
# 4th Quarter, 2010

## Management Discussion & Analysis

Itaú Unibanco Holding S.A.

# Contents



It should be noted that the financial statements relating to prior periods have been reclassified for comparison purposes (Further details are presented in Note 22-L of the Financial Statements).

The tables in this report show the figures in millions. Variations, however, are calculated in units.

Future expectations arising from the reading of this analysis should take into consideration the risks and uncertainties that involve any activities and that are outside the control of the companies of the conglomerate (political and economic changes, volatility in interest and foreign exchange rates, technological changes, inflation, financial disintermediation, competitive pressures on products and prices, and changes in tax legislation).

# Executive Summary

## Fourth Quarter of 2010

Information and financial indicators of Itaú Unibanco Holding S.A. (Itaú Unibanco) from the fourth quarter of 2010 and year ended December 31, 2010 are presented below.

*R$ million (except where indicated)*

**Highlights**

| Statement of Income | 4th Q/10 | 3rd Q/10 | 4th Q/09 | 2010 | 2009 |
|---|---|---|---|---|---|
| Net Income – Parent Company | 3,890 | 3,034 | 3,213 | 13,323 | 10,067 |
| Recurring Net Income | 3,400 | 3,158 | 2,813 | 13,023 | 10,491 |
| Managerial Financial Margin (1) | 12,177 | 11,204 | 10,815 | 44,662 | 42,748 |
| **Shares (R$)** | | | | | |
| Consolidated Net Income per share (2) (3) | 0.86 | 0.67 | 0.71 | 2.94 | 2.23 |
| Consolidated Recurring Net Income per share (2) (3) | 0.75 | 0.70 | 0.62 | 2.87 | 2.32 |
| Number of Outstanding Shares – in thousands (2) | 4,544,368 | 4,540,463 | 4,527,346 | 4,544,368 | 4,527,346 |
| Book Value per share | 13.40 | 12.60 | 11.19 | 13.40 | 11.19 |
| Dividends/JCP net of taxes (4) | 1,021 | 964 | 1,169 | 3,908 | 3,472 |
| Dividends/JCP net of taxes (4) per share | 0.22 | 0.21 | 0.26 | 0.86 | 0.79 |
| Market Capitalization (5) | 179,639 | 182,209 | 175,118 | 179,639 | 175,118 |
| Market Capitalization (5) (US$ Million) | 107,813 | 107,549 | 100,573 | 107,813 | 100,573 |
| **Performance Ratios (%)** | | | | | |
| Return on Average Equity – Annualized (6) | 26.3% | 21.6% | 25.8% | 24.1% | 21.4% |
| Recurring Return on Average Equity – Annualized (6) | 23.0% | 22.5% | 22.6% | 23.5% | 22.3% |
| Return on Average Assets – Annualized (7) | 2.2% | 1.8% | 2.1% | 2.0% | 1.6% |
| Recurring Return on Average Assets – Annualized (7) | 1.9% | 1.9% | 1.8% | 2.0% | 1.7% |
| Solvency Ratio (BIS Ratio) | 15.4% | 15.3% | 16.7% | 15.4% | 16.7% |
| Annualized Net Interest Margin with clients (8) | 12.3% | 12.2% | 12.4% | 12.3% | 11.8% |
| Nonperforming Loans Index (NPL over 90 days) | 4.2% | 4.3% | 5.6% | 4.2% | 5.6% |
| Coverage Ratio (Provision for Loan Losses/Nonperforming Loans over 90 days) | 177% | 196% | 174% | 177% | 174% |
| Efficiency Ratio (ER) (9) | 51.7% | 50.3% | 48.8% | 48.8% | 47.2% |
| Risk Adjusted Efficiency Ratio (RAER) (9) | 70.8% | 72.1% | 74.0% | 70.9% | 75.2% |

| Balance Sheet | Dec 31,10 | Sep 30,10 | Dec 31,09 |
|---|---|---|---|
| Total Assets | 755,112 | 686,248 | 608,273 |
| Total Credit Portfolio, including Sureties, Endorsements and Guarantees | 335,476 | 313,189 | 278,382 |
| Credit Operations (A) | 297,102 | 279,035 | 245,951 |
| Sureties, Endorsements and Guarantees | 38,374 | 34,155 | 32,431 |
| Deposits + Debentures + Securities + Borrowings and Onlending (B) (10) | 390,773 | 366,869 | 316,204 |
| Credit Operations/Funding (A/B) | 76.0% | 76.1% | 77.8% |
| Stockholders' Equity of Parent Company | 60,879 | 57,225 | 50,683 |
| **Relevant Data** | | | |
| Assets Under Management (AUM) | 363,818 | 357,495 | 333,869 |
| Employees (Individuals) | 108,040 | 106,879 | 101,640 |
| Number of Points of Sale | 34,212 | 34,314 | 35,589 |
| Branches (Units) | 3,967 | 3,929 | 3,936 |
| CSBs (Units) | 944 | 942 | 948 |
| Automated Teller Machines (Units) (11) | 29,301 | 29,443 | 30,705 |

