

ITAÚ UNIBANCO S.A.

MANAGEMENT REPORT

To our Stockholders:

We present the Management Report and financial statements of ITAÚ UNIBANCO S.A. and its subsidiaries (ITAÚ UNIBANCO CONSOLIDATED) for the period from January 1 to December 31, 2009 and 2008, in accordance with the regulations established by the Brazilian Corporate Law, the National Monetary Council (CMN), the Central Bank of Brazil (BACEN) and the Superintendency of Private Insurance (SUSEP).

Economic environment and banking sector

The Brazilian economic activity showed a strong recovery, mainly in industry, beginning in January. Since then, the industrial production grew for ten consecutive months, posting an accumulated increase of 19.1% in November as compared with December 2008. Despite the sequence of monthly increases, production in industry still accumulated a decrease of 9.3% from January to November 2009, as compared with the same period of 2008.

Strong growth is expected for the Brazilian economy in 2010, consolidating the scenario of recovery already noticeable in the employment and the investment data as from the third quarter of 2009.

Essential for such recovery was the quick recovery of the domestic bank credit. In December, credit reached 45% of GDP.

NET INCOME AND STOCKHOLDERS' EQUITY

ITAÚ UNIBANCO CONSOLIDATED net income totaled R\$ 10,837 million for the period and net income per share of capital stock was R\$ 2.65. Consolidated stockholders' equity totaled R\$ 34,072 million and book value per share reached R\$ 8.32.

ASSETS AND FUNDS RAISED

Assets totaled R\$ 567,820 million and were substantially made up of R\$ 285,253 million of Interbank Investments, Securities and Derivative Financial Instruments, and R\$ 285,253 million of Loan, Lease, Other Credit Operations and Foreign Exchange Portfolio. Raised and Managed Funds represented R\$ 796,664 million.

CIRCULAR LETTER No. 3,068/01 OF BACEN

ITAÚ UNIBANCO CONSOLIDATED hereby represents to have the financial capacity and the intention to hold to maturity the securities classified under the line "held-to-maturity securities" in the balance sheet, in the amount of R\$ 2,349 million, corresponding to only 2.4% of the total securities and derivative financial instruments held.

ACKNOWLEDGEMENTS

We thank our shareholders and customers for their indispensable support and trust, and our employees for their determination and commitment, which have been essential to reaching differentiated results.

São Paulo, February 26, 2010.

Executive Board

ITAÚ UNIBANCO S.A.

Chief Executive Officer

ROBERTO EGYDIO SETUBAL

Vice-Presidents

ALFREDO EGYDIO SETUBAL
ANTONIO CARLOS BARBOSA DE OLIVEIRA
GERALDO JOSÉ CARBONE
JOSÉ CASTRO ARAÚJO RUDGE
MÁRCIO DE ANDRADE SCHETTINI
MARCO AMBROGIO CRESPI BONOMI
RODOLFO HENRIQUE FISCHER
RUY VILLELA MORAES ABREU
SÉRGIO RIBEIRO DA COSTA WERLANG

Executive Directors

ALEXANDRE DE BARROS
CELSO SCARAMUZZA
CLAUDIA POLITANSKI
DEMOSTHENES MADUREIRA DE PINHO NETO
FERNANDO MARSELLA CHACON RUIZ
IVO LUIZ DE SÁ FREIRE VIEITAS JUNIOR
JOÃO JACÓ HAZARABEDIAN
JOSÉ ROBERTO HAYM
MARCOS DE BARROS LISBOA
OSVALDO DO NASCIMENTO
RICARDO BALDIN
RICARDO VILLELA MARINO
SILVIO APARECIDO DE CARVALHO

Directors

ADRIANO BRITO DA COSTA LIMA
ALMIR VIGNOTO
ANDRÉ SAPOZNIK
ANDRÉA MATTEUCCI PINOTTI CORDEIRO
ANTONIO CARLOS RICHECKI RIBEIRO
ANTONIO CARLOS AZZI JÚNIOR
ANTONIO SIVALDI ROBERTI FILHO
ARNALDO PEREIRA PINTO
AURÉLIO JOSÉ DA SILVA PORTELLA
CARLOS AUGUSTO DE OLIVEIRA
CARLOS EDUARDO DE CASTRO
CARLOS EDUARDO DE SOUZA LARA
CARLOS EDUARDO MONICO
CARLOS HENRIQUE DONEGÁ AIDAR
CARLOS HENRIQUE ZANVETTOR
CECÍLIA MARIA ARELLANO MISZPUTEN
CESAR PADOVAN
CÍCERO MARCUS DE ARAÚJO
CLÁUDIO CESAR SANCHES
CLAUDIO CORACINI
CLAUDIO JOSÉ COUTINHO ARROMATTE
COSMO FALCO
CRISTIANE MAGALHÃES TEIXEIRA PORTELLA
EDUARDO ALMEIDA PRADO
ELISABETE SZABO
ERNESTO ANTUNES DE CARVALHO
FABIO WHITAKER VIDIGAL
FERNANDO DELLA TORRE CHAGAS
FERNANDO JOSÉ COSTA TELES
FLÁVIO AUGUSTO AGUIAR DE SOUZA
GILBERTO TRAZZI CANTERAS
FLÁVIO AUGUSTO AGUIAR DE SOUZA

Directors (Continued)

HELI DE ANDRADE
JACKSON RICARDO GOMES
JASON PETER CRAUFORD
JEAN MARTIN SIGRIST JÚNIOR
JOÃO ANTONIO DANTAS BEZERRA LEITE
JORGE LUIZ VIEGAS RAMALHO
LAVÍNIA MORAES DE ALMEIDA NOGUEIRA JUNQUERA
LEILA CRISTIANE BARBOZA BRAGA DE MELO
LINDA AGARINAKAMURA
LUÍS ANTONIO RODRIGUES
LUÍS EDUARDO GROSS SIQUEIRA CUNHA
LUÍS OTÁVIO MATIAS
LUIS TADEU MANTOVANI SASSI
LUIZ ANTONIO FERNANDES CALDAS MORONE
LUIZ ANTONIO NOGUEIRA DE FRANÇA
LUIZ EDUARDO LOUREIRO VELOSO
LUIZ FELIPE PINHEIRO DE ANDRADE
LUIZ FERNANDO OLIVEIRA BARRICHELO
LUIZ MARCELO ALVES DE MORAES
MANOEL ANTONIO GRANADO
MARCELO BOOCK
MARCELO HABICE DA MOTTA
MARCELO LUIS ORTICELLI
MARCELO TONHAZOLO
MARCELO VILLAÇA MACEDO CARVALHO
MARCO ANTONIO ANTUNES
MARCO ANTONIO SUDANO
MARCOS ANTÔNIO VAZ DE MAGALHÃES
MARCOS AUGUSTO CAETANO DA SILVA FILHO
MARCOS AURÉLIO REITANO
MARCOS BRAGA DAINESI
MARCOS ROBERTO CARNIELLI
MARCOS SILVA MASSUKADO
MARCOS VANDERLEI BELINI FERREIRA
MAURÍCIO FERREIRA DE SOUZA
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MIGUEL BURGOS NETO
NATALÍSIO DE ALMEIDA JÚNIOR
OLIVIO MORI JÚNIOR
OSMAR MARCHINI
OSVALDO JOSÉ DAL FABBRO
PAULO EIKIEVICIUS CORCHAKI
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PAULO PIRES VAZ
PEDRO PAULO DE ALMEIDA CARNEIRO CUNHA
PLÍNIO CARDOSO DA COSTA PATRÃO
RENÉ MARCELO GONÇALVES
RENATA HELENA DE OLIVEIRA TUBINI
RICARDO LIMA SOARES
RICARDO ORLANDO
RICARDO RIBEIRO MANDACARU GUERRA
RICARDO TERENCEZ NEUENSCHWANDER
ROBERTO LAMY
ROBERT MACKELLAR RITCHIE
ROBERTO MASSARU NISHIKAWA
ROGERIO CARVALHO BRAGA
ROGÉRIO PAULO CALDERÓN PERES
ROMILDO GONÇALVES VALENTE
ROONEY SILVA
SANDRA NUNES DA CUNHA BOTEGUIM
SERGIO SOUZA FERNANDES JÚNIOR

ITAU UNIBANCO S.A.
Consolidated Balance Sheet (Note 2a)
(In thousands of reais)

| ASSETS | 12/31/2009 | 12/31/2008 |
|---|--------------------|--------------------|
| CURRENT ASSETS | 429,619,750 | 438,564,375 |
| CASH AND CASH EQUIVALENTS | 9,324,990 | 14,217,016 |
| INTERBANK INVESTMENTS (Notes 4b and 5) | 153,916,023 | 135,006,087 |
| Money market | 117,107,271 | 95,064,889 |
| Money market - Assets Guaranteeing Technical Provisions – SUSEP (Note 10b) | 435,658 | 73,868 |
| Interbank deposits | 36,373,094 | 39,867,330 |
| SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 6) | 76,917,125 | 92,574,972 |
| Own portfolio | 12,113,913 | 26,331,866 |
| Subject to repurchase commitments | 8,175,778 | 2,575,952 |
| Pledged in guarantee | 4,110,757 | 11,074,510 |
| Deposited with the Central Bank | 6,397,490 | 6,142,991 |
| Derivative financial instruments | 2,333,970 | 12,566,998 |
| Assets guaranteeing technical provisions - PGBL/VGBL fund quotas (Note 10b) | 38,626,466 | 30,023,746 |
| Assets guaranteeing technical provisions - other securities (Note 10b) | 5,158,751 | 3,858,909 |
| INTERBANK ACCOUNTS | 13,427,292 | 13,420,475 |
| Pending settlement | 17,296 | 80,328 |
| Central Bank deposits | 13,310,515 | 13,264,682 |
| National Housing System (SFH) | 11,177 | 14,371 |
| Correspondents | 88,304 | 61,094 |
| INTERBRANCH ACCOUNTS | 55,783 | 41,242 |
| LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 7) | 110,383,475 | 114,844,033 |
| Operations with credit granting characteristics (Note 4e) | 121,898,072 | 124,467,393 |
| (Allowance for loan losses) (Note 4f) | (11,514,597) | (9,623,360) |
| OTHER RECEIVABLES | 62,897,797 | 65,564,976 |
| Foreign exchange portfolio (Note 8) | 16,734,135 | 41,113,633 |
| Income receivable | 698,769 | 1,061,255 |
| Transactions with credit card issuers | 9,520,515 | 5,100,495 |
| Receivables from insurance and reinsurance operations | 3,419,226 | 3,643,918 |
| Negotiation and intermediation of securities | 722,061 | 1,427,660 |
| Sundry (Note 12a) | 31,803,091 | 13,218,015 |
| OTHER ASSETS (Note 4g) | 2,697,265 | 2,895,574 |
| Assets held for sale | 321,282 | 530,946 |
| (Valuation allowance) | (92,451) | (208,255) |
| Unearned premiums of reinsurance | 554,509 | 500,789 |
| Prepaid expenses (Note 12b) | 1,913,925 | 2,072,094 |
| LONG-TERM RECEIVABLES | 128,312,886 | 152,673,406 |
| INTERBANK INVESTMENTS (Notes 4b and 5) | 31,825,257 | 38,386,838 |
| Money market | 4,789,888 | 3,032,889 |
| Money market - Assets Guaranteeing Technical Provisions – SUSEP (Note 10b) | 2,598,695 | 2,091,711 |
| Interbank deposits | 24,436,674 | 33,262,238 |
| SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 6) | 22,594,747 | 24,482,242 |
| Own portfolio | 9,389,865 | 7,970,224 |
| Subject to repurchase commitments | 891,088 | 3,246,332 |
| Pledged in guarantee | 2,613,457 | 1,639,736 |
| Deposited with the Central Bank | 4,395,002 | 3,786,890 |
| Derivative financial instruments | 2,101,701 | 3,752,047 |
| Assets guaranteeing technical provisions - other securities (Note 10b) | 3,203,634 | 4,087,013 |
| INTERBANK ACCOUNTS – National Housing System (SFH) | 521,514 | 655,867 |
| LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 7) | 59,817,438 | 58,565,518 |
| Operations with credit granting characteristics (Note 4e) | 67,441,111 | 66,764,150 |
| (Allowance for loan losses) (Note 4f) | (7,623,673) | (8,198,632) |
| OTHER RECEIVABLES | 12,033,237 | 28,540,452 |
| Foreign exchange portfolio (Note 8) | 1,925,929 | 1,361,248 |
| Sundry (Note 12a) | 10,107,308 | 27,179,204 |
| OTHER ASSETS – Prepaid expenses (Note 4g and 12b) | 1,520,693 | 2,042,489 |
| PERMANENT ASSETS | 9,886,938 | 10,413,515 |
| INVESTMENTS (Notes 4h and 14a I) | 2,058,688 | 2,467,011 |
| Investments in affiliates | 1,162,686 | 1,569,746 |
| Other investments | 1,071,110 | 1,070,801 |
| (Allowance for loan losses) | (175,108) | (173,536) |
| FIXED ASSETS (Notes 4i and 14b) | 4,133,749 | 3,845,287 |
| Real estate in use | 4,152,846 | 4,211,991 |
| Other fixed assets | 5,930,866 | 5,794,347 |
| (Accumulated depreciation) | (5,949,963) | (6,161,051) |
| OPERATING LEASE ASSETS (Note 4j) | 6,424 | 9,335 |
| Leased assets | 18,553 | 18,553 |
| (Accumulated depreciation) | (12,129) | (9,218) |
| INTANGIBLE (Note 4k and 14b) | 3,688,077 | 4,091,882 |
| Acquisition of rights to credit payroll | 2,597,479 | 2,395,438 |
| Other intangible assets | 2,530,568 | 2,304,844 |
| (Accumulated amortization) | (1,439,970) | (608,400) |
| TOTAL ASSETS | 567,819,574 | 601,651,296 |

ITAÚ UNIBANCO S.A.
Consolidated Balance Sheet (Note 2a)
(In thousands of reais)

| LIABILITIES | 12/31/2009 | 12/31/2008 |
|--|--------------------|--------------------|
| CURRENT LIABILITIES | 298,078,284 | 320,150,076 |
| DEPOSITS (Notes 4b and 9a) | 122,689,829 | 119,778,952 |
| Demand deposits | 21,438,365 | 24,260,007 |
| Savings deposits | 47,483,342 | 38,538,469 |
| Interbank deposits | 20,685,602 | 16,545,168 |
| Time deposits | 32,089,038 | 39,310,192 |
| Other deposits | 993,482 | 1,125,116 |
| DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 9a) | 75,991,071 | 82,408,253 |
| Own portfolio | 22,770,939 | 18,986,463 |
| Third-party portfolio | 51,611,451 | 62,331,581 |
| Free portfolio | 1,608,681 | 1,090,209 |
| FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 4b and 9b) | 8,470,669 | 8,335,759 |
| Real estate, mortgage, credit and similar notes | 6,781,503 | 6,248,274 |
| Debentures | 237,591 | 127,489 |
| Foreign borrowings through securities | 1,451,575 | 1,959,996 |
| INTERBANK ACCOUNTS | 326,002 | 345,250 |
| Pending settlements | 11,240 | 90,914 |
| Correspondents | 314,762 | 254,336 |
| INTERBRANCH ACCOUNTS | 1,912,238 | 1,895,797 |
| Third-party funds in transit | 1,830,971 | 1,874,389 |
| Internal transfers of funds | 81,267 | 21,408 |
| BORROWINGS AND ONLENDING (Note 4b and 9c) | 6,580,954 | 12,310,450 |
| Borrowings | 2,091,785 | 7,976,008 |
| Onlending | 4,489,169 | 4,334,442 |
| DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 6b) | 2,332,365 | 9,556,559 |
| TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4m 1l and 10a) | 9,208,186 | 8,657,784 |
| OTHER LIABILITIES | 70,566,970 | 76,861,272 |
| Collection and payment of taxes and contributions | 451,443 | 650,038 |
| Foreign exchange portfolio (Note 8) | 16,821,450 | 40,247,924 |
| Social and statutory | 4,202,380 | 2,355,258 |
| Tax and social security contributions (Notes 4n, 4o and 13c) | 13,023,177 | 4,925,732 |
| Negotiation and intermediation of securities | 1,042,661 | 2,088,125 |
| Credit card operations | 25,772,124 | 18,885,686 |
| Securitization of foreign payment orders (Note 9a) | - | 215,500 |
| Subordinated debt (Note 9d) | 33,158 | 1,249,445 |
| Sundry (Note 12c) | 9,220,577 | 6,243,564 |
| LONG-TERM LIABILITIES | 229,067,804 | 241,426,557 |
| DEPOSITS (Notes 4b and 9a) | 73,002,778 | 84,181,488 |
| Interbank deposits | 5,641,055 | 9,839,328 |
| Time deposits | 67,361,723 | 74,342,160 |
| DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 9a) | 46,025,859 | 50,079,803 |
| Own portfolio | 41,878,821 | 49,905,527 |
| Third-party portfolio | 62,289 | 174,276 |
| Free portfolio | 4,084,749 | - |
| FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 4b and 9b) | 18,137,176 | 8,274,392 |
| Real estate, mortgage, credit and similar notes | 214,661 | 841,118 |
| Debentures | 14,890,169 | 4,194,108 |
| Foreign borrowings through securities | 3,032,346 | 3,239,166 |
| BORROWINGS AND ONLENDING (Note 4b and 9c) | 11,265,204 | 13,833,212 |
| Borrowings | 2,002,829 | 4,573,982 |
| Onlending | 9,262,375 | 9,259,230 |
| DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 6b) | 2,036,074 | 3,273,891 |
| TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4m 1l and 10a) | 43,189,687 | 34,522,738 |
| OTHER LIABILITIES | 35,411,026 | 47,261,033 |
| Foreign exchange portfolio (Note 8) | 1,930,917 | 2,093,410 |
| Tax and social security contributions (Notes 4n, 4o and 13c) | 5,646,789 | 11,454,078 |
| Credit card operations | 198,240 | - |
| Securitization of foreign payment orders (Note 9a) | - | 3,613,233 |
| Subordinated debt (Note 9d) | 21,869,106 | 21,027,887 |
| Sundry (Note 12c) | 5,765,974 | 9,072,425 |
| DEFERRED INCOME (Note 4p) | 136,183 | 185,896 |
| MINORITY INTEREST IN SUBSIDIARIES (Note 20k) | 6,465,334 | 14,232,710 |
| STOCKHOLDERS' EQUITY (Note 15) | 34,071,969 | 25,656,057 |
| Capital | 39,676,320 | 40,175,000 |
| Capital reserves | 792,823 | 800,540 |
| Revaluation reserves | 8,299 | 8,738 |
| Asset valuation adjustment (Notes 4c and 6) | 76,628 | (403,202) |
| Accumulated deficit | (6,482,101) | (14,925,019) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 567,819,574 | 601,651,296 |

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

ITAÚ UNIBANCO S.A.
Consolidated Statement of Income (Note 2a)

(In thousands of reais)

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|------------------------|------------------------|
| INCOME FROM FINANCIAL OPERATIONS | 75,316,363 | 53,876,225 |
| Loan, lease and other credit operations | 43,276,183 | 31,373,999 |
| Securities and derivative financial instruments | 26,679,882 | 18,300,851 |
| Financial income from insurance, pension plan and capitalization operations (Note 10c) | 4,575,783 | 2,321,376 |
| Foreign exchange operations | 143,744 | 555,672 |
| Compulsory deposits | 640,771 | 1,324,327 |
| EXPENSES ON FINANCIAL OPERATIONS | (34,520,777) | (33,155,523) |
| Money market | (29,466,318) | (28,910,519) |
| Financial expenses on technical provisions for pension plan and capitalization (Note 10c) | (3,992,544) | (1,841,417) |
| Borrowings and onlending | (1,061,915) | (2,403,587) |
| INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES | 40,795,586 | 20,720,702 |
| RESULT OF LOAN LOSSES | (13,917,594) | (11,128,999) |
| Expense for allowance for loan losses (Note 7d) | (16,119,874) | (12,431,422) |
| Income from recovery of credits written-off as loss (note 7e) | 2,202,280 | 1,302,423 |
| GROSS INCOME FROM FINANCIAL OPERATIONS | 26,877,992 | 9,591,703 |
| OTHER OPERATING REVENUES (EXPENSES) | (9,840,645) | (28,120,334) |
| Service fees (Note 12d) | 11,682,083 | 8,053,398 |
| Banking service fees (Note 12e) | 2,748,042 | 2,527,902 |
| Result from insurance, pension plan and capitalization operations (Note 10c) | 2,411,220 | 1,304,725 |
| Personnel expenses (Note 12f) | (8,934,687) | (6,880,909) |
| Other administrative expenses (Note 12g) | (11,052,152) | (7,467,759) |
| Tax expenses (Note 4o and 13a II) | (3,679,134) | (2,075,751) |
| Equity in earnings of affiliates (Note 14a II) | 171,257 | 210,419 |
| Other operating revenues (Note 12h) | 1,575,322 | 1,460,454 |
| Other operating expenses (Note 12i) | (4,762,596) | (25,252,813) |
| OPERATING INCOME | 17,037,347 | (18,528,631) |
| NON-OPERATING INCOME (Note 12j) | 243,425 | 172,377 |
| INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING | 17,280,772 | (18,356,254) |
| INCOME TAX AND SOCIAL CONTRIBUTION (Notes 4o and 13a I) | (6,037,718) | 8,426,062 |
| Due on operations for the period | (5,057,285) | (2,618,626) |
| Related to temporary differences | (980,433) | 11,044,688 |
| PROFIT SHARING | (1,361,362) | (744,983) |
| Employees - Law No. 10,101 of 12/19/2000 | (1,250,880) | (661,652) |
| Officers - Statutory – Law No. 6,404 of 12/15/1976 | (110,482) | (83,331) |
| MINORITY INTEREST IN SUBSIDIARIES (Note 20k) | 955,607 | (3,665,811) |
| NET INCOME / (LOSS) | 10,837,299 | (14,340,986) |
| NUMBER OF SHARES (Note 15a) | 4,095,427,813 | 4,095,427,813 |
| NET INCOME (LOSS) PER SHARE – R\$ | 2.65 | (3.50) |
| BOOK VALUE PER SHARE – R\$ | 8.32 | 6.26 |
| EXCLUSION OF NONRECURRING EFFECTS (Note 20l) | (3,861,905) | 17,101,920 |
| NET INCOME WITHOUT NONRECURRING EFFECTS | 6,975,394 | 2,760,934 |
| NET INCOME PER SHARE – R\$ | 1.70 | 0.67 |

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

ITAÚ UNIBANCO S.A
Statement of Changes in Stockholders' Equity (note 15)
(In thousands of reais)

| | Capital | Capital reserves | Revaluation reserves | Revenue reserves | Asset valuation adjustment | Retained earnings (accumulated deficit) | Total |
|--|-------------------|------------------|----------------------|--------------------|----------------------------|---|-------------------|
| BALANCES AT 01/01/2008 | 10,202,000 | 711,492 | 12,584 | 2,831,715 | 44,636 | - | 13,802,427 |
| Capital increase - ESM of 11/28/2008 | 29,973,000 | 533 | - | - | - | - | 29,973,533 |
| Restatement of equity securities and others | - | 428 | - | - | - | - | 428 |
| Realization of revaluation reserve | - | - | (3,846) | - | - | 3,846 | - |
| Granting of options recognized/Prior year's adjustments – Law No. 11,638 | - | 88,087 | - | (66,205) | - | (15,136) | 6,746 |
| Asset valuation adjustment | - | - | - | - | (447,838) | - | (447,838) |
| Dividends paid - Executive Board's Meeting of 04/04/2008 | - | - | - | (1,799,225) | - | - | (1,799,225) |
| Dividends and interest on capital paid | - | - | - | (399,632) | - | - | (399,632) |
| Net loss | - | - | - | - | - | (1,723,163) | (1,723,163) |
| Absorption of losses | - | - | - | (566,653) | - | 566,653 | - |
| BALANCES AT 12/31/2008 | 40,175,000 | 800,540 | 8,738 | - | (403,202) | (1,167,800) | 39,413,276 |
| CHANGES IN THE PERIOD | 29,973,000 | 89,048 | (3,846) | (2,831,715) | (447,838) | (1,167,800) | 25,610,849 |
| BALANCES AT 01/01/2009 | 40,175,000 | 800,540 | 8,738 | - | (403,202) | (1,167,800) | 39,413,276 |
| Corporate restructuring – ESM of 02/28/2009 (Note 15d) | (498,680) | (8,704) | - | 179,049 | (2,679) | - | (331,014) |
| Realization of revaluation reserve | - | - | (439) | - | - | 439 | - |
| Granting of stock options recognized by subsidiaries – Law No. 11,638 | - | 987 | - | - | - | - | 987 |
| Change in adjustment to market value | - | - | - | (8,272) | 482,509 | - | 474,237 |
| Net Income | - | - | - | - | - | 5,096,065 | 5,096,065 |
| Appropriations: | | | | | | | |
| Legal reserve | - | - | - | 254,803 | - | (254,803) | - |
| Statutory reserves | - | - | - | 1,108,305 | - | (1,108,305) | - |
| Dividends and interest on capital | - | - | - | - | - | (2,565,596) | (2,565,596) |
| BALANCES AT 12/31/2009 | 39,676,320 | 792,823 | 8,299 | 1,533,885 | 76,628 | - | 42,087,955 |
| CHANGES IN THE PERIOD | (498,680) | (7,717) | (439) | 1,533,885 | 479,830 | 1,167,800 | 2,674,679 |

