportionate consolidation is the accounting method through which the interest of the venture 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 venture, 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 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.

The adjustments relating to the proportionate consolidation are shown in Note 36.

b) FOREIGN CURRENCY TRANSLATION

I) Functional and presentation currency

The consolidated financial statements of ITAÚSA and its subsidiaries are presented in Reais, which is its functional and presentation currency. For each investment held, ITAÚSA and its subsidiaries defined a 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 of financing or in which funds from financing are generated or received through operating activities, as well as the nature of activities and the extent of transactions between the subsidiaries abroad and the other entities of the consolidated group.

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

- assets and liabilities are translated at the closing exchange rate at the balance sheet date;
- revenue and expenses are translated at monthly average exchange rates;
- translation gains and losses are recorded in the heading Cumulative Comprehensive Income.

II) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income in Other Income and Other Operating Expenses, except exchange gains and losses arising from comprehensive income items which are recognized under “Comprehensive Income” in the corresponding item.

In case of changes in fair value of monetary assets denominated in foreign currency classified into available for sale, the exchange differences resulting from a change in the amortized cost of the instrument shall be 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 income statement, while those resulting from other changes in the carrying amount, except impairment losses, are recognized in cumulative comprehensive income until the “derecognition" or impairment.

c) CASH AND CASH EQUIVALENTS

ITAÚSA CONSOLIDATED defines cash and cash equivalents as the cash (which comprise the cash and current accounts in banks, considered in the consolidated balance sheet in the heading “cash and deposits on demand”), interbank deposits and securities purchased under agreements to resell that have original maturities of up to 90 days or less, as shown in Note 03.

d) INTERBANK DEPOSITS

ITAÚSA CONSOLIDATED presents its interbank deposits in the consolidated balance sheet initially at fair value and subsequently at the amortized cost using the effective interest method as detailed under Note 18.

e) SALES WITH REPURCHASE AGREEMENT AND PURCHASES WITH RESALE AGREEMENT

ITAÚSA CONSOLIDATED has purchase transactions with resale agreement (“resale agreement”), and sale transactions with repurchase agreement ("repurchase agreement") of financial assets.

The amounts invested in resale agreement transactions and raised in repurchase agreement transactions are recognized initially in the balance sheet at their advance or raised amounts, and subsequently measured at amortized cost. The difference between the sale and repurchase prices is treated as interest and recognized over the life of the agreements using the effective interest rate method. Interest earned on resale agreement transactions and incurred in repurchase agreement transactions are recognized in “Interest and similar income” and “Interest and similar expense”, respectively.

The financial assets accepted as collateral in our resale agreements can be used, if provided for in the agreements, as collateral of 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 equity instruments, such instruments are reclassified in the Balance Sheet into the heading “Financial assets - pledged as collateral”.

f) 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 according to the category in which the instrument has been 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 financial assets;
- 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 its financial instruments at initial recognition.

ITAÚSA categorizes financial instruments into types that reflect the nature and characteristics of these financial instruments, as shown below. .

ITAÚSA classifies as loans and receivables the following headings of the Balance Sheet: Cash and deposits on demand, Interbank deposits (Note 2.4(d)), Securities purchased under agreement to resell (Note 2.4(e)), Loan operations (Note 2.4(f)(vi)) and Other financial assets (Note 2.4(f)(viii)).

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

Financial assets are derecognized (written-off) when the rights to receive cash flows have expired or when ITAÚSA and its subsidiaries transfer substantially all risks and rewards of ownership, and such transfer does not qualify for derecognition, according to the requirements of CPC 38. Therefore, if the risks and rewards were not substantially transferred, ITAÚSA and its subsidiaries shall evaluate the control in order to determine whether the continuous involvement related to any retained control does not prevent the recognition. 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 applicable right to offset the recognized amounts and there is intention to settle them in a net basis, or simultaneously carry out the realization of the asset and settlement of the liability.

I. Financial assets and liabilities held for trading

These are assets and liabilities acquired or incurred principally for the purpose of selling them in the near future 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 into held for trading except for those designated and effective hedging instrument. ITAÚSA and its subsidiaries opted for disclosing derivatives in a separate line in the consolidated Balance Sheet (see item III below).

The financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the Consolidated Statement of Income. Gains and losses arising from changes in fair value are directly included in the Consolidated Statement of Income in the heading 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 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 when it reduces or eliminates a recognition inconsistency in income or when financial assets are part of a portfolio which risk is managed and reported to Management based on its fair value or else, when these assets consist of debt instrument and embedded derivative that shall be separated.

The financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the Consolidated Statement of Income. Gains and losses arising from changes in fair value are directly included in the Consolidated Statement of Income in the heading Net Gain (Loss) from financial assets and liabilities – Financial assets and liabilities designated at fair value through profit or loss. Interest income and expenses are recognized in “Interest and similar income” and “Interest and similar expense”, respectively. ITAÚSA CONSOLIDATED designates certain assets at fair value through profit or loss in the initial recognition (fair value option), since the assessment is made on a daily basis at the fair value.

ITAÚSA and its subsidiaries designate certain assets at fair value through profit or loss with the purpose of reducing or eliminating accounting inconsistencies in the measurement or recognition of these financial instruments.

III. Derivatives

Derivatives are initially recognized at fair value on the date on which 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 the variations recognized in the Consolidated Statement of Income in the heading Net Gain (Loss) from Financial Assets and Liabilities, except if the Management opts for designating these hybrid contracts as a whole in the category fair value through profit or loss.

Derivatives can be designated and qualify for hedge instrument for accounting purposes, and in the event they qualify, depending upon the nature of the hedged item, the method for recognizing gains or losses arising from 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 accounting hedge.

Hedge accounting

In accordance with CPC 38, to qualify for accounting hedge, all of the following conditions should be 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 achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, 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 determined actually to have been highly effective throughout the financial statement periods for which the hedge was designated.

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

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

Cash flow hedge

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

If the hedge relationship is terminated because it no longer meets the effectiveness requirements, the gain or loss is recognized in stockholders' equity as a reclassification from cumulative comprehensive income when there are cash flows of the hedged items . If it is probable that a forecast transaction will no longer occur according to the original strategy, any amount related to the derivative recorded in stockholders' equity is immediately recognized in income as reclassification of cumulative comprehensive income.

IV. Available-for-sale financial assets

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

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 impairment losses, foreign exchange differences and dividend and interest income) are recognized, net of applicable taxes, in Cumulative Comprehensive Income. Interest rates, including the amortization of premiums and discounts, are recognized in the Consolidated Statement of Income in the heading Interest and Similar Income. The average cost is used to determine the realized gains and losses on sale of available-for-sale financial assets, which are recorded in the Consolidated Statement of Income in the heading Net Gain (Loss) from Financial Assets and Liabilities – Available-for-Sale Financial Assets. Dividends on available-for-sale assets are recognized in the Consolidated Statement of Income as Dividend Income when it is probable that ITAÚSA CONSOLIDATED is entitled to receive such dividends and the cash inflows of economic benefits.

ITAÚSA CONSOLIDATED assesses at each Balance Sheet date whether there is 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 on 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 an adjustment of the reclassification of cumulative comprehensive income.

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

V. Held-to-maturity financial assets

In accordance with CPC 38, the financial assets classified into held to maturity 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 (as detailed in item vi below). Interest rates, including the amortization of premiums and discounts, are recognized in the Consolidated Statement of Income in the heading 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 reduces and such reduction can be related objectively to an event that occurred after the loss recognition, the previously recognized loss is reversed. The reversal amount is also recognized in Consolidated Statement of Income.

VI. Loan operations

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

The effective interest rate is the method adopted for calculating the amortized cost of financial asset or liability and allocating the interest income or expense over the 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 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.

When an asset or group of similar financial assets is impaired, the carrying amount is reduced. The interest income is subsequently recognized in the reduced carrying amount using the effective interest rate adopted to discount the future cash flows for purposes of measurement of the allowance for loan losses.

VII. Lease operations (as lessor)

The initial recognition of assets held in a lease in the Balance Sheet is in the heading Loan Operations at an amount equivalent to the net lease investment.

Direct initial costs when incurred by ITAÚSA CONSOLIDATED are included in the initial measurement of lease receivable, reducing the amount of revenue recognized over the lease period. Such initial costs usually include commission and legal fees.

VIII. Allowance for loan losses

ITAÚSA CONSOLIDATED periodically assesses the existence of any objective evidence that a receivable or group of receivables is impaired. A receivable or group of receivables is impaired and there is need for recognizing a non-temporary loss, should an objective evidence of impairment exist as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and should such event (or events) represent an impact on the estimated future cash flows that can be reliably estimated.

The criteria adopted by ITAÚSA CONSOLIDATED for determining the existence of objective evidence of impairment includes the following:

- default in principal or interest payment;
- Financial difficulties of the debtor and other objective evidences that result in the deterioration of the financial position of the debtor (for example, debt-to-equity ratio, percentage of net sales or other indicators obtained by systems adopted to monitor credit, particularly the retail portfolio one);
- breach of loan clauses or terms;
- entering into bankruptcy;
- Loss of competitive position of the issuer.

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

ITAÚSA CONSOLIDATED first assesses the existence of objective evidence of impairment individually allocated to receivables that are individually significant, or collectively allocated to receivables that are not individually significant.

If no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it is included in a group of receivables with similar credit risk characteristics and these are assessed for impairment. Receivables that are individually assessed and for which there is an impairment loss are not included in a 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 receivable losses that have not been incurred) discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of receivables for which there is a collateral received, reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of the need for recognizing an allowance, receivables are grouped based on similar credit risk characteristics. The characteristics are relevant to the estimation of future cash flows for such receivables because of the fact that they may indicate the difficulty of the debtor in paying the amounts due, according to the contractual terms of the receivables that is being evaluated. Future cash flows of a group of receivables that are collectively evaluated for purposes of identifying the need for recognizing an allowance are estimated on the basis of contractual cash flows of the group receivables and historical loss experience for receivables with similar credit risk characteristics. Historical loss experience is adjusted based on information available at the current observable date to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by Management to reduce any differences between loss estimates and actual loss experience.

If in a subsequent period the amount of the loss reduces and such reduction is related objectively to an event that occurred after the loss recognition (such as an improvement in the debtor's credit rating), the previously recognized loss is reversed. The amount of reversal is recognized in the Consolidated Statement of Income in the heading Expense for Allowance for Loan Losses.

When a loan is uncollectible, it is written-off from the Balance Sheet in the heading Allowance for Loan Losses. Such loans are written-off 360 days after such loans being past due or 540 days being past due in loans with original maturities over 36 months.

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

IX. Other financial assets

ITAÚSA CONSOLIDATED presents these assets in its Balance Sheet initially at fair value and subsequently at amortized cost using the effective interest rate method.

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

X. Financial liabilities at amortized cost

The financial liabilities that are not classified at fair value through profit or loss are classified into this category and initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method. Interest expenses are presented in Consolidated Statement of Income in Interest and Similar Expenses.

The following financial liabilities presented in the Consolidated Balance Sheet are recognized at amortized cost:

- Deposits; See Note 18;
- Deposits received under securities repurchase agreements (as previously described in item (e));
- Funds from interbank markets;
- Funds from institutional markets;
- Liabilities for capitalization plans; and
- Other financial liabilities. See Note 21.

g) 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.

h) INVESTMENTS IN UNCONSOLIDATED COMPANIES

CPC 18 – "Investments in Subsidiaries and Affiliates" defines unconsolidated or affiliated companies as those in which the investor has significant influence, but does not hold its control. Significant influence usually represents an interest in voting capital from 20% to 50%. Investments in these companies are initially recognized at cost of acquisition and subsequently stated applying the equity method. Investments in unconsolidated companies include the goodwill identified upon acquisition, net of any cumulative impairment loss.

The shares of ITAÚSA and its subsidiaries of income or losses of its unconsolidated companies after acquisition are recognized in the Consolidated Statement of Income, and their share of the changes in the reserves of Stockholders' Equity of its unconsolidated companies after acquisition are recognized in their corresponding reserves of the Stockholders' Equity. The cumulative changes after acquisition are adjusted against the carrying amount of the investment. When the shares of ITAÚSA and its subsidiaries in the losses of an unconsolidated company are equal or above their interests, including any other receivables, ITAÚSA and its subsidiaries do not recognize additional losses, unless they have incurred any obligations or made payments on behalf of the unconsolidated company.

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

If the shareholding interest in the unconsolidated company is decreased, but significant influence is retained, only the proportional portion of the previously recognized amounts in other Comprehensive Income is reclassified in Income, when appropriate.

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

i) LEASE COMMITMENTS (as lessee)

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

ITAÚSA CONSOLIDATED leases certain fixed asset items. Fixed assets leases, in which Itaú Unibanco substantially holds all risks and rewards related to their ownership, are classified as finance lease. They are capitalized on the commencement date of the lease at the asset fair value or the present value of the future lease installment payments, whichever is lower.

Each lease installment paid is partially allocated to assets and partially to financial charges, so that a constant rate is obtained for the outstanding debt balance. The corresponding obligations, net of future financial charges, are included in Other financial liabilities. The interest rate of the financial expenses 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 financial lease are depreciated over the useful life of the asset.

The operations carried out by ITAÚSA CONSOLIDATED classified as operating leases have their expenses recognized in the Consolidated Statement of Income, using the straight-line method, over the lease term.

When an operating lease is terminated before the expiration of the lease term, any payment to be made to the lessor as fine is recognized as an expense for the period.

j) FIXED ASSETS

In accordance with CPC 27 – "Property, plant and equipment", fixed assets are recognized at cost of acquisition less accumulated depreciation, which is calculated under the straight-line method and using rates based on the estimated useful lives of these assets. These rates are as follows:

	Annual depreciation rates
Buildings	4
Leasehold improvements	10
Installations	10 to 20
Furniture and equipment	10 to 20
Data processing equipment	20 to 50
Industrial equipment	5 to 20
Other (communication, security and transportation)	4 to 20

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

ITAÚSA CONSOLIDATED assesses its assets in order to find any indications of impairment. If such indications are found, fixed assets are tested in order to assess if their carrying amounts are fully recoverable. In accordance with CPC 01 – "Impairment of assets", impairment losses are recognized at the amount for which the carrying amount of the asset (or group assets) exceeds the recoverable amount, and they are recognized in the Consolidated Statement of Income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing an occasional impairment, assets are grouped into the minimum level for which separate cash flows can be identified (cash-generating units). The assessment can be made at the level of an individual asset when the fair value less the cost to sell can be determined with reliability. We did not recognize any impairment loss on fixed assets at December 31, 2010 and 2009.

Gains and losses on sale of fixed assets are recognized in the Consolidated Statement of Income in the heading Other Income and General and Administrative Expenses.

k) INTANGIBLE ASSETS - GOODWILL

In accordance with CPC 15 – "Business Combination", goodwill is the excess of the cost of an acquisition over the fair value of the buyer's share of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Goodwill is not amortized, but its recoverable amount is assessed annually or when there is any indication of impairment loss, 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 – "Impairment of Assets", a cash-generating unit is the lowest group of assets that is able to generate cash flows separately from the cash inflows attributed to other assets or groups of assets. The goodwill is allocated to cash flow generating units for purposes of an impairment test. The allocation is made to those cash-generating units in relation to which benefits are expected as a result of 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 lower than its carrying amount. The loss shall be allocated to reduce first the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit, on pro rata basis, of the carrying amount of each asset. The loss cannot reduce the carrying amount of an asset below the fair value less costs to sell or its value in use, whichever is higher. The impairment loss of goodwill cannot be reversed.

Goodwill of unconsolidated companies is presented as part of investment in the Consolidated Balance Sheet in the heading Investments in Unconsolidated Companies, and the analysis of the recoverable amount is made in relation to the total investment balance (including goodwill).

l) INTANGIBLE ASSETS - OTHER INTANGIBLE ASSETS

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

The balance of intangible assets refers to acquired assets. At December 31, 2010, ITAÚSA and its subsidiaries did not have any intangible assets which were internally generated.

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

ITAÚSA and its subsidiaries annually assess their intangible assets in order to find any indications of impairment. If such indications are found, intangible assets are tested to assess if their carrying amounts are fully recoverable. In accordance with CPC 01 – “Impairment of Assets”, impairment losses are recognized at the amount for which the carrying amount of the asset (or group assets) exceeds the recoverable amount, and they are recognized in the Consolidated Statement of Income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing a possible impairment, assets are grouped into the minimum level for which cash flows can be identified (cash-generating units). The assessment can be made at the level of an individual asset when the fair value less the cost to sell can be determined with reliability.

Intangible assets, except goodwill, which had impairment losses, are reviewed every September 30 of each year (the data that we set for carrying out the impairment test) to determine if it is appropriate to reverse the loss. We recognized impairment losses amounting to R$ 7 at December 31, 2010.

As provided for by CPC 04 -- "Intangible Assets", ITAÚSA and its subsidiaries elected the cost model to measure their intangible assets after initial recognition.

m) OTHER ASSETS - ASSETS HELD FOR SALE

The assets held for sale are recognized in the Consolidated Balance Sheet when they are actually seized or there is intention to sell. These assets are initially recognized at fair value.

Subsequent reductions in the carrying value of the asset are recorded as loss due to reductions in fair value less cost to sell, and they are recorded in the Consolidated Statement of Income in the heading General and Administrative Expenses. In the case of recovery of fair value less cost to sell, the recognized loss can be reversed.

n) INCOME TAX AND SOCIAL CONTRIBUTION

There are two components of the income tax provision: current and deferred.

Current income tax and social contribution expense approximates taxes to be paid or recovered for the applicable period and recorded in Balance Sheet in the headings Tax Liabilities – Current and Tax Assets – Income Tax and Social Contribution Credits, respectively.

Deferred income tax and social contribution represented by deferred tax assets and liabilities is obtained by the differences between the calculation bases for accounting and taxation of assets and liabilities at each year end. The tax benefit of tax loss carryforwards is recognized as asset. Deferred tax assets 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 in the headings Tax Assets – Deferred Tax Assets and Tax Liabilities - Deferred, respectively.

The expense for income tax and social contribution is recognized in the Consolidated Statement of Income in the heading Income Tax and Social Contribution, except when it refers to items directly recognized in the Cumulative Comprehensive Income, such as: deferred tax on fair value measurement of available-for-sale financial assets, and tax on cash flow hedges. The deferred taxes of such items are initially recognized in Cumulative Comprehensive Income and subsequently recognized in Income together with the recognition of the gain/loss originally deferred.

Changes in the tax legislation and tax rates are recognized in the Consolidated Statement of Income in the heading Income Tax and Social Contribution in the period in which they enter into effect. Interests and fines are recognized in the Consolidated Statement of Income in the heading General and Administrative Expenses.

The income tax and social contribution are calculated at the rates shown below, and consider for calculation purposes the respective bases, the effective legislation related to each tax, which in the case of the operations in Brazil are for all the reporting periods:

	2010 and 2009
Income tax	15%
Additional income tax	10%
Social contribution (*)	9%

(1) From May 1, 2008, for financial subsidiaries and equivalent companies, the rate was changed from 9% to 15%, as provided for by Articles 17 and 41 of Law No. 11,727, of June 24, 2008.

o) INSURANCE CONTRACTS AND PRIVATE PENSION

CPC 11 – "Insurance contracts" defines an insurance contract as that in which the issuer accepts a significant insurance risk of the counterpart, 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 risks from its clients and agrees to compensate them upon the occurrence of a certain 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 risk 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, interest or price index, credit risk rating, credit index or another variable.

Investment contracts may be reclassified into 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 a contract is classified as an insurance contract, it remains as such until the end of its term, even if the insurance risk is reduced significantly during such period, unless all rights and obligations are extinguished or expired.

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 the one that exposes its issuer to a significant insurance risk. An insurance risk is significant only, and only if the insured event may make the policy issuer 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 the insured event had not occurred.

Contracts that provide for retirement benefits after 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, being 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 converting into a fixed amount payable for the life of the beneficiary is not offered; in all contracts the counterparty is entitled to choose to receive a life annuity.

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 with respect to receivables for insurance premiums, ITAÚSA CONSOLIDATED recognizes an allowance for losses, using the same criteria described in Note 2.4f VII.

Reinsurance

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

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

Costs of acquisition

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 recognized 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 the recognition of liabilities for insurance contracts are recognized in the Consolidated Statement of Income, in the heading Change in Reserves for Insurance and Private Pension.

Embedded derivatives

In certain cases, CPC 11 requires that the entity separates the embedded derivatives related to insurance contracts. However, ITAÚSA CONSOLIDATED did not identify derivatives embedded in the insurance contracts in force.

Liability adequacy test

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

As a result of this test, should the analysis had shown that the carrying amount of the insurance liabilities (deducting deferred acquisition costs of contracts and intangible assets of insurance) was lower than the future cash flows expected for the contract, any identified deficiency (after recording the deferred acquisition costs and intangible assets related to deficit portfolios, in compliance with the accounting policy) would be immediately accounted for. To conduct the adequacy test, insurance contracts are grouped in portfolios that are broadly subject to similar risks and which risks are jointly managed as a single portfolio.

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

p) 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 are, classified as a financial liability at amortized cost under CPC 38.

The revenue from capitalization plans is recognized during the contractual term and measured by the difference between the amount deposited by the client and the amount that ITAÚSA has to reimburse. We recognize as an expense a liability for cash prizes measured actuarially.

q) EMPLOYEE BENEFITS

Retirement plans and 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 accounted for in the Consolidated Statement of Income in the heading General and Administrative Expenses, when incurred. These contributions totaled R$ 638 for the year ended December 31, 2010.

Additionally, ITAÚSA and its subsidiaries sponsor defined benefit plans and defined contribution plans, accounted for pursuant to IAS 19 – “Employee benefits”.

Pension plans - defined benefit plan

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 date less the fair value of the plan assets. The defined benefit obligation is annually calculated 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, in the heading 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 or losses – these are defined as resulting from differences between the prior actuarial assumptions and what has actually occurred, and include the effects of changes in actuarial assumptions;
- Current service cost – it is defined as the increase in the present value of the obligations arising from employee services in the current period;
- Interest cost – it is defined as the increase during the year in the present value of obligations which arises from the passage of time.

Pursuant to CPC 33, a curtailment is an event that significantly decreases the expected years of future services of current employees or that eliminates or reduces, for a significant number of employees, the qualification to benefits for the totality or part of future services. Settlement is, on the other hand, a transaction that is an irrevocable action, relieves the employer (or plan) of the primary responsibility of a pension or post-retirement benefit obligation, and, therefore, eliminates significant risks related to the obligation and the related assets.

A gain or loss in the curtailment of the 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) change in the projected benefit obligation. If the curtailment causes the projected obligation to decrease, the result will be a curtailment gain. If the curtailment causes the projected obligation to increase, the result will be a curtailment loss.

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

Pension plans - defined contribution

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

Other post-employment obligations

Certain companies acquired by ITAÚSA over the past few years used to sponsor post-employment healthcare benefit plans, and ITAÚSA is committed, according to 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.

Other post-employment benefits – Stock option plan

The companies of the ITAÚSA group that have stock option plans account for them in accordance with CPC 10 - "Share-based payment". CPC 10 requires the entity to measure the cost of services received from its employees in exchange for the grant of equity instruments, based on their fair value at the option grant date. This cost is recognized during the period in which the employee provides services in exchange for the grant of instruments (vesting period). The fair value of the stock options is estimated by using option pricing models that take into account the exercise price of the option, the current price; the risk-free interest rate, the expected volatility of the share price on the life of the option, adjusted to other relevant factors and the specific characteristics of such instruments.

r) STOCK OPTION PLAN

Stock option plans are accounted for in accordance with IFRS 2 - "Share-based payment" which determines that an entity measure the cost of services received from its employees in exchange for the grant of equity instruments, based on their fair value at the option grant date. This cost is recognized during the period in which the employee provides services in exchange for the grant of instruments (vesting period).

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

When the options are exercised, the company generally gives treasury shares to the beneficiaries.

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

All stock option plans established by Itaú Unibanco Holding correspond to plans settled exclusively through the delivery of shares.

s) FINANCIAL GUARANTEES

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

ITAÚSA and its subsidiaries recognize the fair value of issued guarantees in the Consolidated Balance Sheet as a liability in the heading Other Liabilities, on the issue date. The fair value is generally represented by the fee charged to the client for issuing the guarantee. This value is amortized over the life of the guarantee issued and recognized in the Consolidated Statement of Income in the heading Banking Service Fees.

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

t) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

These are assessed, recognized and disclosed in accordance with CPC 25 – “Provisions, Contingent Liabilities and Contingent Assets”, and are potential rights and obligations arising from past events and which occurrence depends on future events.

Contingent assets are not recognized in the consolidated financial statements, except when the Management of ITAÚSA understands that its realization is practically certain and, generally corresponds to lawsuits with favorable sentences in final and unappealable judgments and by the withdrawal of lawsuits as a result of a settlement payment that have been received or as a result of an agreement for offsetting with an existing liability.

Contingent liabilities basically 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 assessed based on the best estimates of the Management of ITAÚSA and its subsidiaries, considering the opinion of the legal advisors when there is a probability that funds may be required to settle liabilities and their amounts may be estimated with reasonable reliability.

Contingencies are classified as:

- Probable: those to which liabilities are recognized in the Consolidated Balance Sheet in the heading 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 a provision or disclosure.

Contingent liabilities recorded under Provisions and disclosure of possible contingent liabilities are measured through the use of models and criteria which allow their appropriate measurement, despite the uncertainty inherent in terms and amounts, according to the criteria detailed in Note 31.

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

Contingent liabilities guaranteed by indemnity clauses provided by third parties, such as in business combinations carried out before the transition date, are recognized when a claim is asserted, and a receivable is simultaneously recognized, when the payment is considered probable. 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 the possibility of the receipt of the indemnified amount or its contractual limitations.

u) CAPITAL

Common and preferred shares, which are considered common shares without voting rights for accounting purposes, are classified in Stockholders’ Equity. The additional costs directly attributable to the issue of new shares are included in Stockholders’ Equity as a deduction from the amount raised, net of taxes.

v) TREASURY SHARES

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

Treasury shares that are subsequently sold, such as those sold to grantees under our Stock Option Plan, are recorded as a reduction in treasury stock at the average price of treasury shares 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 the net income for the year with quarterly payments, adjusted in accordance with the legislation in force. The minimum dividend amounts established in the bylaws are accounted for as a liability at the end of each quarter. Any other amount above the mandatory minimum dividend is recognized as liability only when approved by stockholders at a Stockholders’ Meeting.

Since January 1, 1996, Brazilian companies have been permitted to attribute an expense for interest on capital as a deductible for tax purposes.

Interest on capital is treated for accounting purposes as dividends, and it is presented in the Consolidated Financial Statements as a reduction of stockholders' equity. The related tax benefit is recorded in the Consolidated Statement of Income.

Dividends have been calculated and paid according to the Financial Statements prepared under BRGAAP, and were recorded in the accompanying Financial Statements in accordance with IAS 37, taking into account the mandatory minimum dividend.

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 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$ 0.3262 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚSA after recognizing the effect of the priority 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 options whose dilutive effect is reflected in diluted earnings per share, with the application of the “treasury stock method”. Under such method, earnings per share are calculated as if all options had been exercised and as if the received proceeds (consisting of funds to be received upon exercise of the stock options and the amount of compensation cost attributed to future services and not yet recognized) had been used to purchase ITAÚSA’s own shares.

y) REVENUE

I) Sales of products and services

Sales revenue is determined 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 in the products are transferred to the purchaser. Revenue is not recognized if there is a significant uncertainty as to its realization.

Sales of services

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

II) PROVISION OF SERVICES

ITAÚSA provides a number of services to its clients, such as investment management, credit cards, investment banking and certain commercial banking services. Revenues from these services are usually recognized when the service is provided (commercial and investment banking) or over the life of the contract (investment management and credit cards). The composition of revenue from services is detailed in Note 23.

z) SEGMENT INFORMATION

CPC 22 – “Segment Information” determines that operating segments be disclosed consistently with the information provided to the operating decision maker, who is the person or group that allocates funds to the segments and assesses their performance. ITAÚSA considers that its Executive Committee is responsible for making operating decisions.

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

Segment information is presented in Note 32.

2.5 TRANSITION TO IFRS

As mentioned in details in Note 2.1, the transition to IFRS was recorded in accordance with CPCs 37 and 43, and the transition date chosen was January 1, 2009. As a result, the accounting policies of ITAÚSA and ITAÚSA CONSOLIDATED adopted for the accompanying consolidated financial statements were modified on January 1, 2009, with the purpose of complying with IFRS, with respect to the accounting policies applied for BRGAAP purposes.

Changes in accounting policies arising from the transition to IFRS and reconciliation of the effects of this transition are presented below. ITAÚSA and ITAÚSA CONSOLIDATED prepared their opening balance sheet as at January 1, 2009 applying the accounting policies and standards and measurement bases described in Note 2.4, and adopting the following exemptions and using the exceptions set forth in CPCs 37 and 43 in the preparation of the financial statements under IFRS.

CPC 37 shall be applied when an entity adopts the IFRS in the preparation of its annual financial statements for the first time, with an explicit and unreserved statement of compliance with the IFRS. In general, CPC 37 requires that an entity follows the rules of each of the IFRS effective accounting standards at the date of preparation of its first IFRS financial statement.

CPC 37 grants limited exemptions from its requirements in specific areas in which the cost of producing information could exceed the benefits of the users of financial statements. In addition, CPC 37 also prohibits the retrospective application of certain CPC accounting standards to certain areas, particularly those in which the retrospective application could require Management to exercise judgment of conditions before and after the knowledge of the transactions already made. The summary of exemptions and exceptions provided by CPC 37 that were adopted by Management in the preparation of the Reconciliation between the prior BRGAAP and the New BRGAAP applicable to the consolidated stockholders' equity is presented in Note 2.5a.

a) Summary of the voluntary exemptions and mandatory exceptions established by CPCs 37 and 43 adopted by Management in the preparation of these consolidated financial statements.

I) Optional exemptions

Business combinations, past acquisitions of investments in associates and scope of consolidation

CPC 37 permits that business combinations and past acquisitions of investments in associates occurred before the transition date are not retrospectively reassessed, in compliance with CPC 15 – "Business Combinations". This exemption permits companies that adopt IFRS for the first time basically keep the accounting treatment adopted in the prior accounting practices, i.e., the prior BRGAAP in this case. ITAÚSA and its subsidiaries adopted this exemption through January 1, 2009, and, consequently, they will apply the CPC 15 to record only the business combinations and past acquisitions of investments in associates occurred after such date.

In accordance with the exemption permitted by CPC 37, the accounting policies used for initial recognition and subsequent measurement of goodwill generated in the acquisitions before the transition date were maintained, pursuant to BRGAAP, according to which goodwill was fully amortized at the time when such acquisitions occurred. Intangible assets arising from acquisitions prior to the transition date were not recognized under BRGAAP.

CPC 37 also requires that, if ITAÚSA had not consolidated any subsidiary acquired under BRGAAP, the carrying amounts of assets and liabilities of such acquired subsidiary would have to be adjusted in accordance with the IFRS. However, in the case of ITAÚSA, there were no acquisitions of significant subsidiaries that had not been consolidated under BRGAAP before the transition to IFRS.

Fair value as deemed cost

In accordance with CPC 37, an entity may, on the date of transition to IFRS, measure a fixed asset item at its fair value, and this amount will be the deemed cost of this asset, as from such date. ITAÚSA and its subsidiaries did not adopt this exemption of CPC 37. The cost of fixed assets was determined based on the historical cost, determined under BRGAAP, adjusted for inflation for the years when Brazil was considered hyperinflationary under IAS 29.

Employee benefits

ITAÚSA and its subsidiaries adopted the CPC 37 exemption, under which all actuarial gains and losses accrued to the transition date, related to pension plans sponsored by ITAÚSA and its subsidiaries, were recognized as retained earnings.

Cumulative translation differences for balance sheets of subsidiaries and investments in companies unconsolidated abroad

ITAÚSA and its subsidiaries adopted this exemption in which all gains and losses on translation of subsidiaries and investments in unconsolidated companies abroad accrued to the transition date were presumed to be zero. Therefore, the effects of application of CPC 02 in the translation of these subsidiaries and investments in unconsolidated companies abroad with a functional currency different from real are being applied prospectively, and these effects are being recorded in a specific reserve in Cumulative Comprehensive Income only from the transition date.

Compound financial instruments

CPC 39 requires that compound financial instruments, as defined by CPC 38, have their components separated and classified as debt instruments and equity instruments. This classification is made based on circumstances, economic substance and specific terms of these instruments on the date they are issued. CPC 37 permits not to separate these two components, in the event the debt component is not already outstanding on the transition date. This exemption did not have impact on ITAÚSA and its subsidiaries, because there were no financial instruments with these characteristics outstanding on the transition date.

Assets and liabilities of subsidiaries, unconsolidated companies and joint ventures

CPC 37 prescribes that there may be situations in which the controlling entity of a group and its subsidiaries adopted IFRS on different dates. The CPC 37 exemption permitted us to use the financial statements of the subsidiaries that made the transition to IFRS before January 1, 2009. Thus, we considered the amounts under IFRS of the financial statements of subsidiaries and unconsolidated companies of ITAÚSA that had already adopted the IFRS before January 1, 2009.

Share-based payment transactions

CPC 37 encourages, but does not require, that an entity adopts CPC 10 for employee benefits such as share-based payments granted before November 7, 2002, and also for benefits that were granted after November 7, 2002, but which conditions for realization or enjoyment had been reached before the transition date or before January 1, 2009 (the most recent of the two dates). On the other hand, if Management decides to apply CPC 10 retrospectively, it can only do so if the entity has already disclosed the fair value of significant share-based instruments, determined on the relevant measurement dates. ITAÚSA adopted CPC 10 for all share-based payments, because it has already disclosed the fair value of relevant instruments.

Insurance contracts

CPC 37 permits that companies that issue insurance contracts change certain insurance accounting policies on the date of transition to IFRS, provided that certain minimum procedures are followed. ITAÚSA CONSOLIDATED decided not to change its accounting policies for insurance contracts, but it applied the minimum requirements of CPC 11 – “Insurance Contracts”, including the classification of contracts as insurance contracts or investment contracts (as defined by CPC 38), and the minimum liability adequacy tests for insurance contracts, as defined by CPC 11, and described in further details in Note 2.4o.

