Complete Financial Statements in IFRS
December 31, 2012

ITAÚSA

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

MANAGEMENT REPORT – January to December 2012

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

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

1) HIGHLIGHTS

Itaúsa

Itaúsa was selected to make up the portfolio of Dow Jones Sustainability World Index (DJSI) for the 9rd time, the main sustainability index in the world. In its 2012/2013 edition, the portfolio is made up by 340 companies of 30 countries, of which only nine are Brazilian companies. Among which the Itaúsa itself, Itaú Unibanco Holding S.A., Redecard S.A., and Duratex S.A. are included. Other highlights of Itaúsa activities are as follows:

- Leader in Financial Services, for the 6th consecutive year;
- Highest score of the sector in twelve criteria: Anti-crime and fraud policies; Branding; Customer Relationship Management (CRM); Engagement with strategic audiences; Supply management; Business risks and opportunities; Environmental Policy; Controversial issues; Financial inclusion; Development of human capital; Labor practices and human rights indicators; and Talent retention and attraction.

DJSI is made up of companies recognized as capable of creating value to stockholders in the long term. The index considers particularly the quality of management, with the integration of economic value with transparency, corporate governance and environmental and social responsibility as a way of assuring the business continuity. The inclusion in Dow Jones Sustainability shows Itaúsa’s long-term commitment to sustainable growth, focused on creating value to stockholders and the society.

Itaúsa was chosen, for the 6th consecutive year, to make up the portfolio of the Business Sustainability Index of BM&FBovespa (ISE) in its 2012/2013 edition. Itaú Unibanco and Duratex are also included in this short list. The new portfolio comprises 51 shares of 37 companies, representing 16 sectors totaling R$ 1.07 trillion in market value, accounting for 44.81% of the total market value of companies with shares traded on BM&FBovespa (on November 26, 2012).

Itaú Unibanco Holding

On September 24, 2012 Itaú Unibanco acquired through a public offering of shares, 44.4% of Redecard’s capital. Taking into account the shares acquired in public offering of shares and all acquisitions of shares subsequently carried out, the total invested was R$ 11.75 billion. With the aforementioned acquisitions, Itaú Unibanco’s interest in Redecard reached 100% of stock. On October 18, the Brazilian Exchange and Securities Commission (CVM) approved the request for cancellation of Redecard’s registration as a publicly-held company. This operation will enable Itaú Unibanco to offer products and services integrated into the bank’s clients and expanding business to a number of Brazilian municipalities in which the bank today has no physical structure (branches and/or PABs).

In the fourth quarter of 2012, Itaú Unibanco sold the remaining interest of 16.14% in Serasa to Experian. Serasa is a leading company in services and products for the analysis and information for credit and support to businesses for all segments in the market. Income before taxes in Itaú Unibanco, arising from this sale, was approximately R$ 1.5 billion.

Itaú Unibanco constituted a new financial institution in partnership with Banco BMG S.A. (70% controlled by Itaú Unibanco and 30% by BMG), aiming at the offering, distribution and sale of payroll loans in Brazil. This association was approved by the Administrative Council for Economic Defense (CADE) in October and operations started in December 2012.

In late September, Itaú Unibanco announced the investment of R$ 10.4 billion in technology, innovation and service to be made in the 2012 to 2015 period, one of the largest private investments to favor the growth of the Brazilian economy, aiming at increasing efficiency, continuously improving the quality of services provided and customer satisfaction.

In addition to the construction of the new Data Center in Mogi Mirim, one of the largest technological centers in the world, with capacity to support the expansion of operations in the next three decades, which is expected to generate approximately 700 direct jobs, and significantly contributing to the development of the economy, trade and qualification of labor in the region, the aforementioned amount also comprises the development of systems, and the acquisition of data processing systems and software.

A portion of this investment will be allocated to the improvement and design of new tools for expanding digital channels, such as internet banking and mobile banking:

- Easiness of use, safety and convenience have caused internet banking to be the bank’s most used channel, with a growth of 159% in the monthly operations average for the last four years;
- In mobile banking, total downloads and updates of applications increased over 18 times this year, from 366,000 in January to a total of 6.7 million in December for the year-to-date.

Duratex

For over 60 years, Duratex has been a benchmark in reliability, quality, innovation and sustainability. In 2012, Duratex decided to project its brand for the future, redesigning its visual identity so as to be prepared for a new market environment and to go beyond the aesthetic transformation.

The rhino redesign brings contemporaneity, evoking the symbol of credibility built over the years. The combination of light and fluid lines suggests blue drop or green leaf, in a clear association with Duratex’s commitment to sustainability. The new line also calls the letter “d” to the mind of Duratex, which evidences tradition, soundness and ethics.

In 2012, Duratex’s operating performance, measured by EBITDA, exceeded R$ 1 billion. This performance reflects the strength of the brand and the accurate past decisions made, aiming at expanding the production capacity. In the year, R$ 832 million was invested, accounting for 82.0% of the EBITDA, to keep the strategic edge based on economy of scale.

In the Wood Division, noteworthy developments were as follows: new MDF unit, in Itapetininga (SP), with an effective capacity of 520 thousand cubic meters per year; investments in the Taquari (RS) unit to make the full use of the effective capacity of the MDP line possible, which is scheduled for the end of the first half of 2013; and the acquisition of 37% of interest in Tablemac, leader in the production of wood panels in Colombia.

In Deca Division, the most significant investments were as follows: acquisition of the industrial valves manufacturing unit (Metalúrgica Ipê, Mipel) from Lupatech located in Jacareí (State of SP), which added a capacity of 780 thousand pieces/year/shift; increased capacity in the Jundiaí (SP) unit, from 17.0 to 18.2 million pieces/year of bathroom metals, opening of a new manufacturing unit of sanitary porcelain fixtures in Queimados (RJ), with annual capacity of 2.4 million of pieces, equal to a 25% increase in the installed capacity.

On January 2, 2013, the company announced the execution of an agreement to acquire Thermosystem, a company specialized in the manufacturing of electronic showers and heating systems, which should add a production capacity of 1.5 million pieces/year of electronic showers and solar heating systems. This investment, in the amount of R$ 58.1 million, unveils the focus on expanding Duratex operations in the finishing material segment of the civil construction sector.

Elekeiroz

In the year 2012, were invested R$ 38 million, of which R$ 18 million was invested in 30% expanded production capacity of the unsaturated polyester resins unit in Várzea Paulista. Programs to increase productivity, safety, and environmental preservation were the destination of R$ 20 million in investments.

The creation of a specific executive management for Research, Development and Innovation will assure the renew of the portfolio with new projects, part of which will be conducted with off-site technology institutes, following the global trend of open innovation.

The highly successful Management Cockpit tool was implemented in the second half, perfectly adjusted to Elekeiroz's business, aiming at expediting the managerial decisions in line with the company's strategy.

Itautec

In 2012 were invested R$ 76.1 million, of which R$ 66.1 million was invested in research and development, mainly in the development of products of the commercial and banking automation segments, including hardware and software, and R$ 10.0 million in fixed assets, of which R$ 4.9 million was invested in the Information Technology area for the acquisition of equipment and software.

In March 20, 2012, Itautec acquired 70% (seventy per cent) of the capital stock of BioLogica Sistemas Ltda., a company headquartered in Rio de Janeiro operating in the development of software in the computer biometrics and signs analysis area.

Regarding the portfolio of products, Itautec carried out significant advancements, including the expansion and technological update of the Computing equipment, the improvement of Banking Automation products and solutions, such as the physical and logical security, including biometrics and encryption, through the acquisition of BioLogica; the restructuring of the Commercial Automation solutions portfolio, with more focus on the software and integration services platforms; and the strengthened offering of Technological Services for the corporate sector, including more emphasis on traditional offers, such as implementation and maintenance of products, and investments in new services, such as infrastructure, networking, logistics and recycling.

2) ECONOMIC ENVIRONMENT

2012 was highlighted by the high volatility arising from fears of a global crisis. In the most recent months, however, there has been increased optimism in the international markets. Adverse scenarios have not come true. There was no rupture in the Euro zone, the "fiscal cliff" in the US or the "sudden stop" in China. The outlook for 2013 is a little better. The global economy starts to become steadier and risks are lesser.

Growth rate in Brazil was below expectations. Gross domestic product (GDP) closed 2012 at approximately 0.9%. Investments decreased in September for the 5^{th} consecutive quarter, restrained by the uncertainty of the local and foreign scenarios. Recovery has taken a moderate pace, short of the expected level. In view of the new monetary and fiscal incentives in force and the steady foreign scenario, Brazil should pose a higher growth in 2013.

In spite of the weak economic growth, the labor market remained steady. Unemployment, which is close to its historical minimum levels, has kept the inflation rate for services high, impacting the IPCA, which closed the year at 5.8%. This situation should remain steady in 2013. IPCA should remain high due to the labor market conditions, the inertial inflation rates and the ongoing expectations for high levels, closing 2013 at 5.6% or above.

In October the Central Bank stopped the interest rate decrease cycle started in August 2011. The Selic rate reached 7.25% in the month. In view of the combining slow resumption of the activity and the worsening inflation scenario, the Monetary Policy Committee (Copom) has signalized this shall continue for a long period.

The Government intensified the interventions in the foreign exchange market over the year. Accordingly, the Real depreciated against the US dollar and became less volatile. The foreign exchange rate closed 2012 at R$ 2.05/US$, and should remain depreciated over 2013.

3) BUSINESS PERFORMANCE

Recurring net income for 2012 was R$ 4.787 million, with a recurring annualized return of 16.0% on average equity. Net income for the same period reached R$ 4.539 million, with an annualized return of 15.2%.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

	Parent company		Non-controlling interests		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Net income	4,539	4,837	501	530	5,040	5,367
Recurring net income	4,787	5,040	484	514	5,271	5,554
Stockholders' equity	30,027	29,341	2,682	2,949	32,709	32,290
Annualized return on average equity (%)	15.2%	17.5%	17.7%	18.3%	15.4%	17.6%
Annualized recurring return on average equity (%)	16.0%	18.3%	17.1%	17.8%	16.1%	18.2%

MAIN FINANCIAL INDICATORS

	12/31/2012	12/31/2011	Change %
Indicators per share - in R$			
Net income of parent company	0.94	1.00	(6.4)
Recurring net income of parent company	0.99	1.04	(5.3)
Book value of parent company	6.19	6.05	2.3
Dividends/ interest on capital, net	0.34	0.33	2.8
Price of preferred share (PN) (1)	9.69	10.16	(4.7)
Market capitalization (2) – in millions of Brazilian reais - R$	46,972	49,268	(4.7)

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

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

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

Reconciliation of recurring net income

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

	Parent company		Non-controlling interests		Consolidated	
	01/01 to 12/31/2012	01/01 to 12/31/2011	01/01 to 12/31/2012	01/01 to 12/31/2011	01/01 to 12/31/2012	01/01 to 12/31/2011
Net income	**4,539**	**4,837**	**501**	**530**	**5,040**	**5,367**
Inclusion / (Exclusion) of non-recurring effects	**248**	**203**	**(17)**	**(16)**	**231**	**187**
Arising from purchase of stockholding interest in Itaú Unibanco Holding	**298**	**212**	**-**	**-**	**298**	**212**
Change in treasury shares	19	205	-	-	19	205
Provision (Tax/Civil lawsuits/Economic Plans/Labor claims/Other)	317	95			317	95
Sale of interest/Adjustment to market value - BPI	104	82	-	-	104	82
Allowance for loan losses	84	-	-	-	84	-
Reward Program	68	-	-	-	68	-
Program for Cash or Installment Payment of Federal Taxes - Law 11,941/09	-	(170)	-	-	-	(170)
Realization of Assets	(308)	-	-	-	(308)	-
Other	14	-	-	-	14	-
Arising from interest in other controlled companies	**(50)**	**(9)**	**(17)**	**(16)**	**(67)**	**(25)**
Duratex	(7)	(9)	(14)	(16)	(21)	(25)
Itautec	(43)	-	(3)	-	(46)	-
Recurring net income	**4,787**	**5,040**	**484**	**514**	**5,271**	**5,554**

MAIN INDICATORS OF THE ITAÚSA CONGLOMERATE COMPANIES

	January to December	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED IFRS (1) (2)
		Itaú Unibanco Holding S.A. (IFRS)	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	
Total assets	**2012**	**957,154**	**7,759**	**678**	**1,076**	**364,017**
	2011	818,136	6,814	654	1,176	312,002
Operating revenues (3)	**2012**	**125,484**	**3,394**	**900**	**1,545**	**52,325**
	2011	124,877	2,970	777	1,542	51,381
Net income	**2012**	**12,635**	**460**	**-**	**2**	**5,040**
	2011	13,837	375	15	44	5,367
Stockholders' equity	**2012**	**75,902**	**4,024**	**476**	**543**	**32,709**
	2011	73,941	3,693	477	538	32,290
Annualized return on average equity (%) (4)	**2012**	**16.9%**	**11.9%**	**0.1%**	**0.3%**	**15.4%**
	2011	20.0%	10.5%	3.1%	8.3%	17.6%
Internal fund generation (5)	**2012**	**49,136**	**985**	**50**	**(25)**	**19,039**
	2011	43,182	861	38	76	16,529

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

(2) Consolidated/Conglomerate data is net of consolidation elimination and unrealized results of intercompany transactions. The amounts of Itaú Unibanco were consolidated proportionally to the interest held by Itaúsa, in December 2012, of 36,78% (36,82% in December 2011).

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

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

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

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

Accounting Policies – New Pronouncement

The IFRS 11 determines that companies with investment in jointly-controlled entities will no longer have the option of accounting for them under the proportional consolidation method. These companies should always adopt the equity method. IFRS 11 becomes effective for annual periods beginning January 1, 2013.

In the Consolidated Financial Statements of Itaúsa there will be no proportionate consolidation of the joint-controlled companies (Itaú Unibanco Holding and IUPAR); And both will be then assessed by the equity accounting method.

Should IFRS 11 had been adopted in 2012, the main impacts would have been:

	Itaúsa Consolidated	Consolidated Portion of Itaú Unibanco and IUPAR	Itaúsa Consolidated without the Consolidation of Itaú Unibanco and IUPAR
Balance Sheet at 12/31/2012			
Assets	364,017	(324,962)	39,055
Liabilities	331,308	(324,928)	6,380
Consolidated stockholders' equity	32,709	(35)	32,674
(-) Stockholders' equity - minority interests consolidated companies	2,682	(35)	2,647
Stockholders' equity – owners of the parent company	30,027	-	30,027
Statement of Income from 01/01 to 12/31/2012			
Interest and similar income	35,028	(34,822)	206
Interest and similar expense	(17,734)	17,678	(56)
Income of unconsolidated companies	72	4,535	4,607
Consolidated net income	5,040	(204)	4,836
(-) Net Income of minority interests consolidated companies	501	(204)	297
Net income of controlling stockholders	4,539	-	4,539

3.1) FINANCIAL SERVICES AREA

Itaú Unibanco Holding

The amounts commented below, when related to the financial statements, were determined in accordance with the International Financial Reporting Standards (IFRS) and are not proportionately presented to reflect the stockholding interest of 36.78% held by Itaúsa.

Results

In 2012, net income attributable to the controlling stockholders was 8.7% lower than the prior year, and totaled R$ 12.6 billion, with annualized return of 16.9% on average equity (20,0% in 2011). The recurring net income of Itaú Unibanco in 2012 reached R$ 13.4 billion, a 3.0% decrease as compared to the prior year, and recurring return on average equity of 17.9%.

The banking product of Itaú Unibanco Holding in 2012 reached R$ 81.2 billion and posted a 9.3% growth compared to the prior year. The main components that contributed to this increase were interest income and expenses, which increased by 15.7%, and banking service fees, which, added to income from insurance, pension plan, and capitalization operations, posted a 1.2% increase. The increased revenues of Itaú Unibanco, added to the control over general and administrative expenses, which increased only 6.7% in 2012, contributed to the disclosed result.

Assets

The total consolidated assets reached R$ 957.2 billion and stockholders' equity attributable to controlling stockholders totaled R$ 75.9 billion at the end of 2012, with increases of 17.0% and 2.7% in the last twelve months, respectively.

Itaú Unibanco's business diversification is reflected in the composition of the loan portfolio and funding from clients, mitigating the risks to specific segments, which may be more impacted by the economic volatility, as follows:

Loan Portfolio

On December 31, 2012, loan portfolio, including endorsements and sureties, reached R$ 427.3 billion, showed an increase of 7.4% as compared to the balance at the end of 2011. The table below shows the change in the loan portfolio in 2012.

R$ million

Loan Portfolio	Dec 31, 2012	Dec 31, 2011	Change (%)
Individuals	**150,501**	**149,543**	**0.6**
Credit Card	40,531	38,961	4.0
Personal Credit	40,277	36,670	9.8
Vehicles	51,646	60,463	(14.6)
Mortgage Loans	18,047	13,450	34.2
Companies	**247,493**	**227,573**	**8.8**
Corporate	158,534	138,709	14.3
Very Small, Small and Medium-sized companies	88,959	88,863	0.1
Argentina/Chile/Paraguay/Uruguay	**29,300**	**20,678**	**41.7**
Total with endorsements and sureties	**427,294**	**397,794**	**7.4**

Individuals - In Brazil, the loan portfolio to individuals reached R$ 150.5 billion at December 31, 2012, 0.6% higher than the amount recorded at December 31, 2011, a result of the change in the composition of the portfolio, aiming at mitigating risk, and noteworthy were as follows:

- Mortgage Loans portfolio reached a growth of 34.2% as compared to December 2011. The offer of Mortgage Loans is promoted by the network of branches, development companies and real estate agencies, as well as through partnerships with Lopes (LPS Brasil – Consultoria de Imóveis S.A.) and Coelho da Fonseca Empreendimentos Ltda., among others.

- The Personal Loans portfolio, which includes Payroll Advance Loans, posted a significant accumulated growth of 9.8% for 2012.

- Itaú Unibanco Holding is the leader in the Vehicle Financing and Credit Card segments, with balances at December 31, 2012 of R$ 51.6 billion and R$ 40.5 billion, respectively, a decrease in the year of 14.6% and increase of 4.0%, as a result of the strategy to prioritize lower risks.

Companies – In Brazil, our portfolio of loan operations to companies reached R$ 247.5 billion at December 31, 2012, posting a 8.8% growth as compared to December 31, 2011. These clients are served by Itaú Unibanco, by way of its dedicated structure serving the segments of very small, small and middle market companies with specific products and services, and by Itaú BBA, which serves over 3 thousand of the largest corporate groups in Brazil, with a loan portfolio composed of loans in national and foreign currency, mandatory loans (BNDES onlending, rural credit and mortgage loans) and guarantees.

In other countries, our loan portfolio for Mercosur operations (Argentina, Chile, Uruguay, and Paraguay) posted a significant growth in the individual and corporate segments.

Default - Total default rate, considering the balance of operations overdue for over 90 days reached 4.8% at December 31, 2012, posting an decrease of 10 bps as compared to the end of 2011, and a improvement of 40 bps increase as compared to June 2012, which had the highest default rate in the year. This ratio reached 6.8% for the portfolio of credit to individuals and 3.2% for the portfolio of credit to companies at December 31, 2012.

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$ 481.1 billion at December 31, 2012 and had an annual increase of 7.4% in the last twelve months.

Capital Strength

Basel ratio – At the end of Decmeber 31, the ratio reached 16.7%, posting an increase of 300 bps, as compared to the same date in 2011, an event that highlights the strength in the capital base of Itaú Unibanco.

Subordinated Notes - In 2012, some issues of subordinated debt level II were carried out, which significantly increased the bank’s capital base. In the domestic market, the bank issued a total of R$ 13.7 billion in Subordinated financial bills, which represented 44% of total issues carried out in Brazil. In the foreign market, four placements, which totaled US$ 5.05 billion, were carried out, and noteworthy was the transaction conducted in November, which represented the largest volume funded at the lowest rate to investor (yield) among the Subordinated Debt Level II transactions in foreign currency by Latin-American banks in 2012. This amount accounted for approximately 31% of total foreign issues in US dollar by Brazilian financial institutions for the year. Itaú Unibanco obtained the leadership in the subordinated debt issue ranking in the domestic and foreign markets, in the aforementioned period.

Stockholders’ Equity – At the end of December 2012, it reached R$ 75.9 billion, a increasing of 2.7% as compared to the same period of 2011. Capital is represented by 4,571 million shares, of which 2,289 million are common and 2,282 million are preferred shares, which have a 80% tag along. Dividends paid to stockholders are equal for both types of shares. Treasury shares amounted to R$ 1,523 million at December 31, 2012, which is deducted from stockholders’ equity.

Rating Agencies – Over the year, Moody’s rating agency reassessed the risk ratings for banks on a worldwide basis, and Itaú Unibanco and Itaú BBA remained one level above Brazil's sovereign rating, with Itaú Unibanco Holding posting the same rating as the country’s. Meanwhile, Standard & Poor’s rating agency also disclosed a reassessment, improving the risk ratings attributed to Itaú Unibanco regarding our capacity to pay short-term liabilities.

3.2) INDUSTRIAL AREA

Duratex

The consolidated net revenue added R$ 3,394 million, 14.3% higher than the previous year, stimulated by the growth of the business of Deca and Wood divisions. Recurring EBITDA of R$ 1,005 million means a 25.7% increase and a 29.6% margin (26.9% at the end of 2011). Recurring net income was R$ 437 million, a 25.1% growth, as compared to 2011.

At Deca Division, the shipped amount of 25.8 million articles represented a 1.0% increase as compared to the prior year. Such performance may be explained by the demand decrease in the renewal segment, which is more vulnerable to short-term macroeconomic conditions, in a year of slow economic growth.

Net revenue, however, had a 7.7% increase above the sector's average of 1.4% that was recorded by Abramat (Brazilian Association of Construction Material). Such performance reflects the strength of Deca's brand and rewards the movement towards the units' geographical diversification, which started in 2008 and is bringing the company closer to its consumers. Recurring EBITDA was R$ 273 million, equal to a 23.2% margin. To keep its line of products aligned with the new trends, during this year, Deca launched six new projects of sanitary porcelain fixtures, with emphasis on the Studio Kids children's line, and three lines of sanitary metal fixture, such as the Hydra concealed built-in cistern.

The Wood Division's performance was quite positive during the whole year. Shipped volume had a 16.1% increase and reached 2.6 million cubic meters, which was higher than the 11.4% recorded by the market, according to Abipa (Brazilian Association of the Wood Panels Industry). Such movement results from the decisions taken in the past, to expand the capacity and focus on the outcome, which enabled us to recover our market share. During the year, 18 new wood-panel products were developed, adding innovations and design aligned with international trends to finishing.

Net revenue totaled R$ 2,216 million, 18.1% higher than in 2011. The performance reflects the combination of a record number of dwellings made available throughout the year, governmental measures driving forward the goods and chattel segment – such as reducing the IPI rate to zero, offering more adequate financing terms and fiscal incentives, and equaling competition conditions of consumer goods, such as the white line. The combination of economy of scale with increase in unit net revenue above the costs raised recurring EBITDA to R$ 732 million, with a 33.0% margin.

Elekeiroz

The physical shipment of products totaled 470.6 thousand tons, 6.3% higher than the previous year, being a remarkable 50.0% increase in the sales of organic products to the foreign market (47.4 thousand tons). Sales recovered in all quarters, as compared to the equivalent periods of the previous year.

According to the Brazilian Association of Chemical Industry (Abiquim), the segment of chemical products for industrial use recorded increases of 2.9% in production and 7.4% in sales to the Brazilian market, compared to 2011, a year marked by economic downturn. The price index of the chemical industry increased 10.6% in the year-to-date, below the 17.2% for petrochemical naphtha, the sector's main raw material.

In this scenario, Elekeiroz' net revenue totaled R$ 900 million, 15.8% higher than that of 2011, which represented a 10.0% increase in the local market (83.0% of sales) and 58.0% in the foreign market. The increase in total revenue, however, was followed by a 17.0% rise in the cost of products sold, which gave rise to the generation, in the year-to-date, of a gross margin lesser than that which would allow the company to recover its usual return levels.

Following the upward trend of the operating profit, the company closed the year with net income of R$ 0.5 million (R$15 million in 2011). The EBITDA in the forth quarter confirms the company's trend of recovering profitability at the closing of 2012, a 42% increase as compared to the previous of 2011.

Itautec

In the year-to-date, the consolidated net revenue from sales and services was R$ 1,545.3 million, which represents a growth of 0.2% increase as compared to 2011, in line with the growth of the Brazilian economy in the 2012 fiscal year.

In spite of the 4.1% reduction in the number of shipped ATMs, the Automation Unit, reached growth of 6.3%, with net revenue of R$ 404,0 million, due to higher software sales and implementation of biometrics projects for banking Institutions and projects that included the substitution of tax printers for large retailers in Brazil.

The Computing Solutions Unit recorded a growth of 6.4% in the volume of billed products, and noteworthy was the 10.7% growth in mobile devices, such as notebooks and tablets, which, however, was not enough to generate an income growth, which fell 2.9%, to R$ 700.4 million, due to lower prices and a change in the mix of products sold.

The Technological Services Unit maintained the same income level as the previous year (R$ 440.9 million), and managed, through new contracts, to recover from the loss in income of R$ 20 million per quarter that started in the second quarter of 2012. Due to the closing to the end of the logistics services provision agreement and of the reductions caused by the renegotiation of agreements imposed by the public and private banking sector.

The gross profit in 2012 was R$ 192.2 million, 31.6% less than in 2011 in view of the aforementioned impacts on the revenue, increase in labor and input costs, mainly related to the significant US dollar appreciation in relation to the Real over the year, and to timely expenses incurred for the organization restructuring.

In November the company recognized an asset arising from the credit from certificates of judgment debt of the government It is the process regarding the lawsuit for repetition of undue payment, corresponding to the collection of the Administrative Service Fee - TSA, levied on goods import and clearance for entrance into the Manaus Tax-Free Area, for which a favorable final and unappealable decision was granted to the company. The credit for judicial certificate of judgment debt of the government was recognized in income under "Other Gains (Losses), Net", which, brought to present value using the discounted cash-flow method, totaled the net amount of R$ 65.1 million.

The EBITDA and the net income for 2012 were R$ 17.7 million and R$ 1.5 million, respectively, the balance of cash and deposits on demand by the end of the year was of R$ 196,4 million, causing the Company to proceed recording a negative net debt (excess of cash) of R$ 44.6 million.

4) PEOPLE MANAGEMENT

We had the support of 113.4 thousand employees at the end of December, of which 6.9 thousand were abroad. The employee’s fixed compensation plus charges and benefits totaled R$ 11.3 billion for the period. Welfare benefits granted to employees and their dependants totaled R$ 1.2 billion. In addition, approximately R$ 244 million was invested in education, training and development programs.

5) SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Itaú Unibanco Holding

Itaú Unibanco conducts its sustainability management focusing on three strategic areas: Financial Education, Social and Environmental Risks and Opportunities, and Dialogue and Transparency. More than just creating new products, we work to adjust our operations, find competitive differentials, mitigate risks and generate income in the context of the higher demand for social and environmental impact management. This strategy is systematically monitored by a Sustainability Management Panel.

Itaú Unibanco has been successful in developing initiatives that add value to our products and services. The adoption of social and environmental criteria for granting credit, financing projects, insurance and investments, in addition to expanding microfinance, are examples recognized by the market.

Itaú Unibanco instructs our employees, clients and other stockholders to have a healthy relationship with money and make good use of financial products. In 2012 noteworthy is Itaú Unibanco’s new portal of responsible use of money (www.itau.com.br/usoconsciente), an innovative financial education tool aiming at helping people to better use money in the different moments of their lives. The Bank’s clients and non-clients have access to themes that address, on a streamlined basis, day-to-day situations, such as: tips on how to get out of the red, saving money without sacrificing consumption, and talking about money with your family, among others, in addition to forward doubts which will be responded to by the Institution’s experts.

In 2012, Itaú Unibanco launched the new Related-Party Transactions Policy, which reassesses and defines the rules and procedures to be adhered to ensure the equality and transparency in carrying out related-party transactions, thus ensuring to stockholders, investors and other stakeholders that we are in conformity with the best Corporate Governance practices.

This year it also disclosed our Corporate Policy on Donations to Electoral Campaigns, which sets forth the guidelines and rules to be adhered to in the Itaú Unibanco group for donations of funds to electoral campaigns, taking into account the Group’s ethics and transparency values and principles and the laws and rules in force to strengthen the Brazilian democratic process. Noteworthy in this policy of the Political Assessment Committee, which, in addition to approving the policy itself, will define the total budget for donations, strictly assess the track record and résumés of candidates and carry out the final approval for the contribution to each candidate. Donations to political parties or any type of financial committee are barred, except if otherwise exceptionally approved by the Political Assessment Committee.

Additionally, we updated the following: the Corporate Governance Policy, the Securities Trading Policy, the Compensation Committee’s Bylaws, the Personnel Committee’s Bylaws and the Bylaws.

Duratex

In September Duratex was selected to make up the portfolio of the Dow Jones Sustainability World Index for the first time. In the assessment process, the Company achieved the absolute score of 79, placing it among the 10% best companies, with a score of 93%. It registered the best score of the sector in five criteria, among which the following criteria stand out: Risk and Crisis Management, Stakeholder Commitment, and International Manufacturing Standards. Duratex was the only Latin American company of the construction material sector included in the index.

In 2012 Duratex invested R$ 28 million in activities focused on the environment, among them the treatment of effluents, collection of residues, and maintenance of forest areas stand out. Such amounts correspond to a 3.8% increase, as compared to the previous year.

The Wood and Deca divisions were recommended by the Bureau Veritas Certification (BVC) for the ISO 14001 certification for the wood-panel plants in Uberaba (MG) and Agudos (SP), the sanitary metal-fixture plant in São Paulo (SP), and sanitary porcelain-fixture plant in São Leopoldo (RS).

Elekeiroz

Elekeiroz is a signatory of the Responsible Action Program, created by the International Council of Chemical Associations and managed in Brazil by Abiquim (Brazilian Association of Chemical Industry), and participates in many commissions set up within this entity. All production lines of the company are ISO 9001 certificated.

It took part in the Contemporary Bank Project, developed by a company's client with the Biopoli resin line, manufactured with raw materials from renewable and recycled sources. The project consists in the construction of sustainable ATMs, using photovoltaic panels, LED bulbs, economic air conditioning and films to reduce infrared rays, in addition to Elekeiroz's resins.

Itautec

One of the main actions carried out during this year was the implementation, in Asia, of the first phase of the project for integration of sustainability in the supply chain. Two events were held in the cities of Shanghai (China) and Taipei (Taiwan) for approximately 50 suppliers.

The company had the desktops, notebooks, and monitors lines certified, based on the European Community RoHS (Restriction of Certain Hazardous Substances) directive, which restricts the use of hazardous chemical substances in the manufacturing of equipment. Since 2006, aligned with such directive, Itautec has been investing in the implementation of a production process free of lead and other environmentally hazardous substances.

6) SOCIAL AND CULTURAL INVESTMENTS

Itaú Unibanco Holding

In 2012 Itaú Unibanco invested R$ 197.5 million in educational, cultural, and sports activities. For the education and culture segment, R$ 71.3 million was allocated. Another R$ 15.9 million was invested through the Rouanet Law, in 11 Brazilian states, and R$ 4.5 million more was used following the guidelines of the Incentive to Sports Law. The main initiatives in the education segment included:

- **Fundação Itaú Social** seeks to promote the development and improve the quality of the Brazilian elementary education. Accordingly, since its incorporation, it defined four large operational axes: Full-time Education, Education Management, Economic Assessment of Social Projects, and Social Mobilization. In 2012, the Itaú Criança (Itaú child) program was noteworthy with a nationwide campaign incentive for reading, by way of the free distribution of children books and the mobilization of employees and the society in general. In 2012, over 7 million books were distributed;

- **Instituto Unibanco** works to improve high school education. It acts by developing educational technologies and methodologies to improve the effectiveness of public policies in high schools, in partnership with the Ministry of Education and state education offices. In 2012, this initiative benefitted high-school students from 791 schools in Brazil;

- **Itaú Viver Mais**, an initiative launched in 2012 and based on a new brand concept that is found on three pillars: Living, Living Together, and Reliving, is a non-profit association that offers social and cultural activities to people over 55 years of age. In 2012, 2.5 thousand people took part in the activities.

Duratex

Throughout 2012, Duratex invested R$ 9 million in projects focused on health, educational, social, and environmental issues, incentive to culture and sports. Among the projects started this year that will continue in 2013, we highlight: "Salas de Cinema" (movie theaters) – "Cine Moviola" (film viewer exhibit) and "Casinha de Filmes" (small movie house), by which donations are made to state schools with complete infrastructure for the exhibition of digital movies and training for the professionals in charge of its use; the renewal of the Railway Station and establishment of the “Museu de História da Ferrovia” (Museum of the Railway History), in Botucatu; and the ”Um passe para educação” (one pass towards education) project.

By the end of the year, support was allocated for projects that will be carried out in 2013, such as the Instituto Tomie Othake’s 2013 Annual Activity Plan; “Encena Brasil“ (stage Brazil), a travelling convoy of drama performances, circus shows, movie sessions, story-telling, workshops, exhibitions, and musical shows in eight cities; and ProCine (ProFilming) São Paulo, which consists of the donation to municipalities and social entities of material to set up three experimental-video production spaces and training workshops in the video production area.

Elekeiroz

The company gave support to the “Construindo o futuro” (building the future) program, which aims to show the students the characteristics a worker must have and, above all, to awake the interest of the young people in working in the sector It is an initiative of the committee on industrial development of Camaçari (Cofic), in partnership with the Education Departments of Camaçari and Dias D’Ávila.

The company was also one of the sponsors of the 7th Week of Chemical Engineering of the Polytechnic School of the University of São Paulo (USP), and the 15th Chemistry Engineering Week of Unicamp. The common characteristic of both events is to prepare the students’ entrance into the labor market.

Elekeiroz was also one of the twenty Brazilian companies chosen by the University of Twente (Holland) for an international interchange, having received the visit of 20 students and their professor, with the purpose of knowing the Technology, Manufacturing and Foreign Trade areas.

Itautec

Itautec promote actions and build partnerships that contribute to develop the communities of its area of operations. In the year-to-date, R$ 1 million was allocated to Instituto Ayrton Senna, an entity sharing the same principles as Itautec’s, that investing in quality education can change realities. Since 2010, Itautec has allocated a portion of the revenue of each computer sold in the retail market to the Instituto.

Another activity is the “Visita à Fábrica” (visitation to the factory) program, which allows students from schools, universities, and technical courses to consolidate and experience the knowledge acquired in classrooms. 419 students were hosted in the year.

7) AWARDS AND RECOGNITION

Itaú Unibanco Holding

- *The Banker (Financial Times)* – 1st place among Latin America financial institutions in the Top 1000 World Banks 2012, winner of the Innovation in Banking Technology award in the Innovation in Banking Technology Awards 2012, and Itaú BBA was acknowledged for the 3rd time as the Most Innovative Investment Bank in Latam;

- Ranked 1st in “As Empresas mais Admiradas no Brasil 2012” in the list of the most admired companies in Brazil (Carta Capital magazine), in the Retail Banking segment, an award that acknowledges the companies that contribute to divulging Brazil’s business ethics and social and economical development;

- Ranked 1st in the “Maiores e Melhores” (Best and Largest) 2012 (Exame magazine) in the list of the 50 largest Brazilian Banks by equity;

- Since 2007, it holds the 1st place, in the Banks category, of *Top of Mind* Internet Award (Datafolha-UOL), a survey that acknowledges professionals and brands that value the online media;

- *Global Private Banking Awards 2012 (Excellence in Wealth Management)* – Itaú Private Bank was acknowledged as the Best Private Bank in Latin America and Best Private Bank in Brazil;

- *Global Finance Magazine* – Acknowledged as the Best Trade Finance Bank in Brazil, World’s Best Foreign Exchange Providers in Brazil, World’s Best Sub-Custodian Banks in Brazil, World’s Best Banks in Brazil and Paraguay, Best Investment Bank in Latin America, Best Emerging Market Banks in Latin America and the Brazilian bank best ranked in the Safest Emerging Market Banks in Latin America;

- *Euromoney Best Managed Companies in Latin America* – 1st place in the Banking and financial and Best Corporate Governance in Brazil categories;

- *World Business and Development Awards 2012* – Winner in Brazil's special category with the Itaú Microfinance case, it acknowledges contributions from the private sector to the millennium goals (objectives defined by the UNO to promote poverty reduction, gender equality, health care, fight against children mortality, AIDS, and other diseases);

- *Institutional Investor Magazine* – Out of eight awards, Itaú Unibanco was number one in six of them: Best Relations with Investors by Sell and Buy Sides; Best CEO by Sell and Buy Sides; Best CFO by Buy Side and Best Investor Relations Professional by Buy Side;

- Service – acknowledged as one of the 10 best ombudsman services in Brazil, in the Ouvidorias Brasil 2012 (Ombudsman Services Brazil 2012) Award, as benchmark in Call Center by the 2012 NICE Customer Excellence Awards in the Enterprise Implementation Excellence category;

- People – acknowledged as one of the Great Places to Work at (in partnership with Época magazine), "Empresa dos Sonhos dos Jovens" (the Youngsters' Dream Company to Work at) (Cia. de Talentos), and the Best Companies to Work at and the Best Companies to Start your Career (Você S.A. Guide), Company of the Year of the VAGAS 10+ (Vagas.com);

- Sustainability – granted for the 4th consecutive year with the 2012 FT/IFC Sustainable Finance Awards – Americas, one of the most significant world awards in the sustainability area, which elects the financial institutions focused on sustainable development; one of the benchmark companies of the Guia Exame de Sustentabilidade 2012.

Duratex

- Abrasca Award, 14th Edition, in the Highlight of the Sector 2012 – Pulp and Paper category, as the best value-creation case for 2011;

- Top Móbile award, one of the most important awards in the furniture sector in Brazil, for the fifth consecutive time. The company was rated as the number one in the MDP and MDF panels categories, in the industry suppliers segment;

- Deca and Durafloor were "the most remembered" brands by the demographics in their operation segments in the 15th edition of the *Top of Mind* award promoted by *Casa&Mercado* magazine;

- Best company of the Construction Materials and Decoration segment, at the first "Anuário *Época Negócios 360º*" (Época Negócios 360o Yearly Issue), a special issue of Editora Globo;

- Champion in the Construction Materials and Decoration sector of the 12th edition of the "anuário *Valor 1000*" (Valor 1000 Yearly Issue), a publication from the *Valor Econômico* newspaper;

- Best company of the Construction Materials and Decoration segment of the "*As Melhores da Dinheiro 2012*" (the best of Dinheiro 2012), a special issue of Isto É Dinheiro magazine;

- Duratex' forest area was elected the best in the wood and pulp sector in the "Melhores e Maiores 2012" (the best and the largest companies 2012) ranking, promoted by *Exame* magazine.

- Idea Award – Gold for the Twin Spa shower, in the Bathrooms & Spas category.

- Pini Award, 1st place in the Sanitary Porcelain and Metal Fixtures categories.

Itautec

- Itautec was granted the acknowledgement of three Latin America Awards, by *World Finance* international magazine; Best Automated Banking Branch Technology, which recognizes the delivery capacity in branch environment regarding all points of contact with clients; Best Retail Banking Systems Technology Provider, for the expertise in the development of solutions focused on client processes; and Best Security Technology Company, for the capacity of offering to its clients solutions for security, monitoring, and fight against frauds.

- For the 4th consecutive year, Itautec was the best Latin-American company ranked in the Fintech 100, in 34th place. This annual survey gathers the 100 largest global technology suppliers to the financial sector.

8) INDEPENDENT AUDITORS – CVM Instruction No. 381

Procedures adopted by the Company

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

During the period from January to December 2012, 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:

- January 24 and December 5, 2012 – vulnerability analysis and application intrusion tests on the internet perimeter;
- February 17 and August 2, 2012 – review of aspects related to the business continuity program;
- February 23, March 29, July 4, July 31, and October 31, 2012 – acquisition of technical material;
- March 2, 2012 - consulting services for software installation and training;
- March 6, June 12, August 10 and November 8, 2012 – attendance at courses open to the public, related to finance and accounting;
- April 27 and August 7, 2012 – consulting services for the authorization request to the regulatory body for opening a subsidiary abroad;
- October 1, 2012 - tax advisory services;
- October 22, 2012 – mapping and identification of Prime Services market opportunities.

Summary of the Independent Auditors' justification - PricewaterhouseCoopers

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

9) ACKNOWLEDGEMENTS

We thank our stockholders 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 4, 2013).

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

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Vice-Presidentes

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RODOLFO VILLELA MARINO

Alternate members

RICARDO EGYDIO SETUBAL
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TEREZA CRISTINA GROSSI TOGNI

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Accountant

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

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Executive Vice-Presidents

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ITAÚ UNIBANCO HOLDING S.A.

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ITAUTEC S.A. - GRUPO ITAUTEC

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ELEKEIROZ S.A.