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

ITAÚ UNIBANCO S.A.
Consolidated Statement of Cash Flows
(In thousands of reais)

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|------------------------|------------------------|
| ADJUSTED NET INCOME | 29,293,462 | 18,143,348 |
| Net Income (Loss) | 10,837,299 | (14,340,986) |
| Adjustments to net income (loss): | 18,456,163 | 32,484,334 |
| Adjustment to market value of securities and derivative financial instruments (assets/liabilities) | (2,516,081) | 1,428,074 |
| Allowance for loan losses | 16,119,874 | 12,431,422 |
| Results from operations with subordinated debt | 1,319,071 | 2,518,847 |
| Results from securitization of foreign payment orders | (309,741) | 871,413 |
| Financial expenses on technical provisions for pension plan and capitalization | 3,992,544 | 1,841,417 |
| Depreciation and amortization | 2,134,444 | 1,430,117 |
| Adjustment to legal liabilities - tax and social security | (2,986,358) | (107,641) |
| Adjustment to provision for contingent liabilities | (1,098,550) | 1,849,761 |
| Provision for integration expenditures with Itaú Unibanco merger | - | 1,330,800 |
| Deferred taxes | 980,433 | (10,845,030) |
| Equity in earnings of affiliates | (171,257) | (210,419) |
| Income from available-for-sale securities | 2,295,982 | (2,410,046) |
| Income from held-to-maturity securities | 480,030 | (363,649) |
| Amortization of goodwill on investments (Note 12h) | (867,610) | 19,483,129 |
| (Income) loss from sale of investments | (386,655) | (264,235) |
| Minority interest (Note 20j) | (955,607) | 3,665,811 |
| Other | 425,644 | (165,437) |
| CHANGE IN ASSETS AND LIABILITIES | (5,205,260) | (3,007,239) |
| (Increase) decrease in interbank investments | 11,701,242 | (33,898,907) |
| (Increase) decrease in securities and derivative financial instruments (assets/liabilities) | 4,951,420 | (23,834,880) |
| (Increase) decrease in compulsory deposits with the Central Bank of Brazil | (45,833) | 3,748,005 |
| (Increase) decrease in interbank and interbranch accounts (assets/liabilities) | 156,026 | 6,941,420 |
| (Increase) decrease in loan, lease and other credit operations | (12,885,182) | (44,278,070) |
| (Increase) decrease in other receivables and other assets | 735,688 | (236,801) |
| (Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities) | (114,015) | 2,469,639 |
| (Decrease) increase in deposits | (8,333,833) | 46,588,812 |
| (Decrease) increase in deposits received under securities repurchase agreements | (10,471,126) | 35,119,414 |
| (Decrease) increase in funds for issuance of securities | 9,979,694 | 1,121,568 |
| (Decrease) increase in borrowings and onlending | (8,411,245) | 1,817,553 |
| (Decrease) increase in credit card operations | 2,781,643 | 5,784,047 |
| (Decrease) increase in securitization of foreign payment orders | (3,518,992) | (154,891) |
| (Decrease) increase in technical provisions for insurance, pension plan and capitalization | 5,098,779 | 3,943,181 |
| (Decrease) increase in other liabilities | 6,596,760 | (6,460,606) |
| (Decrease) increase in deferred income | (56,713) | 94,389 |
| Payment of income tax and social contribution | (3,369,573) | (1,771,112) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 24,088,202 | 15,136,109 |
| Interest on capital / dividends received from affiliated companies | 78,843 | 120,465 |
| Funds received from sale of available-for-sale securities | 12,786,464 | 8,367,866 |
| Funds received from redemption of held-to-maturity securities | 458,342 | 249,044 |
| Disposal of assets not for own use | 281,013 | 147,807 |
| Disposal of investments | 416,279 | 283,021 |
| Disposal of investments in Banco Único net of assets and liabilities transferred | 796,367 | - |
| Payment of income tax and social contribution from sale of investments | (131,463) | (89,840) |
| Sale of fixed assets | 58,770 | 45,333 |
| Purchase of available-for-sale securities | (8,451,613) | (11,333,343) |
| Cash and cash equivalents of assets and liabilities arising from Itaú and Unibanco merger | - | 14,962,865 |
| Purchase of interest ALG Seguros S. A. | - | (1,937,203) |
| Cash and cash equivalents of assets and liabilities arising from the purchase of Redecard and other (Note 2a) | (477,994) | - |
| Purchase of investments | (35,791) | (105,582) |
| Purchase of fixed assets | (1,131,310) | (1,130,864) |
| Purchase of intangible assets | (684,616) | (995,600) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 3,963,291 | 8,583,969 |
| (Increase) decrease in subordinated debt | (1,694,139) | 795,608 |
| Change in minority interest | (7,072,333) | (1,550,681) |
| Dividends paid | (540,596) | (2,192,767) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (9,307,068) | (2,947,840) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 18,744,425 | 20,772,238 |
| Cash and cash equivalents at the beginning of the period | 49,124,393 | 28,352,155 |
| Cash and cash equivalents at the end of the period (Note 4a) | 67,868,818 | 49,124,393 |

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

ITAÚ UNIBANCO S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FROM JANUARY 1 TO DECEMBER 31, 2009 AND 2008

(In thousands of reais)

NOTE 1 - OPERATIONS

Itaú Unibanco S.A. (ITAÚ UNIBANCO) is a publicly-held company which, together with its subsidiary and affiliated companies, operates in Brazil and abroad, with all types of banking activities, through its commercial, investment, consumer credit, real estate loan, finance and investment credit, and lease portfolios, including foreign exchange operations, and other complementing activities, with emphasis on Insurance, Private Pension Plans, Capitalization, Securities Brokerage and Administration of Credit Cards, Consortia, Investment Funds and Managed Portfolios.

NOTE 2 - PRESENTATION OF THE FINANCIAL STATEMENTS

a) Presentation of the Financial Statements

The financial statements of ITAÚ UNIBANCO and its subsidiaries (ITAÚ UNIBANCO CONSOLIDATED) have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, including the amendments introduced by Laws No. 11,638, of December 28, 2007, and No. 11,941 of May 27, 2009 (Note 20I), in conformity, when applicable, with the instructions issued by the Central Bank of Brazil (BACEN), the National Monetary Council (CMN), and the Superintendency of Private Insurance (SUSEP) and National Council of Private Insurance (CNSP), which include the use of estimates necessary to calculate accounting provisions.

On February 18, 2009, BACEN approved the merger of the financial operations of ITAÚ UNIBANCO and Unibanco – União de Bancos Brasileiros S.A. (UNIBANCO). These operations were integrated according to the respective business segment, through splits and mergers occurred on February 28, 2009 (Note 15e). Only the corporate restructurings involving Banco Itaú BBA S.A. (ITAÚ BBA) and Banco Itaucard S.A. (ITAUCARD) generated, in the financial statements of ITAÚ UNIBANCO CONSOLIDATED at December 31, 2009, effects related to the decrease in consolidated equity amounts (Note 15e item 4) and the reversals of fully amortized goodwill in the financial statements as of December 31, 2008, in the amounts of R\$ 1,414,026 and R\$ 5,332,954, respectively (Note 12h).

On March 30, 2009, ITAÚ purchased 24,082,760 nominative common shares of Redecard S.A. for R\$ 590,028, giving rise to goodwill amounting to R\$ 556,575 which, net of taxes, totaled R\$ 506,483, fully amortized in the Consolidated Financial Statements. In view of this transaction, ITAÚ UNIBANCO started to have the stockholding control over Redecard S.A., fully consolidated in the Financial Statements of ITAÚ UNIBANCO HOLDING from the first quarter of 2009.

On August 23, 2009 ITAÚ UNIBANCO HOLDING and Porto Seguro S.A. (PORTO SEGURO) entered into an alliance aimed at the unification of their residence and automobile insurance operations, in addition to an Operational Agreement for the exclusive offer and distribution of residential and automobile insurance products to the customers of the ITAÚ UNIBANCO branch network in Brazil and Uruguay.

For accounting purposes, this operation was concluded in the 4th quarter of 2009 after the approval by the PORTO SEGURO's stockholders' meeting and SUSEP, which, on October 16, 2009, granted prior authorization for the corporate acts. The operation was submitted for approval by the Brazilian Antitrust System (SBDC).

The implementation of the Alliance took place through a corporate restructuring, in which ITAÚ UNIBANCO HOLDING transferred to PORTO SEGURO all the assets and liabilities related to its current portfolio of residential and automobile insurance and Stockholders' Equity of R\$ 950 million. In its turn, PORTO SEGURO issued shares representing 30% (thirty percent) of its new capital stock, which were delivered to ITAÚ UNIBANCO HOLDING, which started to proportionally consolidate its interest. Goodwill arising from this operation was R\$ 40,386, which, net of taxes, totaled R\$ 36,751, fully amortized in the consolidated financial statements.

In order to enable the proper analysis of the net income, the heading "Net income without nonrecurring effects" is presented below the Consolidated Statement of Income, and this effect is highlighted in a heading called "Exclusion of nonrecurring effects" (Note 20I).

As set forth in the sole paragraph of article 7 of BACEN Circular No. 3,068, of November 8, 2001, securities classified as trading securities (Note 4c) are presented in the Balance Sheet under Current Assets regardless of their maturity dates.

Lease Operations are presented, at present value, in the Balance Sheet, and the related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credits operations in the Statement of Income. Advances on exchange contracts are reclassified from Other Liabilities – Foreign Exchange Portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

b) Consolidation

As set forth in paragraph 1, article 2, of BACEN Circular No. 2,804, of February 11, 1998, the financial statements of ITAÚ UNIBANCO CONSOLIDATED comprise the consolidation of its foreign branches and subsidiaries.

Intercompany transactions and balances and results have been eliminated on consolidation. The investments held by consolidated companies in Exclusive Investment Funds are consolidated. The investments in these fund portfolios are classified by type of transaction and were distributed by type of security, in the same categories in which these securities had been originally allocated. The effects of the Foreign Exchange Variation on investments abroad are classified in the heading Securities and Derivative Financial Instruments in Statement of Income, including for comparability effects.

The difference in Net Income and Stockholders' Equity between ITAÚ and ITAÚ UNIBANCO CONSOLIDATED (Note 15d) results from the elimination of unrealized profits arising from transactions between the parent company and consolidated companies, and from the adoption of different criteria for the amortization of goodwill originated on purchase of investments and the recognition of deferred tax assets.

In ITAÚ UNIBANCO HOLDING, the goodwill recorded in subsidiaries, mainly originated from the ITAÚ UNIBANCO merger, is being amortized based on the expected future profitability and appraisal reports or upon realization of the investment, according to the rules and guidance of CMN and BACEN.

In ITAÚ UNIBANCO CONSOLIDATED, this goodwill was fully amortized in the years when these investments occurred, in order to: a) permit better comparability with previous periods' consolidated financial statements; and b) permit measuring Net Income and Stockholders' Equity based on conservative criteria.

The consolidated financial statements comprise ITAÚ UNIBANCO and its direct and indirect subsidiaries, among which we highlight:

| | | Incorporation country | Interest % | |
|---|--------|--------------------------|------------|------------|
| | | | 31/12/2009 | 31/12/2008 |
| Afinco Americas Madeira, SGPS, Sociedade Unipessoal, LDA | | Portugal | 100.00 | 100.00 |
| Banco Dibens S.A. | | Brazil | 100.00 | 100.00 |
| Banco Fiat S.A. | (1) | Brazil | 97.95 | 99.43 |
| Banco Itaú Argentina S.A. | | Brazil | 99.00 | 99.04 |
| Banco Itaú Europa Luxembourg S.A. | | Luxembourg | 99.99 | 99.98 |
| Banco Itaú Europa S.A. | | Portugal | 99.99 | 99.99 |
| Banco ItauBank S.A. | | Brazil | 100.00 | 100.00 |
| Banco Itaucard S.A. | (1)(2) | Brazil | 97.95 | 99.43 |
| Banco Itaucard Financiamentos S.A. | (1) | Brazil | 98.64 | 99.44 |
| Banco Itauleasing S.A. | (1) | Brazil | 99.54 | 99.90 |
| BIU Participações S.A. | (3) | Brazil | 66.16 | 66.15 |
| Cia. Itaú de Capitalização | (4) | Brazil | 96.84 | 46.63 |
| Dibens Leasing S.A. - Arrendamento Mercantil | | Brazil | 100.00 | 100.00 |
| FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento | (1)(5) | Brazil | 48.98 | 49.71 |
| Fiat Administradora de Consórcios Ltda. | (1) | Brazil | 97.95 | 99.43 |
| Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento | (1)(6) | Brazil | 50.00 | 49.71 |
| Hipercard Banco Múltiplo S.A. | | Brazil | 96.54 | 99.99 |
| Itaú Administradora de Consórcios Ltda. | | Brazil | 99.99 | 99.99 |
| Itaú Bank, Ltd. | (7) | Cayman Islands | 100.00 | 100.00 |
| Itaú Corretora de Valores S.A. | (2) | Brazil | 96.42 | 95.22 |
| Itaú Seguros S.A. | (4) | Brazil | 51.24 | 8.99 |
| Itaú Vida e Previdência S.A. | (4) | Brazil | 93.92 | 45.59 |
| Itaú XL Seguros Corporativos S.A. | (4)(6) | Brazil | 25.62 | 4.50 |
| Itaúsa Export S.A. | | Brazil | 100.00 | 100.00 |
| Orbitall Serviços e Processamento de Informações Comerciais S.A. | (1) | Brazil | 98.16 | 99.49 |
| Porto Seguro S.A. (Note 2a) | (8) | Brazil | 21.87 | - |
| Redecard S.A. (Note 2a) | | Brazil | 50.00 | 44.22 |
| Unibanco - União de Bancos Brasileiros S.A. | | Brazil | 100.00 | 100.00 |
| Unibanco Holdings S.A. | | Brazil | 100.00 | 100.00 |
| Unibanco Cayman Bank Ltd. | | Cayman Islands | 100.00 | 100.00 |
| Unibanco Participações Societárias S.A. | | Brazil | 51.00 | 51.00 |
| Unicard Banco Múltiplo S.A. | | Brazil | 96.54 | 99.99 |

(1) Decrease in interest arising from corporate restructuring in February 2009 (Note 2a);

(2) Percentage of equity share in capital represented by Common Shares. The Preferred shares entitle their stockholders to the distribution of profits and dividends;

(3) Company fully consolidated from this year;

(4) Increase in interest arising from corporate reorganization in the group;

(5) Companies with shared control included proportionally in consolidation;

(6) Companies with shared control, fully included in consolidation, as authorized by CVM, in view of the business management by ITAÚ UNIBANCO;

(7) It does not include Redeemable Preferred Shares (Note 9d);

(8) Company controlled by Porto Seguro Itaú Unibanco Participações S.A. included proportionally in consolidation from December 31, 2009.

NOTE 3 – REQUIREMENTS OF CAPITAL AND FIXED ASSET LIMITS

a) Basel and Fixed Asset Ratios

The main indicators at December 31, 2009, according to present regulation, are as follows:

| | Financial system consolidated (1) | Economic-financial consolidated (2) |
|--|--------------------------------------|--|
| Referential equity (3) | 68,432,521 | 70,514,408 |
| Basel ratio | 17.0% | 16.7% |
| Tier I | 13.8% | 13.7% |
| Tier II | 3.2% | 3.0% |
| Fixed asset ratio (4) | 32.9% | 15.4% |
| Excess capital in relation to fixed assets | 11,711,004 | 24,396,680 |

(1) Consolidated financial statements including financial companies only.

(2) Consolidated financial statements comprising all subsidiary companies, including insurance, pension plan and capitalization companies and those in which control is based on the sum of interests held by the bank, its managers, parent company and related companies, notwithstanding their percentage, as well as those directly or indirectly acquired, through investment funds;

(3) The CMN, through Resolution 3,444, of February 28, 2007, determined the Referential Equity (PR), for purposes of calculating operating limits, as being the sum of both Tier I and Tier II levels, following the international experience, each of them comprising items from stockholders' equity, as well as subordinated debt and hybrid capital and debt instruments. CMN Resolution No. 3,674, of December 30, 2008, started permitting the full addition, to Tier I, of the additional provision amount to the minimum percentages required by CMN Resolution No. 2,682 of December 21, 1999, for loan, lease and other operations with credit characteristics;

(4) The difference between the fixed asset ratio of the financial system consolidated and the economic-financial consolidated arises from the inclusion of non-financial subsidiary companies, which provide high liquidity and low level of fixed asset ratio, with a consequent decrease in the fixed asset ratio of the economic and financial consolidated amounts, enabling, when necessary, the distribution of funds to the financial companies.

NOTE 4 - SUMMARY OF THE MAIN ACCOUNTING PRACTICES

- a) **Cash and cash equivalents** – for purposes of Consolidated Statement of Cash Flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits and securities purchased under agreements to resell – funded position that have original maturities of up to 90 days or less.
- b) **Interbank investments, remunerated restricted credits – Central Bank of Brazil, remunerated deposits, deposits received under securities repurchase agreements, funds from acceptance and issuance of securities, borrowings and onlendings and other receivables and payables** – transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, net of the transaction costs incurred, calculated "pro rata die" based on the effective rate of transactions, according to CVM Resolution No. 556 of November 12, 2008.
- c) **Securities** – recorded at cost of acquisition restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular No. 3,068, of November 8, 2001. Securities are classified into the following categories:
- Trading securities – acquired to be actively and frequently traded, and adjusted to market value, with a contra-entry to the results for the period;
 - Available-for-sale securities – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a contra-entry to an account disclosed in stockholders' equity.
 - Held-to-maturity securities – securities, except for non-redeemable shares, for which the bank has the financial condition and intends or is required to hold them in the portfolio up to their maturity, are recorded at cost of acquisition, or market value, whenever these are transferred from another category. The securities are adjusted up to their maturity date, not being adjusted to market value.

Gains and losses on available-for-sale securities, when realized, are recognized at the trading date in the statement of income, with a contra-entry to a specific stockholders' equity account.

Decreases in the market value of available-for-sale and held-to-maturity securities below their related costs, resulting from non-temporary reasons, are recorded in results as realized losses.

- d) **Derivative financial instruments** - these are classified on the date of their acquisition, according to management's intention of using them either as a hedge or not, according to BACEN Circular No. 3,082, of January 30, 2002. Transactions involving financial instruments, carried out upon the client's request, for their own account, or which do not comply with the hedging criteria (mainly derivatives used to manage the overall risk exposure) are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statements of income.

The derivatives used for protection against risk exposure or to modify the characteristics of financial assets and liabilities, which have changes in market value highly associated with those of the items being protected at the beginning and throughout the duration of the contract, and which are found effective to reduce the risk related to the exposure being protected, are classified as a hedge, in accordance with their nature:

- Market Risk Hedge – Financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income.
- Cash Flow Hedge - The effective amount of the hedge of financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of hedge is recorded directly in the statement of income.

e) Loan, Lease and Other Credit Operations (Operations with Credit Granting Characteristics) – these transactions are recorded at present value and calculated “pro rata die” based on the variation of the contracted index, and are recorded on the accrual basis until the 60th day overdue in financial companies. After the 60th day, income is recognized upon the effective receipt of installments. Credit card operations include receivables arising from the purchases made by cardholders. The funds related to these amounts are recorded in Other Liabilities – Credit Card Operations.

f) Allowance for Loan Losses - the balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution No. 2,682 of December 21, 1999, among which are:

- Provisions are recorded from the date loans are granted, based on the client’s risk rating and on the periodic quality evaluation of clients and industries, and not only in the event of default;
- Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months. Additionally, in this period, other factors related to the analysis of the customer/loan quality have given rise to write-offs before these periods.

g) Other assets - These assets are mainly comprised by assets held for sale relating to real estate available for sale, own real estate not in use and real estate received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations, reinsurance unearned premiums (Note 4m I); and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods.

h) Investments - in subsidiary and affiliated companies, investments are accounted for under the equity method. The consolidated financial statements of foreign branches and subsidiaries are adapted to comply with Brazilian accounting practices and converted into Reais. Other investments are recorded at cost and adjusted to market value by setting up a provision in accordance with current standards.

i) Fixed assets - These assets are stated at cost of acquisition or construction, less accumulated depreciation, adjusted to market value until December 31, 2007, when applicable. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. Correspond to rights related to tangible assets intended for maintenance of the company's operations or exercised for such purposes, including assets arising from transactions that transfer to the company their benefits, risks and controls. The items acquired through Lease contracts are recorded according to CVM Resolution No. 554, of November 12, 2008, as contra-entry to Lease obligations.

Depreciation is calculated using the straight-line method, based on monetarily restated cost, at the following annual rates:

| | | | |
|--|------|---|----------|
| Real estate in use | 4 % | a | 8 % |
| Leasehold improvements | | | From 10% |
| Installations, furniture, equipment and security, transportation and communication systems | 10 % | a | 25 % |
| EDP systems | 20 % | a | 50 % |

j) Operating leases – leased assets are stated at cost of acquisition less accumulated depreciation. The depreciation of leased assets is recognized under the straight-line method, based on their usual useful lives, taking into account that the useful life shall be decreased by 30% should it meet the conditions provided for by Ordinance No. 113 of February 26, 1988 issued by the Ministry of Finance. Receivables are recorded in lease receivable at the contractual amount, with contra-entry to unearned income accounts. The recognition in income will occur on the due date of the installments.

k) Intangible assets – correspond to rights acquired whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution No. 3,642, of November 26, 2008. They are composed of rights acquired to credit payrolls and partnership agreements, amortized over the agreement terms, and software and customer portfolios, amortized over a term varying from five to ten years.

l) Reduction to the recoverable value of assets – a loss is recognized when there are clear evidences that assets are stated at a non-recoverable value. From 2008, this procedure started to be adopted annually at the end of each year.

m) Insurance, pension plan and capitalization operations – Insurance premiums, acceptance coinsurance and selling expenses are accounted for in accordance with the insurance effectiveness term, through the recognition and reversal of the provision for unearned premiums and deferred selling expenses. The interest arising from the fractioning of insurance premiums is accounted for as incurred. Revenues from social security contributions, gross revenue from capitalization certificates and respective technical provisions are recognized upon receipt.

I - Credits from operations and other assets related to insurance and reinsurance operations:

- Insurance premiums receivable – Refer to installments of insurance premiums receivable, current and past due, in accordance with insurance policies issued.
- Reinsurance recoverable amounts – Refer to claims paid to the insured party pending recovery from Reinsurer, installments of unsettled claims and incurred but not reported claims - Reinsurance (IBNR), classified in assets in accordance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008;
- Reinsurance unearned premiums – Recognized to determine the portion of reinsurance unearned premiums, calculated “pro rata die”, and for risks of policies not issued computed based on estimates, based on the actuarial technical study and in compliance with the criteria established by CNSP Resolution No. 162, of December 26, 2006, as amended by CNSP Resolution No. 195, of December 16, 2008, and SUSEP Circular No. 379, of December 19, 2008.

II - Technical provisions of insurance, pension plan and capitalization – provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution No. 162 of December 26, 2006 and the amendments introduced by CNSP Resolution No. 181, of December 19, 2007, and CNSP Resolution No 195, of December 16, 2008.

II.I - Insurance:

- Provision for unearned premiums – recognized to determine unearned premiums relating to the risk coverage period, calculated “pro rata die”, and relating to risks not yet issued, calculated based on estimates, according to an actuarial technical study.
- Provision for premium deficiency – recognized according to the Technical Actuarial Note in case of insufficient Provision for unearned premiums;
- Provision for unsettled claims - recognized based on claims of loss in an amount sufficient to cover future commitments; awaiting judicial decision, which amounts are determined by court-appointed experts and legal advisors that make assessments based on the insured amounts and technical regulations, taking into consideration the likelihood of unfavorable outcome to the insurance company;
- Provision for claims incurred but not reported (IBNR) – recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not reported.

II.II - Pension plan and individual life with living benefits – correspond to liabilities assumed such as retirement plans, disability, pension and annuity:

- Mathematical provisions for benefits to be granted and benefits granted – correspond to commitments assumed with participants, but for which benefits are not yet due, and to those receiving the benefits, respectively;
- Provision for insufficient contribution – recognized in case of insufficient mathematical provisions;

- Provision for events incurred but not reported (IBNR) – recognized for the estimated amount of events occurred but not reported;
- Provision for financial surplus – recognized at the difference between the contributions adjusted daily by the Investment Portfolio and the funds guaranteeing them, according to the plan's regulation;
- Provision for financial variation – recognized according to the methodology provided for in the Technical Actuarial Note in order to guarantee that the financial assets are sufficient to cover mathematical provisions.

II.III-Capitalization:

- Mathematical provision for redemptions – represents capitalization certificates received to be redeemed;
- Provision for raffle contingencies – recognized according to the methodology provided for in the Technical Actuarial Note to cover the Provision for raffles in the event of insufficient funds..

n) Contingent assets and liabilities and legal liabilities – tax and social security - assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 3,535 of January 31, 2008.

I - Contingent assets and liabilities

Refer to potential rights and obligations arising from past events, the occurrence of which is dependent upon future events.

- Contingent assets: not recognized, except upon evidence ensuring a high reliability level of realization, usually represented by claims awarded a final and unappealable judgment and confirmation of the recoverability of the claim through receipt of amounts or offset against another liability.
- Contingent liabilities: basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, tax and social security lawsuits and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recognized; possible, which are disclosed but not recognized; and remote, for which recognition or disclosure are not required. Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts.

Escrow deposits are restated in accordance with the current legislation.