Liabilities arising from decommissioning, restoration of assets and similar liabilities

ICPC 12 - “Changes in Liabilities due to Decommissioning, Restoration and Other Similar Liabilities” requires specific changes in decommissioning, restoration or similar liabilities. An entity that applies IFRS for the first time does not need to meet these requirements for changes that occurred before the date of transition to IFRS. This exemption does not have impact on ITAÚSA and its subsidiaries.

Lease

An entity that applies IFRS for the first time may opt for applying the specific transition rules of ICPC 3 – "Determining Whether an Arrangement Contains a Lease", and it may determine if there is a lease agreement on the date of transition to IFRS based on the facts and circumstances existing on the transition date. The application of ICPC 3 did not have impact on ITAÚSA and its subsidiaries on the date of transition to IFRS, since no contracts that should be accounted for as a lease agreement, pursuant to ICPC 3, have been identified.

II) Mandatory exceptions

Derecognition of financial assets and financial liabilities

CPC 37 requires that an entity that applies IFRS for the first time prospectively applies the derecognition standards (asset derecognition, as defined by CPC 38) of financial assets and liabilities for transactions occurred after January 1, 2004. Accordingly, should ITAÚSA and its subsidiaries have derecognized, pursuant to BRGAAP, a non-derivative financial asset or liability resulting from a transaction occurred before January 1, 2004, it would be impossible to recognized this asset or liability again in the transition to IFRS. Additionally, CPC 37 permits the application of standards of derecognition of financial assets and liabilities retrospectively, from a date elected by the entity, provided that the information needed to apply such standards had already been obtained at the time of the transaction that gave rise to the derecognition. This exemption did not have any impact on ITAÚSA and its subsidiaries, as no significant asset or liability was derecognized under BRGAAP.

Hedge accounting

CPC 38 – "Financial instruments: Recognition and Measurement" requires the valuation of all derivative financial instruments at fair value, as well as the elimination of deferred gains or losses, recognized (or deferred) as assets or liabilities under GAAP prior to IFRS. Additionally, an entity should not apply hedge accounting (as defined by CPC 38) to its consolidated balance sheet at the transition date, if such hedge did not qualify as hedge in accordance with CPC 38. As a result of this requirement, the hedge accounting was not applied for IFRS purposes at the transition date, to certain hedge relations that meet the criteria for hedge accounting under BRGAAP, but that do not meet all requirements of CPC 38.

Estimates

CPC 37 requires that the estimates used by management for IFRS purposes at the transition date be consistent with estimates made at the same date under the prior GAAP, unless there is evidence of errors in the preparation of the estimates under the prior GAAP as compared to IFRS. Additionally, should the Management obtain information after the date of transition to IFRS that impacts estimates that had been made in accordance with the prior BRGAAP, it should address this information as an event subsequent to the balance sheet date, and adopt the accounting treatment of CPC 24 – "Subsequent Event." CPC 24 rules are applicable to the opening consolidated balance sheet and for the comparative periods reported in the preparation of the first financial statement under IFRS of an entity. ITAÚSA and its subsidiaries considered that the estimates used for BRGAAP consistent with the estimates used on the transition date for IFRS and, therefore, there were no changes in estimates due to the existence of information obtained on a date subsequent to that of translation that required any adjustment in the estimates for IFRS purposes.

Non-controlling interests

CPC 37 requires that the entity that applies IFRS for the first time applies certain requirements of CPC 35 prospectively to the transition date. However, these requirements did not have impact on ITAÚSA CONSOLIDATED.

b) Reconciliation between prior BRGAAP and New BRGAAP applicable to stockholders' equity and the statement of income

I) Reconciliation between prior BRGAAP and New BRGAAP applicable to stockholders' equity

	Reference	12/31/2010	12/31/2009	01/01/2009
Stockholders' equity before IFRS adjustments		**23.743**	**19.786**	**16.592**
Stockholders' equity of non-controlling interests		2.340	2.126	1.410
Adjustments that affect stockholders' equity between BR GAAP and IFRS		**3.096**	**3.926**	**2.897**
Loan operations	a	679	1.159	964
Adjustment to market value of shares	b	432	258	193
Recognition of total deferred tax assets	c	595	838	947
Pension and health care plans	d	44	573	441
Business combinations	e	717	1.029	481
Income tax and social contribution	h	(532)	(1.017)	(916)
Biological assets	i	219	203	284
Negative goodwill, net	j	483	483	482
Additional dividends	k	445	380	-
Other	l	13	19	21
Stockholders' equity under IFRS		**29.179**	**25.838**	**20.899**
Stockholders' equity attributable to non-controlling interests		2.877	2.649	1.539
Stockholders' equity attributable to controlling interests		**26.302**	**23.189**	**19.360**

(1) At individual balances of Itaúsa, total amortization of goodwill through December 2008 amounted to R$ 5,748, thus equaling the individual and consolidated stockholders' equity of Itaúsa, pursuant to CPC 43 – First-Time Adoption of Technical Pronouncements CPC 15 to 40.

II) Reconciliation between prior BRGAAP and New BRGAAP applicable to the consolidated net income of ITAÚSA at December 31, 2010 and 2009

	Reference	12/31/2010	12/31/2009
Net income before IFRS adjustments		**4.953**	**3.930**
Net income attributable to non-controlling interests		586	387
Adjustments that affect net income between BR GAAP and IFRS		**(526)**	**431**
Loan operations	a	(513)	196
Recognition of total deferred tax assets	c	(239)	(83)
Pension and health care plans	d	76	169
Business combinations	e	(303)	148
Income tax and social contribution	h	330	(153)
Biological assets	i	34	(4)
Other	l	(23)	264
Net income under IFRS		**5.013**	**4.748**
Net income attributable to non-controlling interest		595	386
Net income attributable to controlling interests		**4.417**	**4.362**

(*) At the individual balance of Itaúsa, an adjustment to income was made in relation to amortization of goodwill amounting to R$ 1,096 in 2010 (R$ 1,028 in 2009), in accordance with CPC 43, thus equaling Individual and Consolidated Net Income.

Summary of the main differences between the prior BRGAAP and IFRS

Below are the main accounting policies applicable to ITAÚSA CONSOLIDATED in accordance with the prior BRGAAP that differ significantly from BRGAAP and IFRS, and are presented in the above-mentioned reconciliation.

a. Loan operations - Allowance for loan losses

Under BRGAAP, the allowance for losses is measured considering an analysis of the risks of receivables realization, at an amount considered sufficient to cover possible losses, in compliance with the rules established by BACEN. Pursuant to these rules, the allowances are set up from the date loans are granted, based on the client's risk rating and on the periodic quality evaluation of clients and industries, and not only in the event of default. Under BRGAAP, the allowance cannot be lower than the minimum required by the regulatory authorities but an additional allowance can be recognized when the minimum allowance is not considered sufficient. As from December 31, 2008, considering the economic scenario and the related uncertainties , the criteria for recognition of an allowance for loan losses additional to the minimum regulatory required were revised, including an allowance for risks associated with a more pessimistic scenario. During 2009, there was an improvement in the economic scenario, causing a reduction in the relation between the allowance for loan losses and the loan portfolio. In 2010, a change in the BRGAAP criterion was adopted which resulted in a reduction in the allowance for loan losses, improving the criterion considering the new guidelines of Basel III (not yet applicable).

CPC 38 determines that an entity shall periodically assess if there is any objective evidence that the loan operation or group of loan operations is impaired. A loan operation or group of loan operations presents objective evidence of impairment if there is evidence of loss as consequence of one or more events that occur after the initial recognition of a loan operation (loss event) and this event or events impact the estimated future cash flow and may be reliably estimated.

The loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the original effective interest rate of the loan operation.

Firstly, it is necessary to assess, on an individual basis, if there is any objective evidence of loss for operations that are individually significant, or on collective basis for operations that are not individually significant. If there is no objective evidence for an individually assessed operation, be it significant or not, it should be included in a group of operations with similar characteristics and assessed collectively. Those operations that are individually assessed and for which a loss has been recorded should not be included in the collective assessment.

The differences between BRGAAP and IFRS resulted in different amounts of allowance for loan losses and, therefore, an adjustment was recognized.

b. Adjustment to market value of shares

For purposes of BRGAAP, shares classified as permanent investment are recorded at historical cost, being adjusted only for provision for impairment when value decreases. Increase in value over its acquisition cost is not recognized.

Under IFRS, ITAÚSA classified these shares as available-for-sale financial assets, in accordance with CPC 38, and recorded them at their estimated fair value, recognizing their gains and losses directly in Stockholders' Equity.

c. Recognition of total deferred tax assets

Under Law No. 11,727/2008, the social contribution (CSLL) rate for private insurance, capitalization companies and financial institutions, was increased from 9% to 15%, for taxable events that occurred after May 1, 2008. As a result of a lawsuit claiming unconstitutionality of the increase of CSLL rate that was filed on June 26, 2008, by the National Confederation of the Financial System (CONSIF), deferred taxes were recognized under the prior BRGAAP only to the amount of the increase in deferred tax liabilities and not considering the increase in the rate to 15%.

CPC 32 determines that deferred tax assets shall be measured using the enacted tax rates at the balance sheet date. CPC 32 also determines that deferred tax assets shall be recognized when it is probable that future taxable income will be generated, allowing the recovery of the asset.

ITAÚSA recognized in the accompanying Consolidated Financial Statements, total deferred tax assets related to CSLL at the rate of 15% of its financial subsidiaries, thus meeting the requirements of CPC 32 for the recognition of deferred tax assets.

d. Pension and health care plans

ITAÚSA CONSOLIDATED adopted the exemption prescribed by CPC 37 and recognized in retained earnings all actuarial gains and losses accrued to the transition date, fully recognizing, from this moment on, all actuarial gains and losses in income.

In addition, up to December 31, 2008, we did not recognize assets resulting from the difference of the fair value of assets of a plan and actuarial liabilities under BRGAAP, as a result of the regulatory limitations that existed regarding the possibility of recognizing a plan surplus.

The actuarial calculations for certain plans of ITAÚSA CONSOLIDATED resulted in a positive net balance, for which an asset was recognized in line with the requirements of CPC33. As ITAÚSA has an economic benefit available as reductions in future contributions, this asset was recognized at December 31, 2009, measured after taking into consideration all minimum requirements for investments in the plan of ITAÚSA and its subsidiaries, as required by CPC 33. The value of this asset is reassessed periodically to test its recoverability (or limit).

From January 1, 2009, as a result of the application of CPC 33, ITAÚSA and its subsidiaries, pursuant to CVM Resolution No. 600/09, recognizes as assets the difference, when positive, between the fair value of plan assets and actuarial plan liabilities.

In the case of pension plans of ITAÚSA CONSOLIDATED, for which the actuarial calculations resulted in a negative net balance, a liability has been recognized, in accordance with the requirements of CPC 33.

e. Business combinations

I) Duratex and Satipel

On June 22, 2009 ITAÚSA and Companhia Ligna de Investimentos (Ligna) entered into a merger agreement between companies Satipel Industrial S.A. (“former Satipel”) and Duratex S.A. (“former Duratex”). At the Extraordinary Stockholders’ Meeting held on August 31, 2009 the companies’ stockholders approved the merger. For legal purposes, the business combination was structured via the merger of “former Duratex” into “former Satipel”, and this latter changed its corporate name to Duratex S.A. (“new Duratex”).

CPC 15 requires that the acquirer for accounting purposes be identified in a business combination. As a result of the combination described above, controlling stockholders of “former Duratex” held 39.6% of capital stock and voting rights of “new Duratex”, whereas the original stockholders of “former Satipel” held 17% of capital stock, with other interests diluted among the original non-controlling interests of both companies. In this context, considering the powers of business governance agreed between the parties, the stockholders of “former Duratex” then held, for purposes of the accounting standard, the control over the combined business. On August 31, 2009 the agreements were formalized, and that date is construed as the “acquisition date” for purposes of the recognition of the transaction.

For accounting purposes, this operation is characterized as a reverse acquisition by which the acquired company (“former Duratex”) is, in its economic essence, the buyer of the “former Satipel” business. Accordingly, the accounting treatment of the transaction is based on the fact that “former Duratex” is considered as the buying entity of “former Satipel”.

The adjustment stated in Reconciliation refers to the recording of this business combination by using the purchase method, as required by CPC 15. The acquisition cost is measured, at the acquisition date, by the transferred compensation amount stated at fair value.

The excess of the acquisition cost, that is, the amount in excess of the fair value of the Company's interest in the acquired identifiable net assets, is recorded as goodwill.

Under the prior BRGAAP, goodwill corresponded to the cost of acquisition of the investment in excess of the stockholders’ equity of the acquired entity.

II) Market gain in Porto Seguro transaction

In August 2009, Itaú Unibanco Holding (ITAÚSA's subsidiary) and Porto Seguro S.A. entered into an alliance aimed at the unification of their residential and automobile insurance operations, which sets forth an Operational Agreement for the exclusive offer and distribution of residential and automobile insurance products to the customers of the ITAÚ UNIBANCO branch network in Brazil and Uruguay.

For accounting purposes, this operation was completed in the 4th quarter of 2009 upon the approval by at the Porto Seguro's stockholders' meeting and by SUSEP, which, on October 16, 2009, granted prior authorization for the corporate acts.

The implementation of the Alliance took place through a corporate restructuring, in which Itaú Unibanco Holding transferred to Porto Seguro all the assets and liabilities related to its current portfolio of residential and automobile insurance. In its turn, Porto Seguro issued shares representing 30% (thirty percent) of its new capital stock, which were delivered to Itaú Unibanco Holding.

For IFRS purposes, a gain was recognized due to the difference between the carrying value of assets and liabilities transferred to Porto Seguro and the fair value of payment received, that is, the fair value of Porto Seguro's shares received, which was determined based on the quoted price of common shares of Porto Seguro on BMF&Bovespa.

Under IFRS, Itaú Unibanco Holding classified these shares and quotas as available-for-sale financial assets, in accordance with IAS 39, and stated them at fair value, recognizing their gains and losses directly in Cumulative Comprehensive Income.

The effect of this adjustment amounted to R$ 936 in 2009.

III) Provision for Itaú and Unibanco merger expenses

As a consequence of the merger with Unibanco, a provision to cover expenses related to communication to clients, adaptation of systems and personnel was set up under the BRGAAP, as the amount of the provision could be reasonably estimated.

Under IFRS, this provision did not meet, at the transition date, the requirements of CPC 33 and CPC 25, and, accordingly, it was reversed at the transition date in these Consolidated Financial Statements. During the year ended December 31, 2010, the provision recognized under BRGAAP was fully utilized.

The reversed amount was R$ 843 in 2009 and R$ 1,331 in 2008.

f. Translation of foreign subsidiaries and unconsolidated companies

The process adopted by ITAÚSA and its subsidiaries under BRGAAP for the translation of subsidiaries and unconsolidated companies abroad is similar to the requirements of IAS 21, except for the fact that the differences arising from the translation process are recorded in the statement of income. Accordingly, under BRGAAP, there is no specific reserve in stockholders' equity to record cumulative gains or losses arising from the translation of foreign subsidiaries and unconsolidated companies.

Under IFRS, the differences on translation of foreign subsidiaries and unconsolidated companies are reported in Cumulative Comprehensive Income.

g. Provision for dividends not yet declared

In accordance with BRGAAP, the year-end financial statements should recognize a provision for dividends proposed by Management but not yet approved by the stockholders even if the dividends proposed exceed the mandatory minimum dividend established in the company's bylaws.

In accordance with IAS 10 - "Events After The Balance Sheet Date", if an entity declares dividends for payment of the stockholders after the base date, it cannot recognize the amount of these dividends as a liability in the financial statements for the year.

In these financial statements, ITAÚSA reversed the provision set up in liabilities in accordance with the BRGAAP, for amounts in excess of the mandatory minimum dividends that had not been declared before the year end.

h. Income tax and social contribution on all adjustments

CPC 32 requires the recognition of deferred income tax and social contribution for all taxable or deductible temporary differences, except for deferred taxes arising from the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction which is not a business combination, and that at the transaction date, affects neither accounting profit nor taxable profit (tax loss) for tax purposes. The adjustments of deferred income tax and social contribution were calculated on IFRS adjustments, when applicable.

i. Biological assets

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

j. Reversal of negative goodwill

In accordance with CPC 15 – "Business Combinations", upon acquisition of interest in an entity, if the acquisition cost is lower than the fair value of net assets of the acquired company, the difference is directly recognized in the statement of income.
This adjustment refers to the reversal of negative goodwill that had been recorded under the prior BRGAAP in the balance sheet of the acquirer because it did not meet the definition of liability under the IFRS.

k. Dividends

It refers to the reversal of a reserve for dividends in excess of the mandatory minimum.

l. Other adjustments

Other differences between the IFRS and the BRGAAP were recognized, and they are not material either individually or in the aggregate.

Reconciliation between stockholders' equity and net income of Quarterly Information

In compliance with CVM Resolution No. 656/10, we show below the effects of the changes to IFRS on the quarters of 2010 and 2009.

I) Reconciliation between prior BRGAAP and the New BRGAAP applicable to ITAÚSA'S Consolidated Stockholders' Equity for the quarters of 2010 and 2009

	2010			
	1Q	2Q	3Q	4Q
Stockholders' equity before IFRS adjustments	**20.532**	**21.544**	**22.287**	**23.743**
Stockholders' equity of non-controlling interests	2.178	2.322	2.316	2.340
Adjustments that affect stockholders' equity between BR GAAP and IFRS	**3.551**	**3.699**	**3.777**	**3.095**
Loan operations	1.037	1.007	845	679
Adjustment to market value of shares	294	303	363	432
Recognition of total deferred tax assets	771	749	723	595
Pension and health care plans	551	609	659	44
Business combinations	982	927	840	717
Income tax and social contribution	(916)	(942)	(885)	(532)
Biological assets	183	189	217	219
Negative goodwill, net	483	483	483	483
Additional dividends	140	342	501	445
Other	26	32	30	12
Stockholders' equity after IFRS adjustments	**26.261**	**27.565**	**28.380**	**29.178**
Stockholders' equity attributable to non-controlling interests	2.704	2.835	2.840	2.876
Stockholders' equity attributable to controlling interests	**23.557**	**24.730**	**25.540**	**26.302**

	2009			
	1Q	2Q	3Q	4Q
Stockholders' equity before IFRS adjustments	**17.228**	**18.509**	**19.093**	**19.786**
Stockholders' equity attributable to non-controlling interests	1.469	1.434	1.978	2.126
Adjustments that affect stockholders' equity between BR GAAP and IFRS	**2.713**	**2.853**	**3.846**	**3.925**
Loan operations	1.059	906	1.287	1.159
Adjustment to market value of shares	213	226	250	258
Recognition of total deferred tax assets	782	821	805	838
Pension and health care plans	427	474	545	573
Business combinations	246	196	749	1.029
Income tax and social contribution	(844)	(740)	(923)	(1.017)
Biological assets	188	188	177	203
Negative goodwill, net	483	483	483	483
Additional dividends	117	253	430	380
Other	41	47	44	19
Stockholders' equity after IFRS adjustments	**21.410**	**22.796**	**24.917**	**25.837**
Stockholders' equity attributable to non-controlling interests	1.593	1.552	2.488	2.649
Stockholders' equity attributable to controlling interests	**19.817**	**21.244**	**22.429**	**23.189**

II) Reconciliation between prior BRGAAP and New BRGAAP applicable to the Consolidated Net Income of ITAÚSA for the quarters of 2010 and 2009

	2010			
	1Q	2Q	3Q	4Q
Net income before IFRS adjustments	**1.079**	**1.185**	**1.111**	**1.578**
Net income attributable to non-controlling interests	123	163	144	156
Adjustments that affect stockholders' equity between BR GAAP and IFRS	**(65)**	**(48)**	**(141)**	**(273)**
Loan operations	(121)	(65)	(161)	(165)
Adjustment to market value of shares	112	(4)	(10)	14
Recognition of total deferred tax assets	(39)	(99)	(1)	(99)
Pension and health care plans	(21)	41	50	5
Business combinations	(61)	(34)	(86)	(122)
Income tax and social contribution	39	37	81	173
Biological assets	(3)	6	29	2
Other	29	69	(43)	(79)
Net income under IFRS	**1.137**	**1.300**	**1.114**	**1.461**
Net income attributable to non-controlling interest	116	149	166	164
Net income attributable to controlling interests	**1.021**	**1.151**	**948**	**1.297**

	2009			
	1Q	2Q	3Q	4Q
Net income before IFRS adjustments	**901**	**1.007**	**856**	**1.166**
Net income attributable to non-controlling interests	90	88	66	135
Adjustments that affect stockholders' equity between BR GAAP and IFRS	**(125)**	**120**	**316**	**129**
Loan operations	93	(152)	382	(127)
Adjustment to market value of shares	(6)	(135)	41	(7)
Recognition of total deferred tax assets	(169)	114	(39)	11
Pension and health care plans	20	51	71	27
Business combinations	(69)	(18)	(44)	279
Income tax and social contribution	(30)	106	(172)	(57)
Biological assets	3	(14)	(11)	26
Other	32	168	88	(23)
Net income under IFRS	**866**	**1.215**	**1.238**	**1.430**
Net income attributable to non-controlling interest	84	85	65	152
Net income attributable to controlling interests	**782**	**1.130**	**1.173**	**1.278**

NOTE 03 - CASH AND CASH EQUIVALENTS

For purposes of consolidated statements of cash flows, Cash and Cash Equivalents of ITAÚSA CONSOLIDATED comprises the following items (amounts with original maturities of up to 90 days or less):

	12/31/2010	12/31/2009
Cash and deposits on demand	4.029	3.903
Interbank deposits	2.794	2.590
Securities purchased under agreements to resell	10.167	19.390
Total	**16.989**	**25.883**

In Itaúsa, it is composed of the following:

	12/31/2010	12/31/2009
Financial assets held for trading	-	136
Total	**-**	**136**

NOTE 04 - CENTRAL BANK COMPULSORY DEPOSITS

The central banks of the countries where the subsidiary Itaú Unibanco Holding operates require that financial institutions deposit certain funds. In the case of Brazil, they are required to purchase and hold Brazilian federal government securities. The following table presents a summary of compulsory deposits by type and amounts:

	12/31/2010	12/31/2009	01/01/2009
Non-interest bearing deposits	1.734	1.433	1.808
Interest-bearing deposits	29.735	4.537	3.917
Total	**31.469**	**5.970**	**5.724**

NOTE 5 – INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

ITAÚ UNIBANCO HOLDING	12/31/2010			12/31/2009	01/01/2009
	Current	Non-current	Total	Total	Total
Interbank deposits	**14.315**	**520**	**14.835**	**17.799**	**24.881**
Securities purchased under agreements to resell (*)	**82.094**	**6.588**	**88.682**	**135.820**	**112.347**
Total	**96.409**	**7.108**	**103.517**	**153.619**	**137.228**
Share of Itaúsa		36,57%		35,46%	35,54%
	35.260	**2.600**	**37.858**	**54.477**	**48.777**
Industrial companies and Itaúsa	333	20	353	479	532
Total	**35.593**	**2.620**	**38.211**	**54.956**	**49.309**

(*) Includes R$ 3,171 (R$ 3,294 at December 12, 2009) related to assets pledged as collateral.

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 (2)	12/31/2010				12/31/2009				01/01/2009			
		Unrealized gross				Unrealized gross				Unrealized gross		
	Cost/ Amortized cost	Gain	Loss	Fair value	Cost/ Amortized cost	Gain	Loss	Fair value	Cost/ Amortized cost	Gain	Loss	Fair value
Investment funds	1.701	49	(2)	1.748	1.589	32	(2)	1.619	2.079	-	(10)	2.069
Brazilian government securities (1a)	86.636	77	(14)	86.699	36.099	48	(12)	36.135	41.060	356	(26)	41.390
Brazilian external debt bonds (1b)	653	17	(4)	666	222	-	-	222	450	21	(1)	470
Government securities – other countries (1c)	**9.323**	**38**	**(8)**	**9.353**	**1.045**	**25**	**(13)**	**1.057**	**2.453**	**98**	**(16)**	**2.535**
Argentina	295	6	(8)	293	179	3	(3)	179	64	7	(7)	64
United States	8.682	32	-	8.714	735	22	(10)	747	957	81	-	1.038
Mexico	29	-	-	29	10	-	-	10	146	9	-	155
Russia	45	-	-	45	77	-	-	77	-	-	-	-
Spain	-	-	-	-	-	-	-	-	422	-	(4)	418
Korea	-	-	-	-	-	-	-	-	295		(4)	291
Chile	248	-	-	248	30	-	-	30	163	1	-	164
Paraguay	-	-	-	-	-	-	-	-	398	-	-	398
Uruguay	24	-	-	24	14	-	-	14	8	-	(1)	7
Corporate securities (1d)	**16.941**	**152**	**(62)**	**17.031**	**16.279**	**248**	**(8)**	**16.519**	**11.971**	**125**	**(94)**	**12.002**
Shares	3.161	134	(47)	3.248	2.476	240	(6)	2.710	2.718	109	(84)	2.743
Securitized real estate loans	587	9	-	596	33	2	-	35	33	1	-	34
Bank deposit certificates	8.932	-	-	8.932	9.490	-	-	9.490	5.901	-	-	5.901
Debentures	2.799	1	-	2.800	3.095	2	(1)	3.096	1.530	1	(3)	1.528
Eurobonds and other	1.459	8	(15)	1.452	624	4	(1)	627	1.311	14	(7)	1.318
Promissory Notes	-	-	-	-	-	-	-	-	478	-	-	478
Other	3	-	-	3	561	-	-	561	-	-	-	-
TOTAL	**115.254**	**333**	**(90)**	**115.497**	**55.234**	**353**	**(35)**	**55.552**	**58.013**	**600**	**(147)**	**58.466**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% on January 1, 2009.	**42.152**	**122**	**(33)**	**42.241**	**19.588**	**125**	**(12)**	**19.700**	**20.620**	**213**	**(52)**	**20.781**
Industrial companies	**378**	**1**	**(1)**	**378**	**770**	**(0)**	**0**	**770**	**687**	**(0)**	**0**	**687**
TOTAL	**42.530**	**123**	**(34)**	**42.619**	**20.357**	**125**	**(12)**	**20.470**	**21.307**	**213**	**(52)**	**21.468**

(1) Assets held for trading pledged in guarantee of funding transactions of financial institutions and clients were: a) R$ 2,082 (R$ 16,704 at 12/31/2009), b) R$ 91 (R$ 279 at 12/31/2009); c) R$ 36 and d) 38 (R$ 2,913 at 12/31/2009).

(2) Financial assets held for trading include the assets of exclusive funds that belong to Itaú Vida e Previdência S.A. and have a fair value of R$ 16,939 (2009 – R$ 13,697). The return of those assets (positive or negative) is fully transferred to customers of our 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.

Realized gains and losses from financial assets

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2010	01/01 to 12/31/2009
Financial assets held for trading		
Gain	1.637	2.377
Loss	(1.257)	(1.294)
Total	**380**	**1.083**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**-**	**-**
Industrial companies	148	361
TOTAL	**148**	**361**

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

	12/31/2010		12/31/2009		01/01/2009	
	Cost/Amortized cost	Fair value	Cost/Amortized cost	Fair value	Cost/Amortized cost	Fair value
Current	**58.534**	**58.705**	**26.039**	**26.323**	**15.863**	**15.900**
Without maturity to one year	58.534	58.705	26.039	26.323	15.863	15.900
Non-current	**56.720**	**56.792**	**29.195**	**29.229**	**42.150**	**42.566**
From one to five years	49.392	49.403	26.131	26.138	29.972	30.252
From five to ten years	5.134	5.177	2.313	2.332	6.736	6.818
After ten years	2.194	2.212	751	759	5.442	5.496
TOTAL	**115.254**	**115.497**	**55.234**	**55.552**	**58.013**	**58.466**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**42.152**	**42.241**	**19.588**	**19.700**	**20.620**	**20.781**
Industrial companies	**487**	**490**	**899**	**902**	**687**	**687**
TOTAL	**42.639**	**42.731**	**20.487**	**20.602**	**21.307**	**21.468**

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

	12/31/2010				12/31/2009				01/01/2009			
		Unrealized gross				Unrealized gross				Unrealized gross		
	Cost/Amortized cost	Gain	Loss	Fair value	Cost/Amortized cost	Gain	Loss	Fair value	Cost/Amortized cost	Gain	Loss	Fair value
Brazilian external debt bonds	297	9	-	306	368	5	-	373	10	-	(1)	9
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**109**	**3**	**-**	**112**	**130**	**2**	**-**	**132**	**3**	**-**	**(0)**	**3**
Total	**109**	**3**	**-**	**112**	**130**	**2**	**-**	**132**	**3**	**-**	**(0)**	**3**

Gains and loss realized

	01/01 to 12/31/2010	01/01 to 12/31/2009
Designated at fair value through profit or loss		
Gain	31	6
Loss	(1)	(1)
Total	**30**	**5**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**11**	**2**
Total	**11**	**2**

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

	12/31/2010		12/31/2009		01/01/2009	
	Cost/Amortized cost	Fair value	Cost/Amortized cost	Fair value	Cost/Amortized cost	Fair value
Non-current	**297**	**306**	**368**	**373**	**10**	**9**
After ten years	297	306	368	373	10	9
Itaúsa Share – 36.57% in 2010, and 35.46% in 2009	**109**	**112**	**131**	**132**	**4**	**3**
Total	**109**	**112**	**131**	**132**	**4**	**3**

NOTE 07 – DERIVATIVES

a) Derivatives – Overview

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

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

Forward - Interest forward contracts are agreements to exchange payments on a specified future date, based on a market change in interest rates from trade date to contract settlement date. Foreign exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price, on an agreed settlement date. Forwards contracts of financial instruments 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 which value results from the credit risk associated with the debt issued by a third party (the reference entity), which permits that one party (the purchaser of hedge) transfer the risk to the counterpart (the seller of hedge). The seller of 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 hedge receives a premium for the hedge, but, on the other hand, assumes the risk of the underlying asset referenced in the contract undergoing a credit event, and the seller would have to make the payment to the purchaser of hedge, which could be the 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$ 3,790 (R$ 4,344 at December 31, 2009) and was basically composed of government securities.