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Vice-chairman
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(*) Investor Relations Officer

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

CONSOLIDATED

FINANCIAL STATEMENTS

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

ASSETS	NOTE	12/31/2012	12/31/2011
Cash and deposits on demand	4	5,190	3,994
Central Bank compulsory deposits	5	23,431	36,105
Interbank deposits	6	8,764	10,244
Securities purchased under agreements to resell	6	61,188	35,001
Financial assets held for trading	7a	53,622	45,049
Pledged as collateral		864	4,471
Other		52,758	40,578
Financial assets designated at fair value through profit or loss	7b	81	69
Derivatives	8 and 9	4,290	3,240
Available-for-sale financial assets	10	33,751	17,805
Pledged as collateral		9,538	3,113
Other		24,213	14,692
Held-to-maturity financial assets	11	1,178	1,144
Pledged as collateral		44	85
Other		1,134	1,059
Loan and lease operations, net	12	125,530	118,710
Loan operations		134,988	127,501
(-) Allowance for loan losses		(9,458)	(8,791)
Other financial assets	22a	16,795	14,925
Inventories	14	790	771
Investments in unconsolidated companies	15 II	1,281	938
Fixed assets, net	16	5,463	5,085
Biological assets	17	1,102	1,094
Intangible assets, net	18	3,200	3,012
Tax assets		13,146	10,716
Income tax and social contribution - current		1,561	1,364
Income tax and social contribution - deferred	26b	11,093	9,006
Other		492	346
Assets held for sale		44	31
Other assets	22a	5,171	4,069
TOTAL ASSETS		**364,017**	**312,002**

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2012	12/31/2011
Raised funds		250,927	212,890
Deposits	19	89,453	89,326
Financial liabilities held for trading	20	236	1,037
Securities sold under repurchase agreements	21a	98,464	68,273
Interbank market debt	21a	35,707	33,323
Institutional market debt	21c	27,067	20,931
Derivatives	8	4,072	2,486
Other financial liabilities	22b	18,486	16,246
Reserves for insurance and private pension	30c III	33,222	26,108
Liabilities for capitalization plans		1,064	1,045
Provisions	32	7,497	6,221
Tax liabilities		4,353	4,449
Income tax and social contribution - current		960	707
Income tax and social contribution - deferred	26b	2,602	3,133
Other		791	609
Other liabilities	22b	11,687	10,267
Total liabilities		**331,308**	**279,712**
Stockholders' equity			
Capital	23a	16,500	13,678
Treasury shares	23a	-	(80)
Reserves	23c	13,233	16,083
Cumulative comprehensive income		294	(340)
Total stockholders' equity attributable to owners of the parent company		**30,027**	**29,341**
Non-controlling interests		2,682	2,949
Total stockholders' equity		**32,709**	**32,290**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**364,017**	**312,002**

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Income
Years ended December 31, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2012	01/01 to 12/31/2011
Sales of products and services		5,653	5,094
Cost of products and services		(4,037)	(3,279)
Interest and similar income		35,028	35,809
Interest and similar expense		(17,734)	(20,525)
Dividend income		108	91
Net gain (loss) from investments securities and derivatives		1,160	532
Foreign exchange results and exchange variation on transactions		1,385	1,844
Banking service fees		6,966	7,126
Income from insurance, private pension and capitalization operations before claim expenses		2,247	1,982
Income from insurance and private pension	30	9,103	6,693
Premiums Reinsurance	30	(429)	(371)
Change in reserves for insurance and private pension		(6,609)	(4,520)
Revenue from capitalization plans		182	180
Other operating income	25a	1,163	747
Losses on loans and claims		(7,854)	(6,005)
Expenses for allowance for loan losses		(8,821)	(7,358)
Recovery of loans written off as loss		1,715	2,011
Expenses for claims		(1,221)	(1,002)
Recovery of claim under reinsurance		473	344
General and administrative expenses	25c	(12,256)	(11,770)
Tax expenses		(1,841)	(1,681)
Other operating expenses	25b	(3,427)	(3,182)
Share of comprehensive income of unconsolidated companies	15b	72	(152)
Income before income tax and social contribution		**6,633**	**6,631**
Current income tax and social contribution	26	(2,968)	(2,568)
Deferred income tax and social contribution	26	1,375	1,304
NET INCOME		**5,040**	**5,367**
Net income attributable to owners of the parent company		4,539	4,837
Net income attributable to non-controlling interests		501	530
EARNINGS PER SHARE - BASIC AND DILUTED			
Common	27	0.94	1.00
Preferred	27	0.94	1.00
Weighted average number of shares outstanding – basic and diluted			
Common		1,866,289,554	1,859,033,727
Preferred		2,981,170,193	2,975,771,020

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Comprehensive Income
Years ended Dezember 31, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2012	01/01 to 12/31/2011
NET INCOME		**5,040**	**5,367**
Available-for-sale financial assets		**608**	**(205)**
Change in fair value		1,180	(148)
(Gains)/losses transferred to income on disposal	10	(259)	(163)
Income tax effect		(313)	106
Foreign exchange differences on foreign investments		**197**	**115**
Cash flow hedge		**(171)**	**(111)**
Change in fair value		(259)	(168)
Income tax effect		88	57
Total comprehensive income		**5,674**	**5,166**
Comprehensive income attributable to owners of the parent company		5,173	4,636
Comprehensive income attributable to non-controlling interests		501	530

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, 2012 and 2011
(In millions of Reais)

	Note	01/01 to 12/31/2012	01/01 to 12/31/2011
ADJUSTED NET INCOME		**19,039**	**16,529**
Net income		5,040	5,367
Adjustments to net income:		13,999	11,162
Granted options recognized	24a II.IV	65	60
Effects of changes in exchange rates on cash and cash equivalents		(570)	(800)
Allowance for loan losses	12b	8,821	7,358
Interest and foreign exchange expense from operations with subordinated debt		1,609	1,635
Interest expense from operations with debentures and promissory notes		107	164
Change in reserves for insurance and private pension		6,609	4,520
Revenue from capitalization plans		(182)	(180)
Depreciation, amortization and depletion	16, 17 and 18	1,469	1,455
Deferred taxes		(1,375)	(1,304)
Share of comprehensive income of unconsolidated companies		(72)	152
(Gain) loss from available-for-sale financial assets	10	(259)	(148)
Interest and foreign exchange income from available-for-sale financial assets		(1,738)	(1,379)
Interest and foreign exchange income from held-to-maturity financial assets		(182)	(150)
(Gain) loss from sale of assets held for sale	25 a and b	(19)	(13)
(Gain) loss from sale of investments	25 a and b	(438)	(20)
(Gain) loss from sale of fixed assets	25 a and b	9	(35)
(Gain) loss from termination of contracts of intangible assets		1	(16)
Impairment losses fixed assets and intangible assets	18	2	11
Interest, foreign exchange and monetary variation, net		171	206
Change in fair value of biological assets		(144)	(154)
Provisions		23	24
Other		92	(224)
CHANGE IN ASSETS AND LIABILITIES		**572**	**(18,900)**
(Increase) decrease in assets		**(33,616)**	**(40,543)**
Interbank deposits		1,254	(781)
Securities purchased under agreements to resell		(22,629)	(8,549)
Central Bank compulsory deposits		12,699	(4,487)
Financial assets held for trading		(8,691)	(2,348)
Derivatives (assets/liabilities)		548	36
Financial assets designated at fair value		(13)	233
Loan operations		(14,653)	(24,615)
Inventories		(27)	(126)
Other financial assets		(1,572)	277
Other tax assets		358	506
Other assets		(890)	(689)
(Decrease) Increase in liabilities		**34,188**	**21,643**
Deposits		(1,124)	14,216
Deposits received under securities repurchase agreements		30,145	(5,248)
Financial liabilities held for trading		(799)	545
Interbank market debt		2,301	10,256
Other financial liabilities		2,165	1,113
Reserve for insurance and private pension		531	637
Liabilities for capitalization plans		202	266
Provisions		1,019	204
Tax liabilities		2,338	(237)
Other liabilities		(147)	1,368
Payment of income tax and social contribution		(2,443)	(1,477)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**19,611**	**(2,371)**
Interest on capital/dividends received from investments in unconsolidated companies		78	26
Purchase of available-for-sale financial assets		(19,052)	(12,372)
Cash received from sale of available-for-sale financial assets		5,851	12,927
Purchase of held-to-maturity financial assets		-	(22)
Cash received from redemption of held-to-maturity financial assets		146	196
Cash upon sale of assets held for sale		48	52
Disposal of investments		707	13
Purchase of investments		(289)	(5)
Cash upon sale of fixed assets	16	112	278
Purchase of fixed assets	16	(1,273)	(1,286)
Termination of contracts of intangible assets		8	68
Sale of intangible assets	18	1	55
Purchase of intangible assets	18	(651)	(968)
Purchase/(Disposal) and formation of biological assets	17	(115)	(105)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(14,429)**	**(1,143)**
Funding from institutional markets		11,036	6,098
Redemption in institutional markets		(6,419)	(4,251)
Decrease in non-controlling interests		(423)	(458)
Acquisition of non-controlling interest in Redecard S.A.	3c	(4,323)	-
Granting of stock options – exercised options		77	130
Subscription of shares		-	412
Treasury shares		-	(80)
Dividends and interest on capital paid to non-controlling interests		(139)	(244)
Dividends and interest on capital paid		(1,442)	(1,786)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(1,633)**	**(179)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,549**	**(3,693)**
Cash and cash equivalents at the beginning of the period	4	14,097	16,990
Effects of changes in exchange rates on cash and cash equivalents		570	800
Cash and cash equivalents at the end of the period	4	18,216	14,097
Additional information on cash flow			
Interest received		32,002	34,948
Interest paid		14,440	13,314
Non-cash transactions			
Loans transferred to assets held for sale		-	1
Dividends and interest on capital declared and not yet paid		872	776

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, 2012 and 2011
(In millions of Reais)

	01/01 to 12/31/2012	%	01/01 to 12/31/2011	%
INCOME	**46,605**		**48,211**	
Sale of goods, products and services	5,653		5,094	
Income from financial operations and securities	37,573		38,184	
Income from insurance, pension plan and capitalization plans	2,247		1,962	
Interest, income, dividends and provision of financial services	7,075		7,217	
Result of loan losses	(7,106)		(5,347)	
Other	1,163		1,101	
EXPENSES	**(23,207)**		**(26,272)**	
Interest and similar expense	(17,734)		(20,525)	
Claims	(749)		(994)	
Other	(4,724)		(4,753)	
INPUTS PURCHASED FROM THIRD PARTIES	**(9,226)**		**(7,815)**	
Costs of products, goods and services sold	(3,978)		(2,945)	
Materials, energy, services and other	(143)		(169)	
Third-party services	(1,309)		(1,203)	
Other	(3,796)		(3,498)	
Data processing and telecommunications	(1,207)		(1,165)	
Advertising, promotions and publicity	(373)		(388)	
Installations, repairs and maintenance of asset items	(354)		(417)	
Transportation	(234)		(260)	
Security	(188)		(177)	
Travel expenses	(71)		(72)	
Legal and judicial	(808)		-	
Other	(561)		(1,019)	
GROSS ADDED VALUE	**14,172**		**14,124**	
DEPRECIATION, AMORTIZATION AND DEPLETION	(1,470)		(1,455)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**12,702**		**12,669**	
ADDED VALUE RECEIVED FROM TRANSFER	**72**		**(152)**	
Share of income	72		(152)	
TOTAL ADDED VALUE TO BE DISTRIBUTED	**12,774**		**12,517**	
DISTRIBUTION OF ADDED VALUE	**12,774**	**100.00%**	**12,517**	**100.00%**
Personnel	3,367	26.36%	3,237	25.86%
Compensation	2,388		2,314	
Benefits	722		639	
FGTS – Government severance pay fund	257		284	
Taxes, fees and contributions	4,009	31.38%	3,577	28.58%
Federal	3,643		3,199	
State	89		88	
Municipal	277		290	
Return on third parties' assets - Rent	358	2.80%	336	2.68%
Return on own assets	5,040	39.46%	5,367	42.88%
Dividends and interest on capital paid/provided for	1,294		1,308	
Retained earnings for the period	3,245		3,529	
Non-controlling interests in retained earnings	501		530	

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Individual Balance Sheet as at December 31, 2012 and 2011

(In millions of Reais)

ASSETS	NOTE	12/31/2012	12/31/2011
Financial assets		**918**	**802**
Financial assets held for trading		429	317
Available-for-sale financial assets		-	12
Dividends/Interest on capital receivable		489	473
Tax assets		**732**	**618**
Income tax and social contribution - current		253	160
Income tax and social contribution - deferred		479	458
Investments		**29,692**	**29,000**
Investments in subsidiaries	15	29,688	28,996
Other investments		4	4
Fixed assets, net		**71**	**72**
Intangible assets	18	**460**	**460**
Other non-financial assets		**91**	**91**
Deposits in guarantee		91	91
TOTAL ASSETS		**31,964**	**31,043**

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2012	12/31/2011
Promissory notes	21b	207	-
Funding from institutional markets - debentures	21b	366	751
Tax liabilities		137	112
Provisions		180	58
Dividends/Interest on capital payable		1,041	776
Other non-financial liabilities		6	5
TOTAL LIABILITIES		**1,937**	**1,702**
Stockholders' equity	23	**30,027**	**29,341**
Capital		16,500	13,678
(-) Treasury stock		-	(80)
Reserves		13,233	16,083
Cumulative comprehensive income		294	(340)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**31,964**	**31,043**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Income
Years ended December 31, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2012	01/01 to 12/31/2011
OPERATING INCOME (Net)		**4,774**	**5,041**
Net gain from financial assets		38	58
Share of income	15	4,728	4,965
Other operating income		8	18
OPERATING EXPENSES		**(256)**	**(280)**
General and administrative expenses		(38)	(40)
Other operating expenses		(159)	(138)
Financial expenses		(59)	(102)
OPERATING INCOME		**4,518**	**4,761**
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**4,518**	**4,761**
INCOME TAX AND SOCIAL CONTRIBUTION		**21**	**76**
Current income tax and social contribution		-	(1)
Deferred income tax and social contribution		21	77
NET INCOME		**4,539**	**4,837**
EARNINGS PER SHARE - BASIC / DILUTED (IN R$)			
Common	27	0.94	1.00
Preferred	27	0.94	1.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC / DILUTED			
Common	27	**1,866,289,554**	**1,859,033,727**
Preferred	27	**2,981,170,193**	**2,975,771,020**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Individual Statement of Comprehensive Income
Years ended December 31, 2012 and 2011
(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2012	01/01 to 12/31/2011
NET INCOME		**4,539**	**4,837**
Available-for-sale financial assets		**608**	**(205)**
Change in fair value		1,180	(148)
(Gains)/losses transferred to income on disposal	10	(259)	(163)
Income tax effect		(313)	106
Foreign exchange differences on foreign investments		**197**	**115**
Cash flow hedge		**(171)**	**(111)**
Change in fair value		(259)	(168)
Income tax effect		88	57
Total comprehensive income		**5,173**	**4,636**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Statement of Changes in Stockholders' Equity (Note 23)
Years ended December 31, 2012 and 2011
(In millions of Reais)

	Attributable to owners of the parent company						Comprehensive income					
	Capital	Treasury shares	Appropriated reserves / Capital and revenue	Unappropriated reserves	Proposal for distribution of additional dividends	Retained earnings (accumulated deficit)	Available for sale	Cumulative translation adjustments	Gains and losses – Cash flow hedge	Total stockholders' equity – owners of the parent company	Total stockholders' equity – non-controlling interests	Total
Adjusted balance at 01/01/2011	**13,266**	**-**	**11,579**	**1,008**	**445**	**-**	**245**	**(391)**	**7**	**26,159**	**2,877**	**29,036**
Transactions with owners	412	(80)	95	-	106	(1,859)	-	-	-	**(1,326)**	-	**(1,326)**
Subscription of shares	412	-	-	-	-	-	-	-	-	**412**	-	**412**
(-) Treasury shares	-	(80)	-	-	-	-	-	-	-	**(80)**	-	**(80)**
Granting of stock options	-	-	95	-	-	-	-	-	-	**95**	-	**95**
Dividends and interest on capital	-	-	-	-	-	(1,308)	-	-	-	**(1,308)**	-	**(1,308)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	551	(551)	-	-	-	**-**	-	**-**
Dividends – prior years	-	-	-	-	(445)	-	-	-	-	**(445)**	-	**(445)**
Change in minority interests	-	-	-	-	-	-	-	-	-	**-**	(458)	**(458)**
Other	-	-	(128)	-	-	-	-	-	-	**(128)**	-	**(128)**
Transfers	-	-	1,008	(1,008)	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	4,837	(205)	115	(111)	**4,636**	530	**5,166**
Net income	-	-	-	-	-	4,837	-	-	-	**4,837**	530	**5,367**
Other comprehensive income	-	-	-	-	-	-	(205)	115	(111)	**(201)**	-	**(201)**
Appropriations:												
Legal reserve	-	-	242	-	-	(242)	-	-	-	**-**	-	**-**
Unappropriated reserves	-	-	-	2,736	-	(2,736)	-	-	-	**-**	-	**-**
										-	-	**-**
Balance at 12/31/2011	**13,678**	**(80)**	**12,796**	**2,736**	**551**	**-**	**40**	**(276)**	**(104)**	**29,341**	**2,949**	**32,290**
Balance at 01/01/2012	**13,678**	**(80)**	**11,788**	**3,744**	**551**	**-**	**40**	**(276)**	**(104)**	**29,341**	**2,949**	**32,290**
Transactions with owners	2,822	80	(2,833)	-	59	(1,904)	-	-	-	**(1,776)**	-	**(1,776)**
Increase in capital with reserves	2,822	-	(2,822)	-	-	-	-	-	-	**-**	-	**-**
(-) Treasury shares	-	80	(80)	-	-	-	-	-	-	**-**		**-**
Granting of stock options	-	-	69	-	-	-	-	-	-	**69**	-	**69**
Dividends and interest on capital	-	-	-	-	-	(1,294)	-	-	-	**(1,294)**	-	**(1,294)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	610	(610)	-	-	-	**-**	-	**-**
Dividend – amount in addition to the minimum mandatory dividend for prior years	-	-	-	-	(551)	-	-	-	-	**(551)**	-	**(551)**
Change in minority interests	-	-	-	-	-	-	-	-	-	**-**	(423)	**(423)**
Acquisition of non-controlling interest in Redecard S.A. (Note 3)	-	-	(2,707)	-	-	-	-	-	-	**(2,707)**	(345)	**(3,052)**
Other	-	-	(4)	-	-	-	-	-	-	**(4)**	-	**(4)**
Transfers	-	-	3,744	(3,744)	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	4,539	608	197	(171)	**5,173**	501	**5,674**
Net income	-	-	-	-	-	4,539	-	-	-	**4,539**	501	**5,040**
Other comprehensive income	-	-	-	-	-	-	608	197	(171)	**634**	-	**634**
Appropriations:												
Legal reserve	-	-	227	-	-	(227)	-	-	-	**-**	-	**-**
Unappropriated reserves	-	-	-	2,408	-	(2,408)	-	-	-	**-**	-	**-**
Balance at 12/31/2012	**16,500**	**-**	**10,215**	**2,408**	**610**	**-**	**648**	**(79)**	**(275)**	**30,027**	**2,682**	**32,709**

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, 2012 and 2011
(In millions of Reais)

	01/01 to 12/31/2012	01/01 to 12/31/2011
ADJUSTED NET INCOME	**(152)**	**(81)**
Net income	4,539	4,837
Adjustments to net income:	(4,691)	(4,918)
Interest on debentures	47	102
Interest on promissory notes	9	-
Share of income	(4,728)	(4,965)
Deferred taxes	(21)	(77)
Depreciation and amortization	2	1
Others	-	21
CHANGE IN ASSETS AND LIABILITIES	**(263)**	**145**
(Increase) decrease in other assets	168	(501)
(Decrease) increase in provisions and accounts payable and other liabilities	(331)	458
Payment of income tax and social contribution	-	(1)
(Increase) decrease in financial assets	(100)	189
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**(415)**	**64**
Sale of investments	46	14
Purchase of investments	(8)	(4)
Purchase of fixed assets	(1)	(66)
Interest on capital/dividends received	1,715	1,743
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,752**	**1,687**
Subscription of shares	-	412
Purchase of treasury shares	-	(80)
Interest on capital and dividends paid	(1,103)	(1,667)
Payment of debentures	(432)	(416)
Issue of promissory notes	400	-
Payment of promissory notes	(202)	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(1,337)**	**(1,751)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-**	**-**
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	-	-

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, 2012 and 2011
(In millions of Reais)

	01/01 to 12/31/2012	%	01/01 to 12/31/2011	%
INCOME	**46**		**76**	
Net gain from financial assets	38		58	
Other operating income	8		18	
EXPENSES	**(65)**		**(107)**	
Other expenses	(65)		(107)	
Financial	(56)		(102)	
Other	(9)		(5)	
INPUTS PURCHASED FROM THIRD PARTIES	**(19)**		**(21)**	
Third-party services	(5)		(5)	
Other	(14)		(16)	
Agreement for apportionment of common costs	(12)		(13)	
Advertising, promotions and publicity	(1)		(1)	
Other	(1)		(2)	
GROSS ADDED VALUE	**(38)**		**(52)**	
DEPRECIATION, AMORTIZATION AND DEPLETION	(2)		(1)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**(40)**		**(53)**	
ADDED VALUE RECEIVED FROM TRANSFER	**4,728**		**4,965**	
Share of income	4,728		4,965	
TOTAL ADDED VALUE TO BE DISTRIBUTED	**4,688**	**100.00%**	**4,912**	**100.00%**
DISTRIBUTION OF ADDED VALUE	**4,688**		**4,912**	
Personnel	11	0.23%	13	0.26%
Compensation	11		13	
Taxes, fees and contributions	138	2.94%	62	1.26%
Federal	138		62	
Return on own assets	4,539	96.82%	4,837	98.47%
Dividends / Interest on capital	1,294		1,308	
Retained earnings for the period	3,245		3,529	

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, 2012 and 2011
(In millions of Reais)

NOTE 01 – OVERVIEW

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

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

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

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family who holds 61.12% of the common shares and 17.95% of the preferred shares, 34.57% of the total.

These Consolidated Financial Statements were approved by the Board of Directors of ITAÚSA – Investimentos Itaú S.A. on March 04, 2013.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

Consolidated financial statements

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

Individual financial statements

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

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

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

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

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

a) Amendments to accounting pronouncements applicable as of January 01, 2012

- IFRS 7 – "Financial Instruments: Disclosures" – in October 2010, an amendment to this pronouncement was issued requiring additional disclosures on transfers of assets (remaining risks) and transfers. The effects of these disclosure requirements are presented in Note 12.

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

b) Accounting pronouncements recently issued and applicable in future periods

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

- IAS 32 – "Financial Instruments: Presentation" – this change was issued to clarify the offsetting requirements for financial instruments in the balance sheet. The change is not effective until January 1, 2014. The possible impacts arising from the adoption of this change are being analyzed.

- IFRS 7 – "Financial Instruments: Disclosures" - In December 2011, a new amendment to this pronouncement was issued requiring additional disclosures about the offsetting process. These requirements are not effective until January 1, 2013. This pronouncement application will not result in significant impacts in the consolidated financial statements.

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

- IAS 19 – "Employee Benefits" – this change excludes the alternative of using the "corridor" method, requires that all changes should be recorded in Other Cumulative comprehensive Income, and determines that the interest cost for the following year be calculated on the recognized amount in assets or liabilities. It is not effective until January 1, 2013. This pronouncement application will not result in significant impacts in the consolidated financial statements.

- IFRS 10 – "Consolidated Financial Statements" – the pronouncement changes the current principle, identifying the concept of control as a determining fact of when an entity should be consolidated. It is not effective until January 1, 2013. We have analyzed the new pronouncement and conclusion that it will not have an impact on Itaúsa at adoption date.

- IFRS 11 – "Joint Arrangements" – the pronouncement provides a different approach for the analyses of "Joint Arrangements" focused on the rights and obligations of the arrangements rather than on the legal form. IFRS 11 divides the "Joint Arrangements" into two types: "Joint Operations" and "Joint Ventures", in accordance with the rights and obligations of the parties. For investments in "Joint Ventures", proportionate consolidation is no longer permitted. It is not effective until January 1, 2013. In ITAÚSA the impact will be the non-consolidation of the joint-controlled companies (Itaú Unibanco Holding and IUPAR – Itaú Unibanco Participações); Starting from the effective date, both will be accounting by the equity method.

  In the table below the main impacts on the financial statements, if this statement were adopted at December 31, 2012:

Financial Position	Current presentation	Portion not consolidated	Future presentation
Assets	364,017	(324,962)	39,055
Liabilities	331,308	(324,928)	6,380
Stockholders' equity	32,709	(35)	32,674
Statement of Income			
Interest and similar income	35,028	(34,822)	206
Interest and similar expense	(17,734)	17,678	(56)
Income of unconsolidated companies	72	4,535	4,607
Net income of controlling stockholders	4,539	-	4,539
Consolidated net income	5,040	(204)	4,836
Cash Flows			
Operating activities	19,611	(19,856)	(245)
Investing activities	(14,429)	14,318	(111)
Financing activities	(1,633)	2,145	512

- IFRS 12 – "Disclosures of Interests in Other Entities" – the pronouncement includes new requirements for disclosure of all types of investments in other entities, such as Joint Arrangements, associates and special purpose entities. It is not effective until January 1, 2013. The largest impact will be on the notes to the financial statements, in which information on the joint-controlled subsidiary Itaú Unibanco Holding will be presented on a summary basis in the note on Investments and Selected Information.

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

- Annual Improvements cycle (2009-2011) – IASB makes, on an annual basis, minor changes in a number or pronouncements with the purpose of clarifying the current standards and avoiding dual meaning. In this cycle, IFRS 1 – "First-time adoption of IFRS", IAS 1 – "Presentation of Financial Statements", IAS 16 – "Property, Plant and Equipment", IAS 32 – "Financial Instruments: Presentation" and IAS 34 – "Interim Financial Reporting", were reviewed. Changes are not effective until January 1, 2013. There will be no significant impact in the consolidated financial statements.

- Investment Entities - Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 27 – "Separate Financial Statements" – Applicable to investment entities, which aims at investing in funds exclusively for obtaining return on capital valuation, investment income or both. It is not enforceable until January 1, 2014. Any possible impacts of these amendments are being assessed.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) Allowance for loan losses

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

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

ITAÚSA and its subsidiary companies use statistical models to calculate the Allowance for Loan Losses in the homogeneous loan portfolio. ITAÚ UNIBANCO HOLDING periodically carries out procedures to improve these estimates by aligning the required provisions to the levels of losses observed by the historical behavior (as described in Note 2.4g VIII). This alignment aims at ensuring that the volume of allowances reflects the current economic conditions, the composition of the loan portfolios, the quality of guarantees obtained and the profile of our clients. In 2012, the improvement of model assumptions gave rise to a growth in the level of provisions in the amount of R$ 549.

At December 31, 2012, the allowance amounted to R$ 9,458 (R$ 8,791 at December 31, 2011).

If the present value of the estimated cash flows were to have a positive or negative variation of 1%, the allowance for loan losses would be increased or decreased by R$ 1,255 respectively (R$ 1,187 at December 31, 2011).

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

b) Deferred income tax and social contribution

As explained in Note 2.4o, deferred tax assets are recognized only in relation to temporary differences and loss carryforwards to the extent that it is probable that ITAÚSA and its subsidiary companies will generate future taxable profit for their utilization. The expected realization of deferred tax assets of ITAÚSA and its subsidiaries is based on the projection of future income and other technical studies, as disclosed in Note 26. The carrying amount of deferred tax assets was R$ 11,093 at December 30, 2012 (R$ 9,006 at December 31, 2011).

c) Fair value of financial instruments, including derivatives

The financial instruments recognized at fair value at December 31, 2012 totaled assets in the amount of R$ 91,744 (R$ 66,163 at December 31, 2011) (of which R$ 4,290 are derivatives) (R$ 3,240 at December 31, 2011) and liabilities in the amount of R$ 4,308 (R$ 3,523 at December 31, 2011) (of which R$ 4,072 are derivatives) (R$ 2,486 at December 31, 2011)). The fair values of financial instruments, including derivatives that are not traded in active markets are determined by using valuation techniques. This calculation is based on assumptions that take into consideration Management's judgment about market information and conditions existing at the balance sheet date.

ITAÚSA and its subsidiary companies rank the fair value measurements using a fair value hierarchy that reflects the significance and observable nature of inputs adopted in the measurement process. There are three broad levels related to the fair value hierarchy, detailed in Note 31.

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

The methodologies used to estimate the fair value of certain financial instruments are also described in Note 31.

d) Defined benefit pension plan

At December 31, 2012, an amount of R$ 11 (R$ 36 at December 31, 2011) related to defined benefit pension plans was recognized in the balance sheet. The current amount of the pension plan obligations is obtained from actuarial calculations that use a variety of assumptions. Among the assumptions used for estimating the net cost (income) of these plans is a discount rate. Any changes in these assumptions will affect the carrying amount of pension plan liabilities.

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

Should the discount rate that is currently used be 0.5% lower than Management's current estimates, the actuarial amount of the pension plan obligations would be increased by approximately R$ 319.

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

e) Contingent Assets and Liabilities

ITAÚSA and its subsidiary companies periodically review their contingencies. These contingencies are evaluated based on Management's best estimates, taking into account the opinion of legal counsel, when there is a likelihood that financial resources will be required to settle the obligations and the amounts may be reasonably estimated.Contingencies classified as probable losses are recognized in Balance Sheet under "Provisions."

Contingent amounts are measured using appropriate models and criteria, despite uncertainty surrounding the ultimate timing and amounts, as detailed in Note 32.

The carrying amount of these contingencies at December 31, 2012 is R$ 7,497 (R$ 6,221 at December 31, 2011).

f) Biological assets

Forest reserves are recognized at their fair value, less estimated costs to sell at the harvest time, in accordance with Note 17. For immature plantations (up to one year of life), their cost is considered close to their fair value. Gains and losses arising from the recognition of a biological asset at its fair value, less costs to sell, are recognized in the statement of income. The depletion appropriated in the statement of income is formed by the portion of the formation cost and the portion related to the difference of the fair value.

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

g) Technical provisions for insurance and pension plan

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

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

The estimates for these assumptions are based on the historical experience of ITAUSA CONSOLIDATED, benchmarks and experience of the actuary, in order to comply with best market practices and the continuous review of the actuarial liability. The adjustments resulting from these continuous improvements, when necessary, are recognized in the statement of income for the corresponding period.
Additional information is described in Note 30.

2.4 SUMMARY OF MAIN ACCOUNTING PRACTICES

a) CONSOLIDATION AND PROPORTIONATE CONSOLIDATION

I. Subsidiaries

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

II. Special Purpose Entities (SPEs)

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

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

III. Joint Ventures

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

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

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

	Incorporation country	Activity	Interest in capital at 12/31/ 2012	Interest in capital at 12/31/ 2011
Financial Services Area – Joint Control				
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding company	66.53%	66.53%
Itaú Unibanco Holding S.A.	Brazil	Holding company/Financial institution	36.78%	36.82%
Industrial Area – Full consolidation				
Duratex S.A.	Brazil	Wood and bathroom porcelain and metals	35.46%	35.40%
Elekeiroz S.A.	Brazil	Chemical products	96.49%	96.49%
Itautec S.A.	Brazil	Information technology	94.01%	94.01%

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

	12/31/2012	12/31/2011
Total assets	957,163	818,146
Total liabilities	882,431	744,076
Total income	129,239	129,875
Total expenses	(116,063)	(115,278)

Proportionate Consolidation of Itaú Unibanco Holding

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

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

As a result of the proportionate consolidation of Itaú Unibanco Holding, for better understanding, the notes to the financial statements whose 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 equity interest of ITAÚSA. In relation to other notes, the amounts are already presented in proportion to the equity interest held.

IV. Business combinations

Accounting for business combinations under CPC 15 (R) is only applicable when a business is acquired. Under CPC 15 (R), a business is defined as an integrated set of activities and assets that is conducted and managed for the purpose of providing a return to investors, or cost reduction or other economic benefits. In general, a business consists of inputs and processes applied to those inputs and the resulting outputs that are or will be used to generate income. If there is goodwill in a set of activities or transferred assets, this is presumed to be a business. For acquisitions that meet the definition of business, accounting under the purchase method is required.

The acquisition cost is measured at the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the exchange date, plus costs directly attributable to the acquisition. Acquired assets and assumed liabilities and contingent liabilities identifiable in a business combination are initially measured at their fair value at the acquisition date, regardless of the existence of non-controlling interests. The excess of the acquisition cost over the fair value of identifiable net assets acquired is accounted for as goodwill.

The treatment of goodwill is described in Note 2.4(l). If the acquisition cost is lower than the fair value of identifiable net assets acquired, the difference is recognized directly in income.

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

b) FOREIGN CURRENCY TRANSLATION

I) Functional and presentation currency

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

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

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

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

II) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income under "Foreign Exchange Results and Exchange Variation on Transactions" and amounted to R$ 408 for the period from January 1 to December 31, 2012 (R$ 805 for the period from January 1 to December 31, 2011).

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

c) CASH AND CASH EQUIVALENTS

ITAÚSA CONSOLIDATED defines cash and cash equivalents as cash and current accounts in banks (included in the heading "Cash and deposits on demand" in the consolidated balance sheet), interbank deposits, securities purchased under agreements to resell and financial assets that have original maturities equal to or less than 90 days or less, as shown in Note 4.

d) CENTRAL BANK COMPULSORY DEPOSITS

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

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

e) INTERBANK DEPOSITS

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

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

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

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

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

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

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

g) FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III- Derivatives

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

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

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

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

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the *hedge*d risk, consistent with the originally documented risk management strategy for that particular hedging relationship;

- for a cash flow hedge, a forecast transaction that is the subject of the *hedge* must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured; and
- the hedge is assessed on an on-going basis and it is determined that the hedge has in fact been highly effective throughout the periods for which the hedge was designated.

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

ITAÚSA and its subsidiaries use derivatives as hedge instruments under cash flow hedge strategies and hedges of net investments in foreign operations, as detailed in Note 9.

Fair value hedge

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

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

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

Cash flow hedge

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

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

Hedge of net investments in foreign operations

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

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

b) the ineffective portion is recognized in the statement of income.

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

IV. Available-for-sale financial assets

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

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

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

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

V. Held-to-maturity financial assets

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

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

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

VI. Loan operations

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

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

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

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

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

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

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

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

VII. Lease operations (as lessor)

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

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

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

VIII. Allowance for loan losses

General

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

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

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

- default in principal or interest payment;

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

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

Assessment

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

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

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

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

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

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

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

Measurement

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

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

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

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

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

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

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

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

Reversal, write-off and renegotiation

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

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

In almost all cases for loan products, renegotiated loans require at least one payment to be made under the renegotiated terms in order for it to be removed from non-performing and non-accrual status. Renegotiated loans return to non-performing and non-accrual status when they reach 60 days past due under the renegotiated terms, which typically corresponds to the borrower missing two or more payments.

IX. Other financial assets

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

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

X. Financial liabilities at amortized cost

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

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

- Deposits (Note 19);
- Securities sold under repurchase agreements (as previously described in item f);
- Funds from interbank markets;
- Funds from institutional markets;
- Liabilities for capitalization plans; and
- Other financial liabilities (Note 22b).

h) INVENTORIES

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

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

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

I) INVESTMENTS IN UNCONSOLIDATED COMPANIES

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

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

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

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

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

j) LEASE COMMITMENTS (as lessee)

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

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

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

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

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

k) FIXED ASSETS

In accordance with CPC 27 – "Property, plant and equipment", fixed assets are recognized at cost of acquisition less accumulated depreciation, which is calculated using the straight-line method and rates based on the estimated useful lives of these assets. Such rates are presented in Note 16.

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

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

ITAUSA CONSOLIDATED in the years ended December 31, 2012, did not recognize any impairment losses related to fixed assets. (At December 31, 2011, we recognize impairment losses which amounted to R$ 6).

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

l) GOODWILL

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

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

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

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

m) INTANGIBLE ASSETS

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

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

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

During the years ended December 31, 2012, ITAÚSA CONSOLIDATED recognized impairment losses in the amount of R$ 3 (At December 31, 2011 R$ 11), related to the association for the promotion and offer of financial products and services, caused by results that were below expectations.

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

n) ASSETS HELD FOR SALE

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

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

o) INCOME TAX AND SOCIAL CONTRIBUTION

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

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

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

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

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

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

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

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

p) INSURANCE CONTRACTS AND PRIVATE PENSION

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

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

As permitted by CPC 37, upon adoption of IFRS for the first time, ITAÚSA CONDOLIDATED elected not to change its accounting policies for insurance contracts, which continue to follow accounting practices adopted in Brazil (“BRGAAP”).

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

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

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

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

Note 30 presents a detailed description of all products classified as insurance contracts.

Private pension plans

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

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

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

Insurance premiums

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

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

Reinsurance

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

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

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

Acquisition Costs

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

Liabilities

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

Embedded derivatives

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

Liability adequacy test

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

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

The assumptions used to conduct the liability adequacy test are detailed in Note 30.

q) CAPITALIZATION PLANS

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

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

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

r) EMPLOYEE BENEFITS

ITAÚSA and its subsidiaries are required to make contributions to the social security and labor indemnity plans, in Brazil and in other countries where they operate, which are expensed in the Consolidated statement of income as an integral part of "General and administrative expenses", when incurred. These contributions totaled R$ 547 from January 1 to December 31, 2012 (R$ 526 from January 1 to December 31, 2011).

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

Pension plans - defined benefit plans

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

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

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

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

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

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

Upon settlement, a gain or loss will be recognized.

Pension plans - defined benefit plans

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

Other post-employment benefit obligations

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

s) STOCK BASED COMPENSATION

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

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

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

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

All stock based compensation plans established by Itaú Unibanco Holding correspond to plans that can be settled exclusively through the delivery of shares – Note 24.

t) FINANCIAL GUARANTEES

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

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

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

u) PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

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

Contingent losses are classified as:

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

Contingent liabilities recorded under "Provisions" and those disclosed as possible are measured using best estimates through the use of models and criteria which allow their appropriate measurement even if there is uncertainty as to their ultimate timing and amount, and the criteria are detailed in Note 32.

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

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

v) CAPITAL AND TREASURY SHARES

Capital

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

Treasury shares

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

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

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

w) DIVIDENDS AND INTEREST ON CAPITAL

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

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

x) EARNINGS PER SHARE

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

Earnings per share are presented based on the two types of stock issued by ITAÚSA. Both types, common and preferred, participate in dividends on substantially the same basis, except that preferred shares are entitled to a priority non-cumulative minimum annual dividend of R$ 0.015 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚSA after giving effect to the preference indicated above, without regard to whether the earnings will ultimately be fully distributed. Earnings per share amounts have been determined as if all earnings were distributed and computed following the requirements of CPC 41 – "Earnings per share".

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

y) REVENUES

Sales of products and services

Sales revenue is calculated on an accrual basis of accounting.

Sales of products

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

Sales of services

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

Revenue from services – ITAÚ UNIBANCO HOLDING

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

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

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

z) SEGMENT INFORMATION

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

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

Segmental information is presented in Note 33.

aa) TRANSACTIONS WHIT THE NON-CONTROLLING INTERESTS

CPC 36 – “Consolidated and Separate Financial Statements” establishes that changes in ownership interest’s in a subsidiary, which do not result in change of control, are accounted for as capital transactions and any difference between the amount paid and the carrying amount of non-controlling stockholders is recognized directly in consolidated stockholders' equity.

NOTE 3 - BUSINESS DEVELOPMENT

a) BSF Holding S.A.

On April 14, 2011, ITAÚ UNIBANCO HOLDING S.A. entered into an agreement for the purchase and sale of shares with Carrefour Comércio e Indústria Ltda. (“Carrefour”) to acquire 49% of BSF Holding S.A. (“Banco Carrefour”), the entity responsible for the offering and distribution, on an exclusive basis, of financial, insurance and private pension products and services in the distribution channels of Carrefour Brazil operated under the “Carrefour” brand in Brazil. The completion of the operation was subject to the approval of the Central Bank of Brazil, which was obtained on April 23, 2012 and to the transfer of shares of BSF to Itaú Unibanco Holding S.A., which was carried out on May 31, 2012.

Since May 31, 2012 we have accounted for this interest in BSF under the equity method (Note 15) and as transactions with related parties (Note 34).

In the first half of 2013, we will complete the final allocation of the difference between the amount paid for BSF Holding and the interest in its net assets at fair value.

b) FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento (“FAI”)

On August 9, 2012, ITAÚ UNIBANCO HOLDING S.A. informed that conclusion its partnership with LOJAS AMERICANAS S.A. (“LASA”), entered into in 2005, for the offering, distribution and sale, on an exclusive basis by FAI (entity jointly controlled by ITAÚ UNIBANCO HOLDING S.A. and LASA), of financial, insurance and pension plan products and services to customers of LASA and its affiliated companies.

As a consequence of said termination, ITAÚ UNIBANCO HOLDING S.A. and LASA entered into, on that date, a purchase agreement and other covenants under which LASA has agreed (i) to sell to ITAÚ UNIBANCO HOLDING S.A. the total interest it holds in the capital of FAI for the approximate amount of R$ 83 million; and (ii) to acquire the operating right held by FAI with respect to the offering, distribution and sale, on an exclusive basis, of financial products and services through the distribution channels of LASA and/or its affiliates, at the approximate amount of R$ 112 million. The completion of the transaction was subject to approval of the Central Bank of Brazil, which was obtained on December 27, 2012.

As a result of this transaction, FAI is no longer an entity controlled jointly by ITAÚ UNIBANCO HOLDING S.A. and LASA, becoming a whole-owned subsidiary of ITAÚ UNIBANCO HOLDING S.A.. At December 31, 2012 the balance of FAI’s balance sheet accounts were fully consolidated; the net income for 2012, however, was partially consolidated.

In 2013 we will complete the final appropriation of the difference between the amount paid by FAI and the interest in its net assets at fair value.

c) Redecard

ITAÚ UNIBANCO HOLDING S.A. held 46.4% of the voting capital of Redecard S.A. On March 30, 2009, it purchased 3.61% of interest and became its controlling stockholder, with a 50.01% interest in the voting capital.

On September 24, 2012, ITAÚ UNIBANCO HOLDING S.A. completed the auction of the Tender Public Offer (OPA) to cancel Redecard’s listed company register, pursuant to the OPA call notice published on August 23, 2012.

As a result of the auction, ITAÚ UNIBANCO HOLDING S.A. purchased, through its subsidiary non-financial Banestado Participações, Administração e Serviços Ltda., 298,989,237 common shares issued by Redecard, representing 44.4% of the capital, and it now holds 635,474,593 common shares, representing 94.4% of its capital. The shares were purchased for a unit price of R$ 35.00, totaling R$ 10,469.