**Macroeconomic Indices**

| Major Indicators | 4th Q./10 | 3rd Q./10 | 4th Q./09 | 2010 | 2009 |
|---|---|---|---|---|---|
| EMBI Brazil Risk | 175 | 203 | 196 | 175 | 196 |
| CDI – In the Period (%) | 2.6% | 2.6% | 2.1% | 9.8% | 9.9% |
| Dollar Exchange Rate – Quotation in R$ | 1.6662 | 1.6942 | 1.7412 | 1.6662 | 1.7412 |
| Dollar Exchange Rate – Variation in the Period (%) | -1.7% | -6.0% | -2.1% | -4.3% | -25.5% |
| Euro Exchange Rate – Quotation in R$ | 2.2280 | 2.3104 | 2.5073 | 2.2280 | 2.5073 |
| Euro Exchange Rate – Variation in the Period (%) | -3.6% | 4.8% | -3.6% | -11.1% | -22.6% |
| IGP-M – In the Period (%) | 3.2% | 2.1% | -0.1% | 11.3% | -1.7% |
| Savings Rate– In The Period (%) | 1.7% | 1.8% | 1.6% | 6.9% | 6.9% |

**(1) Described on page 11.**
**(2) The number of shares outstanding was adjusted to reflect the 10% share bonus that occurred on August 28, 2009.**
**(3) Calculated based on the weighted average of the number of outstanding shares.**
**(4) JCP– Interest on Own Capital. Amounts paid/provisioned (Note 16 – b II to the Financial Statements).**
**(5) Total number of shares outstanding (common shares and non-voting shares) multiplied by the average price of non-voting share on the last trading day in the period.**
**(6) Annualized Return was calculated by dividing Net Income of the parent company by the Average Stockholders' Equity of the parent company. The quotient of this division was multiplied by the number of periods of the year to derive the annualized index.**
**(7) Annualized Return was computed by dividing Net Income of the parent company by Average Assets. The quotient of this division was multiplied by the number of periods of the year to derive the annualized index.**
**(8) Does not include Margin with Market. See details of criteria change on page 12.**
**(9) The calculation methodology of both Efficiency and Risk Adjusted Efficiency ratios has changed to better reflect the institution's global performance. For more details on these changes, please see page 18.**
**(10) As described on page 24.**
**(11) Includes ESBs (electronic service branches) and service points in third-party establishments.**

## Fourth Quarter of 2010

### Net Income and Recurring Net Income

Itaú Unibanco's consolidated net income totaled R$ 3,890 million in the fourth quarter of 2010. This amount includes the impact of nonrecurring events after taxes on net income, which are presented in the table below, leading to recurring net income for the period.

*R$ million*

| | 4th Q/10 | 3rd Q/10 | 2010 | 2009 |
|---|---|---|---|---|
| **Recurring Net Income** | **3,400** | **3,158** | **13,023** | **10,491** |
| Partial Reversal of Additional Provision for Loan Losses (a) | 1,038 | - | 1,038 | - |
| Sale of Investments (b) | - | - | - | 228 |
| Program for Cash or Installment Payment of Federal Taxes- Law No.11,941/09 (c) | - | - | 145 | 292 |
| Provision for Contingencies – Economic Plans (d) | (132) | (124) | (467) | (191) |
| Amortization of Goodwill (e) | - | - | - | (753) |
| Fiscal Contingencies (f) | (380) | - | (380) | - |
| Benefits to Employees - Technical Pronouncements CPC 33 (g) | (35) | - | (35) | - |
| **Total non-recurring effects** | **490** | **(124)** | **300** | **(424)** |
| **Net Income** | **3,890** | **3,034** | **13,323** | **10,067** |

### Non-recurring events of the years 2010 and 2009.

**(a) Partial reversal of Additional Provision for Loan Losses**

As of this quarter, the additional provision for loan and lease losses started to reflect the model of expected loss adopted in the institution's credit risk management, based on the broad concept of BIS II, which considers the potential loss for revolving credits. This model replaces the former one, which contained, besides expected loss, the concept of counter-cyclical provision, which is treated as a capital cushion according to the BIS III precepts. The adoption of this model resulted in a R$ 1,573 million provision reversal on the fourth quarter 2010, and an additional provision of R$ 4,531 million in relation to the minimum required by the Brazilian Central Bank.