The following table shows the composition of derivatives per index:

ITAÚ UNIBANCO HOLDING	Memorandum account Notional amount			Balance sheet account receivable / (received)(payable) / paid	Fair value adjustments (in Income)	Fair value	Fair value	Fair value
	12/31/2010	12/31/2009	01/01/2009	12/31/2010	12/31/2010	12/31/2010	12/31/2009	01/01/2009
Futures contracts	**292.049**	**216.785**	**226.849**	**5**	**(60)**	**(55)**	**(26)**	**377**
Purchase commitments	**127.499**	**94.209**	**126.235**	**(1)**	**174**	**173**	**29**	**(468)**
Foreign currency	8.128	3.160	21.510	(1)	1	-	22	(185)
Interbank market	98.353	78.537	81.776	-	45	45	19	(194)
Indices	19.288	10.314	22.595	-	95	95	-	(57)
Securities	1.645	2.132	294	-	-	-	-	1
Commodities	84	64	60	-	33	33	(12)	(33)
Other	1	2	-	-	-	-	-	-
Commitments to sell	**164.550**	**122.576**	**100.614**	**6**	**(234)**	**(228)**	**(55)**	**845**
Foreign currency	13.057	18.939	23.173	6	(20)	(14)	(26)	387
Interbank market	113.173	82.302	53.466	-	(45)	(45)	(17)	(64)
Indices	32.033	11.843	23.402	-	(45)	(45)	(17)	493
Securities	4.230	3.144	473	6	(20)	(14)	(26)	(2)
Commodities	2.048	6.339	100	-	(42)	(42)	(5)	31
Other	9	9	-	-	-	-	-	-
Swap contracts			**80.998**	**344**	**580**	**924**	**465**	**480**
Asset position	**68.839**	**69.018**	**38.207**	**2.160**	**777**	**2.937**	**2.579**	**3.495**
Foreign currency	7.330	7.098	3.051	(292)	238	(54)	102	933
Interbank market	34.370	31.371	26.448	1.299	161	1.460	1.418	1.482
Fixed rate	9.277	10.946	3.882	326	140	466	367	678
Floating rate	865	6.538	1.738	2	18	20	4	167
Indices	16.745	12.964	2.965	819	218	1.037	680	131
Securities	32	11	11	3	-	3	4	2
Commodities	219	89	111	3	2	5	4	102
Other	1	1	1	-	-	-	-	-
Liability position	**68.495**	**68.617**	**42.791**	**(1.816)**	**(197)**	**(2.013)**	**(2.114)**	**(3.015)**
Foreign currency	14.609	11.560	12.245	(310)	(17)	(327)	(294)	(1.793)
Interbank market	19.443	19.601	15.604	(358)	138	(220)	(722)	152
Fixed rate	7.835	15.387	4.800	(256)	(133)	(389)	(394)	(552)
Floating rate	3.272	6.473	1.123	(2)	(1)	(3)	(9)	(311)
Indices	23.122	15.433	8.971	(865)	(181)	(1.046)	(681)	(511)
Securities	29	-	48	(1)	-	(1)	-	-
Commodities	178	106	-	(24)	(3)	(27)	(14)	-
Other	7	57	-	-	-	-	-	-
Option contracts	**2.330.950**	**1.728.321**	**-**	**(570)**	**235**	**(335)**	**(22)**	**(1.609)**
Purchase commitments – long position	**695.908**	**489.888**	**47.466**	**1.182**	**(108)**	**1.074**	**959**	**5.386**
Foreign currency	24.905	67.850	44.632	414	(104)	310	178	4.647
Interbank market	530.428	330.854	2.345	468	2	470	397	29
Floating rate	314	33	-	2	-	2	-	-
Indices	138.085	90.111	114	182	(53)	129	314	664
Securities	1.534	801	258	86	27	113	47	43
Commodities	642	239	117	30	20	50	23	3
Commitments to sell – long position	**526.323**	**442.926**	**149.665**	**1.182**	**(108)**	**1.074**	**959**	**(5.107)**
Foreign currency	12.295	12.721	42.635	339	142	481	349	(4.462)
Interbank market	404.532	388.004	2.548	128	(28)	100	174	(38)
Floating rate	282	-	-	-	-	-	-	-
Indices	107.034	41.059	104.288	109	(48)	61	327	(591)
Securities	1.625	1.010	127	40	(6)	34	2	(15)
Commodities	555	132	67	9	(7)	2	15	(1)
Purchase commitments – short position	**527.731**	**379.223**	**81.214**	**1.182**	**(108)**	**1.074**	**959**	**1.093**
Foreign currency	26.547	48.514	18.631	(802)	341	(461)	(205)	118
Interbank market	376.482	246.600	333	(256)	(7)	(263)	(381)	200
Indices	123.221	83.355	61.100	(449)	50	(399)	(412)	397
Securities	864	616	934	(49)	(27)	(76)	(13)	344
Commodities	617	138	216	(31)	(15)	(46)	(7)	34
Commitments to sell – short position	**580.988**	**416.284**	**118.319**	**1.182**	**(108)**	**1.074**	**959**	**(2.886)**
Foreign currency	16.715	16.264	39.373	(451)	(95)	(546)	(460)	(2.196)
Interbank market	444.963	317.681	275	(196)	3	(193)	(166)	(262)
Fixed rate	-	-	-	-	-	-	(11)	(9)
Indices	118.333	82.089	78.507	(71)	22	(49)	(334)	(354)
Securities	825	147	134	(58)	7	(51)	145	(48)
Commodities	152	103	30	(14)	11	(3)	(4)	(17)
Forward contracts	**1.445**	**68**	**1.286**	**1.432**	**(27)**	**1.405**	**32**	**828**
Purchases receivable	**21**	**49**	**496**	**57**	**29**	**86**	**49**	**312**
Interbank market	-	-	260	36	-	36	-	78
Floating rate	21	49	-	21	29	50	49	-
Securities	-	-	234	-	-	-	-	234
Commodities	-	-	2	-	-	-	-	-
Purchases payable – Floating rate	**-**	**-**	**4**	**(21)**	**(29)**	**(50)**	**(48)**	**(237)**
Foreign currency	-	-	3	-	-	-	-	-
Interbank market	-	-	-	-	-	-	-	-
Fixed rate	-	-	-	(21)	(29)	(50)	(48)	-
Indices	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	(237)
Commodities	-	-	1	-	-	-	-	-
Sales receivable	**1.424**	**19**	**786**	**1.397**	**1**	**1.398**	**50**	**763**
Foreign currency	-	-	3	-	-	-	-	-
Interbank market	-	-	-	-	-	-	31	-
Floating rate	-	19	9	-	-	-	19	-
Indices	4	-	-	4	-	4	-	-
Securities	1.419	-	774	1.392	1	1.393	-	763
Commodities	1	-	-	1	-	1	-	-
Sales deliverable – Floating rate	**-**	**-**	**-**	**(1)**	**(28)**	**(29)**	**(19)**	**(14)**
Floating rate	-	-	-	(1)	(28)	(29)	(19)	-
Securities	-	-	-	-	-	-	-	(14)

ITAÚ UNIBANCO HOLDING	Memorandum account Notional amount			Balance sheet account receivable / (received)(payable) / paid	Fair value adjustments (in Income)	Fair value	Fair value	Fair value
	12/31/2010	12/31/2009	01/01/2009	12/31/2010	12/31/2010	12/31/2010	12/31/2009	01/01/2009
Credit derivatives	**6.701**	**4.532**	**9.529**	**125**	**7**	**132**	**(91)**	**(211)**
Asset position	**2.902**	**1.786**	**7.276**	**258**	**3**	**261**	**15**	**64**
Foreign currency	53	137	103	-	1	1	1	3
Fixed rate	2.622	1.615	7.173	258	(2)	256	12	61
Indices	-	2	-	-	-	-	-	-
Securities	227	10	-	-	4	4	1	-
Other	-	22	-	-	-	-	1	-
Liability position	**3.799**	**2.746**	**2.253**	**(133)**	**4**	**(129)**	**(106)**	**(275)**
Foreign currency	22	-	299	-	(1)	(1)	(1)	(23)
Interbank market	-	50	-	-	-	-	-	-
Fixed rate	3.126	2.696	1.954	(133)	10	(123)	(103)	(252)
Securities	651	-	-	-	(5)	(5)	(1)	-
Other	-	-	-	-	-	-	-1	-
Forwards operations	**36.958**	**13.722**	**41.311**	**(522)**	**22**	**(500)**	**(94)**	**2.162**
Asset position	**13.832**	**6.608**	**25.393**	**597**	**15**	**612**	**313**	**3.574**
Foreign currency	13.121	5.584	23.733	548	8	556	279	3.534
Interbank market	3	213	-	1	-	1	20	-
Fixed rate	509	532	821	8	-	8	4	27
Floating rate		-	831	-	-	-	-	9
Securities	-	26	-	-	-	-	-	-
Other	199	253	8	40	7	47	10	4
Liability position	**23.126**	**7.114**	**15.918**	**(1.119)**	**7**	**(1.112)**	**(407)**	**(1.412)**
Foreign currency	22.759	6.659	14.714	(1.097)	8	(1.089)	(393)	(1.266)
Interbank market	27	2	2	(1)	-	(1)	-	-
Fixed rate	-	94	529	-	-	-	(10)	(130)
Floating rate	273	348	467	(3)	-	(3)	(3)	(4)
Indices	-	11	115	-	-	-	(1)	(2)
Commodities	67	-	91	(18)	(1)	(19)	-	(10)
Swap with target flow		-	-	-	-	-	**(41)**	-
Asset position	**6**	**976**	**453**	-	-	-	**49**	**60**
Foreign currency	-	505	440	-	-	-	**1**	-
Interbank market	-	399	13	-	-	-	**48**	51
Fixed rate	-	72	-	-	-	-	-	9
Liability position	**6**	**959**	**2.385**	-	-	-	**(90)**	**(287)**
Foreign currency	-	641	1.166	-	-	-	**(58)**	(259)
Interbank market	-	292	904	-	-	-	**(31)**	(25)
Fixed rate	-	26	283	-	-	-	**(1)**	(3)
Floating rate	-	-	19	-	-	-	-	-
Commodities	-	-	13	-	-	-	-	-
Target flow of swap		-	-	-	-	-	**46**	-
Asset position	**25**	**2.451**	**10.089**	-	-	-	**186**	**2.025**
Foreign currency	-	2.447	9.579	-	-	-	186	1.890
Indices	-	4	41	-	-	-	-	2
Interbank market	-	-	218	-	-	-	-	13
Fixed rate	-	-	45	-	-	-	-	22
Commodities	-	-	206	-	-	-	-	98
Liability position	-	**709**	**2.027**	-	-	-	**(140)**	**(458)**
Foreign currency	-	709	152	-	-	-	-	(98)
Commodities	-	-	1.875	-	-	-	-	(360)
Other derivative financial instruments	**3.755**	**11.937**	**3.156**	**626**	**(91)**	**535**	**(12)**	**(286)**
Asset position	**3.395**	**7.549**	**2.065**	**785**	**(54)**	**731**	**522**	**199**
Foreign currency	259	3.234	926	189	5	194	425	166
Interbank market	-	2.270	631	-	-	-	-	2
Fixed rate	698	-	-	375	2	377	-	-
Floating rate	-	-	-	-	(3)	(3)	-	-
Securities	2.438	1.890	-	221	(58)	163	78	-
Commodities	-	155	508	-	-	-	19	31
Liability position	**360**	**4.388**	**1.091**	**(159)**	**(37)**	**(196)**	**(534)**	**(485)**
Foreign currency	360	4.287	819	(159)	(24)	(183)	(497)	(217)
Fixed rate	-	30	-	-	-	-	(29)	-
Indices	-	-	272	(159)	(24)	(183)	(497)	(268)
Commodities	-	71	-	-	-	-	(8)	-
		ASSETS		**7.061**	**716**	**7.777**	**5.589**	**17.348**
		LIABILITIES		**(5.621)**	**(50)**	**(5.671)**	**(5.332)**	**(14.176)**
		TOTAL		**1.440**	**666**	**2.106**	**257**	
Assets- Itaúsa share – 36.57% in 2010 and 35.46% in 2009				**2.582**	**262**	**2.844**	**1.982**	**6.166**
Liabilities - Itaúsa Share – 36.57% in 2010 and 35.46% in 2009				**(2.056)**	**(18)**	**(2.074)**	**(1.891)**	**(5.039)**
TOTAL				**527**	**244**	**770**	**91**	**1.127**
Industrial Companies Assets				2	1	2	2	815
Industrial Companies Liabilities				(4)	1	(3)	(85)	(42)
ASSETS				**2.584**	**263**	**2.846**	**1.984**	**6.981**
LIABILITIES				**(2.060)**	**(17)**	**(2.077)**	**(1.976)**	**(5.081)**
TOTAL				**524**	**246**	**769**	**8**	**1.900**

Derivative contracts mature as follows (in days):

Clearing	**0 - 30**	**31 - 180**	**181 - 365**	**Over 365**	**12/31/2010**	**12/31/2009**	**12/31/2008**
Futures	108.359	64.874	49.747	69.069	292.049	216.786	226.849
Swaps	5.318	16.169	8.225	36.967	66.679	66.829	-
Options	1.292.156	439.940	506.039	92.815	2.330.950	1.728.231	1.728.321
Forwards	274	1.143	28	-	1.445	68	1.286
Credit derivatives	-	1.011	592	5.098	6.701	4.532	9.529
Forwards	13.658	13.233	6.051	4.016	36.958	13.722	41.311
Swaps with target flow	-	-	6	-	6	896	-
Target flow of swap	6	16	3	-	25	3.160	709
Other	105	927	405	2.318	3.755	11.936	3.156
TOTAL	**1.419.876**	**537.313**	**571.096**	**210.283**	**2.738.568**	**2.046.160**	**2.011.161**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**519.290**	**196.511**	**208.866**	**76.907**	**1.001.573**	**725.628**	**713.217**
Industrial companies	-	61	-	-	-	-	-
TOTAL	**519.290**	**196.572**	**208.866**	**76.907**	**1.001.573**	**725.628**	**713.217**

Derivative financial instruments

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

	12/31/2010										12/31/2009	01/01/2009
	Balance sheet account (receivable)	Gains/ Losses	Fair value	%	0-30	31-90	91-180	181-365	366-720	Over 720	Fair value	Fair value
ASSETS												
Futures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**377**
BM&F Bovespa	-	-	-	-	-	-	-	-	-	-	-	346
Companies	-	-	-	-	-	-	-	-	-	-	-	31
Option premiums	**1.807**	**(55)**	**1.752**	**22,5**	**213**	**230**	**222**	**405**	**106**	**576**	**1.826**	**6.479**
BM&F Bovespa	1.426	(121)	1.305	16,7	746	72	123	287	77	-	1.573	5.590
Financial institutions	305	59	364	4,7	24	116	90	106	22	6	216	400
Companies	76	7	83	1,1	(557)	42	9	12	7	570	37	489
Forwards	**1.454**	**30**	**1.484**	**19,1**	**323**	**1.071**	**64**	**26**	**-**	**-**	**99**	**1.075**
BM&F Bovespa	1.397	1	1.398	18,0	251	1.059	62	26	-	-	70	726
Financial institutions	57	29	86	1,1	72	12	2	-	-	-	29	-
Companies	-	-	-	-	-	-	-	-	-	-	-	345
Individuals	-	-	-	-	-	-	-	-	-	-	-	4
Swaps – Adjustment receivable	**2.160**	**777**	**2.937**	**37,8**	**286**	**249**	**191**	**655**	**621**	**935**	**2.579**	**3.495**
BM&F Bovespa	215	56	271	3,5	5	8	14	55	63	126	256	170
Financial institutions	322	119	441	5,7	167	44	3	73	21	133	741	878
Companies	1.607	596	2.203	28,3	112	193	163	524	536	675	1.552	2.438
Individuals	16	6	22	0,3	2	4	11	3	1	1	30	9
Credit derivatives	**258**	**3**	**261**	**3,4**	-	**22**	**1**	**2**	**1**	**235**	**15**	**64**
Financial institutions	67	10	77	1,0	-	22	1	1	1	52	15	64
Companies	191	(7)	184	2,4	-	-	-	1	-	183	-	-
Forwards	**597**	**15**	**612**	**7,8**	**273**	**128**	**96**	**96**	**13**	**6**	**313**	**3.574**
Financial institutions	150	1	151	1,9	64	39	21	19	4	4	227	988
Companies	445	15	460	5,9	209	88	75	77	9	2	86	2.577
Individuals	2	(1)	1	-	-	1	-	-	-	-	-	9
Swaps with target flow	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**235**	**2.085**
Swaps – Companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49**	**60**
Target flow of swap – Financial institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**186**	**2.025**
Other	**785**	**(54)**	**731**	**9,4**	**50**	**326**	**-**	**130**	**12**	**213**	**522**	**199**
BM&F Bovespa	-	-	-	-	-	-	-	-	-	-	-	2
Financial institutions	783	(59)	724	9,3	50	326	-	130	5	213	316	194
Companies	2	5	7	0,1	-	-	-	-	7	-	206	3
Total (*)	**7.061**	**716**	**7.777**	**100,0**	**1.145**	**2.026**	**574**	**1.314**	**753**	**1.965**	**5.589**	**17.348**
% per maturity term					**14,7%**	**26,1%**	**7,4%**	**16,9%**	**9,7%**	**25,3%**		
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008.	**2.582**	**262**	**2.844**	**100,0**	**419**	**741**	**210**	**481**	**275**	**719**	**1.982**	**6.166**
Industrial companies	**2**	**1**	**2**		**-**	**2**	**-**	**-**	**-**	**-**	**2**	**19**
TOTAL	**2.584**	**263**	**2.846**	**100,0**	**419**	**743**	**210**	**481**	**275**	**719**	**1.984**	**6.185**

(*) Of the total asset portfolio of Derivative Financial Instruments, R$ 1,852 (R$ 1,241 at 12/31/2009) refers to current and R$ 994 (R$ 743 at 12/31/2009) to non-current.

Derivative financial instruments

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

ITAÚ UNIBANCO HOLDING	12/31/2010										12/31/2009	01/01/2009
	Balance sheet account (payable)	Gains and Losses	Fair value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Fair value	Fair value
LIABILITIES												
Futures	**5**	**(60)**	**(55)**	**0,90**	**(22)**	**(52)**	**(12)**	**12**	**16**	**3**	**(26)**	-
BM&F Bovespa	-	(59)	(59)	1,0	(25)	(50)	(14)	11	16	3	(31)	-
Companies	5	(1)	4	(0,1)	3	(2)	2	1	-	-	5	-
Option premiums	**(2.377)**	**290**	**(2.087)**	**36,8**	**(812)**	**(414)**	**(231)**	**(413)**	**(207)**	**(10)**	**(1.848)**	**(7.993)**
BM&F Bovespa	(1.912)	235	(1.677)	29,6	(756)	(298)	(108)	(349)	(163)	(3)	(1.630)	(5.787)
Financial institutions	(390)	91	(299)	5,3	(17)	(93)	(114)	(45)	(27)	(3)	(337)	(2.258)
Companies	(74)	(36)	(110)	1,9	(39)	(23)	(8)	(19)	(17)	(4)	119	52
Individuals	(1)	-	(1)	-	-	-	(1)	-	-	-	-	-
Forwards	**(22)**	**(57)**	**(79)**	**1,4**	**(50)**	-	-	-	-	**(29)**	**(67)**	**(251)**
Financial institutions	(21)	(29)	(50)	0,9	(50)	-	-	-	-	-	(38)	-
Companies	(1)	(28)	(29)	0,5	-	-	-	-	-	(29)	(29)	(251)
Swaps – difference payable	**(1.816)**	**(197)**	**(2.013)**	**35,4**	**(92)**	**(96)**	**(139)**	**(598)**	**(442)**	**(646)**	**(2.114)**	**(3.015)**
BM&F Bovespa	(321)	(67)	(388)	6,8	(6)	(9)	(40)	(60)	(112)	(161)	(308)	(440)
Financial institutions	(190)	(206)	(396)	7,0	(14)	(29)	(3)	(149)	(26)	(175)	(769)	(1.476)
Companies	(1.249)	79	(1.170)	20,6	(70)	(50)	(73)	(364)	(303)	(310)	(1.009)	(1.086)
Individuals	(56)	(3)	(59)	1,0	(2)	(8)	(23)	(25)	(1)	-	(28)	(13)
Credit derivatives	**(133)**	**4**	**(129)**	**2,3**	**(7)**	**(6)**	**(2)**	**(3)**	**(8)**	**(103)**	**(106)**	**(275)**
Financial institutions	(133)	7	(126)	2,2	(7)	(6)	(2)	(2)	(8)	(101)	(106)	(255)
Companies	-	(3)	(3)	0,1	-	-	-	(1)	-	(2)	-	(20)
Forwards	**(1.119)**	**7**	**(1.112)**	**19,6**	**(176)**	**(267)**	**(205)**	**(317)**	**(87)**	**(60)**	**(407)**	**(1.412)**
Financial institutions	(624)	(5)	(629)	11,1	(88)	(201)	(106)	(138)	(46)	(50)	(175)	(820)
Companies	(494)	12	(482)	8,5	(88)	(66)	(99)	(179)	(41)	(9)	(232)	(590)
Individuals	(1)	-	(1)	-	-	-	-	-	-	(1)	-	(2)
Swaps with target flow	-	-	-	-	-	-	-	-	-	-	**(230)**	**(745)**
Swaps – Companies	-	-	-	-	-	-	-	-	-	-	**(90)**	**(287)**
Target flow of swap	-	-	-	-	-	-	-	-	-	-	**(140)**	**(458)**
Financial institutions	-	-	-	-	-	-	-	-	-	-	(18)	(380)
Companies	-	-	-	-	-	-	-	-	-	-	(122)	(78)
Other	**(159)**	**(37)**	**(196)**	**3,6**	**46**	**(2)**	**3**	**(89)**	**(15)**	**(139)**	**(534)**	**(485)**
Financial institutions	(153)	(20)	(173)	3,1	-	-	-	(87)	-	(86)	(273)	(323)
Companies	(6)	(17)	(23)	0,5	46	(2)	3	(2)	(15)	(53)	(22)	62
Individuals	-	-	-	-	-	-	-	-	-	-	(239)	(224)
Total (*)	**(5.621)**	**(50)**	**(5.671)**	**100,0**	**(1.113)**	**(837)**	**(586)**	**(1.408)**	**(743)**	**(984)**	**(5.332)**	**(14.176)**
% per maturity term					**19,6%**	**14,8%**	**10,3%**	**24,8%**	**13,1%**	**17,4%**		
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**(2.056)**	**(18)**	**(2.074)**	**100,0**	**(407)**	**(306)**	**(214)**	**(515)**	**(272)**	**(360)**	**(1.891)**	**(5.039)**
Industrial companies	**(4)**	**1**	**(3)**		-	-	-	-	-	**(3)**	**(85)**	**(42)**
TOTAL	**(2.060)**	**(17)**	**(2.077)**		**(407)**	**(306)**	**(214)**	**(515)**	**(272)**	**(363)**	**(1.976)**	**(5.081)**

(*) Of the total liability portfolio of Derivative Financial Instruments, R$ (1,442) (R$ (1,183) at 12/31/2009) refers to current and R$ (635) (R$ (623)at 12/31/2009) to non-current.

Realized and unrealized gains and losses in the derivative financial instruments portfolio

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2010	01/01 to 12/31/2009
Swap	13	1.948
Forwards	137	(12)
Futures	1.415	6.729
Options	924	572
Credit derivatives	87	116
Other	(274)	(1.197)
TOTAL	**2.302**	**8.156**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**842**	**2.892**
Industrial companies	(174)	207
TOTAL	**668**	**3.099**

b) 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 clients. When we sell credit protection, the exposure for a given reference entity may be partially or totally offset by a credit protection purchase contract of another counterpart for the same reference entity or similar entity. The credit derivatives for which we are protection sellers are credit default swaps, total return swaps and credit-linked notes. At December 31, 2010, ITAÚSA and its subsidiaries did not sell credit 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, per maturity, and the maximum potential of future payments, gross of any guarantees, as well as its classification per instrument, risk and reference entity.

ITAÚ UNIBANCO HOLDING	Maximum potential of future payments, gross	Before 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Fair value at December 31, 2010	Fair value at December 31, 2009	Fair value at January 1, 2009
By instrument								
CDS	3.375	541	1.234	1.184	416	**(121)**	**(106)**	**(171)**
TRS	424	416	-	8	-	**(8)**	**-**	**(103)**
Total by instrument	**3.799**	**957**	**1.234**	**1.192**	**416**	**(129)**	**(106)**	**(274)**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**1.389**	**350**	**451**	**436**	**152**	**(47)**	**(38)**	**(97)**
TOTAL	**1.389**	**350**	**451**	**436**	**152**	**(46)**	**(38)**	**(97)**
By risk rating								
Investment grade	3.799	957	1.234	1.192	416	**(129)**	**(106)**	**(274)**
Total by risk	**3.799**	**957**	**1.234**	**1.192**	**416**	**(129)**	**(106)**	**(274)**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**1.389**	**350**	**451**	**436**	**152**	**(47)**	**(38)**	**(97)**
TOTAL	**1.389**	**350**	**451**	**436**	**152**	**(47)**	**(38)**	**(97)**
By reference entity								
Brazilian government	-	-	-	-	-	-	-	-
Government – other countries	-	-	-	-	-	-	-	-
Private entities	3.799	957	1.234	1.192	416	**(129)**	**(106)**	**(274)**
Total by entity	**3.799**	**957**	**1.234**	**1.192**	**416**	**(129)**	**(106)**	**(274)**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**1.389**	**350**	**451**	**436**	**152**	**(47)**	**(38)**	**(97)**
TOTAL	**1.389**	**350**	**451**	**436**	**152**	**(47)**	**(38)**	**(97)**

We assessed the risk of credit derivative based on the credit ratings attributed to the reference entity, given by independent credit rating agencies Investment grade are those entities 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, we did not incur any loss related to any credit derivative contracts.

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

	12/31/2010			12/31/2009			01/01/2009		
	Notional amount of hedge sold	Notional amount of hedge purchased with identical underlying amount	Net position	Notional amount of hedge sold	Notional amount of hedge purchased with identical underlying amount	Net position	Notional amount of hedge sold	Notional amount of hedge purchased with identical underlying amount	Net position
CDS	(3.375)	2.902	(473)	(2.746)	1.785	(961)	(1.807)	7.276	5.469
TRS	(424)	-	(424)	-	1	1	(446)	-	(446)
TOTAL	**(3.799)**	**2.902**	**(897)**	**(2.746)**	**1.786**	**(960)**	**(2.253)**	**7.276**	**5.023**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**(1.389)**	**1.061**	**(328)**	**(974)**	**633**	**(340)**	**(801)**	**2.586**	**1.785**
TOTAL	**(1.389)**	**388**	**(120)**	**(974)**	**225**	**(121)**	**(801)**	**2.586**	**1.785**

NOTA 08 – ACCOUNTING HEDGE

The accounting hedge varies depending on the nature of the hedged item and of the transaction. Derivatives may qualify for hedging instrument for accounting purposes if they are designated as hedging instruments under fair value hedge, cash flow hedge 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 DI Futures contracts traded at BM&F BOVESPA with respect to certain real-denominated variable-interest liabilities and interest rate swaps with respect to US dollar-denominated redeemable preferred shares issued by one of our subsidiaries.

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

Our cash flow hedge strategies consist of a hedge or the exposure to the variability in cash flows in connection with 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 the cash flow of interest payments resulting from changes in the CDI interest rate;
- Hedge of redeemable preferred shares: Hedge of the variability in the cash flow of interest payments resulting from changes in the LIBOR interest rate; and
- Hedge of subordinated 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 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 is considered a proxy of the present value of the cumulative change in the future cash flow expected for the hedged liability.

The hedge relationships were designated in 2008 (Hedge of subordinated CDB), 2009 (Hedge of redeemable preferred shares) and 2010 (Hedge of real-denominated deposits and repurchase agreements) and the derivatives fall due between 2012 and 2015 which is the period when the cash flow payments are expected to occur and affect the statement of income.

Derivatives used in cash flow hedge	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 for derivative (ineffective portion) (*)
Interest rate futures	*8*	Net gain (loss) from financial assets and liabilities	*1*
Interest rate swap	*(20)*	Net gain (loss) from financial assets and liabilities	-

(*) At December 31, 2010, 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$ 1.

The table below presents for each strategy the notional amount and fair value of the derivatives and the carrying amount of the hedged item as of December 31, 2010.

	Derivative instruments		Hedge item
Strategy (*)	Notional amount	Fair value	Carrying amount
Hedge of time deposits and repurchase agreements	*9.092*	*(10)*	*9.117*
Hedge of redeemable preferred shares	*655*	*(27)*	*655*
Hedge of subordinated CDB	*350*	-	*419*

NOTE 09 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	12/31/2010				12/31/2009				01/01/2009			
		Unrealized gross				Unrealized gross				Unrealized gross		
	Cost/Amortized cost	Gain	Loss	Fair value	Cost/Amortized cost	Gain	Loss	Fair value	Cost/Amortized cost	Gain	Loss	Fair value
Investment funds	756	14	-	770	1.260	13	-	1.273	1.143	10	-	1.153
Brazilian government securities (1a)	9.949	130	-	10.079	13.631	87	-	13.718	13.094	77	(23)	13.148
Brazilian external debt bonds (1b)	4.584	181	(45)	4.720	1.783	197	-	1.980	2.684	135	-	2.819
Government securities – other countries (1c)	**4.736**	**4**	**(181)**	**4.559**	**7.259**	**25**	**(43)**	**7.241**	**9.434**	**121**	**(77)**	**9.478**
Portugal	-	-	-	-	26	-	-	26	297	4	-	301
United States	679	-	-	679	17	-	-	17	24	1	-	25
Austria	-	-	-	-	212	1	-	213	1.470	-	(10)	1.460
Denmark	2.108	-	(92)	2.016	1.995	6	(30)	1.971	2.108	95	(9)	2.194
Spain	777	-	(43)	734	1.090	3	-	1.093	2.866	-	(36)	2.830
Korea	262	-	(26)	236	1.748	12	(5)	1.755	1.747	21	(3)	1.765
Chile	454	1	(2)	453	1.278	3	(7)	1.274	492	-	(10)	482
Paraguay	272	2	(18)	256	417	-	-	417	-	-	-	-
Norway									347	-	(2)	345
Uruguay	184	1	-	185	476	-	(1)	475	81	-	(7)	74
Other									2	-	-	2
Corporate securities (1d)	**23.224**	**1.734**	**(547)**	**24.411**	**16.369**	**1.213**	**(492)**	**17.090**	**20.328**	**575**	**(862)**	**20.041**
Shares	4.248	1.395	(519)	5.124	4.063	1.020	(389)	4.694	5.417	525	(530)	5.412
Securitized real estate loans	6.799	190	(14)	6.975	4.275	107	(88)	4.294	3.415	41	(179)	3.277
Bank deposit certificates	559	-	-	559	99	-	-	99	1.392	-	-	1.392
Debentures	6.597	40	(3)	6.634	4.522	25	(13)	4.534	4.104	5	(14)	4.095
Eurobonds and other	3.745	109	(11)	3.843	1.765	61	(2)	1.824	3.545	-	(139)	3.406
Promissory notes	1.265	-	-	1.265	1.626	-	-	1.626	2.039	3	-	2.042
Other	11	-	-	11	19	-	-	19	416	1	-	417
TOTAL	**43.249**	**2.063**	**(773)**	**44.539**	**40.302**	**1.535**	**(535)**	**41.302**	**46.683**	**918**	**(962)**	**46.639**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008	**15.817**	**754**	**(283)**	**16.289**	**14.292**	**544**	**(190)**	**14.647**	**16.593**	**326**	**(342)**	**16.577**
Industrial companies	**525**	**(61)**	**51**	**514**	**156**	**(31)**	**23**	**147**	**476**	**(165)**	**2**	**313**
TOTAL	**16.342**	**693**	**(232)**	**16.803**	**14.448**	**513**	**(167)**	**14.794**	**17.069**	**161**	**(340)**	**16.890**

(1) Available-for-sale assets pledged as collateral of Funding of Financial Institutions and Clients were: a) R$ 920 (R$ 1,242 at 12/31/2009) and d) R$ 551 (R$ 152 at 12/31/2009).

Realized gains and losses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Available-for-sale financial assets		
Gain	245	278
Loss	(79)	(209)
Total	**166**	**68**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**61**	**24**
Industrial companies	4	7
TOTAL	**65**	**31**

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

	12/31/2010		12/31/2009		01/01/2009	
	Cost/Amortized cost	Fair value	Cost/Amortized cost	Fair value	Cost/Amortized cost	Fair value
Current	**18.783**	**19.566**	**20.345**	**21.012**	**25.297**	**25.327**
Without maturity	5.000	5.890	5.318	5.962	3.560	3.450
Up to 1 year	13.783	13.676	15.027	15.050	21.737	21.877
Non-current	**24.466**	**24.973**	**19.957**	**20.290**	**21.386**	**21.312**
From one to five years	12.060	12.228	13.560	13.737	13.438	13.469
From five to ten years	7.281	7.400	2.637	2.689	4.127	3.990
After ten years	5.125	5.345	3.760	3.864	3.821	3.853
Total	**43.249**	**44.539**	**40.302**	**41.302**	**46.683**	**46.639**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008	**15.817**	**16.289**	**14.292**	**14.647**	**16.593**	**16.577**
Industrial companies	**525**	**514**	**156**	**147**	**470**	**307**
TOTAL	**16.342**	**16.803**	**14.448**	**14.794**	**17.063**	**16.884**

During the period ended December 31, 2010, there were no impairment losses of available-for-sale financial assets.

NOTE 10 - HELD-TO-MATURITY INVESTMENTS

The fair values and amortized cost of held-to-maturity investments are as follows:

	12/31/2010	12/31/2009	01/01/2009
	Amortized cost	**Amortized cost**	**Amortized cost**
Brazilian government securities	2.764	1.942	1.215
Brazilian external debt bonds	226	238	1.581
Government securities - other countries	16	17	23
Corporate securities (*)	164	233	-
Debentures	30	45	10
Eurobonds and other	130	183	275
Securitized real estate loans	4	5	7
Total	**3.170**	**2.430**	**3.111**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**1.159**	**862**	**1.106**
TOTAL	**1.159**	**862**	**1.106**

(*) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients amounted to R$ 44 (R$ 98 at 12/31/2009).

The fair value and amortized cost of held-to-maturity investments by maturity are as follows:

ITAÚ UNIBANCO HOLDING	12/31/2010	12/31/2009	01/01/2009
	Amortized cost	**Amortized cost**	**Amortized cost**
Current	**284**	**41**	**206**
Without maturity to one year	284	41	206
Non-current	**2.886**	**2.389**	**2.905**
From one to five years	344	616	563
From five to ten years	77	79	610
After ten years	2.465	1.694	1.732
Total	**3.170**	**2.430**	**3.111**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	1.159	862	1.106
TOTAL	**1.159**	**862**	**1.106**

NOTE 11 – LOAN OPERATIONS - ITAÚ UNIBANCO HOLDING

a) Loans operations

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

Loans and advances to clients, by type	12/31/2010	12/31/2009	01/01/2009
Loans and discounted trade receivables	121.398	100.577	102.048
Financing	76.988	47.685	42.713
Rural and agroindustrial financing	5.425	5.143	5.654
Real estate financing	16.318	11.003	8.676
Lease operations	38.284	48.401	51.899
Credit card operations	34.259	28.670	23.756
Advance on exchange contracts	2.738	3.251	6.404
Other loans and advances to clients	77	333	540
Total loans and advances to clients, gross of allowance for loan losses	**295.487**	**245.063**	**241.690**
Allowance for loan losses	19.994	20.245	16.835
Total loans and advances to clients, net of allowance for loan losses	**275.493**	**224.818**	**224.855**
	36,57%	35,46%	35,54%
Loans and advances to clients	108.068	86.907	85.907
Allowance for loan losses	(7.312)	(7.180)	(5.984)
Total Itaúsa Share	**100.756**	**79.727**	**79.923**

By business sector of debtor	12/31/2010	12/31/2009	01/01/2009
Public sector	1.138	1.620	1.802
Industry and commerce	84.997	67.902	73.639
Services	60.295	48.657	43.918
Primary sector	13.933	13.299	14.823
Other sectors	2.185	1.278	3.700
Individuals	132.939	112.307	103.808
Total loans and advances to clients, gross of allowance for loan losses	**295.487**	**245.063**	**241.690**
	36,57%	35,46%	35,54%
Itaúsa Share	**108.068**	**86.907**	**85.907**

By maturity (*)	12/31/2010	12/31/2009	01/01/2009
Overdue as from 1 day	4.472	4.578	3.790
Falling due in up to 3 months	30.212	26.408	27.991
Falling due in more than 3 months but less than one year	28.291	23.287	23.807
Falling due after one year	45.093	32.634	30.319
Total loans and advances to clients, gross of allowance for loan losses	**108.068**	**86.907**	**85.907**

By concentration (*)	12/31/2010	12/31/2009	01/01/2009
Largest debtor	592	766	1.323
10 largest debtors	4.137	3.731	4.592
20 largest debtors	6.698	5.858	7.002
50 largest debtors	11.642	9.974	11.380
100 largest debtors	15.708	13.634	14.551

(*) The amounts in this table already reflect Itaúsa share.

b) Allowance for loan losses

The variations in the Allowance for Loan Losses in the heading Loans and Advances to Clients are shown in the following table:

ITAÚ UNIBANCO HOLDING	12/31/2010	12/31/2009
Opening balance	**20.245**	**16.836**
Net increase for the year	15.548	15.679
Write-down	(15.799)	(12.270)
Closing balance	**19.994**	**20.245**
	36,57%	35,46%
Itaúsa Share	**7.312**	**7.180**

The composition of the Allowance for Loan Losses by Sector of our clients is shown in the following table:

By debt sector	12/31/2010	12/31/2009	01/01/2009
Public sector	16	57	1
Industry and commerce	5.658	4.258	2.678
Services	3.020	2.185	1.430
Primary sector	318	529	380
Other sectors	123	64	225
Individuals	10.859	13.152	12.121
Total allowance for loan losses	**19.994**	**20.245**	**16.835**
	36,57%	35,46%	35,54%
Itaúsa Share	**7.312**	**7.180**	**5.984**

ITAÚSA CONSOLIDATED assesses the objective evidence of the Allowance for Loan Losses in loans and advances on an individual basis for financial assets that are individually significant, and in aggregate for financial assets that are not individually significant (Note 2.4f VIII).