With the purpose of completing the purchase of the remaining minority interest, ITAÚ UNIBANCO HOLDING acquired, by way of its subsidiary Banestado Participações, Administração e Serviços Ltda., 36,423,856 common shares (24,207,582 in October 2012; 9,893,659 in November 2012; and 2,322,615 in December 2012) for the amount, offered at the OPA of September 24, 2012, of R$ 35.00, plus SELIC variation for the period, redeemed 999,884 common shares and canceled 72,372 treasury shares, thus increasing its interest in the capital, from 94.4% to 100.0%, totaling an amount of R$ 1,283 (including fees and brokerage).

On October 18, 2012, the Brazilian Securities and Exchange Commission (CVM) cancelled Redecard's registration as a publicly-held company.

Changes in stockholders' equity of ITAÚ UNIBANCO HOLDING S.A., due to the purchase of shares from non-controlling stockholders of Redecard, are shown below:

	2012
Effect of change in participation	(11,151)
Recognition of deferred income tax on temporary difference (1)	3,791
Decrease in stockholders' equity due to the purchase of Redecard's shares (2)	(7,360)

(1) For non-financial subsidiaries, tax rate of income tax and social contribution rate is 34%.

(2) Reflected in Consolidated of Itaúsa proportionally as: (2.707).

d) Association with Banco BMG S.A.

On July 9, 2012 ITAÚ UNIBANCO HOLDING entered into an Association Agreement with Banco BMG S.A. ("BMG"), aimed at the offering, distribution and commercialization of payroll debit loans through the incorporation of a financial institution, the Banco Itaú BMG Consignado S.A. ("Itaú BMG Consignado"). After obtaining the previous approval required for starting operations, issued by the Administrative Council for Economic Defense (CADE) on October 17, 2012, the final documents were signed on December 13, 2012 and Banco BMG has been a stockholder of Itaú BMG Consignado since January 7, 2013. The association is subject to the approval of the Central Bank of Brazil.

e) Acquisition of significant participation

In August 2012 Duratex, through its indirect subsidiaries Duratex Europe NV. and Duratex Belgium NV., subscribed capital equivalent to 25% of Tablemac (the market leader in Colombia in the sector of industrialized wooden boards and panels), through a primary issue of shares. This subscription represented an investment of R$ 116.1 million in the Colombian company, equivalent to R$ 116.6 as at July 31, R$ 107.4 related to acquired participation and R$ 9.2 related to a call option to subscribe 15% of additional Tablemac shares. The option has a term of two years (recorded in the caption "Other accounts receivable", non-current asset). This transaction is covered by CPC 18 R1 approved by CVM Resolution No. 688 of October 4, 2012 and therefore recognized or unrecognized, assets and liabilities of Tablemac were stated at their fair value, resulting in R$ 27.5 milion of Goodwill.

In addition to the above acquisition, a public share offer is currently being made in the Colombian market in order to acquire up to 12% of Tablemac's shares, totaling 37% of Tablemac's share capital. This investment was approximately R$ 54 million.

Details of the fair value acquired and goodwill are as follows:

In millions of Reais

		First acquisition		Second acquisition
Assets		**531**		**447**
Cash and cash equivalents		117		36
Trade accounts receivable		26		23
Inventories		31		34
Recoverable taxes and contributions		3		7
Other credits		-		2
Property, plant and equipament		306		295
Biological assets		12		12
Contractual relation with the customer		36		38
Liabilities		**211**		**137**
Suppliers		16		13
Loans and financing		133		72
Personnel		1		2
Acoounts payable		33		26
Taxes and contributions		4		7
Contingencies		7		4
Deferred income tax and social contribution		17		13
Total net assets		**320**		**310**
Percent acquired =	**25%**	**80**	**12%**	**37**
Goodwill		**27**		**17**
Price paid on the acquisition		**107**		**54**

f) Acquisition and incorporation of Indústria Metalúrgica Jacareí Ltda.

On October 2, 2012 Duratex S.A. completed the acquisition of all the capital quotas of Indústria Metalúrgica Jacareí Ltda. (MIPEL), for a total of R$ 46 million. This transaction is covered by CPC 15 - “Business combination” approved by CVM Resolution No. 580 of July 31, 2009 and therefore assets and liabilities were stated at their fair value.

Details of the book value, fair value acquired and goodwill are as follows:

	Fair Value	Book value of the acquired entity
		In milions of Reais
Assets	**47**	**16**
Trade accounts receivable	2	2
Inventories	9	7
Recoverable taxes	1	1
Property, plant and equipment	20	5
Intangible assets	1	1
Contractual relation with the customer	13	-
Trademark	1	-
Liabilities	**3**	**3**
Suppliers	2	2
Personnel	1	1
Total net assets	**44**	**13**
Goodwill	**2**	
Price paid on the acquisition	**46**	

As at December 28, 2012, the Extraordinary General Meeting approved the merger by Duratex S.A. of its subsidiary Indústria Metalúrgica Jacareí Ltda., at book values, aiming to optimize production processes.

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	12/31/2012	12/31/2011
Cash and deposits on demand	5,190	3,994
Interbank deposits	5,277	6,967
Securities purchased under agreements to resell	7,424	3,136
Financial assets	325	-
Total	**18,216**	**14,097**

At December 31, 2012 amounts related to interbank deposits and securities purchased under agreements to resell non-cash equivalents were R$ 3,487 (R$ 3,277at December 31, 2011) and R$ 53,764 (R$ 30,832 at December 31, 2011) respectively.

NOTE 5 - CENTRAL BANK COMPULSORY DEPOSITS

	12/31/2012	12/31/2011
Non-interest bearing deposits	2,371	2,110
Interest-bearing deposits	21,060	33,995
Total	**23,431**	**36,105**

NOTE 6 – INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

ITAÚ UNIBANCO HOLDING	12/31/2012			12/31/2011		
	Current	Non-current	Total	Current	Non-current	Total
Interbank deposits	23,430	396	23,826	25,384	2,437	27,821
Securities purchased under agreements to resell (*)	162,558	179	162,737	92,248	-	92,248
Total	**185,988**	**575**	**186,563**	**117,632**	**2,437**	**120,069**
Share of Itaúsa		36.78%			36.82%	
	68,412	**212**	**68,624**	**43,314**	**897**	**44,212**
Itaúsa and industrial companies	1,328	-	1,328	1,033	-	1,033
Total	**69,740**	**212**	**69,952**	**44,347**	**897**	**45,245**

(*) The amount of R$ 9,106 (R$ 7,046 at December 31,2011) is pledged in guarantee of operations on BM&F Bovespa S.A. - Bolsa de Valores, Mercadorias e Futuros (Brazilian Securitis, Commodities and Futures Exchange) and the Central Bank of Brazil (BACEN) and the amount of R$ 116,922 (R$ 49,701 at December 31, 2011) is pledged in guarantee of operations under repurchase agreements, in compliance with the policies described in Note 2.4f, reflected in the Consolidated of Itaúsa proportionally: R$ 3,349 (R$ 2,595 at December 31, 2011) and R$ 43,008 (R$ 18,301 at December 31,2011).

NOTE 7 – FINANCIAL ASSETS HELD FOR TRADING AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

ITAÚ UNIBANCO HOLDING	12/31/2012			
	Cost/ Amortized cost	Unrealized results		Fair Value
		Gain	Loss	
Investment funds	1,422	47	(1)	1,468
Brazilian government securities (1a)	110,999	212	(5)	111,206
Brazilian external debt bonds	1,250	39	(3)	1,286
Government securities – abroad (1b)	**860**	**16**	**(4)**	**872**
Argentina	105	5	(4)	106
United States	335	10	-	345
Mexico	224	1	-	225
Chile	108	-	-	108
Uruguay	33	-	-	33
Colombia	34	-	-	34
Other	21	-	-	21
Corporate securities (1c)	**30,613**	**185**	**(114)**	**30,684**
Shares	2,777	137	(99)	2,815
Securitized real estate loans	21	-	-	21
Bank deposit certificates	2,933	-	-	2,933
Debentures	4,629	8	(1)	4,636
Eurobonds and other	1,587	39	(14)	1,612
Financial credit bills	18,440	1	-	18,441
Promissory notes	20	-	-	20
Other	206	-	-	206
TOTAL	**145,144**	**499**	**(127)**	**145,516**
Share of Itaúsa – 36.78%	**53,389**	**184**	**(47)**	**53,525**
Other Companies	**87**	**13**	**(3)**	**97**
TOTAL	**53,476**	**197**	**(50)**	**53,622**

(1) Financial assets held for trading pledged in guarantee of funding of financial institutions and clients at December 31, 2012 were: a) R$ 1,881 and b) R$ 467, totaling R$ 2,348, reflected in Itaúsa Consolidated proportionally as: a) R$ 692 and b) R$ 172, totaling R$ 864.

ITAÚ UNIBANCO HOLDING	12/31/2011			
	Cost/ Amortized cost	Unrealized results		Fair Value
		Gain	Loss	
Investment funds	1,326	35	(22)	1,339
Brazilian government securities (1a)	93,914	184	(184)	93,914
Brazilian external debt bonds	868	42	-	910
Government securities – abroad (1b)	**787**	**28**	**(13)**	**802**
Argentina	226	12	(13)	225
United States	280	12	-	292
Mexico	201	4	-	205
Chile	50	-	-	50
Uruguay	27	-	-	27
Other	3	-	-	3
Corporate securities (1c)	**24,965**	**84**	**(125)**	**24,924**
Shares	2,325	69	(97)	2,297
Securitized real estate loans	23	1	-	24
Bank deposit certificates	7,820	-	-	7,820
Debentures	3,525	2	(1)	3,526
Eurobonds and other	1,446	12	(27)	1,431
Financial credit bills	8,973	-	-	8,973
Other	853	-	-	853
TOTAL	**121,860**	**373**	**(344)**	**121,889**
Share of Itaúsa – 36.82%	**44,871**	**137**	**(127)**	**44,882**
Other Companies	**169**	**50**	**(52)**	**167**
TOTAL	**45,040**	**187**	**(179)**	**45,049**

(1) Financial assets held for trading pledged in guarantee of funding of financial institutions and clients at December 31, 2011 were: a) R$ 12,010, b) R$ 84 and c) R$ 48, reflected in the Itaúsa Consolidated proportionally as: a) R$ 4,422, b) R$ 31 and c) R$ 18, totaling 4,471.

Realized and unrealized gains and losses

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2012	01/01 to 12/31/2011
Financial assets held-for-trading		
Gain	4,808	2,995
Loss	(1,609)	(2,559)
TOTAL	**3,199**	**436**
Share of Itaúsa – 36.78% in Dec/12 and 36.82% in Dec/11	1,177	161
TOTAL	**1,177**	**161**

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

ITAÚ UNIBANCO HOLDING	12/31/2012		12/31/2011	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Current	**32,225**	**32,334**	**37,701**	**37,706**
Without maturity	4,199	4,284	3,650	3,635
Up to one year	28,026	28,050	34,051	34,071
Non-current	**112,919**	**113,182**	**84,159**	**84,183**
From one to five years	85,418	85,581	72,064	72,088
From five to ten years	17,878	17,934	8,570	8,550
Over ten years	9,623	9,667	3,525	3,545
TOTAL	**145,144**	**145,516**	**121,860**	**121,889**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**53,389**	**53,525**	**44,871**	**44,882**
Other Companies	**87**	**97**	**169**	**167**
TOTAL	**53,476**	**53,622**	**45,040**	**45,049**

Financial assets held for trading include assets of exclusive funds that belong to Itaú Vida e Previdência S.A. with a fair value of R$ 75,146 (R$ 57,734 at December 31, 2011), reflected in the Itaúsa Consolidated proportionally by R$ 27,641 and (R$ 21,259 at December 31, 2011). The return on those assets (positive or negative) is fully transferred to customers of PGBL and VGBL private pension plans whose premiums (less fees charged by us) are used by our subsidiary to purchase quotas of those investment funds.

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

ITAÚ UNIBANCO HOLDING		12/31/2012		
		Unrealized results		
	Cost/ Amortized cost	Gain	Loss	Fair Value
Brazilian external debt bonds	217	3	-	220
Share of Itaúsa – 36.78%	**80**	**1**	**-**	**81**
TOTAL	**80**	**1**	**-**	**81**

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

Realized gains and losses

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2012	01/01 to 12/31/2011
Gain	17	20
TOTAL	**17**	**20**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in 2011	**6**	**7**
TOTAL	**6**	**7**

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

ITAÚ UNIBANCO HOLDING	12/31/2012		12/31/2011	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Non-current	**217**	**220**	**182**	**186**
Over ten years	217	220	182	186
Share of Itaúsa - 36.78% in Dec/12 and 36.82% in Dec/11	**80**	**81**	**68**	**69**
TOTAL	**80**	**81**	**68**	**69**

NOTE 8 – DERIVATIVES

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

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

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

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

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

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

The total value of margins pledged in guarantee by ITAÚ UNIBANCO HOLDING was R$ 4,424 at December 31, 2012 (R$ 8,225 at December 31, 2011) and was mainly comprised of government securities, reflected in the Itaúsa Consolidated proportionally R$ 1,627 (R$ 3,029 at December 31, 2011).

The following tables shows the composition of derivatives by index:

ITAÚ UNIBANCO HOLDING	Off-balance sheet Notional amount	Amortized cost	Gains / (Losses)	Fair value
	12/31/2012	12/31/2012	12/31/2012	12/31/2012
Futures contracts	**537,449**	**46**	**(69)**	**(23)**
Purchase commitments	**349,872**	**47**	**-**	**47**
Foreign currency	15,013	29	-	29
Interbank market	289,816	11	-	11
Indices	38,012	6	-	6
Securities	6,731	-	-	-
Commodities	294	1	-	1
Other	6	-	-	-
Commitments to sell	**187,577**	**(1)**	**(69)**	**(70)**
Foreign currency	58,848	2	(68)	(66)
Interbank market	107,854	(5)	-	(5)
Indices	13,429	2	(1)	1
Securities	7,196	-	-	-
Commodities	250	-	-	-
Swap contracts		**(906)**	**(476)**	**(1,382)**
Asset position	**130,949**	**2,131**	**1,555**	**3,686**
Foreign currency	12,851	518	140	658
Interbank market	44,778	366	(7)	359
Fixed rate	35,527	444	379	823
Floating rate	4,742	13	4	17
Indices	32,492	741	1,011	1,752
Securities	559	49	25	74
Other	-	-	3	3
Liability position	**131,855**	**(3,037)**	**(2,031)**	**(5,068)**
Foreign currency	14,899	(860)	(227)	(1,087)
Interbank market	28,081	(89)	24	(65)
Fixed rate	45,070	(735)	(444)	(1,179)
Floating rate	6,652	(54)	(4)	(58)
Indices	36,526	(1,184)	(1,410)	(2,594)
Securities	569	(115)	30	(85)
Commodities	28	-	-	-
Other	30	-	-	-
Option contracts	**2,027,095**	**(168)**	**(207)**	**(375)**
Purchase commitments – long position	**525,476**	**428**	**(202)**	**226**
Foreign currency	15,634	227	(109)	118
Interbank market	80,332	57	(55)	2
Floating rate	174	1	(1)	-
Indices	428,463	125	(46)	79
Securities	632	7	13	20
Commodities	200	11	(4)	7
Other	41	-	-	-
Commitments to sell – long position	**578,535**	**1,058**	**622**	**1,680**
Foreign currency	12,098	130	(16)	114
Interbank market	20,343	125	100	225
Floating rate	923	1	-	1
Indices	541,676	614	478	1,092
Securities	3,054	165	37	202
Commodities	109	11	(3)	8
Other	332	12	26	38
Purchase commitments – short position	**296,683**	**(473)**	**263**	**(210)**
Foreign currency	11,990	(212)	91	(121)
Interbank market	45,296	(47)	46	(1)
Indices	238,695	(195)	139	(56)
Securities	592	(7)	(17)	(24)
Commodities	84	(12)	5	(7)
Other	26	-	(1)	(1)
Commitments to sell - short position	**626,401**	**(1,181)**	**(890)**	**(2,071)**
Foreign currency	9,379	(178)	6	(172)
Interbank market	117,429	(143)	(322)	(465)
Indices	497,633	(668)	(513)	(1,181)
Securities	1,455	(168)	(38)	(206)
Commodities	173	(12)	3	(9)
Other	332	(12)	(26)	(38)

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

ITAÚ UNIBANCO HOLDING	Off-balance sheet Notional amount	Amortized cost	Gains / (Losses)	Fair value
	12/31/2012	12/31/2012	12/31/2012	12/31/2012
Forward operations (onshore)	**23,641**	**1,227**	**10**	**1,237**
Purchases receivable	**4,103**	**1,170**	**(3)**	**1,167**
Foreign currency	3,116	185	(3)	182
Fixed rate	727	727	-	727
Floating rate	258	258	-	258
Commodities	2	-	-	-
Purchases payable	**5,894**	**(1,077)**	**13**	**(1,064)**
Foreign currency	5,759	(82)	13	(69)
Fixed rate	-	(727)	-	(727)
Floating rate	-	(258)	-	(258)
Commodities	135	(10)	-	(10)
Sales receivable	**12,054**	**2,368**	**(5)**	**2,363**
Foreign currency	6,788	107	(3)	104
Interbank market	2,908	7	-	7
Fixed rate	868	891	(1)	890
Floating rate	395	396	(1)	395
Indices	5	5	-	5
Securities	961	951	(2)	949
Commodities	129	11	2	13
Sales deliverable	**1,590**	**(1,234)**	**5**	**(1,229)**
Foreign currency	1,558	(58)	4	(54)
Fixed rate	-	(779)	-	(779)
Floating rate	-	(396)	1	(395)
Commodities	32	(1)	-	(1)
Credit derivatives	**6,198**	**630**	**8**	**638**
Asset position	**3,150**	**734**	**(6)**	**728**
Fixed rate	2,307	734	(12)	722
Securities	650	-	5	5
Other	193	-	1	1
Liability position	**3,048**	**(104)**	**14**	**(90)**
Fixed rate	2,810	(104)	20	(84)
Securities	232	-	(6)	(6)
Other	6	-	-	-
Forward operations (offshore)	**39,875**	**(47)**	**80**	**33**
Asset position	**18,969**	**315**	**64**	**379**
Foreign currency	18,522	305	64	369
Floating rate	410	8	-	8
Indices	25	2	-	2
Securities	12	-	-	-
Liability position	**20,906**	**(362)**	**16**	**(346)**
Foreign currency	20,890	(362)	16	(346)
Interbank market	14	-	-	-
Indices	2	-	-	-
Swap with USD check	**1,087**	**(1)**	**(41)**	**(42)**
Asset position - Interbank market	**543**	**-**	**-**	**-**
Liability position	**544**	**(1)**	**(41)**	**(42)**
Foreign currency	479	(1)	(40)	(41)
Interbank market	65	-	(1)	(1)
Check of swap – Asset position - Foreign currency	**547**	**-**	**35**	**35**
Other derivative financial instruments	**6,677**	**276**	**131**	**407**
Asset position	**5,493**	**1,291**	**42**	**1,333**
Foreign currency	485	104	5	109
Fixed rate	1,633	776	40	816
Floating rate	285	262	-	262
Securities	2,994	149	(4)	145
Other	96	-	1	1
Liability position	**1,184**	**(1,015)**	**89**	**(926)**
Foreign currency	179	(92)	94	2
Fixed rate	-	(637)	2	(635)
Floating rate	-	(286)	(1)	(287)
Securities	819	-	(5)	(5)
Other	186	-	(1)	(1)
	ASSETS	**9,495**	**2,102**	**11,597**
	LIABILITIES	**(8,438)**	**(2,631)**	**(11,069)**
	TOTAL	**1,057**	**(529)**	**528**
Assets –Share of Itaúsa – 36.78% in Sep/12		**3,493**	**773**	**4,266**
Liabilities – Share of Itaúsa – 36.78% in Sep/12		**(3,104)**	**(968)**	**(4,072)**
TOTAL		**389**	**(195)**	**194**
Industrial Companies Assets		13	11	24
Industrial Companies Liabilities		-	-	-
ASSETS		**3,506**	**784**	**4,290**
LIABILITIES		**(3,104)**	**(968)**	**(4,072)**
TOTAL		**402**	**(184)**	**218**

Derivative contracts mature as follows (in days):

Off-Balance Sheet - Notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2012
Futures Contracts	107,856	116,709	147,543	165,341	537,449
Swaps Contracts - payable	14,159	29,218	21,019	64,422	128,818
Options Contracts	1,000,052	97,773	420,582	508,688	2,027,095
Forwards (onshore) Contracts	7,057	9,140	3,512	3,932	23,641
Credit derivatives	224	1,806	154	4,014	6,198
Forwards (offshore)	11,037	22,537	4,186	2,115	39,875
Swaps with USD check	-	-	-	543	543
Check of swap	-	-	-	547	547
Other	132	1,498	710	4,337	6,677

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

Derivative contracts mature as follows (in days):

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

Derivative financial instruments

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

	12/31/2012							
	Fair value	**%**	**0-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**366-720 days**	**Over 720 days**
ASSETS								
Swaps – Difference receivable	**3,686**	**31.7**	**275**	**215**	**171**	**519**	**568**	**1,938**
BM&FBovespa	471	4.1	5	10	13	17	145	281
Financial institutions	420	3.6	86	137	19	27	32	119
Companies	2,746	23.6	180	68	136	463	389	1,510
Individuals	49	0.4	4	-	3	12	2	28
Options Contracts	**1,906**	**16.4**	**936**	**176**	**83**	**295**	**358**	**58**
BM&FBovespa	1,396	12.0	853	31	14	220	278	-
Financial institutions	118	1.0	26	32	20	17	16	7
Companies	392	3.4	57	113	49	58	64	51
Forwards (onshore) Contracts	**3,530**	**30.5**	**547**	**652**	**677**	**427**	**718**	**509**
BM&FBovespa	961	8.3	285	502	149	25	-	-
Financial institutions	172	1.5	171	1	-	-	-	-
Companies	2,396	20.7	91	149	528	402	718	508
Individuals	1	0.0	-	-	-	-	-	1
Credit derivatives - Financial institutions	**728**	**6.3**	**119**	**564**	**1**	**1**	**2**	**41**
Forwards (offshore)	**379**	**3.3**	**66**	**86**	**56**	**58**	**49**	**64**
Financial institutions	126	1.1	38	45	26	14	2	1
Companies	253	2.2	28	41	30	44	47	63
Swap with USD check – Companies	**35**	**0.3**	**-**	**-**	**-**	**-**	**1**	**34**
Other	**1,333**	**11.5**	**-**	**900**	**-**	**90**	**60**	**283**
Financial institutions	786	6.8	-	576	-	71	6	133
Companies	547	4.7	-	324	-	19	54	150
Total (*)	**11,597**	**100.0**	**1,943**	**2,593**	**988**	**1,390**	**1,756**	**2,927**
% per maturity term			16.8	22.4	8.5	12.0	15.1	25.2
Share of Itaúsa – 36.78% in Dec/12	**4,266**		**715**	**954**	**363**	**511**	**646**	**1,077**
Industrial companies	24		-	-	-	-	-	24
TOTAL	**4,290**		**715**	**954**	**363**	**511**	**646**	**1,101**

(*) Of the total asset portfolio of Derivative Financial Instruments, R$ 2,543 refers to current and R$ 1,747 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, by maturity.

ITAÚ UNIBANCO HOLDING	12/31/2011							
	Fair value	%	0-30	31-90	91-180	181-365	366-720	Over 720
ASSETS								
Futures	**26**	**0**	**1**	**51**	**5**	**(1)**	**(3)**	**(27)**
BM&FBovespa	31	0	1	57	5	(1)	(4)	(27)
Financial institutions	(4)	-	-	(2)	-	(2)	-	-
Companies	(1)	-	-	(4)	-	2	1	-
Option premiums	**2,443**	**27.9**	**1,252**	**182**	**223**	**660**	**113**	**13**
BM&FBovespa	1,689	19.3	1,162	11	35	471	10	-
Financial institutions	286	3.3	45	67	59	87	27	1
Companies	468	5.3	45	104	129	102	76	12
Forwards (onshore)	**1,879**	**21.3**	**644**	**384**	**156**	**209**	**146**	**340**
BM&FBovespa	727	8.3	461	219	47	-	-	-
Financial institutions	80	0.9	74	-	1	2	3	-
Companies	1,072	12.1	109	165	108	207	143	340
Swaps – Difference receivable	**2,750**	**31.4**	**230**	**351**	**168**	**502**	**534**	**965**
BM&FBovespa	332	3.8	13	25	31	61	22	180
Financial institutions	259	3.0	29	63	13	28	49	77
Companies	2,155	24.6	187	262	122	413	463	708
Individuals	4	-	1	1	2	-	-	-
Credit derivatives	**399**	**4.6**	**-**	**15**	**17**	**6**	**52**	**309**
Financial institutions	95	1.1	-	15	17	2	2	59
Companies	304	3.5	-	-	-	4	50	250
Forwards (offshore)	**451**	**5.2**	**96**	**101**	**73**	**67**	**44**	**70**
Financial institutions	279	3.2	83	73	45	31	8	39
Companies	172	2.0	13	28	28	36	36	31
Swaps with USD check - Companies	**4**	**0.0**	**-**	**-**	**-**	**-**	**-**	**4**
Other	**802**	**9.2**	**54**	**470**	**3**	**30**	**74**	**171**
Financial institutions	778	8.9	54	467	1	11	74	171
Companies	24	0.3	-	3	2	19	-	-
Total (*)	**8,754**	**100.0**	**2,277**	**1,554**	**645**	**1,473**	**960**	**1,845**
% per maturity term			26.0	17.8	7.4	16.8	11.0	21.0
Share of Itaúsa – 36.82% in Dec/11	**3,224**	**37**	**838**	**572**	**238**	**542**	**353**	**679**
Industrial companies	16	-	-	-	-	-	16	-
TOTAL	**3,240**	**37**	**838**	**572**	**238**	**542**	**369**	**679**

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

ITAÚ UNIBANCO HOLDING	12/31/2012							
	Fair value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days
LIABILITIES								
Futures - BM&FBovespa	**(23)**	**0.2**	**-**	**-**	**-**	**(8)**	**(6)**	**(9)**
Swaps – Difference payable	**(5,068)**	**45.8**	**(351)**	**(186)**	**(536)**	**(404)**	**(902)**	**(2,689)**
BM&FBovespa	(819)	7.4	(3)	(10)	(169)	(13)	(170)	(454)
Financial institutions	(1,111)	10.0	(238)	(78)	(66)	(184)	(100)	(445)
Companies	(2,882)	26.1	(102)	(87)	(294)	(195)	(623)	(1,581)
Individuals	(256)	2.3	(8)	(11)	(7)	(12)	(9)	(209)
Option premiums	**(2,281)**	**20.5**	**(1,145)**	**(152)**	**(145)**	**(275)**	**(508)**	**(56)**
BM&FBovespa	(1,720)	15.5	(1,104)	(34)	(31)	(131)	(420)	-
Financial institutions	(335)	3.0	(24)	(91)	(54)	(52)	(64)	(50)
Companies	(226)	2.0	(17)	(27)	(60)	(92)	(24)	(6)
Forwards (onshore)	**(2,293)**	**20.7**	**(152)**	**(50)**	**(492)**	**(381)**	**(710)**	**(508)**
Financial institutions	(138)	1.2	(131)	-	(1)	(1)	(5)	-
Companies	(2,155)	19.5	(21)	(50)	(491)	(380)	(705)	(508)
Credit derivatives - Financial institutions	**(90)**	**0.8**	**(4)**	**(1)**	**-**	**-**	**(7)**	**(78)**
Forwards (offshore)	**(346)**	**3.2**	**(72)**	**(153)**	**(40)**	**(58)**	**(18)**	**(5)**
Financial institutions	(185)	1.7	(48)	(77)	(26)	(33)	(1)	-
Companies	(161)	1.5	(24)	(76)	(14)	(25)	(17)	(5)
Swaps with USD check - Companies	**(42)**	**0.4**	**-**	**-**	**-**	**-**	**(1)**	**(41)**
Other	**(926)**	**8.4**	**-**	**(826)**	**(1)**	**(85)**	**(2)**	**(12)**
Financial institutions	(606)	5.5	-	(512)	-	(84)	-	(10)
Companies	(320)	2.9	-	(314)	(1)	(1)	(2)	(2)
Total (*)	**(11,069)**	**100.0**	**(1,724)**	**(1,368)**	**(1,214)**	**(1,211)**	**(2,154)**	**(3,398)**
% per maturity term			15.6	12.4	11.0	10.9	19.5	30.6
Share of Itaúsa – 36.78% in Dec/12	**(4,072)**		**(634)**	**(503)**	**(447)**	**(445)**	**(792)**	**(1,250)**
Other companies	-		-	-	-	-	-	-
TOTAL	**(4,072)**		**(634)**	**(503)**	**(447)**	**(445)**	**(792)**	**(1,250)**

(*) Of the total liability portfolio of Derivative Financial Instruments, R$ (2,029) refers to current and R$ (2,043) to non-current.

ITAÚ UNIBANCO HOLDING	12/31/2011							
	Fair value	**%**	**0 - 30**	**31 - 90**	**91 - 180**	**181 - 365**	**366 - 720**	**Over 720 days**
LIABILITIES								
Option premiums	**(2,606)**	**38.6**	**(1,205)**	**(289)**	**(235)**	**(712)**	**(153)**	**(12)**
BM&F Bovespa	(1,768)	26.2	(1,114)	(87)	(20)	(484)	(63)	-
Financial institutions	(687)	10.2	(86)	(185)	(180)	(162)	(63)	(11)
Companies	(151)	2.2	(5)	(17)	(35)	(66)	(27)	(1)
Forwards (onshore)	**(818)**	**12.1**	**(42)**	**(92)**	**(194)**	**(56)**	**(99)**	**(335)**
Financial institutions	(67)	1.0	(6)	(31)	(30)	-	-	-
Companies	(751)	11.1	(36)	(61)	(164)	(56)	(99)	(335)
Swaps - Difference payable	**(2,798)**	**41.5**	**(211)**	**(177)**	**(116)**	**(534)**	**(497)**	**(1,263)**
BM&F Bovespa	(518)	7.7	(6)	(11)	(24)	(131)	(102)	(244)
Financial institutions	(682)	10.1	(134)	(75)	(13)	(41)	(110)	(309)
Companies	(1,557)	23.1	(70)	(89)	(73)	(342)	(274)	(709)
Individuals	(41)	0.6	(1)	(2)	(6)	(20)	(11)	(1)
Credit derivatives	**(110)**	**1.7**	**-**	**(5)**	**(9)**	**(7)**	**(8)**	**(81)**
Financial institutions	(106)	1.6	-	(5)	(9)	(5)	(7)	(80)
Companies	(4)	0.1	-	-	-	(2)	(1)	(1)
Forwards (offshore)	**(326)**	**4.8**	**(68)**	**(67)**	**(61)**	**(49)**	**(47)**	**(34)**
Financial institutions	(246)	3.6	(55)	(51)	(40)	(33)	(38)	(29)
Companies	(80)	1.2	(13)	(16)	(21)	(16)	(9)	(5)
Swaps with USD check - Companies	**(2)**	**0.0**	**-**	**-**	**-**	**-**	**-**	**(2)**
Other	**(87)**	**1.3**	**-**	**-**	**-**	**(6)**	**(81)**	**-**
Financial institutions	(80)	1.2	-	-	-	-	(80)	-
Companies	(7)	0.1	-	-	-	(6)	(1)	-
Total (*)	**(6,747)**	**100.0**	**(1,526)**	**(630)**	**(615)**	**(1,364)**	**(885)**	**(1,727)**
% per maturity term			22.7	9.3	9.1	20.2	13.1	25.6
Share of Itaúsa – 36.82% in Dec/11	**(2,484)**		**(562)**	**(232)**	**(226)**	**(502)**	**(326)**	**(636)**
Other companies	(2)	-	-	-	-	-	(2)	-
TOTAL	**(2,486)**	**-**	**(562)**	**(232)**	**(226)**	**(502)**	**(328)**	**(636)**

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

Realized and unrealized gains and (losses) on the portfolio of derivatives

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2012	01/01 to 12/31/2011
Swaps	(911)	(476)
Forwards (onshore)	71	(139)
Futures	(2,148)	91
Options	322	323
Credit derivatives	191	185
Other	17	367
Total	**(2,458)**	**351**
Share of Itaúsa – 36.78% in Dec/12 and 36.82% in Dec/11	**(904)**	**129**
TOTAL	**(904)**	**129**

a) Information on credit derivatives

ITAÚSA and its subsidiaries buy and sell credit protection mainly related to securities of Brazilian listed companies in order to meet the needs of their clients. When ITAÚSA and its subsidiaries sell contracts for credit protection, the exposure for a given reference entity may be partially or totally offset by a credit protection purchase contract of another counterpart for the same reference entity or similar entity. The credit derivatives for which ITAÚSA and its subsidiaries are protection sellers are credit default swaps and total return swaps.

Credit Default Swaps – CDS

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

Total Return Swap – TRS

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

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

ITAÚ UNIBANCO HOLDING	12/31/2012 Maximum Potential future payments, gross	Before 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Fair value
By instrument						
CDS	3,847	858	1,983	1,006	-	(72)
TRS	1,285	1,275	10	-	-	672
Total by instrument	**5,132**	**2,133**	**1,993**	**1,006**	**-**	**600**
Share of Itaúsa – 36.78% in Dec/12	**1,888**	**785**	**733**	**370**	**-**	**221**
TOTAL	**1,888**	**785**	**733**	**370**	**-**	**221**
By risk rating						
Investment grade	5,132	2,133	1,993	1,006	-	**600**
Total by risk	**5,132**	**2,133**	**1,993**	**1,006**	**-**	**600**
Share of Itaúsa – 36.78% in Dec/12	**1,888**	**785**	**733**	**370**	**-**	**221**
TOTAL	**1,888**	**785**	**733**	**370**	**-**	**221**
By reference entity						
Private entities	5,132	2,133	1,993	1,006	-	600
Total by entity	**5,132**	**2,133**	**1,993**	**1,006**	**-**	**600**
Share of Itaúsa – 36.78% in Dec/12	**1,888**	**785**	**733**	**370**	**-**	**221**
TOTAL	**1,888**	**785**	**733**	**370**	**-**	**221**

ITAÚ UNIBANCO HOLDING	12/31/2011 Maximum potential future payments, gross	Before 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Fair value
By instrument						
CDS	3,427	1,302	1,106	925	94	**(92)**
TRS	982	973	-	9	-	**511**
Total by instrument (*)	**4,409**	**2,275**	**1,106**	**934**	**94**	**419**
Share of Itaúsa – 36.82% in Dec/11	**1,623**	**838**	**407**	**344**	**35**	**154**
TOTAL	**1,623**	**838**	**407**	**344**	**35**	**154**
By risk rating						
Investment grade	4,409	2,275	1,106	934	94	**419**
Total by risk (*)	**4,409**	**2,275**	**1,106**	**934**	**94**	**419**
Share of Itaúsa – 36.82% in Dec/11	**1,624**	**838**	**407**	**344**	**35**	**154**
TOTAL	**1,624**	**838**	**407**	**344**	**35**	**154**
By reference entity						
Private entities	4,409	2,275	1,106	934	94	**419**
Total by entity (*)	**4,409**	**2,275**	**1,106**	**934**	**94**	**419**
Share of Itaúsa – 36.82% in Dec/11	**1,624**	**838**	**407**	**344**	**35**	**154**
TOTAL	**1,624**	**838**	**407**	**344**	**35**	**154**

(*) In the period we aligned the procedures for disclosing credit derivate information in order to state the position in the same disclosure standard as that of the Risk Management (www.ita-unibanco.com.br/ri, under section Corporate Governance/Risk Management - Circular 3,477).

ITAÚSA and its subsidiaries assess the risk of a credit derivative based on the credit ratings attributed to the reference entity by independent credit rating agencies. Investment grade are those entities for which credit risk is rated as Baa3 or higher, as rated by Moody's, and BBB- or higher, according to the ratings of Standard & Poor’s and Fitch Ratings. The maximum potential loss that may be incurred by the credit derivative is based on the notional amount of the derivative. ITAÚSA and its subsidiaries believe, based on their historical experience, that the amount of the maximum potential loss does not represent the actual level of loss. As such 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 the period covered, ITAÚSA and its subsidiaries did not incur any loss related to credit derivative contracts.

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

ITAÚ UNIBANCO HOLDING	12/31/2012		
	Notional amount of credit protection sold	Nominal amount of credit protection purchased with identical underlying amount	Net position
CDS	(3,847)	1,066	(2,781)
TRS	(1,285)	-	(1,285)
Total	**(5,132)**	**1,066**	**(4,066)**
Share of Itaúsa – 36.78% in Dec/12	**(1,888)**	**392**	**(1,496)**
TOTAL	**(1,888)**	**392**	**(1,496)**

ITAÚ UNIBANCO HOLDING	12/31/2011		
	Notional amount of credit protection sold	Nominal amount of credit protection purchased with identical underlying amount	Net position
CDS	(3,427)	1,001	(2,426)
TRS	(982)	1,188	206
TOTAL	**(4,409)**	**2,189**	**(2,220)**
Share of Itaúsa – 36.82 in Dec/11	**(1,623)**	**806**	**(817)**
TOTAL (*)	**(1,623)**	**806**	**(817)**

(*) In the period we aligned the procedures for disclosing credit derivate information in order to state the position in the same disclosure standard as that of the Risk Management (www.ita-unibanco.com.br/ri, under section Corporate Governance/Risk Management - Circular 3,477).

NOTE 9 – HEDGE ACCOUNTING

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

Cash flow hedge

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

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

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

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

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

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

The strategies of hedge accounting were designated in 2008 (hedge of subordinated CDB), 2009 (hedge of redeemable preferred shares) and 2010 (hedge of deposits denominated in Brazilian reais and agreements to resell) and derivatives will mature between 2013 and 2017. Periods in which expected cash flows should be paid and affect the statement of income are as follows.

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

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

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

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

Hedge of net investment in foreign operations

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

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

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

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

Fair value hedge

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

To hedge the variation in market risk of interest receipts, ITAÚ UNIBANCO HOLDING uses interest rate swap contracts hedge assets which are prefixed items, expressed in UF (Chilean Unit of Account - CLF), issued in Chile, with maturities between 2020 and 2027.

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

ITAÚSA CONSOLIDATED applies fair value hedge as follows:

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

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

Hedge relationships were designated in 2012 and the respective swaps will mature between 2020 and 2027. Receipts (payments) of interest flows are expected to occur on a monthly basis, and they will affect the statement of income.

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

	12/31/2012			12/31/2011		
Hedge instruments used in cash flow hedge	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line item where the ineffective portion is recognized in the statement of income**	**Gain (loss) recognized in derivatives (ineffective portion) (*)**	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line item where the ineffective portion is recognized in the statement of income**	**Gain (loss) recognized in derivatives (ineffective portion) (*)**
Interest rate futures	(316)	Net gain (loss) from investment securities and derivatives	-	(282)	Net gain (loss) from investment securities and derivatives	1
Interest rate swaps	(10)	Net gain (loss) from investment securities and derivatives	-	(30)	Net gain (loss) from investment securities and derivatives	-
Total	**(326)**		**-**	**(312)**		**1**

(*) At June 30, 2012, the gain (loss) related to the cash flow hedge expected to be reclassified from Comprehensive Income to Income in the following 12 months is R$ 376 (R$ 167 at December, 31 2011).