**(b) Sale of Investments**

Sale of investments in Visa Inc. and Visa Net companies on the second quarter of 2009, and Allianz company on the fourth quarter of 2009.

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

Itaú Unibanco Holding and its subsidiaries have adhered the Program for Cash or Installment Payment of Federal Taxes, this program included the debt administered by the Federal Revenue Service of Brazil and by the General Attorney's Office of the National Treasury.

**(d) Provision for Contingencies-Economic Plans**

Provision for losses resulting from economic plans that were effective on the 1980's.

**(e) Amortization of goodwill**

Basically refers to the acquisition of Redecard shares on the first quarter of 2009 and amendment to the agreement on the association with Companhia Brasileira de Distribuição (CBD) on the third quarter of 2009.

**(f) Fiscal contingencies**

Provision for fiscal contingencies related to non-recurring events.

**(g) Benefits to Employees - Technical Pronouncements CPC 33**

Post-employment benefits impact on the income statement of 2010 in the context of the technical pronouncement CPC 33.

### Managerial Statement of Income

The Management Discussion and Analysis Report below is based on the Managerial Statement of Income, which arises from reclassifications made in the accounting statement of income. Basically, the tax effects of hedge investments abroad, originally included in tax expenses (PIS and Cofins), and income tax and social contribution on net income, were reclassified to financial margin. Additionally reclassifications are made between lines to enable a better presentation of managerial results.

Our strategy for exchange risk management of capital invested abroad is intended to not allowing for effects from exchange variation on income. For this purpose, the exchange risk is countered and the investments are remunerated in reais, through the use of derivative financial instruments. Our strategy to hedge investments abroad also considers the impacts of all related tax effects. It should be noted that, in the fourth quarter of 2010, the real appreciated by 1.7% and 3.6% against the U.S. dollar and the euro, respectively.

## Fourth Quarter of 2010

## Reconciliation between Accounting and Managerial Statement of Income

R$ million

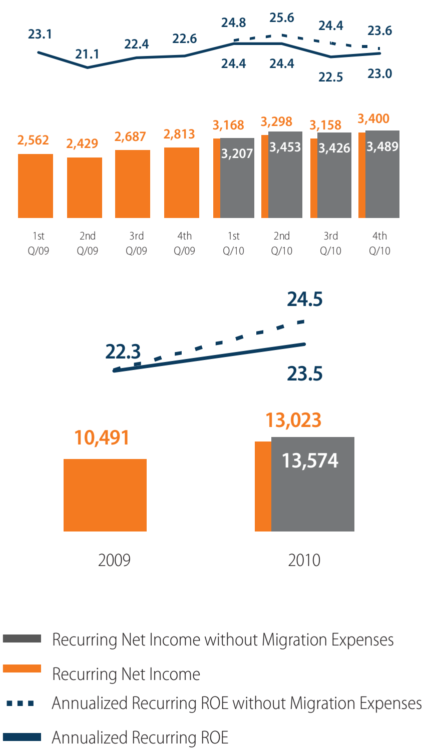
| 4th Quarter/10 | Itaú Unibanco Accounting | Non-recurring Effects | Tax Effect of Hedge | Managerial |
|---|---|---|---|---|
| **Managerial Financial Margin** | **12,309** | **-** | **(131)** | **12,177** |
| Financial Margin with Clients | 10,964 | - | - | 10,964 |
| Financial Margin with Market | 1,345 | - | (131) | 1,214 |
| **Result of Loan Losses** | **(1,080)** | **(1,573)** | **-** | **(2,652)** |
| Expense for Allowance for Loan Losses | (2,409) | (1,573) | - | (3,982) |
| Recovery of Credits Written Off as Losses | 1,330 | - | - | 1,330 |
| **Net Result from Financial Operations** | **11,229** | **(1,573)** | **(131)** | **9,525** |
| **Other Operating Income/(Expenses)** | **(5,036)** | **640** | **19** | **(4,377)** |
| Banking Services Fees and Income from Banking Charges | 4,591 | - | - | 4,591 |
| Result from Insurance, Pension Plans and Capitalization Operations | 607 | - | - | 607 |
| Non-interest Expenses | (8,940) | 305 | - | (8,635) |
| Tax Expenses for ISS, PIS, Cofins and Other Taxes | (1,156) | - | 19 | (1,137) |
| Equity in Earnings of Affiliates and Other Investments | 44 | - | - | 44 |
| Other Operating Income | (182) | 335 | - | 153 |
| **Operating Income** | **6,193** | **(932)** | **(112)** | **5,149** |
| Non-operating Income | 58 | - | - | 58 |
| **Income before Tax and Profit Sharing** | **6,252** | **(932)** | **(112)** | **5,207** |
| **Income Tax and Social Contribution** | **(2,059)** | **442** | **112** | **(1,504)** |
| **Profit Sharing** | **(93)** | **-** | **-** | **(93)** |
| **Minority Interests** | **(211)** | **-** | **-** | **(211)** |
| **Net Income** | **3,890** | **(490)** | **-** | **3,400** |