The composition of Allowance for Loan Losses for Loans and Advances to Clients is shown in the following table:

	12/31/2010	12/31/2009
Total found in the test on individual items	137	61
Total found in the test on the aggregate basis	7.175	7.119

c) Lease operations (Lessor)

Below is the analysis of the present value of future minimum payments receivable from finance leases by maturity:

ITAÚ UNIBANCO HOLDING	12/31/2010			12/31/2009		
	Future minimum payments	Unappropriated income	Present value	Future minimum payments	Unappropriated income	Present value
Current	**19.462**	**(2.047)**	**17.415**	**25.155**	**(3.056)**	**22.099**
Up to 1 year	19.462	(2.047)	17.415	25.155	(3.056)	22.099
Non Current	**29.748**	**(8.879)**	**20.869**	**38.835**	**(12.531)**	**26.304**
Between 1 and 5 years	28.793	(8.693)	20.100	37.302	(12.404)	24.898
Over 5 years	955	(186)	769	1.533	(127)	1.406
Total	**49.210**	**(10.926)**	**38.284**	**63.990**	**(15.587)**	**48.403**
	36,57%			35,46%		
Itaúsa Share	**17.998**	**(3.996)**	**14.002**	**22.693**	**(5.528)**	**17.165**

NOTE 12 – LEASE COMMITMENTS – LESSEE

a) Finance lease

ITAÚSA CONSOLIDATED, through its subsidiary ITAÚ UNIBANCO HOLDING, is the lessee in agreements of finance lease of data processing equipment, with the option for purchase or extension, without contingent rental payments or imposed restrictions. The net carrying amount of these assets is R$ 77 at December 31, 2019 (R$ 109 at December 31, 2009).

The table below shows the total future minimum payments at December 31, 2010 and 2009:

ITAÚ UNIBANCO HOLDING	12/31/2010	12/31/2009
Current – Up to 1 year	129	63
Non-current - from 1 to 5 years	83	46
Total future minimum payment	**212**	**109**
Unappropriated income	2	-
Present value	**210**	**109**
	36,57%	35,46%
Share of Itaúsa	**77**	**39**

b) Operating lease

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 escalations 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.

Minimum payments of services provided by third parties and rents according to operating and capital lease agreements which initial and remaining lease terms cannot be cancelled for over one year as of December 31, 2010 and 2009 are as follows:

ITAÚ UNIBANCO HOLDING	12/31/2010	12/31/2009
Current	**823**	**-**
Up to 1 year	823	-
Non-current	**3.311**	**3.392**
From 1 to 5 years	2.571	2.646
Over 5 years	740	746
Total future minimum payment	**4.134**	**3.392**
Share of Itaúsa	36,57%	35,46%
Total	**1.512**	**1.203**

NOTE 13 - INVENTORIES - INDUSTRIAL AREA

	12/31/2010	12/31/2009	01/01/2009
Raw materials, supplies and packaging	307	306	331
Finished products	245	297	307
Work in process	81	103	68
Storeroom	62	57	56
Advance to suppliers	16	4	1
Provision for inventory losses	(50)	(35)	(32)
Other	2	1	1
Total	**663**	**733**	**732**

In the years ended December 31, 2010, 2009 and 2008, the subsidiaries of ITAÚSA CONSOLIDATED did not have any inventories pledged as collateral.

NOTE 14 - INVESTMENTS

I – Interest in subsidiaries - ITAÚSA

The table below shows ITAÚSA interest in subsidiaries, which are consolidated in the Financial Statements.

Companies		Balances at 12/31/2009	Subscriptions / Purchases / (Sales)	Dividends and interest on capital received (1)	Share of income of subsidiaries	Change in adjustment to market value	Cumulative translation adjustments	Granting of options recognized	Balances at 12/31/2010
Itaú Unibanco Holding S.A.		9.348	979	(1.538)	3.196	(19)	105	205	12.276
IUPAR - Itaú Unibanco Participações S.A.		10.123	-	(94)	1.120	(17)	-	181	11.313
Duratex S.A.		859	247	(52)	140 (3)	-	(1)	2	1.195
Elekeiroz S.A.		14	420	(11)	35	-	-	-	458
Itautec S.A.		383	25	(6)	(48)	35	1	-	390
Itaúsa Empreendimentos S.A.		-	93	-	4	-	-	-	97
ITH Zux Cayman Company Ltd.		29	11	-	(1)	-	-	-	39
Itaucorp S.A.	(4)	848	(865)	(1)	18	-	-	-	-
Elekpart Participações e Administração S.A.	(4)	51	(52)		1	-	-	-	-
Other subsidiaries		7	(7)	-	-	-	-	-	-
GRAND TOTAL		**21.662**	**851**	**(1.702)**	**4.465**	**(1)**	**105**	**388**	**25.768**

(1) Income receivable includes dividends and interest on capital receivable;
(2) Includes non-operating income (expense) arising from change in interest;
(3) Includes foreign exchange expenses;
(4) Investments merged on April 30, 2010.

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	67.942	12.493	885.142.979	77.192	36,57%	64,16%
IUPAR - Itaú Unibanco Participações S.A.	6.000	17.293	1.683	355.227.092	350.942.273	50,00%	66,53%
Duratex S.A.	1.288	3.453	467	161.725.141	-	35,32%	35,32%
Elekeiroz S.A.	220	466	45	14.261.751	16.117.360	98,23%	96,59%
Itautec S.A.	250	514	12	10.953.370	-	94,01%	94,01%
Itaúsa Empreendimentos S.A.	48	97	4	752.189	-	100,00%	100,00%
ITH Zux Cayman Company Ltd.	59	39	0	35.000.000	-	100,00%	100,00%

Companies	Balances at 12/31/2008	Subscriptions / Purchases / (Sales)	Dividends and interest on capital received (1)	Share of income of subsidiaries	Change in adjustment to market value	Cumulative translation adjustments	Granting of options recognized	Balances at 12/31/2009
Itaú Unibanco Holding S.A.	7.385	51	(1.324)	3.485 (2)	99	(368)	20	9.348
IUPAR - Itaú Unibanco Participações S.A.	9.347	-	(67)	730	112	-	-	10.122
Itaucorp S.A.	799	-	-	49	-	(1)	1	848
Duratex S.A.	606	-	(18)	80 (2)	-	189	3	860
Itautec S.A.	354	-	(11)	38	2	-	-	383
Elekpart Participações e Administração S.A.	51	-	-	-	-	-	-	51
ITH Zux Cayman Company Ltd.	43	-	-	(13)	-	-	-	30
Elekeiroz S.A.	13	-	-	-	-	-	-	13
Other subsidiaries	7	-	-	-	-	-	-	7
GRAND TOTAL	**18.605**	**51**	**(1.420)**	**4.369**	**213**	**(180)**	**24**	**21.662**

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

(2) Includes non-operating income (expense) arising from change in interest.

II - INVESTMENTS IN UNCONSOLIDATED COMPANIES – ITAÚSA CONSOLIDATED

a) Composition

	Interest (%) at 12/31/2010		12/31/2010					12/31/2009			01/01/2009
	Total	**Voting**	**Stockholders' equity**	**Net income**	**Investment**	**Share of income**	**Market value**	**Investment**	**Share of income**	**Market value**	**Investment**
Porto Seguro Itaú Unibanco Participações S.A. (a)	42,93	42,93	2.494	343	1.967	107	2.782	1.888	29	1.941	-
Banco BPI S.A. (b)	19,04	19,04	3.584	394	682	75	524	914	84	903	1.014
Serasa S.A.	24,39	24,39	1.048	268	256	65		250	60		154
Other (c)	-	-	-	-	42	35	-	128	29	-	45
Total – Itaú Unibanco	**-**	**-**	**-**	**-**	**2.947**	**282**		**3.180**	**202**		**1.213**
Share of Itaúsa						36,57%			35,46%		35,54%
					1.079	**103**	**-**	**1.129**	**72**	**-**	**431**
Other investments					-	58	-	-	63	-	57
Total					**1.079**	**161**	**-**	**1.129**	**135**	**-**	**488**

(a) Itaú Unibanco Holding acquired shares of Porto Seguro S.A. on August 23, 2009. The investment included the amount of R$ 896 at December 31, 2010 and R$ 936 at December 31, 2009 that corresponds to the difference between the share in the net assets of Porto Seguro Itaú Unibanco Participações S.A. and the investment cost.

(a) Banco BPI S.A. is an investee of IPI - Itausa Investimentos Ltda. ("IPI"). Itaúsa Export S.A. holds 51.00% of IPI shares, and the remaining 49.00% is held by subsidiaries of Itaú Unibanco Holding.

(c) Includes interest in total capital and voting capital of the following companies: Bracor Investimentos Imobiliários S.A. (10.57% total and voting capital), Compañia Uruguaya de Medios de Procesamiento S.A. (25.37% total and voting capital); Estrutura Brasileira de Projetos S.A. (11.11% total and voting capital), Latosol Empreendimentos e Participação Ltda (32.11% total and voting capital), and Tecnologia Bancária S.A. (14.86% total capital and 24.81% voting capital).

b) Other Information

The table below shows the summary of financial information of the investees on an aggregate basis.

ITAÚSA CONSOLIDATED	12/31/2010	12/31/2009
Total assets	118.236	130.741
Total liabilities	112.409	124.970
Total income	16.301	10.198
Total expenses	(15.039)	(9.505)

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

ITAÚSA	12/31/2010	12/31/2009
Total assets	750.159	598.725
Total liabilities	663.037	522.830
Total income	61.490	60.181
Total expenses	(46.787)	(46.520)

NOTE 15 - FIXED ASSETS

FIXED ASSETS	Annual depreciation rates (%)	Balance at 01/01/2009	Balance at 12/31/2009			Changes				Balance at 12/31/2010		
		Net book value	Cost	Accumulated depreciation	Net book value	Acquisitions	Disposals	Depreciation expense	Other	Cost	Accumulated depreciation	Net book value
REAL ESTATE IN USE	**-**	**1.565**	**2.699**	**(909)**	**1.790**	**259**	**(4)**	**(144)**	**38**	**2.990**	**(1.025)**	**1.965**
Land	-	766	860	-	860	128	(1)	-	-	997	-	997
Buildings	4	537	1.457	(737)	720	49	(2)	(68)	31	1.587	(848)	739
Improvements	10	262	382	(172)	210	82	(1)	(76)	7	406	(177)	229
OTHER FIXED ASSETS	**-**	**1.828**	**4.873**	**(2.359)**	**2.514**	**788**	**(50)**	**(505)**	**(67)**	**5.689**	**(3.037)**	**2.652**
Installations	5 a 20	74	388	(111)	277	65	(4)	(89)	1	671	(417)	254
Furniture and equipment	10 a 20	1.343	2.509	(842)	1.667	167	(1)	(173)	35	2.721	(1.022)	1.699
EDP systems (*)	20 a 50	319	1.471	(1.206)	265	355	(25)	(214)	48	1.783	(1.392)	391
Other (communication, security, transportation)	4 a 20	92	505	(200)	305	201	(20)	(29)	(151)	514	(206)	308
TOTAL FIXED ASSETS		**3.393**	**7.572**	**(3.268)**	**4.304**	**1.047**	**(54)**	**(649)**	**(29)**	**8.679**	**(4.062)**	**4.617**

(*) We entered into lease agreements mainly related to data processing equipment, which we accounted for as finance lease. Pursuant to this method, assets and liabilities are accounted for in the financial statements, and assets are depreciated consistently with the depreciation criteria we usually adopt for own assets. These agreements amount to R$ 56 at December 31, 2010.

NOTE 16 – BIOLOGICAL ASSETS

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 price. 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, 2010, it had approximately 136.2 thousand hectares with actual planting (December 31, 2009: 125.6 thousand hectares, and January 1, 2009: 79.0 thousand hectares) which are cultivated in the States of São Paulo, Minas Gerais and Rio Grande do Sul. As a consequence of business combination, 44.8 thousand hectares were added in 2009 and an additional 6.5 thousand hectares in 2010 regarding purchases in the State of São Paulo.

a) Fair value estimate

The fair value is determined in view of the estimate 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 using current market prices in view of the volume estimates. The assumptions used were as follows:

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

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

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

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

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

b) Composition of balances

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

	12/31/2010	12/31/2009	01/01/2009
Cost of formation of biological assets	471	363	182
Difference between cost and fair value	559	507	284 (*)
Fair value of biological assets	**1.030**	**870**	**466**

(*) The amount of R$ 284 refers to the adjustment at transition date as contra-entry to Retained Earnings, which, net of tax effects, total R$ 187.

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:

	12/31/2010	12/31/2009
Opening balance	**870**	**466**
Purchases	58	3
Business combinations	-	370
Depletion	(168)	(124)
Fair value	270	155
Closing balance	**1.030**	**870**

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 positive adjustment in the value is due to the higher prices of standing timber, the increase in actual planting areas, in addition to higher productivity.

NOTE 17 – INTANGIBLE ASSETS - ITAÚSA CONSOLIDATED (*)

INTANGIBLE ASSETS	Annual amortization rates (%)	01/01/2009	12/31/2009			Changes					12/31/2010		
		Net	Cost	Accumulated amortization	Net	Acquisitions	Write off	Amortization expense	Impairment	Other	Cost	Accumulated amortization	Net
Acquisition of rights to credit payroll	**(a)**	**851**	**921**	**(324)**	**597**	**67**	**(26)**	**(237)**	**(6)**	**18**	**889**	**(476)**	**413**
Goodwill on shares acquired from Itaú Unibanco Holding	**-**		**-**	**-**	**-**	**809**	**-**	**-**	**-**	**-**	**809**	**-**	**809**
Other intangible assets	**-**	**647**	**1.621**	**(314)**	**1.307**	**188**	**(14)**	**(167)**	**(1)**	**155**	**1.883**	**(414)**	**1.469**
Agreement for the promotion and offer of financial products and services	(a)	405	498	(6)	492	88	(7)	(65)	(1)	16	543	(21)	522
Expenditures on acquisition of software	20	135	475	(279)	196	94	(3)	(67)	-	13	557	(319)	238
Right to manage investment funds	10 to 20	105	87	(19)	68	-	-	(11)	-	(3)	96	(39)	57
Brands and patents	-	-	2	-	2	-	-	-	-	-	2	-	2
Goodwill for future profitability	-	-	210	-	210	-	-	-	-	-	210	-	210
Customer portfolio	7	-	329	(7)	322	-	-	(22)	-	-	329	(29)	300
Other intangible assets	10	2	20	(3)	17	6	(4)	(2)	-	129	146	(6)	140
		1.498	**2.542**	**(638)**	**1.904**	**1.064**	**(40)**	**(404)**	**(7)**	**173**	**3.581**	**(890)**	**2.691**

(a) The amortization period is based on the agreement term.

(*) At ITAÚSA, total intangible assets refer to goodwill on shares issues by Itaú Unibanco Holding acquired after the transition date.

NOTE 18 – DEPOSITS

The table below shows the breakdown of Deposits

Deposits and funding of clients

ITAÚ UNIBANCO HOLDING	Current	Non-current	12/31/2010	12/31/2009	01/01/2009
Interest-bearing deposits	**114.017**	**63.134**	**177.151**	**165.851**	**179.031**
Time deposits	53.522	62.894	116.416	113.902	135.676
Interbank deposits	1.689	240	1.929	1.993	2.921
Investment deposits	906		906	997	1.138
Savings deposits	57.900		57.900	48.959	39.296
Non-interest-bearing deposits	**25.537**	**-**	**25.537**	**24.865**	**26.997**
Demand deposits	25.349		25.349	24.664	26.760
Other deposits	188		188	201	237
Total	**139.554**	**63.134**	**202.688**	**190.716**	**206.028**
Share of Itaúsa		36,57%		35,46%	35,54%
Total	**51.039**	**23.090**	**74.129**	**67.634**	**73.231**

NOTE 19 – FINANCIAL LIABILITIES HELD FOR TRADING

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

	12/31/2010	12/31/2009	01/01/2009
Financial liabilities held for trading			
Structured notes	1.335	663	295
Total	**1.335**	**663**	**295**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008			
	488	**235**	**105**
Industrial companies	**(0)**	**(0)**	**0**
TOTAL	**488**	**235**	**105**

At December 31, 2010, the amount of changes in Financial Liabilities Held for Trading was R$ (17) (R$ 95 at December 31, 2009), higher than the contractual amount to maturity.

NOTE 20 – MONEY MARKET, INTERBANK AND INSTITUTIONAL FUNDS

a) Securities sold under repurchase agreements and interbank markets

The table below shows the breakdown of funds:

ITAÚ UNIBANCO HOLDING	12/31/2010			12/31/2009	01/01/2009
	Current	Non-current	TOTAL	Total	Total
Securities sold under repurchase agreements	**122.445**	**77.212**	**199.657**	**131.946**	**123.972**
Interbank	**32.551**	**30.048**	**62.599**	**44.722**	**53.306**
Mortgage notes	48	254	302	512	501
Real estate credit bills	8.259	477	8.736	6.030	4.234
Agribusiness bills	2.660	114	2.774	2.283	4.282
Financial bills	-	2.466	2.466	-	-
Import and export financing	11.815	3.640	15.455	12.228	24.063
Onlending - domestic	9.769	21.920	31.689	22.403	18.521
Other	-	1.177	1.177	1.266	1.706
Share of Itaúsa		36,57%		35,46%	35,54%
Securities sold under repurchase agreements	**44.782**	**28.239**	**73.020**	**46.792**	**44.065**
Interbank	**11.905**	**10.989**	**22.894**	**15.860**	**18.947**

Funding for import and export financing represent credit facilities available for financing the 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	70% of CDI to 15.57% of CDI	0.15% to 1.25%
Mortgage notes	-	2.70% to 7.52%
Real estate credit bills	80% of CDI to 100.00% of CDI	-
Agribusiness bills	20% CDI to 94% CDI	-
Import and export financing	0.87% to12.75%	0.40% + LIBOR to 2.94% + LIBOR
Onlending - domestic	0% to 15% Fixed rate	-

In “Securities Sold under Repurchase Agreements”, we present our liabilities in transactions in which we sold in cash to clients 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, on which 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 70% CDI and 15.57% of CDI rate (Interbank Deposit Certificate). 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 unconvertible sole series debentures, each with a face value of R$ 100 thousand, bearing interests at 106.5% of CDI, the amortization of which shall be in three annual and consecutive installments falling due in June 2011, 2012 and 2013, callable by Itaúsa at its discretion.

c) Institutional markets

The table below presents the breakdown of funds for Institutional Markets:

	12/31/2010			12/31/2009	01/01/2009
ITAÚ UNIBANCO HOLDING	**Current**	**Non-current**	**Total**	**Total**	
Subordinated debt	979	33.508	34.487	22.726	23.355
Liabilities for issue of debentures	293	1.091	1.384	2.764	3.590
Foreign borrowings through securities	2.659	5.983	8.642	5.040	6.607
Total	**3.931**	**40.582**	**44.513**	**30.530**	**33.552**
Share of Itaúsa	**1.438**	**14.842**	**16.280**	**10.827**	11.926
Itaúsa debentures	485	580	1.065	**-**	-
Total	**1.923**	**15.422**	**17.345**	**10.827**	**11.926**

	Brazil	Foreign
Subordinated debt	100% of IPCA + 6.95% IGPM + 7.35%	3,04% to 10% PRE
Liabilities for issue of debentures	101% of CDI to 108% of CDI	-
Foreign borrowings through securities	1.49% + EV to 9.5% + EV	1,35% to 26,57% PRE

IGPM and IPCA are inflation rates.

NOTE 21 - OTHER ASSETS AND LIABILITIES

a) Other Assets

	12/31/2010	12/31/2009
Financial	**15.724**	**9.483**
Receivables from credit card issuers	6.606	3.376
Insurance and reinsurance operations	1.131	936
Deposits in guarantee of provisions for contingent liabilities (Note 31)	4.032	3.904
Deposits for foreign fund raising program	685	-
Negotiation and intermediation of securities	1.953	307
Receivables from reimbursement of contingent liabilities (Note 31)	652	313
Receivables from services provided	417	335
Amounts receivable from FCVS - Salary Variations Compensation Fund	211	189
Operations without credit granting characteristics	36	123
Non Financial	**2.345**	**2.299**
Prepaid expenses	768	873
Retirement Plan Assets (Notes 29b and c)	701	690
Sundry domestic	597	329
Sundry foreign	71	90
Other	208	317

b) Other liabilities

	12/31/2010	12/31/2009
Financial	**14.999**	**9.585**
Payable to merchants for credit card purchases	13.645	9.066
Foreign exchange portfolio	117	58
Negotiation and intermediation of securities	1.133	403
Finance leases	77	39
Funds from consortia participants	27	20
Non Financial	**8.524**	**6.193**
Collection and payment of taxes and contributions	2.312	1.336
Liabilities for agreements/Payment services	475	147
Personnel provision	497	414
Payment orders	803	959
Social and statutory	1.474	1.702
Sundry creditors - local and abroad	844	750
Creditors of funds to be released	324	129
Related to insurance operations	513	654
Other	1.282	102

c) Other Assets and Other Liabilities separated into Current and Non-Current

	12/31/2010		12/31/2009	
	Current	Non-current	Current	Non-current
Other financial assets	10.001	4.896	5.077	4.406
Other non financial assets	1.488	857	1.469	830
Other financial liabilities	14.960	39	9.560	25
Other non financial liabilities	8.441	83	6.109	84

NOTE 22 – STOCKHOLDERS' EQUITY

a) Capital

At the Annual and Extraordinary Stockholders' Meeting held in 2010, the following proposals of the Board of Directors were approved:

- Cancellation of 1,382,038 book-entry preferred shares of own issue existing in Treasury, with no capital reduction;

- Capital increase arising from the merger of Seg-Part S.A., Elekpart Participação e Administração S.A., Itaucorp S.A. and Rouxinol Administração e Participações Ltda., in the amount of R$ 0.405, with the issue of 448,949 book-entry preferred shares, with no par value, attributed to the non-controlling interest holders of Seg-Part S.A. and Itaucorp S.A.

- Capital increase amounting to R$ 266, through the issue of 28,000,000 new book-entry shares, with no par value, of which 10,758,861 are common and 17,241,139 are preferred, 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$ 13,266, represented by 4,374,281,589 book-entry shares, with no par value, of which 1,680,795,973 are common and 2,693,485,616 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 offering 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 and change in shares of paid-in capital and reconciliation of the opening and closing balances of 2009 and 2010:

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at January 1, 2009	**1.491.119.451**	**2.394.765.818**	**3.885.885.269**	**10.000**
Cancellation of Shares – ASM/ESM of April 30, 2009	-	(4.404.840)	(4.404.840)	-
Share bonus – ASM/ESM of April 30, 2009	149.111.945	239.036.097	388.148.042	2.550
Subscription of shares (approved by ESM of June 29, 2009)	29.805.716	47.780.491	77.586.207	450
Shares of capital stock at December 31, 2009	**1.670.037.112**	**2.677.177.566**	**4.347.214.678**	**13.000**
Treasury shares at January 1, 2009 (*)	**-**	**4.404.840**	**4.404.840**	**(46)**
(-) Cancellation of shares – ASM/ESM of April 30, 2009	-	(4.404.840)	(4.404.840)	46
Purchase of shares	-	1.382.038	1.382.038	-
Treasury shares at December 31, 2009	**-**	**1.382.038**	**1.382.038**	**-**
Shares outstanding at December 31, 2009	**1.670.037.112**	**2.675.795.528**	**4.345.832.640**	**13.000**

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at December 31, 2009	**1.670.037.112**	**2.677.177.566**	**4.347.214.678**	**13.000**
Residents in Brazil	1.669.421.534	1.853.099.424	3.522.520.958	10.534
Residents abroad	615.578	824.078.142	824.693.720	2.466
Changes in shares of paid-in capital from January 1, 2010 to December 31, 2010	**10.758.861**	**16.308.050**	**27.066.911**	**266**
Cancellation of Shares (ESM of April 30, 2010)	-	(1.382.038)	(1.382.038)	-
Capital increase for merger of companies (ASM of April 30, 2010)	-	448.949	448.949	-
Subscription of shares (approved by ESM of June 29, 2010)	10.758.861	17.241.139	28.000.000	266
Shares of capital stock at December 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 January 1, 2010 (*)	**-**	**1.382.038**	**1.382.038**	**15**
(-) Cancellation of shares (ESM of April 30, 2010)	-	(1.382.038)	(1.382.038)	(15)
Treasury shares at December 31, 2010 (*)	**-**	**-**	**-**	**-**
Shares outstanding at December 31, 2010	**1.680.795.973**	**2.693.485.616**	**4.374.281.589**	**13.266**

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

b) Dividends

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

The calculation of the quarterly advance of mandatory minimum dividend is based on the share position on the last day of the prior month, taking into consideration that the payment is made on the first business day of the subsequent month, in the amount of R$ 0.014 per share. The value per share was maintained according to resolution adopted at the A/ESM held on November 10, 2008. In the period, R$ 713 - R$ 0.1870 per share was paid or credited to stockholders as advance dividends for the year.

In accordance with IAS 1 and IAS 10, dividends and interest on capital proposed before the financial statements are authorized for issue are not provided for and total R$ 445 – R$ 0.1016 per share.

I. Calculation

(In millions of Reais)

	2010		2009	
Net income	4.417		2.902 (1)	
Adjustments				
(-) Legal reserve	(221)		(145)	
Dividend calculation basis	4.196		2.757	
Mandatory minimum dividend	1.049	25,00%	689	25,00%
(+) Realization of unrealized revenue reserve	-		220	
Dividends / Interest on capital after realization of unrealized revenue reserve	1.049	25,00%	909	32,98%
Amount to be proposed in addition to the minimum mandatory	378		323	
Proposed dividends/interest on capital	1.427	34,01%	1.232	44,69%

II. Provision for interest on capital and dividends

	Gross	WTS	Net
Paid / Prepaid	**436**	**(47)**	**389**
Dividends	**122**	**-**	**122**
1 quarterly installment of R$ 0.014 per share paid on July 1, 2010	61	-	61
1 quarterly installment of R$ 0.014 per share paid on October 1, 2010	61	-	61
Interest on capital	**313**	**(47)**	**266**
1 installment of R$ 0.0716 per share paid on August 20, 2010	313	(47)	266
Provided for	**755**	**(95)**	**660**
Dividends	**122**	**-**	**122**
1 quarterly installment of R$ 0.014 per share paid on January 3, 2011	61	-	61
1 quarterly installment of R$ 0.014 per share payable on April 1, 2011	61	-	61
Interest on capital	**633**	**(95)**	**537**
1 quarterly installment of R$ 0.0874 per share, credited on December 30, 2010 to be paid on April 29, 2011	382	(57)	325
1 quarterly installment of R$ 0.0472 per share payable on March 17, 2011	206	(31)	175
1 quarterly installment of R$ 0.01008 per share payable on June 10, 2011	44	(7)	37
To be provided for / declared	**445**	**(67)**	**378**
Interest on capital	**445**	**(67)**	**378**
1 quarterly installment of R$ 0.10162 per share to be declared (Note 2.4v)	445	(67)	378
Total at December 31, 2010 - R$ 0.3262 net per share	**1.636**	**(209)**	**1.427**
Total at December 31, 2009 - R$ 0.2835 net per share (2)	**1.407**	**(174)**	**1.232**

(1) The dividend calculation presented in 2009 is under prior BRGAAP at amounts calculated at that time, as these were the base for payment.
(2) For better comparability the bonuses were taken into consideration.

c) Reserves

- **Legal reserve**

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

- **Statutory reserves**

  These are recognized aimed at:

  - dividend equalization with the purpose of guaranteeing funds for the payment of dividends, including as 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.

	12/31/2010	12/31/2009
REVENUE RESERVES	**11.503**	**11.282**
Legal	1.777	1.556
Statutory	9.726	9.726
Dividends equalization	3.636	3.636
Working capital increase	3.053	3.053
Increase in capital of investees	3.037	3.037
Proposal for distribution of additional dividends	**445**	**380**
Other reserves	**1.181**	**174**
Total reserves at Parent Company	**13.129**	**11.836**

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 management members in the medium and long-term corporate development process, through the granting of simple or bonus shares, personal, not pledged or transferable, which entitle to the subscription of one authorized capital share or, at the discretion of the management, one treasury share which is acquired for replacement purposes.

Such options may only be granted in years in which there are sufficient profits to enable the distribution of mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the base date of the year-end balance sheet. The ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the quantity, the proportional consideration in bonus options, the beneficiaries, the type of option, the life of the option under each series, and the vesting and blackout periods for exercising the options. The executive officers and Board of Directors members of ITAÚ UNIBANCO HOLDING and of its subsidiaries ("MANAGEMENT MEMBERS"), and employees based on assessment of potential and performance may participate in this plan.

ITAÚ UNIBANCO HOLDING settles the benefits under this PLAN by delivering its own shares, which are held in treasury until the effective exercise of the options by the beneficiaries.

II – Characteristics of the Plan

II.I – Simple Options

Prior Programs

Before the merger, Itaú and Unibanco each had Stock Option Plans (Prior Programs). The eligible beneficiaries under the program are granted simple options, according to the performance assessment of each employee. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA over the period of at least one (1) and at the most three (3) months prior to the option issue date; alternatively, subject to the positive or negative adjustment of up to 20%, and restated until the last business day of the month prior to the option exercise date based either on the IGP-M or IPCA, or in their absence, based on the index determined by the Committee. No option is granted according to this model any more.

Post-Merger Program

The eligible beneficiaries under the program are granted simple options, according to the performance assessment of each employee. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA over the period of at least one (1) and at the most three (3) months prior to the exercise month date of granting the option. The exercise price is adjusted based on the IGPM.

The vesting period is from one (1) to seven (7) years, counted from the date of acquisition of own shares. No options under this program were granted during the year.

II – Partners Plan

Executives selected to participate in the program may invest a percentage of their bonus to acquire shares or they have the right to receive shares ("Share-Based Instrument"). The ownership of the shares acquired, as well as the share-based instruments, should be retained by the executives for a period of 3 to 5 years and they are subject to market fluctuation. At the time they acquire own shares and/or share-based instruments, bonus shares are granted in accordance with the classification of executives. Vesting periods of bonus shares or share-based instruments is from 1 to 5 years. Share-based instruments and bonus shares are converted into own shares of ITAÚ UNIBANCO HOLDING in the ratio of one share for each instrument after the respective vesting period, with no payment at the exercise.

The acquisition price of own shares and Share-Based Instruments is established every six months and it is equivalent to the average share quotation at the BM&FBOVESPA trading sessions in the 30 days prior to the determination of said price.

The ownership to the shares received after the vesting period of the Bonus Options should be retained for periods from 5 to 8 years, counted from the date of acquisition of own shares.

Summary of Changes in the Plan

No.	Granting Date	Vesting period until	Final Exercise Period	Restated Exercise Price (R$)	Exercised options: Weighted average exercise price	Exercised options: Weighted average market value	Number of shares: Prior balance 12/31/2009	Granted	Exercised	Forfeited	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	7/4/2010	7/3/2011	27,42	-	-	52.710	-	-	-	52.710
33rd	8/30/2006	8/30/2010	8/29/2011	-	29,62	38,45	21.084	-	21.084	-	-
29th	9/19/2005	9/19/2010	9/18/2011	20,78	20,14	38,33	25.300	-	12.650	-	12.650
12th	2/21/2006	12/31/2010	12/31/2013	26,60	25,68	39,83	9.579.384	-	1.554.134	-	8.025.250
12th	8/6/2007	12/31/2010	12/31/2013	26,60	-	-	15.867	-	-	-	15.867
16th	8/10/2009	12/31/2010	12/31/2014	30,25	-	-	874.167	-	-	-	874.167
Total exercisable options					**16,67**	**39,08**	**22.030.089**	**-**	**9.232.878**	**52.710**	**12.744.501**
34th	3/21/2007	3/21/2011	3/20/2012	34,60	-	-	75.901	-	-	-	75.901
35th	3/22/2007	3/22/2011	3/21/2012	34,56	-	-	29.518	-	-	-	29.518
36th	5/14/2008	5/14/2011	5/13/2012	42,99	-	-	25.301	-	-	-	25.301
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 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							**65.446.703**	**12.956.367**	**13.379.117**	**700.704**	**64.323.249**

III – Fair Value and Economic Assumptions for Cost Recognition

ITAÚ UNIBANCO HOLDING recognizes, at the granting date, the fair value of options through the Binomial method for simple options. Economic assumptions used are as follows:

Exercise price: for the option exercise price, the exercise price previously agreed-upon at the option issue is adopted, adjusted by the IGP-M variation;

Price of the Underlying Asset: the share price of Itaú Unibanco Holding (ITUB4) used for calculation is the closing price at BOVESPA on the calculation base date;

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

Risk-free interest rate: the applied risk-free rate is the IGP-M coupon rate at the expiration date of the option plan;

Expected volatility: calculated based on the standard deviation from the history of the last 84 monthly returns of closing prices of the ITUB4 share, released by Bovespa, adjusted by the IGP-M variation.