	12/31/2012			12/31/2011		
Hedge instruments used in hedge of net investment in foreign operations	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line Item where the ineffective portion is recognized in the statement of income**	**Other gain (loss) recognized in derivatives (ineffective portion)**	**Accumulated gain (loss) recognized in other comprehensive income and cash flow hedge (effective portion)**	**Line Item where the ineffective portion is recognized in the statement of income**	**Other gain (loss) recognized in derivatives (ineffective portion)**
DDI Futures (1)	(1,473)	Net gain (loss) from investment securities and derivatives	66	(890)	Net gain (loss) from investment securities and derivatives	42
Forwards	67	Net gain (loss) from investment securities and derivatives	(6)	130	Net gain (loss) from investment securities and derivatives	19
NDF (2)	207	Net gain (loss) from investment securities and derivatives	4	335	Net gain (loss) from investment securities and derivatives	2
Financial assets	-	Net gain (loss) from investment securities and derivatives	-	(10)	Net gain (loss) from investment securities and derivatives	-
Total	**(1,199)**		**64**	**(435)**		**63**

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

	12/31/2012			
Hedge instruments used in Hedge of Fair Value	**Accumulated gain or (loss) recognized in income hedge instrument**	**Accumulated gain or (loss) recognized in income hedge object (effective portion)**	**Accumulated gain or (loss) recognized in income (ineffective portion)**	**Line item in which the ineffective portion is recognized in the statement of income**
Interest rate swaps	4	(4)	-	**Gain (Loss) net from investment securities and derivatives**
Total	**4**	**(4)**	**-**	

The tables below present, for each strategy, the notional amount and the fair value of derivatives and the carrying amount of the hedged itens:

Strategies	12/31/2012			12/31/2011		
	Hedge instruments		Hedged item	Hedge instruments		Hedged item
	Notional amount	Fair value	Carrying value	Notional amount	Fair value	Carrying value
Hedge of deposits and repurchase agreements	50,057	1	50,193	19,113	(4)	19,083
Hedge of redeemable preferred shares	803	(20)	803	737	(37)	737
Hedge of subordinated CDB	87	-	129	87	-	118
Hedge of net investment in foreign operations (*)	8,593	30	5,156	6,886	31	4,131
Hedge of fair value of interest receipts	470	4	470	-	-	-
Fair value hedge	**60,010**	**15**	**56,751**	**26,823**	**(10)**	**24,069**

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

Year of Maturity	Strategies					Total
	Hedge of deposits and repurchase agreements	Hedge of redeemable preferred shares	Hedge of subordinated CDB	Hedge of net investments in foreign operations	Fair value hedge	
2013	41,170	-	-	8,593	-	49,763
2014	7,559	-	87	-	-	7,646
2015	515	803	-	-	-	1,318
2017	813	-	-	-	-	813
2020	-	-	-	-	46	46
2022	-	-	-	-	210	210
2025	-	-	-	-	47	47
2027	-	-	-	-	167	167
Total	**50,057**	**803**	**87**	**8,593**	**470**	**60,010**

NOTE 10 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

ITAÚ UNIBANCO HOLDING	12/31/2012				12/31/2011			
	Cost/ Amortized cost	Unrealized results		Fair value	Cost/Amortized cost	Unrealized results		Fair value
		Gain	Loss			Gain	Loss	
Investment funds	250	5	-	255	802	4	-	806
Brazilian government securities (1a)	24,706	847	(91)	25,462	12,296	183	(55)	12,424
Brazilian external debt bonds (1b)	17,217	868	(20)	18,065	5,667	240	(1)	5,906
Government securities – abroad (1c)	**7,174**	**6**	**(43)**	**7,137**	**4,327**	**5**	**(15)**	**4,317**
United States	375	-	-	375	-	-	-	-
Mexico	-	-	-	-	10	1	-	11
Denmark	2,554	-	-	2,554	1,949	-	-	1,949
Spain	-	-	-	-	418	-	-	418
Korea	1,662	-	-	1,662	295	-	-	295
Chile	1,538	2	(6)	1,534	992	4	(1)	995
Paraguay	528	-	(37)	491	358	-	(14)	344
Uruguay	292	2	-	294	268	-	-	268
Belgica	70	1	-	71	-	-	-	-
France	56	1	-	57	-	-	-	-
United Kingdon	83	-	-	83	-	-	-	-
Other	16	-	-	16	37	-	-	37
Corporate securities (1d)	**38,228**	**1,862**	**(140)**	**39,950**	**23,174**	**1,699**	**(816)**	**24,057**
Shares	3,350	553	(91)	3,812	3,458	698	(178)	3,978
Securitized real estate loans	7,916	681	(29)	8,568	7,806	707	(499)	8,014
Bank deposit certificates	391	-	-	391	274	-	-	274
Debentures	13,656	316	(8)	13,964	7,165	139	(68)	7,236
Eurobonds and other	5,311	297	(12)	5,596	3,554	152	(68)	3,638
Promissory notes	777	-	-	777	646	-	-	646
Cédula de Produtor Rural	770	8	-	778	-	-	-	-
Financial credit bills	5,720	-	-	5,720	-	-	-	-
Other	337	7	-	344	271	3	(3)	271
TOTAL	**87,575**	**3,588**	**(294)**	**90,869**	**46,266**	**2,131**	**(887)**	**47,510**
Itaúsa Share – 36.78% at Dec/12 and 36.82% at Dec/11	**32,213**	**1,320**	**(108)**	**33,425**	**17,036**	**785**	**(327)**	**17,494**
Industrial companies	318	8	-	326	270	41	-	311
TOTAL	**32,531**	**1,328**	**(108)**	**33,751**	**17,306**	**826**	**(327)**	**17,805**

(1) Available-for-sale assets pledged as collateral for funding of financial institutions and clients at December 31, 2012 were: a) R$ 9,969 (R$ 2,208 at December 31, 2011), b) R$ 11,646 (3,880 at December 31, 2011), c) R$ 450 (R$ 12 at December 31, 2011) and d) R$ 3,864 (R$ 2,355 at December 31, 2011, totaling R$ 25,929 (R$ 8,455 at December 31, 2011), reflected in the Consolidated Balance Sheet of Itaúsa proportionally: a) R$ 3,667 (R$ 812 at December 31, 2011), b) R$ 4,284 (1,427 at December 31, 2011), c) R$ 166 (R$ 4 at December 31, 2011) and d) R$ 1,421 (R$ 866 at December 31,2011, totaling R$ 9,538 (R$ 3,109 at December 31, 2011).

Realized gains and losses

ITAÚ UNIBANCO HOLDING	01/01 to 12/31/2012	01/01 to 12/31/2011
Available-for-sale financial assets		
Gain	970	597
Loss	(265)	(153)
Total	**705**	**444**
Itaúsa Share – 36.78% at Dec/12 and 36.82% at Dec/11	**259**	**163**
Total	**259**	**163**

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

ITAÚ UNIBANCO HOLDING	12/31/2012		12/31/2011	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Current	**25,963**	**26,515**	**13,239**	**13,904**
Without maturity	3,595	4,060	4,257	4,779
Up to one year	22,368	22,455	8,982	9,125
Non-current	**61,612**	**64,354**	**33,027**	**33,606**
From one to five years	28,914	29,470	16,875	17,042
From five to ten years	19,924	20,480	9,792	9,655
Over ten years	12,774	14,404	6,360	6,909
Total	**87,575**	**90,869**	**46,266**	**47,510**
Share of Itaúsa – 36.78% at Dec/12 and 36.82% at Dec/11	**32,213**	**33,425**	**17,036**	**17,494**
Industrial companies	**318**	**326**	**270**	**311**
TOTAL	**32,531**	**33,751**	**17,306**	**17,805**

During the years ended December 31, 2012 and 2011, ITAÚSA and its subsidiaries did not recognize any impairment losses of available-for-sale financial assets.

NOTE 11 - HELD-TO-MATURITY FINANCIAL ASSETS

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

ITAÚ UNIBANCO HOLDING	31/12/2012	31/12/2011
	Amortized cost	Amortized cost
Brazilian government securities	3,013	2,812
Brazilian external debt bonds (1a)	118	196
Government securities – other countries	20	-
Corporate securities (1b)	**51**	**97**
Debentures	-	30
Eurobonds and other	51	65
Securitized real estate loans	-	2
Total	**3,202**	**3,105**
Share of Itaúsa – 36.78% at Dec/12 and 36.82% at Dec/11	**1,178**	**1,144**
TOTAL	**1,178**	**1,144**

(1) Held-to-maturity financial assets pledged as collateral for funding transactions of financial institutions and clients at December 31, 2012 were: a) R$ 76 (R$ 189 at December 31, 2011) and b) R$ 44 (R$ 41 at December 31, 2011), totaling R$ 120 (R$ 230 at December 31, 2011), reflected in the Consolidated Balance Sheet of Itaúsa proportionally as: a) R$ 28 (R$ 70 at December 31, 2011) and b) R$ 16 (R$ 15 at December 31, 2011), totaling R$ 44 (R$ 85 at December 31, 2011).

The results from held-to-maturity financial assets were R$ 471 (R$ 360 from January 1 to December 31, 2011) reflected in the Consolidated Balance Sheet of Itaúsa proportionally as: R$ 173 (R$ 133 from January 1 to Decmber 31, 2011).

The fair value the held-to-maturity financial assets is divulgado na note 31.

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

ITAÚ UNIBANCO HOLDING	31/12/2012	31/12/2011
	Amortized cost	Amortized cost
Current	**188**	**120**
Up to one year	188	120
Non-current	**3,014**	**2,985**
From one to five years	147	242
From five to ten years	1,087	1,077
Over ten years	1,780	1,666
Total	**3,202**	**3,105**
Share of Itaúsa – 36.78% at Dec/12 and 36.82% at Dec/11	**1,178**	**1,144**
TOTAL	**1,178**	**1,144**

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

NOTE 12 - LOAN OPERATIONS AND LEASE OPERATIONS PORTFOLIO - ITAÚ UNIBANCO HOLDING

a) Composition of loan operations and lease operations

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

ITAU UNIBANCO HOLDING		
Loan operations and lease operations by type	**31/12/2012**	**31/12/2011**
Individuals	**150,300**	**149,277**
Credit card	40,531	38,961
Personal loan	40,076	36,403
Vehicles	51,646	60,463
Mortgage loans	18,047	13,450
Corporate	**104,350**	**92,079**
Small and medium businesses	**85,185**	**85,649**
Foreign loans - Latin America	**27,149**	**19,259**
Total loan operations and lease operations	**366,984**	**346,264**
Allowance for loan losses	(25,713)	(23,873)
Total loan operations and lease operations, net of allowance for loan losses	**341,271**	**322,391**
Share of Itaúsa	36.78%	36.82%
Loan operations and lease operations	134,988	127,501
Allowance for loan losses	(9,458)	(8,791)
Total share of Itaúsa	**125,530**	**118,710**

By maturity	**31/12/2012**	**31/12/2011**
Overdue as from 1 day	4,868	5,479
Falling due up to 3 months	37,251	35,146
Falling due more than 3 months but less than 1 year	34,705	31,460
Falling due after 1 year	58,164	55,416
Total loan operations and lease operations	**134,988**	**127,501**

By concentration	**31/12/2012**	**31/12/2011**
Largest debtor	1,540	858
10 largest debtors	6,779	5,013
20 largest debtors	9,840	7,955
50 largest debtors	15,375	13,073
100 largest debtors	20,979	17,778

The breakdown of the Loan and Lease Operations Portfolio by debtor's industry is evidenced in Note 35 item 5.1 Maximum exposure of Financial Assets segregated by business sector.

The accretion of the net present value of impaired loan operations and lease operations and the respective allowance for loan losses are not presented using their gross amounts in the statement of income but on a net basis within interest and similar income. If they were presented at gross amounts, there would be an increase of R$ 681 and R$ 705 in interest and similar income at December 31, 2012 and 2011, respectively, with the same impact on the allowance for loan losses expenses.

b) Allowance for loan losses

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

ITAÚ UNIBANCO HOLDING							
Composition of the carrying amount by class of assets	Opening balance	Write-offs	Net increase / (Reversal)	Closing balance	Write-offs	Net increase / (Reversal)	Closing balance
	12/31/2010	01/01 to 12/31/2011		12/31/2011	01/01 to 12/31/2012		12/31/2012
Individuals	**10,619**	**(8,631)**	**11,641**	**13,629**	**(13,199)**	**14,098**	**14,528**
Credit card	3,306	(3,558)	4,077	3,825	(5,335)	4,373	2,863
Personal loans	3,492	(2,959)	4,810	5,343	(5,134)	7,183	7,392
Vehicles	3,709	(2,041)	2,747	4,415	(2,696)	2,508	4,227
Mortgage loans	112	(73)	7	46	(34)	34	46
Corporate	**1,071**	**(294)**	**(19)**	**758**	**(314)**	**1,234**	**1,678**
Small and medium businesses	**8,041**	**(7,001)**	**8,157**	**9,197**	**(8,407)**	**8,301**	**9,091**
Foreign loans - Latin America	**263**	**(233)**	**259**	**289**	**(222)**	**349**	**416**
Total	**19,994**	**(16,159)**	**20,038**	**23,873**	**(22,142)**	**23,982**	**25,713**
	36.57%			36.82%		36.78%	
Share of Itaúsa	**7,312**			**8,791**			**9,458**

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

By sector of the debtor	12/31/2012	12/31/2011
Public sector	2	1
Industry and commerce	6,443	6,266
Services	3,742	3,476
Primary sector	411	273
Other sectors	16	32
Individuals	15,099	13,825
Total	**25,713**	**23,873**
	36.78%	36.82%
Share of Itaúsa	**9,458**	**8,791**

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

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

ITAÚ UNIBANCO HOLDING	12/31/2012						12/31/2011					
	Impaired		Not Impaired		Total		Impaired		Not Impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated												
Corporate (*)	**1,467**	**845**	**102,883**	**582**	**104,350**	**1,427**	**1,013**	**429**	**91,066**	**279**	**92,079**	**708**
II – Collectively evaluated												
Individuals	**12,056**	**7,641**	**138,244**	**7,138**	**150,300**	**14,779**	**11,006**	**6,739**	**138,271**	**6,940**	**149,277**	**13,679**
Credit card	2,289	1,428	38,242	1,435	40,531	2,863	3,083	1,918	35,878	1,907	38,961	3,825
Personal loans	5,000	3,464	35,076	4,179	40,076	7,643	3,475	2,088	32,928	3,305	36,403	5,393
Vehicles	4,569	2,726	47,077	1,501	51,646	4,227	4,329	2,707	56,134	1,708	60,463	4,415
Mortgage loans	198	23	17,849	23	18,047	46	119	26	13,331	20	13,450	46
Small and medium businesses	**6,368**	**4,900**	**78,817**	**4,191**	**85,185**	**9,091**	**6,770**	**4,808**	**78,879**	**4,389**	**85,649**	**9,197**
Foreign loans - Latin America	**116**	**68**	**27,033**	**348**	**27,149**	**416**	**63**	**36**	**19,196**	**253**	**19,259**	**289**
Total	**20,007**	**13,454**	**346,977**	**12,259**	**366,984**	**25,713**	**18,852**	**12,012**	**327,412**	**11,861**	**346,264**	**23,873**
Share of Itaúsa			36.78%						36.82%			
	7,359	**4,949**	**127,629**	**4,509**	**134,988**	**9,458**	**6,942**	**4,424**	**120,559**	**4,367**	**127,501**	**8,791**

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

c) Present value of lease operations

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

ITAÚ UNIBANCO HOLDING	12/31/2012		
	Future minimum payments	Future financial income	Present value
Current	**10,811**	**(1,168)**	**9,643**
Up to 1 year	10,811	(1,168)	9,643
Non-current	**10,158**	**(2,751)**	**7,407**
From 1 to 5 years	9,938	(2,704)	7,234
Over 5 years	220	(47)	173
Total	**20,969**	**(3,919)**	**17,050**
		36.78%	
Share of Itaúsa	**7,713**	**(1,442)**	**6,272**

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

The allowance for loan losses related to the lease portfolio amounts to: R$ 557 at 12/31/2012 (R$ 744 at 12/31/2011), including proportion the share of Itaúsa.

d) Operations of Sale or Transfer of Financial Assets

ITAÚSA CONSOLIDATED carried out operations related to the sale or transfer of financial assets in which the entity retained credit risks from the financial assets transferred, through joint obligation clauses or the acquisition of subordinated quotas in the credit right funds. Therefore, such credits remain recorded as loan operations and are represented at December 31, 2012 as follows:

Nature of operation	Assets		Liabilities (*)	
	Book value	Fair value	Book value	Fair value
Individuals – mortgage loan	145	160	145	147
		36.78%		
Share of Itaúsa	53	59	53	54

(*) Under Interbank market debt

NOTE 13 – LEASE COMMITMENTS AS LESSEE

a) Finance lease

ITAÚSA CONSOLIDATED, through its subsidiary ITAÚ UNIBANCO HOLDING, is the lessee in finance lease contracts of data processing equipment, with the option of purchase or extension, without contingent rental payments or imposed restrictions. The net carrying amount of these assets is R$ 91 as at December 31, 2012 (R$ 125 at December 31, 2011).

The table below shows the total future minimum payments:

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Current	**174**	**220**
Up to 1 year	174	220
Non-current	**74**	**120**
From 1 to 5 years	74	120
Total future minimum payment	**248**	**340**
Future interest	-	1
Present value	**248**	**339**
	36.78%	36.82%
Share of Itaúsa	**91**	**125**

b) Operating leases

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

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

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Current	**948**	**882**
Up to 1 year	948	882
Non-current	**3,412**	**3,132**
From 1 to 5 years	2,910	2,537
Over 5 years	502	595
Total future minimum payment	**4,360**	**4,014**
	36.78%	36.82%
Share of Itaúsa	**1,604**	**1,478**

NOTE 14 – INVENTORIES – INDUSTRIAL AREA

	12/31/2012	31/12/2011
Raw material, supplies and packaging	369	397
Finished products	308	259
Work in progress	77	74
Showroom	81	77
Advance to suppliers	5	20
Allowance for inventory losses	(50)	(58)
Other	-	2
Total	**790**	**771**

The cost of inventories recognized in results and included in "Cost of Products Sold" totaled R$ 3,921 at December 31, 2012 (R$ 3,496 at December 31, 2011).

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

NOTE 15 - INVESTMENTS

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

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

Companies	Balances at 12/31/2011	Subscription / Acquisition / (Sales)	Dividends and interest on capital received / receivable (1)	Share of income of subsidiaries	Change in adjustment to market value	Cumulative translation adjustments	Granting of options recognized	Cash flow hedge	Other adjustments in stockholders' equity (3)	Balances at 12/31/2012	Market value (2)
Itaú Unibanco Holding S.A.	14,810	-	(1,832)	3,206	322	104	36	(91)	(1,442)	15,113	55,395
IUPAR - Itaú Unibanco Participações S.A.	11,896	-	(105)	1,370	283	91	31	(80)	(1,265)	12,221	-
Duratex S.A.	1,299	8	(54)	164	-	2	2	-	(3)	1,418	2,880
Elekeiroz S.A.	460	-	-	-	(1)	-	-	-	-	459	226
Itautec S.A.	388	-	-	(16)	4	-	-	-	-	376	383
Itaúsa Empreendimentos S.A.	100	-	-	-	-	-	-	-	-	100	-
ITH Zux Cayman Company Ltd.	43	(46)	-	4	-	-	-	-	-	1	-
GRAND TOTAL	**28,996**	**(38)**	**(1,991)**	**4,728**	**608**	**197**	**69**	**(171)**	**(2,710)**	**29,688**	

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

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

(3) Mainly represented by the purchase of additional interest in Redecard from non-controlling stockholders (Note 3).

Companies	Capital	Stockholders' equity	Net income for the period	Number of shares owned by ITAÚSA		Interest in capital	Interest in voting capital
				Common	Preferred		
Itaú Unibanco Holding S.A.	45,000	75,998	13,191	885,142,980	77,193	36.78%	64.16%
IUPAR - Itaú Unibanco Participações S.A.	6,000	18,369	2,060	355,227,092	350,942,273	66.53%	50.00%
Duratex S.A.	1,550	4,020	460	194,728,131	-	35.46%	35.46%
Elekeiroz S.A.	320	476	-	14,261,761	16,117,360	96.49%	98.23%
Itautec S.A.	280	548	1	10,953,371	-	94.01%	94.01%
Itaúsa Empreendimentos S.A.	52	100	-	752,189	-	100.00%	100.00%
ITH Zux Cayman Company Ltd.	25	1	-	12,220,000	-	100.00%	100.00%

II - INVESTMENTS IN UNCONSOLIDATED COMPANIES – ITAÚSA CONSOLIDATED

a) Composition

ITAÚ UNIBANCO HOLDING	Interest % at 12/31/2012		12/31/2012					12/31/2011			12/31/2011	
	Total	**Voting**	**Stockholders' equity**	**Net income**	**Investment**	**Share of income**	**Market value**	**Stockholders' equity**	**Investment**	**Market value**	**Net income**	**Share of income**
Porto Seguro Itaú Unibanco Participações S.A. (a) (b)	42.93	42.93	2,898	436	2,076	157	2,309	2,681	2,014	2,094	415	144
BSF Holding S.A.(c)	49.00	49.00	607	131	880	64	-	-	-	-	(1,880)	-
Banco BPI S.A. (d)	-	-	-	-	-	(102)	-	1,151	219	219	310	(343)
Serasa S.A. (e)	-	-	-	-	-	70	-	1,119	273	1,161	-	102
Other (f)	-	-	-	-	49	(14)	-	-	38	-	-	(16)
Total - Itaú Unibanco	**-**	**-**	**-**	**-**	**3,005**	**175**	**-**	**-**	**2,544**	**-**	**-**	**(113)**
Share of Itaúsa						36.78%			36.82%			36.83%
					1,105	**64**			**937**			**(42)**
Other investments					2	6			1			(110)
Tablemac (g)					174	2			-			-
Total					**1,281**	**72**			**938**			**(152)**

(a) In order to account for equity in earnings in 2012, the position as at 08/31/2012 was used, as per IAS 27;

(b) For purposes of market valuation, the quoted share price of Porto Seguro S.A. was taken into account. The investment includes the amounts of R$ 832 at December 31, 2012 and R$ 862 at December 31, 2011, which correspond to the difference between the share in the net assets at fair value of Porto Seguro Itaú Unibanco Participações S.A. and cost of the investment;

c) In May 2012, Itaú Unibanco S.A. acquired 137,004,000 common shares of BSF Holding S.A. (parent company of Banco Carrefour), which corresponds to 49% interest in BSF Holding S.A.'s capital. The investment amount includes R$ 583 at December 31, 2012, corresponding to goodwill;

(d) Investment sold on April 20, 2012;

(e) indirect investment of ITAÚ UNIBANCO HOLDING as a result of its 66% interest in subsidiary company BIU Participações S.A. which holds 24% of Serasa S.A.'s voting capital. Investments disposed of in 11/23/2012 (Note 25).

(f) At 12/31/2012, includes interest in total capital and voting capital of the following companies: Compañia Uruguaya de Medios de Procesamiento S.A. (30.06% total and voting capital), Latosol Empreendimentos e Participação Ltda (32.11% total and voting capital); Redebanc SRL (20.00% total and voting capital) and Tecnologia Bancária S.A. (24.81% total and voting capital).

(g) In August 2012, Duratex subscribed 25% of the capital of Tablemac S.A.

At December 31, 2012, ITAÚSA CONSOLIDATED received/recognized for dividends and interest on capital of the main unconsolidated companies, being the main Porto Seguro Itaú Unibanco Participações S.A in the amount of R$ 59 (R$ 54 at December 31, 2011).

b) Other Information

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

ITAÚSA CONSOLIDATED	12/31/2012	12/31/2011
Total assets (*)	3,505	107,783
Total liabilities (*)	-	102,831
Total income (*)	567	8,739
Total expenses (*)	-	(9,894)

(*) Mainly represented by Banco BPI S.A., in the amount of R$ 103,696 at 12/31/2011 related to assets, R$ 102,544 at 12/31/2011 related to liabilities, R$ 9,081 at 12/31/2011 related to income and R$ 8,961 at 12/31/2011 related to expenses.This investment was sold at 04/20/2012.

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

The table below shows the summary of the financial information of the subsidiaries of Itaúsa, on an aggregate basis.

ITAÚSA	12/31/2012	12/31/2011
Total assets	966,826	826,977
Total liabilities	885,677	746,776
Total income	154,218	140,190
Total expenses	(140,580)	(125,157)

NOTE 16 – FIXED ASSETS

FIXED ASSETS (1)	Annual depreciation rates (%)	Balance at 31/12/2011			Changes				Balance at 12/31/2012		
		Cost	Accumulated depreciation	Net book value	Acquisitions	Disposals	Depreciation expense	Other	Cost	Accumulated depreciation	Net book value
REAL ESTATE IN USE (2)	**-**	**3,152**	**(1,133)**	**2,019**	**189**	**(69)**	**(155)**	**18**	**3,290**	**(1,288)**	**2,002**
Land	-	1,056	-	1,056	21	(66)	-	(9)	1,002	-	1,002
Buildings	4	1,638	(909)	729	85	(3)	(58)	13	1,733	(967)	766
Improvements	10	458	(224)	234	83	-	(97)	14	555	(321)	234
OTHER FIXED ASSETS	**-**	**6,153**	**(3,087)**	**3,066**	**1,084**	**(32)**	**(603)**	**(29)**	**7,151**	**(3,690)**	**3,461**
Installations	5 to 20	773	(450)	323	80	(1)	(59)	47	899	(509)	390
Furniture and equipment	10 to 20	2,807	(1,166)	1,641	132	(24)	(211)	61	2,951	(1,377)	1,574
EDP systems (3)	20 to 50	1,868	(1,253)	615	373	(14)	(298)	-	2,227	(1,551)	676
Other (communication, security and transport	4 to 20	705	(218)	487	499	7	(35)	(137)	1,074	(253)	821
TOTAL FIXED ASSETS		**9,305**	**(4,220)**	**5,085**	**1,273**	**(101)**	**(758)**	**(11)**	**10,441**	**(4,978)**	**5,463**

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

(2) Includes the amount of R$ 1 related to attached real estate; fixed assets under construction in the amount of R$ 825, consisting of R$ 87 in real estate in use, R$ 25 in improvements, R$ 20 in equipment and R$ 693 in other;

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

NOTE 17 – BIOLOGICAL ASSETS (Forest reserves)

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

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

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

a) Fair value estimate

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

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

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

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

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

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

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

v. Regularity – expectations regarding future wood prices and volumes are reviewed at least every quarter, or when the rotational physical inventory is concluded.

b) Composition of balances

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

	12/31/2012	12/31/2011
Cost of formation of biological assets	545	519
Difference between cost and fair value	557	575
Fair value of biological assets	**1,102**	**1,094**

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

c) Changes

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

	12/31/2012	12/31/2011
Opening balance	**1,094**	**1,030**
Variation in fair value		
Volume price	144	154
Depletion	(163)	(138)
Variation in historic value		
Formation	115	98
Depletion	(88)	(57)
Acquisition	-	7
Closing balance	**1,102**	**1,094**

	12/31/2012	12/31/2011
Effects of the variation in fair value of biological assets	**(19)**	**16**
Variation in fair value	144	154
Depletion of fair value	(163)	(138)

The investments in forests in formation result from an increase in planted areas to support the expansion of the Company's operations.

The adjustment related to the variation of the fair value results from higher prices in the present value of standing wood, and higher productivity.

NOTE 18 - INTANGIBLE ASSETS - ITAÚSA CONSOLIDATED (*)

INTANGIBLE ASSETS	Annual amortization rates (%)	12/31/2011			Changes					12/31/2012		
		Cost	Accumulated amortization	Net value	Acquisitions	Write-offs	Amortization expense	Impairment (1)	Other	Cost	Accumulated amortization	Net value
Acquisition of rights to credit payroll	0%	**607**	**(330)**	**277**	**118**	**-**	**(136)**	**(1)**	**(1)**	**544**	**(287)**	**257**
Other intangible assets (*)		**3,408**	**(673)**	**2,735**	**533**	**(8)**	**(324)**	**(1)**	**8**	**3,872**	**(929)**	**2,943**
Association for the promotion and offer of financial products and services	0%	516	(41)	475	4	(9)	(50)	(1)	5	489	(65)	424
Expenditures on acquisition of software	20%	859	(330)	529	481	1	(109)	-	13	1,290	(375)	915
Brands and patents	0 to 50%	85	(8)	77	1	-	(3)	-	(1)	86	(12)	74
Goodwill for future profitability	0%	687	-	687	-	-	-	-	2	689	-	689
Customer portfolio	6 to 50%	1,016	(224)	792	-	-	(133)	-	12	1,029	(358)	671
Other intangible assets	10 to 20%	245	(70)	175	47	-	(29)	-	(23)	289	(119)	170
		4,015	**(1,003)**	**3,012**	**651**	**(8)**	**(460)**	**(2)**	**7**	**4,416**	**(1,216)**	**3,200**

(1) Note 2.4.l;

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

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

NOTE 19 - DEPOSITS

The table below shows the breakdown of deposits:

Deposits and funding of clients

ITAÚ UNIBANCO HOLDING	12/31/2012			12/31/2011		
	Current	Non-current	Total	Current	Non-current	Total
Interest-bearing deposits	**140,742**	**67,542**	**208,284**	**130,523**	**83,181**	**213,704**
Time deposits	49,897	67,335	117,232	61,560	82,909	144,469
Interbank deposits	7,394	207	7,601	1,793	272	2,065
Savings deposits	83,451	-	83,451	67,170	-	67,170
Non-interest bearing deposits	**34,916**	**-**	**34,916**	**28,932**	**-**	**28,932**
Demand deposits	34,916	-	34,916	28,932	-	28,932
Total	**175,658**	**67,542**	**243,200**	**159,455**	**83,181**	**242,636**
		36.78%			36.82%	
Share of Itaúsa	**64,613**	**24,844**	**89,457**	**58,714**	**30,629**	**89,343**
Eliminations	(4)	-	(4)	(17)	-	(17)
TOTAL	**64,609**	**24,844**	**89,453**	**58,697**	**30,629**	**89,326**

NOTE 20 – FINANCIAL LIABILITIES HELD FOR TRADING

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

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Structured notes	642	2,815
Total	**642**	**2,815**
Share of Itaúsa – 36.78% in Dec/12 and 36.82% in Dec/11	**236**	**1,037**
TOTAL	**236**	**1,037**

The result from financial liabilities held for trading was R$ 1 (R$ (18) de 01/01 a 12/31/2011).

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

The balance is composed of shares in the amount of R$ 110 (R$ 613 at 12/31/2011) and debt securities in the amount of R$ 127 (R$ 423 at 12/31/2011). For shares, in view of the characteristics of the instrument, there is no definite value to be paid at the maturity date. For debt securities, the amount to be paid at maturity comprises several exchange rates and indices, and there are no contractual amounts for settlement.

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

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
	Cost / Fair value	Cost / Fair value
Current	**79**	**1,803**
Up to one year	79	1,803
Non-current	**563**	**1,012**
From one to five years	522	909
From five to ten years	36	88
After ten years	5	15
Total	**642**	**2,815**
Share of Itaúsa – 36.78% in Dec/12 and 36.82% in Dec/11	**236**	**1,037**
TOTAL	**236**	**1,037**

NOTE 21 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, INTERBANK AND INSTITUTIONAL MARKET DEBT

a) Securities sold under repurchase agreements and Interbank market debt

The table below shows the breakdown of funds:

ITAÚ UNIBANCO HOLDING	12/31/2012			12/31/2011		
	Current	Non-current	Total	Current	Non-current	Total
Securities sold under repurchase agreements	**157,120**	**110,285**	**267,405**	**78,408**	**107,005**	**185,413**
Transactions backed by own financial assets	57,080	110,285	167,365	43,145	92,576	135,721
Transactions backed by third-party financial assets	100,040	-	100,040	35,263	14,429	49,692
Interbank market debt	**53,542**	**43,531**	**97,073**	**47,265**	**43,233**	**90,498**
Mortgage notes	44	183	227	37	207	244
Real estate credit bills	12,432	864	13,296	14,470	1,281	15,751
Agribusiness credit bills	2,735	2,586	5,321	1,422	1,862	3,284
Financial credit bills	7,593	11,102	18,695	2,544	11,764	14,308
Import and export financing	18,878	4,175	23,053	17,755	3,697	21,452
Onlending - domestic	11,860	24,188	36,048	11,037	24,422	35,459
Other	-	433	433	-	-	-
Share of Itaúsa		36.78%			36.82%	
Securities sold under repurchase agreements	**57,794**	**40,566**	**98,360**	**28,871**	**39,401**	**68,273**
Industrial Companies - Duratex	**104**	**-**	**104**	**-**	**-**	**-**
Securities sold under repurchase agreements	**57,898**	**40,566**	**98,464**	**28,871**	**39,401**	**68,273**
Interbank market debt	**19,694**	**16,012**	**35,707**	**17,404**	**15,919**	**33,323**

Funding for import and export financing represents credit facilities available for financing of imports and exports of Brazilian companies, in generally 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	40% CDI to 13.23%	0.15% to 5.00%
Mortgage notes	-	2.70% to 7.50%
Real estate credit bills	82% to 100% CDI	-
Financial credit bills	IGPM to 113% CDI	-
Agribusiness credit bills	85% to 96% CDI	-
Import and export financing	0.40% to 105.25% CDI	0.63% to 11.75%
Onlending - domestic	0,50% to 10% TJLP	-

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

b) By the parent company

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

On July 13, 2012, Itaúsa raised funds in the market by issuing Promissory Notes in the amount of R$ 400 million, remunerated at 104.40% of CDI, with the option of early redemption, either partial or in full, at its sole discretion, as from the 31st day and maturing on March 28, 2013. The Funds then raised were used to increase Itaúsa's working capital. On August 21, 2012, Itaú redeemed 50% of the amount issued.

c) Institutional market debt

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

	12/31/2012			12/31/2011		
ITAÚ UNIBANCO HOLDING	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Subordinated debt (*)	3,382	51,797	55,179	10,719	28,996	39,715
Debentures	1,569	-	1,569	1,039	-	1,039
Foreign borrowings through securities	7,119	8,161	15,280	8,143	5,910	14,053
Total	**12,070**	**59,958**	**72,028**	**19,901**	**34,906**	**54,807**
		36.78%			36.82%	
Share of Itaúsa	**4,440**	**22,054**	**26,494**	**7,328**	**12,853**	**20,180**
Itaúsa debentures and promissory notes	573	-	573	401	350	751
Total	**5,013**	**22,054**	**27,067**	**7,729**	**13,203**	**20,931**

(*) At December 31, 2012, R$ 51,134 (R$ 38,257 at December 31, 2011), with effects in the Consolidated Balance Sheet of Itaúsa of R$ 18,809 and R$ 14,087, respectively, is included in the Reference Equity, under the proportionality defined by CMN Resolution No. 3,444, of February 28, 2007, as amended by CNM Resolution No. 3,352, of January 31, 2008.

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

	Brazil	Foreign
Subordinated debt	CDI + 0.35% to IPCA + 7.80%	3.04% to 6.20%
Debentures	104.7% CDI	-
Foreign borrowings through securities	1.40% to 8.00%	0.24% to 16.43%

NOTE 22 - OTHER ASSETS AND LIABILITIES

a) Other assets

	12/31/2012			12/31/2011		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial (1)	**11,940**	**4,855**	**16,795**	**10,604**	**4,321**	**14,925**
Receivables from credit card issuers	7,514	-	7,514	6,745	-	6,745
Insurance and reinsurance operations	1,621	-	1,621	1,322	-	1,322
Deposits in guarantee for contingent liabilities (Note 32)	608	4,357	4,965	957	3,915	4,872
Deposits for foreign borrowing program	279	-	279	221	-	221
Negotiation and intermediation of securities	932	40	972	593	-	593
Receivables from reimbursement of contingent liabilities (Note 32)	100	203	303	77	159	236
Receivables from services provided	781	-	781	463	-	463
Amounts receivable from FCVS – Salary Variations Compensation Fund (2)	-	254	254	-	247	247
Foreign exchange portfolio	-	-	-	99	-	99
Operations without credit granting characteristics	106	-	106	127	-	127
Non-financial	**4,559**	**612**	**5,171**	**3,522**	**547**	**4,069**
Prepaid expenses	980	594	1,574	868	547	1,415
Retirement plan assets (Note 28(b) and (c))	1,209	-	1,209	735	-	735
Sundry domestic	634	-	634	422	-	422
Trade notes receivable - industrial companies	1,172	9	1,181	1,189	-	1,189
Sundry foreign	120	9	129	41	-	41
Other	444	-	444	267	-	267

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

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

b) Other liabilities

	12/31/2012			12/31/2011		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial	**18,404**	**82**	**18,486**	**16,202**	**44**	**16,246**
Credit card operations	16,599	-	16,599	15,169	-	15,169
Foreign exchange portfolio	54	-	54	-	-	-
Negotiation and intermediation of securities	1,510	54	1,564	922	-	922
Finance lease	64	27	91	81	44	125
Funds from consortia participants	31	-	31	30	-	30
Other	147	-	147	-	-	-
Non-financial	**9,764**	**1,923**	**11,687**	**10,015**	**252**	**10,267**
Expenses for industrial companies	1,104	1,770	2,874	2,498	-	2,498
Collection and payment of taxes and contributions	147	-	147	320	-	320
Sundry creditors – Local and abroad	1,218	-	1,218	754	-	754
Funds in transit	1,643	-	1,643	1,420	-	1,420
Provision for sundry payments	855	100	955	768	210	978
Social and statutory	2,058	20	2,078	1,488	31	1,519
Related to insurance operations	340	-	340	341	-	341
Liabilities for official agreements and rendering of payment services	136	-	136	555	-	555
Provision for retirement plan benefits (Note 29b and d)	211	14	225	127	11	138
Personnel provision	582	19	601	568	-	568
Provision for health insurance	233	-	233	229	-	229
Deferred income	521	-	521	266	-	266
Other	716	-	716	681	-	681

NOTE 23 – STOCKHOLDERS' EQUITY

a) Capital

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

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

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

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

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

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

- Tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares.

The Extraordinary Stockholders' Meeting (ESM) of April 26, 2012 resolved the capital increase of R$ 500 million upon payment in cash and/or offset with credits arising from complementary interest on capital declared on February 29, 2012. Considering the great volatility within the capital market, as a result of the European financial crisis which caused the general drop in the quotation of shares in the securities market, including those issued by Itaúsa, the remaining shares represented 17.73% of total shares to be issued. As a result of this event, the ESM of July 6, 2012 opted for the cancellation of the capital call. Amount received from prospective subscribes to this issue was returned on July 16, 2012, and the amounts were monetarily adjusted based on the variation of the SELIC rate.

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

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

	Number			Amount
	Common	Preferred	Total	
Shares of capital stock at 01/01/2012	**1,696,626,868**	**2,718,854,721**	**4,415,481,589**	**13,678**
Residents in Brazil	1,696,361,573	1,820,597,595	3,516,959,168	10,895
Foreign Residents	265,295	898,257,126	898,522,421	2,783
Changes in shares of paid-in capital from ESM onf 04/26/2012	**169,662,686**	**271,015,472**	**440,678,158**	**2,822**
Capital Increase with Capitalization of Reserves	-	-	-	2,822
Share bonus	169,662,686	271,015,472	440,678,158	-
Shares of capital stock at 12/31/2012	**1,866,289,554**	**2,981,170,193**	**4,847,459,747**	**16,500**
Residents in Brazil	1,864,554,738	1,962,909,890	3,827,464,628	13,028
Foreign Residents	1,734,816	1,018,260,303	1,019,995,119	3,472
Treasury shares at 01/01/2012 (*)	**-**	**(8,700,000)**	**(8,700,000)**	**(80)**
(-) Cancellation of shares (ESM of 04/26/2012)	-	8,700,000	8,700,000	80
Treasury shares at 12/31/2012	**-**	**-**	**-**	**-**
Shares outstanding at 12/31/2012	**1,866,289,554**	**2,981,170,193**	**4,847,459,747**	**16,500**

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

b) Dividends

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

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

I. Calculation

(In millions of Reais)

Net income	4,539	
(-) Legal reserve	(227)	
Dividend calculation basis	4,312	
Mandatory minimum dividend	1,078	25.00%
Dividend/Interest on capital declared/provided	1,997	26.51%
Declared after 12/31/2012	518	
Proposed dividends/interest on capital	1,662	38.51%

II. Provision for interest on capital and dividends

	Gross	WTS	Net
Paid / Declrared	**1,149**	**(150)**	**999**
Dividends	**146**	**-**	**146**
1 quarterly installment of R$ 0.015 per share payable on 07/02/2012	73	-	73
1 quarterly installment of R$ 0.015 per share payable on 10/01/2012	73	-	73
Interest on capital	**1,003**	**(150)**	**853**
1 quarterly installment of R$ 0.110 per share to be declared	533	(80)	453
1 quarterly installment of R$ 0.097 per share to be declared	470	(70)	400
Provided for	**145**	**-**	**145**
Dividends	**145**	**-**	**145**
1 quarterly installment of R$ 0.015 per share payable on 01/02/2013	72	-	72
1 quarterly installment of R$ 0.015 per share payable on 04/01/2013	73	-	73
Interest on capital declared at 03/04/2013	**610**	**(92)**	**518**
1 quarterly installment of R$ 0.1258 per share payable on 28/06/2013	610	(92)	518
Total at 12/31/2012 - R$ 0.3429 net per share	**1,904**	**(242)**	**1,662**
Total at 12/31/2011 - R$ 0.3336 net per share (*)	**1,859**	**(242)**	**1,617**

(*) For compartive purposes, we considered bonuses.

c) Appropriated reserves

- **Legal reserve**

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

- **Statutory reserves**

  These reserves are recognized with the aim of:

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

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

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

	12/31/2012	12/31/2011
REVENUE RESERVES	**12,291**	**15,268**
Legal	2,246	2,019
Statutory	10,045	13,249
Dividends equalization	1,627	4,501
Working capital increase	3,077	4,313
Increase in capital of investees	5,341	4,435
Proposal for distribution of additional dividends	**610**	**551**
Other reserves	**332**	**264**
Total reserves at parent company	**13,233**	**16,083**

e) Unappropriated reserves

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

NOTE 24 – 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 to involve the members of management in the medium and long-term corporate development process, by granting simple stock options or bonus options, that are personal and cannot be pledged or transferred, entitling the holders to subscribe one authorized capital share or, at the discretion of the management, one treasury share which has been acquired for the purpose of reselling.

Such options may only be granted in years in which there are sufficient profits to enable the distribution of mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the date of the year-end balance sheet. ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the quantity, the beneficiaries, the type of option, the life of the option under each series, which may vary between a minimum of five years and a maximum of ten years, and the vesting and lockup periods for exercising the options. The executive officers and members of the Board of Directors of ITAÚ UNIBANCO HOLDING and of its subsidiaries, as well as employees, may participate in this program, based on assessment of potential and performance.

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

II - Characteristics of the programs

II.I – Simple options

Prior programs

Before the merger, both Itaú and Unibanco had Stock Option Plans (Prior Programs). The eligible beneficiaries of the program are granted simple options depending upon individual performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA over the period of at least one and at most three months prior to the option issue date. The price is subject to a positive or negative adjustment of up to 20%, and restated until the last business day of the month prior to the option exercise date based either on the IGP-M or IPCA, in its absence, based on the index determined by the Committee. Options are no longer granted under this model.

Post-merger program

For eligible beneficiaries of the program, simple options are granted depending upon the individual employee performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA trading sessions in the last three months of the year prior to the granting year, and an adjustment up to plus or minus 20% is allowed. The exercise price is adjusted based on the IGPM or, in its absence, based on the index determined by the committee.

The vesting period is from one to seven years, from the date of issue.

II. II – Partner options

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

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

Title to the shares received after the vesting period of the partner options should be held, without any liens or encumbrances, for periods from five to eight years, as from the acquisition date of the shares.

The weighted average of the fair value of share-based instruments on the grant date was estimated for shares purchased in the year ended December 31, 2012 to be R$ 36.00 per share (R$ 37.00 per share for the period ended December 31, 2011).