Contingencies guaranteed by indemnity clauses in privatization processes and with liquidity are only recognized upon judicial notification with simultaneous recognition of receivables, without any effect on results.

II - Legal liabilities - tax and social security

Represented by amounts payable related to tax liabilities, the legality or constitutionality of which are subject to administrative or judicial defense, recognized at the full amount under discussion.

Liabilities and related escrow deposits are adjusted in accordance with the current legislation.

- o) Taxes – these provisions are calculated according to current legislation at the rates shown below, for effects of the related calculation bases.**

| | |
|-------------------------|-------------|
| Income tax | 15.00% |
| Additional income tax | 10.00% |
| Social contribution (1) | 15.00% |
| PIS (2) | 0.65% |
| COFINS (2) | 4.00% |
| ISS | up to 5.00% |

(1) As from May 1, 2008, for financial subsidiaries and equivalent companies, the rate was changed from 9% to 15%, as provided for in articles 17 and 41 of Law No. 11,727, of June 24, 2008. For non-financial and social security subsidiaries, the rate remained at 9%;

(2) For non-financial subsidiaries that fall into the non-cumulative calculation system, the PIS rate is 1.65% and COFINS rate is 7.6%.

The changes introduced by Laws No. 11,638 and No. 11,941 (articles 37 and 38), which modified the criterion for recognizing revenues, costs and expenses, computed to determine the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transition Tax Regime (RTT), so for tax purposes the rules effective on December 31, 2007 were followed. The tax effect arising from the adoption of such rules is recorded, for accounting purposes, in the corresponding deferred assets and liabilities.

- p) Deferred income – this refers to unexpired interest received in advance that is recognized in income as earned, and the negative goodwill on acquisition of investments arising from expected future losses, which has not been absorbed in the consolidation process.**

NOTE 5 - INTERBANK INVESTMENTS

| | 12/31/2009 | | | 12/31/2008 |
|---|---------------------------|--------------------------|--------------------|--------------------|
| | Up to 365 days | Over 365 days | Total | Total |
| Money market | 117,107,271 | 4,789,888 | 121,897,159 | 98,097,778 |
| Funded position | 59,476,738 | 4,789,888 | 64,266,626 | 25,479,393 |
| Financed position | 52,797,281 | - | 52,797,281 | 71,574,116 |
| Short position | 4,833,252 | - | 4,833,252 | 1,044,269 |
| Money market – Assets Guaranteeing Technical | | | | |
| Provisions - SUSEP | 435,658 | 2,598,695 | 3,034,353 | 2,165,579 |
| Interbank deposits | 36,373,094 | 24,436,674 | 60,809,768 | 73,129,568 |
| TOTAL | 153,916,023 | 31,825,257 | 185,741,280 | 173,392,925 |
| TOTAL - 12/31/2008 | 135,006,087 | 38,386,838 | 173,392,925 | |

NOTE 6 - SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

See below the composition by Securities and Derivatives type, maturity and portfolio already adjusted to their respective market values.

a) Summary per maturity

| | 12/31/2009 | | | | | | | | | | 12/31/2008 | |
|--|--------------------|--|----------------------|---------------------|--------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| | Cost | Provision for adjustment to market value with impact on: | | Market value | % | 0 - 30 | 31 - 90 | 91 - 180 | 181 - 365 | 366 - 720 | Over 720 days | Market value |
| | | Results | Stockholders' equity | | | | | | | | | |
| GOVERNMENT SECURITIES - DOMESTIC (1) | 39,035,115 | 31,884 | 282,922 | 39,349,920 | 39.5 | 6,431,884 | 935,821 | 1,378,825 | 2,487,379 | 8,914,670 | 19,201,341 | 47,917,258 |
| Financial Treasury Bills | 17,402,730 | 471 | (254) | 17,402,946 | 17.5 | 275,370 | 887,410 | 993,347 | 420,951 | 4,804,191 | 10,021,677 | 14,280,252 |
| National Treasury Bills | 8,194,366 | (429) | 5,966 | 8,199,903 | 8.2 | 5,721,689 | - | 135,183 | 362,959 | 1,980,072 | - | 14,801,123 |
| National Treasury Notes | 10,427,208 | 26,774 | 113,330 | 10,567,312 | 10.6 | 422,241 | 20,282 | 30,903 | 1,283,424 | 1,691,329 | 7,119,133 | 13,730,001 |
| National Treasury Securitization | 788,865 | 4,884 | (32,665) | 741,084 | 0.7 | 9,700 | 15,171 | 113,928 | 263,703 | 25,057 | 313,525 | 225,536 |
| Brazilian External Debt Bonds | 2,241,947 | 184 | 196,545 | 2,438,676 | 2.5 | 2,886 | 12,958 | 105,464 | 156,342 | 414,021 | 1,747,005 | 4,870,457 |
| Other | - | - | - | - | - | - | - | - | - | - | - | 9,889 |
| GOVERNMENT SECURITIES - ABROAD | 3,500,581 | 14,045 | (30,582) | 3,484,044 | 3.4 | 348,864 | 97,782 | 147,542 | 1,627,777 | 479,861 | 782,218 | 6,096,117 |
| Portugal | 26,103 | - | 355 | 26,458 | - | - | - | 26,458 | - | - | - | 301,099 |
| Austria | - | - | - | - | - | - | - | - | - | - | - | 591,795 |
| Argentina | 179,216 | (103) | - | 179,113 | 0.1 | - | 12,034 | 44,102 | 9,387 | - | 113,590 | 65,099 |
| Central Bank | 33,264 | (1,025) | - | 32,239 | - | - | - | 28,737 | - | - | - | 36,849 |
| National Treasury | 145,952 | 922 | - | 146,874 | 0.1 | - | 12,034 | 15,365 | 9,387 | - | 110,088 | 28,250 |
| Denmark | 1,084,618 | - | (30,299) | 1,054,319 | 1.1 | 293,698 | - | - | 334,476 | 426,145 | - | 1,204,970 |
| Spain | 84,074 | - | 1,122 | 85,196 | 0.1 | - | - | - | 85,196 | - | - | 1,145,272 |
| Korea | 1,041,497 | - | (2,184) | 1,039,313 | 1.0 | - | - | - | 1,039,313 | - | - | 1,247,356 |
| Paraguay | 416,669 | - | 416,669 | 416,669 | 0.4 | 49,507 | 67,070 | 75,795 | 157,636 | 35,598 | 31,063 | 397,702 |
| United States | 644,056 | 14,171 | 417 | 658,644 | 0.7 | 5,222 | 13,081 | 1,094 | - | 17,560 | 621,687 | 641,841 |
| Norway | - | - | - | - | - | - | - | - | - | - | - | 344,999 |
| Mexico | 9,744 | (35) | - | 9,709 | - | 87 | 5,477 | 9 | - | 489 | 3,647 | 154,158 |
| Other | 14,604 | 12 | 7 | 14,623 | - | 350 | 120 | 84 | 1,769 | 69 | 12,231 | 1,826 |
| CORPORATE SECURITIES | 13,285,038 | 240,907 | 89,825 | 13,615,770 | 13.9 | 3,940,855 | 263,105 | 388,154 | 829,188 | 1,811,652 | 6,382,817 | 16,701,048 |
| Eurobonds and other | 1,894,357 | 3,260 | 53,084 | 1,950,701 | 2.0 | 38,922 | 146,073 | 79,073 | 36,856 | 471,600 | 1,178,177 | 3,119,434 |
| Bank Deposit Certificates: | 2,519,175 | - | 665 | 2,519,840 | 2.5 | 601,013 | 82,525 | 15,423 | 480,340 | 764,358 | 576,181 | 2,825,556 |
| Shares | 1,744,103 | 206,465 | 8,884 | 1,959,452 | 2.0 | 1,946,913 | - | 176 | 3,232 | 9,131 | - | 1,624,287 |
| Debentures | 1,506,388 | 12 | (593) | 1,505,807 | 1.5 | 45,879 | - | 134,998 | 189,279 | 369,185 | 766,466 | 3,285,044 |
| Promissory Notes | 91,413 | - | - | 91,413 | 0.1 | - | - | - | 91,413 | - | - | 119,546 |
| Quotas of Funds | 1,252,491 | 31,204 | 13,375 | 1,297,070 | 1.4 | 1,293,310 | - | - | - | - | 3,760 | 2,045,985 |
| Fixed-Income | 975,429 | - | 6,541 | 981,970 | 1.0 | 978,210 | - | - | - | - | 3,760 | 1,689,076 |
| Credit rights | 54,564 | - | - | 54,564 | 0.1 | 54,564 | - | - | - | - | - | 177,718 |
| Other | 222,498 | 31,204 | 6,834 | 260,536 | 0.3 | 260,536 | - | - | - | - | - | 179,191 |
| Securitized real estate loans | 4,257,650 | (34) | 14,417 | 4,272,033 | 4.4 | 14,717 | 34,507 | 67,071 | 110,223 | 197,379 | 3,848,136 | 3,264,219 |
| Other | 19,463 | - | (7) | 19,456 | - | 102 | - | - | 9,257 | - | 10,097 | 416,977 |
| PGBL/VGBL FUND QUOTAS (2) | 38,626,466 | - | - | 38,626,466 | 38.8 | 38,626,466 | - | - | - | - | - | 30,023,746 |
| SUBTOTAL - SECURITIES | 94,447,200 | 286,836 | 342,165 | 95,076,201 | 95.6 | 49,348,070 | 1,296,708 | 1,914,520 | 4,944,344 | 11,206,184 | 26,366,376 | 100,738,169 |
| Trading securities | 66,771,569 | 286,836 | - | 67,058,405 | 67.6 | 45,561,828 | 448,334 | 1,246,309 | 2,722,421 | 4,602,641 | 12,476,872 | 66,027,603 |
| Available-for-sale securities | 25,326,975 | - | 342,165 | 25,669,140 | 25.8 | 3,781,899 | 846,855 | 667,815 | 2,205,674 | 6,333,861 | 11,833,036 | 30,467,767 |
| Held-to-maturity securities (3) | 2,348,656 | - | - | 2,348,656 | 2.4 | 4,343 | 1,519 | 396 | 16,249 | 269,681 | 2,056,468 | 4,242,799 |
| DERIVATIVE FINANCIAL INSTRUMENTS | 4,126,123 | 309,548 | - | 4,435,671 | 4.4 | 878,299 | 341,938 | 444,927 | 668,806 | 846,669 | 1,255,032 | 16,319,045 |
| TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) - 12/31/2009 | 98,573,323 | 596,384 | 342,165 | 99,511,872 | 100.0 | 50,226,368 | 1,638,646 | 2,359,447 | 5,613,150 | 12,052,852 | 27,621,408 | 117,057,214 |
| Deferred taxes | - | - | (74,306) | (74,306) | - | - | - | - | - | - | - | - |
| Adjustment of subsidiaries and affiliates | - | - | (61,825) | (61,825) | - | - | - | - | - | - | - | - |
| Adjustment to market of accounting hedge | - | - | (145,183) | (145,183) | - | - | - | - | - | - | - | - |
| Adjustments of securities reclassified in prior years to held-to-maturity securities | - | - | 15,777 | 15,777 | - | - | - | - | - | - | - | - |
| ADJUSTMENT TO MARKET VALUE - SECURITIES - STOCKHOLDERS' E | - | - | 76,628 | 76,628 | - | - | - | - | - | - | - | - |
| DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) - 12/31/2009 | (3,942,059) | (426,380) | - | (4,368,439) | 100.0 | (810,111) | (416,697) | (346,398) | (759,159) | (1,064,282) | (971,792) | (12,830,450) |
| TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) - 12/31/2008 | 114,938,931 | 2,230,222 | (111,939) | 117,057,214 | 100.0 | 47,275,953 | 4,967,386 | 8,542,549 | 8,375,525 | 12,154,091 | 11,019,766 | - |
| Deferred taxes | - | - | 15,386 | 15,386 | - | - | - | - | - | - | - | - |
| Adjustment of subsidiaries and affiliates | - | - | 7,486 | 7,486 | - | - | - | - | - | - | - | - |
| Adjustment to market of accounting hedge | - | - | (334,946) | (334,946) | - | - | - | - | - | - | - | - |
| Adjustments of securities reclassified in prior years to held-to-maturity securities | - | - | 20,811 | 20,811 | - | - | - | - | - | - | - | - |
| ADJUSTMENT TO MARKET VALUE - SECURITIES - STOCKHOLDERS' E | - | - | (403,202) | (403,202) | - | - | - | - | - | - | - | - |
| DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) - 12/31/2008 | (8,254,201) | (4,576,249) | - | (12,830,450) | 100.0 | (3,290,480) | (2,181,209) | (2,105,216) | (1,979,654) | (1,268,774) | (2,005,117) | - |

(1) Includes the amount of R\$ 21,238,374 (R\$ 24,521,214 at 12/31/2008) of securities pledged in guarantee, of which: Assets Guaranteeing Technical Provisions R\$ 4,238,752 (R\$ 5,331,519 at 12/31/2008), securities linked to BACEN R\$ 10,792,493 (R\$ 9,929,881 at 11/31/2008) and securities deposited with the Clearing House for the Custody and Financial Settlement of Securities R\$ 6,208,129 (R\$ 9,259,813 at 12/31/2008).

(2) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customers' responsibility, are recorded as securities - trading securities, as determined by SUSEP, with a contra-entry to liabilities in the Pension Plan Technical Provisions account.

(3) Unrecorded positive adjustment to market value in the amount of R\$ 347,890 (R\$ 168,157 at 12/31/2008).

b) Derivative financial instruments

The globalization of the markets in recent years has resulted in a high level of sophistication in the financial products used. As a result of this process, there has been an increasing demand for derivative financial instruments to manage market risks, mainly arising from fluctuations in interest and exchange rates, commodities and other asset prices. Accordingly, ITAÚ UNIBANCO CONSOLIDATED and its subsidiaries operate in the derivative markets for meeting the growing needs of their clients, as well as carrying out their risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

The derivative financial instruments' business with clients is carried out after the approval of credit limits. The process of limit approval takes into consideration potential stress scenarios.

Knowing the client, the sector in which it operates and its risk appetite profile, in addition to providing information on the risks involved in the transaction and the negotiated conditions ensure transparency in the relationship between the parties and the supply of a product that better meet the needs of the client in view of its operating characteristics.

The derivative transactions carried out by ITAÚ UNIBANCO CONSOLIDATED and its subsidiaries with customers are neutralized in order to eliminate market risks.

Most derivative contracts traded by the institution with clients in Brazil are swap, forward, option and futures contracts, which are registered at the BM&F Bovespa or at the CETIP S.A. - OTC Clearing House - (CETIP). Overseas transactions are carried out with futures, forwards, options and swaps with registration mainly in the Chicago, New York and London Exchanges. It should be emphasized that there are over-the-counter operations, but their risks are low as compared to the institutions' total. Noteworthy is also the fact that there are no structured operations based on subprime assets and all operations are based on risk factors traded at stock exchanges.

The main risk factors of the derivatives, assumed at December 31, 2009, were related to the foreign exchange rate, interest rate, commodities, U.S. dollar coupon, Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratio, even under highly volatile situations.

Most derivatives included in the institution's portfolio is traded at stock exchanges. The prices disclosed by stock exchanges are used for these derivatives, except in cases in which the low representativeness of price due to illiquidity of a specific contract is identified. Derivatives typically precified like this are future contracts. Likewise, there are other instruments whose quotations (fair prices) are directly disclosed by independent institutions and which are precified based on this direct information. A great part of the Brazilian government securities, highly liquid international (public and private) securities and shares fit into this situation.

For derivatives whose prices are not directly disclosed by stock exchanges, fair prices are obtained by pricing models which use market information, deducted based on prices disclosed for higher liquidity assets. Interest and market volatility curves which provide entry data for the models are extracted from those prices. Over-the-counter derivatives, forward contracts and securities without much liquidity are in this situation.

The total value of margins pledged in guarantee was R\$ 10,196,479 and was basically composed of government securities.

I- See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, reference ratio stated at notional amount, cost and market value.

| | Memorandum Account | | Balance sheet | | Adjustment to | | Market value | |
|--|--------------------|--------------------|----------------------|--------------------|---------------|------------------|--------------------|--------------------|
| | Notional Amount | | account receivable / | | market value | | | |
| | 12/31/2009 | 12/31/2008 | (received) | | (in results) | | 12/31/2009 | 12/31/2008 |
| | | | payable / (paid) | | | | | |
| Futures contracts | 100,569,897 | 187,988,344 | | (2,962) | | (20,249) | (23,211) | 379,897 |
| Purchase commitments | 19,539,308 | 112,266,939 | | (1,345) | | 20,214 | 18,869 | (438,303) |
| Foreign currency | 1,738,355 | 20,464,047 | | (88) | | 22,514 | 22,426 | (185,003) |
| Interbank market | 11,812,719 | 78,797,361 | | 862 | | (3,517) | (2,655) | (194,557) |
| Indices | 3,810,034 | 12,675,781 | | (2,115) | | 1,219 | (896) | (59,148) |
| Securities | 2,131,590 | 270,465 | | - | | - | - | 139 |
| Commodities | 44,322 | 59,285 | | (4) | | (2) | (6) | 266 |
| Other | 2,288 | - | | - | | - | - | - |
| Commitments to sell | 81,030,589 | 75,721,405 | | (1,617) | | (40,463) | (42,080) | 818,200 |
| Foreign currency | 16,851,214 | 18,563,949 | | (1,470) | | (24,837) | (26,307) | 384,692 |
| Interbank market | 52,809,391 | 39,503,063 | | 3,823 | | (11,438) | (7,615) | (58,363) |
| Indices | 2,871,229 | 17,090,588 | | (3,345) | | (4,674) | (8,019) | 494,112 |
| Securities | 3,144,224 | 464,502 | | - | | - | - | (2,280) |
| Commodities | 5,345,378 | 99,303 | | (609) | | 540 | (69) | 39 |
| Other | 9,153 | - | | (16) | | (54) | (70) | - |
| Swap contracts | | | | 507,307 | | 165,686 | 672,997 | 2,164,213 |
| Asset position | 67,079,458 | 100,397,829 | | 2,774,814 | | 331,343 | 3,106,158 | 6,347,163 |
| Foreign currency | 12,649,345 | 30,583,328 | | 257,856 | | (67,200) | 190,657 | 4,321,666 |
| Interbank market | 29,887,172 | 37,826,198 | | 1,496,299 | | (17,809) | 1,478,490 | 904,095 |
| Fixed rate | 14,168,743 | 22,622,072 | | 721,335 | | 190,275 | 911,610 | 509,332 |
| Floating rate | 34,768 | 300,126 | | (2,081) | | 6,602 | 4,521 | 87,587 |
| Indices | 9,496,470 | 8,373,723 | | 281,263 | | 219,259 | 500,522 | 410,914 |
| Securities | 11,424 | 59,827 | | 4,689 | | (1,266) | 3,423 | 14,667 |
| Commodities | 7,249 | 72,669 | | (119) | | 173 | 54 | - |
| Other | 824,287 | 559,886 | | 15,572 | | 1,309 | 16,881 | 98,902 |
| Liability position | 66,572,151 | 98,046,183 | | (2,267,507) | | (165,657) | (2,433,161) | (4,182,950) |
| Foreign currency | 16,812,569 | 29,256,776 | | (267,490) | | (19,276) | (286,763) | (2,837,280) |
| Interbank market | 22,636,787 | 28,216,154 | | (778,333) | | 62,346 | (715,987) | (109,758) |
| Fixed rate | 16,991,059 | 28,518,792 | | (904,249) | | 1,234 | (903,015) | (683,539) |
| Floating rate | 72,205 | 499,315 | | (685) | | (285) | (970) | (174,410) |
| Indices | 9,924,148 | 11,324,098 | | (309,657) | | (210,803) | (520,460) | (368,968) |
| Securities | - | 2,325 | | - | | - | - | - |
| Commodities | 21,063 | 72,945 | | (28) | | (16) | (44) | - |
| Other | 114,320 | 155,778 | | (7,065) | | 1,143 | (5,922) | (8,995) |
| Option contracts | 418,624,197 | 492,025,318 | | (190,001) | | (163,393) | (353,394) | (912,683) |
| Purchase commitments - long position | 146,499,435 | 157,340,875 | | 639,405 | | (249,354) | 390,051 | 5,326,562 |
| Foreign currency | 50,286,856 | 42,459,557 | | 335,498 | | (279,245) | 56,253 | 4,614,999 |
| Interbank market | 5,951,691 | 167,761 | | 19,527 | | (8,401) | 11,126 | 1,611 |
| Indices | 89,834,852 | 114,363,925 | | 247,827 | | 41,589 | 289,416 | 663,549 |
| Securities | 426,036 | 257,604 | | 36,553 | | (3,297) | 33,256 | 43,419 |
| Commodities | - | 92,028 | | - | | - | - | 2,984 |
| Commitments to sell - long position | 52,250,426 | 79,211,447 | | 165,620 | | 258,088 | 423,708 | 713,435 |
| Foreign currency | 3,393,904 | 17,646,873 | | 66,899 | | 31,546 | 98,445 | 100,193 |
| Interbank market | 8,113,326 | 204,405 | | 8,458 | | (8,159) | 299 | 176,374 |
| Indices | 40,741,685 | 61,099,820 | | 89,753 | | 234,743 | 324,496 | 396,674 |
| Securities | - | 91,713 | | 464 | | - | 464 | 35,124 |
| Commodities | 1,511 | 168,636 | | 46 | | (42) | 4 | 5,070 |
| Purchase commitments - short position | 127,627,924 | 139,717,197 | | (660,727) | | 199,469 | (461,258) | (4,370,156) |
| Foreign currency | 33,595,518 | 35,211,564 | | (330,917) | | 267,085 | (63,832) | (3,758,204) |
| Interbank market | 10,722,121 | 80,123 | | (9,956) | | 8,556 | (1,400) | (4,421) |
| Indices | 83,104,864 | 104,287,844 | | (310,873) | | (75,986) | (386,859) | (591,198) |
| Securities | 205,421 | 126,733 | | (8,981) | | (186) | (9,167) | (15,353) |
| Commodities | - | 10,933 | | - | | - | - | (980) |
| Commitments to sell - short position | 92,246,412 | 115,755,799 | | (334,299) | | (371,596) | (705,895) | (2,582,524) |
| Foreign currency | 5,246,013 | 36,835,506 | | (160,301) | | (207,153) | (367,454) | (1,950,200) |
| Interbank market | 5,179,684 | 274,315 | | (4,308) | | 3,948 | (360) | (221,640) |
| Fixed rate | - | - | | (20,585) | | 10,293 | (10,292) | (9,037) |
| Indices | 81,794,670 | 78,506,990 | | (147,247) | | (180,539) | (327,786) | (353,654) |
| Securities | 26,045 | 134,079 | | (1,858) | | 1,855 | (3) | (47,964) |
| Commodities | - | 4,909 | | - | | - | - | (29) |
| Forward contracts | 30,962 | 1,301,491 | | 449 | | 51 | 500 | 824,258 |
| Purchase receivable | 30,503 | 496,476 | | 29,376 | | 50 | 29,426 | 311,963 |
| Foreign currency | - | 260,156 | | - | | - | - | 78,138 |
| Floating rate | 29,413 | - | | 29,380 | | - | 29,380 | - |
| Securities | - | 234,037 | | - | | - | - | 233,594 |
| Commodities | 1,090 | 2,283 | | (4) | | 50 | 46 | 231 |
| Purchase payable | - | 4,315 | | (29,380) | | - | (29,380) | (234,217) |
| Foreign currency | - | 2,525 | | - | | - | - | (29) |
| Floating rate | - | - | | (29,380) | | - | (29,380) | - |
| Securities | - | - | | - | | - | - | (233,726) |
| Commodities | - | 1,790 | | - | | - | - | (462) |
| Sales receivable | 459 | 788,182 | | 453 | | 1 | 454 | 763,534 |
| Foreign currency | - | 3,287 | | - | | - | - | 41 |
| Fixed rate | - | 9,995 | | - | | - | - | 205 |
| Securities | 459 | 774,810 | | 453 | | 1 | 454 | 763,198 |
| Commodities | - | 90 | | - | | - | - | 90 |
| Sales deliverable | - | 12,518 | | - | | - | - | (17,022) |
| Fixed rate | - | 12,518 | | - | | - | - | (2,120) |
| Securities | - | - | | - | | - | - | (14,902) |