Granting		Vesting period until	Exercise period until	Price of underlying asset	Fair value	Expected dividends	Risk-free interest rate	Expected volatility
No.	date							
Simple Options								
18th	04/17/2010	12/31/2014	12/31/2017	38,35	12,22	3,13%	5,94%	29,87%
18th	05/11/2010	12/31/2014	12/31/2017	37,17	11,45	3,13%	5,98%	29,94%
Bonus Options (a)								
8th	08/17/2010	08/16/2013	-	38,14	34,72	3,13%	-	-
8th	08/17/2010	08/16/2015	-	38,14	32,62	3,13%	-	-
9th	08/30/2010	08/16/2013	-	36,48	33,49	3,13%	-	-
9th	08/30/2010	08/16/2015	-	36,48	31,46	3,13%	-	-
10th	09/30/2010	09/29/2013	-	40,47	36,85	3,13%	-	-
10th	09/30/2010	09/29/2015	-	40,47	34,61	3,13%	-	-
11th	09/30/2010	08/16/2013	-	40,47	36,99	3,13%	-	-
11th	09/30/2010	08/16/2015	-	40,47	34,74	3,13%	-	-

(a) The fair value is measured based on the value of Itaú Unibanco's shares at the option granting date.

IV - Accounting Effects Arising from Options

The exercise of stock options, pursuant to the Plan's regulation, resulted in the sale of preferred shares held in treasury thus far. The accounting entries related to the plan are recorded during the vesting period, at the deferral of the fair value of options granted with effect on Income, and during the exercise of options, at the amount received from the option exercise price, reflected in Stockholders' Equity.

The effect on Income for the period from January 1 to December 31, 2010 was R$ 131, as contra-entry to Capital Reserve – Granted Options Recognized (Note 23 a III).

In the Stockholders' Equity, the effect was as follows:

Amount received for the sale of shares – exercised options	406
(-) Cost of treasury shares sold	(403)
Effect on sale (*)	3

(*) Recorded in revenue reserves.

b) Duratex S.A.

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

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

The rules and operating procedures related to the Plan will be proposed by the Personnel Committee, appointed by the Company's Board of Directors. This committee will periodically submit proposals regarding the application of the Plan to the approval of the Board of Directors.

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

The exercise price to be paid to Duratex will be 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 5 and at the most 90 trading sessions prior to the option issue date; at the discretion of that Committee, which will also decide on a 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 stipulated by the Personnel Committee.

Assumptions	2006	2007	2008	2009	2010
Total stock options granted	2.659.180	2.787.050	2.678.901	2.517.951	1.333.914
Exercise price at granting date	11,16	11,82	15,34	9,86	16,22
Fair value at granting date	9,79	8,88	7,26	3,98	7,04
Exercise period	10 years	10 years	10 years	8 years	8 years
Vesting period	1.5 years	1.5 years	1.5 years	3 years	3 years

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

	2006	2007	2008	2009	2010
Volatility of share price	34,80%	36,60%	36,60%	46,20%	38,50%
Dividend yield	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%
Effective exercise rate	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 period	Granting price	Exercisable balance		Option price	Total amount	Base period				Other periods
					Dec/09	Dec/10			2007	2008	2009	2010	
3/30/2006	2.659.180	07/01/2007	12/31/2016	11,16	59.799	40.714	9,79	1	1	0	0	0	0
1/31/2007	2.787.050	07/01/2008	12/31/2017	11,82	2.755.226	2.112.699	8,88	25	16	9	0	0	0
2/13/2008	2.678.901	07/01/2009	12/31/2018	15,34	2.647.079	2.443.506	7,26	19	0	12	7 (3)	0	0
6/30/2009	2.517.951	6/30/2012	12/31/2017	9,86	2.501.397	1.652.752	3,98	9	0	0	2 (4)	5	2
4/14/2010	1.333.914	01/01/2014	12/31/2018	16,22	-	1.220.697	7,04	9	0	0	0	2	6
Sum	**11.976.996**				**7.963.501**	**7.470.368**		**63**	**17**	**21**	**9**	**7**	**8**
Exercise effectiveness								**96,63%**	**96,63%**	**96,63%**	**96,63%**	**96,63%**	**96,63%**
Computed value								**61**	**16 (1)**	**20 (2)**	**8**	**7 (5)**	**8 (6)**

(1) Value charged to retained earnings in the balance sheet;
(2) Value charged to income for 2008;
(3) Value charged to income for 2009, in former Duratex S
(4) Value charged to income for the 2nd half of 2009;
(5) Value charged to income in 2010;
(6) Value to be charged to income until December 2014.

At December 31, 2010, the Company had 524,572 treasury shares, which may be used in a possible option exercise.

c) Itautec S.A.

As set forth in the bylaws, until 2006 Itautec had a stock option plan with the purpose of integrating its executives in the Company's development process in the medium and long terms, providing them with the option of participating part 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 were based on the average quotation of Itautec S.A. shares at the Stock Exchange trading sessions over a period of at least 1 month and at the most 12 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 recognition at fair value of options occurred as from the grant date to the end of the vesting period. Considering the vesting period and the last grant date (February 8, 2006), there are no expenses related to the stock option plan for 2009 and 2010.

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 grant 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	6/30/2001	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$/share)	64,80	72,15	78,15	31,05	21,45	23,55	36,45	
Premium (R$/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	06/03/01	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 to 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 the stockholders' equity account (Note 22), based on the appropriation of the retained earnings account, pursuant to CPC 10. After the recognition of the fair value of granted options, the Company shall not do any adjustment subsequent to the stockholders' equity, which does not eliminate the requirement to the Company to recognize the transfer of a component to another under the stockholders' equity, should options be exercised (expire). In 2010 no adjustment was made in stockholders' equity in view of the lack of exercise of the options which expired on December 31, 2010.

d) Elekeiroz S.A.

Stock option plan

With the purpose of integrating the management members 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, such plan had not produced any effects to be recognized in the Company's income.

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

a) Other operating income

	01/01 to 12/31/2010	01/01 to 12/31/2009
Reversal of operating provisions	**160**	**169**
Legal, tax and social security liabilities	129	148
Other reversals of operating provisions	31	21
Recovery of charges and expenses	**29**	**88**
Other income from credit cards	**2**	**2**
Commissions	**6**	**2**
Capitalization operations	**170**	**154**
Other	**674**	**810**
Total	**1.041**	**1.225**

b) Other operating expenses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Provisions for contingencies	(683)	(476)
Credit card operations	(592)	(476)
Other operating expenses from industrial companies	(661)	(463)
Reserve for health insurance	(4)	(23)
Claims	(185)	(192)
Refunds of interbank costs	(192)	(100)
Retention bonus	(11)	(12)
Mergers	-	(195)
Disposal of investments and assets	(125)	(64)
Refunds to clients	(75)	(21)
Other	(163)	(1.848)
Total	**(2.691)**	**(3.870)**

c) General and administrative expenses

	01/01 to 12/31/2010	01/01 to 12/31/2009
Personnel expenses	**(4.941)**	**(4.103)**
Compensation	(2.905)	(2.678)
Charges	(796)	(700)
Welfare benefits	(708)	(468)
Dismissals	(347)	(292)
Retirement plans and post-employment benefits	(51)	120
Defined benefit	(432)	120
Defined contribution	381	-
Stock option plan	(48)	(42)
Training	(86)	(43)
Administrative expenses	**(4.700)**	**(3.969)**
Data processing and telecommunications	(1.197)	(920)
Third-party services	(1.000)	(873)
Installations	(468)	(250)
Advertising, promotions and publications	(452)	(332)
Rent expenses	(315)	(307)
Transportation	(218)	(139)
Materials	(167)	(107)
Expenses for financial services	(166)	(168)
Security	(165)	(133)
Utilities	(103)	(97)
Travel expenses	(61)	(43)
Other	(388)	(600)
Depreciation	**(649)**	**(376)**
Amortization	**(404)**	**(601)**
Insurance acquisition expenses	**(367)**	**(432)**
Other expenses	**(2.993)**	**(2.967)**
Expenses related to credit cards	(645)	(494)
Reimbursement related to acquisitions	(42)	(13)
Losses with third parties' frauds	(204)	(174)
Loss on sale of assets held for sale, fixed assets and investments in unconsolidated companies	(83)	(73)
Settlement of contingencies	(941)	(571)
Operating expenses from industrial companies	(661)	(463)
Other	(418)	(1.182)
Total	**(14.054)**	**(12.447)**

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 an additional federal tax.

a) Composition of expenses for taxes and contributions

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 12/31/2010	01/01 to 12/31/2009
Net income before income tax and social contribution	**7.063**	**7.709**
Charges (income tax and social contribution) at the rates in effect	(2.810)	(3.066)
Increase/decrease to income tax and social contribution charges arising from:		
Permanent additions (exclusions)	**760**	**106**
Share of income of unconsolidated companies, net	78	54
Foreign exchange variation on investments abroad	(94)	(585)
Interest on capital	613	546
Dividends, interest on external debt bonds and tax incentives	107	187
Other	56	(96)
Total income tax and social contribution	**(2.050)**	**(2.960)**

b) Deferred taxes

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

	12/31/2009	Realization / Reversal	Increase	12/31/2010
Reflected in income	**9.791**	**(3.565)**	**3.588**	**9.814**
Related to income tax and social contribution loss 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	862	(352)	415	925
Civil lawsuits	317	(234)	295	378
Labor claims	340	(44)	70	366
Tax and social security claims	168	(48)	42	162
Other	37	(26)	8	19
Adjustments of operations carried out in futures settlement market	4	-	13	17
Reserve for health insurance operations	86	-	1	87
Other	602	(531)	720	791
Reflected in stockholders' equity	**57**	**(17)**	**37**	**77**
Adjustment to market value of available-for-sale securities	30	(17)	36	49
Other	27	-	1	28
Total (*)	**9.848**	**(3.582)**	**3.625**	**9.891**

(*) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R$ 7,646 (R$ 7,867 at December 31, 2009) in assets and R$ 3,114 (R$ 2,839 at December 31, 2009) in liabilities.

	01/01/2009	Realization/ Reversal	Increase	12/31/2009
Reflected in income	**9.554**	**(3.650)**	**3.887**	**9.791**
Related to income tax and social contribution loss carryforwards	1.399	(352)	225	1.272
Allowance for loan losses	2.538	(1.536)	2.289	3.291
Adjustment to market value - securities and derivative financial instruments	82	(51)	126	157
Goodwill on purchase of investments	3.214	(438)	44	2.820
Legal liabilities – tax and social security	758	(356)	295	697
Provision for contingent liabilities	885	(456)	433	862
Civil lawsuits	272	(228)	273	317
Labor claims	283	(16)	73	340
Tax and social security claims	304	(212)	76	168
Other	26	(0)	11	37
Adjustments of operations carried out in futures settlement market	-	-	4	4
Reserve for health insurance operations	75	-	11	86
Other	603	(461)	460	602
Reflected in stockholders' equity	**111**	**(105)**	**51**	**57**
Adjustment to market value of available-for-sale securities	111	(105)	24	30
Other	-	-	27	27
Total	**9.665**	**(3.755)**	**3.938**	**9.848**

II - Provision for Deferred Income Tax and Social Contribution balance and its changes are shown as follows:

	12/31/2009	Realization / Reversal	Increase	12/31/2010
Reflected in income	**4.272**	**(919)**	**1.403**	**4.756**
Depreciation in excess – finance lease	2.661	(759)	1.109	3.011
Taxation of income abroad – capital gains	13	-	2	15
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 - Porto Seguro operation	133	-	4	137
Pension plans	200	(8)	28	220
Other	963	(59)	67	971
Reflected in stockholders' equity	**548**	**(29)**	**83**	**602**
Adjustment to market value of available-for-sale securities	186	(3)	83	266
Other	362	(26)		336
Total	**4.820**	**(948)**	**1.486**	**5.358**

	01/01/2009	Realization / Reversal	Increase	12/31/2009
Reflected in income	**3.253**	**(839)**	**1.858**	**4.272**
Depreciation in excess – finance lease	1.992	(736)	1.405	2.661
Taxation of income abroad – capital gains	7	-	6	13
Adjustments of operations carried out in futures settlement market	14	(14)	13	13
Adjustment to market value of securities and derivative financial instruments	46	(12)	46	80
Restatement of escrow deposits and contingent liabilities	141	(39)	107	209
Capital gain - Porto Seguro operation	-	-	133	133
Pension plans	135	-	65	200
Other	918	(38)	83	963
Reflected in stockholders' equity	**230**	**-**	**318**	**548**
Adjustment to market value of available-for-sale securities	76	-	110	186
Other	154	-	208	362
Total	**3.483**	**(839)**	**2.176**	**4.820**

III - The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001, and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2010, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, is as follows:

	Deferred tax assets			**Provision for deferred income tax and social contribution**	**Deferred taxes, net**
	Temporary differences	**Tax/social contribution loss carryforwards**	**Total**		
2011	2.990	314	3.304	(1.298)	2.006
2012	1.614	523	2.137	(964)	1.173
2013	1.546	234	1.780	(1.058)	722
2014	844	35	879	(738)	141
2015	860	40	900	(505)	395
Over 2015	702	189	891	(795)	96
Total	**8.556**	**1.335**	**9.891**	**(5.358)**	**4.533**
Present value (*)	7.496	1.195	8.691	(4.600)	4.091

(*) For adjustment to present value, the average funding rate, net of tax effects, was adopted.

The projections of future taxable income include estimates related to macroeconomic variables, foreign exchange rates, interest rates, volume of financial operations and sales of products and services, among others, which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to taxable income for income tax and social contribution, due to differences existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the trend of the realization of deferred tax assets arising from temporary differences, income tax and social contribution loss carryforwards be not used as an indication of future net income.

There were no deferred tax assets and liabilities that were not recognized.

NOTE 26 – EARNINGS PER SHARE

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

Net income attributable to owners of the parent company	**01/01 to 12/31/2010**	**01/01 to 12/31/2009**
Net income	**4.417**	**4.362**
Minimum non-cumulative dividend on preferred shares in accordance with our by-laws	(27)	(26)
Subtotal	**4.390**	**4.336**
Retained earnings to be distributed to ordinary equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(17)	(16)
Subtotal	**4.373**	**4.320**
Retained earnings to be distributed to ordinary and preferred equity owners on a pro-rata basis		
To ordinary equity owners	1.680	1.660
To preferred equity owners	2.693	2.660
Total net income available to ordinary equity owners	**1.697**	**1.676**
Total net income available to preferred equity owners	**2.720**	**2.686**
Weighted average shares outstanding		
Common shares	1.676.313.114	1.620.340.077
Preferred shares	2.686.114.746	2.597.394.834
Net income per share – Basic and diluted – R$		
Common shares	1,01	1,03
Preferred shares	1,01	1,03

Dilution results in a deduction from net income available to owners of common shares amounting to R$ 14 (2009-R$13) and a decrease in net income available to owners of preferred shares amounting to R$ 22 (2009- R$20). The impact of dilution of earnings per share is lower than R$ 0.01.

NOTE 27 – BUSINESS COMBINATION

Business combinations during the year ended December 31, 2009

a) Merger between the subsidiary Duratex and Satipel

As approved at the Extraordinary Stockholders' Meeting held on August 31, 2009, Duratex was merged into Satipel by way of an exchange of shares, even though the former was larger than the latter.

CPC 15 (IFRS 3), which addresses business combinations, requires that the acquirer be identified in a business combination. In this context, and considering the faculties for business governance agreed by the parties, stockholders of "former Duratex" started to have the control over the combined business, for purposes of the accounting standard. On August 31, 2009 the agreements were executed, and that date is construed as the "acquisition date" for purposes of the recognition of the transaction.

Considering that the acquisition was carried out through the exchange of shares between stockholders of the acquirer and the seller, the consideration paid was calculated based on the number of shares of the "former Duratex" that would have been delivered to stockholders of the "former Satipel", so that the latter retained a 17% interest in "former Duratex". This amount of shares was measured based on the quotation for the "former Duratex" published at the acquisition date, as follows:

A	Hypothetical number of shares delivered to stockholders of "former Satipel"	39.635.177
B	Share price at August 31, 2009 (R$)	28,23
A*B	Total consideration for the purchase	**1.119**

The types of transferred consideration and recognized amounts of acquired assets and assumed liabilities on acquisition date are summarized below:

	Fair value recognized upon acquisition
Assets	**1.793**
Fixed assets	808
Forest reserves	370
Contractual relationship with client (included in intangible assets in Note 17)	329
Cash and cash equivalents	55
Receivables from customers	146
Inventories	54
Other	31
Liabilities	**862**
Payables to suppliers	105
Loans and financing	476
Provisions for contingencies (a)	29
Deferred income tax and social contribution liabilities	252
Total net identifiable assets	**931**
Non-controlling interest measured at fair value	
Goodwill on acquisition (Note 17)	188
Total consideration	**1.119**

(a) The adjustment to the provision for contingencies corresponds to the recognition of the fair value of provisions construed as probable and possible. These additional provisions are mainly related to tax and labor claims, and fair value was calculated by applying the likelihood of loss in the lawsuit on the claimed amount. Goodwill is attributable to economies of scale expected to arise from business combinations. The amounts calculated arising from this transaction have no tax impact.

The Company incurred costs related to business combinations amounting to R$ 16, which were directly recognized in income in the account Other operating income (expenses), net.

The net assets of the acquired entity (Assets less Liabilities, stated at fair value) total R$ 931. By comparing such amount to the total consideration (R$ 1,119), the goodwill is found in the amount of R$ 187, attributable to expected economies of scale arising from business combinations.

b) Porto Seguro

On August 23, 2009, Itaú Unibanco Holding and Porto Seguro S.A. (PSSA) entered into an alliance, aimed at unifying their residential and automobile insurance operations, and also into an Operational Agreement, under which PSSA obtained the exclusive right to offer and distribute residential and automobile insurance products to the customers of the Itaú Unibanco Holding branch network in Brazil and Uruguay. This transaction was conditional on approval by Superintendence of Private Insurance (SUSEP), which was obtained on October 16, 2009.

In order to implement the agreement, the assets and liabilities of Itaú Seguros S.A. related to the residential and automobile insurance activities were broken down and transferred to a company named taú Seguros Veículo e Residência Holding S.A. (“ISAR Holding”) which was then a wholly-owned subsidiary of Itaú Unibanco. The carrying amount of transferred assets totaled R$ 950.

ISAR Holding’s shares were subscribed to PSSA, in exchange for a direct interest of 30% in PSSA on November 30, 2009, which is the transaction date.

Also in November 2009, Itaú Unibanco Holding and the controlling stockholders of PSSA subscribed their shares to Porto Seguro Itaú Unibanco Participações S.A. (“PSIUPAR”), which, after this transaction, became the controlling stockholder of PSSA. PSIUPAR holds approximately 70% of PSSA’s stockholders’ equity. Itaú Unibanco Holding holds an interest of 42.93% in PSIPUAR.

As a result of this transaction, Itaú Unibanco Holding stopped to consolidate its former subsidiary company ISAR Holding and, at the recognition date, recorded a gain of R$ 936 before taxes (recorded in Other Income).

The gain was recognized in view of the difference between the carrying amount of net assets of ISAR Holding transferred to PSSA and the fair value of payment received, which was an interest in PSIUPAR. Considering that the PSIUPAR’s only asset is the investment in PSSA, the fair value of the payment received totaled R$ 1,886 and was determined based on the quoted price of PSSA’s common shares on BM&F Bovespa.

PSIUPAR is recognized as an investee under the equity method (Note 14) and the transactions between related parties are disclosed in Note 33.

The allocation of the difference between the investment that Itaú Unibanco Holding held in PSIUPAR and the share in net assets is shown as follows:

Share of fair value of assets and liabilities	(1.488)
Share of market value	1.886
Goodwill arising from the expected future profitability	398

Deductible goodwill, according to the Brazilian tax regulations, totaled R$ 33. The goodwill amortization is deductible, pursuant to Brazilian tax regulations, only for social contribution, and it is deductible for income tax purposes only if arising from the sale or transfer of investments.

Business combinations during the year ended December 31, 2010

Bank of America Corporation (BAC)

In May 2010, Bank of America Corporation (BAC) sold its interest in the capital of Itaú Unibanco Holding. Preferred shares were traded abroad 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%. This operation generated a goodwill, preliminary calculated at R$ 808 million, recorded under the heading Intangible Assets. In the first half of 2011, the process for purchase price allocation regarding this transaction will be undertaken.

NOTE 28 –EMPLOYEE BENEFITS

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

ITAÚSA and its subsidiaries sponsor defined benefit including variable contribution plans, which basic purpose is granting benefits that, in general, provide a life annuity benefit, and may be converted into survivorship annuities, according to the plan's regulation. They also sponsor defined contribution plans, the benefit of which is calculated based on the accumulated balance at the eligibility date, according to the plan's regulation, which does not require actuarial calculation.

Employees hired until July 31, 2002, who come from Itaú, and until February 27, 2009, 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. 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 plans' assets 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	Benefit plan
Fundação Itaubanco	Plano de Aposentadoria Complementar - PAC (1) Plano de Benefício Franprev - PBF (1) Plano de Benefício 002 - PB002 (1) Plano Básico Itaulam - PBI (1) Plano Suplementar Itaulam - PSI (2) Plano Itaubanco CD (3) (4)
Fundação Bemgeprev	Plano de Aposentadoria Complementar Móvel Vitalícia - ACMV (1)
Fundação Itaúsa Industrial	Plano de Benefícios de Contribuição Definida - PAI-CD (3) Plano de Benefícios Definido- BD (1)
Funbep Fundo de Pensão Multipatrocinado	Plano de Benefícios Funbep I (1) Plano de Benefícios Funbep II (2)
Caixa de Previdência dos Funcionários do Banco Beg - Prebeg	Plano de Benefícios Prebeg (1)
Itaú Fundo Multipatrocinado	Plano BD Itaú (1) Plano CD Itaú (2)
Múltipla - Multiempresas de Previdência Complementar	Plano de Aposentadoria Redecard Básico (1) Plano de Aposentadoria Redecard Suplementar (2)
Itaubank Sociedade de Previdência Privada	Plano de Aposentadoria Itaubank (3)
UBB-PREV - Previdência Complementar	Plano de Previdência Unibanco (3) Plano Básico (1) Plano IJMS (1)
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	Plano de Benefícios II (1)

(1) Defined benefit plan;
(2) Variable contribution plan (recorded as defined benefit plan);
(3) Defined contribution plan;
(4)The Plano Itaubanco CD was set up as a result of the partial spin-off of the PAC, and it was offered exclusively to the participants of this plan, including former employees still contributing to the plan and those employees who have opted for this plan, or when this option is presumed for the deferred proportional benefit, who are not receiving supplementary retirement by the PAC. The participants who have not joined Plano Itaubanco CD, 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 Plano Itaubanco CD regulation, the transaction and novation period ended on May 8, 2010.

b) Defined benefit plan

I - Main assumptions used in actuarial valuation of Retirement Plans

	Financial Services Area (1)		
	12/31/2010	**12/31/2009**	**01/01/2009**
Discount rate	9.72% p.a.	10,24% p.a.	10,24% p.a.
Expected return rate on assets	12,32 % p.a.	12,32% p.a.	12,32% p.a.
Mortality table (3)	AT-2000	AT-2000	AT-2000
Turnover	Itaú Exp. 2003/2004	Itaú Exp. 2003/2004	Itaú Exp. 2003/2004
Future salary growth	7,12 % p.a.	7,12% p.a.	7,12% p.a.
benefits	4,00 % p.a.	4,00% p.a.	4,00% p.a.
Inflation	4,00 % p.a.	4,00% p.a.	4,00% p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

	Industrial Area (2)		
	12/31/2010	**12/31/2009**	**01/01/2009**
Discount rate	9,72% p.a.	9,2% p.a.	9,2% p.a.
Expected return rate on assets	10,56 % p.a.	11,62% p.a.	11,02% p.a.
Mortality table (3)	AT-2000	AT-2000	AT-2000
Turnover	Zero	Zero	Zero
Future salary growth	7,12 % p.a.	7,12 % p.a.	7,12 % p.a.
Growth of the pension fund and social security	4,00 % p.a.	4,00 % p.a.	4,00 % p.a.
Inflation	4,00 % p.a.	4,00 % p.a.	4,00 % p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

(1)Corresponds to the assumptions adopted by the plans managed by Fundação Itaubanco, 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 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, the mathematical reserve is determined by the current projected benefit amount multiplied by the ratio between the length of service in the company at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

The basic difference between the assumptions above and those adopted upon determination of the actuarial liability of defined benefit plans, for purposes of recording in the balance sheet of the closed-end private pension entities that manage them, is the actuarial method. For this purpose, the Bank adopts the aggregate method, by which the mathematical reserve is defined based on the difference between the present value of the projected benefit and the present value of future contributions, subject to the methodology defined in the respective actuarial technical note.

II –Management of defined benefit plan assets

The purpose of the management of the funds from the closed-end private pension entities is the long-term balance between 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 preventing the risk of mismatching assets and liabilities by pension plan.

At December 31, 2010 and 2009, the allocation of plan assets and the allocation target for 2011, by type of asset, are as follows:

Types	Position.		% Allocation		2011 Target
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	
Fixed income securities	10.035	13.138	87,51%	87,32%	53% to 100%
Variable income securities	1.026	1.533	8,95%	10,19%	0% to 25%
Structured investments	11	13	0,09%	0,09%	0% to 10%
Foreign investments	4	4	0,04%	0,03%	0% to 3%
Real estate	369	335	3,21%	2,22%	0% to 4%
Loans to participants	23	23	0,20%	0,15%	0% to 5%
Total	**11.468**	**15.046**	**100,00%**	**100,00%**	

The defined benefit plan assets include shares of ITAÚSA and its subsidiaries, with a fair value of R$ 562 (R$ 1,077 at 12/31/2009) and real estate rented to Group companies, with a fair value of R$ 309 (R$ 301 at 12/31/2009.

The expected income from portfolios of benefit plan assets are based on projections of returns for each of the segments detailed above. For the fixed-income segment, the adopted interest rates were taken from long-term securities included in the portfolios, and the interest-rates practiced in the market at the closing of the balance sheet. For the variable-income segment, 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 recorded in the balance sheet

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

	12/31/2010	12/31/2009	01/01/2009
1 - Net assets of the plans	11.468	15.045	12.690
2 - Actuarial liabilities	(9.997)	(11.354)	(11.382)
3- Surplus (1-2)	**1.471**	**3.691**	**1.308**
4- Asset ceiling (*)	(1.227)	(2.320)	(397)
5 - Net amount recognized in the balance sheet (3-4)	244	1.371	910
Amount recognized in Assets	367	1.507	1.320
Amount recognized in Liabilities	(123)	(136)	(409)

(*) – 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:

	12/31/2010	12/31/2009	01/01/2009
Net amount recognized in the balance sheet (*)	**89**	**486**	**324**
Amount recognized in Assets	134	535	469
Amount recognized in Liabilities	(45)	(48)	(145)

(*) Includes interest in BIUHF of 36.57%, 35.46% and 35.54% at December 31, 2010, December 31, 2009 and January 1, 2009, respectively, and 100% in other subsidiaries.

In conformity with the exemption prescribed in IFRS 1, gains and losses accumulated through 01/01/2010 were recognized in Stockholders' Equity, net of tax effects and, taking into account the subsidiary company's adjustments. Actuarial gains and losses for the period were recorded in income in the heading "General and administrative expenses".

IV - Change in net assets, actuarial liabilities, and surplus

	01/01 to 12/31/2010			01/01 to 12/31/2009		
	Net assets	Actuarial liabilities	Surplus	Net assets	Actuarial liabilities	Surplus
Present value – beginning of the period	15.045	(11.354)	**3.691**	12.690	(11.382)	**1.308**
Effects of the partial spin-off of PAC (1)	(5.147)	2.710	**(2.437)**	-	880	**880**
Inclusion of Redecard Plan	-	-		60	(53)	**7**
Inclusion of Itaú Defined Benefit Plan	-	-		131	(123)	**8**
Expected return on assets (4)	1.368	-	**1.368**	1.561	-	**1.561**
Cost of current service	-	(87)	**(87)**	-	(237)	**(237)**
Interest cost	-	(953)	**(953)**	-	(1.150)	**(1.150)**
Benefits paid	(578)	578	**-**	(550)	550	**-**
Contributions of sponsors	42	-	**42**	34	-	**34**
Contributions of participants	41	-	**41**	34	-	**34**
Actuarial gain/(loss) (2) (3) (4)	697	(891)	**(194)**	1.086	162	**1.248**
Present value – end of the period	**11.468**	**(9.997)**	**1.471**	**15.045**	**(11.354)**	**3.691**

(1) Corresponds to the effects of the partial spin-off of PAC and creation of the Plano Itaubanco CD, which migration process resulted in the reduction 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 Itaubanco CD had all of their obligations settled by PAC through the initial contribution of the assets previously held by PAC for individual accounts corresponding to the Plano Itaubanco 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 Itaubanco CD.

(2) Gains recorded in Net Assets correspond to the income earned above the expected return rate of assets.

(3) Losses recorded correspond to: (II) the failure to confirm the actuarial assumptions adopted in 2010, and (ll) also the effect of the change in the discount rate.

(4) The actual return on assets amounted to R$ 2,065 (R$ 2,647 at December 31, 2009).

V- Total expenses recognized in income for the year.

The total amount recognized of Defined Benefit Plans by the companies controlled by ITAÚSA includes the following at December 31:

	2010	2009
Cost of current service	(87)	(237)
Interest cost	(953)	(1.150)
Expected return on the plan assets	1.368	1.561
Effects of the partial spin-off of PAC	(2.437)	880
Effect on asset ceiling	1.092	(1.922)
Gain/(loss) for the year	(194)	1.248
Contributions of participants	41	34
Total recognized in Income for the year	**(1.170)**	**412**

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

Total recognized in Income for the year (*)	**(412)**	**146**

(*) Includes interest in BIUHF of 36.57% and 35.46% at December 31, 2010 and December 31, 2009, respectively, and 100% in other subsidiaries.

During the period, considering the share of ITAÚSA, the contributions made totaled R$ 15 (R$ 12 at December 31, 2009). The contribution rate increases based on the beneficiary's salary.

In 2011, considering the share of ITAÚSA, we expect to contribute R$ 31 to the pension plans we sponsor.

c) Defined contribution plans

The defined contribution plans have pension funds set up by the portion of sponsors' contributions not included in the participant's accounts balance and by the loss of eligibility to a plan benefit, as well as by resources from the migration from the defined benefit plans. The fund will be used for future contributions to the individual participants' accounts, according to the rules of the respective benefit plan regulation.

The amount recognized, considering the share of ITAÚSA at December 31, 2010, in assets is R$ 567 (R$ 156 at December 31, 2009 and R$ 161 at January 1, 2009).

The total amount recognized of Defined Contribution Plans by the companies controlled by ITAÚSA includes the following at December 31:

	2010	2009
Effects of the partial spin-off of PAC	1.477	
Contribution	(115)	(48)
Actuarial gain/(loss)	287	64
Effect on asset ceiling	(579)	(45)
Total recognized in Income for the year	**1.070**	**(29)**

Total recognized in the Defined Contribution Plans in view of the share of ITAÚSA was as follows:

Total recognized in Income for the year (*)	411	6

(*) Includes interest in BIUHF of 36.57% and 35.46% at December 31, 2010 and December 31, 2009, respectively, and 100% in other subsidiaries.

In conformity with the exemption prescribed in IFRS 1, gains and losses accumulated through 01/01/2010 were recognized in earnings, net of tax effects and, taking into account the subsidiary adjustments. Actuarial gains and losses for the period were recorded in Income under "General and administrative expenses".

During the period, considering the share of ITAÚSA, contributions to the defined contribution plans, including PGBL, totaled R$ 61 (R$ 24 at December 31, 2009), of which R$ 45 (R$ 17 at December 31, 2009) 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 maintenance obligations according to the acquisition agreements signed by ITAÚSA, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries.

I- Changes

Based on the reported prepared by independent actuary, the changes in obligations for these other projected benefits and the amounts recognized in the balance sheet, under liabilities, of the companies controlled by ITAÚSA at December 31, are as follows:

	2010	2009
At the beginning of the year	(100)	(92)
Interest cost	(10)	(9)
Benefits paid	5	5
Actuarial loss	(0)	(4)
At the end of the year	**(105)**	**(100)**

The amount of Other Post-Employment Benefits recognized in view of the share in ITAÚSA is as follows:

Total recognized in Income for the year (*)	**(39)**	**(36)**

(*) Includes interest in BIUHF of 36.57% and 35.46% at December 31, 2010 and December 31, 2009, respectively, and 100% in other subsidiaries.

In conformity with the exemption prescribed in IFRS 1, gains and losses accumulated through January 1, 2010 were recognized in retained earnings, net of tax effects and, taking into account the subsidiary adjustments. Actuarial gains and losses for the period were recognized in income under "General and administrative expenses".

II- Assumptions and sensitivity at 1%

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

Presumptions about the rates related to medical care costs 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 effects as follows:

	1.0% increase	1.0% decrease
Effects on service cost and interest cost	1	(1)
Effects on present value of obligation	14	(11)

NOTE 29 – INSURANCE CONTRACTS

a) Insurance contracts

ITAUSA CONSOLIDATED, through its subsidiaries, offers to the market with Insurance and Private Pension Plan. Products, which are offered through insurance brokers, Banco Itaú Unibanco's branches and electronic channels, according to their characteristics and regulatory requirements.

In all segments, the process for creating a new product takes place upon demand considering new opportunities arising 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 all flows comprising the operational, commercial, legal, accounting, financial, internal controls and technology views are analyzed, discussed and approved by the several areas involved.

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

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

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

This product creation process takes into consideration the following chain of events:

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

For private pension products, there are also flows from the registry of funds with the Brazilian Securities and Exchange Commission (CVM) and the steps to obtain the approval of actuarial technical notes and rules from SUSEP for further sales. There is possibility for customizing minimum amounts, fund management and entry fees, actuarial table and interest upon negotiation with evaluation of internal pricing model agreed in a specific contract.

There are policies on balance and minimum contribution adequate to each negotiation. Retirement benefits follow minimum and maximum amounts set according to the limits established by SUSEP. Risk benefits, considered additional coverage, follow their own and specific conditions, such as coverage limits, target audience and statement of health, among others, according to each business. In addition, increased risks count on ancillary coverage through reinsurance.

Each product has rules according to the channel and segment to which it will be sold. Pricing policies are shaped according to internal models, in conformity 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, Private Pension Plan and Capitalization 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 Conglomerate. 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 equity of insured.