The fair value of Share-Based instruments is the market price at the grant date for the preferred shares of Itaú Unibanco Holding, less the cash price paid by the beneficiaries. The amount received for the purchase of Share-Based Instruments was R$ 50 at December 31, 2012 (R$ 48 at December 31, 2011).

Summary of changes in the plan

Granting		Vesting period	Exercise	Restated exercise	Exercised options		Number of shares				
					Exercise price	Market value	Prior balance				To be exercised
No.	Date	until	deadline	price (R$1)	weighted average	weighted average	12/31/2011	Granted	Exercised	Forfeited (*) / Canceled	at 12/31/2012
Simple options											
11th	2/21/2005	12/31/2009	12/31/2012	20.27	19.79	33.68	937,275	-	(937,275)	-	-
11th	8/6/2007	12/31/2009	12/31/2012	20.27	19.79	33.68	11,357	-	(11,357)	-	-
12th	2/21/2006	12/31/2010	12/31/2013	30.15	28.25	37.00	6,854,365	-	(1,946,485)	-	4,907,880
12th	8/6/2007	12/31/2010	12/31/2013	30.15	-	-	15,867	-	-	-	15,867
16th	8/10/2009	12/31/2010	12/31/2014	34.28	-	-	874,167	-	-	-	874,167
34th	3/21/2007	3/21/2011	3/20/2012	37.27	-	-	75,901	-	-	(75,901)	-
35th	3/22/2007	3/22/2011	3/21/2012	38.95	-	-	29,518	-	-	(29,518)	-
36th	5/14/2008	5/14/2011	5/13/2012	46.72	-	-	25,301	-	-	(25,301)	-
30th	7/4/2006	7/4/2011	7/3/2012	29.90	-	-	52,707	-	-	(52,707)	-
33rd	8/30/2006	8/30/2011	8/29/2012	33.36	32.70	38.42	21,083	-	(21,083)	-	-
13th	2/14/2007	12/31/2011	12/31/2014	38.39	35.91	38.32	7,732,975	-	(344,650)	(1,145,825)	6,242,500
13th	8/6/2007	12/31/2011	12/31/2014	38.39	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	38.39	-	-	45,954	-	-	-	45,954
34th	3/21/2007	3/21/2012	3/20/2013	39.00	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2012	3/21/2013	38.95	-	-	29,514	-	-	-	29,514
36th	5/14/2008	5/14/2012	5/13/2013	48.46	-	-	25,300	-	-	-	25,300
17th	9/23/2009	9/23/2012	12/31/2014	39.61	-	-	29,551	-	-	-	29,551
14th	2/11/2008	12/31/2012	12/31/2015	44.27	-	-	9,266,066	-	-	(2,097,144)	7,168,922
14th	5/5/2008	12/31/2012	12/31/2015	44.27	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	44.27	-	-	45,954	-	-	-	45,954
Total options to be exercised					**26.63**	**36.18**	**26,200,030**	**-**	**(3,260,850)**	**(3,426,396)**	**19,512,784**
36th	5/14/2008	5/14/2013	5/13/2014	48.46	-	-	25,300	-	-	-	25,300
15th	3/3/2009	12/31/2013	12/31/2016	28.95	27.12	35.16	14,114,940	-	(1,452,840)	(21,340)	12,640,760
15th	10/28/2009	12/31/2013	12/31/2016	28.95	-	-	45,954	-	-	-	45,954
18th	4/17/2010	12/31/2014	12/31/2017	47.02	-	-	6,052,223	-	-	(119,229)	5,932,994
18th	5/11/2010	12/31/2014	12/31/2017	47.02	-	-	1,163,919	-	-	(49,928)	1,113,991
37th	4/19/2011	12/31/2015	12/31/2018	45.93	-	-	9,769,432	-	-	(167,211)	9,602,221
37th	1/13/2012	12/31/2015	12/31/2018	45.93	-	-	-	15,383	-	-	15,383
38th	1/13/2012	12/31/2016	12/31/2019	34.35	-	-	-	15,097	-	-	15,097
38th	4/27/2012	12/31/2016	12/31/2019	34.35	-	-	-	10,373,657		(40,264)	10,333,393
Total options outstanding					**27.12**	**35.16**	**31,171,768**	**10,404,137**	**(1,452,840)**	**(397,972)**	**39,725,093**
Total simple options					**26.78**	**35.87**	**57,371,798**	**10,404,137**	**(4,713,690)**	**(3,824,368)**	**59,237,877**
Partner options											
4th	3/3/2008	3/3/2011	-	-	-	-	39,906	-	-	(39,906)	-
5th	9/3/2008	9/3/2011	-	-	-	-	46,710	-	-	(46,710)	-
6th	3/6/2009	3/6/2012	-	-	-	35.90	719,023	-	(681,490)	(37,533)	-
7th	6/19/2009	3/6/2012	-	-	-	35.90	79,446	-	(79,446)	-	-
1st	9/3/2007	9/3/2012	-	-	-	32.05	309,508	-	(309,294)	(214)	-
3rd	2/29/2008	9/3/2012	-	-	-	-	33,474	-	-	-	33,474
Total options to be exercised						**34.79**	**1,228,067**	**-**	**(1,070,230)**	**(124,363)**	**33,474**
4th	3/3/2008	3/3/2013	-	-	-	-	388,432	-	-	(15,488)	372,944
8th	8/17/2010	8/16/2013	-	-	-	-	339,632	-	-	(11,120)	328,512
9th	8/30/2010	8/16/2013	-	-	-	-	329,711	-	-	(7,750)	321,961
11th	9/30/2010	8/16/2013	-	-	-	-	17,717	-	-	-	17,717
5th	9/3/2008	9/3/2013	-	-	-	-	449,442	-	-	(26,875)	422,567
10th	9/30/2010	9/29/2013	-	-	-	-	1,862,409	-	-	(48,015)	1,814,394
17th	6/14/2012	2/27/2014		-	-	-	-	7,791	-	-	7,791
12th	2/28/2011	2/28/2014	-	-	-	-	1,558,584	-	-	(28,176)	1,530,408
6th	3/6/2009	3/6/2014	-	-	-	-	704,604	-	-	(45,197)	659,407
7th	6/19/2009	3/6/2014	-	-	-	-	79,445	-	-	-	79,445
14th	11/4/2011	8/18/2014	-	-	-	-	509		-	-	509
17th	6/14/2012	8/18/2014	-	-	-	-		2,527	-	-	2,527
13th	8/19/2011	8/19/2014	-	-	-	-	706,397	-	-	(19,628)	686,769
17th	6/14/2012	2/23/2015	-	-	-	-	-	8,187	-	-	8,187
15th	2/24/2012	2/24/2015	-	-	-	-	-	1,583,044	-	(10,952)	1,572,092
16th	2/24/2012	2/24/2015	-	-	-	-	-	69,156	-	-	69,156
8th	8/17/2010	8/16/2015	-	-	-	-	338,923	-	-	(11,508)	327,415
9th	8/30/2010	8/16/2015	-	-	-	-	329,152	-	-	(7,928)	321,224
11th	9/30/2010	8/16/2015	-	-	-	-	17,712	-	-	-	17,712
10th	9/30/2010	9/29/2015	-	-	-	-	1,858,518	-	-	(50,048)	1,808,470
17th	6/14/2012	2/27/2016	-	-	-	-	-	7,790	-	-	7,790
12th	2/28/2011	2/28/2016	-	-	-	-	1,557,215	-	-	(29,532)	1,527,683
14th	11/4/2011	8/18/2016	-	-	-	-	508	-	-	-	508
17th	6/14/2012	8/18/2016	-	-	-	-	-	2,527	-	-	2,527
13th	8/19/2011	8/19/2016	-	-	-	-	706,338	-	-	(20,011)	686,327
17th	6/14/2012	2/23/2017	-	-	-	-	-	8,186	-	-	8,186
15th	2/24/2012	2/24/2017	-	-	-	-	-	1,582,979	-	(11,248)	1,571,731
16th	2/24/2012	2/24/2017	-	-	-	-	-	69,151	-	-	69,151
Total options outstanding					**-**	**-**	**11,245,248**	**3,341,338**	**-**	**(343,476)**	**14,243,110**
Total partner options					**-**	**34.79**	**12,473,315**	**3,341,338**	**(1,070,230)**	**(467,839)**	**14,276,584**
TOTAL SIMPLE/PARTNER OPTIONS					**26.78**	**35.67**	**69,845,113**	**13,745,475**	**(5,783,920)**	**(4,292,207)**	**73,514,461**

Summary of changes in the plan

Granting Nº	Granting Date	Vesting period until	Exercise deadline	Restated exercise price (R$1)	Exercised options: Exercise price weighted average	Exercised options: Market value weighted average	Number of shares: Prior balance 12/31/2010	Number of shares: Granted	Number of shares: Exercised	Number of shares: Forfeited(*) Cancelled	Number of shares: To be exercised 12/31/2011
Simple options											
10th	2/16/2004	12/31/2008	12/31/2011	13.46	13.23	35.17	712,942	-	712,942	-	-
27th	2/1/2005	5/5/2009	1/31/2011	16.52	16.42	39.50	12,650	-	12,650	-	-
11th	2/21/2005	12/31/2009	12/31/2012	18.94	18.39	34.88	2,877,600	-	1,912,825	27,500	937,275
11th	8/1/2005	12/31/2009	12/31/2012	18.94	18.39	34.88	27,500	-	27,500	-	-
11th	8/6/2007	12/31/2009	12/31/2012	18.94	-	-	11,357	-	-	-	11,357
27th	2/1/2005	2/1/2010	1/31/2011	16.52	16.42	39.50	16,389	-	16,389	-	-
34th	3/21/2007	3/21/2010	3/20/2011	35.34	-	-	75,901	-	-	75,901	-
35th	3/22/2007	3/22/2010	3/21/2011	35.31	-	-	29,518	-	-	29,518	-
30th	7/4/2006	7/4/2010	7/3/2011	28.49	28.45	36.48	52,710	-	52,710	-	-
29th	9/19/2005	9/19/2010	9/18/2011	21.77	21.30	38.45	12,650	-	12,650	-	-
12th	2/21/2006	12/31/2010	12/31/2013	28.18	27.30	36.42	8,025,250	-	1,110,385	60,500	6,854,365
12th	8/6/2007	12/31/2010	12/31/2013	28.18	-	-	15,867	-	-	-	15,867
16th	8/10/2009	12/31/2010	12/31/2014	32.05	-	-	874,167	-	-	-	874,167
34th	3/21/2007	3/21/2011	3/20/2012	36.85	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2011	3/21/2012	36.80	-	-	29,518	-	-	-	29,518
36th	5/14/2008	5/14/2011	5/13/2012	45.79	-	-	25,301	-	-	-	25,301
30th	7/4/2006	7/4/2011	7/3/2012	29.21	-	-	52,707	-	-	-	52,707
33th	8/30/2006	8/30/2011	8/29/2012	32.34	-	-	21,083	-	-	-	21,083
13th	2/14/2007	12/31/2011	12/31/2014	35.89	34.82	36.93	8,546,975	-	507,375	306,625	7,732,975
13th	8/6/2007	12/31/2011	12/31/2014	35.89	-	-	30,649	-	-	-	30,649
13th	10/28/2009	12/31/2011	12/31/2014	35.89	-	-	45,954	-	-	-	45,954
Total options to be exercised					**21.84**	**35.62**	**21,572,589**	**-**	**4,365,426**	**500,044**	**16,707,119**
34th	3/21/2007	3/21/2012	3/20/2013	36.85	-	-	75,901	-	-	-	75,901
35th	3/22/2007	3/22/2012	3/21/2013	36.80	-	-	29,514	-	-	-	29,514
36th	5/14/2008	5/14/2012	5/13/2013	45.79	-	-	25,300	-	-	-	25,300
17th	9/23/2009	9/23/2012	12/31/2014	37.02	-	-	29,551	-	-	-	29,551
14th	2/11/2008	12/31/2012	12/31/2015	41.37	-	-	10,846,487	-	-	1,580,421	9,266,066
14th	5/5/2008	12/31/2012	12/31/2015	41.37	-	-	20,625	-	-	-	20,625
14th	10/28/2009	12/31/2012	12/31/2015	41.37	-	-	45,954	-	-	-	45,954
36th	5/14/2008	5/14/2013	5/13/2014	45.79	-	-	25,300	-	-	-	25,300
15th	3/3/2009	12/31/2013	12/31/2016	27.06	26.97	33.88	15,067,330	-	804,770	147,620	14,114,940
15th	10/28/2009	12/31/2013	12/31/2016	27.06	-	-	45,954	-	-	-	45,954
18th	4/17/2010	12/31/2014	12/31/2017	43.95	-	-	6,126,609	-	-	74,386	6,052,223
18th	5/11/2010	12/31/2014	12/31/2017	43.95	-	-	1,206,340	-	-	42,421	1,163,919
37th	4/19/2011	12/31/2015	12/31/2018	43.95	-	-	-	9,863,110	-	93,678	9,769,432
Total options outstanding					**26.97**	**33.88**	**33,544,865**	**9,863,110**	**804,770**	**1,938,526**	**40,664,679**
Total simple options					**22.64**	**35.35**	**55,117,454**	**9,863,110**	**5,170,196**	**2,438,570**	**57,371,798**
Partner options											
4th	3/3/2008	3/3/2011	-	-	-	37.22	416,487	-	376,581	-	39,906
5th	9/3/2008	9/3/2011	-	-	-	28.80	490,624	-	431,185	12,729	46,710
Total options to be exercised						**37.22**	**907,111**	**-**	**807,766**	**12,729**	**86,616**
6th	3/6/2009	3/6/2012	-	-	-	-	740,362	-	-	21,339	719,023
7th	6/19/2009	3/6/2012	-	-	-	-	79,446	-	-	-	79,446
1th	9/3/2007	9/3/2012	-	-	-	-	329,181	-	-	19,673	309,508
3th	2/29/2008	9/3/2012	-	-	-	-	33,474	-	-	-	33,474
4th	3/3/2008	3/3/2013	-	-	-	-	415,930	-	-	27,498	388,432
8th	8/17/2010	8/16/2013	-	-	-	-	376,916	-	-	37,284	339,632
9th	8/30/2010	8/16/2013	-	-	-	-	359,991	-	-	30,280	329,711
11th	9/30/2010	8/16/2013	-	-	-	-	17,717	-	-	-	17,717
5th	9/3/2008	9/3/2013	-	-	-	-	490,126	-	-	40,684	449,442
10th	9/30/2010	9/29/2013	-	-	-	-	1,940,987	-	-	78,578	1,862,409
12th	2/28/2011	2/28/2014	-	-	-	-	-	1,585,541	-	26,957	1,558,584
6th	3/6/2009	3/6/2014	-	-	-	-	739,608	-	-	35,004	704,604
7th	6/19/2009	3/6/2014	-	-	-	-	79,445	-	-	-	79,445
14th	11/4/2011	8/18/2014	-	-	-	-	-	509	-	-	509
13th	8/19/2011	8/19/2014	-	-	-	-	-	706,397	-	-	706,397
8th	8/17/2010	8/16/2015	-	-	-	-	376,876	-	-	37,953	338,923
9th	8/30/2010	8/16/2015	-	-	-	-	359,962	-	-	30,810	329,152
11th	9/30/2010	8/16/2015	-	-	-	-	17,712	-	-	-	17,712
10th	9/30/2010	9/29/2015	-	-	-	-	1,940,951	-	-	82,433	1,858,518
12th	2/28/2011	2/28/2016	-	-	-	-	-	1,585,497	-	28,282	1,557,215
13th	8/19/2011	8/19/2016	-	-	-	-	-	706,338	-	-	706,338
13th	11/4/2011	8/18/2016	-	-	-	-	-	508	-	-	508
Total options outstanding					**-**	**-**	**8,298,684**	**4,584,790**	**-**	**496,775**	**12,386,699**
Total partner options					**-**	**37.22**	**9,205,795**	**4,584,790**	**807,766**	**509,504**	**12,473,315**
TOTAL SIMPLE/PARTNER OPTIONS					**22.84**	**32.92**	**64,323,249**	**14,447,900**	**5,977,962**	**2,948,074**	**69,845,113**

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

Summary of Changes in Share-Based Instruments (SBI)

Nº	Vesting period		Prior balance 12/31/2011	New SBI's	Converted into shares	Cancelled	Balance at 12/31/2012
1st	8/17/2010	8/16/2012	110,588	-	(109,069)	(1,519)	-
1st	8/17/2010	8/16/2013	110,577	-	-	(3,206)	107,371
1st	8/30/2010	8/16/2012	10,216	-	(10,216)	-	-
1st	8/30/2010	8/16/2013	10,212	-	-	-	10,212
1st	9/30/2010	8/16/2012	3,971	-	(3,971)	-	-
1st	9/30/2010	8/16/2013	3,970	-	-	-	3,970
2nd	9/30/2010	9/29/2012	424,163	-	(412,329)	(11,834)	-
2nd	9/30/2010	9/29/2013	424,154	-	-	(11,834)	412,320
3rd	2/28/2011	2/27/2011	444,040	-	(444,040)	-	-
3rd	2/28/2011	2/27/2012	444,030	-	-	(8,679)	435,351
3rd	2/28/2011	2/27/2013	444,020	-	-	(8,678)	435,342
4th	2/24/2012	2/24/2013	-	468,852	-	(4,671)	464,181
4th	2/24/2012	2/24/2014	-	468,836	-	(4,671)	464,165
4th	2/24/2012	2/24/2015	-	468,821	-	(4,671)	464,150
Total			**2,429,941**	**1,406,509**	**(979,625)**	**(59,763)**	**2,797,062**

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

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

ITAÚ UNIBANCO HOLDING recognizes, at the grant date, the fair value of options through the Binomial method for simple options and the Black - Scholes method for partner options. Economic assumptions used are as follows:

Exercise price: for the option exercise price, the exercise price previously agreed-upon at the time the option issued was adopted, adjusted by the IGP-M variation.

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

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

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

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

Granting		Vesting period	Exercise period until	Price of the underlying asset	Fair value	Expected dividends	Risk-free interest rate	Expected volatility
No.	Data							
Simple options								
37th	1/13/2012	12/31/2015	12/31/2018	35.50	8.85	2.97%	5.25%	30.32%
38th	1/13/2012	12/31/2016	12/31/2019	35.50	12.45	2.97%	5.25%	30.32%
38th	4/27/2012	12/31/2016	12/31/2019	29.70	7.82	3.02%	3.91%	29.93%
Partner options (*)								
15th	2/24/2012	2/24/2015	-	36.00	32.94	2.97%	-	-
15th	2/24/2012	2/24/2017	-	36.00	31.04	2.97%	-	-
16th	2/24/2012	2/24/2015	-	36.00	32.94	2.97%	-	-
16th	2/24/2012	2/24/2017	-	36.00	31.04	2.97%	-	-
17th	6/14/2012	8/18/2014	-	29.57	27.69	3.02%	-	-
17th	6/14/2012	2/27/2014	-	29.57	28.08	3.02%	-	-
17th	6/14/2012	2/23/2015	-	29.57	27.26	3.02%	-	-
17th	6/14/2012	8/18/2016	-	29.57	26.06	3.02%	-	-
17th	6/14/2012	2/27/2016	-	29.57	26.44	3.02%	-	-
17th	6/14/2012	2/23/2017	-	29.57	25.65	3.02%	-	-

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

II.IV - Accounting effects arising from options

The exercise of stock options, pursuant to the plan's regulation, resulted in the sale of preferred shares held in treasury. The accounting entries related to the plan are recorded during the vesting period, at the portion of the fair value of options granted with effect on income, and during the exercise of options, at the amount received from the option exercise price, reflected in stockholders' equity.

The effect on Income for the period from January 1 to December 31, 2012 was R$ (65) (R$ (60) from January 1 to December 31, 2011), with a corresponding entry to Additional paid-in capital –Granted options recognized.

In the stockholder's equity of ITAÚSA CONSOLIDADO the effect was as follows:

	12/31/2012	12/31/2011
Amount received from the sale of shares – exercised options	77	130
(-) Cost of treasury shares sold	(96)	(99)
Effect of sale	(19)	31

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

b) Duratex S.A.

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

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

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

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

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

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

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

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

(1) IGP-M coupon

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

Granting date	Granted number	Maturity date	Exercise deadline	Granting price	To be exercised		Option price	Total amount				Other periods
					dec/11 (*)	dec/12 (*)			2007 to 2010	2011	2012	
						(*)						
3/30/2006	2,659,180	7/1/2007	Up to 12/31/2016	11.16	48,856	48,856	11.42	1	1	-	-	-
1/31/2007	2,787,050	7/1/2008	Up to 12/31/2017	11.82	2,535,227	1,588,612	10.36	25	25	-	-	-
2/13/2008	2,678,901	7/1/2009	Up to 12/31/2018	15.34	2,932,193	1,649,682	8.47	19	19	-	-	-
6/30/2009	2,517,951	7/1/2012	Up to 12/31/2017	9.86	1,983,285	922,476	4.64	9	7	2	1	-
4/14/2010	1,333,914	1/1/2014	Up to 12/31/2018	16.33	1,464,818	1,464,818	8.21	9	2	2	2	2
6/29/2011	1,875,322	12/31/2014	Up to 12/31/2019	13.02	1,875,322	1,868,298	5.11	9	-	1	3	5
4/2/2012	1,315,360	12/31/2015	Up to 12/31/2020	10.21	-	1,315,360	5.69	8	-	-	1	6
Sum	**15,167,678**				**10,839,701**	**8,858,102**		**80**	**54**	**5**	**7**	**13**
Exercise effectiveness								**96.63%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**
Computed value								**77**	**52 (1)**	**5 (2)**	**7 (3)**	**13 (4)**

(1) Value charged to income in 2007 until 2010.
(2) Value charged to income in 2011.
(3) Value charged to income in 2012.
(4) Value charged to income up to December 2015.
(*) Includes bonus shares of 20% as per resolution at the A/ESM of April 29, 2011.

At December 31, 2012, the Company had 828,677 treasury shares, which may be used in a possible option exercise.

c) Itautec S.A.

As set forth in the bylaws, until 2006 the Company 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 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 that Board of Directors. The participants of the plan were chosen at the sole discretion of the Committee among the Company’s executives. The price established for the granting of stock options was based on the average quotation of the Company’s shares in the BM&FBOVESPA trading session, comprising a period of at least one (1) month and at most twelve (12) months prior to the option issue date. At the discretion of the Committee, a positive or negative adjustment of up to 50% in the average price was made.

The assumptions used in the fair value of options, based on the Binominal model, were as follows:

Assumptions

Granting date	Plan 2003	Plan 2004	Plan 2006
Number of shares granted (i) (ii)	160,827	125,998	191,666
Price of share at the granting date (in Reais - R$) (ii)	40.50	44.70	45.60
Exercise price (in Reais - R$) (ii)	21.45	23.55	36.45
Fair value of the option (in Reais - R$) (ii)	34.94	38.52	32.88
Vesting period	30/06/04	30/06/05	30/06/07
Exercise deadline	31/12/13	31/12/14	31/12/16
Volatility	81.0%	64.0%	65.0%
Dividends (dividend yield)	2.9%	1.5%	2.7%
Risk-free return rate	48.2%	24.9%	13.7%

(a) Deducting cancellations;

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

Volatility comprises the period of the last three years up to the granting date of each plan.

No stock option has been exercised so far and there has been no variation in the number of shares of the plans described above in the presented period.

At December 31, 2012 an amount of R$ 15 was reclassified from capital reserve to the revenue reserve in view of the expiration of the option exercise deadline. The amount recorded as capital reserve in stockholders’ equity is R$ 22.

On December 31, 2012, the market price of the shares was R$ 35.01 (R$ 28.00 at December 31, 2011) per share.

d) Elekeiroz S.A.

Stock option plan

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

NOTE 25 – OTHER INCOME, OTHER EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

a) Other operating income

	01/01 to 12/31/2012	01/01 to 12/31/2011
Recovery of charges and expenses	43	60
Reversal of operating provisions	88	138
Operating revenues	379	403
Gains on sale of assets held for sale, fixed assets and investments in unconsolidated companies (*)	626	142
Other	27	4
Total	**1,163**	**747**

(*) Basically composed of the result of the full disposal of investment in Serasa S.A. in the amount R$ 567.

b) Other operating expenses

	01/01 to 12/31/2012	01/01 to 12/31/2011
Expenses related to credit cards	(775)	(666)
Refunds related to acquisitions	(19)	(54)
Losses from third-party frauds	(270)	(276)
Loss on sale of assets held for sale, fixed assets and investments in unconsolidated companies	(181)	(68)
Contingencies (Note 32)	(1,234)	(889)
Operating expenses from industrial companies	(463)	(747)
Other	(485)	(482)
Total	**(3,427)**	**(3,182)**

(*) Basically composed of the result of the full disposal of investment in Banco BPI S.A. in the amount of R$ (111).

c) General and administrative expenses

	01/01 to 12/31/2012	01/01 to 12/31/2011
Personnel expenses	**(5,586)**	**(5,485)**
Compensation	(2,388)	(2,313)
Charges	(831)	(916)
Welfare benefits	(722)	(639)
Retirement plans and other post-employment benefits	295	(47)
Stock option plan	(67)	(60)
Training	(91)	(98)
Employee profit sharing	(974)	(924)
Dismissals	(169)	(468)
Provision for labor claims (Note 32)	(639)	(20)
Administrative expenses	**(4,798)**	**(4,699)**
Data processing and telecommunications	(1,207)	(1,165)
Third-party services	(1,309)	(1,203)
Installations	(354)	(417)
Advertising, promotions and publicity	(373)	(388)
Rent	(358)	(336)
Transportation	(234)	(260)
Materials	(143)	(169)
Financial services	(190)	(162)
Security	(188)	(177)
Utilities	(107)	(108)
Travel	(71)	(73)
Other	(264)	(241)
Depreciation	**(701)**	**(727)**
Amortization	**(710)**	**(393)**
Insurance acquisition expenses	**(461)**	**(466)**
Total	**(12,256)**	**(11,770)**

NOTE 26 - INCOME TAX AND SOCIAL CONTRIBUTION

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

a) Composition of income tax and social contribution expense

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

Current income tax and social contribution	01/01 to 12/31/2012	01/01 to 12/31/2011
Income before income tax and social contribution	**6,633**	**6,631**
Charges (income tax and social contribution) at the enacted rates	(2,640)	(2,612)
Increase/decrease to Income tax and social contribution charges arising from:		
Permanent additions (exclusions)	**1,045**	**1,348**
Share of comprehensive income of unconsolidated companies	52	24
Foreign exchange variation on investments abroad	158	337
Interest on capital	681	675
Dividends, interest on external debt securities and tax incentives	69	100
Other (*)	85	212
Total income tax and social contribution	**(1,595)**	**(1,264)**

b) Deferred taxes

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

	12/31/2011	Realization/ reversal	Increase	12/31/2012
Reflected in income	**11,081**	**(4,260)**	**5,246**	**12,067**
Related to income tax and social contribution tax carryforwards	1,857	(554)	475	1,778
Allowance for loan losses	4,723	(1,779)	3,025	5,969
Adjustment to market value - securities and derivative financial instruments	114	(111)	85	88
Goodwill on purchase of investments	1,700	(708)	156	1,148
Legal liabilities – tax and social security	570	(2)	128	696
Provision for contingent liabilities	1,047	(589)	828	1,286
Civil lawsuits	434	(233)	320	521
Labor claims:	365	(311)	402	456
Tax and social security contributions	241	(45)	106	302
Other	7	-	-	7
Adjustments from operations carried out in futures settlement market	4	(1)	-	3
Provision related to health insurance operations	92	-	2	94
Other	974	(516)	547	1,005
Reflected in stockholders' equity	**149**	**(71)**	**1,394**	**1,472**
Purchase of Additional Interest from Non-Controlling Stockholders - Redecard	-	-	1,394	1,394
Adjustment to market value of available-for-sale securities	127	(71)	-	56
Other	22	-	-	22
Total (*)	**11,230**	**(4,331)**	**6,640**	**13,539**

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet, offset by a taxable entity and total R$ 11,093 (R$ 9,006 at December 31, 2011) and R$ 2,602 (R$ 3,133 at December 31, 2011).

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

	12/31/2011	Realization/ reversal	Increase	12/31/2012
Reflected in income	**4,861**	**(1,327)**	**1,042**	**4,576**
Depreciation in excess – finance lease	2,763	(1,024)	249	1,988
Taxation of results abroad – capital gains	29	-	33	62
Adjustments of operations carried out in futures settlement market	34	(1)	15	48
Adjustment to market value of securities and derivative financial instruments	64	(64)	86	86
Restatement of escrow deposits and contingent liabilities	298	(83)	122	337
Pension plans	220	(1)	120	339
Amortization of negative goodwill	823	-	-	823
Other	630	(154)	417	893
Reflected in stockholders' equity	**496**	**(314)**	**290**	**472**
Adjustment to market value of available-for-sale securities	182	-	290	472
Other	314	(314)	-	-
Total	**5,357**	**(1,641)**	**1,332**	**5,048**

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet, offset by a taxable entity and total R$ 11,093 (R$ 9,006 at December 31, 2011) and R$ 2,602 (R$ 3,133 at December 31, 2011).

III - The estimates of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure 2,158-35 of August 24, 2001 and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2012, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

	Deferred tax assets									
	Temporary differences	**%**	**Tax loss/social contribution loss carryforwards**	**%**	**Total**	**%**	**Deferred tax liabilities**	**%**	**Net deferred taxes**	**%**
2013	4,244	36%	257	14%	4,501	33%	(844)	17%	3,657	43%
2014	1,388	12%	257	14%	1,645	12%	(1,072)	21%	573	7%
2015	2,029	17%	182	10%	2,211	16%	(524)	10%	1,687	20%
2016	917	8%	523	29%	1,440	11%	(330)	7%	1,110	13%
2017	539	5%	513	29%	1,052	8%	(161)	3%	891	10%
After 2017	2,644	22%	46	3%	2,690	20%	(2,117)	42%	574	7%
Total	**11,761**	100%	**1,778**	100%	**13,539**	100%	**(5,048)**	100%	**8,492**	100%
Present Value (*)	**10,285**		**1,580**		**11,865**		**(4,422)**		**7,442**	

(*) The average funding rate, net of tax effects, was used to determine the present value.

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

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

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

NOTE 27 – EARNINGS PER SHARE

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

Net income attributable to owners of the parent company	**01/01 to 12/31/2012**	**01/01 to 12/31/2011**
Net income	**4,539**	**4,837**
Minimum non-cumulative dividend on preferred shares in accordance with our bylaws	(30)	(30)
Subtotal	**4,509**	**4,807**
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(19)	(19)
Subtotal	**4,490**	**4,788**
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis		
To common equity owners	1,728	1,841
To preferred equity owners	2,761	2,947
Total net income available to common equity owners	**1,747**	**1,860**
Total net income available to preferred equity owners	**2,791**	**2,976**
Weighted average number of shares outstanding		
Common shares	1,866,289,554	1,859,033,727
Preferred shares	2,981,170,193	2,975,771,020
Earnings per share – Basic and diluted - R$		
Common shares	0.94	1.00
Preferred shares	0.94	1.00

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

NOTE 28 – BUSINESS COMBINATIONS

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

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

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

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

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

	31/12/2011	Amortization/ Realization	12/31/2012
Intangible assets subject to amortization			
Customer relationships	330	(85)	245
Exclusive access to retail customers and real estate brokers	131	(22)	109
Unibanco brand	3	(3)	-
Other	4	(1)	3
Total intangible assets subject to amortization (I)	**468**	**(111)**	**357**
Intangible assets not subject to amortization			
Redecard brand	4	-	4
Hipercard brand	2	-	2
Itaú brand	65	-	65
Total intangible assets not subject to amortization (II)	**71**	**-**	**71**
Total allocated to intangible assets (III = I + II)	**539**	**(111)**	**428**
Deferred tax liability (IV)	**(216)**	**45**	**(171)**
Total goodwill allocated (V = III + IV)	**323**	**(66)**	**257**
Goodwill	**437**	**-**	**437**

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

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

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

NOTE 29 –EMPLOYEE BENEFITS

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

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

Employees hired up to July 31, 2002, by Itaú, and up to February 27, 2009, by Unibanco, are beneficiaries of the plans mentioned below. As regards the employees hired after these dates, they have the option to voluntarily participate in a defined contribution plan (PGBL), managed by Itaú Vida e Previdência S.A. In turn, employees hired by the industrial area companies have the option to voluntarily participate in a defined contribution plan (PAI – CD) managed by Fundação Itaúsa Industrial.

a) Description of the plans

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

Entity	Name of benefit plan
Fundação Itaú Unibanco- Previdência Complementar	Supplementary retirement plan - PAC (1) Franprev benefit plan - PBF (1) 002 benefit plan - PB002 (1) Itaulam basic plan - PBI (1) Itaulam supplementary plan - PSI (2) Itaubanco CD Plan (3) Itaubank retirement plan (3) Itaú Defined Benefit Plan (1) Itaú Defined Contribution Plan (2) Unibanco Pension Plan (3)
Fundação Bemgeprev	Supplementary retirement plan – Flexible premium annuity (ACMV) (1)
Fundação Itaúsa Industrial	Defined contribution benefit plan - PAI-CD (3) Defined benefit plan - BD (1)
Funbep Fundo de Pensão Multipatrocinado	Funbep I benefit plan (1) Funbep II benefit plan (2)
Caixa de Previdência dos Funcionários do Banco Beg - Prebeg	Prebeg benefit plan (1)
Itaú Fundo Multipatrocinado - IFM	Itaú defined benefit plan (1) Itaú defined contribution plan (2)
Múltipla - Multiempresas de Previdência Complementar	Redecard basic retirement plan (1) Redecard supplementary retirement plan (2) Redecard pension plan (3) (4)
UBB-PREV - Previdência Complementar	UBB PREV Defined Benefit Plan (1) (5)
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	Benefit plan II (1)

(1) Defined benefit plan.
(2) Variable contribution plan (recorded as defined benefit plan).
(3) Defined contribution plan.
(4) Redecard pension plan was changed in January 2011 from Defined Benefit – BD to Defined Contribution – CD, with adhesion of 95% of employees. This plan enables the employee to contribute monthly with a defined percentage to be deducted from the monthly compensation and, additionally, the company also contributes 100% of the option chosen by the employees, limited to 9% of their income.
(5) Plan arising from the process of merging the IJMS Plan by the Basic Plan, both managed by UBB Prev, approved by the Superintendency of Supplementary Social Security(PREVIC) on December 28, 2012.

b) Defined benefit plans

I - Main assumptions used in actuarial valuation of Retirement Plans

	Financial services area (1)	
	12/31/2012	12/31/2011
Discount rate (3)	8.16% p.a.	9.72% p.a.
Expected return rate on assets (3)	8.16 % p.a.	11.32 % p.a.
Mortality table (4)	AT-2000	AT-2000
Turnover (5)	Itaú Exp. 2008/2010	Itaú Exp. 2008/2010
Future salary growth	7.12 % p.a.	7.12 % p.a.
Growth of the pension fund and social security benefits	4.00 % p.a.	4.00 % p.a.
Inflation	4.00 % p.a.	4.00 % p.a.
Actuarial method (6)	Projected Unit Credit	Projected Unit Credit

	Industrial Area (2)	
	12/31/2012	12/31/2011
Discount rate (3)	8.16% p.a.	9.52% p.a.
Expected return rate on assets (3)	8.16 % p.a.	10.37 % p.a.
Mortality table (4)	AT-2000	AT-2000
Turnover	Zero	Zero
Future salary growth	7.12 % p.a.	7.43 % p.a.
Growth of the pension fund and social security benefits	4.30 % p.a.	4.30 % p.a.
Inflation	4.30 % p.a.	4.30 % p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit

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

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

(3) The Discount Rate and Expected Return Rate on Assets assumptions were changed in order to be consistent with the economic scenario observed at the balance sheet date..

(4) The mortality tables adopted correspond to those disclosed by SOA – Society of Actuaries, the North-American entity equivalent to IBA – Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probabilities of survival as compared to the respective basic tables; The life expectancy in years by the AT-2000 mortality table for participants of 55 years of age is 27 and 31 years for men and women, respectively.

(5) The turnover assumption is based on the effective experience of active participants linked to ITAÚ UNIBANCO HOLDING , resulting in the average of 2.4% p.a. based on the 2008/2010 experience.

(6) Using the Projected Unit Credit method, the mathematical reserve is calculated as the current projected benefit amount multiplied by the ratio between the length of service at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

II – Management of defined benefit plan assets

The management of funds of the closed-end private pension entities seeks to achieve the long-term balance between pension assets and liabilities by exceeding the actuarial goals.

With regard to the assets guaranteeing mathematical reserves, management should ensure the payment capacity of benefits in the long-term by avoiding the risk of mismatching assets and liabilities in each pension plan.

The allocation of plan assets and the allocation target, by type of asset, are as follows:

Types	At		% allocation		2013 target
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	
Fixed income securities	14,030	10,574	91.29%	87.96%	53% to 100%
Variable income securities	766	1,066	4.98%	8.87%	0% to 20%
Structured investments	16	14	0.10%	0.12%	0% to 10%
Foreign investments	-	-	0.00%	0.00%	0% to 5%
Real estate	531	344	3.46%	2.86%	0% to 7%
Loans to participants	26	23	0.17%	0.19%	0% to 5%
Total	**15,369**	**12,021**	**100.00%**	**100.00%**	

The defined benefit plan assets include shares of ITAÚSA and its subsidiaries, with a fair value of R$ 592 (R$ 545 at 12/31/2012) and real estate rented to Group companies, with a fair value of R$ 498 (R$ 298 at 12/31/2012).

The expected income from portfolios of benefit plan assets is based on projections of returns for each of the asset types detailed above. For the fixed-income segment, the interest rates were taken from long-term securities included in the portfolios, and the interest rates practiced in the market at the balance sheet date. For the variable-income segment, the 12-month expected returns of the market for this segment were adopted. For the real estate segment, the cash inflows of expected rental payments for the following 12 months were adopted. For all segments, the basis adopted was the portfolio positions at the respective balance sheet dates.

III- Net amount recognized in the balance sheet

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

	12/31/2012	12/31/2011
1 - Net assets of the plans	15,369	12,021
2 - Actuarial liabilities	(13,053)	(10,545)
3- Surplus (1-2)	**2,316**	**1,476**
4- Asset ceiling (*)	(2,287)	(1,379)
5 - Net amount recognized in the balance sheet (3-4)	29	97
Amount recognized in assets	487	342
Amount recognized in liabilities	(458)	(245)

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

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

	12/31/2012	12/31/2011
Net amount recognized in the balance sheet (*)	**11**	**36**
Amount recognized in assets	179	126
Amount recognized in liabilities	(168)	(90)

(*) Includes interest in IUH of 36.78% and 36.82% at December 31, 2012 and December 31, 2011, respectively, and 100% in other subsidiaries.

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

	01/01 to 12/31/2012			01/01 to 12/31/2011		
	Plan assets	Defined benefit obligation	Surplus	Plan assets	Defined benefit obligation	Surplus
Present value – beginning of the period	**12,021**	**(10,545)**	**1,476**	11,468	(9,997)	**1,471**
Inclusion of Itaú Defined Benefit Plan	-	-	**-**	12	(13)	**(1)**
Effects of the partial spin-off of Redecard (1)	-	-	**-**	(44)	42	**(2)**
Expected return on assets (4)	1,328	-	**1,328**	1,366	-	**1,366**
Cost of current service	-	(85)	**(85)**	-	(92)	**(92)**
Interest cost	-	(997)	**(997)**	-	(941)	**(941)**
Benefits paid	(680)	680	**-**	(610)	610	**-**
Contributions of sponsors	57	-	**57**	42	-	**42**
Contributions of participants	15	-	**15**	9	-	**9**
Actuarial gain/(loss) (2) (3) (4)	2,628	(2,106)	**522**	(222)	(154)	**(376)**
Present value – end of the period	**15,369**	**(13,053)**	**2,316**	**12,021**	**(10,545)**	**1,476**

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

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

(3) At December 31, 2012 losses in Actuarial Liabilities basically correspond to the effects arising from the change in the Interest Rate assumption (from 9.72% to 8.16%).

(4) The actual return on assets amounted to R$ 3.956 (R$ 1,144 at 12/31/2011).

The history of actuarial gains and losses is as follows:

	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Plan net assets	15,369	12,021	11,468	15,045	12,673
Defined benefit obligation	(13,053)	(10,545)	(9,997)	(11,354)	(11,371)
Surplus	**2,316**	**1,476**	**1,471**	**3,691**	**1,302**
Experience adjustments in plan net assets	2,628	(222)	697	1,086	(993)
Experience adjustments in defined benefit obligation	(2,106)	(154)	(891)	162	(829)

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

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

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

	2012	2011
Cost of current service	(85)	(92)
Interest cost	(997)	(941)
Expected return on the plan assets	1,328	1,366
Effects of the partial spin-off of Redecard	-	(2)
Effects on asset ceiling	(908)	(157)
Gain/(loss) for the year	522	(376)
Contributions of participants	15	9
Total recognized in income for the period	**(125)**	**(193)**

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

Total recognized in income for the period (*)	(46)	(71)

(*) Includes the interest in IUH of 36.78% and 36.83% at December 31, 2012 and December 31, 2011, respectively, and 100% in other subsidiaries.

During the period, considering the share of ITAÚSA, the contributions made totaled R$ 21 (R$ 15 at 12/31/2011). The contribution rate increases based on the beneficiary's salary.

In 2013, considering the share of ITAÚSA, we expect to contribute R$ 13 to the pension plans we sponsor.

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

Period	Payment estimate
2012	261
2013	272
2014	280
2015	288
2016	297
2017 to 2022	1,618

c) Defined contribution plans

The defined contribution plans have assets relating to sponsors' contributions not yet included in the participant's account balance due to loss of eligibility to a plans benefit, as well as resources from the migration from the defined benefit plans. The fund will be used for future contributions to the individual participants' accounts, according to the rules of the respective benefit plan regulation.