| | Memorandum Account | | Balance sheet | | Market value | |
|--|--------------------|--------------------|----------------------|------------------|--------------------|---------------------|
| | Notional Amount | | account receivable / | | | |
| | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2009 | 12/31/2009 | 12/31/2008 |
| Credit derivatives | 2,620,736 | 4,523,922 | (76,664) | (6,362) | (83,026) | (65,495) |
| Asset position | 439,309 | 2,717,038 | 6,262 | 824 | 7,086 | 55,542 |
| Foreign currency | 137,164 | 102,638 | 1,177 | 458 | 1,635 | 3,083 |
| Fixed rate | 269,886 | 2,614,400 | 5,036 | (1,139) | 3,897 | 52,459 |
| Securities | 10,156 | - | 16 | 556 | 572 | - |
| Other | 22,103 | - | 33 | 949 | 982 | - |
| Liability position | 2,181,427 | 1,806,884 | (82,926) | (7,186) | (90,112) | (121,037) |
| Foreign currency | - | 299,256 | (1,205) | (334) | (1,539) | (22,224) |
| Fixed rate | 2,181,427 | 1,507,628 | (81,585) | (5,501) | (87,086) | (98,813) |
| Securities | - | - | (11) | (532) | (543) | - |
| Other | - | - | (125) | (819) | (944) | - |
| Forward operations | 9,217,903 | 19,781,778 | (116,214) | (290) | (116,504) | 1,036,038 |
| Asset position | 4,165,328 | 12,334,185 | 164,766 | (58) | 164,708 | 1,729,330 |
| Foreign currency | 3,392,035 | 10,682,623 | 140,716 | - | 140,716 | 1,693,517 |
| Fixed rate | 212,974 | 820,758 | 19,638 | (58) | 19,580 | 26,875 |
| Floating rate | 534,201 | 830,804 | 3,940 | - | 3,940 | 8,938 |
| Indices | 26,118 | - | 472 | - | 472 | - |
| Liability position | 5,052,575 | 7,447,593 | (280,980) | (232) | (281,212) | (693,292) |
| Foreign currency | 4,597,079 | 6,333,657 | (266,626) | (232) | (266,858) | (557,817) |
| Interbank market | 1,598 | 2,138 | (142) | - | (142) | (184) |
| Fixed rate | 94,340 | 529,103 | (10,406) | - | (10,406) | (129,101) |
| Floating rate | 348,240 | 467,400 | (2,766) | - | (2,766) | (3,773) |
| Indices | 11,318 | 115,295 | (1,040) | - | (1,040) | (2,417) |
| Swap with target flow | 672,311 | 2,466,601 | (38,779) | (33,480) | (72,259) | (109,827) |
| Asset position | 316,766 | 1,214,241 | 49 | 2,491 | 2,540 | 33,398 |
| Foreign currency | 305,826 | 939,348 | (3) | 298 | 295 | 33,398 |
| Interbank market | 10,940 | 230,011 | 52 | 2,193 | 2,245 | - |
| Fixed rate | - | 44,882 | - | - | - | - |
| Liability position | 355,545 | 1,252,360 | (38,828) | (35,971) | (74,799) | (143,225) |
| Foreign currency | 269,850 | 1,013,354 | (25,894) | (31,836) | (57,730) | (141,269) |
| Interbank market | 74,806 | 189,481 | (12,934) | (4,135) | (17,069) | (658) |
| Fixed rate | 10,889 | 49,525 | - | - | - | (1,298) |
| Other derivative financial instruments (*) | 4,413,211 | 4,095,452 | 100,928 | (58,799) | 42,129 | 172,194 |
| Asset position | 4,360,144 | 3,004,460 | 345,378 | (33,838) | 311,540 | 658,221 |
| Foreign currency | 198,193 | 1,603,304 | 232,204 | 1,717 | 233,921 | 591,704 |
| Interbank market | 2,269,818 | 847,816 | - | 418 | 418 | 13,515 |
| Securities | 1,890,441 | 562 | 113,082 | (35,973) | 77,109 | - |
| Commodities | 1,692 | - | 92 | - | 92 | - |
| Other | - | 552,778 | - | - | - | 53,002 |
| Liability position | 53,067 | 1,090,992 | (244,450) | (24,961) | (269,411) | (486,027) |
| Foreign currency | - | 818,444 | (209,306) | (24,961) | (234,267) | (216,914) |
| Fixed rate | 29,651 | - | (31,370) | - | (31,370) | - |
| Securities | - | 868 | - | - | - | (640) |
| Commodities | 23,416 | - | (3,774) | - | (3,774) | - |
| Other | - | 271,680 | - | - | - | (268,473) |
| | | ASSETS | 4,126,123 | 309,548 | 4,435,671 | 16,319,045 |
| | | LIABILITIES | (3,942,059) | (426,380) | (4,368,439) | (12,830,450) |
| | | TOTAL | 184,064 | (116,832) | 67,232 | 3,488,595 |
| Derivative contracts mature as follows (in days): | | | | | | |
| Clearing | 0 - 30 | 31 - 180 | 181 - 365 | Over 365 | 12/31/2009 | 12/31/2008 |
| Futures | 40,948,735 | 15,969,665 | 14,762,626 | 28,888,871 | 100,569,897 | 187,988,344 |
| Swaps | 13,620,744 | 14,165,219 | 12,020,479 | 24,498,202 | 64,304,644 | 94,487,803 |
| Options | 239,590,135 | 57,313,098 | 87,228,298 | 34,492,666 | 418,624,197 | 492,025,318 |
| Forwards | 29,681 | 1,281 | - | - | 30,962 | 1,301,491 |
| Credit derivatives | 226,244 | 502,068 | 298,762 | 1,593,662 | 2,620,736 | 4,523,922 |
| Forwards | 4,393,383 | 2,471,133 | 1,234,024 | 1,119,363 | 9,217,903 | 19,781,778 |
| Swaps with target flow | 5,227 | 10,889 | - | 300,601 | 316,717 | 1,166,195 |
| Other | 2,225,603 | 385,237 | 240,656 | 1,561,715 | 4,413,211 | 4,095,452 |

II - Accounting hedge

- a) The purpose of ITAÚ UNIBANCO hedge relationship is to protect the cash flow of payment of debt interest (CDB / Redeemable preferred shares) related to its variable interest rate risk (CDI / LIBOR), making the cash flow constant (fixed rate) and regardless of the variations of DI Cetip Over and LIBOR.

To protect the future cash flows of debt against exposure to variable interest rate (CDI), at December 31, 2009 ITAÚ UNIBANCO CONSOLIDATED negotiated DI Futures agreements at BM&FBOVESPA with maturity between 2010 and 2017 in the amount of R\$ 19,316,416 (R\$ 27.141.738 at 12/31/2008). To protect the future cash flows of debt against exposure to variable interest rate (LIBOR), at December 31, 2009 ITAÚ UNIBANCO CONSOLIDATED negotiated Swap contracts with maturity in 2015 in the amount of R\$ 684,417. These derivative financial instruments gave rise to adjustment to market value net of tax effects recorded in stockholders of (R\$ 77,644) (R\$ (201,199) at 12/31/2008), of which (R\$ 80,971) (R\$ (201,199) at 12/31/2008) refers to CDB and (R\$ 3,327) refers to Redeemable preferred shares. The hedged items total R\$ 18,894,583 (R\$ 26.353.206 at 12/31/2008) of CDB with maturities between 2010 and 2017 and R\$ 684,417 of swaps of redeemable preferred shares with maturity in 2015.

The gains or losses related to the accounting hedge of cash flows, which we expect to recognized in Income in the next 12 months, amount to R\$ (181,997).

The effectiveness computed for hedge portfolio was in conformity with the provisions of BACEN Circular No. 3,082 of January 30, 2002.

- b) The swap operations contracted in a negotiation associated with the funding and/or investment in the amount of R\$ 402,047 (R\$ 1.152.584 at 12/31/2008) are recorded at amounts restated in accordance with variations occurred in respective ratios ("curve") and are not valued at their market value, as permitted by BACEN Circular No. 3,150/02.

III- See below the composition of the Derivative Financial Instruments portfolio by type of instrument, stated at their notional amounts, per trading location (organized or over-the-counter market) and counterparties:

| | 12/31/2012 | | | | | | | |
|--------------------------------|--------------------|-------------------|--------------------|------------------|--------------------|-------------------|-----------------------|------------------|
| | Futures | Swaps | Options | Forwards | Credit derivatives | Forwards | Swap with target flow | Other |
| BM&FBovespa | 92,683,986 | 1,955,682 | 412,417,393 | 459 | - | - | - | 2,269,817 |
| Over-the-counter market | 7,885,911 | 62,348,962 | 6,206,804 | 30,503 | 2,620,736 | 9,217,903 | 316,717 | 2,143,394 |
| Financial institutions | 7,446,794 | 52,985,194 | 5,752,622 | - | 2,620,736 | 6,906,006 | - | 2,113,742 |
| Companies | 439,117 | 8,656,533 | 454,182 | 29,413 | - | 2,298,383 | 316,717 | 9,276 |
| Individuals | - | 707,235 | - | 1,090 | - | 13,514 | - | 20,376 |
| Total | 100,569,897 | 64,304,644 | 418,624,197 | 30,962 | 2,620,736 | 9,217,903 | 316,717 | 4,413,211 |
| Total at 12/31/2008 | 187,988,344 | 94,487,803 | 492,025,318 | 1,301,491 | 4,523,922 | 19,781,778 | 1,166,195 | 4,095,452 |

IV - Credit derivatives

See below the composition of Credit Derivatives portfolio stated at notional amount.

| | Credit risk amount | |
|--|--------------------|---------------|
| | 12/31/2009 | 12/31/2008 |
| Transferred | | |
| Credit swaps whose underlying assets are: Securities | 269,886 | (2,126,278) |
| Received | | |
| Credit swaps whose underlying assets are: Securities | 2,350,849 | 2,143,222 |
| Total | 2,620,735 | 16,944 |

V - Reclassification of securities (article 5 of BACEN Circular No. 3,068, of 11/08/2001)

Management sets forth guidelines to classify securities. The classification of the current portfolio of securities, as well as the securities purchased in the period, are periodically and systematically evaluated based on such guidelines.

As set forth in Article 5 of BACEN Circular No. 3,068, of November 8, 2008, the revaluation regarding the classification of securities can only be made upon preparation of trial balances for six-month periods. In addition, the transfer from "held-to-maturity" into the other categories can only occur in view of an isolated, unusual, nonrecurring and unexpected reason, which has occurred after the classification date.

On June 30, 2009, due to the merger agreement entered into between Itau and Unibanco, approved by Bacen on February 18, 2009, so as to reflect the purpose of the new institution arising from this merger, securities from the Unibanco portfolio were reclassified from the "held to maturity" to "available for sale" category, in the amount of R\$ 957,306 thousand, resulting in an addition in stockholders' equity of R\$ 125,303 thousand, according to the market value of these securities.

On October 1, 2009, due to the alliance entered into between ITÁU UNIBANCO HOLDING S.A. and Porto Seguro S.A. (Note 2a), Guaranteeing Assets of R\$ 411,877 thousand previously classified as "held to maturity" were transferred to Porto Seguro, in a spin-off process.

VI - Realized and unrealized gains of the derivative financial instruments portfolio

| | 01/01 to 12/31/2009 | 01/01 to |
|--------------------|------------------------|--------------------|
| Swap | 1,146,509 | 1,170,943 |
| Forwards | (11,961) | 443,700 |
| Futures | 5,523,353 | (4,758,656) |
| Options | 900,150 | (1,733,201) |
| Credit derivatives | 75,975 | 8,816 |
| Other | (1,249,614) | 1,536,687 |
| Total | 6,384,412 | (3,331,711) |

c) Changes in adjustment to market value for the period

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|------------------------|------------------------|
| Opening balance | (2,457,966) | 131,228 |
| Balance arising from Itaú Unibanco merger on 09/30/2008 | - | (988,651) |
| Adjustments with impact on: | | |
| Results | <u>2,516,081</u> | <u>(1,428,074)</u> |
| Trading securities | (121,901) | 442,166 |
| Derivative financial instruments (assets and liabilities) | 2,637,982 | (1,870,240) |
| Stockholders' equity | 454,052 | (172,469) |
| Closing balance | 512,167 | (2,457,966) |
| Adjustment to market value | <u>512,167</u> | <u>(2,457,966)</u> |
| Trading securities | 286,836 | 408,737 |
| Available-for-sale securities | 342,165 | (111,887) |
| Derivative financial instruments (assets and liabilities) | (116,834) | (2,754,816) |

For better understanding, the following table shows the unrealized gains of available-for-sale securities and held-to-maturity securities:

| | 12/31/2009 | 12/31/2008 |
|--|----------------|---------------|
| Adjustment of available-for-sale securities – stockholders' equity | 342,165 | (111,887) |
| Adjustment to held-to-maturity securities (*) | 363,667 | 188,968 |
| Total unrealized gain | 705,832 | 77,081 |

(*) Includes the amount of R\$ 15,777 (R\$ 20,811 at 12/31/2008) regarding the adjustment to market value of securities reclassified up to December 31, 2003, not recognized in the net income.

NOTE 7 - LOAN, LEASE AND OTHER CREDIT OPERATIONS

a) Composition of the portfolio by type of operations and risk levels

| Risk levels | 12/31/2009 | | | | | | | | | | 12/31/2008 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| | AA | A | B | C | D | E | F | G | H | Total | Total |
| Loan operations | 15,291,309 | 51,446,586 | 26,211,922 | 6,967,448 | 4,975,402 | 2,649,499 | 1,570,708 | 896,822 | 4,807,930 | 114,817,626 | 116,781,155 |
| Loans and discounted trade receivables | 8,297,818 | 28,343,621 | 17,981,839 | 5,472,135 | 4,302,521 | 2,229,217 | 1,421,017 | 788,572 | 4,035,647 | 72,872,387 | 78,534,685 |
| Financing | 4,967,138 | 16,803,880 | 7,118,073 | 1,122,055 | 455,233 | 191,087 | 117,624 | 81,951 | 657,266 | 31,514,307 | 29,351,873 |
| Farming and agribusiness financing | 251,058 | 748,878 | 525,331 | 76,832 | 77,314 | 140,272 | 9,725 | 862 | 55,336 | 1,885,608 | 2,602,471 |
| Real estate financing | 1,775,295 | 5,550,207 | 586,679 | 296,426 | 140,334 | 88,923 | 22,342 | 25,437 | 59,681 | 8,545,324 | 6,292,126 |
| Lease operations | 1,197,903 | 31,558,131 | 5,517,689 | 2,248,007 | 977,385 | 461,732 | 399,893 | 325,071 | 1,016,259 | 43,702,070 | 47,719,197 |
| Credit card operations | 172,379 | 11,372,566 | 9,400,285 | 2,566,756 | 1,848,117 | 616,785 | 442,902 | 317,628 | 2,783,905 | 29,521,323 | 23,999,995 |
| Advances on exchange contracts (1) | 158,365 | 211,463 | 277,344 | 132,201 | 39,355 | 31,937 | 17,286 | 4,116 | 20,919 | 892,986 | 2,110,692 |
| Other sundry receivables (2) | 21,466 | 196,249 | 37,728 | 27,835 | 4,953 | 37,338 | 5,813 | 402 | 73,394 | 405,178 | 620,504 |
| Total operations with credit granting characteristics | 16,841,422 | 94,784,995 | 41,444,968 | 11,942,247 | 7,845,212 | 3,797,291 | 2,436,602 | 1,544,039 | 8,702,407 | 189,339,183 | 191,231,543 |
| Endorsements and sureties (3) | | | | | | | | | | 17,128,320 | 22,199,039 |
| Total with endorsements and sureties | 16,841,422 | 94,784,995 | 41,444,968 | 11,942,247 | 7,845,212 | 3,797,291 | 2,436,602 | 1,544,039 | 8,702,407 | 206,467,503 | 213,430,582 |
| Total - 12/31/2008 | 30,253,921 | 90,581,411 | 39,114,685 | 10,548,106 | 7,210,102 | 3,196,336 | 2,110,257 | 1,233,046 | 6,983,679 | 191,231,543 | |

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

(2) Includes Securities and Credits Receivable, Debtors for Purchase of Assets and Endorsements and Sureties paid;

(3) Recorded in Memorandum Accounts.

b) By maturity and risk levels

| | 12/31/2009 | | | | | | | | | | 12/31/2008 |
|-----------------------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| | AA | A | B | C | D | E | F | G | H | Total | Total |
| OVERDUE OPERATIONS (1) (2) | | | | | | | | | | | |
| Falling due installments | - | - | 2,537,825 | 1,942,005 | 1,182,003 | 1,013,715 | 778,280 | 502,622 | 1,448,034 | 9,404,484 | 8,674,896 |
| 01 to 60 | - | - | 220,423 | 188,395 | 136,127 | 100,347 | 136,172 | 62,020 | 226,434 | 1,069,918 | 989,633 |
| 61 to 90 | - | - | 102,342 | 88,065 | 60,665 | 47,541 | 38,053 | 27,642 | 88,067 | 452,375 | 443,063 |
| 91 to 180 | - | - | 299,855 | 247,631 | 171,145 | 127,409 | 103,625 | 74,435 | 232,953 | 1,257,053 | 1,157,328 |
| 181 to 365 | - | - | 533,390 | 436,923 | 274,664 | 225,774 | 174,526 | 131,472 | 340,445 | 2,117,194 | 1,926,744 |
| Over 365 | - | - | 1,381,815 | 980,991 | 539,402 | 512,644 | 325,904 | 207,053 | 560,135 | 4,507,944 | 4,158,128 |
| Overdue installments | - | - | 385,081 | 528,725 | 535,497 | 349,366 | 258,113 | 154,521 | 5,245,946 | 7,457,249 | 8,411,364 |
| 01 to 60 | - | - | 385,081 | 528,725 | 535,497 | 212,446 | 153,283 | 92,167 | 358,181 | 2,265,380 | 2,479,574 |
| 61 to 90 | - | - | - | - | - | 136,920 | 104,830 | 62,354 | 219,452 | 523,556 | 902,378 |
| 91 to 180 | - | - | - | - | - | - | - | - | 1,057,546 | 1,057,546 | 2,415,813 |
| 181 to 365 | - | - | - | - | - | - | - | - | 3,444,617 | 3,444,617 | 2,492,939 |
| Over 365 | - | - | - | - | - | - | - | - | 166,150 | 166,150 | 120,660 |
| Subtotal | - | - | 2,922,906 | 2,470,730 | 1,717,500 | 1,363,081 | 1,036,393 | 657,143 | 6,693,980 | 16,861,733 | 17,086,260 |
| NON-OVERDUE OPERATIONS | | | | | | | | | | | |
| Falling due installments | 16,814,305 | 94,311,037 | 38,212,273 | 9,265,159 | 5,522,602 | 1,920,473 | 784,925 | 267,605 | 1,955,106 | 169,053,485 | 172,632,211 |
| 01 to 60 | 4,085,635 | 21,133,547 | 14,925,203 | 4,520,034 | 2,436,822 | 496,216 | 216,238 | 68,612 | 790,088 | 48,672,395 | 50,350,053 |
| 61 to 90 | 776,561 | 5,312,389 | 3,172,812 | 721,322 | 388,066 | 83,436 | 58,335 | 11,540 | 115,193 | 10,639,654 | 11,456,219 |
| 91 to 180 | 1,435,159 | 10,980,332 | 5,042,581 | 1,158,801 | 655,815 | 181,170 | 93,742 | 21,717 | 224,460 | 19,793,777 | 22,154,215 |
| 181 to 365 | 2,789,866 | 16,034,246 | 5,528,116 | 1,194,290 | 751,305 | 289,780 | 135,133 | 26,973 | 264,784 | 27,014,493 | 26,065,701 |
| Over 365 | 7,727,084 | 40,850,523 | 9,543,561 | 1,670,712 | 1,290,594 | 869,871 | 281,477 | 138,763 | 560,581 | 62,933,166 | 62,606,023 |
| Overdue up to 14 days | 27,117 | 473,958 | 309,789 | 169,335 | 163,630 | 40,598 | 21,693 | 7,747 | 53,321 | 1,267,188 | 1,513,072 |
| Subtotal | 16,841,422 | 94,784,995 | 38,522,062 | 9,434,494 | 5,686,232 | 1,961,071 | 806,618 | 275,352 | 2,008,427 | 170,320,673 | 174,145,283 |
| GRAND TOTAL | 16,841,422 | 94,784,995 | 41,444,968 | 11,905,224 | 7,403,732 | 3,324,152 | 1,843,011 | 932,495 | 8,702,407 | 187,182,406 | 191,231,543 |
| EXISTING ALLOWANCE | - | (503,321) | (1,239,205) | (1,191,920) | (2,308,631) | (1,756,323) | (1,408,582) | (1,115,804) | (8,702,407) | (18,226,193) | (17,821,992) |
| Minimum allowance required (3) | - | (473,925) | (414,450) | (357,157) | (740,373) | (997,246) | (921,506) | (652,747) | (8,702,407) | (13,259,809) | (11,742,348) |
| Additional allowance (4) | - | (29,396) | (824,755) | (834,763) | (1,568,258) | (759,078) | (487,077) | (463,057) | - | (4,966,384) | (6,079,644) |
| GRAND TOTAL 12/31/2008 | 30,253,921 | 90,581,411 | 39,114,685 | 10,548,106 | 7,210,102 | 3,196,336 | 2,110,257 | 1,233,046 | 6,983,679 | 191,231,543 | |
| EXISTING ALLOWANCE | (1,248,222) | (896,756) | (1,169,529) | (1,053,756) | (2,162,309) | (1,597,849) | (1,476,970) | (1,232,922) | (6,983,679) | (17,821,992) | |

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;

(2) The balance of non-accrual operations amounts to R\$ 12,557,241 (R\$ 10,600,424 at 12/31/2008);

(3) The policy of not using "AA" rating for individuals was maintained. As a consequence, all loan operations with clients classified in these segments are charged by recording a provision upon the granting of loan;

(4) According to BACEN's request, it is classified into risk level to show the additional amounts found through the use of statistical models for evaluating the portfolios in the event of stress in the economic scenario.

c) By business sector

| | 12/31/2009 | 12/31/2008 |
|-----------------------|--------------------|--------------------|
| Public Sector | 879,087 | 1,124,330 |
| Private Sector | 188,460,096 | 190,107,213 |
| Companies | 84,219,032 | 93,717,976 |
| Industry and Commerce | 44,788,728 | 50,700,768 |
| Services | 33,224,940 | 31,136,668 |
| Primary Sector | 5,077,001 | 8,304,075 |
| Other | 1,128,363 | 3,576,465 |
| Individuals | 104,241,064 | 96,389,237 |
| Grand Total | 189,339,183 | 191,231,543 |

d) Changes in allowance for loan losses

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|------------------------|------------------------|
| Opening balance | (17,821,992) | (7,502,883) |
| Balance arising from the merger into Itaú BBA on 02/28/2009 | 165,131 | - |
| Balance arising from ITAÚ UNIBANCO merger on 09/30/2008 and other | (170,804) | (4,394,655) |
| Net increase for the period | (16,119,874) | (12,431,422) |
| Minimum required by Resolution No. 2,682/99 | (17,068,296) | (8,281,041) |
| Additional | 948,422 | (4,150,381) |
| Write-off | 14,809,269 | 6,506,968 |
| Closing balance | (19,138,270) | (17,821,992) |
| Minimum allowance required (Note 4f) | (14,171,886) | (11,742,348) |
| Additional allowance (*) | (4,966,384) | (6,079,644) |

(*) Refers to the provision in excess of the minimum required by CMN Resolution No.2,682, of December 12, 1999, recognized within the prudential criteria adopted by Management in accordance with good banking practice, in order to enable the absorption of possible increases in default arising from a strong reversal of the economic cycle, quantified in view of the historic performance of loan portfolios in economic crises situations.

As from December 31, 2008, considering the economic scenario and the uncertainties related to it, the criteria for recognition of the additional allowance for loan losses were revised, including the portion related to risks associated to a more pessimistic scenario. Over 2009, the effects of the crisis were partially consummated, giving rise to an increase in the required regulatory capital of the additional allowance for loan losses regarding the portfolio.

At December 31,2009, the balance of the allowance in relation to the loan portfolio is equivalent to 10.1% (9.3% at 12/31/2008).

e) Recovery and renegotiation of credits

- I - In the period, credits amounting to R\$ 2,202,280 (R\$ 1,302,423 from 01/01 to 12/31/2008) that had been written-off to the allowance for loan losses account were recovered.
- II - At 12/31/2009, the balance of renegotiated credits totaled R\$ 7,638,768 (R\$ 5,130,786 at 12/31/2008) and the related allowance for loan losses totaled R\$ 4,008,790 (R\$ 2,498,424 at 12/31/2008).