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 guaranteeing the protection of the client assets. Upon payment of a premium, the insured is guaranteed a protection through previously agreed replacement or indemnification for damages that may cause asset or personal imbalance. Itaú insurance companies then recognize technical reserves administered by themselves, through specialized areas within the conglomerate, with the objective of indemnify the insured loss in the event of claims of covered risks.

The risks of insurance sold by insurance companies of Itaú Unibanco Holding are divided into property and casualty, and life insurance.

- Property and casualty insurance: cover losses, damages or liabilities for properties or persons, excluding from this classification life insurance lines;
- Life insurance: includes coverage of peril of death and personal accidents.

Main insurance lines	Loss ratio (%)	Sales ratio (%)
Extended warranty - property	21,1	68,5
Group life	41,5	12,8
Group accident insurance	7,8	43,9
Credit life	25,8	29,4
Multiple peril	16,2	50,0
Individual accident insurance	28,8	17,6

II- Pension Plan

Developed as a solution to ensure the maintenance of the quality of life of participants, as an additional income to social security, through long-term investments, Pension Plan products are divided into three major groups:

- PGBL – Plan Generator of Benefits: Its main objective is the accumulation, but it can be purchased with additional risk coverage. Recommended to clients that file the extended version of income tax return, because they can deduct contributions paid from the income tax calculation basis up to 12% of the annual taxable gross income.
- VGBL (Redeemable Life Insurance): It 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: Pension plan with minimum income guarantee, and possibility of receiving earnings from asset performance. Although there are active plans, they are no longer sold.

III Revenue from insurance and private pension premiums

The revenue of the main insurance and Private Pension products are as follows:

Premiums and retained contributions - ITAÚ UNIBANCO HOLDING	12/31/2010	12/31/2009
VGBL	7.036	6.864
PGBL	1.247	1.092
Extended warranty - property	1.158	862
Group life	1.133	1.022
Group accident insurance	625	533
Credit life	423	369
Traditional (FGB)	391	416
Mandatory Personal Injury caused by Motor Vehicle (DPVA)	284	474
Multiple peril	204	186
Health	183	431
Specified and all risks	151	56
Individual accident insurance	117	149
Commercial multiple peril	84	101
National Transport	66	72
Mortgage insurance – out of the Housing Finance System	60	44
International transport	55	44
General civil liability	49	43
Maritime	48	31
Civil liability of road carrier	46	26
Civil liability of cargo deviation	29	16
Domestic credit – natural persons risks	28	13
Petroleum risks	18	16
Automobiles	-	761
General civil liability	-	262
Residential comprehensive	-	204
Other lines	207	32
Revenue from insurance and private pension premiums	**13.642**	**14.119**
	36,57%	35,46%
Share of ITAÚSA	**4.989**	**5.007**

c) Technical reserves for insurance and pension plan

Technical reserves of insurance and pension plan are recognized according to the criteria established by the National Council of Private Insurance (CNSP) Resolution No. 162 of December 26, 2006 and further amendments introduced.

I - Insurance:

- **Reserve for Unearned Premiums** – recognized based on premiums issued, calculated on “pro rata” basis, and represents the portion of premium corresponding to the policy period not yet elapsed; Reserve for Unearned Premiums for Risks in Force but Not Yet Issued is recognized based on technical actuarial note, and has the objective of estimating a portion of unearned premiums related to risks assumed by insurance companies and that are in issue process;

- **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 provided for claims awaiting judicial decision, court-appointed experts and legal advisors make assessments based on the insured amounts and technical regulations, taking into consideration the likelihood of unfavorable outcome to 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 reported.

II – Pension Plan:

The mathematical provisions represent amounts of obligations assumed as insurance for living benefits, retirement plans, disability, pension, annuity and individual life, and are calculated according to the method of accounting provided for in the contract.

- **Mathematical provisions for benefits to be granted and benefits granted** – correspond to commitments assumed with participants, but for which benefits are not yet due, and to those receiving the benefits, respectively;

- **Provision for insufficient contribution –** recognized when there is insufficient premiums or contributions, and takes into consideration the general biometric mortality tables AT-2000 Basic Male and AT-2000 Basic Female with improvement;

- **Provision for unexpired risks –** recognized to include the estimate of risks in force but not expired;

- **Provision for events incurred but not reported (IBNR)** – recognized based on the estimated amount of events occurred but not reported;

- **Provision for financial surplus –** recognized by the difference between the contributions adjusted daily by the Investment Portfolio and the accumulated fund set up;

- **Other provisions –** basically refer to the Provision for Administrative Expenses recognized according to the Actuarial Technical Note to cover expenses arising from the payment of benefits provided for in the plan, in view of the events occurred and to be occurred. 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 the balances of Technical Reserves for Insurance and Private Pension Operations are as follows:

Technical reserves for insurance Property and casualty – ITAÚ UNIBANCO HOLDING	Unearned premiums	Unsettled claims	Claims inccurred but not reported	12/31/2010	12/31/2009
Extended warranty - property	742	38	19	799	681
Group life	467	257	141	865	674
Credit life	262	43	31	336	260
Group accident insurance	198	59	30	287	255
Specified and all risks	185	420	34	639	408
Engineering risks	126	72	5	203	191
Individual accident	67	41	16	124	130
Commercial multiple peril	59	30	17	106	138
Maritime	48	62	21	131	70
Petroleum risks	45	214	8	267	61
General civil liability	36	189	56	281	222
Multiple peril	28	46	66	140	130
Directors & Officers liability insurance (D&O)	17	48	7	72	28
Aircraft	8	114	10	132	171
Fire	-	71	1	72	68
Health	-	25	41	66	84
Mandatory Personal Injury caused by Motor Vehicle (DPVA)	-	192	12	204	450
Other lines	177	241	70	488	452
	2.465	**2.162**	**585**	**5.212**	**4.473**
		36,57%			35,46%
Share of ITAÚSA	902	791	214	1.906	1.586

According to actuarial studies, the reserve for premium deficiency was recognized in the amount of R$ 272 (R$ 245 in 2009).

ITAÚ UNIBANCO HOLDING	Property and casualty insurance	Pension plan	Individual Life and Life with Living Benefits	12/31/2010	12/31/2009
Opening balance	**4.718**	**16.054**	**27.173**	**47.945**	**40.752**
(+) Additions arising from premiums/ contributions	11.843	1.621	6.975	20.439	21.071
(-) Deferral for risk elapsed	(11.478)	-	-	(11.478)	(13.762)
(-) Payment of claims/ benefits	(1.701)	(106)	(14)	(1.821)	(2.825)
(+) Claims warned	1.946	-	-	1.946	2.631
(-) Redemption	-	(919)	(3.280)	(4.199)	(3.771)
(+/-) Net portability	-	139	(180)	(41)	456
(+) Adjustment of provisions and financial surplus	-	1.495	2.353	3.848	3.784
(+/-) Other (recognition/reversal)	156	12	35	203	(390)
Technical reserve for insurance and pension plan	**5.484**	**18.296**	**33.062**	**56.842**	**47.946**
		36,57%			35,46%
Share of Itaúsa	2.006	6.691	12.092	20.797	17.003

According to Note 29f, an additional reserve was recognized in the amount of R$ 22. (share of Itaúsa in 2010 36.57% - R$ 8)

d) Deferred acquisition costs

Deferred acquisition costs are basically represented by deferred retained commissions for amortization proportional to the recognition of revenue from earned premium, that is, over the coverage period, according to the calculation rules in force. The movement of deferred commission expense balances is as follows:

	Insurance	Reinsurance	Total
Balance at 01/01/2009	**216**	**(10)**	**206**
Purchases for the period	2.960	(61)	2.899
Amortization for the period	(1.586)	130	(1.456)
Balance at 31/12/2009	**1.590**	**59**	**1.649**
Balance to be amortized up to 12 months	**1.306**	**59**	**1.365**
Balance to be amortized after 12 months	**284**	**-**	**284**
Balance at 01/01/2010	**1.590**	**59**	**1.649**
Purchases for the period	1.523	(81)	1.442
Amortization for the period	(1.522)	81	(1.441)
Balance at 31/12/2010	**1.591**	**59**	**1.650**
Balance to be amortized up to 12 months	**1.280**	**59**	**1.339**
Balance to be amortized after 12 months	**311**	**-**	**311**

e) Table of Loss Development

Changes in the amount of obligations of the group may occur at the end of each annual closing. The top of the table below shows how the final loss estimate changes through time. The bottom 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:

Reserve for unsettled claims and for claims incurred but not reported – ITAÚ UNIBANCO HOLDING	**2010**	**2009**
Liability claims presented in the table development of claims	1.256	1.120
DPVAT operations	205	341
Reinsurance, retrocession and Other estimates	1.286	1.379
Total reserve for unsettled claims and for claims incurred but not reported	2.747	2.840
	36,57%	35,46%
Share of Itaúsa	**1.005**	**1.007**

Occurrence date – ITAÚ UNIBANCO HOLDING	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**	**2009**
At the end of disclosure year	808	865	1.027	1.157	1.197	1.269	-	-
After 1 year	808	899	1.044	1.164	1.188	-	-	-
After 2 years	813	921	1.063	1.161	-	-	-	-
After 3 years	820	929	1.071	-	-	-	-	-
After 4 years	829	928	-	-	-	-	-	-
After 5 years	827	-	-	-	-	-	-	-
Current estimate	827	928	1.071	1.161	1.188	1.269	6.444	5.182
Accumulated payments through base date	784	869	984	1.042	1.029	681	5.389	4.289
Liabilities recognized in the balance sheet	43	59	86	120	159	588	1.055	893
Liabilities in relation to years prior to 2005							200	227
Total liabilities included in balance sheet							1.256	1.120
							36,57%	35,46%
Share of Itaúsa							**459**	**397**

f) Liability adequacy test

As established in IFRS 4 – Insurance Contracts, the insurance company shall carry out the Liability Adequacy Test, comparing the amount recognized for its technical reserves with the current estimate of projected cash flow. Including in the estimate all cash flows related to the business is the minimum requirement for carrying out the adequacy test.

The Liability Adequacy Test indicated the need for a supplement of R$ 22 million in technical reserves. The required supplement was applied to certain tradition pension plans in the phase of accumulation, accounting only for an addition of 0.6% in technical reserves for these plans. Current estimates were put into sensitivity test with positive and negative variation of 0.1% in the risk-free interest rate. The scenario constructed with a negative variation of 0.1% indicated the need for a supplement of R$32. The scenario constructed with a positive variation of 0.1% indicated R$ 13.

The assumptions used were as follows:

a) Risk-free interest rate: obtained from the extrapolated interest curve of government securities, considered without credit risk, available in the Brazilian financial market;

b) Mortality, cancellation, partial redemptions and conversion into income are periodically reviewed, and based on the best practices and analysis of the subsidiaries experience. Accordingly, it represents the best estimates for projection of current estimates.

c) The grouping criteria are based on homogeneity of risks.

g) Risks of insurance and pension plans

Itaú Unibanco Conglomerate has specific committees, which duty is to define the management of funds from Technical Reserves for Insurance and Pension Plan, set out 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 composed not only by executives and those directly responsible for the business management process, but also of an equal number of professionals that head or coordinate the commercial and financial areas.

The insurance company markets its products to clients through bancassurance and direct distribution. Life, accident, credit life and multiple peril insurance products are mainly distributed by the bancassurance operations; all risks products are distributed by brokers, in the case of the extended warranty product, it is marketed by the retain company that sells the consumer good; the DPVAT production is from the share that the insurance companies of Itaú Unibanco Conglomerate have in the Leading Insurance Company of the DPVAT Consortia.

There is no product concentration in relation to insurance premium, reducing the risk of product concentration and distribution channels. In the all risks products, the following strategy of lower retention is adopted, as seen in the example below:

Grouping of products - ITAÚ UNIBANCO HOLDING	Insurance premium	Retained premium	Retention (%)
Life insurance and accident	1.933	1.914	99,0
All risks	1.192	639	53,6
Credit life	424	423	99,7
Extended warranty	1.158	1.158	100,0
Multiple peril	238	204	85,9

h) Underwriting risk management structure

- **Centralized control over underwriting risk**

The risk control of the insurance company is centralized by the Independent Executive Area Responsible for Risk Control, while the management is incumbent upon the Business Units exposed to Underwriting Risk and the Risk Management Area of the Insurance Company,

- **Decentralized management of underwriting risk**

The underwriting risk management is incumbent upon 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, take risks in view of the profitability of their businesses.

i) Duties and Responsibilities

I- Executive Independent Area responsible for Risk Control

This area shall create conditions to the following:

- Validation and control of underwriting risk models;
- Control and evaluation of changes in the policies of Insurance and Pension Plan;
- Follow up of the performance of the Insurance and Pension Plan portfolios;
- Construction of underwriting risk models;
- Risk assessment of Insurance and Pension Plan products at their creation and on a recurring basis;
- Establishment and publication of the Underwriting Risk Management structure; and
- Adoption of compensation policies that do not encourage behaviors incompatible with a risk level considered prudent in the policies and long-term strategies established by the institution.

II- Executive Area Responsible for Operational and Efficiency Risk

- Responsible for devising methods for identifying, assessing, monitoring, controlling and mitigating the Operational Risk;
- Timely report of the main points of operational risks incurrence to the Independent Executive Area responsible for Risk Control; and
- Meet the requests from the Central Bank of Brazil, and other Brazilian oversight authorities related to operational risk management, as well as monitor the adherence of Itaú Unibanco units and control

areas under the coordination of the Legal Compliance Area to the regulation of the legal oversight authorities.

III Business Units exposed 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;
- Meet the 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 losses in case of claims; and
- Guarantee an adequate level of knowledge about the concepts of involved risks for their identification and rating, 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

- Set out 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 adequate level of knowledge about the concepts of involved risks for their identification and rating, ensuring the proper understanding for modeling by the Independent Executive Area responsible for Risk Control and the Risk Management Area of the Insurance Company;
- Send the managerial reports to the Independent Executive Area responsible for Risk Control and the Risk Management Area of the Insurance Company; and
- 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;
- Send managerial reports to the Independent Executive Area responsible for Risk Control;
- Guarantee an adequate level of knowledge about the concepts of involved risks for their identification and rating, 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; and
- Report with quality and speed, the required information under its responsibility to 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. Send managerial reports to the Independent Executive Area responsible for Risk Control;
- Guarantee the reach, scope, accuracy and timeliness of information related to the demanded operations which accounting reconciliation was properly carried out; and
- Guarantee an adequate level of knowledge about the concepts of involved risks for their identification and rating, ensuring the proper understanding and modeling by the Independent Executive Area responsible for Risk Control.

VII- Internal Controls Area

- Regularly check the adequacy of the internal controls system; and

- Conduct periodic reviews of the risk process of Insurance operations to ensure its 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 Pension Plan activity, according to the guidelines of the Audit Committee.

The company's management works together with the investment manager with the objective of ensuring that assets backing long-term products, with guaranteed minimum returns are managed according to the characteristics of its liabilities aiming at its actuarial balance and the long-term solvency.

The company annually carries out a detailed mapping of the liabilities of long-term products that result in payment flows of projected future benefits. This mapping is carried out according to actuarial assumptions.

The investment manager, having this information, uses "Asset Liability Management" models to find the best asset portfolio composition that enables the outweighing of risks entailed in this type of product, considering its long-term economic and financial feasibility. The portfolio of backing assets are periodically balanced in view of the fluctuations in market prices of assets, of the company's liquidity needs, and changes in the liability characteristics.

j) Market, Credit and Liquidity Risk

Market risk

- Insurance

Variation in exchange rates may affect the insurance income in case the assets which indemnification amount is affected by exchange variation. Pursuant to the legislation in force, the Provision for Unearned Premium (which purpose is to guarantee the coverage of future losses) is not affected by exchange variation. An insurance company may carry out the accounting hedge of its operations, by zeroing the long position in foreign currency, but is subject to effective exchange variation of the insured asset. By opting for the economic hedge, the company shall keep a long position in foreign currency, generating volatility in the recognized results.

Variations in interest rates do not affect the insurance income.

- Pension plan

For FGB products, there was a minimum guaranteed rate by a price index plus interest rate over the contribution period (accumulation of funds) and retirement payment period (decumulation of funds). In case the backing assets have a performance poorer than the minimum guaranteed interest, the insurance company shall complement the accumulated amount.

In the case of PGBL/VGBL products, there is a minimum guaranteed rate only over the retirement payment period (decumulation of funds).

The Asset Liability Management is used for meeting the best composition of the asset portfolio that enables the outweighing of risks entailed in this type of product.

Liquidity Risk

In relation to long-term products with minimum guaranteed returns, the subsidiary periodically revaluates its liabilities as payment flows of projected future benefits and maintains the asset manager continually informed about the regular cash needs. In addition, the continuous follow up of its client portfolio enables the subsidiary to anticipate possible unusual movements of migration of reserves, thus enabling it to plan the provision of liquidity necessary for these movements.

Credit risk

In relation to reinsurance operations, its internal policy provides for avoiding the excess concentration in only one reinsurer. At present, the reinsurer with the largest share of our operations is below 29% of total. In addition, we follow the SUSEP provisions about reinsurers that we operate, mainly the item about “solvency rating, issued by a rating agency”, with the following minimum levels:

Rating agency	Minimum required level
Standard & Poors	BBB-
Fitch	BBB-
Moody´s	Baa3
AM Best	B+

k) Reinsurance

Expenses and revenue reinsurance premiums ceded are recognized in the period when they occur, according to the accrual basis, with no settlement of assets and liabilities related to reinsurance. Analyses of reinsurance programs are made anticipating the current needs of the company, maintaining the necessary flexibility, in case of 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 with the creation of three categories of companies authorized to operate in Brazil: local, admitted and occasional. The transition to the new market was made progressively, maintaining the right of local reinsurance companies at 60% of premiums ceded by insurance companies until January 2010, after this period, this percentage may be reduced to 40%.

Reinsurance Assets

The amounts appropriated to reinsurance asset are estimated recoverable rights of reinsurers arising from losses incurred. Such assets are evaluated based on risk assignment contracts, and for cases of losses effectively paid, they are revaluated after 365 days as to the possibility of their non-recovery, in case of doubts, such assets are reduced by recognizing an allowance for losses with reinsurance.

Reinsurance ceded

The company cedes, in the normal course of its businesses, reinsurance premiums to cover losses on underwriting risks to its insureds and in compliance with the operational limits established by the regulating authority. In addition to proportional contracts, non-proportional contracts are also entered into for transferring a portion of the responsibility to the reinsurance company for losses that will be materialized after a certain level of losses in the portfolio. Not proportional reinsurance premiums are appropriated to the prepaid expenses group and realized in the group of other operating expenses according to the deferral of the effectiveness period of the contract on a daily accrual basis.

a) Receivables from reinsurance operations	IUH	IUH
	12/31/2010	12/31/2009
Unsettled claims	1.048	719
Claims occurred but not reported	134	159
Advance of reinsurance premiums	12	124
Recovery of losses	185	161
Recovery of selling expenses	27	51
Other reinsurance receivables	7	(21)
Total	**1.413**	**1.193**
Share of Itaúsa	**517**	**423**

b) Expenses from deferred reinsurance

	12/31/2010	12/31/2009
Unearned premiums	390	516
Total	**390**	**516**
Share of Itaúsa	**143**	**183**

c) Reinsurance expenses

	12/31/2010	12/31/2009	01/01/2009
Reinsurance premiums	133	347	235
Reinsurance claims	1	3	39
Total	**134**	**350**	**274**
Share of Itaúsa	**49**	**124**	**97**

d) Revenue from sales of deferred reinsurance

	12/31/2010	12/31/2009	01/01/2009
Reinsurance commission	59	59	10
Total	**59**	**59**	**10**
Share of Itaúsa	**22**	**21**	**4**

l) Regulatory Authorities

Insurance, Pension and Capitalization operations are regulated by the National Council of Private Insurance and the Superintendency of Private Insurance. These authorities are responsible for regulating the market, and consequently for assisting in the mitigation of risks inherent in the business.

CNSP is the regulatory authority of insurance activities in the country, created by the 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 the governmental policy on private insurance and capitalization segments, and with the enactment of Law No. 6,435, of July 15, 1977, its attributions included Private Pension Plans of public companies.

SUSEP is the authority responsible for controlling and overseeing the insurance, open private pension, capitalization and reinsurance markets. An agency linked to 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, of which the National Council of Private Insurance (CNSP), IRB Brasil Resseguros S.A. (IRB Brasil), - IRB Brasil Re, the companies authorized to have private insurance and capitalization operations and the open private pension companies.

m) Capital for Insurance Activity

SUSEP, following the worldwide trend towards the strengthening of the insurance market, disclosed on December 26, 2006 the CNSP Resolutions Nos. 155 and 158, amended by CNSP Resolutions Nos. 178 of December 28, 2007, and No. 200 of December 16, 2008, and Circular No. 355 of December 14, 2007. The regulations provide for the rules on regulatory capital required for authorization and operation of insurance, private pension and capitalization companies, and rules for the allocation of capital from underwriting risk for several insurance lines.

Noteworthy is the fact that the adjusted stockholders' equity of ITAU UNIBANCO HOLDING companies exclusively engaged in insurance activities is higher than the required regulatory capital.

NOTE 30 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In cases where market prices are not available, fair values are based on estimates by using discounted cash flows or other valuation techniques. These techniques are significantly affected by the adopted assumptions, 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 fair value of financial instruments:

	12/31/2010		12/31/2009	
	Carrying value	**Estimated fair value**	**Carrying value**	**Estimated fair value**
Financial assets				
Cash and deposits on demand	4.856	4.856	3.903	3.903
Central Bank compulsory deposits	31.469	31.469	5.970	5.970
Interbank deposits	5.425	5.428	6.312	6.315
Securities purchased under agreements to resell	32.786	32.786	48.644	48.644
Financial assets held for trading (*)	42.619	42.619	20.470	20.470
Financial assets designated at fair value through profit or loss (*)	112	112	132	132
Derivatives (*)	2.846	2.846	1.984	1.984
Available-for-sale financial assets (*)	16.803	16.803	14.794	14.794
Held-to-maturity financial assets	1.159	1.380	862	990
Loan operations	100.756	100.826	79.727	79.795
Other financial assets	14.897	14.897	9.483	9.483
Financial liabilities	-	-	-	-
Deposits	74.129	74.099	67.634	67.605
Deposits received under securities repurchase agreements	73.020	73.020	46.792	46.792
Financial liabilities held for trading (*)	488	488	235	235
Derivatives (*)	2.077	2.077	1.976	1.976
Interbank market	22.894	22.873	15.860	15.390
Institutional market	16.280	16.245	10.827	11.242
Liabilities for capitalization plans	952	952	802	802
Other financial liabilities	14.999	14.999	9.585	9.585
Off-balance sheet instruments	-	-	-	-
Commitments to extend credit	-	156	-	124
Standby letters of credit and pledged guarantees	-	41	-	24

(*) The amounts of ITAÚ UNIBANCO HOLDING already reflect the share of Itaúsa

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 presented for these instruments in the consolidated balance sheet 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, including Derivatives (Assets and Liabilities), Financial Assets designated at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Held-to-Maturity Financial Assets –** Under usual conditions, market prices are the best indicators of the fair values of financial instruments. However, not all instruments have liquidity or quotations and, in such cases, the adoption of present value estimates and other pricing techniques are required. The fair value of government securities is determined based on the interest rates provided by third parties in the market and they are validated by tracing them to the information supplied 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 market prices. The fair values of derivative financial instruments were determined as follows:

- Swaps: Their cash flows are discounted at present value based on yield curves that reflect the appropriate risk factors. These yield curves may be drawn 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 rates swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.).

- Futures and Forwards: quotations in stock exchanges or criteria identical to those applied to swaps.

- Options: Their fair values are determined based on mathematical models (such as Black & Scholes) that are fed with 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).

- Loan: 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 risk-free yield curves and the yield curves improved by credit.

d) **Loan Operations (Including Lease) –** 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 operations overdue was calculated by discounting the estimated cash flows, using a rate proportional to the risk associated with the estimated cash flows, or on the underlying guarantee amount. The assumptions related to cash flows and discount rates are determined with the use of information available in the market and the borrower's specific information.

e) Interest-bearing and non-interest bearing financial liabilities include: Deposits, Securities Sold Under Repurchase Agreements, Financial Liabilities Held for Trading, Funds from Interbank Market, Liabilities for Institutional Market, Liabilities for Capitalization Plans and Other Financial Liabilities – there are as follows:

- **Non-interest bearing demand financial liabilities:** The fair value of demand deposits and other financial liabilities is equal to the amount payable on the reporting date, which is equal to the carrying amount**.**

- **Interest-bearing financial liabilities –** The fair value of time deposits with floating rate was considered close to their carrying amount. The fair value of time deposits at fixed rate was estimated with the use of calculation of 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 for credit grant was estimated based on the rates currently charged for entering into similar agreements, considering the remaining term of the agreement and the credit quality of the counterparts. The fair value of standby letters of credit, commercial letters and guarantees was based on commissions currently charged in similar agreements or at the cost estimated to settle the agreements, or otherwise settle the obligations with the counterparties. The fair value of derivatives is included in 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 6 for the notional amount and estimated fair value of our derivative financial instruments.

The entity should rank the fair value measurements using a fair value hierarchy that reflects the significance of inputs adopted in the measurement process.

Level 1: Observable information that reflects quoted prices (not adjusted) 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 at a rate and volumes sufficient to provide pricing information on an ongoing basis.

Level 2: Information other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability. 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) information other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at regular quoted intervals, volatilities, etc.); (iv) information that is mainly derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are non-observable for the asset or liability. Non-observable 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 Financial Assets, and Financial Assets at Fair Value through Profit and Loss:

Level 1: Highly-liquid securities with prices available in an active market are classified into 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), other foreign government securities, shares and debentures traded at stock exchanges and other securities traded in an active market.

Level 2: In the cases in which 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 from assets actively traded in an active market. These securities are classified into Level 2 of the fair value hierarchy and are composed 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: In cases in which there is no pricing information in an active market, ITAÚSA CONSOLIDATED uses internally developed models, from curves generated according to the proprietary model. The Level 3 classification includes some Brazilian government securities (mainly NTN-I and TDA falling due after 2024, NTN-A1 and CVS), Promissory Notes and securities that are not usually traded in an active market, CRIs.

Derivatives:

Level 1: Derivatives traded in 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 number 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 comprise a high level of subjectivity, since the methodologies adopted in the models do not require major decisions and information for the model are 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 composed of exotic options, certain swaps indexed to non-observable information, and swaps with other products, such as swap with option and target flow, 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 evaluation methodologies may result in a fair value that may not be an indication of the net realizable value or future fair values. However, ITAÚSA CONSOLIDATED believes that all methodologies used are appropriate and consistent with the other market participants. Regardless of this fact, the adoption of other methodologies or different presumptions to estimate fair value may result in different fair value estimates at the reporting date.

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

Level Distribution

The following table presents the breakdown of Risk Levels at December 31, 2010:

	12/31/2010				12/31/2009				01/01/2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds	-	1.748	-	**1.748**	-	1.619	-	**1.619**	-	2.069	-	**2.069**
Brazilian government securities	86.422	277	-	**86.699**	35.328	807	-	**36.135**	40.871	518	1	**41.390**
Brazilian external debt bonds	666	-	-	**666**	222	-	-	**222**	470	-	-	**470**
Government securities - other countries	**9.036**	**317**	**-**	**9.353**	**936**	**121**	**-**	**1.057**	**1.257**	**1.278**	**-**	**2.535**
Argentina	293	-	-	**293**	179	-	-	**179**	64	-	-	**64**
United States	8.714	-	-	**8.714**	747	-	-	**747**	1.038	-	-	**1.038**
Mexico	29	-	-	**29**	10	-	-	**10**	155	-	-	**155**
Chile	-	248	-	**248**	-	77	-	**77**	-	164	-	**164**
Spain									-	418	-	**418**
Uruguay	-	24	-	**24**	-	30	-	**30**	-	7	-	**7**
Korea									-	291	-	**291**
Russia	-	45	-	**45**	-	-	-	**-**	-	-	-	**-**
Paraguay									-	398	-	**398**
Other	-	-	-	**-**	-	14	-	**14**	-	-	-	**-**
Corporate securities	**4.321**	**12.551**	**159**	**17.031**	**4.179**	**11.779**	**561**	**16.519**	**2.762**	**8.762**	**478**	**12.002**
Shares	3.208	40	-	**3.248**	2.641	69	-	**2.710**	2.743	-	-	**2.743**
Securitized real estate loans	-	439	157	**596**	-	35	-	**35**	-	34	-	**34**
Bank deposit certificates	-	8.932	-	**8.932**	-	9.490	-	**9.490**	-	5.901	-	**5.901**
Debentures	1.112	1.688	-	**2.800**	1.536	1.560	-	**3.096**	19	1.509	-	**1.528**
Eurobonds and other	-	1.452	-	**1.452**	2	625	-	**627**	-	1.318	-	**1.318**
Promissory Notes	-	-	-	**-**	-	-	561	**561**	-	-	478	**478**
Other	1	-	2	**3**	-	-	-	**-**	-	-	-	**-**
Financial assets held for trading	**100.445**	**14.893**	**159**	**115.497**	**40.665**	**14.326**	**561**	**55.552**	**45.360**	**12.627**	**479**	**58.466**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008	**36.736**	**5.447**	**58**	**42.241**	**14.421**	**5.080**	**199**	**19.700**	**16.123**	**4.488**	**170**	**20.781**
Industrial companies	-	378	-	378	-	770	-	770	-	687	-	687
TOTAL	**36.736**	**5.825**	**58**	**42.619**	**14.421**	**5.850**	**199**	**20.470**	**16.123**	**5.175**	**170**	**21.468**
Investment funds	-	770	-	**770**	-	1.273	-	**1.273**	-	1.153	-	**1.153**
Brazilian government securities	9.753	6	320	**10.079**	13.370	14	334	**13.718**	12.874	25	249	**13.148**
Brazilian external debt bonds	4.720	-	-	**4.720**	1.980	-	-	**1.980**	2.819	-	-	**2.819**
Government securities - other countries	**679**	**3.880**	**-**	**4.559**	**17**	**7.224**	**-**	**7.241**	**25**	**9.453**	**-**	**9.478**
Argentina									-	-	-	**-**
Austria	**-**	**-**	**-**	**-**	-	213	-	**213**	-	1.460	-	**1.460**
Portugal	-	-	-	**-**	-	26	-	**26**	-	301	-	**301**
United States	679	-	-	**679**	17	-	-	**17**	25	-	-	**25**
Denmark	-	2.016	-	**2.016**	-	1.971	-	**1.971**	-	2.194	-	**2.194**
Spain	-	734	-	**734**	-	1.093	-	**1.093**	-	2.830	-	**2.830**
Korea	-	236	-	**236**	-	1.755	-	**1.755**	-	1.765	-	**1.765**
Chile	-	453	-	**453**	-	1.274	-	**1.274**	-	482	-	**482**
Paraguay	-	256	-	**256**	-	417	-	**417**	-	2	-	**2**
Norway									-	345	-	**345**
Uruguay	-	185	-	**185**	-	475	-	**475**	-	74	-	**74**
Corporate securities	**3.746**	**19.338**	**1.327**	**24.411**	**2.322**	**13.016**	**1.752**	**17.090**	**4.413**	**13.054**	**2.574**	**20.041**
Shares	624	4.500	-	**5.124**	313	4.381	-	**4.694**	2.836	2.576	-	**5.412**
Securitized real estate loans	-	6.913	62	**6.975**	-	4.168	126	**4.294**	-	3.148	129	**3.277**
Bank deposit certificates	-	559	-	**559**	-	99	-	**99**	-	1.392	-	**1.392**
Debentures	3.122	3.512	-	**6.634**	1.883	2.651	-	**4.534**	1.530	2.565	-	**4.095**
Eurobonds and other	-	3.843	-	**3.843**	126	1.698	-	**1.824**	47	3.359	-	**3.406**
Promissory Notes	-	-	1.265	**1.265**	-	-	1.626	**1.626**	-	-	2.042	**2.042**
Other	-	11	-	**11**	-	19	-	**19**	-	14	403	**417**
Available-for-sale financial assets	**18.898**	**23.994**	**1.647**	**44.539**	**17.689**	**21.527**	**2.086**	**41.302**	**20.131**	**23.685**	**2.823**	**46.639**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008	**6.912**	**8.775**	**602**	**16.289**	**6.273**	**7.634**	**740**	**14.647**	**7.155**	**8.419**	**1.003**	**16.577**
Industrial companies	-	514	-	514	-	147		147	-	307		680
TOTAL	**6.912**	**9.289**	**602**	**16.803**	**6.273**	**7.781**	**740**	**14.794**	**7.155**	**8.726**	**1.003**	**17.257**
Financial assets designated at fair value through profit or loss	**306**	**-**	**-**	**306**	**373**	**-**	**-**	**373**	**9**	**-**	**-**	**9**
Brazilian government securities	306	-	-	306	373	-	-	373	9	-	-	9
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008	**112**	**-**	**-**	**112**	**132**	**-**	**-**	**132**	**3**	**-**	**-**	**3**
TOTAL	**112**	**-**	**-**	**112**	**132**	**-**	**-**	**132**	**3**	**-**	**-**	**3**
Structured Notes	-	(1.335)	-	(1.335)	-	(663)	-	(663)	-	(295)	-	(295)
Financial assets and liabilities designated at fair value	-	**(1.335)**	**-**	**(1.335)**	-	(663)	**-**	**(663)**	-	(295)	**-**	**(295)**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008	**-**	**(488)**	**-**	**(488)**	**-**	**(235)**	**-**	**(235)**	**-**	**(105)**	**-**	**(105)**
Industrial companies		-	-	-	-	-	-		-	-	-	-
TOTAL		**(488)**	**-**	**(488)**	**-**	**(235)**	**-**	**(235)**	**-**	**(105)**	**-**	**(105)**

The table below shows the breakdown of Risk Levels at December 31, 2010 for our derivative liabilities

	12/31/2010				12/31/2009				01/01/2009			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Options	-	1.696	56	**1.752**	-	1.649	177	**1.826**	-	6.445	37	**6.482**
Forwards	-	2.096	-	**2.096**	-	412	-	**412**	-	4.648	-	**4.648**
Swap – Differential receivable	-	2.932	5	**2.937**	-	2.579	-	**2.579**	-	3.493	-	**3.493**
Target flow of swap	-	-	-	**-**	-	-	186	**186**	-	-	2.024	**2.024**
Swap with target flow	-	-	-	**-**	-	-	49	**49**	-	-	61	**61**
Credit derivatives	-	-	261	**261**	-	-	15	**15**	-	-	64	**64**
Futures									(1)	380	(2)	**377**
Other derivatives	-	568	163	**731**	-	445	77	**522**	-	194	34	**228**
Target flow of forward									-	-	11	**11**
Forwards with target flow									-	-	(40)	**(40)**
Derivatives - Assets	**-**	**7.292**	**485**	**7.777**	**-**	**5.085**	**504**	**5.589**	**(1)**	**15.160**	**2.189**	**17.348**
Itaúsa Share – 36.57% in 2010, 35.46% in 2009 and 35.54% in 2008.	**-**	**2.667**	**177**	**2.844**	**-**	**1.860**	**184**	**1.982**	**(0)**	**5.389**	**778**	**6.166**
Industrial companies	-	2	-	2	-	2	-	2	-	815	-	815
TOTAL	**-**	**2.669**	**177**	**2.846**	**-**	**1.862**	**184**	**1.984**	**(0)**	**6.204**	**778**	**6.981**
Options	-	(1.899)	(188)	**(2.087)**	-	(1.599)	(249)	**(1.848)**	-	(7.945)	(48)	**(7.993)**
Forwards	-	(1.191)	-	**(1.191)**	-	(474)	-	**(474)**	-	(1.663)	-	**(1.663)**
Swap – Differential payable	-	(2.007)	(6)	**(2.013)**	-	(2.108)	(6)	**(2.114)**	-	(2.988)	(27)	**(3.015)**
Target flow of swap	-	-	-	**-**	-	-	(140)	**(140)**	-	-	(457)	**(457)**
Swap with target flow	-	-	-	**-**	-	-	(90)	**(90)**	-	-	(288)	**(288)**
Credit derivatives	-	(10)	(119)	**(129)**	-	-	(106)	**(106)**	-	(102)	(171)	**(273)**
Futures	(46)	-	(9)	**(55)**	(9)	(8)	(9)	**(26)**	-	-	-	**-**
Other derivatives	-	(183)	(13)	**(196)**	-	(505)	(29)	**(534)**	-	(149)	(272)	**(421)**
Target flow of Forward										-	(34)	**(34)**
Forwards with target flow									-	-	(32)	**(32)**
Derivatives - Liabilities	**(46)**	**(5.290)**	**(335)**	**(5.671)**	**(9)**	**(4.694)**	**(629)**	**(5.332)**	**-**	**(12.847)**	**(1.329)**	**(14.176)**
Itaúsa Share – 36,57% in 2010, 35,46% in 2009 and 35,54% in 2008.	**(17)**	**(1.935)**	**(123)**	**(2.074)**	**(3)**	**(1.665)**	**(223)**	**(1.891)**	**-**	**(4.566)**	**(472)**	**(5.039)**
Industrial companies	-	(3)	-	(3)	-	(85)	-	85	-	(42)	-	(42)
TOTAL	**(17)**	**(1.938)**	**(123)**	**(2.077)**	**(3)**	**(1.750)**	**(223)**	**(1.976)**	**-**	**(4.608)**	**(472)**	**(5.081)**

Level 3 Recurring Fair Value Measurements

The tables below include the changes in balance sheet amounts related to the years ended December 31, 2010 and 2009, for financial instruments classified by ITAUSA CONSOLIDATED into Level 3 of the assessment hierarchy:

Level Distribution

The table below shows the breakdown of Risk Levels at December 31, 2010 for or financial assets held for trading and available-for sale financial assets.