The amount recognized, considering the share of ITAÚSA at December 31, 2012, in assets is R$ 1.031 (R$ 686 at December 31, 2011).

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

	2012	2011
Contribution	(149)	(150)
Gain/(Loss) in Plan Assets	1,085	167
Effects on asset ceiling	(31)	272
Total recognized in income for the period	**905**	**289**

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

Total recognized in income for the period (*)	**333**	**106**

(*) Includes the interest in IUH of 36.78% and 36.83% at December 31, 2012 and December 31, 2011, respectively, and 100% in other subsidiaries.

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

During the period, considering the share of ITAÚSA, contributions to the defined contribution plans, including PGBL, totaled R$ 98 (R$ 77 at December 31, 2011), of which R$ 80 (R$ 59 at December 31, 2011) was from pension funds.

d) Other post-employment benefits

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

I- Changes

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

	12/31/2012	12/31/2011
At the beginning of the year	**(120)**	**(105)**
Interest cost	(11)	(10)
Benefits paid	6	6
Actuarial gain/(loss)	(23)	(11)
At the end of the period	**(148)**	**(120)**

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

Total recognized in liabilities (*)	**(54)**	**(44)**

(*) Includes interest in IUH of 36.78% and 36.82% at December 31, 2012 and December 31, 2011, respectively, and 100% in other subsidiaries.

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

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

Period	Payment estimate
2012	2
2013	2
2014	3
2015	3
2016	3
2017 to 2022	19

II- Assumptions and sensitivity at 1%

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

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

	1.0% increase	1.0% decrease
Effects on service cost and interest cost	2	(2)
Effects on present value of obligation	26	(21)

NOTE 30 – INSURANCE CONTRACTS

a) Insurance contracts

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

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

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

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

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

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

This product creation process involves the following steps:

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

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

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

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

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

b) Main Products

I- Insurance

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

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

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

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

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

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

Main insurance lines	Loss ratio %		Sales ratio %	
	01/01 to 12/31/2012	01/01 to 12/31/2011	01/01 to 12/31/2012	01/01 to 12/31/2011
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	87.7	86.4	1.5	1.5
Commercial multiple peril	43.7	43.6	15.7	17.7
Group life	44.6	39.0	10.8	11.5
Credit life	21.4	21.8	23.1	25.2
Extended warranty - assets	17.9	19.5	65.1	65.4
Specified and all risks	85.6	71.0	4.5	6.0
Group accident insurance	7.9	6.3	37.8	45.3

II- Private pension

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

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

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

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

III – Income from insurance and private pension

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

	Premiums and contributions directly issued		Reinsurance		Retained premiums and contributions	
	01/01 to 12/31/2012	01/01 to 12/31/2011	01/01 to 12/31/2012	01/01 to 12/31/2011	01/01 to 12/31/2012	01/01 to 12/31/2011
VGBL	15,890	10,010	-	-	15,890	10,010
PGBL	1,554	1,424	-	(1)	1,554	1,423
Warranty extension - assets	1,368	1,365	-	-	1,368	1,365
Group life	1,299	1,165	(41)	(24)	1,258	1,141
Group accident insurance	642	661	-	(1)	642	660
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	404	308	-	-	404	308
Credit life	460	461	(2)	-	458	461
Traditional	278	369	-		278	369
Multiple risks	221	207	(54)	(36)	167	171
Commercial multiple peril	204	176	(49)	(38)	155	138
Serious or terminal diseases	130	111	-	-	130	111
Specified and all risks	479	480	(361)	(384)	118	96
Individual accident	104	108	(2)	-	102	108
General liability	125	80	(57)	(27)	68	53
Petroleum risks	282	257	(237)	(220)	45	37
Individual life	18	20	-	-	18	20
Engineering risks	104	72	(88)	(64)	16	8
Other lines	1,186	905	(275)	(215)	911	690
	24,748	**18,179**	**(1,166)**	**(1,010)**	**23,582**	**17,169**
Share of Itaúsa	36.78%	36.82%	36.78%	36.82%	36.78%	36.82%
	9,103	**6,693**	**(429)**	**(372)**	**8,674**	**6,322**

c) Technical reserves for insurance and pension plan

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

I - Insurance:

- **Reserve for unearned premiums** – recognized based on premiums issued, calculated on a “pro rata” basis, and represents the portion of premium corresponding to the policy period not yet elapsed; The reserve for unearned premiums for risks in force but not yet issued is recognized based on a technical actuarial note, and has the objective of estimating a portion of unearned premiums related to risks assumed by insurance companies and that are for policies that are still in the process of issuance;

- **Reserve for premium deficiency** – recognized according to technical actuarial note if a premium deficiency is found;

- **Reserve for unsettled claims** - recognized based on claims of loss in an amount sufficient to cover future commitments. In order to determine the amount to be provided for claims awaiting judicial decision, court-appointed experts and legal advisors make assessments based on the insured amounts and technical rules, taking into consideration the likelihood of an unfavorable outcome for the insurance company;

- **Reserve for claims incurred but not reported (IBNR)** – recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not yet reported;

- **Other provisions** – recognized based on technical provision for extension of warranty in the extended warranty line, and the calculation is made over the period from the date the insurance contract becomes effective and the risk initial coverage date, the amount to be recognized being equal to the retained commercial premium.

II – Private Pension:

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

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

- **Provision for insufficient contribution** – recognized when insufficient premiums or contributions are determined;

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

- **Reserve for claims incurred but not reported (IBNR)** – recognized based on the estimated amount of claims incurred but not reported;

- **Reserve for financial surplus** – refers to the difference between the contributions adjusted daily by the gains/losses in the investment portfolio and the accumulated fund recorded;

- **Other reserves** – mainly refer to the reserve for administrative expenses recognized according to an actuarial technical note to cover expenses arising from the payment of benefits provided for in the plan, in view of the claims incurred and to be incurred. It also includes the heading Redemptions and/or Other Policy Benefits that refers to amounts not yet paid through the balance sheet date.

III - Change in technical reserves for insurance and private pension

The details about the changes in balances of technical reserves for insurance and private pension operations are as follows:

ITAÚ UNIBANCO HOLDING	12/31/2012				12/31/2011			
	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total
Opening balance	**7,609**	**20,893**	**42,402**	**70,904**	**5,527**	**18,296**	**33,041**	**56,864**
(+) Additions arising from premiums/contribution	6,940	1,893	15,710	**24,543**	6,775	1,706	9,936	18,417
(-) Deferral for risk	(6,576)	-	-	**(6,576)**	(5,788)	-	-	(5,788)
(-) Payment of claims/benefits	(2,126)	(92)	(6)	**(2,224)**	(1,508)	(103)	(6)	(1,617)
(+) Reported claims	3,073	-	-	**3,073**	2,020	-	-	2,020
(-) Redemptions	(4)	(985)	(5,213)	**(6,202)**	(152)	(917)	(3,745)	(4,814)
(+/-) Net portability	-	161	57	**218**	(115)	152	(14)	23
(+) Adjustment of reserves and financial surplus	3	1,891	4,440	**6,334**	1	1,658	3,362	5,021
(+/-) Other (recognition/reversal)	201	(32)	79	**248**	849	101	(172)	778
Reserves for insurance and private pension	**9,120**	**23,729**	**57,469**	**90,318**	**7,609**	**20,893**	**42,402**	**70,904**
Share of Itaúsa		36.78%				36.82%		
	3,355	**8,728**	**21,139**	**33,222**	**2,802**	**7,693**	**15,613**	**26,108**

ITAÚ UNIBANCO HOLDING	INSURANCE		PRIVATE PENSION		TOTAL	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Mathematical reserve for benefits to be granted and benefits granted	19	17	79,733	61,953	79,752	61,970
Unearned premiums	3,371	3,026	-	-	3,371	3,026
Unsettled claims (*)	3,222	2,297	-	-	3,222	2,297
IBNR (*)	821	712	12	10	833	722
Premium deficiency	336	313	-	-	336	313
Insufficient contribution	-	-	750	692	750	692
Financial surplus	1	2	514	475	515	477
Other Provision (Nota 30cl)	1,350	1,242	189	165	1,539	1,407
TOTAL	**9,120**	**7,609**	**81,198**	**63,295**	**90,318**	**70,904**
Share of Itaúsa	36.78%	36.82%	36.78%	36.82%	36.78%	36.82%
	3,355	**2,802**	**29,867**	**23,306**	**33,222**	**26,108**

(*) The provision for unsettled claim is detailed in Note 30e.

d) Deferred acquisition costs

Deferred acquisition costs of insurance are direct and indirect costs incurred to sell, underwrite and originate a new insurance contract.

Direct costs are basically commissions paid for brokerage services, agency and prospecting efforts and are deferred for amortization in proportion to the recognition of revenue from earned premiums, that is, over the coverage period, for the term of effectiveness of contracts, according to the calculation rules in force.

Balances are recorded under gross reinsurance assets and charges are shown in the table below:

ITAÚ UNIBANCO HOLDING	Insurance
Balance at 01/01/2012	**2,064**
Increase	207
Amortization	(40)
Balance at 12/31/2012	**2,231**
Balance to be amortized in up to 12 months	1,412
Balance to be amortized after 12 months	819
Share of Itaúsa – 36.78% in Dec/12	**821**
Balance at 01/01/2011	**1,649**
Increase	583
Amortization	(168)
Balance at 12/31/2011	**2,064**
Balance to be amortized in up to 12 months	1,495
Balance to be amortized after 12 months	569
Share of Itaúsa – 36.82% in Dec/11	**760**

The amounts of deferred selling expenses from reinsurance are stated in Note 30I.

e) Table of loss development

Changes in the amount of obligations of ITAÚ UNIBANCO HOLDING may occur at the end of each annual reporting period. The table below shows the development by the claims incurred method. The top of the table below shows how the final loss estimate changes over time. The second part of the table reconciles the amounts pending payment and the liability disclosed in the balance sheet at December 31, 2012.

The reserve for unsettled claims at December 31, 2012 is comprised as follows:

I – Gross of reinsurance - ITAÚ UNIBANCO HOLDING

Reserve for unsettled claims and for claims incurred but not reported	
Liability claims presented in the development table	2,526
DPVAT operations	226
Retrocession and other estimates	470
Total reserve (*)	**3,222**
Share of Itaúsa	36.78%
	1,185

(*) The total provision refers to provision for unsettled claim stated in note 30c III.

Occurrence date	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	Total
At the end of reporting year	1,766	1,444	1,882	1,534	2,353	
After 1 year	1,757	1,452	2,069	1,711		
After 2 years	1,763	1,452	2,065	-		
After 3 years	1,730	1,463	-	-		
After 4 years	1,806	-	-	-		
After 5 years	-	-	-	-		
After 6 years	-	-	-	-		
After 7 years	-	-	-	-		
Current estimate	1,806	1,463	2,065	1,711	2,353	9,398
Accumulated payments through base date	1,638	1,359	1,824	1,368	1,144	7,333
Liabilities recognized in the balance sheet	168	104	241	343	1,209	2,065
Liabilities in relation to years prior to 2008						461
Total liabilities included in balance sheet						**2,526**
Share of Itaúsa						36.78%
						929

II – Net of reinsurance - ITAÚ UNIBANCO HOLDING

Reserve for unsettled claims and for claims incurred but not reported	
Liability claims presented in the development table	756
DPVAT operations	226
Reinsurance, retrocession and other estimates	2,240
Total reserve	**3,222**
Share of Itaúsa	36.78%
	1,185

(*) The total provision refers to provision for unsettled claim stated in note 30c III.

Occurrence date	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	Total
At the end of reporting year	1,144	1,151	1,184	1,177	1,387	
After 1 year	1,134	1,155	1,159	1,231	-	
After 2 years	1,146	1,157	1,184	-	-	
After 3 years	1,143	1,160	-	-	-	
After 4 years	1,150	-	-	-	-	
After 5 years	-	-	-	-	-	
After 6 years	-	-	-	-	-	
After 7 years	-	-	-	-	-	
Current estimate	1,150	1,160	1,184	1,231	1,387	6,112
Accumulated payments at balance sheet date	1,101	1,116	1,130	1,138	1,038	5,523
Liabilities recognized in the balance sheet	49	44	54	93	349	589
Liabilities in relation to years prior to 2008						167
Total liabilities included in balance sheet						**756**
Share of Itaúsa						36.78%
						278

Variations observed in the estimates of losses occurred in 2010 result mainly from atypical events, with gross amounts frequently higher than the average previously observed. However, as the percentages for reinsurance are high, the net analysis is not affected by this factor. In addition, in view of the high volatility inherent in the analysis of reinsurance gross data, particularly in all risks operations, the analysis of amounts net of reinsurance is recommended.

f) Liability adequacy test

As established in CPC 11 – “Insurance Contracts”, the insurance company must carry out the Liability Adequacy Test, comparing the amount recognized for its technical provisions with the current estimate of projected cash flow. The estimate should consider all cash flows related to the business, which is the minimum requirement for carrying out the adequacy test.

The Liability Adequacy Test did not show any deficiency in this period.

The assumptions used were as follows:

a) The risk grouping criteria are consider groups subject to similar risks jointly managed as a single portfolio.

b) The relevant structure of risk-free interest rate was obtained from the curve of securities deemed to be credit risk free, available in the Brazilian financial market and determined pursuant to an internal policy of ITAÚ UNIBANCO HOLDING, considering the addition of spread, which took into account the impact of the market result of held-to-maturity securities of the Guarantee Assets portfolio.

c) The methodology for testing all products is based on the projection of cash flows. Specifically for insurance products, cash flows were projected using the method known as chain-ladder triangle of quarterly frequency.

d) Cancellations, partial redemptions, future contributions, conversion into annuity income and administrative expenses are periodically reviewed, pursuant to the best practices and analysis of the experience in the subsidiaries. Accordingly, they represent the current best estimates for projections.

e) Mortality: biometric tables broken down by gender, adjusted according to life expectancy development (improvement).

g) Insurance risk – effect of changes in actuarial assumptions

Property insurance is a short-lived insurance, and the main actuarial assumptions involved in the management and pricing of the associated risks are claims frequency and severity. Volatility above the expected number of claims or amount of claim indemnities may result in unexpected losses.

Life insurance and pension plans are, in general, medium- or long-lived products and the main risks involved in the business may be classified as biometric risk, financial risk and behavioral risk.

Biometric risk relates to: i) a more than expected increase in life expectancies for products with survivorship coverage (mostly pension plans); ii) a more than expected decrease in mortality rates for products with survivorship coverage (mostly life insurance).

Products offering financial guarantee predetermined under contract involve financial risk inherent in the underwriting risk, with such risk being considered as an insurance risk.

Behavioral risk relates to a more than expected increase in the rates of conversion into annuity income, resulting in increased payments of retirement benefits.

The estimated actuarial assumptions are based on the historical evaluation of ITAÚ UNIBANCO HOLDING’s benchmarks and the experience of the actuaries.

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

Sensitivity analysis	12/31/2012		12/31/2011	
	Impact on the result of LAT		Impact on the result of LAT	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
5% increase in mortality rates	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
5% decrease in mortality rates	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
10bp increase in risk-free interest rates	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
10bp decrease in risk-free interest rates	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
5% increase in conversion in income rates	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
5% decrease in conversion in income rates	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
5% increase in claims	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency
5% decrease in claims	Without insufficiency	Without insufficiency	Without insufficiency	Without insufficiency

h) Risks of insurance and private pension

ITAÚ UNIBANCO HOLDING has specific committees to define the management of funds from the technical reserves for insurance and private pension, issue guidelines for managing these funds with the objective of achieving long-term returns and develop evaluation models, risk limits and strategies on allocation of funds to defined financial assets. Such committees are comprised not only of executives and those directly responsible for the business management process, but also of an equal number of professionals that head up or coordinate the commercial and financial areas.

Large risks products are distributed by brokers. In the case of the extended warranty product, this is marketed by the retail company that sells the product to consumer. The DPVAT production results from the participation that the insurance companies of ITAÚ UNIBANCO HOLDING have in the Leading Insurance Company of the DPVAT consortium.

There is no product concentration in relation to insurance premiums, reducing the risk of product concentration and distribution channels. For all risks products, the strategy of lower retention is adopted, in accordance with certain lined shown below:

	01/01 a 12/31/2012			01/01 a 12/31/2011		
	Insurance premiums	Retained premiums	Retention (%)	Insurance premiums	Retained premiums	Retention (%)
PROPERTY AND CASUALTY						
Extended warranty	1,368	1,368	100.0	1365	1365	100.0
DPVAT	460	458	99.6	461	461	100.0
Credit life	404	404	100.0	308	308	100.0
INDIVIDUALS						
Group life	1,299	1,258	96.8	1165	1141	97.9
Group accident	642	642	100.0	661	660	99.8
Individual accident	104	102	98.1	109	108	99.1
Individual life	18	18	100.0	20	19	95.0
LARGE RISKS						
Specified and operational risks	479	118	24.6	480	96	20.0
Petroleum risks	282	45	16.0	257	37	14.4
Engineering risks	104	16	15.4	72	8	11.1

i) Underwriting risk management structure

- **Centralized control over underwriting risk**

  The control of the risk with the insurance company is centralized by the independent executive area responsible for risk control, while the management of risk is the responsibility of the business units with exposure to underwriting risk and the risk management area of the ITAÚSA CONSOLIDATED insurance companies.

- **Decentralized management of underwriting risk**

  The underwriting risk management is the responsibility of the business area coordinated by the risk management area of the ITAÚSA CONSOLIDATED insurance companies with the participation of the institutional actuarial area and product units and managers. These units, in their daily operations, accept risks based on the profitability of their businesses.

j) Duties and responsibilities

I- Independent executive area responsible for risk control

This area has the following attributes:

- Validation and control of the underwriting risk models.
- Control and evaluation of changes in the policies of insurance and private pension.
- Monitoring the performance of the insurance and private pension portfolios.
- Construction of underwriting risk models.
- Risk assessment of insurance and private pension products when created and on an ongoing basis.

- Establishment and publication of the Underwriting Risk Management structure.
- Adoption of compensation policies that discourage behaviors incompatible with a risk level considered prudent in the policies and long-term strategies established by ITAÚ UNIBANCO HOLDING.

II- Executive area responsible for operational risk and efficiency

- Devise methods for identifying, assessing, monitoring, controlling and mitigating operational risk.
- Report, on a timely basis, operational risk events to the independent executive area responsible for risk control.
- Respond to requests from the Central Bank of Brazil and other Brazilian regulatory authorities related to operational risk management, as well as monitor the adherence of the units and control areas of ITAÚ UNIBANCO HOLDING, under the coordination of the legal compliance area, to the regulation of the legal oversight authorities.

III- Business units with exposure to underwriting risk

- Set out and/or adjust products to the requirements of the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.
- Respond to requests from the independent executive area responsible for risk control, preparing or providing database and information for preparation of managerial reports or specific studies, when available.
- Guarantee the quality of the information used in probability of loss models and claim losses.
- Guarantee an appropriate level of knowledge regarding the concepts of risks for their identification and classification, ensuring the proper understanding for modeling by the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.

IV - Reinsurance area

- Formulate policies on access to reinsurance markets, regulating the underwriting operations aligned with the underwriting credit rating by the independent executive area responsible for risk control and the risk management areas of the insurance companies of ITAÚSA CONSOLIDATED.
- Guarantee an appropriate level of knowledge about the concepts of risks for their identification and classification, ensuring the proper understanding for modeling by the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.
- Submit the managerial reports to the independent executive area responsible for risk control and the risk management area of the insurance companies of ITAÚSA CONSOLIDATED.
- Guarantee the update, reach, scope, accuracy and timeliness of information on reinsurance.

V- Risk management area of the insurance subsidiaries of ITAÚSA CONSOLIDATED

- Formulate policies and underwriting procedures that address the entire underwriting cycle.
- Develop strategic indicators, informing about possible gaps to higher levels.
- Submit managerial reports to the independent executive area responsible for risk control.
- Guarantee an appropriate level of knowledge about the concepts of risks for their identification and classification, ensuring the proper understanding and modeling by the independent executive area responsible for risk control.
- Monitor the risks incurred by business units exposed to Underwriting Risk.
- Report with quality and speed the required information under the responsibility of the Brazilian regulatory authorities.

VI- Actuarial area

- Construct and improve models for provisions and reserves and submit them duly documented to the Independent executive area responsible for risk control and risk management of the insurance companies of ITAÚSA CONSOLIDATED. Submit managerial reports to the independent executive area responsible for risk control;
- Guarantee the reach, scope, accuracy and timeliness of information related to the operations for which accounting reconciliation was properly carried out.
- Guarantee an appropriate level of knowledge regarding the concepts of risks for their identification and classification, ensuring the proper understanding and modeling by the independent executive area responsible for risk control.

VII- Internal control area

- Check, on a regular basis, the adequacy of the internal controls system.
- Conduct periodic reviews of the risk process of insurance operations to ensure completeness, accuracy and reasonableness.

VIII- Internal Audit

Carry out independent and periodic checks as to the effectiveness of the risk control process of insurance and private pension operations, according to the guidelines of the audit committee.

Management works together with the investment manager to ensure that assets backing long-term products, with guaranteed minimum returns, are managed according to the characteristics of the liabilities aiming at actuarial balance and long-term solvency.

A detailed mapping of the liabilities of long-term products that result in payment flows of projected future benefits is performed annually. This mapping is carried out in accordance with actuarial assumptions.

The investment manager, having this information, uses Asset Liability Management models to determine the best asset portfolio composition that enables the mitigation of risks entailed in this type of product, considering long-term economic and financial feasibility. The portfolio of backing assets is periodically balanced based on the fluctuations in market prices of assets, liquidity needs, and changes in characteristics of liabilities.

k) Market, Credit and Liquidity Risk

Market risk

Market risk is the possibility of incurring losses due to fluctuations in the market values of positions held by a financial institution, including risks of transactions subject to variations in foreign exchange and interest rates, share values, of prices indexes and commodity prices, among other indexes on these risk factors.

The market risk limit structure and warnings follow the guidelines of the Board of Directors and is approved by the Superior Risk Committee (CSRisc) after discussions and deliberations of the Superior Institutional Treasury Committee (CSTI) on metrics and market risk limits. The review of this structure of limits is performed at least annually.

Market risk is analyzed based on the following metrics:

- Statistical Value at Risk (VaR - Value at Risk): a statistical metric that estimates the maximum expected potential economic loss in normal market conditions, considering a defined time horizon and confidence interval (Note 34);
- Losses in stress scenarios (Stress Test): a simulation technique to assess the behavior of assets and liabilities of a portfolio when several risk factors are taken to extreme market situations (based on prospective scenarios) in the portfolio;
- Sensitivity (DV01 – Delta Variation): in relation to insurance operations, the impact on the cash flows market value when submitted to a one annual basis point shift in the current interest rates or index rate and 1 percentage point in the share price and currency.

	12/31/2012		12/31/2011	
Class	**Account balance**	**DV01**	**Account balance**	**DV01**
Government securities				
NTN-C	3,254	(3.53)	2,936	(2.66)
NTN-B	1,821	(2.20)	1,544	(1.29)
NTN-F	7	-	21	(0.00)
LTN	168	(0,00)	-	-
DI Futures	1	-	19	(0.00)
Private securities				
Indexed to IGPM	26	(0,00)	139	(0.02)
Indexed to IPCA	289	(0.22)	217	(0.17)
Indexed to PRE	67	(0.01)	74	-
Shares	516.0	5.16	376	3.76
Floating assets	5,660	-	5,623	-
Under agreements to resell – over	4,574	-	6,243	-
Total	**16,383**	**(0.81)**	**17,192**	**(0.38)**
Share of Itaúsa	36.78% **6,026**	**(0.30)**	36.82% **6,330**	**(0.14)**

Liquidity Risk

Liquidity risk is the risk that ITAÚSA CONSOLIDATED may have insufficient net funds available to honor its current obligations at a given moment. The liquidity risk is managed continuously based on the monitoring of payment flows related to its liabilities vis a vis the inflows generated by its operations and financial assets portfolio. Additionally, according to the principles of prudence and conservative accounting, ITAÚSA CONSOLIDATED has funds invested in short-term assets, available upon demand, to cover its regular needs and any liquidity contingencies.

Liabilities	**12/31/2012**		**12/31/2011**		**Assets**	**12/31/2012**		**12/31/2011**	
Technical provision	**Amount**	**DU (*)**	**Amount**	**DU (*)**	**Backing asset**	**Amount**	**DU (*)**	**Amount**	**DU (*)**
PPNG, PPNG-RVNE, PCP and OPT (1)	1,746	17	1,690	12	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	1,746	7	1,690	7
Reserve for premium deficiency	253	182	233	187	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	253	7	233	7
IBNR and Provision for unsettled claims (2)	1,409	18	1,401	19	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	1,409	7	1,401	7
Other Reserves	345	-	303	-	LFT, Repurchase Agreements, NTN-B, CDB and Debentures	345	-	303	-
Subtotal	**3,753**	-	**3,627**		**Subtotal**	**3,753**		**3,627**	
Provisions									
Administrative expenses	41	126	43	125	LFT, Repurchase Agreements, NTN-B, CDB, LF and Debentures	41	7	43	7
Mathematical reserve for benefits granted	1,066	126	977	126	LFT, Repurchase Agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and Debentures	1,066	136	977	124
Mathematical reserve for benefits to be granted – PGBL/ VGBL	75,055	133	57,626	109	LFT, Repurchase Agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and Debentures (3)	75,055	27	57,626	8
Mathematical reserve for benefits to be granted – Traditional	3,630	179	3,365	116	LFT, Repurchase Agreements, NTN-B, NTN-C, Debentures	3,630	136	3,365	109
Insufficient contribution	751	179	692	109	LFT, Repurchase Agreements, NTN-B, NTN-C, CDB, LF and Debentures	751	136	692	109
Financial surplus	515	179	477	109	LFT, Repurchase Agreements, NTN-B, NTN-C, CDB, LF and Debentures	515	136	477	109
Subtotal	**81,058**		**63,180**		**Subtotal**	**81,058**		**63,180**	
Total technical reserves	**84,811**		**66,807**		**Total backing assets**	**84,811**		**66,807**	

(*) DU – Duration in months

(1) Net amount of Credit Right.

(2) Net of escrow deposits and reserves retained IRB.

(3) Excluding PGBL/VGBL reserves allocated in variable income

Credit risk

For reinsurance operations, the internal policy prohibits excess concentration in only one reinsurer. At present the reinsurer with the largest share of our operations represents less than 39% of total. In addition, we follow the SUSEP rules about reinsurers with which we operate, mainly with respect to "solvency rating, issued by a rating agency", with the following minimum levels:

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

I) Reinsurance

Expenses and revenue from reinsurance premiums ceded are recognized on an accrual basis, with no offset of assets and liabilities related to reinsurance except if there is a contractual provision for the offset of accounts between the parties. Analyses of reinsurance requirements are made to meet the current needs of Itaú Unibanco Holding, maintaining the necessary flexibility, to comply with changes in management strategy in response to several scenarios to which it may be exposed.

With the approval of Supplementary Law No. 126 of January 15, 2007, the reinsurance market was opened up to competition with the creation of three categories of companies authorized to operate in Brazil: local, admitted and occasional (the two latter being foreign reinsurance companies respectively with, or without, a representative office in Brazil). The transition to the new market was made progressively, maintaining the right of local reinsurance companies to 60% of premiums ceded by insurance companies until January 2010; after this period, this percentage may be reduced to 40%. From March 31, 2011, this percentage of 40% was obligatorily ceded to local reinsurance companies.

Reinsurance assets

Reinsurance assets represent the estimated amounts recoverable from reinsurers in connection with losses incurred. Such assets are recorded based on risk assignment contracts, and for cases of losses effectively paid, they are reassessed after 365 days as to the possibility of impairment; in case of uncertainly, such assets are reduced by recognizing an allowance for losses on reinsurance.

Reinsurance transferred

ITAÚ UNIBANCO HOLDING transfers, in the normal course of its businesses, reinsurance premiums to cover losses on underwriting risks to its policyholders and is in compliance with the operational limits established by the regulatory authority. In addition to proportional contracts, non-proportional contracts are also entered into in order to transfer a portion of the responsibility to the reinsurance company for losses that exceed a certain level of losses in the portfolio. Non-proportional reinsurance premiums are included in “other assets” and amortized to “other operating expenses” over the effectiveness period of the contract on a daily accrual basis.

I- Changes in balances of transactions with reinsurance companies

ITAÚ UNIBANCO HOLDING	Credits		Debits	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Opening balance	**214**	**176**	**313**	**106**
Issued contracts	-	-	1,106	926
Recoverable claims	26	52	-	-
Prepayments/Payments to reinsurer	(7)	32	(1,043)	(751)
Monetary adjustment and interest of claims	-	-	8	32
Other increase/ reversal	1	(46)	-	-
Closing balance	**234**	**214**	**384**	**313**
Share of Itaúsa	36.78%	36.82%	36.78%	36.82%
	86	**79**	**141**	**115**

II – Balances of technical reserves with reinsurance assets

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Reinsurance claims	2,098	1,394
Reinsurance premiums	700	535
Reinsurance commission	(45)	(58)
	2,753	**1,871**
Share of Itaúsa	36.78%	36.82%
	1,013	**689**

III – Changes in balances of technical reserves for reinsurance claims

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Opening balance	**1,394**	**1,185**
Reported claims	1,313	615
Claims paid	(598)	(101)
Other increase/ reversal	(11)	(305)
Closing balance	**2,098**	**1,394**
Share of Itaúsa	36.78%	36.82%
	772	**513**

IV – Changes in balances of technical reserves for reinsurance premiums

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Opening balance	**535**	**404**
Receipts	1,049	814
Payments	(884)	(683)
Closing balance	**700**	**535**
Share of Itaúsa	36.78%	36.82%
	257	**197**

V – Changes in balances of technical reserves for reinsurance commission

ITAÚ UNIBANCO HOLDING	12/31/2012	12/31/2011
Opening balance	**(58)**	**(59)**
Receipts	(64)	(50)
Payments	77	51
Closing balance	**(45)**	**(58)**
Share of Itaúsa	36.78%	36.82%
	(17)	**(21)**

m) Regulatory authorities

Insurance and private pension operations are regulated by the National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP). These authorities are responsible for regulating the market and, consequently, for assisting in the mitigation of risks inherent in the business.

The National Council of Private Insurance (CNSP) is the regulatory authority of insurance activities in Brazil, created by Decree-Law No. 73, of November 21, 1966. The main attribution of CNSP, at the time of its creation, was to set out the guidelines and rules of government policy on private insurance segments, and with the enactment of Law No. 6.435, of July 15, 1977 (revoked by Supplementary Law No. 109/01), its attributions included private pension of public companies.

The Superintendence of Private Insurance (SUSEP) is the authority responsible for controlling and overseeing the insurance, private pension, and reinsurance markets. An agency of the Ministry of Finance, it was created by Decree-Law No. 73, of November 21, 1966, which also created the National System of Private Insurance, comprising the National Council of Private Insurance (CNSP), IRB Brasil Resseguros S.A. (IRB Brasil), the companies authorized to have pension plans and the open-ended private pension companies.– IRB Brasil Re, the companies authorized to have private pension plans and the open-ended private pension companies.

n) Capital requirements for insurance activity

The National Council of Private Insurance (CNSP), following the worldwide trend towards the strengthening of the insurance market, disclosed on December 6, 2010, CNSP Resolution No. 227, (which revoked Resolutions No. 178 of December 28, 2007 and No. 200 of December 16, 2008), and Circular No. 411 of December 22, 2010. These documents define the rules on the regulatory capital required for the authorization and operation of insurance and private pension companies, and rules for the allocation of capital to underwriting risk for the various insurance lines. In January 2011, CNSP Resolution No. 228, of December 6, 2010, which provides for the criteria for establishment of additional capital based on the credit risk of the supervised companies, came into effect.

The adjusted stockholders’ equity of ITAÚ UNIBANCO HOLDING companies exclusively engaged in insurance and private pension activities, is higher than the required regulatory capital. The insurance companies of ITAÚ UNIBANCO HOLDING recorded capital in excess of the required regulatory capital by R$ 1,362 (R$ 2,049 at December 31, 2011) in Itaú Seguros S.A. and R$ 553 (R$ 1,565 at December 31, 2011) in Itaú Vida e Previdência S.A..

NOTE 31 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In cases where market prices are not available, fair values are based on estimates using discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions adopted, including the discount rate and estimate of future cash flows. The estimated fair value achieved through these techniques cannot be substantiated by comparison with independent markets and, in many cases, it cannot be realized upon the immediate settlement of the instrument.

The following table summarizes the carrying value and estimated fair value of financial instruments:

	12/31/2012		12/31/2011	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	28,621	28,621	40,099	40,099
Interbank deposits	8,764	8,774	10,244	10,255
Securities purchased under agreements to resell	61,188	61,188	35,001	35,001
Financial assets held for trading (*)	53,622	53,622	45,049	45,049
Financial assets designated at fair value through profit or loss (*)	81	81	69	69
Derivatives (*)	4,290	4,290	3,240	3,240
Available-for-sale financial assets (*)	33,751	33,751	17,805	17,805
Held-to-maturity financial assets	1,178	1,661	1,144	1,367
Loan operations and lease operations	125,530	126,304	118,710	118,942
Other financial assets	16,795	16,795	14,925	14,925
Financial liabilities				
Deposits	89,453	89,426	89,326	89,296
Securities sold under repurchase agreements	98,464	98,464	68,273	68,273
Financial liabilities held for trading (*)	236	236	1,037	1,037
Derivatives (*)	4,072	4,072	2,486	2,486
Interbank market debt	35,707	35,628	33,323	33,269
Institutional market debt	27,067	26,702	20,931	20,885
Liabilities for capitalization plans	1,064	1,064	1,045	1,045
Other financial liabilities	18,486	18,486	16,246	16,246

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

(1) The amounts in the tables above already reflect the share of Itaúsa.

Financial instruments not included in the Balance Sheet (Note 35) are represented by Standby Letters of Credit and Guarantees Provided, the amount is R$ 60,310 (R$ 51,530 at December 31, 2011), is proportionally reflected in the Consolidated financial statements of Itaúsa at R$ 22,184 (R$ 18,974 at December 31, 2011), and the estimated fair value of R$ 728 (R$ 695 at December 31, 2011), reflected in the Consolidated financial statements of Itaúsa at R$ 268 in 2012 (R$ 256 at December 31, 2011).

The methods and assumptions adopted to estimate the fair value are defined below:

a) **Cash and Deposits on Demand, Central Bank Compulsory Deposits and Securities Purchased under Agreements to Resell -** the carrying amounts for these instruments approximate their fair values.

b) **Interbank Deposits** – ITAÚ UNIBANCO HOLDING estimates the fair values of interbank deposits by discounting the estimated cash flows and adopting the market interest rates.

c) **Financial Assets Held for Trading, including Derivatives (Assets and Liabilities), Financial Assets designated at Fair Value through Profit or Loss, Available-for-Sale Financial Assets and Held-to-Maturity Financial Assets** – under normal conditions, the prices quoted in the market are the best indicators of the fair values of financial instruments. However, not all instruments have liquidity or quoted market prices and, in such cases, present value estimates and other pricing techniques are required. The fair values of government securities are determined based on the interest rates provided by market participants and are validated by tracking them to the information disclosed by ANDIMA. The fair values of corporate debt securities are computed by adopting criteria similar to those applied to interbank deposits, as described above. The fair values of shares are computed based on their prices quoted in the market. The fair values of derivative financial instruments were determined as follows:

- Swaps: the cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves may be mainly based on the exchange price of derivatives at BM&F, of Brazilian government securities in the secondary market or derivatives and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.)

- Futures and Forwards: Quoted market prices on exchanges or criteria identical to those applied to swaps;

- Options: the fair values are determined based on mathematical models (such as Black - Scholes) that use implicit volatility data, interest rate yield curve and fair value of the underlying asset. Current market prices of options are used to compute the implicit volatilities. All this data is obtained from different sources (usually Bloomberg).

- Credit Risk: they are inversely related to the probability of default (allowance for loan losses) in a financial instrument subject to credit risk. The process of adjusting the market price of these spreads is based on the differences between the yield curves with no risk and the yield curves adjusted for credit risk.

d) **Loan Operations** – The fair value is estimated based on groups of loans with similar financial and risk characteristics, using valuation models. The fair value of fixed-rate loans was determined by discounting estimated cash flows, applying interest rates close to our current rates for similar loans. For the majority of loans at the floating rate, the carrying amount was considered close to their fair value. The fair value of loan and lease operations not overdue was calculated by discounting the expected payments of principal and interest through maturity, at the aforementioned rates. The fair value of overdue loan and lease operations was based on estimated discount cash flows, using a rate proportional to the risk associated with the estimated cash flows, or on the underlying collateral. The assumptions related to cash flows and discount rates are determined using information available in the market and information specific of the debtor.

e) **Other Financial Assets** – primarily composed of receivables from credit card issuers, deposits in guarantee for contingent liabilities and trading and intermediation of securities. The carrying amounts for these assets substantially approximate their fair values, since they principally represent amounts to be received in the short term from credit card holders and to be paid to credit card acquirers, judicially required deposits (indexed to market rates) made by ITAÚ UNIBANCO HOLDING as guarantees for lawsuits or very short-term receivables (generally with a maturity of approximately 5 (five) business days). All of these items represent assets without significant associated market or credit risks.

In accordance with CPC, ITAUSA CONSOLIDATED classifies fair value measurements using a fair value hierarchy that reflects the significance of inputs adopted in the measurement process:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market is a market in which transactions for the asset or liability being measured generally occurs often enough and with sufficient volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 generally includes: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (iii) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, etc.); (iv) inputs that are mainly derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable for the asset or liability. Unobservable information shall be used to measure fair value to the extent that observable information is not available, thus allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Financial Assets Held for Trading, Available for Sale, and Designated at Fair Value through Profit or Loss:

Level 1: Highly-liquid securities with prices available in an active market are classified in Level 1 of the fair value hierarchy. This classification level includes most of the Brazilian Government Securities (mainly LTN, LFT, NTN-B, NTN-C and NTN-F), securities of foreign governments, shares and debentures traded on stock exchanges and other securities traded in an active market.

Level 2: When pricing information is not available for a specific security, the assessment is usually based on prices quoted in the market for similar instruments, pricing information obtained through pricing services, such as Bloomberg, Reuters and brokers (only when the prices represent actual transactions) or discounted cash flows, which use information for assets actively traded in an active market. These securities are classified into Level 2 of the fair value hierarchy and are comprised of certain Brazilian government securities, debentures and some government securities quoted in a less-liquid market in relation to those classified into Level 1, and some share prices in investment funds. ITAÚSA CONSOLIDATED does not hold positions in alternative investment funds or private equity funds.

Level 3: When there is no pricing information in an active market, ITAÚSA CONSOLIDATED uses internally developed models, from curves generated according to a proprietary model. Level 3 classification includes some Brazilian government and private securities (mainly NTN-I, NTN-A1, CRI, TDA and CCI falling due after 2025, CVS and promissory notes) and securities that are not usually traded in an active market.

Derivatives:

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

Level 2: For derivatives not traded on stock exchanges, ITAÚSA CONSOLIDATED estimates the fair value by adopting a variety of techniques, such as Black - Scholes, Garman - Kohlhagen, Monte Carlo or even the discounted cash flow models usually adopted in the financial market. Derivatives included in Level 2 are credit default swaps, cross currency swaps, interest rates swaps, plain vanilla options, certain forwards and generally all swaps. All models adopted by ITAÚSA CONSOLIDATED are widely accepted in the financial services industry and reflect all derivative contractual terms. Considering that many of these models do not require a high level of subjectivity, since the methodologies adopted in the models do not require major decisions and information for the model is readily observable in the actively quoted markets, these products were classified into level 2 of the measurement hierarchy.

Level 3: The derivatives with fair values based on non-observable information in an active market were classified into Level 3 of the fair value hierarchy, and are comprised of non-standard options, certain swaps indexed to non-observable information, and swaps with other products, such as swap with option and with USD check, credit derivatives and futures of certain commodities. These operations have their pricing derived from a range of volatility using the basis of historical volatility.

All aforementioned valuation methodologies may result in a fair value that may not be indicative of the net realizable value or future fair values. However, ITAÚSA CONSOLIDATED believes that all methodologies adopted are appropriate and consistent with those used by other market participants. Regardless of this fact, the adoption of other methodologies or use of different assumptions to estimate fair value may result in different fair value estimates at the balance sheet date.

Distribution by level

The following table presents the breakdown of Risk Levels at December 31, 2012 and 2011 for held-for-trading and available-for-sale financial assets.