NOTE 8 - FOREIGN EXCHANGE PORTFOLIO

| | 12/31/2009 | 12/31/2008 |
|--|-------------------|-------------------|
| ASSETS - OTHER RECEIVABLES | 18,660,064 | 42,474,881 |
| Exchange purchase pending settlement - foreign currency | 10,164,744 | 25,093,385 |
| Bills of exchange and term documents - foreign currency | 115 | 109 |
| Exchange sale rights - local currency | 8,600,781 | 17,619,951 |
| (Advances received) - local currency | (105,576) | (238,564) |
| LIABILITIES - OTHER LIABILITIES (Note 2a) | 18,752,367 | 42,341,334 |
| Exchange sales pending settlement - foreign currency | 9,190,570 | 27,726,820 |
| Liabilities from purchase of foreign currency - local currency | 9,558,553 | 14,609,662 |
| Other | 3,244 | 4,852 |
| MEMORANDUM ACCOUNTS | 287,549 | 354,936 |
| Outstanding import credits - foreign currency | 230,665 | 341,449 |
| Confirmed export credits - foreign currency | 56,884 | 13,487 |

NOTE 9 - FUNDING AND BORROWINGS AND ONLENDING

a) Summary

| | 12/31/2009 | | | 12/31/2008 |
|--|--------------------|--------------------|--------------------|--------------------|
| | Up to 365 days | Over 365 days | Total | Total |
| Deposits | 122,689,829 | 73,002,778 | 195,692,607 | 203,960,440 |
| Deposits received under securities repurchase agreements | 75,991,071 | 46,025,859 | 122,016,930 | 132,488,056 |
| Funds from acceptances and issuance of securities | 8,470,669 | 18,137,176 | 26,607,845 | 16,610,151 |
| Borrowings and onlending | 6,580,954 | 11,265,204 | 17,846,158 | 26,143,662 |
| Securitization of foreign payment orders (1) | - | - | - | 3,828,733 |
| Subordinated debt (2) | 36,452 | 22,553,523 | 22,589,975 | 23,207,907 |
| TOTAL | 213,768,975 | 170,984,540 | 384,753,515 | 406,238,949 |
| TOTAL - 12/31/2008 | 224,310,325 | 181,928,624 | 406,238,949 | |

(1) Funds obtained abroad through the sales to Brazilian Diversified Payment Rights Finance Company of rights related to payment orders received abroad;

(2) Includes R\$ 687,711 (R\$ 930,575 at 12/31/2008) of Redeemable Preferred Shares classified under Minority Interest in the Balance Sheet.

b) Funds from acceptances and issuance of securities

| | 12/31/2009 | | | 12/31/2008 |
|--|------------------|-------------------|-------------------|-------------------|
| | Up to 365 days | Over 365 days | Total | Total |
| REAL ESTATE, MORTGAGE, CREDIT AND SIMILAR NOTES | 6,781,503 | 214,661 | 6,996,164 | 7,089,392 |
| DEBENTURES | 237,591 | 14,890,169 | 15,127,760 | 4,321,597 |
| FOREIGN BORROWINGS AND SECURITIES | 1,451,575 | 3,032,346 | 4,483,921 | 5,199,162 |
| Trade Related - Issued abroad - Structure Note Issued | 231,622 | 431,267 | 662,889 | 385,847 |
| Non-trade Related | <u>1,219,953</u> | <u>2,601,079</u> | <u>3,821,032</u> | <u>4,813,315</u> |
| Issued in Brazil - Fixed Rate Notes | 422,181 | 630,238 | 1,052,419 | 86,134 |
| Issued abroad | <u>797,772</u> | <u>1,970,841</u> | <u>2,768,613</u> | <u>4,727,181</u> |
| Brazil Risk Note Programme | 797,710 | 1,797,270 | 2,594,980 | 995,407 |
| Fixed Rate Notes | - | - | - | 1,720,979 |
| Other | 62 | 173,571 | 173,633 | 2,010,795 |
| TOTAL | 8,470,669 | 18,137,176 | 26,607,845 | 16,610,151 |
| TOTAL - 12/31/2008 | 8,335,759 | 8,274,392 | 16,610,151 | |

c) Borrowings and onlending

| | 12/31/2009 | | | 12/31/2008 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Up to 365 days | Over 365 days | Total | Total |
| BORROWINGS | 2,091,785 | 2,002,829 | 4,094,614 | 12,549,990 |
| Domestic | 451,754 | 49,842 | 501,596 | 260,558 |
| Foreign (*) | 1,640,031 | 1,952,987 | 3,593,018 | 12,289,432 |
| ONLENDING | 4,489,169 | 9,262,375 | 13,751,544 | 13,593,672 |
| Domestic - official institutions | <u>4,302,025</u> | <u>9,197,758</u> | <u>13,499,783</u> | <u>13,239,939</u> |
| BNDES | 1,439,621 | 3,829,638 | 5,269,259 | 5,259,291 |
| FINAME | 2,767,369 | 5,147,536 | 7,914,905 | 7,611,822 |
| Other | 95,035 | 220,584 | 315,619 | 368,826 |
| Foreign | 187,144 | 64,617 | 251,761 | 353,733 |
| TOTAL | 6,580,954 | 11,265,204 | 17,846,158 | 26,143,662 |
| TOTAL - 12/31/2008 | 12,310,450 | 13,833,212 | 26,143,662 | |

(*) Foreign borrowings are basically represented by foreign exchange transactions related to export pre-financing and import financing.

d) Subordinated debt

Funding obtained through issuance of subordinated debt, in accordance with the conditions determined by CMN Resolution No. 3,444, of February 28, 2007, and amendments established by CMN Resolution No. 3,523 of January 31, 2008, is as follows:

| | 12/31/2009 | | | 12/31/2008 |
|--------------------------------|------------------|-------------------|-------------------|-------------------|
| | Up to 365 days | Over 365 days | Total | Total |
| CDB | - | 20,160,280 | 20,160,280 | 19,480,756 |
| Euronotes | 20,114 | 856,778 | 876,892 | 1,193,787 |
| Eurobonds | 13,044 | 870,600 | 883,644 | 1,641,582 |
| (-) Transaction costs incurred | - | (18,552) | (18,552) | (38,793) |
| TOTAL OTHER LIABILITIES | 33,158 | 21,869,106 | 21,902,264 | 22,277,332 |
| Redeemable preferred shares | 3,294 | 684,417 | 687,711 | 930,575 |
| GRAND TOTAL | 36,452 | 22,553,523 | 22,589,975 | 23,207,907 |
| TOTAL - 12/31/2008 | 1,261,411 | 21,946,496 | 23,207,907 | |

Description

| Name of security | Issue | Maturity | Return p. ^a | Principal R\$ |
|--|---------------------|---------------------|------------------------|---------------|
| Subordinated euronotes | 2nd half of 2001 | August 2011 | 10.00% | 457,465 |
| Subordinated euronotes | August 2001 | August 2011 | 4.25% | 625,008 |
| Subordinated CDB | March 2007 | April 2012 | 103.5% of CDI | 5,000,000 |
| Subordinated CDB (1) | May 2007 | May 2012 | 103.9% of CDI | 1,406,000 |
| Subordinated CDB (1) | July 2007 | July 2012 | CDI + 0.38% | 422,000 |
| Subordinated CDB (1) | August 2007 | August 2012 | CDI + 0.38% | 200,000 |
| Subordinated CDB (1) | October 2007 | October 2012 | IGPM + 7.33% | 290,850 |
| Subordinated CDB (1) | October 2007 | October 2012 | 103.8% of CDI | 93,000 |
| Subordinated CDB (1) | October 2007 | October 2012 | CDI + 0.45% | 450,000 |
| Subordinated CDB | November 2007 | November 2012 | CDI + 0.35% | 300,000 |
| Subordinated CDB | December 2002 | December 2012 | 102.25% of CDI | 220,000 |
| Subordinated CDB | January 2008 | February 2013 | CDI + 0.50% | 880,000 |
| Subordinated CDB | February 2008 | February 2013 | CDI + 0.50% | 1,256,000 |
| Subordinated CDB (1) | 1st quarter of 2008 | 1st quarter of 2013 | CDI + 0.60% | 817,310 |
| Subordinated CDB (1) | 1st quarter of 2008 | 2nd quarter of 2013 | 106.5% of CDI | 38,000 |
| Subordinated CDB (1) | 2nd quarter of 2008 | 2nd quarter of 2013 | 107% of CDI | 10,400 |
| Subordinated CDB | November 2003 | November 2013 | 102% of CDI | 40,000 |
| Subordinated CDB | May 2007 | May 2014 | CDI + 0.35% | 1,804,500 |
| Subordinated CDB (1) | August 2007 | August 2014 | CDI + 0.46% | 50,000 |
| Subordinated CDB | November 2008 | October 2014 | 112% of CDI | 1,000,000 |
| Subordinated CDB (1) | October 2007 | October 2014 | IGPM + 7.35% | 33,200 |
| Subordinated CDB (1) | December 2007 | December 2014 | CDI + 0.60% | 10,000 |
| Preferred shares | December 2002 | March 2015 | 3.04% | 1,388,841 |
| Subordinated CDB (1) | 3rd quarter of 2008 | 3rd quarter of 2015 | 119.8% of CDI | 400,000 |
| Subordinated CDB (2) | December 2006 | December 2016 | CDI + 0.47% | 500,000 |
| Eurobonds -Perpetual Non-cumulative Junior Subordinated Securities (3) | July 2005 | Not determined | 8.7% | 1,195,250 |

(1) Subordinated CDBs may not be redeemed in advance;

(2) Subordinated CDBs may be redeemed from November 2011;

(3) The debt may be fully redeemed only at the option of the issuer from July 29, 2010 or at each subsequent payment.

NOTE 10 - INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS

a) Composition of the technical provisions

| | INSURANCE | | LIFE AND PENSION PLAN | | CAPITALIZATION | | TOTAL | |
|---|------------------|------------------|-----------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 |
| Mathematical provision of benefits to be granted and benefits granted | 34,607 | 34,866 | 42,459,409 | 33,678,031 | - | - | 42,494,016 | 33,712,897 |
| Unearned premiums | 2,799,441 | 2,272,236 | 367,180 | 324,376 | - | - | 3,166,621 | 2,596,612 |
| Mathematical provision for redemptions | - | - | - | - | 2,197,332 | 2,031,907 | 2,197,332 | 2,031,907 |
| Raffle contingency | - | - | - | - | 34,057 | 41,294 | 34,057 | 41,294 |
| Unsettled claims | 2,120,159 | 2,256,495 | 127,388 | 90,922 | - | - | 2,247,547 | 2,347,417 |
| Financial surplus | 2,122 | 2,042 | 468,529 | 374,296 | - | - | 470,651 | 376,338 |
| IBNR | 609,162 | 618,366 | 67,885 | 50,038 | - | - | 677,047 | 668,404 |
| Financial variation | 561 | 528 | 109,616 | 112,876 | - | - | 110,177 | 113,404 |
| Premium deficiency | 170,688 | 125,040 | 74,665 | 70,851 | - | - | 245,353 | 195,891 |
| Insufficient contribution | 117 | - | 504,691 | 370,488 | - | - | 504,808 | 370,488 |
| Other | 67,889 | 505,605 | 153,028 | 194,894 | 29,347 | 25,371 | 250,264 | 725,870 |
| TOTAL | 5,804,746 | 5,815,178 | 44,332,391 | 35,266,772 | 2,260,736 | 2,098,572 | 52,397,873 | 43,180,522 |

b) Assets Guaranteeing Technical Provisions - SUSEP

| | INSURANCE | | LIFE AND PENSION PLAN | | CAPITALIZATION | | TOTAL | |
|--|------------------|------------------|-----------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 |
| Interbank investments - Money market | 1,197,759 | 565,181 | 1,099,147 | 839,396 | 737,447 | 761,002 | 3,034,353 | 2,165,579 |
| Securities and derivative financial instruments | 2,488,427 | 2,697,767 | 42,937,707 | 33,894,248 | 1,562,717 | 1,377,653 | 46,988,851 | 37,969,668 |
| PGBL/VGBL fund quotas (1) | - | - | 38,626,466 | 30,023,746 | - | - | 38,626,466 | 30,023,746 |
| Other | <u>2,488,427</u> | <u>2,697,767</u> | <u>4,311,241</u> | <u>3,870,502</u> | <u>1,562,717</u> | <u>1,377,653</u> | <u>8,362,385</u> | <u>7,945,922</u> |
| Government | 1,735,716 | 1,711,911 | 3,340,164 | 2,827,666 | 68,381 | 743,440 | 5,144,261 | 5,283,017 |
| Private | 752,711 | 985,856 | 971,077 | 1,042,836 | 1,494,336 | 634,213 | 3,218,124 | 2,662,905 |
| Receivables from insurance and reinsurance operations (2) | 2,091,237 | 2,221,394 | 302,884 | 277,991 | - | - | 2,394,121 | 2,499,385 |
| Credit rights | 665,717 | 612,853 | 302,884 | 277,991 | - | - | 968,601 | 890,844 |
| Reinsurance | 1,425,520 | 1,608,541 | - | - | - | - | 1,425,520 | 1,608,541 |
| Escrow deposits for loss | 110,172 | 34,610 | 8,809 | 92,568 | - | - | 118,981 | 127,178 |
| TOTAL | 5,887,595 | 5,518,952 | 44,348,547 | 35,104,203 | 2,300,164 | 2,138,655 | 52,536,306 | 42,761,810 |

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customers' responsibility, are recorded as securities, as determined by SUSEP, with a contra-entry to liabilities in the Pension Plan Technical Provisions account.

(2) Recorded under Other receivables and Other assets.

c) Results of Operations

| | INSURANCE | | LIFE AND PENSION PLAN | | CAPITALIZATION | | TOTAL | |
|---|------------------|----------------|-----------------------|----------------|----------------|----------------|------------------|------------------|
| | 01/01 to | 01/01 to | 01/01 to | 01/01 to | 01/01 to | 01/01 to | 01/01 to | 01/01 to |
| | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 |
| Income from financial operations | 270,961 | 201,530 | 249,598 | 219,462 | 62,680 | 58,967 | 583,239 | 479,959 |
| Financial income from insurance, pension plan and capitalization operations | 346,983 | 239,549 | 4,034,249 | 1,924,709 | 194,551 | 157,118 | 4,575,783 | 2,321,376 |
| Financial expenses from insurance, pension plan and capitalization operations | (76,022) | (38,019) | (3,784,651) | (1,705,247) | (131,871) | (98,151) | (3,992,544) | (1,841,417) |
| Results of operations from insurance, pension plan and capitalization operations | 1,430,890 | 619,142 | 468,740 | 304,828 | 511,590 | 380,755 | 2,411,220 | 1,304,725 |
| Adjustments arising from ITAÚ UNIBANCO merger | - | (136,621) | - | (155,316) | - | - | - | (291,937) |
| Recurring results from operation | 1,430,890 | 755,763 | 468,740 | 460,144 | 511,590 | 380,755 | 2,411,220 | 1,596,662 |
| Premiums and contributions | 5,811,716 | 3,373,028 | 9,216,342 | 6,934,549 | 1,808,249 | 1,352,494 | 16,836,307 | 11,660,071 |
| Changes in technical provisions | 114,119 | (179,873) | (8,404,640) | (6,239,142) | (1,217,129) | (715,222) | (9,507,650) | (7,134,237) |
| Expenses for claims | (2,964,140) | (1,781,672) | (238,311) | (190,128) | - | - | (3,202,451) | (1,971,800) |
| Selling expenses | (1,254,379) | (639,087) | (45,458) | (33,781) | (42,281) | (6,660) | (1,342,118) | (679,528) |
| Expenses for benefits and raffles | - | - | (45,644) | (10,135) | (37,980) | (255,612) | (83,624) | (265,747) |
| Other revenues and expenses | (276,426) | (16,633) | (13,549) | (1,219) | 731 | 5,755 | (289,244) | (12,097) |
| TOTAL | 1,701,851 | 820,672 | 718,338 | 524,290 | 574,270 | 439,722 | 2,994,459 | 1,784,684 |

NOTE 11 - CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

ITAÚ UNIBANCO and its subsidiaries are involved in contingencies in the ordinary course of their businesses, as follows:

a) **Contingent Assets:** there are no contingent assets recorded.

b) **Contingent Liabilities:** these are calculated and classified as follows:

- **Calculation criteria:**

Civil lawsuits: quantified upon judicial notification, and adjusted monthly:

- Collective (lawsuits related to claims considered similar and usual and the amounts of which are not considered significant): according to the statistical references per group of lawsuits, type of legal body (Small Claims Court or Regular Court) and claimant; or
- Individual (lawsuits related to claims considered unusual and the amounts of which are considered significant): at the claimed indemnity amount, based on the evidence presented and on the evaluation of legal advisors which considers case law, legal opinions raised, evidence produced in the records and the judicial decisions to be issued – relating to the risk level of loss of lawsuits.

These are adjusted to the amounts deposited as guarantee for their execution or to the definitive execution amount (indisputable amount) when the claim is awarded a final and unappealable judgment.

Labor claims: these are calculated upon judicial notification and adjusted monthly by the moving average of payment of lawsuits closed in the last 12 months plus the average cost of fees paid for lawsuits related to claims considered similar and usual and adjusted to the amounts deposited in guarantee, to the execution amount (indisputable amount) when it is in the stage of being a final and unappealable decision, or based on the individual analysis of the potential amount of probable loss for lawsuits with significant amounts.

Tax and social security lawsuits: calculated upon judicial notification of administrative proceedings based on their monthly adjusted amounts.

Other risks: calculated mainly based on the assessment of credit risk on joint obligations.

- **Contingencies classified as probable:** are recognized in the accounting books and comprise:

- Civil lawsuits: demanding compensation for property damage and pain and suffering, such as protest of bills, return of checks, and inclusion of information in the credit protection registry, most of these actions being filed in the Small Claims Court and therefore limited to 40 minimum monthly wages;
- Labor claims: seeking the recovery of alleged labor rights based on labor legislation specific to the related profession, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other;
- Tax and social security: represented mainly by lawsuits and administrative proceedings involving federal and municipal taxes;
- And Other Risks represented basically by the joint obligation for securitized rural loans.

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

| Change in provision for contingent liabilities | 01/01 to 12/31/2009 | | | | | 01/01 to 12/31/2008 |
|---|---------------------|------------------|-------------------------|----------------|------------------|---------------------|
| | Civil | Labor | Tax and social security | Other | Total | Total |
| Opening balance | 2,065,941 | 2,850,198 | 2,506,143 | 230,778 | 7,653,060 | 3,647,223 |
| Balance arising from ITAÚ UNIBANCO merger on 09/30/2008 and other | - | - | 13,673 | - | 13,673 | 2,119,216 |
| (-) Contingencies guaranteed by indemnity clauses (Note 4n I) | (125,528) | (551,139) | (15,784) | - | (692,451) | (656,291) |
| Subtotal | 1,940,413 | 2,299,059 | 2,504,032 | 230,778 | 6,974,282 | 5,110,148 |
| Restatement/Charges | 61,257 | 173,694 | 156,978 | - | 391,929 | 428,356 |
| Changes in the period reflected in results (Notes 12f and 12i) | <u>1,160,660</u> | <u>608,388</u> | <u>(403,986)</u> | <u>25,812</u> | <u>1,390,874</u> | <u>2,437,736</u> |
| Increase (1) (2) | 1,432,060 | 725,072 | 256,558 | 25,812 | 2,439,502 | 2,726,367 |
| Reversal | (271,400) | (116,684) | (660,544) | - | (1,048,628) | (288,631) |
| Payment | (912,168) | (499,678) | (848,263) | - | (2,260,109) | (1,015,631) |
| Subtotal | 2,250,162 | 2,581,463 | 1,408,761 | 256,590 | 6,496,976 | 6,960,609 |
| (+) Contingencies guaranteed by indemnity clause (Note 4n I) | 98,628 | 573,261 | 35,331 | - | 707,220 | 692,451 |
| Closing balance (Note 12c) | 2,348,790 | 3,154,724 | 1,444,092 | 256,590 | 7,204,196 | 7,653,060 |
| Escrow deposits at 12/31/2009 (Note 12a) | 1,059,019 | 1,443,419 | 898,954 | - | 3,401,392 | |
| Escrow deposits at 12/31/2008 (Note 12a) | 828,464 | 1,271,018 | 1,007,887 | - | 3,107,369 | |

(1) Civil provisions include the provision for economic plans amounting to R\$ 289,600 (R\$ 263,722 from January 01 to December 31, 2008) (Note20).

(2) Tax and Social Security provisions comprise basically the effects arising from the adhesion to the program of Payment or Installment Payment of Federal Taxes (Note 12d).

- **Contingencies classified as possible:** not recognized in the accounting books and comprise Civil Lawsuits amounting to R\$ 375,079 and Tax and Social Security Lawsuits amounting to R\$ 3,341,708. The principal characteristics of these lawsuits are described below:
- Claim for of corporate income tax (IRPJ), social contribution (CSLL), PIS and COFINS, as tax authorities understand there has been unreported income due, recorded as a contra-entry to the investment account in permanent assets – R\$ 341,237;
 - Levy of ISS on Leasing operations – R\$ 142,292: Tax assessment notices and/or tax foreclosures of municipalities that allege the levy of ISS on leasing operations in their territories;
 - ISS – Banking Institutions – R\$ 418,413: refers to tax assessment notices issued by municipalities for collection of ISS on amounts recorded in several accounts, on the grounds of being service revenue. An administrative final decision or tax foreclosure is pending;
 - Deductibility of losses in receipt of loans and discounts granted in renegotiation of loans – R\$ 428,479;
 - Dismissal of offset request – R\$ 272,330: Offset requests which were not validated due to formal issues or alleged lack of evidence of credit liquidity. Issue discussed in the administrative level, in which the company stated its defense and exhibited documentation evidencing credit liquidity;
 - Criteria for taxation of revenues made available abroad – R\$ 264,443: assessment notices in relation to which the inspection authorities discuss criteria for determining the calculation basis and taxable event;
 - Deductibility of goodwill in purchase of investments – R\$ 198,586: assessment notices that discuss the deduction of goodwill of merged companies;
 - Acquisition of Customers Portfolio – R\$ 171,409: aims at recognizing the deduction, from the IRPJ and CSLL calculation basis, of expenses assumed by Banco Itaú with the amortization of assets related to the acquisition of the customers portfolio of the Group banks;
 - Levy of social security contributions on non-compensatory amounts – R\$ 134,709: administrative and court discussion on the portions that, according to the company's understanding, are not part of contribution salary for social security tax purposes;
 - Differences in the completion of Declaration of Federal Contributions and Taxes (DCTF) – R\$ 78,533: required levy of withholding income tax (IRRF) arising from the challenge, by the Federal Revenue Service authorities, concerning the completion of the DCTF and missing payments (DARFs);
 - Levy of the corporate income tax (IRPJ) arising from the offset of losses for 2005, which, according to tax authorities, had been carried out above the balance stated for the Federal Revenue Service, in view of the ex officio changes made to the Corporate Income Tax Declaration (DIPJ) submitted by the taxpayer – R\$ 78,964;
 - Offset of tax loss of companies merged without the 30% limitation - R\$ 66,685: assessment notice which discusses the application of a 30% limit when offsetting tax loss carryforwards, in case of merger of company;
 - ITR (Rural tax land) - R\$ 63,998: Refers to collection of ITR amounts related to farms, received as payment in kind, with arbitrage of calculation basis, due to failure to evidence that a portion of the land is a legal reserve;

The amount of R\$ 1,050,110 (R\$ 1,763,977 at 12/31/2008) related to Securities, the amount of R\$ R\$ 3,167,024 (R\$ 1,982,223 at 12/31/2008) (Note 12a) of deposits, as well as Permanent Assets in the amount of R\$ R\$ 721,857 (R\$ 737,161 at 12/31/2008), according to article 32 of Law No. 10,522/02, are pledged in guarantee of voluntary appeals related to contingent liabilities lawsuits. As a result of the unconstitutionality lawsuit No. 1,976, the Federal Supreme Court ruled unconstitutional the requirement of guarantees for considering voluntary appeals on April 10, 2007. The Bank is requesting the cancellation of the pledging of guarantees to the Federal Revenue Service.

The Receivables balance arising from reimbursements of contingencies totals R\$ 1,114,192 (R\$ 1,095,673 at 12/31/2008) (Note 12a), basically represented by the guarantee in the Banco Banerj privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition from losses on Civil, Labor and Tax Contingencies.

- c) **Legal Liabilities - Tax and Social Security and Escrow Deposits for filing Legal Processes** – recognized at the full amount being questioned and respective escrow deposits, as follows:

| Change in legal liabilities | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|--------------------------------|--------------------------------|
| Opening balance | 8,011,019 | 4,461,186 |
| Balance arising from the acquisition of investments | 486,348 | 2,644,071 |
| Charges on taxes | 706,910 | 243,392 |
| Changes in the period reflected in results | <u>1,291,811</u> | <u>721,465</u> |
| Increase | 2,012,521 | 790,589 |
| Reversal (*) | (720,710) | (69,124) |
| Payment | (4,073,254) | (59,095) |
| Closing balance (Note 13c) | 6,422,834 | 8,011,019 |

(*) Refers basically to the effects arising from the adhesion to the Cash or Installment Payment of Federal Taxes (Note 11d) and reversal of provision of PIS EC 17/97 x Principles of Anteriority, anteriority over 90 days, and non-retroactivity.

| Change in escrow deposits | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|--------------------------------|--------------------------------|
| Opening balance | 3,733,828 | 2,387,780 |
| Balance arising from the acquisition of investments | 248,457 | 676,981 |
| Appropriation of income | 378,927 | 211,813 |
| Change in the period | <u>(532,974)</u> | <u>457,254</u> |
| Deposited | 460,581 | 491,490 |
| Withdrawals | (93,038) | (34,236) |
| Conversion into income | (900,517) | - |
| Closing balance (Note 12a) | 3,828,238 | 3,733,828 |

The main natures of processes are described as follows:

- PIS and COFINS X Law No. 9,718/98 - R\$ 4,062,107 – assert the right of paying contributions to PIS and COFINS on revenue, not adopting the provisions of Article 3, paragraph 1, of Law No. 9,718/98, which established the inappropriate extension of the calculation bases of these contributions. The corresponding escrow deposit totals R\$ 1,120,094;
- IRPJ and CSLL X Profit Earned Abroad - R\$ 422,467. aimed at rejecting the requirement set forth by Regulatory Instruction No. 213/02, in view of its illegality, determining the inclusion of equity in earnings in the calculation of taxable income and the CSLL calculation basis, including that from disposal of investment abroad. The corresponding escrow deposit totals R\$ 389,486;
- PIS X Constitutional Amendments Nos. 10/96 and 17/97 - R\$ 308,943 – aimed at rejecting the levy of PIS based on principles of anteriority over 90 days and non-retroactivity of Constitutional Amendments Nos. 10/96 and 17/97, and nonexistence of legislation for this period. Successively, aimed at paying PIS over the mentioned period based on Supplementary Law No. 7/70. The corresponding escrow deposit totals R\$ 65,876;
- INSS X Supplementary Law No. 84/96 and Additional rate of 2.5% - R\$ 255,323 – Aimed at rejecting the levy of social security contribution at 15%, as well as an additional rate of 2.5%, on compensation paid to service providers that are individuals and managers, set forth by Supplementary Law No. 84/96, in view of its unconstitutionality, as this contribution has the same taxable year and income tax calculation basis, going against the provisions of Articles 153, item III, 154, item I, 156, item III and 195, paragraph 4, of Federal Constitution. The corresponding escrow deposit totals R\$ 279,581.

d) Program for Cash or Installment Payment of Federal Taxes - Law No. 11,941/09

ITAÚ UNIBANCO CONSOLIDADO and its subsidiaries adhered to the Program for Cash or Installment Payment of Federal Taxes, established by Law No. 11,941, of May 27, 2009. The program included the debits administered by the Federal Revenue Service of Brazil and the General Attorney's Office of the National Treasury past due before November 30, 2008. The main propositions included in this program were as follows:

- increase to the PIS and COFINS calculation basis as per paragraph 1 of article 3 of Law No. 9,718 of November 27, 1998, classified as Legal Liability;
- levy of IRPJ and CSLL on transactions related to transfer of quotas of companies located abroad for increasing the capital stock of other companies, classified in Contingent Liabilities with possible likelihood of loss;

The net effect on income was R\$ 240,906, recorded in Other Operating Income (Note 20).