ITAÚ UNIBANCO HOLDING	Fair value in the Opening Balance Sheet	Total gains or losses (realized/unrealized)	Purchases, issues and settlements	Transfers in and/or out of Level 3	Fair value at December 31, 2010	Total gains (losses) related to assets and liabilities still held at the reporting date
Corporate securities	**561**	**1**	**(403)**	**-**	**159**	**2**
Securitized real estate loans	-	1	156	-	157	2
Promissory Notes	561	-	(561)	-	-	-
Other	-	-	2	-	2	-
Financial assets held for trading	**561**	**1**	**(403)**	**-**	**159**	**2**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**205**	**0**	**(147)**	**-**	**58**	**1**
TOTAL	**205**	**0**	**(147)**	**-**	**58**	**1**
Brazilian government securities	334	-	(14)	-	320	(1)
Corporate securities	**1.752**	**2**	**(427)**	**-**	**1.327**	**-**
Securitized real estate loans	126	-	(64)	-	62	-
Promissory Notes	1.626	2	(363)	-	1.265	-
Available-for-sale financial assets	**2.086**	**2**	**(441)**	**-**	**1.647**	**(1)**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**763**	**1**	**(161)**	**-**	**602**	**-**
TOTAL	**763**	**1**	**(161)**	**-**	**602**	**-**

The table below shows the breakdown of Risk Levels at December 31, 2010 for our derivative liabilities

ITAÚ UNIBANCO HOLDING	Fair value in the Opening Balance Sheet	Total gains or losses (realized/unrealized)	Purchases, issues and settlements	Transfers in and/or out of Level 3	Fair value at December 31, 2010	Total gains (losses) related to assets and liabilities still held at the reporting date
Options	177	30	(151)	-	56	-
Swap – Differential receivable	-	-	5	-	5	-
Target flow of swap	186		(186)			
Swap with target flow	49		(49)			
Credit derivatives	15	87	159	-	261	3
Other derivatives	77	(61)	147	-	163	(58)
Derivatives - Assets	**504**	**56**	**(75)**	**-**	**485**	**(55)**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**184**	**20**	**(27)**	**-**	**177**	**(20)**
TOTAL	**98**	**20**	**59**	**-**	**177**	**(20)**
Options	(249)	83	(22)	-	(188)	45
Swap – Differential payable	(6)	-	-	-	(6)	(5)
Target flow of swap	(140)	-	140	-	-	-
Swap with target flow	(90)	-	90	-	-	-
Credit derivatives	(106)	80	(93)	-	(119)	(6)
Futures	(9)	227	(227)	-	(9)	(11)
Other derivatives	(29)	(18)	34	-	(13)	(13)
Derivatives - Liabilities	**(629)**	**373**	**(79)**	**-**	**(335)**	**10**
Itaúsa Share – 36.57% in 2010 and 35.46% in 2009	**(230)**	**136**	**(29)**	**-**	**(123)**	**4**
TOTAL	**(230)**	**136**	**(29)**	**-**	**(123)**	**4**

Derivative financial instruments classified in Level 3 at January 1, 2010 correspond to reduced volume of exotic options and illiquid plain-vanilla swaps. In 2007, we started trading foreign currency swaps with additional characteristics, such as leverage, thresholds and others. From the end of the third quarter of 2008, as a consequence of the significant devaluation of the real against the main foreign currencies, the market became quite illiquid for these swaps, and, accordingly, those instruments were classified in Level 3.

There were no significant transfers between Level 1 and Level 2 in 2010.

There were no Level 3 transfers in relation of other levels in 2010.

NOTE 31 - CONTINGENT ASSETS AND LIABILITIES AND LEGAL, TAX AND SOCIAL SECURITY LIABILITIES

In the ordinary course of their businesses, ITAÚSA and its subsidiaries are involved in contingencies:

Data is presented considering the proportional interest of Itaúsa in Itaú Unibanco Holding, as follows:

a) Contingent Assets: there are no contingent assets recorded.

b) Contingent Liabilities: the criteria to quantify contingencies are adequate in relation to the specific characteristics of civil, labor and tax lawsuits portfolios, as well as other risks.

- **Civil lawsuits**

  Collective lawsuits (related to claims considered similar and 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 legal body (Small Claims Court or Regular Court).

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined from time to time, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the “de facto” and “de jure” characteristics related to such lawsuit. The amounts considered probable losses are accrued.

  Contingencies usually arise from revision of contracts and compensation for property damage and pain and suffering; most of these lawsuits are filed in the Small Claims Court and therefore limited to 40 minimum monthly wages. The bank is also party to specific lawsuits over alleged understated inflation adjustments to savings accounts in connection with economic plans.

  The case law at the Federal Supreme Court is favorable to banks in relation to an economic phenomenon similar to savings, as in the case of adjustment to time deposits and contracts in general. Additionally, the Superior Court of Justice has recently decided that the term for filing public civil actions over understated inflation is five years. In view of such decision, some of the lawsuits may be dismissed because they were filed after the five-year period.

  In the accounting books no amount is recognized in relation to Civil Lawsuits which represent possible losses, which have a total estimated risk of R$ 282; these refer to claims for compensation or collection, the individual amounts of which are not significant.

- **Labor claims**

  Collective lawsuits (related to claims considered similar and with individual amounts not considered significant): the expected amount of loss is determined and accrued monthly by the moving average of payments in relation to lawsuits settled in the last 12 months, plus the average cost of fees. These are adjusted to the amounts deposited as guarantee for their execution when realized.

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined from time to time, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the “de facto” and “de jure” characteristics related to such lawsuit. The amounts considered probable losses are accrued.

  Contingencies are related to lawsuits in which alleged labor rights based on labor legislation specific to the related profession, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other, are discussed.

- **Other Risks**

  These are quantified and accrued mainly based on the evaluation of rural credit transactions with joint liability and FCVS (salary variations compensation fund) credits assigned to Banco Nacional.

Change in provision for contingent liabilities	01/01 to 12/31/2010				01/01 to 12/31/2009
	Civil	Labor	Other	Total	Total
Opening balance	**862**	**1.172**	**60**	**2.094**	**1.893**
(-) Contingencies guaranteed by indemnity clauses	(35)	(203)	-	(238)	(240)
Subtotal	**827**	**969**	**60**	**1.856**	**1.653**
Restatement/Charges	51	28	-	79	84
Changes in the period reflected in results	430	301	3	734	653
Increase (1)	655	338	3	997	800
Reversal	(225)	(37)	-	(262)	(147)
Payment	(313)	(187)	-	(500)	(534)
Subtotal	**995**	**1.111**	**63**	**2.169**	**1.856**
(+) Contingencies guaranteed by indemnity clauses	113	407	-	520	238
Closing balance	**1.108**	**1.518**	**63**	**2.689**	**2.094**
Escrow deposits at 12/31/2010	**568**	**563**	**-**	**1.131**	
Escrow deposits at 12/31/2009	**376**	**525**	**-**	**901**	

(1) Civil provisions include that for economic plans amounting to R$ 259 (R$ 102 in 2009).

- Tax and social security lawsuits

Contingencies are equivalent to the principal amount of taxes involved in tax, administrative or judicial challenges, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is accrued when it involves a legal liability, regardless of the likelihood of loss, that is, a favorable outcome to the institution is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, a provision is recognized whenever loss is considered probable.

The table below shows the changes in the provisions and respective escrow deposits for Tax and Social Security lawsuits balances:

Change in provision for contingent liabilities – tax and social security	01/01 to 12/31/2010			01/01 to 12/31/2009		
	Legal liability	Contingency	Total	Legal liability	Contingency	Total
Opening balance	**2.408**	**622**	**3.030**	**3.427**	**999**	**4.426**
(-) Contingencies guaranteed by indemnity clauses	-	(13)	(13)	-	(6)	(6)
Subtotal	**2.408**	**610**	**3.018**	**3.427**	**993**	**4.420**
Restatement/Charges	136	41	177	290	62	352
Changes in the period reflected in results	91	234	325	413	(98)	314
Increase	290	352	642	778	149	927
Reversal	(198)	(118)	(316)	(365)	(248)	(613)
Payment	(708)	(41)	(749)	(1.715)	(329)	(2.044)
Subtotal	**1.927**	**844**	**2.771**	**2.415**	**628**	**3.043**
(+) Contingencies guaranteed by indemnity clauses	-	16	16	-	13	13
Other adjustments	69	37	106	(7)	(19)	(26)
Closing balance	**1.996**	**897**	**2.893**	**2.408**	**622**	**3.030**

Changes in escrow deposits / administrative – tax and social security	01/01 to 12/31/2010			01/01 to 12/31/2009		
	Legal liability	Contingency	Total	Legal liability	Contingency	Total
Opening balance	**1.269**	**1.684**	**2.953**	**1.339**	**1.357**	**2.696**
Appropriation of income	79	104	183	148	154	302
Changes in the period	51	(180)	(129)	(236)	177	(59)
Deposited	43	257	300	170	461	630
Withdrawals	(26)	(465)	(491)	(34)	(43)	(77)
Conversion into income	(14)	(12)	(26)	(398)	(192)	(590)
Other adjustments	48	40	88	26	(48)	(22)
Closing balance	**1.399**	**1.609**	**3.007**	**1.251**	**1.688**	**2.939**

ITAÚSA and its subsidiaries adhered to the Program for Cash or Installment Payment of Federal Taxes, established by Law No. 11,941, of May 27, 2009. The program included the debits administered by the Federal Reserve Service of Brazil and the General Attorney's Office of the National Treasury past due before November 30, 2008. In the year, the proposition included in this program was the increase in the PIS and COFINS calculation basis, as set forth by paragraph 1 of article 3 of Law No. 9,718 of November 27, 1998, classified as Legal Liability. The net effect in results was R$ 51 (R$ 88 in 2009).

The main discussions related to Legal Obligations are described as follows:

- PIS and COFINS – Calculation basis – R$ 861: we defend the levy of contributions on revenue, understood as the income from sales of assets and services. The escrow deposit balance totals R$ 352.

- CSLL – Isonomy – R$ 296, as the law increased the CSLL rate for financial and insurance companies to 15%, we discuss the lack of constitutional support for this measure and, due to the principle of isonomy, we defend the levy at the regular rate of 9%. The escrow deposit balance totals R$ 65.

- IRPJ and CSLL –Taxation of profits earned abroad – R$ 168: We discuss the calculation basis for levy of these taxes on profits earned abroad and the non-applicability of Regulatory Instruction SRF No. 213-01 in which it exceeds the suitability of the legal text. The escrow deposit balance totals R$ 167.

- PIS – Principles of anteriority, anteriority over 90 days and non-retroactivity – R$ 130: we request the rejection of Constitutional Amendments No. 10/96 and No. 17/97 in view of the principle of anteriority and non-retroactivity, aiming at the payment based on Supplementary Law No. 07/70. The corresponding escrow deposit totals R$ 22.

No amounts involved in Tax and Social Security Lawsuits considered to be as possible loss, which total estimated risk is R$ 1,813, are recognized in the accounting books, the main nature of which are described, as follows.

- IRPJ, CSLL, PIS and COFINS – request for offset dismissed - R$ 401: cases in which the liquidity and the offset credit certainty are discussed.

- IRPJ/CSLL - Losses and discounts on receipt of credits – R$ 213: we defend that these are necessary operating expenses and deductible for the losses in loan operations and discounts upon their renegotiation and recovery, as provided for the Law.

- ISS – Banking Institutions – R$ 156: these are banking operations, which revenue may not be interpreted as price per service rendered and/or arise from activities not listed under a Supplementary Law.

- INSS – Non-compensatory amounts – R$ 138: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.

- IRPJ, CSLL, PIS and COFINS – Usufruct of quotas and shares - R$ 121: we discuss the adequate accounting and tax treatment for the amount received due to the onerous recognition of usufruct.

c) Receivables - Reimbursement of contingencies

The Receivables balance arising from reimbursements of contingencies totals R$ 653 (R$ 395 at 12/31/2009) (Note 21), basically represented by the guarantee in the Banco Banerj S.A. privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition of Civil, Labor and Tax Contingencies.

d) Guarantee of voluntary resources

These are pledged in guarantee of voluntary resources related to contingent liabilities and are restricted, deposited or recorded in the amounts below:

	12/31/2010	12/31/2009
Securities (basically Financial Treasury Bills)	563	376
Pledged as collateral	1.204	1.159

According to the opinion of the legal advisors, ITAÚSA and its subsidiaries are not involved in any other administrative proceedings or legal lawsuits that may significantly impact the results of its operations The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recognized through the adoption of statistical models for claims involving small amounts and separate analysis by internal and external legal advisors of other cases, showed that the amounts provided for are sufficient, according to the CVM Resolution 594 of September 15, 2009.

NOTE 32 – BUSINESS SEGMENT INFORMATION

In accordance with the standards in force, an operating segment may be understood as a component of an entity:

(a) that conducts business operations from which it may earn revenues and incur expenses (including revenues and expenses arising from transactions with other of its components);

(b) whose operating results are regularly reviewed by the entity's main management member, responsible for making operating decisions on the allocation of funds to segments and for assessing its performance.

(c) for which optional financial information is available.

The operating segments of ITAÚSA were defined according to the reports submitted to the Board of Directors for decision making. Therefore, the segments are divided into the Financial Services and the Industrial Area.

ITAÚSA is a holding company and its subsidiaries are: Duratex, Elekeiroz and Itautec, which operate in the industrial area, and Itaú Unibanco Holding, under our joint control and operating in the financial area.

The Itaúsa subsidiaries have independence to define their differentiated and specific standards in the management and segmentation of their respective businesses.

- **Financial Area**

Itaú Unibanco Holding is a banking institution that offers, directly or through its subsidiaries, a broad range of credit and other financial services to a diversified client base of individuals and companies in and outside Brazil. ITAÚSA exercises the joint control over the businesses of Itaú Unibanco Holding, and had an interest of 36.57% in 2010 (35.46% in 2009).

- **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 with the Deca and Hydra brands (for flush toilet valves), which stand out for the wide range of products, the bold design, and the superior quality; and produces wood panels from 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 floor is 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) Itautec: 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 (1)	ADJUSTMENTS	CONSOLIDATED IFRS (1)
		Itaú Unibanco Holding S.A.	Duratex S.A. (5)	Itautec S.A.	Elekeiroz S.A.			
Total assets	**2010**	**755.112**	**5.011**	**1.079**	**640**	**764.211**	**(488.576)**	**275.635**
	2009	608.273	4.336	1.294	584	615.961	(402.457)	213.504
Operating revenues (2)	**2010**	**120.510**	**2.742**	**1.795**	**851**	**123.695**	**(75.753)**	**47.942**
	2009	111.994	1.930	1.872	571	117.369	(71.979)	45.370
Net income (6)	**2010**	**13.323**	**442**	**3**	**47**	**14.667**	**(9.654)**	**5.013**
	2009	10.067	178	54	4	11.742	(6.993)	4.749
Stockholders' equity	**2010**	**60.879**	**2.623**	**479**	**477**	**68.167**	**(38.988)**	**29.179**
	2009	50.683	2.331	496	443	57.956	(32.117)	25.839
Annualized return on average equity (%) (3)	**2010**	**24,1%**	**17,9%**	**2,5%**	**9,9%**	**23,4%**	**-**	**19,2%**
	2009	21,4%	7,8%	11,4%	0,9%	22,1%	-	21,9%
Internal fund generation (4)	**2010**	**37.301**	**839**	**76**	**86**	**38.842**	**(23.660)**	**15.182**
	2009	37.887	301	35	(14)	36.013	(19.577)	16.436

(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.*

(5) *In 2009, it includes the results of Satipel (proforma) for comparative effects.*

(6) *Net income includes the effect of Depreciation and Amortization Expenses in the amount of R$ 1,225 (R$ 1,182 in 2009), of which R$ 801 (R$ 896 in 2009) is of Itaú Unibanco.*

The information of revenue from geographical area (2010 and 2009) 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.

	2010			2009		
	Brazil	**Abroad**	**Total**	**Brazil**	**Abroad**	**Total**
Income from financial operations (1)	28.984	1.314	30.298	27.745	1.456	29.201
Non-current assets	2.727	216	2.943	2.625	177	2.802

(1) Includes interest and similar income, dividend income, net gains (loss) on financial assets and liabilities and results from foreign exchange operations and gains and losses on foreign exchange transactions abroad.

Additional Information

No revenue from transactions with only one external client or counterpart reached 10% or more of total income of ITAÚSA CONSOLIDATED in 2010 and 2009.

NOTE 33 – RELATED PARTIES

a) Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices on the respective dates, as well as under reciprocal conditions.

Transactions between companies included in consolidation were eliminated from the consolidated financial statements and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- The controlling stockholders of ITAÚSA;
- Fundação Itaubanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev, Itaubank Sociedade de Previdência Privada, UBB-Prev - Previdência Complementar, and Fundação Banorte Manoel Baptista da Silva de Seguridade Social and Fundação Itaúsa Industrial, closed-end private pension entities that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries; and
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema, and Associação Clube "A", entities sponsored by ITAÚ UNIBANCO and subsidiaries to act in their respective areas of interest.

The transactions with these related parties are basically characterized by:

a) Related parties

	Parent company				Consolidated					
	Transaction amount		Outstanding balance		Transaction amount			Outstanding balance		
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	01/01/2009	12/31/2010	12/31/2009	01/01/2009
Amounts receivable from (payable to) related companies	**(143)**	**73**	**-**	**73**	**-**	**-**	**90**	**(108)**	**-**	**(14)**
Itaú Unibanco S.A.	(143)	73	-	73	-	-	-	-	-	-
Fundação BEMGEPREV	-	-	-	-	-	-	-	(13)	-	-
UBB Prev Previdência Complementar	-	-	-	-	-	-	13	(17)	-	(3)
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	-	-	-	-	-	-	77	(79)	-	(11)
Other	-	-	-	-	-	-	-	1	-	-
Demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**1**	**-**
Other	-	-	-	-	-	-	-	3	1	-
Banking service fees	**-**	**-**	**-**	**-**	**17**	**14**	**-**	**-**	**-**	**13**
Fundação Itaubanco	-	-	-	-	10	9	-	-	-	6
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	3	2	-	-	-	2
UBB Prev Previdência Complementar	-	-	-	-	3	3	-	-	-	4
Other	-	-	-	-	1	-	-	-	-	-
Rent income (expenses)	**1**	**1**	**-**	**-**	**(24)**	**(32)**	**-**	**-**	**-**	**(30)**
Itaú Unibanco S.A.	1	1	-	-	-	-	-	-	-	-
Fundação Itaubanco	-	-	-	-	(15)	(24)	-	-	-	(23)
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	-	-	(8)	(7)	-	-	-	(6)
Other	-	-	-	-	(1)	(1)	-	-	-	(1)
Donation expenses	**-**	**-**	**-**	**-**	**(44)**	**(50)**	**-**	**-**	**-**	**(37)**
Instituto Itaú Cultural	-	-	-	-	(44)	(39)	-	-	-	(37)
Instituto Unibanco de Cinema	-	-	-	-	-	(10)	-	-	-	-
Associação Clube "A"	-	-	-	-	-	(1)	-	-	-	-

In addition to the aforementioned operations, ITAÚSA and non-consolidated related parties, as an integral part of the Agreement for Apportionment of Common Costs, recorded in Other Administrative Expenses the amount of R$ 17 (R$ 4 from 01/01 to 12/31/2009) in view of the use of the common structure.

b) Guarantees provided

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

	12/31/2010	12/31/2009
Duratex S.A.	362	365
Elekeiroz S.A.	15	21
Itautec S.A.	167	152
Total	**544**	**539**

c) Compensation of the Management Key Personnel

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

	12/31/2010	12/31/2009
Compensation	9	9
Profit sharing	8	7
Contributions to pension plans	1	1
Total	**18**	**17**

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$ 485, which is expected to readily generate a 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 pose 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 subsidiary 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.

With the purpose of maintaining investments at acceptable risk levels, new investments or increases in interests are discussed in a Committee composed of ITAÚSA's Executive Board and Board of Directors.

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, (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's management is performed with the objective of maximizing the risk and return ratio of its assets, maintaining the credit portfolio quality at levels appropriate to the market segments in which it operates. The strategy is aimed at creating value to its stockholders at levels higher than a 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, the portfolio development analysis, the registered default levels, the observed return rates, the portfolio quality and the allocated economic capital; whereas the 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 provides the necessary timeliness and flexibility for the approval process.

1. **Credit risk measurement**

    1.1. Loans to customers and financial institutions

Itaú Unibanco takes into account three components to quantify the credit risk: the probability of default by the client or counterparty (PC), 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 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, Higher Risk, Satisfactory, Impairment) of the group and the probability of default associated with each of these levels.

Internal rating	**PD**
Strong	Lower than 4.44%
Satisfactory	Lower than 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 the wholesale 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, small and middle market companies), the rating is assigned based on statistical models of credit and behavior score, aligned with the requirements of the Basel Committee. Extraordinarily, an individual analysis of specific cases is also possible, in which case credit approval follows the applicable approval levels.

1.2. Government and other debt instruments

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

2. Control risk limits

Itaú Unibanco controls the exposure and concentration of credit risk 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 by the organization 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 the desired one. For that purpose, the loan contracts include provisions in certain circumstances such as right to demand early payment or requirement of additional collateral.

3. Collateral and policies for mitigating credit risk

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 the value available in loans. The maximum exposure, considering the total utilization of the limits in shown in the table below. The limits are continually monitored and changed according to costumer behavior. Thus, the potential loss values represent a fraction of the amount available.

4. Policies on recognition of allowance for loan losses

The policies for recognition of allowance for loan losses adopted by Itaú Unibanco Holding are aligned with the guidelines of IFRS and of the Basel Accord. As a result, an allowance for loan losses is recognized as from the moment where there are indications of the impairment of the portfolio and take into account a horizon of loss appropriate for each type of transaction. We consider 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 being past due or 540 days of being past due in the case of loans with original maturities over 36 months.

5. Credit risk exposure

	2010		
	Brazil	**Abroad**	**Total**
Interbank deposits	4.684	10.151	14.835
Securities purchased under agreement to resell	87.396	1.286	88.682
Financial assets held for trading	101.815	13.682	115.497
Financial assets designated at fair value through profit or loss	-	306	306
Derivatives	5.571	2.206	7.777
Available-for-sale financial assets	19.601	24.938	44.539
Held-to-maturity financial assets	2.478	692	3.170
Loan operations	241.479	54.008	295.487
Other financial assets	38.809	1.924	40.733
Transactions with credit card issuers	18.061	-	18.061
Pledged as collateral	11.062	1.837	12.899
Other	9.686	87	9.773
Off Balance	**214.962**	**7.074**	**222.036**
Endorsements and sureties	36.510	1.864	38.374
Letters of credit	8.628	**-**	8.628
Commitments to be released	169.824	5.210	175.034
Real estate loan	9.064	-	9.064
Overdraft accounts	82.299	-	82.299
Credit cards	72.034	522	72.556
Other pre-approved limits	6.427	4.688	11.115
Total	**716.795**	**116.267**	**833.062**

The table below presents the maximum exposure at December 31, 2010, without considering any collateral received or any other credits improvements added.

For assets recognized in the balance sheet, the exposures presented are based on its carrying amounts. This analysis only includes financial assets subject to credit risk and excludes non-financial assets.

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

As shown in the table chart, the most significant exposures correspond to loan operations, financial assets held for trading, interbank deposits, in addition to endorsements, sureties and other assumed commitments.

The following is observed with respect to the quality of the financial assets presented as maximum exposure:

- 78% of loan operations and other financial assets of the total loans operations and other financial assets exposure (Table 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating;

- only 1.5% of the total loans exposure (Table 6.1) is represented by overdue loans without loss event; and

- 2.6% of the total loans exposure (Table 6.1) corresponds to overdue loans impaired.

In the case of other financial assets, 42.1% (Table 6.2) are represented by financial assets held for trading, of which 93.3% have low probability of default.

5.1) Maximum exposure of financial assets segregated by business sector

a) Loan operations

	12/31/2010	%	12/31/2009	%
Public sector	1.138	0,39%	1.620	0,66%
Industry and commerce	84.997	28,77%	67.902	27,71%
Services	60.295	20,41%	48.657	19,85%
Primary sector	13.933	4,72%	13.299	5,43%
Individual	132.939	44,99%	112.307	45,83%
Other sectors	2.185	0,74%	1.278	0,52%
Total	**295.487**	**100,00%**	**245.063**	**100,00%**

b) Other financial assets (*)

	12/31/2010	%	12/31/20009	%
Primary sector	581	0,21%	1572	0,61%
Public sector	85.058	31,03%	52.336	20,25%
Industry and commerce	5.614	2,04%	2.932	1,13%
Services	72.491	26,38%	44.872	17,36%
Other sectors	7.218	2,63%	3.130	1,21%
Individual	21	0,04%	30	0,01%
Financial institutions	103.517	37,67%	153.619	59,43%
Total	**274.500**	**100,00%**	**258.491**	**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 agreement to resell.

c) The credit risks of "off balance" (endorsements and sureties, letters of credit and commitments to be released) are not categorized nor managed by business sector.

6. Credit quality of financial assets

6.1 The following table shows the breakdown of loans, considering loans not overdue, overdue loans with or without loss event:

Internal Rating	2010 Loans not overdue	2010 Overdue loans without loss event	2010 Overdue loans with loss event	2010 Total loans	2009 Loans not overdue	2009 Overdue loans without loss event	2009 Overdue loans with loss event	2009 Total loans
Strong	199.716	1.267	-	200.983	150.865	1.552	-	152.417
Satisfactory	59.427	1.188	-	60.615	60.075	1.183	-	61.258
Higher Risk	17.852	2.160	-	20.012	15.793	1.369	-	17.162
Impairment	6.263	-	7.614	13.877	5.419	-	8.807	14.226
Total	**283.258**	**4.615**	**7.614**	**295.487**	**232.152**	**4.104**	**8.807**	**245.063**
%	**95,9%**	**1,5%**	**2,6%**	**100,0%**	**94,7%**	**1,7%**	**3,6%**	**100,0%**

6.1.1 Loan operations, overdue without loss event, are classified by maturity as follows:

	2010	2009
Up to 30 days overdue	2.978	1.552
31-60 days overdue	1.010	1.183
61-90 days overdue	627	1.369
Total	**4.615**	**4.104**

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

Internal Rating	2010 Interbank deposits and securities purchased under agreement to resell	Financial assets held for trading (*)	Derivatives Assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Strong	103.517	107.798	5.140	22.055	3.163	241.673
Satisfactory	-	7.564	2.577	22.428	7	32.576
Higher Risk	-	135	60	56	-	251
Total	**103.517**	**115.497**	**7.777**	**44.539**	**3.170**	**274.500**
%	**37,7%**	**42,1%**	**2,8%**	**16,2%**	**1,2%**	**100,0%**

(*) Includes the amount of R$ 306 related to the fair value option.

Internal Rating	2009 Interbank deposits and securities purchased under agreement to resell	Financial assets held for trading (*)	Derivatives Assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Strong	153.619	27.565	377	23.439	2.358	207.358
Satisfactory	-	24.319	5.212	17.710	71	47.312
Higher Risk	-	3.668	-	153	-	3.821
Total	**153.619**	**55.552**	**5.589**	**41.302**	**2.429**	**258.491**
%	**59,4%**	**21,5%**	**2,2%**	**16,0%**	**0,9%**	**100,0%**

(*) Includes the amount of R$ 373 related to the fair value option.

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

With respect loans to corporations a considerable amount of transactions have collateral whose nature depends on the purpose of the credit purpose. Loans to finance the production of goods have as the most common collateral machinery and equipment. Cash flow financing are usually collateralized by trade notes or checks, credit card receivables, endorsements or by the joint obligation of the owners of the company and/or of third parties. Financing for investments usually is collateralized through pledge or mortgage of the financed asset. In addition, the following collaterals may be also required: financial investments, quotas of funds, debt securities and other instruments.

With respect to loans to individuals, collaterals are mainly required in real estate loans and vehicle financing operations, where the financed goods are pledged as collateral. With respect to other credit products, the requirement of collaterals is less frequent, but may exist in which case the most common collateral are financial investments.

7. Renegotiated loan operations

Restructuring activities include agreements for payment extension, change and deferral of payments. After the restructuring process, the customer's account (previously overdue) is no longer considered to be past due and is rated (considering all available information, including renegotiation) on the appropriate rating category. Renegotiated credit operations that would otherwise be overdue at December 31, 2010, had they not been renegotiated, totaled R$ 9,032 (R$ 7,604 at December 31, 2009).

8. Repossessed assets

Repossessed assets are classified as assets when effectively seized.

Assets received from the foreclosure of loans, including real estate, are initially recorded at the lower amount between: (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 against expenses. The maintenance costs of these assets are expensed as incurred.

The policy for sales of these assets includes periodic auctions that are previously marketed and also considers that these assets cannot be held for more than one year as stipulated by the BACEN. This term can be extended at the discretion of this authority.

The amounts below represent total assets repossessed during 2010.

	2010	2009
Real estate not in use	3	23
Residential properties – real estate loan	21	18
Vehicles – linked to loan operations	68	205
Other (vehicles/real estate/equipment) – payment in kind	2	138
Total	**94**	**384**

Market risk

Market risk is the possibility of incurring financial losses arising from the changes in the market values of positions held by a financial institution, as well as from its financial margin, including risks of transactions subject to changes in foreign exchange and interest rates, shares and commodity prices.

The Market Risk Management is the process through which the institution manages and controls potential risks of variation in market prices of financial instruments, which can directly or indirectly affect the value of our assets, liabilities and off-balance sheet positions. Its main objectives are controlling the exposure to market risk while optimizing the risk-return ratio through the use of models and advanced management tools.

The market risk controls cover all financial instruments of the portfolios of companies owned by Itaú Unibanco Holding and the related significant process and controls.

The Policy on Market Risk Management of Itaú Unibanco Holding is in line with the principles of CMN Resolution No. 3,464 of the Central Bank of Brazil. It is a set of principles that drive the institution's strategy towards control and management of market risks of all business units and legal entities of the group.

Risk Management Strategy of Itaú Unibanco Holding

Itaú Unibanco Holding requires the use of comprehensive methods and complementary methods, as well as of quantitative and qualitative tools to estimate, monitor and manage risks, based on the best market practices.

The development of portfolio optimization models helps to determine which portfolio of financial assets has the best risk-return ratio.