ITAÚ UNIBANCO HOLDING	12/31/2012				12/31/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds	-	1,468	-	**1,468**	-	1,339	-	**1,339**
Brazilian government securities	111,045	161	-	**111,206**	93,727	187	-	**93,914**
Brazilian external debt bonds	1,286	-	-	**1,286**	910	-	-	**910**
Government securities – other countries	**710**	**162**	**-**	**872**	**722**	**80**	**-**	**802**
Argentina	106	-	-	**106**	225	-	-	**225**
United States	345	-	-	**345**	292	-	-	**292**
Mexico	225	-	-	**225**	205	-	-	**205**
Chile	-	108	-	**108**	-	50	-	**50**
Uruguay	-	33	-	**33**	-	27	-	**27**
Colombia	34	-	-	**34**				
Other	-	21	-	**21**	-	3	-	**3**
Corporate securities	**5,507**	**25,157**	**20**	**30,684**	**4,682**	**19,952**	**290**	**24,924**
Shares	2,815	-	-	**2,815**	2,241	56	-	**2,297**
Securitized real estate loans	-	21	-	**21**	-	24	-	**24**
Bank deposit certificates	-	2,933	-	**2,933**	-	7,820	-	**7,820**
Debentures	2,692	1,944	-	**4,636**	2,434	1,092	-	**3,526**
Eurobonds and other	-	1,612	-	**1,612**	7	1,424	-	**1,431**
Promissory notes	-	-	20	**20**	-	-	290	**290**
Financial credit bills	-	18,441	-	**18,441**	-	8,973		**8,973**
Other (basically financial credit bills)	-	206	-	**206**	-	563	-	**563**
Financial assets held for trading	**118,548**	**26,948**	**20**	**145,516**	**100,041**	**21,558**	**290**	**121,889**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**43,606**	**9,912**	**7**	**53,525**	**36,837**	**7,938**	**107**	**44,882**
Itaúsa and industrial companies	-	97	-	97	-	-	-	167
TOTAL	**43,606**	**10,009**	**7**	**53,622**	**36,837**	**7,938**	**107**	**45,049**
Investment funds	-	255	-	**255**	-	806	-	**806**
Brazilian government securities	25,131	25	306	**25,462**	12,120	45	259	**12,424**
Brazilian external debt bonds	18,065	-	-	**18,065**	5,906	-	-	**5,906**
Government securities – other countries	**602**	**6,535**	**-**	**7,137**	**11**	**4,306**	**-**	**4,317**
United States	375	-	-	**375**	-	-	-	**-**
Denmark	-	2,554	-	**2,554**	-	1,949	-	**1,949**
Spain	-	-	-	**-**	-	418	-	**418**
Korea	-	1,662	-	**1,662**	-	295	-	**295**
Mexico	-	-	-	**-**	11	-	-	**11**
Chile	-	1,534	-	**1,534**	-	995	-	**995**
Paraguay	-	491	-	**491**	-	344	-	**344**
Uruguay	-	294	-	**294**	-	268	-	**268**
Belgica	71	-	-	**71**	-	-	-	**-**
France	57	-	-	**57**	-	-	-	**-**
United Kingdon	83	-	-	**83**	-	-	-	**-**
Other	16	-	-	**16**	-	37	-	**37**
Corporate securities	**4,553**	**33,214**	**2,183**	**39,950**	**2,951**	**19,769**	**1,337**	**24,057**
Shares	2,258	1,554	-	**3,812**	808	3,170	-	**3,978**
Securitized real estate loans	-	7,200	1,368	**8,568**	-	7,323	691	**8,014**
Bank deposit certificates	-	391	-	**391**	-	274	-	**274**
Debentures	2,280	11,684	-	**13,964**	2,103	5,133	-	**7,236**
Eurobonds and other	15	5,576	5	**5,596**	40	3,598	-	**3,638**
Promissory notes	-	-	777	**777**	-	-	646	**646**
Rural Product Note	-	778	-	**778**	-	108	-	**108**
Financial credit bills	-	5,720	-	**5,720**	-	-	-	**-**
Other	-	311	33	**344**	-	163	-	**163**
Available-for-sale financial assets	**48,351**	**40,029**	**2,489**	**90,869**	**20,988**	**24,926**	**1,596**	**47,510**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**17,785**	**14,724**	**916**	**33,425**	**7,728**	**9,178**	**588**	**17,494**
Itaúsa and industrial companies	-	326	-	326	-	-	-	311
TOTAL	**17,785**	**15,050**	**916**	**33,751**	**7,728**	**9,178**	**588**	**17,805**
Brazilian government securities	-	220	-	220	-	186	-	186
Financial assets designated at fair value through profit or loss	**-**	**220**	**-**	**220**	**-**	**186**	**-**	**186**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**-**	**81**	**-**	**81**	**-**	**69**	**-**	**69**
TOTAL	**-**	**81**	**-**	**81**	**-**	**69**	**-**	**69**
Structured notes	-	642	-	642	-	2,815	-	2,815
Financial liabilities designated at fair value	**-**	**642**	**-**	**642**	**-**	**2,815**	**-**	**2,815**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**-**	**236**	**-**	**236**	**-**	**1,037**	**-**	**1,037**
TOTAL	**-**	**236**	**-**	**236**	**-**	**1,037**	**-**	**1,037**

The following table presents the breakdown of Risk Levels at December 31, 2012 and 2011 for our derivatives:

ITAÚ UNIBANCO HOLDING	12/31/2012				12/31/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Options	-	1,759	147	**1,906**	-	1,755	688	**2,443**
Forwards (onshore)	-	3,528	2	**3,530**	-	1,876	3	**1,879**
Swap – Difference receivable	-	3,661	25	**3,686**	-	2,732	18	**2,750**
Check of swap	-	35	-	**35**	-	4	-	**4**
Credit derivatives	-	728	-	**728**	-	399	-	**399**
Forwards		379	-	**379**		450	1	**451**
Futures	-	-	-	**-**	17	9	-	**26**
Other derivatives	-	1,194	139	**1,333**	-	607	195	**802**
Derivatives - Assets	**-**	**11,284**	**313**	**11,597**	**17**	**7,832**	**905**	**8,754**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**-**	**4,151**	**115**	**4,266**	**6**	**2,884**	**333**	**3,224**
Itaúsa and industrial companies	-	24	-	24	-	-	-	16
TOTAL	**-**	**4,175**	**115**	**4,290**	**6**	**2,884**	**333**	**3,240**
Options	-	(2,132)	(149)	**(2,281)**	-	(1,930)	(676)	**(2,606)**
Forwards (onshore)	-	(2,291)	(2)	**(2,293)**	-	(811)	(7)	**(818)**
Swap – Difference payable	-	(5,053)	(15)	**(5,068)**	-	(2,782)	(16)	**(2,798)**
Swap with USD check	-	(42)	-	**(42)**	-	(2)	-	**(2)**
Credit derivatives	-	(90)	-	**(90)**	-	(110)	-	**(110)**
Forwards		(343)	(3)	**(346)**	-	(325)	(1)	**(326)**
Futures	(23)	-	-	**(23)**	-	-	-	**-**
Other derivatives	-	(926)	-	**(926)**	-	(87)	-	**(87)**
Derivatives - Liabilities	**(23)**	**(10,877)**	**(169)**	**(11,069)**	**-**	**(6,047)**	**(700)**	**(6,747)**
Share of Itaúsa – 36.78% in December 2012 and 36.82% in December 2011	**(8)**	**(4,001)**	**(62)**	**(4,072)**	**-**	**(2,227)**	**(258)**	**(2,484)**
Itaúsa and industrial companies	-	-	-	-	-	-	-	(2)
TOTAL	**(8)**	**(4,001)**	**(62)**	**(4,072)**	**-**	**(2,227)**	**(258)**	**(2,486)**

Measurement of Level 2 Fair Value based on pricing services and brokers

When pricing information is not available for securities classified into Level 2, pricing services, such as Bloomberg or brokers, are used to value such instruments.

In all cases, to assure that the fair value of these instruments is properly classified into Level 2, internal analyses of the information received are conducted, so as to understand the nature of the inputs used in the determination of such values by the service provider.

Prices provided by pricing services that meet the following requirements are considered as Level 2: Input are immediately available, regularly distributed, provided by sources actively involved in relevant markets and are not proprietary.

Of the total R$ 24,717 million in financial instruments classified into Level 2 at December 31, 2012, pricing services or brokers were used to evaluate securities at the fair value of R$ 7,557 million, substantially represented by:

- **Debentures:** When available, we use price information for transactions recorded in the Brazilian Debenture System (SND), an electronic platform operated by CETIP, which provides multiple services for transactions involving debentures in the secondary market. Alternatively, prices of debentures provided by ANBIMA are used. Its methodology includes obtaining, on a daily basis, illustrative and non-binding prices from a group of market players deemed to be significant. Such information is subject to statistical filters established in the methodology, with the purpose of eliminating outliers.

- **Global and corporate securities:** The pricing process for these securities consists of capturing 2 to 8 quotations from Bloomberg, depending on the asset. The methodology consists in comparing the highest purchase prices and the lowest sale prices of trades provided by Bloomberg for the last day of the month. Such prices are compared with information from purchase orders that the Institutional Treasury of Itaú Unibanco provides for Bloomberg. Should the difference between both prices be lower than 0.5%, the average price of Bloomberg is used. Should it be 0.5% higher or if the Institutional Treasury does not provide information on this specific security, the average price gathered directly from other banks is used. The price of the Institutional Treasury is used as a reference only and never in the computation of the final price.

Level 3 recurring fair value measurements

The tables below show the changes in the balance sheet for financial instruments classified by ITAUSA CONSOLIDATED into Level 3 of the fair value hierarchy:

Distribution by level

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2011	Total gains or losses (realized/unrealized)	Purchases, issuances and settlements	Settlements	Transfers, other levels	Fair value at 12/31/2012	Total gains (losses) related to assets and liabilities still held at the reporting date
Financial assets held for trading	**290**	**(238)**	**71**	**(103)**	**-**	**20**	**-**
Corporate securities	**290**	**(238)**	**71**	**(103)**	**-**	**20**	**-**
Promissory notes	290	(238)	71	(103)	-	20	-
Available-for-sale financial assets	**1,596**	**234**	**3,028**	**(2,369)**	**-**	**2,489**	**638**
Brazilian government securities	259	75	364	(392)	-	306	17
Corporate securities	**1,337**	**159**	**2,664**	**(1,977)**	**-**	**2,183**	**621**
Securitized real estate loans	691	123	684	(130)	-	1,368	623
Promissory notes	646	37	1,941	(1,847)	-	777	-
Eurobonds and others	-	(3)	8	-		5	(3)
Other	-	2	31	-	-	33	1
	36.82%			36.78%			
Share of Itaúsa	**694**	**(1)**	**1,140**	**(909)**	**-**	**923**	**235**

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2011	Total gains or losses (realized/unrealized)	Purchases, issuances and settlements	Settlements	Transfers, other levels	Fair value at 09/30/2012	Total gains (losses) related to assets and liabilities still held at the reporting date
Derivatives - Assets	**905**	**20**	**243**	**(855)**	**-**	**313**	**12**
Options	688	25	218	(784)	-	147	17
Swap – Difference receivable	18	(6)	13	-	-	25	4
Forwards (onshore)	3	-	6	(7)		2	1
Forwards	1	-	-	(1)		-	-
Other derivatives	195	1	6	(63)	-	139	(10)
Derivatives - Liabilities	**(700)**	**19**	**(238)**	**750**	**-**	**(169)**	**(30)**
Options	(676)	21	(228)	734	-	(149)	(17)
Forwards (onshore)	(7)	-	(7)	12	-	(2)	1
Swap – Difference payable	(16)	(2)	-	3	-	(15)	(14)
Forwards	(1)	-	(3)	1	-	(3)	-
	36.82%			36.78%			
Share of Itaúsa	**75**	**14**	**2**	**(39)**	**-**	**53**	**(5)**

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2010	Total gains or losses (realized/unrealized)	Purchases, issuances and settlements	Settlements	Transfers, other levels	Fair value at 12/31/2011	Total gains (losses) related to assets and liabilities still held at the reporting date
Financial assets held for trading	**159**	**89**	**1,422**	**(1,391)**	**11**	**290**	**-**
Corporate securities	**159**	**89**	**1,422**	**(1,391)**	**11**	**290**	**-**
Securitized real estate loans	157	85	562	(804)	-	-	-
Promissory notes	-	3	697	(410)	-	290	-
Other	2	1	163	(177)	11	-	-
Available-for-sale financial assets	**1,647**	**767**	**3,217**	**(3,530)**	**(505)**	**1,596**	**266**
Brazilian government securities	320	-	38	(64)	(35)	259	(100)
Corporate securities	**1,327**	**767**	**3,179**	**(3,466)**	**(470)**	**1,337**	**366**
Shares	-	-	227	-	(227)	-	-
Securitized real estate loans	62	686	1,125	(1,103)	(79)	691	366
Promissory notes	1,265	78	1,666	(2,363)	-	646	-
Other	-	3	161	-	(164)	-	-
	36.57%			36.82%			
Share of Itaúsa	**661**	**315**	**1,708**	**(1,812)**	**(182)**	**694**	**98**

ITAÚ UNIBANCO HOLDING	Fair value at 12/31/2010	Total gains or losses (realized/unrealized)	Purchases, issuances and settlements	Settlements	Transfers, other levels	Fair value at 12/31/2011	Total gains (losses) related to assets and liabilities still held at the reporting date
Derivatives - Assets	**485**	**811**	**835**	**(1,226)**	**-**	**905**	**(93)**
Options	56	89	690	(147)	-	688	(63)
Swap – Difference receivable	5	(15)	28	-	-	18	3
Forwards (onshore)	-	-	3	-	-	3	-
Credit derivatives	261	57	104	(422)	-	-	-
Forwards	-	-	1	-	-	1	-
Other derivatives	163	680	9	(657)	-	195	(33)
Derivatives - Liabilities	**(335)**	**130**	**(166)**	**(329)**	**-**	**(700)**	**(316)**
Options	(188)	82	(110)	(460)	-	(676)	(302)
Forwards (onshore)	-	-	(7)	-	-	(7)	-
Swap – Difference payable	(6)	(13)	(16)	19	-	(16)	(14)
Credit derivatives	(119)	55	(5)	69	-	-	-
Forwards	-	-	(1)	-	-	(1)	-
Futures	(9)	6	(27)	30	-	-	-
Other derivatives	(13)	-	-	13	-	-	-
	36.57%			36.82%			
Share of Itaúsa	**55**	**346**	**246**	**(573)**	**-**	**75**	**(151)**

Derivative financial instruments classified into Level 3 as Other Derivatives basically correspond to credit default swaps (CDS) linked to shares.

There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2012 and 2011.

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

Sensitivity analysis for Level 3 operations

The fair value of financial instruments classified into Level 3 is measured through valuation techniques comprising assumptions not evidenced by current transaction prices in active markets. The table below shows the sensitivity of these fair values in scenarios of changes in interest rates, prices of assets or in scenarios mixing shocks in prices with shocks in volatility for non-linear assets (volatility arising from lack of alignment between derivative and underlying asset prices):

Market risk factor groups	Scenarios	Impacts	
		Income	Equity
Interest rate	I	(0,0)	(1.1)
	II	(0.4)	(27.5)
	III	(0.9)	(54.3)
Currencies, Commodities and Ratios	I	(0.4)	-
	II	(0.8)	-
Non-linear	I	(3.6)	-
	II	(8.3)	-

The following scenarios are used to measure the sensitivity:

Interest rate

Shocks at 1, 25 and 50 base points (scenarios I, II and III, respectively) in the interest curves, both for increase and decrease, considering the largest losses resulting in each scenario.

Currencies, Commodities and Ratios

Shocks at 5 and 10 base points (scenarios I and II, respectively) in prices of currencies, commodities and ratios, both for increase and decrease, considering the largest losses resulting in each scenario.

Non-linear

Scenario I: Combined shocks at 5 percentage points in prices and 25 percentage points in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Scenario II: Combined shocks at 10 percentage points in prices and 25 percentage points in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

NOTE 32 – PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

Provisions	12/31/2012	12/31/2011
Civil	1,391	1,186
Labor	1,859	1,549
Tax and social security	4,176	3,425
Other	71	61
Total	**7,497**	**6,221**
Current	**614**	**1,156**
Non-current	**6,883**	**5,065**

In the ordinary course of their business, ITAÚSA and its subsidiaries are subject to contingencies.

Data is presented considering the proportional interest of ITAÚSA in Itaú Unibanco Holding, as follows:

a) Contingent assets: there are no contingent assets recorded.

b) Provision and contingencies: the criteria to quantify contingencies are appropriate in relation to the specific characteristics of civil, labor and tax litigation, as well as other risks.

- **Civil lawsuits**

  Collective lawsuits (related to claims of a similar nature and with individual amounts not considered significant): contingencies are determined on a monthly basis and the expected amount of losses is accrued according to statistical references that take into account the type of lawsuit and the characteristics of the court (Small Claims Court or Regular Court).

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined periodically, based on the amount claimed and the likelihood of loss, which, in turn, are estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as probable losses are recorded as provisions.

  Contingencies generally arise from revision of contracts and compensation for damages and pain and suffering; most of these lawsuits are filed in the Small Claims Court and therefore limited to 40 minimum monthly wages. Itaú Unibanco Holding is also party to specific lawsuits over alleged understated inflation adjustments to savings accounts in connection with economic plans implemented by the Brazilian government.

  The case law at the Federal Supreme Court is favorable to banks in relation to economic phenomena similar to savings, as in the case of adjustment to time deposits and contracts in general. Additionally, the Superior Court of Justice has recently decided that the term for filing public civil actions over understated inflation is five years. In view of such decision, some of the lawsuits may be dismissed because they were filed after the five-year period.

  No amount is recognized in the financial statements in relation to civil lawsuits which represent possible losses and which have a total estimated risk of R$ 615 (R$ 222 at December 31, 2011); these refer to claims for compensation or collection, the individual amounts of which are not significant.

- **Labor claims:**

  Collective lawsuits (related to claims of a similar nature and with individual amounts not considered significant): the expected amount of loss is determined and accrued monthly based on the statistical share pricing model plus the average cost of legal fees. These are adjusted for the amounts deposited as guarantee for their execution when they are realized.

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined periodically, based on the amount claimed and the likelihood of loss, which, in turn, are estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as probable losses are recorded as provisions.

Contingencies are related to lawsuits in which alleged labor rights based on labor legislation, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other, are claimed.

No amount is recognized in the financial statements in relation to labor claims which represent possible losses and which have a total estimated risk of R$ 17 (R$ 17 at 12/31/2011).

- **Other Risks**

These are quantified and recorded as provisions mainly based on the evaluation of agribusiness credit transactions with joint obligation and FCVS (salary variations compensation fund) credits transferred to Banco Nacional.

Change in the balances of provision for contingent liabilities	01/01 to 12/31/2012			
	Civil	Labor	Other	Total
Opening balance	**1,186**	**1,549**	**61**	**2,796**
(-) Contingencies guaranteed by indemnity clause	(50)	(342)	-	(392)
Subtotal	**1,136**	**1,207**	**61**	**2,404**
Interest	56	54	-	110
Changes in the period reflected in results	806	607	10	1,423
Increase	1,166	641	13	1,820
Reversal	(360)	(34)	(3)	(397)
Payment	(650)	(358)	-	(1,008)
Subtotal	**1,348**	**1,510**	**71**	**2,929**
(+) Contingencies guaranteed by indemnity clause	43	349	-	392
Closing balance	**1,391**	**1,859**	**71**	**3,321**
Escrow deposits at 12/31/2012 (Note 22a)	**755**	**919**	**-**	**1,674**

- **Tax and social security lawsuits**

Contingencies are equivalent to the principal amount of taxes involved in administrative or judicial disputes, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is recorded as a provision when it involves a legal liability, regardless of the likelihood of loss, that is, a favorable outcome is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, a provision is set up whenever the loss is considered probable.

The table below shows the changes to the provisions and respective escrow deposits for tax and social security lawsuits:

Provisions	01/01 to 12/31/2012	01/01 to 12/31/2011
Opening balance	**3,425**	**2,917**
(-) Contingencies guaranteed by indemnity clause	(21)	(16)
Subtotal	**3,404**	**2,901**
Interest (1)	350	213
Changes in the period reflected in results	424	375
Increase (1)	554	452
Reversal (1) (2)	(130)	(77)
Payment (2)	(25)	(85)
Subtotal	**4,153**	**3,404**
(+) Contingencies guaranteed by indemnity clause	23	21
Closing balance (3)	**4,176**	**3,425**

(1) The amounts are included in the headings Tax expenses, General and administrative expenses and Current income tax and social contribution.

(2) ITAÚ UNIBANCO HOLDING and its subsidiaries adhered to the Program for Cash Settlement or Installment Payment of Federal Taxes, established by Law No. 11.941, of May 27, 2009. In the first half of 2010, taxes administered by the Federal Reserve Service of Brazil were included, mainly relating to the increase of the calculation basis of PIS and COFINS, set forth in paragraph 1 of article 3 of Law No. 9,718, of November 27, 1998.

(3) Includes amounts arising from investments in joint ventures of R$ 3.

Escrow Deposits	01/01 to 12/31/2012	01/01 to 12/31/2011
Opening balance	**1,954**	**1,765**
Appropriation of interest	112	136
Changes in the period	8	53
Deposits made	108	107
Withdrawals	(93)	(49)
Deposits released	(7)	(5)
Reclassification of assets pledged as collateral for contingencies	(330)	-
Closing balance	**1,744**	**1,954**

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

- PIS and COFINS – Calculation basis – R$ 1,285: we are claiming that those contributions on revenue should be applied only to the revenue from sales of assets and services. The escrow deposit balance totals R$ 345.

- CSLL – Isonomy – R$ 726; the law increased the CSLL rate for financial and insurance companies to 15% and maintained the rate of 9% for other legal entities; we argue that there is no constitutional support for this measure and, due to the principle of isonomy, we believe we should only pay the regular rate of 9%. The escrow deposit balance totals R$ 139.

- IRPJ and CSLL –Taxation of profits earned abroad – R$ 190: we are challenging the calculation basis for these taxes on profits earned abroad and argue that Regulatory Instruction SRF No. 213-02 is not applicable since it goes beyond the text of the law. The escrow deposit balance totals R$ 175.

- PIS – R$ 141 - Principles of anteriority over 90 days and non-retroactivity: we request the rejection of Constitutional Amendments No. 10/96 and No. 17/97 in view of the principle of anteriority and non-retroactivity, seeking authorization to make payment based on Supplementary Law No. 07/70. The corresponding escrow deposit totals R$ 40.

Tax contingencies not recognized in the balance sheet - in the accounting books no amount is recognized in relation to tax and social security lawsuits with possible loss, which total estimated risk is R$ 3,088. The main discussions are as follows:

- IRPJ, CSLL, PIS and COFINS – request for offset dismissed - R$ 498: cases in which the liquidity and the offset of credits are discussed.
- INSS – Non-compensatory amounts – R$ 515: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.
- IRPJ/CSLL - Interest on capital - R$ 332: we defend the deductibility of interest on capital declared to stockholders based on the Brazilian long-term interest rate (TJLP) applied to stockholders' equity for the year and prior years.
- IRPJ/CSLL - Losses and discounts on receipt of credits – R$ 167: deductibility of effective losses as operating expense – credit assignment and renegotiation.
- IRPJ, CSLL – Profit made available abroad R$ 121: Application of the Brazilian tax rule (taxable income) - IN No. 213/2002 and non availability of profit with the simple transfer of capital between the investees of ITAÚ UNIBANCO HOLDING.
- ISS – Banking Institutions – R$ 144: these are banking operations, the revenue from which cannot be interpreted as compensation for service rendered and/or arise from activities not listed in a Supplementary Law.
- IRPJ e CSLL – Goodwill – Deductibility – R$ 136: deductibility of goodwill on acquisition of portfolio of clients and/or investments with future expected profitability.
- Other taxes – tax lawsuits of industrial companies - R$ 276.

c) Receivables - Reimbursement of contingencies

The receivables balance arising from reimbursements of contingencies totals R$ 303 (R$ 236 at December 31, 2011) (Note 22a), mainly represented by the guarantee received in the Banco Banerj S.A. privatization process of 1997, whereby the State of Rio de Janeiro created a fund to guarantee the equity recomposition with respect to civil, labor and tax contingencies.

d) Assets pledged as collateral for contingencies

Assets pledged as collateral for lawsuits involving contingent liabilities are restricted or deposited as shown below:

	12/31/2012	12/31/2011
Held-for-trading and available for sale financial assets (basically Financial treasury bills)	735	637
Deposits in guarantee (Note 22a)	1,554	1,265

Escrow deposits are generally required to be made with the court in connection with lawsuits in Brazil and they are held by the court until a decision is made by the relevant court. In case of a decision against ITAÚSA CONSOLIDADO, the deposited amount is released from escrow and transferred to the counterparty in the lawsuit. In case of a decision in favor of ITAÚSA CONSOLIDADO, the deposited amount is released at the full amount deposited adjusted.

In general, provisions related to lawsuits of ITAÚSA CONSOLIDADO are long term, considering the time required for the termination of these lawsuits in the Brazilian judicial system, reason why estimate for specific year in which these lawsuits will be terminated have not been disclosed.

In the opinion of the legal advisors, ITAÚSA and its subsidiaries are not parties to any other administrative proceedings or legal lawsuits that could significantly impact the results of their operations.

NOTE 33 –SEGMENT INFORMATION

In accordance with the standards in force, an operating segment may be understood as a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity’s chief operating decision makes to make decisions about resources to be allocated to the segment and assess its performance;

(c) for which optional financial information is available.

The operating segments of ITAÚSA were defined according to the reports submitted to the Board of Directors for decision making. Therefore, the segments are divided into the Financial Services and the Industrial Areas.

ITAÚSA is a holding company and its subsidiaries are: Duratex, Elekeiroz and Itautec, which operate in the industrial area, and Itaú Unibanco Holding, under our joint control and operating in the financial area.

The Itaúsa subsidiaries have independence to define their differentiated and specific standards in the management and segmentation of their respective businesses.

- **Financial Area**

Itaú Unibanco Holding is a banking institution that offers, directly or through its subsidiaries, a broad range of credit and other financial services to a diversified client base of individuals and companies in and outside Brazil.

ITAÚSA exercises the joint control over the businesses of Itaú Unibanco Holding, and had an interest of 36.78% at December 31, 2012 (36.82% at December 31, 2011).

- **Industrial Area**

In the industrial segment, we have a broad range of companies; for this reason, we separated information by company. A brief description of the products manufactured by each company is as follows:

l) Duratex manufactures bathroom porcelain and metals, and respective fittings, with the Deca and Hydra brands (for flush toilet valves), which stand out for the wide range of products, the bold design, and the superior quality; and produces wood panels from pine and eucalyptus, largely used in the manufacturing of furniture, mainly fiberboard, chipboard and medium, high and super density fiberboards, best known as MDF, HDF and SDF, from which laminated floor (Durafloor) and ceiling and wall coatings are manufactured.

II) Elekeiroz: 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 products manufactured by Elekeiroz are mainly used in the industrial sector, particularly civil construction, clothing, automotive and food.

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

January to December		FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED IFRS (1) (2)
		Itaú Unibanco Holding S.A. (IFRS)	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	
Total assets	**2012**	**957,154**	**7,759**	**678**	**1,076**	**364,017**
	2011	818,136	6,814	654	1,176	312,002
Operating revenues (3)	**2012**	**125,484**	**3,394**	**900**	**1,545**	**52,325**
	2011	124,877	2,970	777	1,542	51,381
Net income	**2012**	**12,634**	**460**	**-**	**2**	**5,040**
	2011	13,837	375	15	44	5,367
Stockholders' equity	**2012**	**75,902**	**4,024**	**476**	**543**	**32,709**
	2011	73,941	3,693	477	538	32,290
Annualized return on average equity (%) (4)	**2012**	**16.9%**	**11.9%**	**0.1%**	**0.3%**	**15.4%**
	2011	20.0%	10.5%	3.1%	8.3%	17.6%
Internal fund generation (5)	**2012**	**49,130**	**985**	**50**	**(26)**	**19,039**
	2011	43,182	861	38	76	16,529

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

(2) Consolidated/Conglomerate data is net of consolidation elimination and unrealized results of intercompany transactions. The amounts of Itaú Unibanco were consolidated proportionally to the interest held by Itaúsa in December 2012 of 36.78% (36.82% in December 2011).

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

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

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

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

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

The information of revenue by geographical area of the financial services area, already in proportion to ITAÚSA's shares, is presented below.

The industrial area subsidiaries do not account for significant foreign transactions in the consolidated data.

	01/01 to 12/31/2012			**01/01 to 12/31/2011**		
	Brazil	**Abroad**	**Total**	**Brazil**	**Abroad**	**Total**
Income from financial operations (*)	34,967	2,517	37,484	36,484	1,797	38,281
Non-current assets	3,500	288	3,788	3,125	256	3,381

(*) Includes interest and similar income, net gain (loss) from financial assets and liabilities, results from foreign exchange operations and exchange variation on transactions abroad.

Additional Information

Revenue from transactions with only one external client or counterparty did not reached 10% or more of the total income of ITAÚSA CONSOLIDATED in 2012 or 2011.

NOTE 34 – RELATED PARTIES

a) Transactions between related parties are carried out at amounts, maturities and average rates in accordance with normal market practices on the respective dates, as well as under reciprocal conditions.

Transactions between companies included in the consolidation were eliminated from the consolidated financial statements. The transaction terms take into consideration the absence of risk.

The unconsolidated related parties are the following:

- The controlling stockholders of ITAÚSA;
- Fundação Itaubanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev, Itaubank Sociedade de Previdência Privada, UBB-Prev - Previdência Complementar, and Fundação Banorte Manoel Baptista da Silva de Seguridade Social and Fundação Itaúsa Industrial, closed-end private pension entities that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries;
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema, and Associação Clube "A", entities sponsored by ITAÚ UNIBANCO and its subsidiaries to act in their respective areas of interest; and
- Investments in unconsolidated companies (Note 15) - Porto Seguro Itaú Unibanco Participações S.A., SERASA S.A. and BSF Holding S.A..

The transactions with these related parties are basically characterized by:

a) Related parties

	ASSETS/(LIABILITIES)		REVENUE/(EXPENSES)	
	12/31/2012	12/31/2011	01/01 to 12/31/2012	01/01 to 12/31/2011
Amounts receivable from (payable to) related companies	**(119)**	**(106)**	**-**	**-**
Fundação BEMGEPREV	(9)	(3)	-	-
UBB Prev Previdência Complementar	(25)	(19)	-	-
Fundação Banorte Manuel Baptista da Silva de Seguridade Social	(81)	(76)	-	-
Caixa de Prev. Dos Func. Do B anco BEG - PREBEG	(6)	(9)	-	-
Fundação Itaubanco	1	1	-	-
Other	1	-		
Banking service fees	**-**	**-**	**23**	**30**
Fundação Itaubanco	-	-	25	21
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	5	5
Outras	-	-	(7)	4
Rental revenues (expenses)	-	**-**	**(37)**	**(37)**
Fundação Itaubanco	-	-	(27)	(27)
FUNBEP - Fundo de Pensão Multipatrocinado	-	-	(10)	(10)
Donation expenses	**-**	**-**	**(72)**	**(56)**
Instituto Itaú Cultural	-	**-**	(69)	(56)
Associação Clube "A"	-	**-**	(3)	-

b) Guarantees provided

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

	12/31/2012	12/31/2011
Duratex S.A.	463	382
Elekeiroz S.A.	67	46
Itautec S.A.	131	164
Total	**661**	**592**

c) Compensation of the Key Management Personnel

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

	12/31/2012	12/31/2011
Compensation	5	7
Profit sharing	5	6
Total	**10**	**13**

NOTE 35 – MANAGEMENT OF FINANCIAL RISKS

Introduction

In order to understand the risks inherent in the activities of ITAÚSA, it is important to know that its objective is the management of investments in its companies. Accordingly, the risks to which ITAÚSA is subject are those that are managed by its subsidiaries and affiliates.

As to liquidity risk, the cash flow forecast of ITAÚSA is made by Management, which monitors the continuous forecasts of liquidity requirements to ensure that it has sufficient cash to meet the operating needs, which mainly reflect the payment of dividends and interest on capital, and settlement of issued debentures.

The excess cash of ITAÚSA is invested in government securities and investment fund quotas.

At the reporting date, ITAÚSA had short-term funds amounting to R$ 429, which are expected to readily generate cash inflows to manage the liquidity risk.

According to Note 20c, debentures pay interest at 106.5% of CDI, and amortization is in three annual and successive installments in June 2011, 2012 and 2013.

With the purpose of maintaining investments at acceptable risk levels, new investments or increases in interests are discussed at a joint meeting of ITAÚSA's Executive Board and Board of Directors.

To improve the management of its exposure, ITAÚSA has control over the investments with greater tendency to entail risk, mainly those of the financial area. The entities in which ITAÚSA holds direct or indirect interest but not the control, are not subject to significant risks. This note about risks gives priority to the management of the jointly-controlled company that concentrates the higher level of market, credit and liquidity risks, Itaú Unibanco Holding. Therefore, we present its information on risk management at full amounts, without applying the proportion of ITAÚSA's interest.

FINANCIAL AREA

Credit risk

1. **Credit risk measurement**

   Credit risk is the possibility of incurring losses in connection with (i) the breach by the borrower or counterpart of the respective agreed-upon financial obligations, (ii) devaluation of a loan agreement due to downgrade of the borrower's risk rating, (iii) reduction in gains or compensation, or (iv) advantages given upon renegotiation or due to recovery costs.

   In line with the principles of CMN Resolution No. 3,721, of April 30, 2009, ITAÚ UNIBANCO HOLDING has a structure and corporate guidelines on credit risk management, approved by its Board of Directors, applicable to companies and subsidiaries in Brazil and abroad.

   ITAÚ UNIBANCO HOLDING manages credit risk with the aim of creating shareholder value, by means of the analysis of return adjusted to risk, focused on maintaining the quality of the loan portfolio in levels appropriate to each market segment in which it operates.

   ITAÚ UNIBANCO HOLDING takes into account the probability of default by customer or counterparty (PD), the estimated value of the exposure at default (EAD) and loss given default (LGD), in addition to the concentration on borrowers and its relation among the several economic activity sectors to calculate credit risk. The assessment of these risk components is a part of the credit granting process, the portfolio management and definition of limits.

   ITAÚ UNIBANCO HOLDING defines the concentration maximum risk and its correlation deemed as adequate by the Conglomerate. The ongoing monitoring on the concentration level of portfolios, by assessing the economic activity sectors and major debtors, enables it to take preventive measures to prevent that defined limits be breached and ensure a properly diversified customer distribution.

   ITAÚ UNIBANCO HOLDING establishes its credit policies based on internal factors, such as the client rating criteria, performance of and changes in portfolio, default levels, return rates, and the allocated economic capital;

and external factors, related to the economic environment, market share, interest rates, market default indicators, inflation, changes in consumption.

The centralized control area analyzes the impact of creating or changing credit policies or products, before its implementation, so as to permit the identification and quantification of uncertainties inherent in each business unit. The process for analyzing the policy and products enables Itaú Unibanco to identify potential risks, so as to make sure that credit decisions make sense from an economic and risk perspective.

The centralized process for validation and validation of the approval of credit policies and models of ITAÚ UNIBANCO HOLDING assures the synchrony of credit actions and optimization of business opportunities.

ITAÚ UNIBANCO HOLDING takes into account three components to quantify the credit risk: the probability of default by the client or counterparty (PD), the estimated exposure in the event of default (EAD), and the potential for recovery on defaulted credits (LGD). Measurement and assessment of these risk components is part of the process for granting credit and for managing the portfolio and the setting of limits.

The table below shows the correspondence between risk levels attributed by the group's internal models (strong, satisfactory, higher risk and impairment) and the probability of default associated with each of these levels.

Internal rating	**PD**
Strong	Lower than or equal to 4.44%
Satisfactory	From 4.44% up to 25.95%
Higher Risk	Higher than 25.95%
Impaired	Corporate operations with PD higher than 31.84% Operations past due for over 90 days Renegotiated operations past due for over 60 days

The credit rating in corporate transactions is based on information such as economic and financial condition of the potential borrower, its cash-generating capabilities, the economic group to which it belongs, the current and prospective situation of the economic sector in which it operates, the collateral offered and the use of proceeds. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism subordinated to the Superior Credit Committee.

Regarding retail (individuals, small and middle-market companies), the rating is assigned based on application and behavior score statistical models. Decisions are made based on scoring models that are continuously followed up by an independent structure. Exceptionally, there may also be individualized analysis of specific cases where approval is subject to competent credit approval levels.

Government securities and other debt instruments are classified by ITAÚ UNIBANCO HOLDING according to their credit quality aiming at managing their exposures.

2. Control risk limits

ITAÚ UNIBANCO HOLDING maintains management credit risk on a centralized and independent basis, segregated from other business units and internal audit, as required by regulation. Credit risk is managed in a decentralized manner by each business unit.

The centralized management of portfolios is maintained by an independent executive area responsible for management credit risk, which uses risk and performance indicators to analyze the credit portfolio on an aggregate basis, by business line, areas, product and other variables that it deems relevant.

The decentralized management of portfolios, focused on management, is performed by all credit areas of the business units, which assess the portfolios in detail. Monitoring for management purposes analyzes the loan portfolio in detail, and it may be performed on an aggregate basis (preferably following the same parameters used in credit policy) or in client level.

ITAÚ UNIBANCO HOLDING strictly controls the credit exposure of clients and counterparties, taking action to address situations in which the actual exposure exceeds the desired one. For that purpose, contractually provided actions can be taken, such as early payment or requirement of additional collateral.

3. Collaterals and policies for mitigating credit risk

As a way to control the credit risk, ITAÚ UNIBANCO HOLDING has corporate guidelines that establish general rules and responsibilities for the use of guarantees; additionally, each business unit responsible for the credit risk management formalizes the use of such guarantees in its credit policies.

ITAÚ UNIBANCO HOLDING uses guarantees to increase its recovery capacity in transactions involving credit risk. The guarantees used may be personal, collateral, legal structures with mitigation power and offset agreements.

For the guarantees to be considered a risk mitigating instrument, requirements and guidelines of the standards that regulate them, either internal or external ones, must be complied with.

ITAÚ INIBANCO HOLDING ensures that any collateral kept is sufficient, legally valid (effective), enforceable and periodically reassessed.

ITAÚ UNIBANCO HOLDING also uses credit derivatives, such as single name CDS, to mitigate credit risk of its portfolios of loans and securities; these instruments are priced based on models that use the fair value of market inputs, such as credit spreads, recovery rates, correlations and interest rates.

The credit limits are continually monitored and changed according to customer behavior. Thus, the potential loss values represent a fraction of the amount available.

4. Policies on the recognition of allowance for loan losses

The policies on the provision adopted by ITAÚ UNIBANCO HOLDING are aligned with the guidelines of IFRS and the Basel Accord. As a result, an allowance for loan losses is recognized as from moment when there are indications of the impairment of the portfolio and takes into account a horizon of loss appropriate for each type of transaction. We consider as impaired loans overdue for more than 90 days, renegotiated loans overdue by more than 60 days and corporate loans below a specific internal rating. Loans are written-down 360 days after such loans become past due or 540 days of being past due in the case of loans with original maturities over 36 months.

5. Credit risk exposure

	12/31/2012			12/31/2011		
	Brazil	**Abroad**	**Total**	**Brazil**	**Abroad**	**Total**
Interbank deposits	9,254	14,572	23,826	9,820	18,001	27,821
Securities purchased under agreements to resell	162,235	502	162,737	91,643	605	92,248
Financial assets held for trading	139,699	5,817	145,516	116,615	5,274	121,889
Financial assets designated at fair value through profit or loss	4	216	220	-	186	186
Derivatives	7,615	3,982	11,597	5,864	2,890	8,754
Available-for-sale financial assets	36,214	54,655	90,869	7,323	40,187	47,510
Held-to-maturity financial assets	2,656	546	3,202	2,500	605	3,105
Loan operations and lease operations	259,540	81,731	341,271	251,034	71,357	322,391
Other financial assets	41,284	3,208	44,492	38,199	2,055	40,254
Off-balance sheet	274,822	14,653	289,475	254,711	14,830	269,541
Endorsements and sureties	56,470	3,840	60,310	48,908	2,622	51,530
Letters of credit	14,605	-	14,605	11,172	-	11,172
Commitments to be released	203,747	10,813	214,560	194,631	12,208	206,839
Mortgage loans	13,004	-	13,004	14,308	-	14,308
Overdraft accounts	96,935	-	96,935	91,904	-	91,904
Credit cards	82,478	669	83,147	83,767	489	84,256
Other pre-approved limits	11,330	10,144	21,474	4,652	11,719	16,371
Total	**933,323**	**179,882**	**1,113,205**	**777,709**	**155,990**	**933,699**

The following table presents the maximum exposure at December 31, 2012 and 2011, respectively without considering any collateral received or other additional credit improvements.

For assets recognized in the balance sheet, the exposures presented are based on net carrying amounts. This analysis includes only financial assets subject to credit risk and excludes non-financial assets.

The contractual amounts of endorsements and sureties and letters of credit represent the maximum potential credit risk in the event the counterparty does not meet the terms of the agreement. The vast majority of commitments (real estate loans, overdraft accounts and other pre-approved limits) mature without being drawn, since they are renewed monthly and we have the power to cancel them at any time. As a result, the total contractual amount does not represent our effective future exposure to credit risk or the liquidity needs arising from such commitments.

As shown in the table below, the most significant exposures correspond to loan operations, financial assets held for trading and securities purchased under agreements to resell, in addition to sureties, endorsements and other commitments.

The maximum exposure to the quality of the financial assets presented highlights that:

- 70.8% of loan operations and other financial assets (Tables 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating;
- only 6.1% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired; and
- 5.5% of the total loans exposure (Table 6.1) corresponds to overdue loans impaired.

5.1) Maximum exposure of financial assets segregated by business sector

a) Loan operations

	12/31/2012	%	12/31/2011	%
Public sector	877	0.2%	1,990	0.6%
Industry and commerce	107,405	29.3%	99,859	28.8%
Services	77,922	21.2%	70,642	20.4%
Primary sector	16,649	4.5%	16,109	4.7%
Other sectors	2,194	0.6%	1,497	0.4%
Individuals	161,937	44.2%	156,167	45.1%
Total	**366,984**	**100.00%**	**346,264**	**100.0%**

b) Other financial assets (*)

	12/31/2012	%	12/31/2011	%
Primary sector	1,924	0.4%	1,029	0.3%
Public sector	110,012	25.1%	88,174	29.2%
Industry and commerce	7,563	1.7%	5,381	1.8%
Services	129,223	29.5%	72,281	24.0%
Other sectors	2,633	0.6%	14,574	4.8%
Individuals	49	0.0%	5	0.0%
Financial	186,563	42.6%	120,069	39.8%
Total	**437,967**	**100.0%**	**301,513**	**100.0%**

(*) includes financial assets held for trading, derivatives, assets designated at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, interbank deposits and securities purchased under agreements to resell.

c) The credit risks of "off-balance" items (endorsements and sureties, letters of credit and commitments to be released) are not categorized or managed by business sector.