According to the opinion of the legal advisors, ITAÚ UNIBANCO and its subsidiary companies are not involved in any other administrative proceedings or lawsuits that may significantly affect the results of their operations. The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recognized through the adoption of statistical models for claims involving small amounts and separate analysis by internal and external legal advisors of other cases, showed that the amounts provided for are sufficient, according to the CMN Resolution No. 3,535 of January 31, 2008.

NOTE 12 – BREAKDOWN OF ACCOUNTS

a) Other sundry receivables

| | 12/31/2009 | 12/31/2008 |
|--|-------------------|-------------------|
| Deferred tax assets (Note 13b I) | 24,064,342 | 23,271,705 |
| Social contribution for offset (Note 13b I) | 928,648 | 1,290,729 |
| Taxes and contributions for offset | 3,715,335 | 3,222,121 |
| Escrow deposits in guarantee for provision for contingent liabilities (Note 11b) | 6,568,416 | 5,089,592 |
| Escrow deposits for legal liabilities – tax and social security (Note 11c) | 3,828,238 | 3,733,828 |
| Escrow deposits for foreign fund raising program | 304,711 | 981,583 |
| Receivables from reimbursement of contingent liabilities (Note 11b) | 1,114,192 | 1,095,673 |
| Receivables from the sale of the Credicard brand | - | 303,706 |
| Sundry domestic debtors | 579,637 | 613,872 |
| Sundry foreign debtors | 41,862 | 101,509 |
| Recoverable payments | 39,864 | 50,848 |
| Salary advances | 64,521 | 63,610 |
| Amounts receivable from related companies | 70,381 | 14,494 |
| Operations without credit granting characteristics | <u>416,586</u> | <u>459,455</u> |
| Securities and credits receivable | 621,480 | 508,602 |
| (Allowance for other loan losses) | (204,894) | (49,147) |
| Other | 173,666 | 104,494 |
| Total | 41,910,399 | 40,397,219 |

b) Prepaid expenses

| | 12/31/2009 | 12/31/2008 |
|---------------------------------------|-------------------|-------------------|
| Commissions | 2,063,210 | 2,653,121 |
| Related to insurance and pension plan | 492,220 | 293,094 |
| Related to vehicle financing | 1,384,016 | 2,336,731 |
| Other | 186,974 | 23,296 |
| Credit Guarantee Fund (*) | 713,906 | 901,090 |
| Advertising | 519,748 | 371,742 |
| Other | 137,754 | 188,630 |
| Total | 3,434,618 | 4,114,583 |

(*) Refers to spontaneous payment, equivalent to the prepayment of installments of the contribution to Fundo Garantidor de Crédito (Brazilian deposit guarantee fund), according to BACEN Circular No. 3,416, of 10/24/2008.

c) Other sundry liabilities

| | 31/12/2009 | 31/12/2008 |
|---|-------------------|-------------------|
| Provision for contingent liabilities (Note 11b) | 7,204,196 | 7,653,060 |
| Personnel provision | 867,799 | 844,148 |
| Provision for sundry payments | 1,970,945 | 1,311,765 |
| Liabilities for official agreements and rendering of payment services | 414,871 | 630,224 |
| Sundry creditors - local | 558,189 | 711,108 |
| Sundry creditors - foreign | 137,427 | 249,307 |
| Liabilities for purchase of assets and rights | 97,753 | 18,701 |
| Related to insurance operations | 1,226,854 | 1,176,337 |
| Provision to cover actuarial deficit (Note 17c) | 111,880 | 105,056 |
| Creditors of funds to be released | 362,849 | 310,358 |
| Funds from consortia participants | 153,314 | 80,210 |
| Provision for integration expenditures with ITAÚ UNIBANCO merger (1) | 843,546 | 1,330,800 |
| Provision for health insurance (2) | 595,991 | 530,634 |
| Lease obligations (Note 3i) | 109,429 | 137,043 |
| Other | 331,508 | 227,238 |
| Total | 14,986,551 | 15,315,989 |

(1) Provision set up at 12/31/2008 to cover expenditures on communication with customers, adequacy of systems and personnel.

(2) Provision set up to cover possible future deficits up to the total discontinuance of the portfolio, arising from the difference of adjustments to monthly installments, authorized annually by the regulatory body, and the actual variation of hospital costs that affect the compensation of claims).

d) Banking service fees

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|--|--------------------------------|--------------------------------|
| Asset management | <u>2,208,627</u> | <u>1,947,849</u> |
| Funds management fees | 2,160,105 | 1,920,262 |
| Consortia management fees | 48,522 | 27,587 |
| Current account services | 465,057 | 299,471 |
| Credit cards | <u>5,723,055</u> | <u>2,926,813</u> |
| Annual fees | 827,152 | 648,386 |
| Other services | <u>4,895,903</u> | <u>2,278,427</u> |
| Relationship with stores | 4,491,370 | 1,870,663 |
| Credit card processing | 404,533 | 407,764 |
| Loan operations and guarantees provided | <u>1,072,734</u> | <u>1,115,877</u> |
| Loans | 790,356 | 983,171 |
| Guarantees provided | 282,378 | 132,706 |
| Receipt services | <u>1,142,444</u> | <u>847,944</u> |
| Collection fees | 939,468 | 645,422 |
| Collection services | 202,976 | 202,522 |
| Other | <u>1,070,166</u> | <u>915,444</u> |
| Brokerage | 344,511 | 349,188 |
| Custody services and management of portfolio | 153,458 | 149,225 |
| Economic and financial advisory | 15,353 | 40,123 |
| Foreign exchange services | 48,451 | 44,630 |
| Other services | 508,393 | 332,278 |
| Total | <u>11,682,083</u> | <u>8,053,398</u> |

e) Income from bank charges

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|--------------------------------|--------------------------------|--------------------------------|
| Loan operations/registration | 1,016,264 | 1,293,086 |
| Deposit account | 161,436 | 92,344 |
| Transfer of funds | 118,025 | 83,413 |
| Service package fees and other | 1,452,317 | 1,059,059 |
| Total | 2,748,042 | 2,527,902 |

f) Personnel expenses

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|-------------------------|--------------------------------|--------------------------------|
| Compensation | (5,079,090) | (3,913,473) |
| Charges | (1,756,328) | (1,199,192) |
| Welfare benefits | (1,378,077) | (988,048) |
| Training | (112,804) | (116,144) |
| Subtotal | (8,326,299) | (6,216,857) |
| Labor claims (Note 11b) | (608,388) | (664,052) |
| Total | (8,934,687) | (6,880,909) |

g) Other administrative expenses

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|--|--------------------------------|--------------------------------|
| Data processing and telecommunications | (2,486,693) | (1,825,401) |
| Depreciation and amortization | (1,271,326) | (754,313) |
| Facilities | (1,761,937) | (1,099,267) |
| Third-party services | (2,737,033) | (1,674,126) |
| Financial system services | (288,927) | (233,014) |
| Advertising, promotions and publications | (939,034) | (680,187) |
| Transportation | (397,989) | (289,700) |
| Materials | (296,936) | (240,593) |
| Security | (369,850) | (258,571) |
| Legal | (24,351) | (38,007) |
| Travel expenses | (109,229) | (96,316) |
| Other | (368,847) | (278,264) |
| Total | (11,052,152) | (7,467,759) |

h) Other operating revenues

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|------------------------|------------------------|
| Reversal of operating provisions | <u>294,653</u> | <u>903,476</u> |
| Contingent assets and liabilities and legal liabilities - tax and social security (Note 11) | 294,653 | 720,001 |
| Other (1) | - | 183,475 |
| Recovery of charges and expenses | 217,749 | 208,485 |
| Goodwill on investments (2) | 816,989 | - |
| Other | 245,931 | 348,493 |
| Total | 1,575,322 | 1,460,454 |

(1) From 01/01 to 12/31/2008 comprises R\$ 119,315 related to reversal of provision for depreciation exceeding IT equipment and assets and R\$ 64,160 arising from a lawsuit for the restoration of undue payments of PIS Gross Operating Income (ROB) exceeding PIS Repique (PIS calculated on income tax payable), for the base periods July/1988 to May/1989. In November/2002, a final and unappealable decision was awarded recognizing the right to credit and in September/2008 the expert computation for settlement of the decision was completed.

(2) From January 1 to December 31, 2009, this refers basically to the amortization of the goodwill of the Redecard S.A. transaction (Notes 2a and 20k) in the amount of R\$ (556,575), and the reversal of the goodwill fully amortized in the consolidated financial statements in the amount of R\$ 1,414,026 (Note 20k), arising from the disposal of investments in Banco Único S.A. and the spin-off of part of the equity of ITAÚ UNIBANCO to Itaú BBA S.A. Additionally, it includes the reversal of the goodwill fully amortized in the consolidated financial statements of December 31, 2008 in the amount of R\$ 5,423,244 arising from the spin-off of part of the equity investments in FININVEST and UAM (Note 15e item 7) and consequent amortization of this goodwill in ITAUCARD attributed to the minority interests in subsidiaries (Note 20K).

i) Other operating expenses

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|--|--------------------------------|--------------------------------|
| Provision for contingencies (Note 11b) | <u>(1,260,897)</u> | <u>(2,202,363)</u> |
| Civil | (1,160,660) | (888,629) |
| Tax and social security | (74,425) | (1,241,121) |
| Other | (25,812) | (72,613) |
| Selling - credit cards | (1,402,929) | (646,947) |
| Claims | (549,803) | (321,057) |
| Joint venture (*) | (550,000) | - |
| Amortization of goodwill on investments | - | (19,483,129) |
| Recovery of interbank costs | (219,693) | (139,051) |
| Integration expenditures with ITAÚ UNIBANCO merger | - | (1,330,800) |
| Provision for health insurance | (65,357) | (530,634) |
| Other | (713,917) | (598,832) |
| Total | <u>(4,762,596)</u> | <u>(25,252,813)</u> |

(*) Amount paid on August 28, 2009 to Companhia Brasileira de Distribuição S.A., in order to exclude the obligation of exclusivity of ITAÚ UNIBANCO in the joint venture agreement related to Financeira Itaú CDB S.A. Crédito, Financiamento e Investimento.

j) Non-operating income

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|--------------------------|--------------------------------|--------------------------------|
| Sale of investments | <u>362,620</u> | <u>264,235</u> |
| Visa Inc. and Visa Net | 337,739 | 139,454 |
| MasterCard Inc. | - | 80,501 |
| BM&FBovespa | - | 44,280 |
| Allianz Seguros S.A. (1) | 24,881 | - |
| Equity in earnings (2) | (176,071) | - |
| Other | 56,876 | (91,858) |
| Total | <u>243,425</u> | <u>172,377</u> |

(1) Result achieved with the sale of interest of 14.025% held by Cia. Itaú de Capitalização to Allianz Seguros S.A.;

(2) Arising from changes in investments due to the corporate restructuring on 02/28/2009 (Note 15e IV).

NOTE 13 - TAXES

a) Composition of expenses for taxes and contributions

I - We show below the Income Tax and Social Contribution due on the operations for the period and on temporary differences arising from additions and exclusions:

| Due on operations for the period | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|--|------------------------|------------------------|
| Income before income tax and social contribution | 17,280,772 | (18,356,254) |
| Charges (Income tax and social contribution) at the rates in effect (Note 4o) | (6,912,309) | 6,270,341 |
| Increase/decrease to income tax and social contribution charges arising from: | | |
| Permanent (additions) exclusions | 67,434 | 1,437,395 |
| Investments in affiliates | 69,189 | 102,208 |
| Foreign exchange variation on investments abroad | (1,331,128) | 858,805 |
| Interest on capital | 1,230,169 | 782,085 |
| Dividends, interest on external debt bonds and tax incentives | 239,641 | 232,955 |
| Other | (140,437) | (538,658) |
| Temporary (additions) exclusions | 2,741,834 | (7,114,642) |
| Allowance for loan losses | (2,711,294) | (2,227,683) |
| Excess (insufficiency) of depreciation of leased assets | 2,587,275 | 2,850,987 |
| Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets | 97,702 | (131,300) |
| Legal liabilities - tax and social security, contingent liabilities and restatement of escrow deposits | 848,558 | (517,659) |
| Realization of goodwill on purchase of investments | 1,702,259 | (6,373,872) |
| Integration expenditures with ITAÚ UNIBANCO merger | 196,011 | (452,472) |
| Other | 21,323 | (262,643) |
| (Increase) offset of tax losses/social contribution loss carryforwards | (954,244) | (3,211,720) |
| Expenses for income tax and social contribution | (5,057,285) | (2,618,626) |
| Related to temporary differences | | |
| Increase (reversal) for the period | (1,413,232) | 10,180,827 |
| Prior periods increase (reversal) | 432,799 | 863,861 |
| Income (expenses) from deferred taxes | (980,433) | 11,044,688 |
| Total income tax and social contribution | (6,037,718) | 8,426,062 |

II - Composition of tax expenses:

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|------------------------|------------------------|------------------------|
| PIS AND COFINS | (2,865,148) | (1,488,457) |
| ISS | (462,433) | (343,409) |
| Other | (351,553) | (243,885) |
| Total (Note 4o) | (3,679,134) | (2,075,751) |

b) Deferred Taxes

I - The deferred tax asset balance and its changes, segregated based on its origin and disbursements incurred, are represented as follows:

| | DEFERRED TAX ASSETS | | | |
|---|----------------------------|---------------------------|--------------------------|--------------------------|
| | 12/21/2008 | Realization / Reversal | Increase (*) | 12/31/2009 |
| Reflected on income and expense accounts | <u>22,990,705</u> | <u>(9,450,056)</u> | <u>10,459,374</u> | <u>24,000,023</u> |
| Related to income tax and social contribution loss carryforwards | <u>2,778,974</u> | <u>(1,678,374)</u> | <u>1,854,088</u> | <u>2,954,688</u> |
| Related to disbursed provisions | <u>5,611,139</u> | <u>(3,128,315)</u> | <u>5,755,051</u> | <u>8,237,875</u> |
| Allowance for loan losses | 4,395,285 | (2,691,295) | 5,519,223 | 7,223,213 |
| Adjustment to market value of securities and derivative financial instruments (assets and liabilities) | 240,674 | (240,674) | 104,340 | 104,340 |
| Allowance for real estate | 53,974 | (14,545) | 41,583 | 81,012 |
| Goodwill on purchase of investments | 751,923 | (122,324) | - | 629,599 |
| Other | 169,283 | (59,477) | 89,905 | 199,711 |
| Related to non-disbursed provisions | <u>14,600,592</u> | <u>(4,643,367)</u> | <u>2,850,235</u> | <u>12,807,460</u> |
| Related to the operation | <u>13,456,515</u> | <u>(4,643,367)</u> | <u>2,142,377</u> | <u>10,955,525</u> |
| Legal Liabilities - tax and social security | 1,777,242 | (656,362) | 655,257 | 1,776,137 |
| Provision for contingent liabilities | <u>2,516,414</u> | <u>(1,063,570)</u> | <u>849,579</u> | <u>2,302,423</u> |
| Civil | 743,168 | (403,240) | 536,810 | 876,738 |
| Labor | 752,157 | (64,803) | 152,605 | 839,959 |
| Tax and social security | 946,830 | (594,487) | 126,635 | 478,978 |
| Other | 74,259 | (1,040) | 33,529 | 106,748 |
| Goodwill on purchase of investments | 7,373,551 | (2,064,085) | - | 5,309,466 |
| Provision for integration expenditures with ITAÚ UNIBANCO merger | 452,472 | (114,014) | - | 338,458 |
| Provision related to health insurance operations | 212,254 | - | 26,142 | 238,396 |
| Other non-deductible provisions | 1,124,582 | (745,336) | 611,399 | 990,645 |
| Related to provisions in excess of the minimum required not disbursed - allowance for loan losses | 1,144,077 | - | 707,858 | 1,851,935 |
| Reflected in stockholders' equity accounts - adjustment to market value of available-for-sale securities | 281,000 | (273,027) | 56,346 | 64,319 |
| Total (Nota 13b III) | <u>23,271,705</u> | <u>(9,723,083)</u> | <u>10,515,720</u> | <u>24,064,342</u> |
| Social contribution for offset arising from Option foreseen in article 8 of Provisional Measure No. 2,158-35 of 08/24/2001 (Note 13b III). | 1,290,729 | (362,081) | - | 928,648 |

(*) Includes the amount of R\$ 122,977 from the alliance with Porto Seguro (Note 20n).

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

| | 12/31/2008 | Realization / Reversal | Increase (*) | 12/31/2009 |
|---|------------------|---------------------------|------------------|------------------|
| Reflected in income and expense accounts | 6,204,103 | (593,428) | 2,464,230 | 8,074,905 |
| Depreciation in excess - leasing | 5,521,202 | (421,071) | 2,231,625 | 7,331,756 |
| Taxation of results abroad - Capital gains | - | - | - | - |
| Adjustments of operations carried out in futures settlement market | 48,187 | (19,028) | 8,837 | 37,996 |
| Adjustment to market value of trading securities and derivative financial instruments | 69,383 | (62,215) | - | 7,168 |
| Restatement of escrow deposits related to legal and contingent liabilities | 407,349 | - | 194,090 | 601,439 |
| Income on sale of permanent asset items and rights | 69,654 | (68,314) | - | 1,340 |
| Other | 88,328 | (22,800) | 29,678 | 95,206 |
| Reflected in stockholders' equity accounts - adjustment to market value of available-for-sale securities (Note 4c) | 18,140 | (7,866) | 95,133 | 105,407 |
| Total | 6,222,243 | (601,294) | 2,559,363 | 8,180,312 |

(*) Includes the amount of R\$ 12,659 from the alliance with Porto Seguro (Note 20n).

- III- The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001 and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2009, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

| Realization year | Deferred tax assets | | | Social contribution for offset | Provision for deferred income tax and social contribution | Net deferred taxes |
|-----------------------------------|-----------------------|---|-------------------|--------------------------------|---|--------------------|
| | Temporary differences | Tax loss/social contribution loss carryforwards | Total | | | |
| 2010 | 6,978,741 | 224,933 | 7,203,674 | 491,141 | (1,236,455) | 6,458,360 |
| 2011 | 3,787,859 | 928,196 | 4,716,055 | 361,087 | (1,743,523) | 3,333,619 |
| 2012 | 3,392,504 | 184,359 | 3,576,863 | 22,671 | (1,960,368) | 1,639,166 |
| 2013 | 2,912,147 | 148,334 | 3,060,481 | 9,993 | (1,743,386) | 1,327,088 |
| 2014 | 1,910,737 | 152,870 | 2,063,607 | 10,455 | (999,745) | 1,074,317 |
| After 2014 days | 2,127,666 | 1,315,996 | 3,443,662 | 33,301 | (496,835) | 2,980,128 |
| Total | 21,109,654 | 2,954,688 | 24,064,342 | 928,648 | (8,180,312) | 16,812,678 |
| Total on December 31, 2008 | 20,492,731 | 4,472,805 | 24,965,536 | 1,290,729 | (6,222,243) | 20,034,022 |
| Present value (*) | 18,692,229 | 2,376,021 | 21,068,250 | 860,264 | (7,142,704) | 14,785,810 |

(*) 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, among others, which can vary in relation to actual data and amounts.

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

- IV - In view of the unconstitutionality lawsuit related to the increase in the social contribution rate, established by Articles 17 and 41 of Law No. 11,727 of June 24, 2008, filed on June 26, 2008 by the National Confederation of the Financial System (CONSIF), deferred tax assets were recorded up to the amount added to the Tax Liabilities, while the amount of R\$ 2,295,197 is unrecorded (R\$ 1,612,546 at 12/31/2008).

c) Tax and social security contributions

The balance of taxes and social security contributions is composed as follows:

| | 12/31/2009 | 12/31/2008 |
|---|-------------------|-------------------|
| Taxes and contributions on income payable | 1,051,158 | 1,049,439 |
| Taxes and contributions payable | 3,015,662 | 1,097,109 |
| Provision for deferred income tax and social contribution (Note 13b II) | 8,180,312 | 6,222,243 |
| Legal Liabilities - tax and social security (Note 11c) | 6,422,834 | 8,011,019 |
| Total | 18,669,966 | 16,379,810 |

NOTE 14 - PERMANENT ASSETS

a) Investments

I - Composition of investments

| | 12/31/2009 | 12/31/2008 |
|---|------------------|------------------|
| Investment in affiliates | 1,162,686 | 1,569,746 |
| Domestic | 248,844 | 556,037 |
| Allianz Seguros S.A.(Note 12j) | - | 141,486 |
| Serasa S.A. | 248,745 | 154,279 |
| Itaú-BBA Participações S.A.(Note 15e 3) | - | 250,605 |
| Other | 99 | 9,667 |
| Foreign | 913,842 | 1,013,709 |
| BPI | 913,842 | 1,010,926 |
| Other | - | 2,783 |
| Other investments | 1,071,110 | 1,070,801 |
| Investments through tax incentives | 158,293 | 159,258 |
| Equity securities | 8,410 | 13,321 |
| Shares and quotas | 117,576 | 122,578 |
| Interest in Instituto de Resseguros do Brasil - IRB | 229,699 | 226,149 |
| Other | 557,132 | 549,495 |
| (Allowance for loan losses) | (175,108) | (173,536) |
| Total | 2,058,688 | 2,467,011 |

II - Equity in earnings of affiliates

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|------------------------|------------------------|
| Investment in affiliates – Domestic | 88,727 | (10,530) |
| Investment in affiliates – Foreign | 84,246 | 128,596 |
| Equity in earnings of subsidiaries, not arising from net income | (1,716) | 92,353 |
| Total | 171,257 | 210,419 |

b) Fixed and intangible assets

| | NET BALANCE AT 12/31/2008 | CHANGES | | | | 12/31/2009 | | |
|--|---------------------------------|------------------|------------------|--|-----------------|-------------------|-----------------------------|--------------------|
| | | ACQUISITIONS | DISPOSALS | DEPRECIATION/ AMORTIZATION/ EXPENSES (4) | OTHER (2) | COST | ACCUMULATED DEPRECIATION | NET BOOK AMOUNT |
| FIXED ASSETS | 3,845,287 | 1,177,239 | (58,799) | (1,097,288) | 267,309 | 10,083,712 | (5,949,963) | 4,133,749 |
| REAL ESTATE IN USE (1) | 2,336,504 | 217,883 | (4,988) | (368,956) | 91,442 | 4,152,846 | (1,880,960) | 2,271,886 |
| Land | 822,349 | 68,775 | (4,927) | - | 46,119 | 932,316 | - | 932,316 |
| Buildings | 614,627 | 68,365 | (16) | (75,193) | 168,499 | 2,194,395 | (1,418,113) | 776,282 |
| Improvements | 899,528 | 80,743 | (45) | (293,763) | (123,176) | 1,026,135 | (462,847) | 563,288 |
| OTHER FIXED ASSETS | 1,508,783 | 959,356 | (53,811) | (728,332) | 175,867 | 5,930,866 | (4,069,003) | 1,861,863 |
| Installations | 156,658 | 215,268 | (311) | (25,167) | 16,783 | 725,909 | (362,678) | 363,231 |
| Furniture and equipment | 335,493 | 154,801 | (25,528) | (106,705) | 14,784 | 708,906 | (336,061) | 372,845 |
| EDP systems | 815,386 | 542,957 | (18,908) | (545,462) | 121,375 | 3,941,186 | (3,025,838) | 915,348 |
| Other (communication, security and transportation) | 201,246 | 46,330 | (9,064) | (50,998) | 22,925 | 554,865 | (344,426) | 210,439 |
| INTANGIBLE ASSETS | 4,091,882 | 734,074 | (57,419) | (1,037,156) | (43,304) | 5,128,047 | (1,439,970) | 3,688,077 |
| RIGHTS FOR ACQUISITION OF PAYROLLS (3) | 2,314,427 | 147,513 | (32,679) | (745,308) | - | 2,597,479 | (913,526) | 1,683,953 |
| OTHER INTANGIBLE ASSETS | 1,777,455 | 586,561 | (24,740) | (291,848) | (43,304) | 2,530,568 | (526,444) | 2,004,124 |
| Association for the promotion and offer of financial products and services | 1,140,329 | 390,271 | (24,740) | (117,810) | - | 1,403,583 | (15,533) | 1,388,050 |
| Expenditures on acquisitions of software | 339,472 | 192,622 | - | (147,266) | 32,957 | 865,630 | (447,845) | 417,785 |
| Right to management of investment funds | 295,270 | 497 | - | (25,703) | (79,559) | 244,920 | (54,415) | 190,505 |
| Other intangible assets | 2,384 | 3,171 | - | (1,069) | 3,298 | 16,435 | (8,651) | 7,784 |
| GRAND TOTAL | 7,937,169 | 1,911,313 | (116,218) | (2,134,444) | 224,005 | 15,211,759 | (7,389,933) | 7,821,826 |

(1) Includes amounts pledged in guarantee of voluntary deposits (Note 12b);

(2) In Other, R\$ 142,079 is included from the full consolidation of Redecard S.A. (Note 2a) and R\$ 198,268 from the partnership with Porto Seguro S.A. (Note 20n);

(3) Represents the recording of amounts paid for acquisition of rights to provide services of payment of salaries, proceeds, retirement and pension benefits, and similar benefits. The balance basically comprises the agreements entered into with the State Governments of Rio de Janeiro, Goiás and Minas Gerais, and the Municipal Government of São Paulo;

(4) Amortization expenses of the acquisition of rights to credit payrolls and partnerships are disclosed in the expenses on financial operations.