The risk management strategy of Itaú Unibanco Holding aims at achieving a balance between the business objectives of the company and its risk appetite, 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 the Market and Liquidity Risk Control Management, which carries out the daily measurement, assessment and reporting activities through control units operating in the different legal entities.

The Market and Liquidity Risk Control Management also carries out the consolidated monitoring, assessment and reporting of market risk information, aiming at providing input for the monitoring by senior-level committees and complying with the Brazilian regulatory body.

The market risk control and management process is subject to periodic reviews with the purposes of keeping the process aligned with the best market practices and complying with the continuous improvement processes at Itaú Unibanco Holding.

Risk identification

The treasury operations of Itaú Unibanco Holding are classified according to the trading intention, according to the following criteria:

- Trading portfolio (Trading book): consists of all transactions involving financial instruments and commodities, including derivatives, which are held with the intention of trading or to hedge other elements of the trading book and are not subject to limitations on their marketability. Transactions held in the trading book are those intended for resale, for obtaining benefits from changes in expected or actual prices or entering into arbitrage activities.

- Non-trading portfolio (Banking book): consists of all transactions not classified in the Trading Book. Corresponds to structural transactions and their hedges, as well as transactions entered into to manage the non-trading portfolio.

The exposures to market risks of products, including derivatives, are broken down by risk factors. A risk factor refers to a market benchmark whose changes result in impact in income.

The main risk factors are described below:

- Interest rate risk: risk of financial losses on operations subject to changes in interest rates, including the following:
  - Fixed rates in real;
  - Foreign currency coupon rates;
  - Price index coupon rates;
  - Fixed coupon rates in real (TR and TJLP).
- Foreign exchange risk: risk of financial losses on positions in foreign currency and operations subject to foreign exchange variation;
- Share price risk: risk of financial losses on operations subject to changes in share prices.

Risk Measures:

Risk assessments are conducted for each risk factor by estimating potential losses with the adoption of models of Value at Risk, or VaR, based on the statistical behavior of risk factors, with a level of confidence at 99%. The main technique adopted to quantify the risk is the measure based on market parameters, of the potential reduction (or increase) of the fair value of assets (or liabilities) associated with the change in the risk factor by the market parameter. The risk assessment process quantifies the exposure to and the appetite for risk using: (i) risk limits based on market risk factors, (ii) VaR (level of confidence at 99%), (iii) stress testing, and (iv) analysis of unrealized results.

- Calculation of statistic Value at Risk (VaR - Value at Risk): Statistic measure that estimates the expected maximum potential economic loss under regular market conditions, taking into consideration the defined time period and confidence level;
- Calculation of losses in stress scenarios (Stress testing): Simulation technique to assess the behavior of assets and liabilities of a portfolio when several financial factors are considered in extreme market situations (based on projected scenarios or hypotheses);
- Stop loss alert: Effective losses added to the maximum potential loss in optimistic and pessimistic scenarios;
- Unrealized result analysis: Assessment of the difference between the appropriated interest amount and the market value, in a normal and a stress scenario, reflecting accounting asymmetries.

Control over losses:

- Stop loss: Maximum loss that a trader, a subdesk or the desks with operations classified in the Trading portfolio may reach.

Structure of Limits:

The risk management process starts with the establishment of limits, which are approved by the Institutional Treasury Superior Committee. The market risk limits are structured in accordance with the guidelines established by the Risk Superior Committee, 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 the risk measures used by management;

- Upper Limits: Defined by the Institutional Treasury Superior Committee, and the daily control performed by control units and the monitoring and reporting to the Superior Committees being the responsibility of the Market and Liquidity Control Area;

- Internal Limits: Defined by the risk management local committees and controlled directly by the control units, and must observe the upper limits.

These limits are informed to each risk control division of the relevant business unit that is responsible for the risk management daily activities and that provides information periodically to the risk control division of Itaú Unibanco Holding. Our risk control division monitors the scope, accuracy and quality of our controls. The risk control cycle is finalized disclosing a consolidated risk report to the Institutional Treasury Superior Committee. The committee is responsible for monitoring all strategies and exposures, understanding and managing them on a consolidated corporate level.

Allocated Economic Capital:

- Used as a tool to ensure that we will be able to absorb the impact of unexpected losses, and that we will be able to continue our business in adverse scenarios.

Market Risk Monitoring

The Institution has a unified Market Risk Management area, focused on controlling the market risk of Itaú Unibanco and its affiliates. The risks management of Itaú Unibanco Holding is carried out through the control of statistical VaR of its banking position (essentially) and its treasury position (essentially trading). Additionally stress scenarios are used for assessing market risks in the portfolios of Itaú Unibanco Holding.

The Institutional Treasury's risk management is divided into three groups: Structural Gap (banking), and Flow Book and Own Portfolio Desk (corresponding to trading book).

For monitoring the market risk exposure, two exposure categories are managed: a trading (trading book) portfolio, managed by the flow book trading desk and the proprietary trading desk, and the nontrading portfolio (banking book or "structural gap").

As a result of the merger with Unibanco, we unified the models and risks controls and procedures in place in Itaú BBA, Unibanco and Itaú in 2009.

The trading book is monitored through VaR models, VaR stress scenarios, stop loss limits (prevention of losses) and stop loss alerts (warning that stop loss limits may be reached on stress scenarios). We manage our banking book by adopting VaR models, VaR stress scenarios, and gain and loss simulations based on stress scenarios.

ITAÚ UNIBANCO HOLDING CONSOLIDATED

Var Global shown in the tables below comprises consolidated VaR of the domestic and international operations of Itaú Unibanco Holding, also comprising the portfolios of Itaú Unibanco, Itaú BBA, Banco Itaú Europa, Banco Itaú Argentina, Banco Itaú Chile, Banco Itaú Paraguai and Banco Itaú Uruguai. The portfolios of Itaú Unibanco and Itaú BBA are presented jointly, segregated by risk factor.

Itaú Unibanco Holding seeks to keep an operating policy within low limits regarding our capital basis. We noted that the diversification of risk within our business units was significant, reducing VaR global. In 2010, average VaR of VaR global was R$ 109.4 million, or 0.16% of total stockholders' equity.

VaR Global (*)

	2010			
	12/31/2010	Medium	Minimum	Maximum
Risk factors	(in R$ million)			
Interest rate				
Fixed income	77.8	65.2	26.5	102.4
TR	28.4	33.1	18.2	57.5
Interest rate linked to dollar	13.0	12.9	2.6	38,0
Interest rates linked to inflation rate	18.6	17.1	6.4	30.0
Sovereign bonds	4.3	5.5	1.1	12.8
International interest rate	15.1	6.4	1.5	16.7
Commodities				
Commodities	18.5	10.8	2.3	40.1
Exchange rate				
Foreign currency risk – other	5.7	8.5	0.4	23.4
Exchange rate – U.S. dollar	9.7	12.5	0.6	34.6
Shares				
Shares	14.4	15.1	5.1	27.7
Other				
Other	2.4	4.8	1.1	31.2
Itaú Argentina	1.6	1.0	0.4	2.3
Itaú Chile	3.3	5.1	2.6	9.4
Itaú Uruguay	0.2	0.4	0.2	0.8
Itaú Europe	0.6	1.3	0.5	3.4
Itaú Paraguay	0.9	0.6	0.2	1.6
Effect of diversification	(82,8)	-	-	-
Total	**131.9**	**109.4**	**61.6**	**181.8**

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

Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

According to the criteria for classification of operations provided for by BACEN Resolution No. 3,464/07 and Circular No. 3,354/07, and the Capital Accord – Basel II, the financial instruments of ITAÚ UNIBANCO HOLDING S.A., included all transactions with derivatives, are separated in Trading and Banking portfolios.

The sensitivity analyses shown below do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses. In addition, we point out that the presented results do not necessarily translate into accounting results, because the study's sole purpose is to disclose the exposure to risks and the respective protective actions, taking into account the fair value of financial instruments, irrespective of the accounting practices adopted by the institutions.

The trading portfolio consists of all transactions, including those with derivatives, held with the intention of being traded or to provide hedge to the other financial instruments of this strategy. These are transactions for resale, obtaining benefits from price movements, actual or expected or conduction of arbitrage. This portfolio has strict limits set by the risk areas and is daily controlled.

Amount in R$ (000)

Tradíng portfolio		**12/31/2010 (*)**		
Risk factors	**Risk of variation in:**	**Scenarios**		
		I	**II**	**III**
Fixed rate	Fixed rates in reais	(814)	(20.263)	(40.346)
Foreign exchange coupons	Rates of foreign currency coupon	86	(2.191)	(4.458)
Foreign currency	Exchange variation	(1.101)	(27.525)	(55.050)
Price indices	Rates of price index coupon	(119)	(2.963)	(5.899)
TR	Rate of TR coupon	346	(8.749)	(17.678)
Commodities	Commodities prices variation	(4)	(108)	(216)
Variable income	Share price	4.025	(100.634)	(201.268)
	Total without correlation	**2.419**	**(162.433)**	**(324.914)**
	Total with correlation	**1.603**	**(107.616)**	**(215.264)**

(*) Amounts net of tax effects

The banking portfolio comprises transactions that do not fit into the trading portfolio concept and are typically banking transactions of the institution’s business lines and their respective hedges, which may or not be carried our with derivative financial instruments. Accordingly, the derivatives of this portfolio are not used for speculation purposes, not generating significant economic risks to the institution.

Amount in R$ (000)

Trading and Banking portfolio Exposures		**12/31/2010 (*)**		
Risk factors	**Risk of variation in:**	**Scenarios**		
		I	**II**	**III**
Fixed rate	Fixed rates in reais	(3.648)	(90.909)	(181.222)
Foreign exchange coupons	Rates of foreign currency coupon	(1.826)	(45.244)	(89.655)
Foreign currency	Exchange variation	2.105	(52.625)	(105.250)
Price indices	Rates of price index coupon	(578)	(14.373)	(28.578)
TR	Rate of TR coupon	(1.286)	(31.054)	(59.913)
Commodities	Commodities prices variation	(3)	(85)	(170)
Variable income	Share price	4.388	(109.698)	(219.396)
	Total without correlation	**(848)**	**(343.988)**	**(684.183)**
	Total with correlation	**(562)**	**(227.901)**	**(453.289)**

(*) Amounts net of tax effects

Scenario I: Addition of 1 base point to the fixed-rate curve, currency coupon, inflation and commodities and interest rate indices, and 1 percentage point in currency and share prices, which is based on market information (BM&F BOVESPA).

Scenario II: Shocks at approximately 25% in the portfolio at December 31, 2010, considering the largest resulting losses per risk factor;

Scenario III: Shocks at approximately 50% in the portfolio at December 31, 2010, considering the largest resulting losses per risk factor;

All derivative financial instruments engaged by ITAÚ UNIBANCO HOLDING S.A.

Most significant exposures to each market risk are shown below:

Interest rate risk

2010	0-30	31-180	181-365	1-3 years	Over 3 years	Total
Interest-bearing assets	**258.766**	**145.250**	**69.989**	**151.046**	**66.973**	**692.024**
Interbank deposits	8.209	2.954	3.153	518	1	14.835
Securities purchased under agreement to resell	47.929	32.267	1.898	5.165	1.423	88.682
Central Bank compulsory deposits	81.304	-	-	-	-	81.304
Financial assets held for trading and designated at fair value through profit or loss	28.366	19.403	10.936	29.507	27.285	115.497
Available-for-sale financial assets	6.809	8.098	4.659	8.249	16.724	44.539
Held-to-maturity financial assets	4	144	136	295	2.591	3.170
Derivatives	1.142	2.602	1.315	1.212	1.506	7.777
Loan operations	44.270	79.782	47.892	106.100	17.443	295.487
Other financial assets	40.733	-	-	-	-	40.733
Interest-bearing liabilities	**213.838**	**58.288**	**49.043**	**134.715**	**77.481**	**533.365**
Savings deposits	57.900	-	-	-	-	57.900
Time deposits	15.333	16.714	21.476	33.002	29.892	116.417
Interbank deposits	348	836	505	203	37	1.929
Investment deposits	906	-	-	-	-	906
Securities sold under repurchase agreement	89.010	21.369	12.067	60.200	17.011	199.657
Interbank market	4.905	16.209	11.438	19.720	9.150	61.422
Institutional market	658	1.419	1.857	20.261	20.318	44.513
Derivatives	1.113	1.424	1.409	1.043	682	5.671
Financial liabilities held for trading	50	317	291	286	391	1.335
Other financial liabilities	41.012	-	-	-	-	41.012
Liabilities of capitalization certificates	2.603	-	-	-	-	2.603
Asset/liability difference	44.928	86.962	20.946	16.331	(10.508)	158.659
Cumulative difference	**44.928**	**86.962**	**20.946**	**16.331**	**5.823**	
Ratio of cumulative difference to total interest-bearing assets	6,5%	12,6%	3,0%	2,4%	0,8%	

FOREIGN CURRENCY RISK

	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
Financial assets held for trading	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
Credit card operations, net	30.558	4.158	2.511	16.024	53.251
TOTAL ASSETS	**79.327**	**8.172**	**2.641**	**22.118**	**112.258**
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
Funds from interbank market	25.013	712	1	1.360	27.086
Funds from institutional market	27.355	1.333	-	932	29.620
TOTAL LIABILITIES	**90.982**	**4.934**	**275**	**16.503**	**112.694**
NET POSITION	**(11.655)**	**3.238**	**2.366**	**5.615**	**(436)**

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 their 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 due.

Itaú Unibanco Holding has a structure dedicated to improving monitoring and analysis, through models of statistical and economic-financial projections, of the variables that affect cash flow and the level of reserve in local and foreign currencies.

Additionally, Itaú Unibanco Holding establishes guidelines and limits whose compliance is periodically analyzed in technical committees, and whose purpose is providing 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 Institutional Treasury Superior Committee – Liquidity.

These scenarios may be reviewed punctually, considering the cash needs, due to atypical market situations or arising from strategic decisions.

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$ 362.7 billion reais in the fourth quarter of 2010, particularly funding from time deposits. A considerable portion of these funds – 29.5% of total, or R$ 107.3 billion – may be redeemed in less than 30 days. However, the historical behavior of the two largest items in this group – demand and savings deposits - is relatively steady with the balances increasing over time and inflows exceeding outflows when monthly average amounts are considered.

Funding from Clients	2010			2009	
	0-30 days	Total	%	Total	%
Deposits	99.891	202.688		190.716	
Demand	25.349	25.349	7,0	24.664	8,4
Savings	57.899	57.900	16,0	48.959	16,3
Time	15.333	116.416	32,1	113.902	38,7
Other	1.310	3.023	0,8	3.191	1,0
Funds from acceptances and issuance of secur	3.418	24.304	6,7	16.629	5,8
Funds from own issue (2)	3.983	101.278	27,9	65.457	22,1
Subordinated debt	28	34.487	9,5	22.726	7,7
Total	**107.319**	**362.757**		**295.528**	

(1) Include Mortgage Notes, Real Estate Credit Bills, Agribusiness and Financial Bills recorded in Interbank and Liabilities for Issue of Debentures and Foreign Borrowings through Securities recorded in Funds from Institutional Markets.

(2) Refer to Securities Sold under 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 business in usual conditions.

During the fourth quarter of 2010, Itaú Unibanco Holding maintained appropriate levels of liquidity in Brazil and abroad. Liquid assets (cash and cash equivalents, securities purchased under agreements to resell and government securities available) totaled R$ 59.3 billion and accounted for 55.1% of short-term redeemable obligations, 16.3% of total funds, and 12.9% 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	55,1
Net assets / Total funds	16,3
Net assets / Total assets	12,9

In addition, we present the liabilities per remaining contractual maturities considering their flows undiscounted, except derivatives that are presented at their discounted amounts:

R$ Million

Future Flows Not Discounted	**December 31, 2010**			
LIABILITIES	**0 - 30**	**31 - 365**	**Over 365 days**	**Total**
Deposits	**100.293**	**43.095**	**81.945**	**225.333**
Demand deposits	25.532	-	-	25.532
Savings deposits	57.900	-	-	57.900
Time deposit	15.531	41.687	81.693	138.911
Interbank deposit	424	1.408	252	2.084
Other deposits	906	-	-	906
Securities sold under repurchase agreements (1)	**89.365**	**35.559**	**89.579**	**214.503**
Funds from acceptances and issuance of securities (2)	**3.455**	**11.825**	**12.078**	**27.358**
Borrowings and onlending (3)	**2.372**	**19.742**	**34.278**	**56.392**
Subordinated debt (4)	**28**	**2.038**	**44.196**	**46.262**
Derivative financial instruments	**1.113**	**2.831**	**1.727**	**5.671**
	196.626	**115.090**	**263.803**	**575.519**

(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 Market.

(4) Recorded in Funds from Interbank Markets.

NOTE 35 – RECONCILIATION BETWEEN BRGAAP AND IFRS OF BALANCE SHEET AND STATEMENT OF INCOME

We present below the effect on Financial Statements of the IFRS initial adoption process:

(In millions of Reais)

CONSOLIDATED BALANCE SHEET	PRIOR BRGAAP	CONSOLIDATION ADJUSTMENTS	RECLASSIFI CATION	ITAU UNIBANCO HOLDING	INDUSTRIAL COMPANIES	ITAÚSA AND IUPAR	NEW BRGAAP
ASSETS	**01/01/2009**						**01/01/2009**
Cash and deposits on demand	16.067	(10.218)	(29)	-	(1)	-	5.818
Compulsory deposits	14.385	(8.661)	-	-	-	-	5.724
Interbank deposits	26.007	(16.727)	-	1	36	-	9.316
Securities purchased under agreement to resell	98.538	(63.454)	4.909	-	-	-	39.993
Financial assets held for trading	69.986	(43.534)	(4.931)	(53)	-	-	21.468
Financial assets designated at fair value through profit or loss	698	(450)	(32)	-	-	-	216
Derivatives	17.610	(11.334)	12	(103)	-	-	6.185
Available-for-sale financial assets	44.015	(27.917)	438	454	-	-	16.990
Held-to-maturity financial assets	7.592	(4.893)	(448)	-	-	-	2.250
Loan operations	227.076	(148.987)	870	964	-	-	79.923
Other financial assets	67.253	(41.831)	(14.369)	2	-	2	11.057
Inventories	746	11	-	-	(25)	-	732
Investments in unconsolidated companies	1.210	(1.913)	-	1	-	1.190	488
Fixed assets, net	5.994	(2.615)	(12)	26	-	-	3.393
Biological assets	182	(1)	-	-	284	-	466
Intangible assets, net	4.152	(2.666)	12	-	0	-	1.498
Tax assets	31.138	(22.249)	2.437	146	0	(709)	10.764
Assets held for sale	301	(187)	-	-	-	-	115
Other assets - non financial	10.251	(6.520)	(2.144)	372	85	-	2.045
TOTAL ASSETS	**643.201**	**(414.146)**	**(13.286)**	**1.810**	**379**	**483**	**218.441**
LIABILITIES AND STOCKHOLDERS' EQUITY	**01/01/2009**						**01/01/2009**
Raised funds	414.775	(267.394)	(45)	938	-	-	148.274
Deposits	210.405	(137.174)	-	-	-	-	73.231
Deposits received under securities repurchase agreements	100.098	(56.033)	-	-	-	-	44.065
Financial liabilities held for trading	-	0	105	-	-	-	105
Interbank market	72.466	(54.114)	(12)	607	-	-	18.947
Institutional market	31.806	(20.073)	(137)	331	-	-	11.926
Derivatives	14.858	(9.545)	(8)	(224)	-	-	5.081
Other financial liabilities	71.045	(46.514)	(15.639)	-	-	-	8.892
Reserves for insurance, private pension and capitalization plans	43.182	(27.885)	-	(66)	-	-	15.231
Provisions	17.179	(10.926)	61	-	90	-	6.404
Tax liabilities	10.802	(9.492)	2.376	-	-	-	3.686
Other	23.077	(12.821)	(32)	(300)	49	-	9.974
TOTAL LIABILITIES	**594.918**	**(384.578)**	**(13.286)**	**348**	**140**	**-**	**197.542**
Capital	10.000	(17)	-	-	17	-	10.000
Treasury shares	(46)	-	-	-		-	(46)
Reserves	6.760	968	-	1.831	222	483	10.264
Cumulative comprehensive income	(122)	(1.078)	-	342	-	-	(858)
TOTAL STOCKHOLDERS' EQUITY OF OWNERS OF PARENT COMPANY	**16.592**	**(127)**	**-**	**2.173**	**239**	**483**	**19.360**
Non-controlling interests	31.691	(29.441)	-	(711)	-	-	1.539
STOCKHOLDERS' EQUITY	**48.283**	**(29.568)**	**-**	**1.463**	**239**	**483**	**20.899**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**643.201**	**(414.146)**	**(13.286)**	**1.810**	**379**	**483**	**218.441**

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
BR GAAP X IFRS Reconciliation
Year ended December 31, 2009
(In millions of Reais)

CONSOLIDATED BALANCE SHEET	PRIOR BRGAAP	CONSOLIDATION ADJUSTMENTS	RECLASSIFIC ATION	ITAU UNIBANCO HOLDING	INDUSTRIAL COMPANIES	ITAÚSA AND IUPAR	NEW BRGAAP
ASSETS	**12/31/2009**						**12/31/2009**
Cash and deposits on demand	10,782	(6,871)	(6)	-	(2)	-	3,903
Compulsory deposits	14,901	(8,931)	-	-	-	-	5,970
Securities purchased under agreement to resell	139,442	(89,494)	5,107	(99)	-	-	54,956
Financial assets held for trading	72,460	(46,845)	(5,092)	(53)	-	-	20,470
Financial assets designated at fair value through profit or loss	388	(256)	-	-	-	-	132
Derivatives	5,940	(3,831)	14	(139)	-	-	1,984
Available-for-sale financial assets	40,433	(26,115)	(166)	642	-	-	14,794
Held-to-maturity financial assets	2,430	(1,568)	-	-	-	-	862
Other financial assets	50,841	(32,121)	(9,250)	14	-	-	9,483
Loan operations	224,728	(146,754)	594	1,159	-	-	79,727
Inventories	758	-	-	-	(25)	-	733
Investments in unconsolidated companies	1,192	(1,589)	-	336		1,190	1,129
Fixed assets, net	7,524	(3,268)	(16)	26	37	-	4,304
Biological assets	363	-	-	-	507	-	870
Intangible assets, net	3,805	(2,426)	16	-	509	-	1,904
Tax assets	32,283	(25,189)	3,073	(177)	9	(107)	9,892
Assets held for sale	245	(153)	-	-	-	-	92
Other assets	7,446	(3,076)	(2,695)	433	189	2	2,299
TOTAL ASSETS	**615,961**	**(398,487)**	**(8,421)**	**2,143**	**1,224**	**1,084**	**213,504**
LIABILITIES AND STOCKHOLDERS' EQUITY	**12/31/2009**						**12/31/2009**
Raised funds	396,256	(255,339)	35	396	-	-	141,348
Deposits and funding	322,086	(207,661)	1	-	-	-	114,426
Financial liabilities held for trading	-	-	235	-	-	-	235
Funding from interbank markets	43,664	(28,235)	34	396	-	-	15,860
Funding from institutional markets	30,506	(19,444)	(235)	-	-	-	10,827
Derivatives	5,559	(3,532)	(51)	0	-	-	1,976
Reserves for insurance, private pension and capitalization plans	52,396	(34,529)	-	(63)	-	-	17,805
Provisions	14,395	(9,466)	(199)	-	371	-	5,101
Tax liabilities	18,022	(12,732)	368	-	-	-	5,658
Other	71,377	(46,835)	(8,574)	(221)	31	-	15,778
TOTAL LIABILITIES	**558,005**	**(362,433)**	**(8,421)**	**113**	**402**	**-**	**187,666**
Capital	13,000	-	-	-	-	-	13,000
Treasury shares	(15)	-	-	-	-	-	(15)
Reserves	6,763	(190)	-	2,292	298	1,084	10,247
Cumulative comprehensive income	38	(212)	-	131	-	-	(43)
TOTAL STOCKHOLDERS' EQUITY OF OWNERS OF PARENT COMPANY	**19,786**	**(402)**	**-**	**2,423**	**298**	**1,084**	**23,189**
Non-controlling interests	38,170	(35,652)	-	(393)	524	-	2,649
STOCKHOLDERS' EQUITY	**57,956**	**(36,054)**	**-**	**2,030**	**822**	**1,084**	**25,838**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**615,961**	**(398,487)**	**(8,421)**	**2,143**	**1,224**	**1,084**	**213,504**

ITAÚSA - INVESTIMENTOS ITAÚ S.A
BR GAAP x IFRS Reconciliation
Year ended December 31, 2009
(In millions of Reais)

CONSOLIDATED STATEMENT OF INCOME	PRIOR BRGAAP	CONSOLIDATION ADJUSTMENTS	RECLASSIFICATION	ITAÚ UNIBANCO HOLDING	INDUSTRIAL COMPANIES	ITAÚSA AND IUPAR	NEW BRGAAP
Sales of products and services	4.299	-	-	-	-	-	4.299
Interest and similar income	74.412	(48.239)	(157)	34	-	-	26.050
Net gain (loss) from financial assets and liabilities	3.430	(2.210)	(171)	(7)	-	-	1.042
Dividends income	160	(63)	-		-		97
Banking service fees	17.480	(9.906)	-	96	-	-	7.670
Income from insurance and private pension	16.237	(11.228)	-	(2)	-	-	5.007
Other operating income	6.604	(5.220)	-	306	1	-	1.225
Interest and similar expenses	(30.133)	22.929	161	(22)	-	-	(7.064)
Losses on loans, receivables and claims	**(28.508)**	**18.835**	**0**	**170**	**-**	**-**	**(9.488)**
Expenses for allowance for loan losse	(15.415)	9.679	0	176	-	-	(5.560)
Recovery of credits written off as loss	1.302	(510)	-	-	-		792
Expenses for claims	(14.394)	9.666	-	(6)	-	-	(4.720)
Cost of products and services	(3.330)	-	-	-	-	-	(3.330)
Other operating expenses	(18.848)	14.060	167	302	(2)	-	(3.870)
General and administrative expenses	(20.467)	8.020	-	-	-	-	(12.447)
Tax expenses	(2.659)	1.042	-	-	-	-	(1.617)
Share of income of unconsolidated companies	242	(107)	-	-	-	-	135
Net income before income tax and social contribution	**18.921**	**(12.087)**	**0**	**877**	**(1)**	**-**	**7.709**
Current income tax and social contribution	(5.757)	3.704	-	17	(1)	-	(2.037)
Deferred income tax and social contribution	(1.422)	784	-	(285)	-	-	(923)
NET INCOME	**11.742**	**(7.598)**	**0**	**608**	**(2)**	**-**	**4.749**
Net income attributable to owners of the parent company	10.786	(6.980)	0	558	(2)	-	4.362
Net income attributable to non-controlling interests	956	(618)	0	49	(0)	-	387

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
BR GAAP X IFRS Reconciliation
Year ended December 31, 2010
(In millions of Reais)

CONSOLIDATED BALANCE SHEET	PRIOR BRGAAP	UNCONSOLIDATED PORTION	RECLASSIFICATION	ITAÚ UNIBANCO HOLDING	INDUSTRIAL COMPANIES	ITAÚSA AND IUPAR	NEW BRGAAP
ASSETS	**12/31/2010**						**12/31/2010**
Cash and deposits on demand	10,911	(6,852)	(31)	-	-	-	4,029
Compulsory deposits	86,702	(55,233)	-	-	-	-	31,469
Securities purchased under agreement to resell	86,142	(54,206)	6,275	0	-	-	38,212
Financial assets held for trading	135,284	(86,297)	(6,423)	55	-	-	42,619
Financial assets designated at fair value through profit or loss	503	(391)	-	-	-	-	112
Derivatives	8,316	(5,276)	13	(207)	-	-	2,846
Available-for-sale financial assets	43,327	(27,172)	70	578	-	-	16,803
Held-to-maturity financial assets	3,170	(2,011)	-	-	-	-	1,159
Loan operations	277,387	(177,613)	303	679	-	-	100,756
Other financial assets	60,653	(44,929)					15,724
Inventories	661	-	-	-	2	-	663
Investments in unconsolidated companies	937	(1,820)	-	325	-	1,636	1,079
Fixed assets, net	7,867	(3,313)	-	27	36	-	4,617
Biological assets	470	-	-	-	560	-	1,030
Intangible assets, net	4,287	(2,083)	-	-	487	-	2,691
Tax assets	30,125	(19,336)	(1,300)	64	16	(120)	9,450
Assets held for sale	81	(49)					32
Other assets - non financial	7,388	2,591	(7,266)	7	70	(445)	2,345
TOTAL ASSETS	**764,211**	**(483,988)**	**(8,357)**	**1,526**	**1,171**	**1,072**	**275,635**

LIABILITIES AND STOCKHOLDERS' EQUITY	PRIOR BRGAAP	UNCONSOLIDATED PORTION	RECLASSIFICATION	ITAÚ UNIBANCO HOLDING	INDUSTRIAL COMPANIES	ITAÚSA AND IUPAR	NEW BRGAAP
LIABILITIES AND STOCKHOLDERS' EQUITY	**12/31/2010**						**12/31/2010**
Raised funds	509,881	(322,382)	(54)	431	-	-	187,876
Deposits and funding	202,610	(55,461)	-	-	-	-	147,149
Financial liabilities held for trading	787	(499)	200	-	-	-	488
Funding from interbank markets	261,062	(238,528)	(71)	431	-	-	22,894
Funding from institutional market	45,422	(27,894)	(183)	-	-	-	17,345
Derivatives	5,707	(3,618)	(17)	5	-	-	2,077
Reserves for insurance, private pension and capitalization plans	61,365	(39,624)	-	8	-	-	21,749
Provisions	22,565	(17,202)	(124)	-	342	-	5,581
Tax liabilities	10,565	(3,693)	(1,212)	31	-	(42)	5,650
Other	85,961	(54,555)	(6,950)	(487)	(0)	(445)	23,524
TOTAL LIABILITIES	**696,044**	**(441,074)**	**(8,357)**	**(13)**	**342**	**(486)**	**246,456**
Capital	13,266	-	-	-	-	-	13,266
Treasury shares	-	-	-	-	-	-	-
Reserves	10,477	(1,520)	-	1,796	830	1,558	13,141
Cumulative comprehensive income		(279)	-	175	(1)	-	(105)
TOTAL STOCKHOLDERS' EQUITY OF OWNERS OF PARENT COMPANY	**23,743**	**(1,799)**	**-**	**1,970**	**829**	**1,558**	**26,302**
Non-controlling interests	44,424	(41,116)	-	(431)	-	-	2,877
STOCKHOLDERS' EQUITY	**68,167**	**(42,915)**	**-**	**1,539**	**829**	**1,558**	**29,179**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**764,211**	**(483,988)**	**(8,357)**	**1,526**	**1,171**	**1,072**	**275,635**

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
BR GAAP x IFRS Reconciliation
Period ended December 31, 2010
(In millions of Reais)

CONSOLIDATED STATEMENT OF INCOME	PRIOR BRGAAP	UNCONSOLIDATED PORTION	RECLASSIFICATION	ITAÚ UNIBANCO HOLDING	INDUSTRIAL COMPANIES	ITAÚSA AND IUPAR	NEW BRGAAP
Sales of products and services	5.237	-	3	-	-	-	5.240
Interest and similar income	77.870	(49.749)	(31)	119	-	-	28.210
Net gain (loss) from financial assets and liabilities	1.655	(1.057)	7	93	-	-	698
Dividends income	123	(48)	-	-	-	-	75
Banking service fees	18.521	(11.271)	15	(25)	-	-	7.239
Income from insurance and private pension	17.221	(12.277)	-	45	-	-	4.989
Other operating income	5.532	(4.466)	21	(46)	-	-	1.041
Interest and similar expenses	(32.712)	23.344	(65)	(480)	172	-	(9.742)
Losses on loans, receivables and claims	(24.920)	16.653	(2)	(552)	-	-	(8.821)
Expenses for allowance for loan losses	(12.519)	7.357	(0)	(524)	-	-	(5.686)
Recovery of credits written off as loss	2.393	(859)	-	-	-	-	1.534
Expenses for claims	(14.794)	10.155	(0)	(28)	-	-	(4.667)
Cost of products and services	(3.624)	-	-	-	-	-	(3.624)
Other operating expenses	(10.072)	7.514	(3)	(6)	(165)	42	(2.691)
General and administrative expenses	(31.926)	17.607	57	178	30	-	(14.054)
Tax expenses	(2.590)	930	-	-	-	-	(1.660)
Share of income of unconsolidated companies	211	(251)	1	(15)	-	214	161
Net income before income tax and social contribution	**20.527**	**(13.071)**	**3**	**(689)**	**37**	**256**	**7.063**
Current income tax and social contribution	(4.233)	2.646	(3)	6	(13)	-	(1.596)
Deferred income tax and social contribution	(1.627)	1.124	(0)	62	-	(13)	(454)
NET INCOME	**14.667**	**(9.301)**	**0**	**(620)**	**24**	**243**	**5.013**
Net income attributable to owners of the parent company	12.923	(8.196)	0	29	22	214	4.417
Net income attributable to non-controlling interests	1.744	(1.106)	0	(591)	3	29	596

Itaúsa – Investimentos Itaú S.A.
Consolidated IFRS and BRGAAP

Independent Auditor's Report
on the Financial Statements at
December 31, 2010

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, 2010 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, 2010 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, 2010, 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, 2010, 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.

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, 2010, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. 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, March 28, 2011

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 Public company NIRE. 35300022220

OPINION OF THE FISCAL COUNCIL

The effective members of the Fiscal Council of ITAÚSA – INVESTIMENTOS ITAÚ S.A., having reviewed the Management Report and the Financial Statements for the year ended December 31, 2010, have verified the accuracy of all items examined and, in view of the unqualified opinion of PricewaterhouseCoopers Auditores Independentes, understand that they adequately reflect the company's capital structure, financial position and the activities conducted during the period.

São Paulo, March 28, 2011.

JOSÉ MARCOS KONDER COMPARATO
President

LUIZ ALBERTO DE CASTRO FALLEIROS
Member

PAULO RICARDO MORAES AMARAL
Member