6. Credit quality of financial assets

6.1 The following table shows the breakdown of loans considering: loans not overdue, and loans overdue either impaired or not impaired:

	12/31/2012				12/31/2011			
Internal rating	**Loans not overdue and not impaired**	**Loans overdue and not impaired**	**Loans overdue and impaired**	**Total loans**	**Loans not overdue and not impaired**	**Loans overdue and not impaired**	**Loans overdue and impaired**	**Total loans**
Strong	249,288	5,438	-	254,726	221,315	5,800	-	227,115
Satisfactory	61,076	9,391	-	70,467	63,763	10,921	-	74,684
Higher Risk	14,190	7,594	-	21,784	16,910	8,703	-	25,613
Impaired	-	-	20,007	20,007	-	-	18,852	18,852
Total	**324,554**	**22,423**	**20,007**	**366,984**	**301,988**	**25,424**	**18,852**	**346,264**
%	**88.4%**	**6.1%**	**5.5%**	**100.0%**	**87.3%**	**7.3%**	**5.4%**	**100.0%**

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

	12/31/2012					12/31/2011				
	Strong	**Satisfactory**	**Higher Risk**	**Impaired**	**Total**	**Strong**	**Satisfactory**	**Higher Risk**	**Impaired**	**Total**
Individuals	**85,044**	**40,741**	**12,459**	**12,056**	**150,300**	**74,484**	**49,320**	**14,467**	**11,006**	**149,277**
Credit card	24,557	11,692	1,993	2,289	40,531	19,332	13,061	3,485	3,083	38,961
Personal loans	13,823	13,540	7,713	5,000	40,076	8,895	15,985	8,048	3,475	36,403
Vehicles	29,887	14,468	2,722	4,569	51,646	33,934	19,357	2,843	4,329	60,463
Mortgage loans	16,777	1,041	31	198	18,047	12,323	917	91	119	13,450
Corporate	**98,234**	**4,648**	**1**	**1,467**	**104,350**	**87,223**	**3,500**	**343**	**1,013**	**92,079**
Small and medium businesses	**47,825**	**22,124**	**8,868**	**6,368**	**85,185**	**51,548**	**17,444**	**9,887**	**6,770**	**85,649**
Foreign loans - Latin America	**23,623**	**2,954**	**456**	**116**	**27,149**	**13,860**	**4,420**	**916**	**63**	**19,259**
Total	**254,726**	**70,467**	**21,784**	**20,007**	**366,984**	**227,115**	**74,684**	**25,613**	**18,852**	**346,264**
%	**69.4%**	**19.2%**	**5.9%**	**5.5%**	**100.0%**	**65.6%**	**21.6%**	**7.4%**	**5.4%**	**100.0%**

The table below shows the breakdown of loans not overdue and not impaired by portfolios of segments and classes, based on indicators of credit quality:

	12/31/2012				12/31/2011			
	Strong	Satisfactory	Higher Risk	Total	Strong	Satisfactory	Higher Risk	Total
I – Individually evaluated								
Corporate	**97,439**	**4,647**	**-**	**102,086**	**85,863**	**3,423**	**314**	**89,600**
II – Collectively evaluated								
Individuals	**81,653**	**32,971**	**7,540**	**122,164**	**71,630**	**40,321**	**8,952**	**120,903**
Credit card	24,390	11,076	1,352	36,818	19,245	12,580	2,503	34,328
Personal loans	13,632	12,660	5,439	31,731	8,777	14,893	5,870	29,540
Vehicles	27,347	8,737	736	36,820	31,516	12,248	565	44,329
Mortgage loans	16,284	498	13	16,795	12,092	600	14	12,706
Small and medium businesses	**47,163**	**20,739**	**6,293**	**74,195**	**50,774**	**15,899**	**6,828**	**73,501**
Foreign loans - Latin America	**23,033**	**2,719**	**357**	**26,109**	**13,048**	**4,120**	**816**	**17,984**
Total	**249,288**	**61,076**	**14,190**	**324,554**	**221,315**	**63,763**	**16,910**	**301,988**

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

	12/31/2012				12/31/2011			
	Overdue up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total	Overdue up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total
Individuals	**10,732**	**4,075**	**1,273**	**16,080**	**11,764**	**4,112**	**1,491**	**17,367**
Credit card	832	308	283	1,423	805	344	401	1,550
Personal loans	2,045	991	311	3,347	2,056	871	460	3,387
Vehicles	7,099	2,559	599	10,257	8,456	2,760	589	11,805
Mortgage loans	756	217	80	1,053	447	137	41	625
Corporate	**686**	**88**	**23**	**797**	**1,232**	**185**	**51**	**1,468**
Small and medium businesses	**2,912**	**1,171**	**539**	**4,622**	**3,433**	**1,349**	**596**	**5,378**
Foreign loans - Latin America	**794**	**98**	**32**	**924**	**1,144**	**41**	**26**	**1,211**
Total	**15,124**	**5,432**	**1,867**	**22,423**	**17,573**	**5,687**	**2,164**	**25,424**

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

	12/31/2012						
Internal rating	**Interbank deposits and securities purchased under agreements to resell**	**Held-for-trading financial assets**	**Financial assets designated at fair value through profit or loss**	**Derivative Assets**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Total**
Strong	186,563	98,147	220	4,458	22,808	3,084	315,280
Satisfactory	-	47,369	-	7,122	68,037	118	122,646
Higher Risk	-	-	-	17	24	-	41
Total	**186,563**	**145,516**	**220**	**11,597**	**90,869**	**3,202**	**437,967**
%	**42.7%**	**33.2%**	**0.1%**	**2.6%**	**20.7%**	**0.7%**	**100.0%**

	12/31/2011						
Internal rating	**Interbank deposits and securities purchased under agreements to resell**	**Held-for-trading financial assets**	**Financial assets designated at fair value through profit or loss**	**Derivative Assets**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Total**
Strong	120,069	111,938	186	4,750	26,849	3,101	266,893
Satisfactory	-	9,197	-	3,742	20,580	4	33,523
Higher Risk	-	754	-	262	81	-	1,097
Total	**120,069**	**121,889**	**186**	**8,754**	**47,510**	**3,105**	**301,513**
%	**39.8%**	**40.4%**	**0.1%**	**2.9%**	**15.8%**	**1.0%**	**100.0%**

6.1.3 Collateral held for loan and lease operations

Financial effect of collateral	12/31/2012				12/31/2011			
	(I) Over-collateralized assets		(II) Under-collateralized assets		(I) Over-collateralized assets		(II) Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Individuals	**60,634**	**140,467**	**8,022**	**6,933**	**67,786**	**146,078**	**7,608**	**6,924**
Personal loans	329	946	17	12	635	1,607	88	70
Vehicles	42,610	73,709	7,809	6,813	54,062	82,309	7,216	6,638
Mortgage loans	17,695	65,812	196	108	13,089	62,162	304	216
Small, Medium Businesses and Corporate	**127,655**	**439,665**	**33,917**	**14,408**	**115,349**	**238,458**	**61,710**	**42,887**
Foreign loans - Latin America	**5,441**	**8,695**	**21,708**	**12,053**	**-**	**-**	**19,259**	**13,497**
Total	**193,730**	**588,827**	**63,647**	**33,394**	**183,135**	**384,536**	**88,577**	**63,308**

The difference between the total loan portfolio and collateralized loan portfolio is generated by noncollateralized loans amounting to R$ 109,607 (R$ 74,553 at December 31, 2011).

ITAÚ UNIBANCO HOLDING uses collateral to reduce the occurrence of losses in operations with credit risk managing its collateral with the objective that collateral held is sufficient, legally valid (effective), enforceable and periodically reassessed. Thus, collateral is used to maximize the recoverability of impaired loans and not to reduce the exposure value of customers and counterparties.

Individuals

Personal Loans – This category of credit products usually requires collateral, focusing on endorsements and sureties.

Vehicles – For this type of operation, clients' assets serve as collateral, which are also the leased assets in leasing operations.

Mortgage Loans – The real estate is given in guarantee.

Small, Medium Businesses and Corporate – For those operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, mortgage and other).

Foreign loans – Latin America – For those operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, mortgage and other).

7. Renegotiated loan operations

Renegotiated activities include agreements for changes in maturities, payment schedules and deferral of payments. After the restructuring, the client status (previously overdue) is no longer considered to be past due and is rated (considering all available information including the renegotiation) in the appropriate rating category. Renegotiated loan operations that would otherwise be overdue at December 31, 2012 totaled R$ 19,483 (R$ 14,570 at December 31, 2011).

8. Repossessed assets

Repossessed assets are recognized as assets when possession is effectively obtained.

Assets received from the foreclosure of loans, including real estate, are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, and (ii) the carrying amount of the loan.

Further impairment of assets is recorded as a provision, with corresponding charge to income. The maintenance costs of these assets are expensed as incurred.

The policy for sales of these assets (assets not for use) includes periodic auctions that are announced in advance and considers that the assets cannot be held for more than one year as stipulated by BACEN. This period may be extended at the discretion of BACEN.

The amounts below represent total assets repossessed in the periods from January 1 to December 31, 2012 and 2011:

	01/01 to 12/31/2012	**01/01 to 12/31/2011**
Real estate not for own use	4	8
Residential properties – mortgage loans	67	34
Vehicles – linked to loan operations	2	4
Other (vehicles/furniture/equipments) - Dation	9	1
Total	**82**	**47**

Market risk

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

Market risk management is the process through which the ITAÚ UNIBANCO HOLDING, monitors and controls risks arising from changes in market prices of financial instruments, aiming at maximizing the risk-return ratio, through adequate limit structure, models and management tools.

The market risk control exercised by ITAÚ UNIBANCO HOLDING includes all financial instruments of its subsidiaries. Accordingly, the corporate guidelines of risk management is in line with the principles of CMN Resolution No. 3,464, of June 26, 2007 and posterior amendments, comprising a set of principles that drive the institution's strategy of control and management of market risks in all business units and legal entities of ITAÚ UNIBANCO HOLDING.

The document set forth by the corporate guidelines on market risk management may be viewed on the website www.itau-unibanco.com.br/ri, in the section Corporate Governance/Rules and Policies/Public Access Report - Market Risk.

The risk management strategy of ITAÚ UNIBANCO HOLDING tries to achieving a balance between business objectives, considering among others:

- Political, economic and market context;
- Market risk portfolio of ITAÚ UNIBANCO HOLDING;
- Capacity to operate in specific markets.

The process for managing market risks of ITAÚ UNIBANCO HOLDING occurs within the governance and hierarchy of committees and limits approved specifically for this purpose, and that covers from the monitoring of aggregate indicators of risk (portfolio level) to the monitoring of granular limits (individual desks level), assuring effectiveness and coverage of control. These limits are dimensioned considering the projected results of the balance sheet, the level of equity and the profile of risk of each legal entity, which are defined in terms of risk measures used by management. Limits are monitored and controlled daily and excesses are reported and discussed in the corresponding committees.

The limit structure and warnings follow the guidelines of the Board of Directors and is established and approved by the Superior Risk Committee (CSRisc) after discussions and resolutions of the Superior Institutional Treasury Committee (CSTI) on metrics and market risk limits. The review of this limit structure is performed at least annually.

The purpose of this structure is:

- providing more assurance to all executive levels that the assumption of market risks is in line with the ITAÚ UNIBANCO HOLDING and the risk-return objective, by conducting an organized and educated dialogue on the risk profile and its development;
- promoting the disciplined and educated discussion on the global risk profile and its evolution over time;
- increasing transparency on the way the business seeks the optimization of results;
- providing early warning mechanisms in order to make the effective risk management easier, without jeopardizing the business purposes; and
- avoid risk concentration.

ITAÚ UNIBANCO HOLDING uses proprietary systems to measure the consolidated market risk. The processing of these systems basically takes place in São Paulo, in an access-controlled, of high availability, environment, with data safekeeping and recovery processes, and counts on such an infrastructure to ensure the continuity of business in contingency (disaster recovery) situations. The use of market solutions is currently in analysis to supplement the risk technology architecture as part of the evolutionary process that will meet any future regulatory and managerial requirements.

The market risk control and management process is periodically reviewed with the purpose of keeping the process aligned with best market practices and complies with continuous improvement processes at ITAÚ UNIBANCO HOLDING.

The market risk is controlled by an area independent from the business areas, which is responsible for carrying out daily measurement, assessment, analysis and reporting activities to the areas and people in charge, in accordance with the governance established and following up the actions required for adjusting the position and/or risk level. For that purpose, ITAÚ UNIBANCO HOLDING has a structured reporting and information flow with the objective of providing input for the follow-up by senior-level committees and complying with the requirements of Brazilian and foreign regulatory agents.

ITAÚ UNIBANCO HOLDING hedges transactions with clients and proprietary positions, including foreign investments, aiming at mitigating risks arising from fluctuations in significant market factors and adjusting the transactions into the current exposure limits. Derivatives are the most frequently used instruments for these *hedges*. When these transactions are designed for as hedge accounting, specific supporting documentation is prepared, including continuous review of the hedge effectiveness and other changes in the accounting process. Accounting and managerial hedges are governed by corporate guidelines of ITAÚ UNIBANCO HOLDING.

Measurement of market risk segregates operations in the trading portfolio and the banking portfolio, pursuant to the criteria set forth in the New Capital Accord Basel II and in the CMN Resolution No. 3,464 of June 26, 2007 and BACEN Circular No. 3,354 of June 27, 2007 instructions.

The trading portfolio consists of all transactions, including derivatives, which are entered into with the intention of trading or hedging other financial instruments of this portfolio, and which are not subject to trading restrictions. These are transactions expected to benefit from changes in expected or actual prices in the short term, or for entering into arbitration opportunities.

The banking portfolio consists of all transactions not classified within the trading book. Treasury operations in the Banking portfolio are carried out jointly with the active management of financial risks inherent in the global balance of ITAÚ UNIBANCO HOLDING and held not for trading in the short term. Its composition may include derivatives.

The exposures to market risks of products, including derivatives, are broken down into risk factors. Market factors are primary components of pricing. The main risk factors measured by ITAÚ UNIBANCO HOLDING are:

- Interest rates risk: risk of financial losses on operations subject to changes in interest rates, including the following:
    - Fixed rates in Brazilian reais;
    - Rates of coupon indexed to certain interest rates;

- Foreign exchange linked interest rate: risk of losses on positions in operations subject to foreign currency coupon rate;
- Foreign exchange rates: risk of losses on positions in foreign currency in operations subject to foreign exchange *var*iation;
- Price indices: risk of financial losses on operations subject to changes in price index coupon rates;
- Shares: risk of loss on transactions subject to changes in equities prices;
- Commodities: risk of losses in operations subject to variation in goods prices.

Market risk for interest rates in the Banking Portfolio is managed by a combination of processes, including marking-to-market positions, determining sensitivity to interest rate variations, Value at Risk (VaR) modelling and running stress tests across the portfolio. These processes are consistent with Itaú Unibanco's institutional policies incorporated into the market risk framework.

To evaluate the share position of the banking and trading portfolios, Value at Risk (VaR) is applied, in addition to stress tests, as presented below in the paragraph about metrics.

Market risk is analyzed based on the following metrics:

- Value at risk (VaR): statistical metric that estimates the expected maximum potential economic loss under normal market conditions, taking into consideration a certain time horizon and confidence level;
- Losses in stress scenarios (Stress Test): simulation technique to assess the behavior of assets, liabilities and derivatives of a portfolio when several risk factors are taken to extreme market situations (based on prospective scenarios) in the portfolio;
- Stop Loss alert: effective losses added to the potential maximum loss in optimistic and pessimistic scenarios;
- Concentration: Cumulative exposure of a certain asset or risk factor calculated at market value ("MtM – Mark to Market");

In addition to the risk measures, sensitivity and loss control measures are also analyzed. They comprise:

- Gap analysis: accumulated exposure, by risk factor, of cash flows expressed at market value, allocated at the maturity dates;
- Sensitivity (DV01 – Delta Variation): the impact on the cash flows market value when submitted to an one annual basis point shift in the current interest rates or index rate and 1 percentage point in the share price and currency;
- Sensitivity to the Several Risk Factors (Greeks): partial derivatives of an options portfolio in relation to the underlying assets price, implicit volatility, interest rate and timing.
- *Stop Loss*: the maximum loss that transactions classified in the trading book may reach.

VaR - Consolidated ITAÚ UNIBANCO HOLDING

The internal VaR model used by ITAÚ UNIBANCO HOLDING considers a one-day holding period and a 99% confidence level. Volatilities and correlations are estimated based on a volatility weighted methodology that gives greater weight to the most recent information.

The Consolidated Global VaR table provides an analysis of the exposure to market risk of ITAÚ UNIBANCO HOLDING portfolios, and to its foreign subsidiaries by showing where the largest concentrations of market risk are found. (foreign subsidiaries: Banco Itaú BBA International S.A., Banco Itaú Argentina S.A., Banco Itaú Chile S.A., Banco Itaú Uruguai S.A., Banco Itaú Paraguai S.A.) and Itaú BBA Colômbia S.A – *Corporación Financiera*).

In April 2012, we obtained authorization to incorporate Itaú BBA Colômbia S.A.– Corporación Financiera. This new unit was incorporated in June 2012 and the operation license was issued by the Superintendencia Financiera de Colombia in October 2012. The unit will gradually strengthen operations over 2013.

With the purpose of enhancing quality of quantitative information of Market Risk, in the second quarter of 2012 ITAÚ UNIBANCO HOLDING relocated risk factors within their respective groups in the VaR table. This relocation does not affect the institution's exposure to market risk, which may be observed by the lack of changes in the values of Total Global Var. The figures presented in this publication that refer to cumulative amounts in current and prior years already reflect this relocation of risk factors, making comparison easier.

ITAÚ UNIBANCO HOLDING maintaining its conservative management and portfolio diversification, continued with its policy of operating within low limits in relation to its capital.

In this year, the average global VaR was R$ 290 million, or 0.38% of total stockholders' equity (throughout 2011 it was R$ 142 million or 0.19%).

	VaR Global (*)							
	Average	Minimum	Maximum	12/31/2012	Average	Minimum	Maximum	12/31/2011
	(in R$ million)				(in R$ million)			
Risk factor group								
Interest rate	191.2	71.8	427.6	348.7	100.9	24.6	222.6	104.8
Foreign exchange linked interest rate	20.4	7.3	49.6	11.4	29.5	12.6	59.0	23.6
Foreign exchange	25.7	4.6	53.9	8.8	19.1	5.2	38.8	18.0
Price index linked interest rate	110.3	14.8	325.0	51.2	17.7	2.5	41.6	21.1
Equities	24.2	13.6	43.5	16.8	36.9	17.4	57.1	25.2
Foreign units (**)								
Itaú BBA International	1.7	0.7	5.1	1.1	2.9	0.4	6.5	1.5
Itaú Argentina	3.0	1.7	5.6	5.5	4.0	1.6	9.4	3.7
Itaú Chile	5.5	3.2	9.6	4.4	5.3	1.9	10.3	5.3
Itaú Uruguay	1.7	0.3	3.4	2.0	0.5	0.2	1.1	0.7
Itaú Paraguay	0.4	0.2	1.4	1.0	0.6	0.2	1.7	0.2
Itaú BBA Colômbia	-	-	-	-	-	-	-	-
Effect of diversification				(77.1)				(53.4)
Total	**289.7**	**118.0**	**601.4**	**373.7**	**142.0**	**74.0**	**278.5**	**150.9**

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

(**) Determined in local currency and converted into Brazilian reais at the closing price of the day.

Sensitivity analysis (TRADING AND BANKING PORTFOLIOS)

In compliance with CVM Instruction No. 475 of December 17, 2008, ITAU UNIBANCO HOLDING carried out a sensitivity analysis by market risk factors considered relevant for factors to which ITAÚ UNIBANCO HOLDING was exposed. Each market risk factor was subject to a sensitivity level, with shock applications of 25% and 50%, both for growth and declines. The biggest losses arising, by risk factor, in each scenario, were stated with impact on result, net of tax effects, by providing a vision of the ITAÚ UNIBANCO HOLDING exposure under exceptional scenarios.

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

Amount

Trading portfolio:	**Exposures**	**12/31/2012 (*)**		
Risk factors	**Risk of variation in:**	**Scenarios**		
		I	**II**	**III**
Fixed rate	Fixed rates in reais	(1,125)	(27,972)	(55,628)
Foreign exchange linked interest rate	Rates of foreign currency coupon	(119)	(2,947)	(5,850)
Foreign exchange	Exchange variation	(407)	(10,184)	(20,369)
Price index linked interest	Rates of inflation rate coupon;	(515)	(12,674)	(24,966)
Reference rate	Rate of TR coupon	355	(8,943)	(18,041)
Equities	Equities prices	4,497	(112,417)	(224,834)
	Total without correlation	**2,686**	**(175,137)**	**(349,688)**
	Total with correlation	**1,879**	**(122,545)**	**(244,679)**

(*) Amounts net of tax effects

Amount in R$ (000)

Trading and Banking Portfolios	**Exposures**	**12/31/2012 (*)**		
Risk factors	**Risk of variation in:**	**Scenarios**		
		I	**II**	**III**
Fixed rate	Fixed rates in reais	(3,823)	(95,225)	(189,727)
Foreign exchange linked	Rates of foreign currency coupon	(1,494)	(36,754)	(72,318)
Foreign exchange	Exchange variation	4,212	(105,306)	(210,611)
Price index linked interest	Rates of inflation rate coupon	(2,695)	(65,562)	(127,546)
Reference rate	Rate of TR coupon	(5,173)	(126,114)	(245,750)
Equities	Equities prices	6,644	(166,106)	(332,212)
	Total without correlation	**(2,329)**	**(595,067)**	**(1,178,164)**
	Total with correlation	**(1,629)**	**(416,373)**	**(824,370)**
	Total without correlation – industrial area (**)		**(1,674)**	**(2,889)**

(*) Amounts net of tax effects.

(**) Includes exposures in foreign currency, interest rates and prices.

The following scenarios are used to measure the sensitivity:

Scenario I: Addition of 1 base point to the fixed-rate curve, currency coupon, inflation and interest rate indices, and 1 percentage point in currency and equities prices, which are based on market information (BM&FBOVESPA, Andima, etc);

Scenario II: Shocks at 25 base points in fixed-rate curves, foreign currency coupon, inflation and interest rate indices, and 25 percentage points in currency and equities prices, both for growth and fall, considering the largest resulting losses per risk factor;

Scenario III: Shocks at 50 base points in fixed-rate curves, foreign currency coupon, inflation and interest rate indices, and 50 percentage points in currency and equities prices, both for growth and fall, considering the largest resulting losses per risk factor.

Interest rate

Management of interest rate risk is performed based on mark-to-market amounts at maturity of several products, grouping them by common dates, calculating the sensitivity to interest rates and applying shocks in the interest rates. The table of the accounts positions subject to interest rate risk shows a different view, grouping them by products, book value of accounts distributed by maturity. This table is not used directly to manage interest rate risks; it is mostly used to enable the assessment of mismatchings between accounts and products associated thereto and to identify possible risk concentration.

The following table sets forth our interest-earning assets and interest-bearing liabilities and therefore does not reflect interest rate gap positions that may exist as of any given date. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period.

Position of accounts subject to interest rate risk (1)

	12/31/2012						12/31/2011					
	0-30	31-180	181-365	1-5 years	Over 5 years	Total	0-30	31-180	181-365	1-5 years	Over 5 years	Total
Interest-bearing assets	**255,232**	**191,194**	**78,496**	**246,502**	**97,228**	**868,652**	**236,921**	**142,241**	**90,272**	**221,692**	**54,704**	**745,830**
Interbank deposits	15,321	3,274	4,835	395	1	23,826	18,911	3,226	3,247	2,177	260	27,821
Securities purchased under agreements to resell	87,829	71,539	3,190	179	-	162,737	50,131	40,462	1,655	-	-	92,248
Central Bank compulsory deposits	63,701	-	-	-	-	63,701	98,053	-	-	-	-	98,053
Financial assets held for trading	17,163	7,251	7,920	85,581	27,601	145,516	7,188	3,369	27,149	72,088	12,095	121,889
Financial assets held for trading and designated at fair value through	220	-	-	-	-	220	186	-	-	-	-	186
Available-for-sale financial assets	13,120	7,914	5,481	29,470	34,884	90,869	6,139	3,997	3,768	17,042	16,564	47,510
Held-to-maturity financial assets	-	118	70	147	2,867	3,202	87	-	33	242	2,743	3,105
Derivatives	1,943	3,581	1,390	3,742	941	11,597	2,277	2,199	1,473	2,315	490	8,754
Loan and lease operations	55,935	97,517	55,610	126,988	30,934	366,984	53,949	88,988	52,947	127,828	22,552	346,264
Interest-bearing liabilities	**233,991**	**78,742**	**59,229**	**210,743**	**76,688**	**659,393**	**167,707**	**69,188**	**47,978**	**220,434**	**51,515**	**556,822**
Savings deposits	83,451	-	-	-	-	83,451	67,170	-	-	-	-	67,170
Time deposits	12,369	20,861	16,667	62,226	5,109	117,232	30,918	19,167	11,475	79,542	3,367	144,469
Interbank deposits	2,643	3,550	1,201	207	-	7,601	665	683	445	272	-	2,065
Securities sold under repurchase agreements	123,001	17,838	16,281	82,424	27,861	267,405	55,866	11,403	11,139	89,261	17,744	185,413
Interbank market	5,606	26,871	21,065	38,802	4,729	97,073	5,904	24,588	16,773	38,781	4,452	90,498
Institutional market	2,299	7,018	2,753	22,062	37,896	72,028	2,772	11,248	5,881	9,565	25,341	54,807
Derivatives	1,724	2,582	1,211	4,500	1,052	11,069	1,526	1,245	1,364	2,104	508	6,747
Financial liabilities held for trading	6	22	51	522	41	642	48	854	901	909	103	2,815
Liabilities for capitalization plans	2,892	-	-	-	-	2,892	2,838	-	-	-	-	2,838
Asset/ liability difference (2)	21,241	112,452	19,267	35,759	20,540	209,259	69,214	73,053	42,294	1,258	3,189	189,008
Cumulative difference	**21,241**	**133,693**	**152,960**	**188,719**	**209,259**		**69,214**	**142,267**	**184,561**	**185,819**	**189,008**	
Ratio of cumulative difference to total interest-bearing assets	2.4%	15.4%	17.6%	21.7%	24.1%		9.3%	19.1%	24.7%	24.9%	25.3%	

(1) Remaining contractual terms.

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

Currency risk

	12/31/2012				
ASSETS	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Cash and deposits on demand	5,681	388	39	2,602	8,710
Central Bank compulsory deposits	-	-	1	2,528	2,529
Interbank deposits	11,160	1,209	1	2,202	14,572
Securities purchased under agreements to resell	463	-	-	39	502
Financial assets held for trading	4,909	646	-	262	5,817
Financial assets designated at fair value through profit or loss	-	216	-	-	216
Derivatives	3,100	588	-	294	3,982
Available-for-sale financial assets	50,828	354	-	3,473	54,655
Held-to-maturity financial assets	546	-	-	-	546
Loan operations, net	44,417	4,950	1	32,363	81,731
TOTAL ASSETS	**121,104**	**8,351**	**42**	**43,763**	**173,260**

	12/31/2012				
LIABILITIES	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Deposits	32,602	1,917	441	26,836	61,796
Securities sold under repurchase agreements	17,156	-	-	622	17,778
Financial liabilities held for trading	-	720	-	-	720
Derivatives	2,755	493	-	205	3,453
Interbank market debt	27,430	150	-	2,393	29,973
Institutional market debt	52,421	3,065	-	2,411	57,897
TOTAL LIABILITIES	**132,364**	**6,345**	**441**	**32,467**	**171,617**

NET POSITION	**(11,260)**	**2,006**	**(399)**	**11,296**	**1,643**

Currency risk

	12/31/2011				
ASSETS	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Cash and deposits on demand	2,560	323	64	2,221	5,168
Central Bank compulsory deposits	-	13	-	2,098	2,111
Interbank deposits	15,681	1,274	2	1,044	18,001
Securities purchased under agreements to resell	478	-	-	127	605
Financial assets held for trading	4,327	643	-	304	5,274
Financial assets designated at fair value through profit or loss	-	186	-	-	186
Derivatives	2,018	614	-	258	2,890
Available-for-sale financial assets	37,880	98	-	2,209	40,187
Held-to-maturity financial assets	605	-	-	-	605
Loan operations, net	40,494	5,338	2,832	22,693	71,357
TOTAL ASSETS	**104,043**	**8,489**	**2,898**	**30,954**	**146,384**

	12/31/2011				
LIABILITIES	**Dollar**	**Euro**	**Yen**	**Other**	**Total**
Deposits	36,830	2,390	409	19,438	59,067
Securities sold under repurchase agreements	7,228	-	-	176	7,404
Financial liabilities held for trading	-	2,815	-	-	2,815
Derivatives	1,684	537	-	137	2,358
Interbank market debt	28,022	643	2	2,015	30,682
Institutional market debt	47,643	3,530	-	1,230	52,403
TOTAL LIABILITIES	**121,407**	**9,915**	**411**	**22,996**	**154,729**

NET POSITION	**(17,364)**	**(1,426)**	**2,487**	**7,958**	**(8,345)**

The exposure to equity price risk is disclosed in Note 7, related to financial assets held for trading and Note 10 related to available-for-sale financial assets.

Liquidity risk

Liquidity risk is defined as the existence of imbalances between marketable assets and liabilities due “mismatching” between payments and receipts which may affect the payment capacity of ITAÚ UNIBANCO HOLDING, taking into consideration the different currencies and payment terms and their respective rights and obligations.

Policies and procedures

The management of liquidity risks seeks to guarantee liquidity sufficient to support possible outflows in market stress situations, as well as the compatibility between funding and the terms and liquidity of assets.

ITAÚ UNIBANCO HOLDING has a structure dedicated to improve the monitoring, control and analysis, through models of projections of the variables that affect cash flows and the level of reserves in local and foreign currencies.

The liquidity risk measurement process makes use of corporate and own in-house developed application systems. ITAÚ UNIBANCO HOLDING manages proprietary IT systems to support the liquidity risk measurement process.

Additionally, ITAÚ UNIBANCO HOLDING establishes guidelines and limits. Compliance with these guidelines and limits is periodically analyzed in technical committees, and their purpose is to provide an additional safety margin to the minimum projected needs. The liquidity management policies and the respective limits are established based on prospective scenarios periodically reviewed and on the definitions of the top management.

These scenarios may be reviewed in view of cash requirements resulting from atypical market situations or arising from strategic decisions of ITAÚ UNIBANCO HOLDING.

In compliance with the requirements of CMN Resolution No. 2,804 of December 21, 2000 and BACEN Circular No. 3,393 of June 3, 2008 , the Statement of Liquidity Risk (DRL) is sent to BACEN on a monthly basis, and the following items for monitoring and supporting decisions are periodically prepared and submitted to top management:

- Different scenarios projected for changes in liquidity.
- Contingency plans for crisis situations.
- Reports and charts that describe the risk positions.
- Assessment of funding costs and alternative sources of funding.
- Monitoring of changes in funding through a constant control over sources of funding, considering the type of investor and maturities, among other factors.

Primary sources of funding

ITAÚ UNIBANCO HOLDING has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R$ 481.1 billion (R$ 448.1 billion at 12/31/2011), particularly funding from time deposits. A considerable portion of these funds – 29.4% of total, or R$ 141.4 billion – is available on demand to the client. However, the historical behavior of the accumulated balance of the two largest items in this group – demand and savings deposits - is relatively consistent with the balances increasing over time and inflows exceeding outflows for monthly average amounts.

Funding from clients	12/31/2012			12/31/2011		
	0-30 days	Total	%	0-30 days	Total	%
Deposits	133,377	243,199		127,686	242,638	
Demand deposits	34,916	34,916	7.3	28,933	28,933	6.5
Savings deposits	83,451	83,451	17.3	67,170	67,170	15.0
Time deposits	12,368	117,232	24.4	30,917	144,469	32.2
Other	2,642	7,600	1.6	666	2,066	0.5
Funds from acceptances and issuance of securities (1)	3,863	55,108	11.5	4,862	51,557	11.5
Funds from own issue (2)	3,394	127,652	26.5	2,913	114,155	25.5
Subordinated debt	797	55,179	11.5	60	39,715	8.9
Total	**141,431**	**481,138**		**135,521**	**448,064**	

(1) Includes mortgage notes, real estate credit bills, agribusiness and financial credit bills recorded in interbank market debt and liabilities for the issue of debentures and securities abroad recorded in institutional market debt.

(2) Refers to securities sold under repurchase agreements with securities of own issue.

Control over liquidity

ITAÚ UNIBANCO HOLDING manages its liquidity reserves based on estimates of funds that will be available for investment, considering the continuity of business in normal conditions.

During 2012, ITAÚ UNIBANCO HOLDING maintained appropriate levels of liquidity in Brazil and abroad. Liquid assets totaled R$ 120.8 billion and accounted for 85.4% of the short-term redeemable obligations, 25.1% of total funding, and 17.7% of total assets.

The table below shows the indicators used by Itaú Unibanco Holding in the management of liquidity ri

Liquidity Indicators	12/31/2012 %	12/31/2011 %
Net assets (1) /funds within 30 days (2)	85.4	59.6
Net assets (1) / total funds (3)	25.1	18.0
Net assets (1) / total assets (4)	17.7	15.4

(1) Net assets: Cash and deposits on demand, Securities purchased under agreements to resell - Funded position and Government securities - available. Detailed in the table Undiscounted future flows - Financial Assets.

(2) Table Funding from clients (Total Funding from clients 0-30 days).

(3) Table Funding from clients (Total Funding from clients).

(4) Detailed in the table Undiscounted future flows - Financial Assets, total present value regards R$ 682,867 (R$ 524,416 at 12/31/2011).

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

R$ Million

Undiscounted future flows except for derivatives	12/31/2012					12/31/2011				
FINANCIAL ASSETS (1)	**0 - 30**	**31 - 365**	**366-720**	**Over 720 days**	**Total**	**0 - 30**	**31 - 365**	**366-720**	**Over 720 days**	**Total**
Cash and deposits on demand	**13,967**	**-**	**-**	**-**	**13,967**	**10,633**	**-**	**-**	**-**	**10,633**
Interbank investments	**109,340**	**61,934**	**320**	**159**	**171,753**	**68,277**	**36,721**	**2,295**	**287**	**107,580**
Securities purchased under agreements to resell – Funded position (2)	22,895	-	-	1	22,896	25,438	-	-	-	25,438
Securities purchased under agreements to resell – Financed position	71,124	53,678	-	-	124,802	23,948	29,706	-	-	53,654
Interbank deposits	15,321	8,256	320	158	24,055	18,891	7,015	2,295	287	28,488
Securities	**102,046**	**7,293**	**9,261**	**78,689**	**197,289**	**50,127**	**5,368**	**3,979**	**54,096**	**113,570**
Government securities - available	83,980	-	-	-	83,980	44,741	-	-	-	44,741
Government securities – subject to repurchase commitments	13,581	2,208	1,024	37,165	53,978	686	1,779	916	23,210	26,591
Private securities - available	4,482	4,229	7,968	37,201	53,880	4,693	3,299	2,332	28,648	38,972
Private securities – subject to repurchase commitments	3	856	269	4,323	5,451	7	290	731	2,238	3,266
Derivative financial instruments	**1,943**	**4,971**	**1,756**	**2,927**	**11,597**	**2,277**	**3,672**	**960**	**1,845**	**8,754**
Loan and lease operations (3)	**48,460**	**153,079**	**82,459**	**116,066**	**400,064**	**48,966**	**133,015**	**78,609**	**110,750**	**371,340**
TOTAL FINANCIAL ASSETS	**275,756**	**227,277**	**93,796**	**197,841**	**794,670**	**180,280**	**178,776**	**85,843**	**166,978**	**611,877**

(1) The assets portfolio does not take into consideration the balance of compulsory deposits in the Central Bank, amounting to R$ 63,701 (R$ 98,053 at December 31, 2011), whose release of funds is linked to the maturity of the liability portfolios. The amounts of PGBL and VGBL are not considered in the assets portfolio because they are covered in Note 30.

(2) Net of R$ 9,106 (R$ 7,227 at 12/31/2011) whose securities are restricted to guarantee transactions at BM&FBovespa S.A. and the Central Bank of Brazil.

(3) Net of payment to merchants of R$ 27,382 (R$ 25,749 at 12/31/2011).

Undiscounted future flows except for derivatives	12/31/2012					12/31/2011				
LIABILITIES	0 - 30 days	31 - 365 days	365 - 720 days	Over 720 days	Total	0 - 30 days	31 - 365 days	365 - 720 days	Over 720 days	Total
Deposits	**133,310**	**42,494**	**15,290**	**74,632**	**265,726**	**122,173**	**38,410**	**33,101**	**67,913**	**261,597**
Demand deposits	34,916	-	-	-	34,916	28,933	-	-	-	28,933
Savings deposits	83,451	-	-	-	83,451	67,170	-	-	-	67,170
Time deposits	12,261	37,620	15,150	74,402	139,433	25,423	37,239	32,903	67,806	163,371
Interbank deposits	2,682	4,874	140	230	7,926	647	1,171	198	107	2,123
Compulsory deposits	**(35,238)**	**(9,761)**	**(3,744)**	**(14,959)**	**(63,702)**	**(39,562)**	**(15,790)**	**(13,951)**	**(28,750)**	**(98,053)**
Demand deposits	(8,590)	-	-	-	(8,590)	(9,939)	-	-	-	(9,939)
Savings deposits	(23,582)	-	-	-	(23,582)	(18,843)	-	-	-	(18,843)
Time deposits	(3,066)	(9,761)	(3,744)	(14,959)	(31,530)	(10,780)	(15,790)	(13,951)	(28,750)	(69,271)
Securities sold under repurchase agreements (1)	**134,028**	**35,529**	**54,086**	**85,195**	**308,838**	**56,618**	**24,205**	**45,139**	**91,587**	**217,549**
Funds from acceptances and issuance of securities (2)	**3,793**	**29,349**	**11,049**	**15,526**	**59,717**	**4,365**	**25,714**	**12,998**	**13,274**	**56,351**
Borrowings and onlending (3)	**2,938**	**27,596**	**11,277**	**24,083**	**65,894**	**3,339**	**25,276**	**10,617**	**24,484**	**63,716**
Subordinated debt (4)	**831**	**4,352**	**7,726**	**61,698**	**74,607**	**69**	**11,338**	**3,174**	**40,941**	**55,522**
Derivative financial instruments	**1,724**	**3,793**	**2,154**	**3,398**	**11,069**	**1,526**	**2,609**	**885**	**1,727**	**6,747**
TOTAL FINANCIAL LIABILITIES	**241,386**	**133,352**	**97,838**	**249,573**	**722,149**	**148,528**	**111,762**	**91,963**	**211,176**	**563,429**

(1) Includes Own and Third Parties' Portfolios.

(2) Includes mortgage notes, real estate credit bills, agribusiness and financial credit bills recorded in interbank market debt and liabilities for the issue of debentures and securities abroad recorded in institutional market debt.

(3) Recorded in Interbank market debt.

(4) Recorded in institutional market debt.

Off Balance Sheet	12/31/2012					12/31/2011				
	0 - 30 days	31 - 365 days	365 - 720 days	Over 720 days	Total	0 - 30 days	31 - 365 days	365 - 720 days	Over 720 days	Total
Endorsements and sureties	1,526	13,271	3,078	42,435	60,310	1,014	10,488	4,269	35,759	51,530
Commitments to be released	94,197	25,452	15,675	79,236	214,560	92,260	22,068	12,993	79,518	206,839
Letters of credit to be released	14,605	-	-	-	14,605	11,172	-	-	-	11,172
Total	**110,328**	**38,723**	**18,753**	**121,671**	**289,475**	**104,446**	**32,556**	**17,262**	**115,277**	**269,541**

NOTE 36 – SUBSEQUENT EVENTS

a) Acquisition of Thermosystem Indústria Eletro Eletrônica Ltda

On January 2, 2013 Duratex executed the agreement to acquire the total shares of capital of Thermosystem Indústria Eletro Eletrônica Ltda., for the price of R$ 58.1 million. This amount may be adjusted up or down according to the working capital to be calculated based on the accounting statements at the end of the 2012 fiscal year. The payment was scheduled to be made as follows: 50% in January 2013, 20% in February 2013 (five business days from the balance sheet date of the 2012 fiscal year), and the remaining 30% will be paid in three annual and consecutive installments maturing on April 30, 2014, 2015 and 2016.

b) Private pension plan – Fundação Itaúsa Social

On 28 January 2013 the National Superintendence of Pension Funds (Previc) approved the revision of the Defined benefit Plan (DB Plan) solving the surplus and restore technical balance of the plan by reversing the sponsors of the amount of R$ 81 million (R$ 54 million net of tax) on the special reserve in the stockholders' equity. This amount will be provided in accordance with Resolution CGPC 26, in 36 months from 2013.

Report on Review of Interim Financial Statements

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, 2012 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, 2012 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, 2012, 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, 2012, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

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

Other matters Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2012, prepared under the responsibility of management, which are required to be presented by Brazilian corporate law for public companies, and are supplementary information under IFRS, which do not require the presentation of the DVA. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, March 4, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15 A Publicly Listed Company NIRE. 35300022220

OPINION OF THE FISCAL COUNCIL

The effective members of the Fiscal Council of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.**, having perused the management report and the financial statements for December 31 2012, have verified the accuracy of all the items examined and, in view of the unqualified opinion and information provided by PricewaterhouseCoopers Auditores Independentes, understand that these documents adequately reflect the company's capital structure, financial position and the activities conducted by the company during the period. São Paulo-SP, March 04 2013. (signed) Tereza Cristina Grossi Togni – President; José Carlos de Brito and Paulo Ricardo Moraes Amaral – Councilors.

HENRI PENCHAS
Investor Relations Officer