NOTE 15 – STOCKHOLDERS' EQUITY

a) Shares

Capital comprises 4,095,427,813 book-entry shares with no par value, of which 2,081,169,523 are common and 2,014,258,290 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares.

b) Dividends

Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law.

In the period, dividends were paid or provided for as follows:

| | Gross | WTS | Net |
|---|------------------|------------------|------------------|
| Paid | | | |
| 11 monthly installments of R\$ 0.012 per share paid from February to December 2009 | 540,596 | - | 540,596 |
| Provided for (*) | | | |
| Interest on capital - R\$ 0.494 per share, credited on 12/30/2009 to be paid until 04/30/2010 | 2,025,000 | (303,750) | 1,721,250 |
| TOTAL | 2,565,596 | (303,750) | 2,261,846 |

(*) Recorded in Other Liabilities - Social and Statutory.

c) Capital and revaluation reserves

| | 12/31/2009 | 12/31/2008 |
|---|-------------------|-------------------|
| Capital reserves | 792,823 | 800,540 |
| Special Reserve (Article 2 - Law No. 8,200/91) | 112,556 | 112,556 |
| Premium on subscription of shares and other | 3,038 | 2,655 |
| Capital rearrangement | 565,063 | 573,766 |
| Granted options recognized - Law No. 11,638 | 89,074 | 88,087 |
| Reserves from tax incentives and restatement of equity securities | 23,092 | 23,476 |
| Revaluation reserves | 8,299 | 8,738 |
| Revenue reserves | 1,533,885 | - |
| Legal | 254,803 | - |
| Special (*) | 1,279,082 | - |

(*) Recorded to establish funds for exercising the preemptive right to subscription of capital increases in subsidiary and affiliated companies, future incorporation of these funds into capital and the payment of interim dividends, as provided for in the by-laws.

d) Reconciliation of Net Income and Stockholders' Equity

| | Net Income | | Stockholders' equity | |
|--|------------------------|------------------------|----------------------|-------------------|
| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 | 12/31/2009 | 12/31/2009 |
| ITAÚ UNIBANCO | 5,096,065 | (1,723,163) | 42,087,956 | 39,413,276 |
| Amortization of goodwill for the period | (597,528) | (18,957,127) | (597,528) | (20,589,756) |
| Amortization of goodwill for prior periods | 6,337,614 | 6,335,700 | (7,412,999) | 6,841,316 |
| Unrealized income (loss) | 1,148 | 3,604 | (5,460) | (8,779) |
| ITAÚ UNIBANCO CONSOLIDATED | 10,837,299 | (14,340,986) | 34,071,969 | 25,656,057 |

e) **Corporate Restructurings** – Based on the balance sheet of December 31, 2008, the ESMs held on February 28, 2009 resolved on the following, which are still pending the approval of BACEN:

- 2) Full merger of wholly-owned subsidiary E. JOHNSTON Representação e Participações S.A. (E. JOHNSTON) into ITAÚ and consequent extinction of E. JOHNSTON and decrease in the corresponding investment.
- 2) Full merger of wholly-owned subsidiary BBA HE Participações S.A. (BBA HE) into ITAÚ and consequent extinction of BBA HE and decrease in the corresponding investment.
- 3) Merger of part of the equity of ITAÚ BBA Participações S.A.(ITAÚ BBA PART) into ITAÚ and decrease in the corresponding investment.
- 4) Transfer of 9,467,040,282 shares, 4,733,520,141 of which are common and 4,733,520,141 are preferred shares, in the amount of R\$ 1,609,166 of Banco Único S.A. to ITAÚ BBA S.A. In ITAÚ UNIBANCO CONSOLIDATED, the assets and liabilities transferred to ITAÚ BBA are as follows:

| ASSETS | |
|--|--------------------|
| Current and long-term receivables | (4,166,907) |
| Cash and cash equivalents | (27) |
| Interbank investments | (427,106) |
| Interbank accounts | (14) |
| Loans | (3,472,738) |
| Other receivables | (267,022) |
| Permanent Assets - Investments | (380) |
| TOTAL | (4,167,287) |
| LIABILITIES | |
| Current and long-term liabilities | (3,718,525) |
| Deposits | (3,702,327) |
| Other liabilities | (16,198) |
| Social and statutory | (7,378) |
| Tax and Social Security Contributions | (8,820) |
| TOTAL | (3,718,525) |
| REDUCTION OF INVESTMENTS IN BANCO ÚNICO | (448,762) |

- 5) Partial spin-off of ITAÚ UNIBANCO and transfer of a portion of its equity to Itaú BBA through the delivery of investments held in Itaú BBA, and the subsequent reduction in its capital by R\$ 250,723.
- 6) Partial merger of the subsidiary UNIBANCO – União de Bancos Brasileiros S.A. (UNIBANCO) into ITAÚ and decrease in corresponding capital.
- 7) Partial spin-off of ITAÚ UNIBANCO and transfer of a portion of its equity to BANCO ITAUCARD S.A. (ITAUCARD) through the delivery of investments held in Banco Fininvest S.A. and Unibanco Asset Management S.A. – Distribuidora de Títulos e Valores Mobiliários, and the subsequent reduction in its capital by R\$ 247,957.
- 8) Merger of part of the equity of ITAUBANK Leasing S.A. – Arrendamento Mercantil (ITAUBANK Leasing) into ITAÚ and decrease in the corresponding capital.

NOTE 16 - RELATED PARTIES

Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation were eliminated from the consolidated financial statements and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- The parent company ITAÚSA, its controlling companies and non-financial subsidiaries, especially Itautec S.A., Duratex S.A., Elekeiroz S.A. and Itaúsa Empreendimentos S.A.;
- Banco Itaú BBA S.A. and the subsidiaries in Chile and Uruguay;
- Fundação Itaúbanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev e Itaúbank Sociedade de Previdência Privada, UBB – Previdência Complementar e Fundação Banorte Manuel Baptista da Silva de Seguridade Social, closed-end private pension entities, that administer supplementary retirement plans sponsored by ITAÚ UNIBANCO and/or its subsidiaries, as described in Note 17a; and
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema and Associação Clube “A”, entities sponsored by ITAÚ UNIBANCO to act in their respective areas of interest, as described in Notes 20d to 20i.

The transactions with these related parties, besides those already mentioned above, are basically characterized by:

| | ASSETS (LIABILITIES) | | INCOME (EXPENSES) | |
|--|----------------------|---------------------|------------------------|------------------------|
| | 12/31/2009 | 12/31/2008 | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
| Interbank investments | 48,505,542 | 51,403,059 | 5,909,321 | 5,915,687 |
| Banco Itaú BBA S.A. | 47,081,936 | 51,057,062 | 5,834,363 | 5,838,710 |
| Itaú Unibanco Holding S.A. | 899,224 | 345,997 | 69,656 | 76,977 |
| Banco Itaú Chile | 524,382 | - | 5,302 | - |
| Derivative financial instruments | 238,581 | 2,198,311 | 433,788 | 2,115,088 |
| Banco Itaú BBA S.A. | 237,285 | 2,196,787 | 433,949 | 2,125,234 |
| Itaú Unibanco Holding S.A. | 1,296 | 1,524 | (161) | (10,146) |
| Deposits | (23,298,234) | (15,762,280) | (2,258,820) | (1,987,851) |
| Banco Itaú BBA S.A. | (16,388,897) | (15,346,008) | (1,784,773) | (1,909,582) |
| Itaú Unibanco Holding S.A. | (6,851,028) | (350,485) | (474,047) | (78,269) |
| ITH Zux Cayman Company Ltd. | (40,563) | (54,459) | - | - |
| Duratex S.A. | (17,746) | (11,328) | - | - |
| Debentures | (12,322,965) | (683,593) | (450,062) | 414,026 |
| Banco Itaú BBA S.A. | (12,322,965) | (683,593) | (450,062) | 414,026 |
| Repurchase agreements | (18,718,857) | (23,865,946) | (2,372,387) | 3,984,778 |
| Banco Itaú BBA S.A. | (18,670,528) | (23,739,303) | (2,376,458) | 3,988,666 |
| ITAÚSA Empreendimentos S.A. | (47,815) | (44,155) | 4,071 | (475) |
| Duratex S.A. | - | (15,353) | - | (1,184) |
| Itaú Gestão de Ativos S.A. | (514) | - | - | - |
| Elekeiroz S.A. | - | (58,529) | - | (2,216) |
| Itautec S.A. | - | (8,606) | - | (13) |
| Foreign exchange portfolio | (504,217) | (1,521,822) | (127,857) | (2,368,950) |
| Banco Itaú BBA S.A. | (504,217) | (1,521,822) | (127,857) | (2,368,950) |
| Amounts receivable from (payable to) related parties | (78,849) | (90,713) | (125,257) | (28,997) |
| Banco Itaú BBA S.A. | (5,220) | (4,553) | (27,130) | (16,932) |
| Itaú Unibanco Holding S.A. | (1,073) | 3,769 | 4,836 | 2,184 |
| ITAÚSA Investimentos S.A. | (72,556) | - | (102,963) | - |
| UBB Prev Previdência Complementar | - | (13,242) | - | (2,900) |
| Fundação Banorte Manuel Baptista da Silva de Seguridade Social | - | (76,687) | - | (11,349) |
| Banking service fees | - | - | 13,500 | 13,364 |
| Fundação Itaúbanco | - | - | 9,334 | 6,438 |
| FUNBEP - Fundo de Pensão Multipatrocinado | - | - | 2,409 | 2,068 |
| UBB Prev Previdência Complementar | - | - | - | 3,664 |
| Itaúsa Investimentos S.A. | - | - | 1,757 | 1,194 |
| Rent expenses | - | - | (32,032) | (25,700) |
| Duratex S.A. | - | - | - | 2,498 |
| Itautec S.A. | - | - | - | 2,051 |
| Itaúsa - Investimentos Itaú S.A. | - | - | (1,411) | (1,386) |
| FUNBEP - Fundo de Pensão Multipatrocinado | - | - | (6,529) | (6,005) |
| Fundação Itaúbanco | - | - | (24,092) | (22,858) |
| Donation expenses | - | - | (39,970) | (37,065) |
| Instituto Itaú Cultural | - | - | (39,250) | (36,750) |
| Other | - | - | (720) | (315) |
| Data processing expenses | - | - | (265,757) | (226,888) |
| Itautec S.A. | - | - | (265,757) | (226,888) |

NOTE 17 - BENEFITS TO EMPLOYEES

Under the terms of CVM Resolution No. 371, dated December 13, 2000, we present the policies adopted by ITAÚ UNIBANCO and its subsidiaries (ITAÚ CONSOLIDATED) regarding benefits to employees, as well as the accounting procedures adopted:

a) Supplementary retirement benefits:

ITAÚ UNIBANCO and its subsidiary companies sponsor the following supplementary retirement plans:

| Entity | Benefit plan |
|--|--|
| Fundação Itaúbanco | Supplementary retirement plan - PAC (1) |
| | Franprev benefit plan - PBF (1) |
| | 002 Benefit Plan - PB002 (1) |
| | Itaulam Basic Plan - PBI (1) |
| | Itaulam Supplementary Plan - PSI (2) |
| Fundação Bemgeprev | Supplementary Retirement Plan - Flexible Premium Annuity |
| 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 (Orbitall/ Credicard Itaú) | Itaú Defined Benefit Plan (1) |
| | Itaú Defined Contribution Plan (2) |
| Citiprev - Entidade Fechada de Previdência Complementar | Redecard Basic Retirement Plan (1) |
| | Redecard Supplementary Retirement Plan (2) |
| Itaubank Sociedade de Previdência Privada | Itaubank Retirement Plan (3) |
| UBB-PREV - Previdência Complementar | Unibanco pension plan (3) |
| | Basic plan (1) |
| | IJMS plan (1) |
| Banorte Fundação Manoel Baptista da Silva de Seguridade Social | Benefit plan I (1) |
| | Benefit plan II (1) |

(1) Defined benefit plan;

(2) Variable contribution plan;

(3) Defined contribution plan.

The basic purpose of the defined benefit and variable contribution plans is to grant a benefit that, as a life annuity benefit (in case of FUNBEP, PREBEG, PB002, BD Itaú, Redecard, UBB Prev and Fundação Banorte, also as survivorship annuities), will supplement the pension paid by social security. In case of the defined contribution plan, the benefit is calculated based on the contributions made, and its payment is made for an established period, which does not require actuarial calculation.

All of these plans are closed to new participants. As regards the new employees hired after the closing, they have the option to participate in a defined contribution plan (PGBL) managed by Itaú Vida e Previdência S.A.

During the period, the contributions made totaled R\$ 51,337 (R\$ 44,916 from January 1 to December 31, 2008). The contribution rate increases based on the beneficiary's salary.

b) Post-employment benefits:

ITAÚ UNIBANCO does not offer other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by ITAÚ UNIBANCO, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries. During the period, the contributions made totaled R\$ 5,383 (R\$ 6,658 from January 1 to December 31, 2008). The contribution rate increases based on the beneficiary's age.

c) Net amount of assets and actuarial liabilities of the benefit plan:

The net assets and actuarial liabilities, which consider the actuarial obligations, calculated in conformity with the criteria established by CVM Resolution No. 371 dated December 13, 2000, are summarized below:

| | 12/31/2009 | 12/31/2008 |
|-------------------------|------------------|------------------|
| Net assets of the plans | 14,536,891 | 12,775,978 |
| Actuarial liabilities | (12,090,146) | (11,223,791) |
| Surplus (*) | 2,446,745 | 1,552,187 |

(*) According to paragraph 49g of the attachment to CVM Resolution No. 371 of December 13, 2000, the net asset was not recognized.

In addition to the reserves recorded by the plans, the sponsors record provisions in the amount of R\$ 111,880 (R\$ 105,056 at December 31, 2008) (Note 12c) to cover possible actuarial liabilities.

d) Changes in net assets, actuarial liabilities, and surplus

| DESCRIPTION | 01/01 to 12/31/2009 | | | 01/01 to 12/31/2008 | | |
|---|---------------------|-----------------------|------------------|---------------------|-----------------------|------------------|
| | Assets | Actuarial liabilities | Surplus | Assets | Actuarial liabilities | Surplus |
| Present value – beginning of the period | 12,775,978 | (11,223,791) | 1,552,187 | 12,583,353 | (9,440,841) | 3,142,512 |
| Adjustments in the period (1) | - | (127,661) | (127,661) | - | - | - |
| Expected return on assets/ Cost of current service + Interest | 1,582,884 | (1,044,705) | 538,179 | 1,536,547 | (1,164,577) | 371,970 |
| Benefits paid | (572,246) | 572,246 | - | (472,846) | 472,846 | - |
| Contributions of sponsors/participants | 104,475 | - | 104,475 | 66,523 | - | 66,523 |
| Gains/(losses) in the period (2) | 586,123 | (212,996) | 373,127 | (1,051,459) | (909,399) | (1,960,858) |
| Balance arising from REDECARD at 12/31/2009 (3) | 59,677 | (53,239) | 6,438 | - | - | - |
| Balance arising from ITAU UNIBANCO merger at 09/30/2008 | | | | 113,860 | (181,820) | (67,960) |
| Present value – end of the period | 14,536,891 | (12,090,146) | 2,446,745 | 12,775,978 | (11,223,791) | 1,552,187 |

(1) Effect corresponding to the reclassification of the option of former employees;

(2) Gains/(losses) in assets correspond to the actual earnings obtained below the expected return rate of assets;

(3) It considers minority stockholders (Note 20k).

e) Main assumptions used in actuarial evaluation:

| | Itaú Unibanco Holding | Redecard |
|---|---------------------------|---------------------------|
| Discount rate | 10.24% p .a. | 12.00% p.a. |
| Expected return rate on assets | 12.32 % p.a. | 12.50 % p.a. |
| Mortality table (1) | AT-2000 | AT-83 |
| Turnover (2) | Itaú Exp. 2003/2004 | Mercer Service |
| Future salary growth | 7.12 % p.a. | 6.50 % p.a. |
| Growth of the pension fund and social security benefits | 4.00 % p.a. | 4.50 % p.a. |
| Inflation | 4.00 % p.a. | 4.50 % p.a. |
| Actuarial method | Projected Unit Credit (3) | Projected Unit Credit (3) |

(1) The mortality tables adopted correspond to those disclosed by SOA – Society of Actuaries, the North-American Entity which corresponds to IBA – Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probabilities of survival as compared to the respective basic tables.

(2) The turnover assumption is based on the effective experience of ITAÚ UNIBANCO, resulting in an average of 1.2% p.a. based on 2003/2004 experience.

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

NOTE 18 - INFORMATION ON FOREIGN SUBSIDIARIES

| | Foreign branches (1) | | Banco Itaú Argentina S.A. | | Itaú Europa Consolidated (2) | | Consolidated Cayman (3) | | Paraguay (4) | | Other foreign companies (5) | | Foreign consolidated (6) | |
|--|----------------------|-------------------|---------------------------|------------------|------------------------------|-------------------|-------------------------|-------------------|------------------|------------------|-----------------------------|------------------|--------------------------|-------------------|
| | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 | 12/31/2009 | 12/31/2008 |
| Assets | | | | | | | | | | | | | | |
| Current and long-term receivables | | | | | | | | | | | | | | |
| Cash and cash equivalents | 762,592 | 5,743,230 | 98,484 | 159,958 | 1,865,208 | 1,848,939 | 2,389,774 | 2,405,494 | 107,724 | 172,137 | 575,718 | 192,727 | 4,025,406 | 8,657,498 |
| Interbank investments | 7,616,862 | 10,265,831 | 221,025 | 184,914 | 2,529,815 | 3,974,003 | 4,225,270 | 4,925,571 | 63,925 | 112,107 | 102,723 | 246,845 | 9,953,442 | 13,535,390 |
| Securities | 12,270,064 | 21,943,257 | 196,342 | 73,894 | 1,648,279 | 2,907,495 | 4,155,728 | 5,227,660 | 419,865 | 404,631 | 173,681 | 141,014 | 16,887,147 | 28,433,858 |
| Loan, lease and other credit operations | 2,560,845 | 7,432,528 | 1,098,976 | 1,536,255 | 5,070,761 | 6,783,554 | 266,990 | 450,912 | 939,708 | 1,070,429 | - | 478,225 | 9,835,268 | 17,114,743 |
| Foreign exchange portfolio | 5,894,613 | 786,825 | 38,953 | 41,495 | 15,933,855 | 9,105,329 | 700,814 | 1,697,740 | 32,774 | - | - | - | 19,121,667 | 11,631,389 |
| Other assets | 158,442 | 859,690 | 403,917 | 451,309 | 231,593 | 290,798 | 456,741 | 791,516 | 341,372 | 281,144 | 71,566 | 55,769 | 1,635,871 | 2,731,141 |
| Permanent assets | | | | | | | | | | | | | | |
| Investments | - | - | 4,523 | 8,048 | 466,379 | 520,824 | 38,473 | 50,572 | 529 | 665 | 449,343 | 496,624 | 916,683 | 1,019,629 |
| Banco BPI S.A. | - | - | - | - | 466,060 | 515,572 | - | - | - | - | 447,783 | 496,624 | 913,842 | 1,013,078 |
| Other investments | - | - | 4,523 | 8,048 | 319 | 5,252 | 38,473 | 50,572 | 529 | 665 | 1,560 | - | 2,841 | 6,551 |
| Fixed and intangible assets | 27,330 | 38,200 | 56,592 | 69,340 | 203,826 | 309,289 | 34 | 488 | 18,171 | 22,025 | 4,566 | 6,729 | 310,565 | 446,069 |
| Total | 29,290,748 | 47,069,561 | 2,118,812 | 2,525,213 | 27,949,716 | 25,740,231 | 12,233,824 | 15,549,953 | 1,924,068 | 2,063,138 | 1,377,597 | 1,617,933 | 62,686,049 | 83,569,717 |
| Liabilities | | | | | | | | | | | | | | |
| Current and long-term liabilities | | | | | | | | | | | | | | |
| Deposits | 12,708,086 | 17,900,165 | 1,575,884 | 1,954,888 | 7,312,365 | 9,699,613 | 2,249,976 | 3,830,268 | 1,571,940 | 1,697,017 | 4 | 76,743 | 18,545,810 | 27,053,751 |
| Demand deposits | 2,881,487 | 4,409,811 | 421,533 | 546,269 | 2,817,545 | 2,405,316 | 1,136,547 | 2,061,307 | 535,609 | 568,637 | - | - | 5,279,280 | 7,351,438 |
| Savings deposits | - | - | 405,482 | 417,981 | - | - | - | - | 708,739 | 725,263 | - | - | 1,114,220 | 1,143,243 |
| Interbank deposits | 3,256,757 | 136,566 | 33,657 | 9,408 | 1,273,070 | 798,462 | 295,951 | 1,136,009 | 83,858 | 153,876 | - | - | 2,815,969 | 820,851 |
| Time deposits | 6,569,842 | 13,353,789 | 715,212 | 981,230 | 3,221,750 | 6,495,835 | 817,478 | 632,952 | 243,734 | 249,241 | 4 | 76,743 | 9,336,341 | 17,738,219 |
| Deposits received under securities repurchase agreements | 426,293 | 2,708,556 | 125,799 | 28,154 | - | 205,471 | 1,131,707 | 1,158,657 | - | - | - | - | 1,072,056 | 3,530,164 |
| Funds from acceptances and issuance of securities | 228,685 | 1,448,384 | - | - | 1,889,019 | 2,433,102 | 2,389,432 | 944,942 | - | - | - | - | 4,483,859 | 4,768,224 |
| Borrowings | 2,630,969 | 8,764,124 | 13,060 | 68,950 | 834,813 | 1,712,433 | 28,023 | - | 13,152 | 22,077 | 55,592 | 9,307 | 3,387,998 | 10,389,996 |
| Derivative financial instruments | 767,879 | 3,133,908 | 1,067 | 13,016 | 227,355 | 167,535 | 772,322 | 1,233,097 | - | - | - | - | 850,910 | 3,090,358 |
| Foreign exchange portfolio | 5,888,777 | 780,731 | 38,941 | 41,180 | 15,962,406 | 9,128,472 | 705,612 | 1,702,763 | 33,348 | - | - | - | 19,149,743 | 11,653,146 |
| Other liabilities | 1,808,133 | 6,993,248 | 191,676 | 172,497 | 160,374 | 808,869 | 826,588 | 2,929,250 | 58,966 | 67,998 | 67,849 | 59,415 | 3,039,033 | 10,469,499 |
| Deferred income | 1,381 | 32,701 | - | - | 15,260 | 20,205 | 346 | 636 | 88 | 45 | 5,312 | - | 22,387 | 53,586 |
| Minority interest in subsidiaries | - | - | - | - | 42 | 189 | - | - | - | - | 9 | 2 | 102 | 2,659 |
| Stockholders' equity | | | | | | | | | | | | | | |
| Capital and reserves | 4,084,649 | 5,042,909 | 169,928 | 225,905 | 1,499,073 | 1,400,218 | 4,141,288 | 3,714,032 | 155,960 | 247,408 | 1,193,514 | 1,452,833 | 11,200,964 | 12,172,603 |
| Net income | 745,896 | 264,835 | 2,457 | 20,623 | 49,009 | 164,124 | (11,470) | 36,308 | 90,884 | 28,593 | 55,317 | 19,633 | 933,187 | 385,731 |
| Total | 29,290,748 | 47,069,561 | 2,118,812 | 2,525,213 | 27,949,716 | 25,740,231 | 12,233,824 | 15,549,953 | 1,924,068 | 2,063,138 | 1,377,597 | 1,617,933 | 62,686,049 | 83,569,717 |
| Statement of income | | | | | | | | | | | | | | |
| Income from financial operations | 1,284,081 | 1,338,942 | 266,728 | 372,105 | 709,631 | 643,453 | 223,158 | 283,817 | 165,147 | 55,366 | 3,793 | 31,194 | 2,597,830 | 2,571,035 |
| Expenses on financial operations | (492,181) | (840,747) | (82,529) | (141,427) | (584,162) | (457,716) | (225,438) | (184,561) | (34,670) | (10,556) | (1,652) | (2,360) | (1,362,706) | (1,484,229) |
| Result of allowance for loan losses | (3,030) | (3,858) | (21,396) | (3,310) | (2,229) | (30,487) | - | 6 | (14,393) | (5,121) | - | 6 | (41,048) | (42,764) |
| Gross income from financial operations | 788,870 | 494,337 | 162,803 | 227,368 | 123,240 | 155,250 | (2,280) | 99,262 | 116,084 | 39,689 | 2,141 | 28,840 | 1,194,076 | 1,044,042 |
| Other operating revenues/expenses | (10,123) | (62,334) | (150,997) | (184,223) | (34,878) | (29,433) | 4,639 | (15,078) | (27,323) | (8,072) | 90,534 | 22,043 | (129,664) | (410,539) |
| Operating income | 778,747 | 432,003 | 11,806 | 43,145 | 88,362 | 125,817 | 2,359 | 84,184 | 88,761 | 31,617 | 92,675 | 50,883 | 1,064,412 | 633,503 |
| Non-operating income | - | - | 1,244 | 4,024 | (445) | 326 | 133 | - | 10,277 | 26 | (210) | 44 | 10,400 | 4,527 |
| Income before taxes on income and profit sharing | 778,747 | 432,003 | 13,050 | 47,169 | 87,917 | 126,143 | 2,492 | 84,184 | 99,038 | 31,643 | 92,465 | 50,927 | 1,074,812 | 638,030 |
| Income tax | (32,851) | (167,168) | (10,593) | (21,869) | (25,278) | (49,588) | (1,514) | (30,481) | (8,154) | (3,050) | (17,740) | (16,462) | (96,125) | (189,443) |
| Statutory participation in income | - | - | - | (4,677) | (13,633) | (11,605) | (12,448) | (17,395) | - | - | (19,410) | (14,832) | (45,498) | (48,508) |
| Minority interest in subsidiaries | - | - | - | - | 3 | (2) | - | - | - | - | 2 | - | (2) | (14,348) |
| Net income (loss) | 745,896 | 264,835 | 2,457 | 20,623 | 49,009 | 164,124 | (11,470) | 36,308 | 90,884 | 28,593 | 55,317 | 19,633 | 933,187 | 385,731 |

(1) Itaú Unibanco S.A. - Grand Cayman, New York, Tokyo and Nassau Branches and Unibanco Grand Cayman Branch;

(2) BIEL Holdings AG, IPI - Itaúsa Portugal Investimentos, SGPS Lda. (51%), Itaú Europa Luxembourg Advisory Holding Company S.A., Itaúsa Europa - Investimentos, SGPS, Lda., Itaú Europa, SGPS, Lda., Itaúsa Portugal - SGPS, S.A., Banco Itaú Europa, S.A., BIE - Bank & Trust, Ltd., Banco Itaú Europa Luxembourg S.A., Banco Itaú Europa Fund Management Company, S.A. (dissolved on 07/31/2009), BIEL Fund Management Company S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank & Trust Bahamas Ltd., Itaú Europa Securities Inc., Unibanco - União de Bancos Brasileiros (Luxembourg) S.A. (merged on 07/31/2009), Itaú Madeira Investimentos, SGPS, Ltda, BIE Directors, Ltd, BIE Nominees, Lda, and only on 12/31/2009, Brazcomp 1 Limited e Fin Trade, Kennedy Director International Services S.A., Federal Director International Services S.A., Bay State Corporation Limited Cape Ann Corporation Limited;

(3) BFB Overseas N.V., BFB Overseas Cayman, Ltd., Itaú Bank Ltd., ITB Holding Ltd., Jasper International Investment LLC, Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc, UBB Holding Company, Inc., Uni-Investments Inter. Corp., Unipart Partic. Internac. Ltd. and Rosefield Finance Ltd.;

(4) Interbanco S.A.;

(5) Afincó Americas Madeira, SGPS, Soc. Unipessoal Ltda., Itaú Asset Management S.A., Sociedad Gerente de Fondos Comunes de Inversión, Zux Cayman Company Ltd., Zux SGPS, Lda., Agate SARL, Topaz Holding Ltd., Itaú USA Inc, Itaú International Investment LLC, ITTrust Servicios Financieros S.A., Albarus S.A., Banco Del Paraná S.A., Amethyst Holding Ltd., Garnet Corporation, Itaú Securities Holding (new company's name of Zircon Corporation), Spinel Corporation, Tanzanite Corporation, Itaú Sociedad de Bolsa S.A., Itaú Asia Securities Ltd., Libero Trading International Ltd., IPI - Itaúsa Portugal Investimentos, SGPS Lda. (49%), Itaú USA Securities, Inc., Itaú Middle East Securities Limited, Unipart B2B Investments, S.L., Tarjetas Unisoluciones S. A. de Capital Variable, Proserv - Promociones Y Servicios S.A. de C. V. and only on 31/12/2009, Itaú UK Securities Ltd.;

(6) Information on foreign consolidated presents balances net of eliminations from consolidation.

NOTE 19 – RISK MANAGEMENT

Risk management is considered an essential tool for optimizing the use of capital and selecting the best business opportunities, in order to obtain the best risk and return ratio for its stockholders, being performed by ITAÚ UNIBANCO through its Management Committees. The risk appetite management is centralized in one of these committees, being responsible for releasing general policies and the consolidated risk assessment, whereas the operational management is carried out by committees specific to each type of risk that establish parameters to be followed by the business areas, which in turn are monitored independently by the control area.

This process is continuous, permanently reviewed and supports the Group's strategies.

Further details on the risk control process can be found on the website (www.itaunibanco.com.br/ri) in the following route: Corporate Governance/Risk Management.

I – Market Risk

This is the risk associated with the probability that a variation in the value of assets and liabilities, caused by uncertainties about changes in prices and market rates, incurs losses for the company.

The risk control process starts with the setting of limits, approved by the Management Committee responsible for the market risk management, based on the risk appetite and financial capacity of each main unit. The market risk is controlled by the centralized risk control area, which carries out daily measurement, assessment and report activities by way of control units set in the Legal Entities.

Additionally, it carries out the consolidated monitoring, assessment and report of market risk information, aiming at providing input for the Management Committee's follow-up and compliance with the Brazilian regulatory body.

The market risk control and management process is submitted to periodic reviews aimed at keeping it aligned with the best market practices and adhering to the continuous improvement processes at ITAÚ UNIBANCO.

Value at Risk (VaR)

The risk assessment process quantifies the exposure to and the appetite for risk using the risk limits based on statistical criteria (VaR Statistical: level of confidence at 99% - is a statistical measure that estimates the expected maximum potential economic loss under regular market conditions, taking into consideration the time period and confidence level), Stress simulations (Var Stress – is a measure that estimates the loss under extreme market conditions based on stress scenarios) and allocated economic capital.

The transactions of commercial bank activities and strategic positions are managed using assessments of economic risk and simulations of accounting exposures. Directional trading operations (operations aimed at finding the best market options, in order to take advantage of imperfections in the definition of prices and rates, in relation to the company's expectations), performed by proprietary desks, are mainly controlled by VaR Stress measures and loss prevention limits.

The limits and exposure to market risks are relatively low as compared to the company's stockholders' equity, according to the diversified management of risks. In December 2009 the Total VaR Global of ITAÚ UNIBANCO was R\$ 87 million (R\$ 158 million in September 2009).

Susceptibility of portfolio in relation to market risk factors

In compliance with CVM Instruction No. 475 of December 17, 2008, Itaú Unibanco carried out a sensitivity analysis by market risk factors considered relevant to which the group was exposed. Each market risk factor was subject to a sensitivity level, with shock applications in approximately 25% (scenario II) and approximately 50% (scenario III), and the biggest losses arising, by risk factor, in each scenario, were stated with impact on result, net of tax effects, by providing a vision of the ITAÚ UNIBANCO exposure in derivatives under exceptional scenarios.

In accordance with the operations classification criteria set forth in BACEN Resolution No. 3,464/07 and Circular No. 3,354/07 and in the New Capital Accord – Basel II, the analysis was fully applied to the trading and banking portfolios, which exposures will have significant impacts on the company's current result.

The outcome of the sensitivity analysis, with correlation effects among the risk factors in the trading portfolio and net of tax effects, points out to a mark-to-market sensitivity of R\$ 432 million and R\$ 822 million for those scenarios with variations of 25% and 50%, respectively. In the consolidated portfolio (trading + banking), sensitivity is R\$ 1,299 million and R\$ 2,465 million for those scenarios with variations of 25% and 50%, respectively.

The sensitivity analyses shown in this report do not predict the dynamics of the operation of the risk and treasury areas, because once loss related to positions is found, risk mitigating measures are quickly taken, minimizing the possibility of significant losses.

The method, parameters and assumptions are in the Management Discussion and Analysis Report (www.itau-unibanco.com.br/ri).

ITAÚ UNIBANCO's Market Risk Management Policy, based on BACEN's guidelines and the Basel Committee's concepts, is a set of principles that drive its strategy towards control and management of market risk of all Business Units and Legal Entities of the Group. It is in the website (www.itauunibanco.com.br/ri) in the route: Corporate Governance/Regulations and Policies/Market Risk Management Policy.

II – Credit Risk

This is the risk of a debtor or borrower failing to fulfill the financial obligations of any agreement with the organization, or alternatively, failing to fulfill any agreed-upon provisions.

ITAÚ UNIBANCO's management is performed with the objective of maximizing the risk and return ratio of its assets, maintaining the credit portfolio quality at levels appropriate to the market segments in which it is operating. The strategy is aimed at creating value to its stockholders at levels higher than the minimum return value adjusted to risk.

ITAÚ UNIBANCO establishes its credit policy based on internal factors, such as the client rating criteria and the portfolio development analysis, the registered default levels, the incurred return rates, the portfolio quality and the allocated economic capital; and external factors, related to the economic environment in Brazil and abroad, including market share, interest rates, market default indicators, inflation, consumption increase/decrease.

ITAÚ UNIBANCO's centralized process for making decisions and establishing a credit policy guarantees the synchrony of credit actions and optimization of business opportunities. In retail, decisions are made based on scoring models that are continuously followed up by evaluating the result of their application in groups to which credits were granted. In wholesale, the several committees are subordinated to the Management Committee responsible for the credit risk management through a structure of approval levels that ensures the detailed observation of transaction risk, as well as the necessary timing and flexibility of its approval.

To protect the institution against losses arising from loan operations, ITAÚ UNIBANCO determines a provision level commensurate with the risk incurred in each operation through analyses that consider the aspects which determine the client's credit risk. For each operation, the assessment and rating of the client/economic group, the operation rating, and status of the operation default are taken into account.

Additionally, ITAÚ UNIBANCO recognizes a provision to cover possible additional losses that may arise due to any reversal of the economic cycle. This provision is usually quantified based on the historic behavior of credit portfolios in economic crisis situations (Note 7 c).

The set of exposures, probabilities of default and the expected recovery of transactions are included in a capital model that calculates for extreme situations the Group's capital requirement at a safety level of 99.99%.

III – Operational Risk

It is defined as the possibility of occurring losses resulting from flaw, deficiency or inadequacy of internal processes, people and systems, or external events.

The increasing sophistication of banking business environment and the development of technology make the risk profiles of organizations more complex, clearly outlining this risk class, which management is not a new practice, but requires now a specific structure, different from those traditionally adopted for credit and market risks.

In line with the principles of CMN Resolution No. 3,380, of June 29, 2006, ITAÚ UNIBANCO formulated a policy on operational risk management, approved by its Audit Committee and ratified by its Board of Directors, to be followed by its local and foreign subsidiaries.

The policy comprises a set of principles, procedures and tools to enable the company to make permanent adjustments to management in view of the nature and complexity of products, services, activities, processes and systems.

The structure formalized in this policy establishes procedures for the identification, assessment, monitoring, control, mitigation and communications related to operational risks, and the roles and responsibilities of the bodies that participate in this structure.

The Central Bank of Brazil's legislation compelling financial institutions to allocate capital for operational risk came into effect as from July 1, 2008. ITAÚ UNIBANCO opted for the use of the Alternative Standardized Approach.

In addition to regulatory capital, ITAÚ UNIBANCO already used the managerial model of economic assessment by business line with the quantification of operational risks incurred through statistical models that enables the recognition of a provision for expected losses and capital allocation for unexpected losses (VaR at a confidence level of 99.9%).

The description of the structure for the operational risk management is available on the website (www.itaunibanco.com.br/ri) in the route: Corporate Governance/Regulations and Policies/Operational Risk Management Policy.

IV – Liquidity Risk

It is the risk of the company not having sufficient liquidity to meet its financial obligations, as a result of the mismatching of terms or volumes between scheduled receipts and payments.

For managing cash liquidity in local and foreign currency, the company makes assumptions about future disbursements and receipts, based on statistical and economic and financial models, daily monitored by the control and liquidity management areas. As part of the daily controls, limits for minimum cash and liabilities concentration are established to anticipate actions to ensure comfortable and profitable cash levels.

V – Subscription Risk

It is the risk of variation in actuarial assumptions used in insurance, pension plan and capitalization products, which may cause changes in the reserves required for such products.

Analogous to Basel II, the International Association of Insurance Supervisors (IAIS) instructs that insurance companies should have a risk management system to supplement the system of minimum capital and solvency margin.

ITAÚ UNIBANCO has been using models for managing its insurance operations since 2006 and anticipated the capital allocation legislation, SUSEP Resolution No. 178, which privileges institutions to adopt the internal models of risk management. The comprehensiveness of internal models goes beyond the lines set forth by the regulatory body, and practically includes the whole universe of insurance-related products.

NOTE 20 - ADDITIONAL INFORMATION

- a) **Insurance policy** - ITAÚ UNIBANCO and its subsidiaries, despite the low risk exposure due to a physical non-concentration of their assets, have the policy to guarantee its valuables and assets at amounts considered sufficient to cover possible claims.
- b) **Investment funds and managed portfolios** - ITAÚ UNIBANCO and its subsidiaries manage funds of privatization, fixed-income, shares, open portfolio shares, investment clubs, its customers' and Group portfolios, domestic and foreign, in the amount of R\$ 333,869,131 (R\$ 258,251,802 at 12/31/2008), represented by 18,359 funds and managed portfolios (12,226 at 12/31/2008).
- c) **Funds from consortia** - ITAÚ UNIBANCO, through its subsidiaries, manages funds from consortia amounting to R\$ 2,435,212 (R\$ 2,052,870 at 12/31/2008) related to Group Liabilities Arising from Contributions, and this is represented by 127,531 active participants (108,383 at 12/31/2008).
- d) **Fundação Itaú Social** - ITAÚ UNIBANCO is the main sponsor of Fundação Itaú Social, the objectives of which are: 1) managing the "Itaú Social Program", which aims at coordinating the organization's role in projects of interest to the community by supporting or developing social, scientific and cultural projects, mainly in the elementary education and health areas; 2) supporting projects or initiatives in progress, supported or sponsored by entities qualified to work in the "Itaú Social Program"; and 3) providing food and other similar benefits to the employees of ITAÚ UNIBANCO and other companies of the group
- Donations made by the consolidated companies totaled R\$ 440 (R\$ 315 at 12/31/2008) in the period, and the Foundation's social net assets totaled R\$ 499,963 (R\$ 463,248 at 12/31/2008). The income arising from its investments will be used to achieve the Foundation's social purposes.
- e) **Instituto Itaú Cultural – IIC** - ITAÚ UNIBANCO is the founding partner and supporter of Instituto Itaú Cultural - IIC, an entity formed to grant incentives, promote and preserve Brazil's cultural heritage. During the period, the consolidated companies donated the amount of R\$ 39,250 (R\$ 36,250 from January 1 to December 31, 2008).
- f) **Instituto Unibanco** - ITAÚ UNIBANCO and subsidiaries sponsor Instituto Unibanco, an institution whose objective is to support projects on social assistance, particularly education, culture, promotion of integration to labor market, and environmental protection, directly and/or supplementarily, through the civil society's institutions.
- g) **Instituto Unibanco de Cinema** - ITAÚ UNIBANCO and its subsidiaries sponsor Instituto Unibanco de Cinema, an entity whose objective is (i) the fostering of culture in general; and (ii) providing access of low-income population to cinematography, videography and similar productions, for which it shall maintain movie theaters owned or managed by itself, and theaters to screen art films, videos, video-laser discs and other related activities, as well as to screen and divulge films of great importance, especially those produced in Brazil. During the period from January 1 to December 31, 2009, the consolidated companies donated the amount of R\$ 9,674.
- h) **Associação Clube "A"** - ITAÚ UNIBANCO and its subsidiaries sponsor Associação Classe "A", an entity whose objective is the provision of social services for the welfare of beneficiaries, in the way and conditions established by its Internal Rules, and according to the funds available. These services may include, among others, the promotion of cultural, educational, sports, entertainment and health care activities. During the period from January 1 to December 31, 2009, the consolidated companies donated the amount of R\$ 575.
- i) **Instituto Assistencial Pedro di Perna** - ITAÚ UNIBANCO and its subsidiaries sponsor Instituto Assistencial Pedro di Perna, an entity whose objective is the provision of social services, stimulate sport activities, and promote recreation, aimed at the welfare of its members, in the way and conditions established by its Internal Rules, and according to the funds available.
- j) **Profit sharing – Employees – Law No. 10,101 of December 19, 2000** – According to the conditions approved in the collective bargaining agreement, the profit sharing, net of tax effects, amounted to R\$ 1,250,880 (R\$ 661,652 from 01/01 to 31/12/2008).

k) Minority interest in subsidiaries

| | Stockholders' equity | | Results | |
|--|----------------------|-------------------|------------------------|------------------------|
| | 12/31/2009 | 12/31/2008 | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
| Unibanco Participações Societárias S.A. | 1,118,000 | 1,078,137 | (58,943) | (68,999) |
| Itau Bank, Ltd. (1) | 687,711 | 930,575 | - | - |
| Banco Itaú Europa S.A. | - | - | - | (104,594) |
| Redecard S.A. (Note 2a) | 713,444 | - | (704,837) | - |
| Itaú XL Seguros Corporativos S.A. | 123,265 | 106,572 | (21,891) | (6,673) |
| Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento | 171,797 | 85,994 | (20,433) | 4,199 |
| Biu Participações S.A. | 80,766 | - | (22,681) | - |
| Três "B" Empreendimentos e Participações Ltda. | - | 70,201 | (10,852) | (7,834) |
| Itaú Gestão de Ativos S.A. | 60,040 | 59,820 | (289) | 1,114 |
| Investimentos Bemge S.A. | 16,446 | 15,945 | (1,231) | (1,049) |
| Kinea Investimentos S.A. | 4,234 | 1,879 | (724) | 287 |
| Biogeração de Energia S.A. | 29,212 | - | (6,305) | - |
| Itauseg Participações S.A. | 3,745,886 | 3,483,873 | (286,524) | (436,559) |
| Itaú Corretora de Valores S.A. | 382,255 | 418,020 | (68,896) | (228,477) |
| Banco Itaucard S.A.(2) | (1,587,241) | 7,809,765 | 2,182,623 | (2,794,391) |
| Other | 919,519 | 171,929 | (23,410) | (22,835) |
| Total | 6,465,334 | 14,232,710 | 955,607 | (3,665,811) |

(1) Represented by redeemable preferred shares issued on December 31, 2002 by Itau Bank Ltd., in the amount of US\$ 393,072 thousand, with maturity on March 31, 2015 and semiannual dividends calculated based on LIBOR plus 1.25% p.a.;

(2) Minority interests are represented substantially by preferred shares. The preferred shares entitle their stockholders to a differentiated distribution of profits and dividends. At March 31, 2009, interest on capital was paid in the amount of R\$ 6,594,234. In the result, this includes goodwill in the amount of R\$ 3,298,552, net of tax effects, arising from the corporate restructuring and allocated to the credit card segment (Note 15e item 7).

I) Exclusion of nonrecurring effects net of tax effects

| | 01/01 to 12/31/2009 | 01/01 to 12/31/2008 |
|---|--------------------------------|--------------------------------|
| Sale of investments | <u>228,073</u> | <u>219,436</u> |
| Visa Inc. and Visa Net | 211,652 | 95,229 |
| Allianz | 16,421 | - |
| Mastercard, Inc. | - | 54,756 |
| BM&FBovespa | - | 29,225 |
| Banco de Fomento de Angola ((Investment which was held by BPI) | - | 40,226 |
| Program for Settlement or Installment Payment of Federal Taxes - Law No. 11,941/09 (Note 11d) | 240,906 | - |
| Itaú Unibanco x CBD joint venture (Note 12i) | (363,000) | - |
| Provision for contingencies – economic plans | (191,130) | (174,057) |
| Sale and adjustments to market value of shares of Banco Comercial Português S.A. held BPI | - | (29,279) |
| Provision in excess of allowance for loan losses | - | (2,273,676) |
| Amortization of goodwill | 4,123,127 | (13,011,909) |
| Itaú Unibanco merger | - | (12,790,485) |
| ITAÚ EUROPA operation | - | (70,486) |
| Purchase of BPI shares | - | (139,036) |
| Redecard (Note 2a) | (506,483) | - |
| Porto Seguro (Note 2a) | (36,751) | - |
| Reversal of goodwill from corporate restructuring (Note 12h) | 4,512,664 | - |
| Other | 153,697 | (11,902) |
| Non-operating equity in earnings (Note 12j) | (176,071) | - |
| Effects of adoption of Law No. 11,638 | - | (55,502) |
| Stock based compensation | - | (21,882) |
| Lease | - | (33,620) |
| Provision for integration expenditures - ITAÚ UNIBANCO | - | (888,358) |
| Equalization of criteria ITAÚ UNIBANCO | - | (858,593) |
| Allowance for loan losses – adjustment to the minimum required by Resolution No. 2,682 | - | (215,820) |
| Provisions for contingent liabilities and legal liabilities | - | (249,967) |
| Other | - | (392,806) |
| Other nonrecurring events | - | (29,982) |
| Total | 3,861,905 | (17,101,920) |

m) Laws Nos. 11,638 and 11,941

Laws Nos. 6,404/76, of December 15, 1976, and 6,385, of December 7, 1976, were amended by Laws Nos. 11,638, of December 28, 2007, and 11,941, of May 27, 2009, on aspects related to accounting practices, preparation and disclosure of financial statements, effective as from January 1, 2008. The Law sets forth that the rules issued by regulatory bodies shall be prepared in conformity with international accounting standards.

The main changes arising from the Law are already included in these financial statements, including CVM regulations that do not conflict with those of BACEN's, such as: disclosure on related parties, transaction costs, and premium on issuance of securities, statement of added value and share-based payment.

However, the standards below still await BACEN's regulation to come into effect:

- Effects on changes in foreign exchange rates and conversion of financial statements;
- Adjustment to present value of long-term asset and liability operations, and of significant short-term operations.

n) Alliance with Porto Seguro

The amounts related to the transfer of assets and liabilities of ITAÚ UNIBANCO HOLDING and proportional consolidation of PORTO SEGURO (30%), and the respective effects on the Consolidated Statement of Income are as follows:

| BALANCE SHEET - 12/31/2009 | TRANSFERRED | CONSOLIDATED |
|---|--------------------|---------------------|
| CURRENT ASSETS AND LONG-TERM RECEIVABLES | 2,498,116 | 3,436,860 |
| Cash and cash equivalents | 7,183 | 11,412 |
| Securities | 1,751,992 | 1,938,473 |
| Loan, lease and other credit operations | - | 280,653 |
| Other credits and other assets | 738,941 | 1,206,322 |
| Receivables from insurance operations | 498,827 | 543,727 |
| Sundry | 240,114 | 662,595 |
| PERMANENT ASSETS | - | 206,880 |
| TOTAL ASSETS | 2,498,116 | 3,643,740 |
| CURRENT AND LONG-TERM LIABILITIES | 1,521,803 | 2,698,228 |
| Deposits, funds from acceptance and issuance of securities and borrowings and onlending | - | 93,049 |
| Technical provision for insurance, pension plan and capitalization | 1,323,763 | 1,647,196 |
| Other liabilities | 198,040 | 957,983 |
| DEFERRED INCOME AND MINORITY INTEREST IN SUBSIDIARIES | - | 7,372 |
| STOCKHOLDERS' EQUITY | 976,313 | 938,140 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 2,498,116 | 3,643,740 |

| STATEMENT OF INCOME – FROM 10/01/2009 TO 12/31/2009 | TRANSFERRED | CONSOLIDATED |
|---|--------------------|---------------------|
| INCOME FROM FINANCIAL OPERATIONS | 47,275 | 50,518 |
| EXPENSE FOR ALLOWANCE FOR LOAN LOSSES | - | (7,657) |
| GROSS INCOME FROM FINANCIAL OPERATIONS | 47,275 | 42,861 |
| OTHER OPERATING INCOME (EXPENSES) | 15,952 | 6,535 |
| Banking service fees | - | 17,527 |
| Result from insurance, pension plan and capitalization operations | 76,201 | 112,400 |
| Personnel and other administrative expenses | (43,920) | (99,727) |
| Tax expenses | (16,333) | (22,466) |
| Other operating revenues (expenses) | 4 | (1,199) |
| INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING | 63,227 | 49,396 |
| INCOME TAX AND SOCIAL CONTRIBUTION | (21,287) | (4,445) |
| PROFIT SHARING | (2,037) | (10,195) |
| NET INCOME | 39,903 | 34,756 |

Report of Independent Auditors

To Directors and Stockholders
Itaú Unibanco S.A. (formely Banco Itaú S.A.)

- 1 We have audited the accompanying consolidated balance sheets of Itaú Unibanco S.A. and its subsidiary companies (consolidated) as of December 31, 2009 and 2008, and the related consolidated statements of income and of cash flows, as well as the statements of changes in stockholders' equity of the parent company corresponding for the years then ended. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audits to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal controls of the Bank and its subsidiary companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and the significant estimates made by Bank management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Itaú Unibanco S.A. and its subsidiary companies at December 31, 2009 and 2008, and the consolidated results of their operations and cash flows for the years then ended, as well as the statements of changes in stockholders' equity of the parent company for the years then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, February 26, 2010

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5