R$ million

| 3rd Quarter/10 | Itaú Unibanco Accounting | Non-recurring Effects | Tax Effect of Hedge | Managerial |
|---|---|---|---|---|
| **Managerial Financial Margin** | **11,972** | **-** | **(768)** | **11,204** |
| Financial Margin with Clients | 10,298 | - | - | 10,298 |
| Financial Margin with Market | 1,674 | - | (768) | 906 |
| **Result of Loan Losses** | **(2,935)** | **-** | **-** | **(2,935)** |
| Expense for Allowance for Loan Losses | (4,069) | - | - | (4,069) |
| Recovery of Credits Written Off as Losses | 1,134 | - | - | 1,134 |
| **Net Result from Financial Operations** | **9,037** | **-** | **(768)** | **8,269** |
| **Other Operating Income/(Expenses)** | **(3,870)** | **188** | **89** | **(3,593)** |
| Banking Services Fees and Income from Banking Charges | 4,465 | - | - | 4,465 |
| Result from Insurance, Pension Plans and Capitalization Operations | 685 | - | - | 685 |
| Non-interest Expenses | (8,167) | 188 | - | (7,979) |
| Tax Expenses for ISS, PIS, Cofins and Other Taxes | (1,002) | - | 89 | (913) |
| Equity in Earnings of Affiliates and Other Investments | 64 | - | - | 64 |
| Other Operating Income | 85 | - | - | 85 |
| **Operating Income** | **5,167** | **188** | **(679)** | **4,676** |
| Non-operating Income | 3 | - | - | 3 |
| **Income before Tax and Profit Sharing** | **5,171** | **188** | **(679)** | **4,679** |
| **Income Tax and Social Contribution** | **(1,868)** | **(64)** | **679** | **(1,253)** |
| **Profit Sharing** | **(52)** | **-** | **-** | **(52)** |
| **Minority Interests** | **(216)** | **-** | **-** | **(216)** |
| **Net Income** | **3,034** | **124** | **-** | **3,158** |

## Fourth Quarter of 2010

**Recurring Net Income (R$ million) and Annualized Recurring Return on Average Equity (%)**




The recurring net income increased 7.6%, reaching R$ 3,400 million in the fourth quarter of 2010, and the result for the year amounted to R$ 13,023 million, a 24.1% growth compared to 2009.

On October 24, 2010, less than two years after the association, Itaú Unibanco completed the integration of its entire branch and sales network throughout Brazil. Unibanco branches and client service branches were fully renovated and integrated into Itaú's sales points. Migration expenses incurred in 2010 for this purpose totaled R$ 835 million. If migration expenses incurred in 2010 had not been considered, the recurring net income for the fourth quarter of 2010 would have been R$ 3,489 million, and the result for the year would have been R$ 13,574 million.

On December 31, 2010, the parent company stockholders' equity totaled R$ 60,879 million and the annualized recurring return on average equity reached 23.0% in the fourth quarter (without considering migration expenses, the recurring return would have been 23.6% for the quarter). In 2010 and 2009, returns were 23.5% and 22.3%, respectively (without considering migration expenses, the recurring return for 2010 would have been 24.5%).

**Credit Portfolio with Endorsements and Sureties**

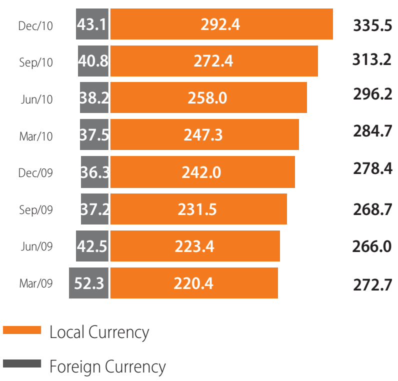
*R$ million*

| | Dec 31,10 | Sep 30,10 | Dec 31,09 | Variation (%) Dec/10 – Sep/10 | Variation (%) Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| **Individuals** | **127,128** | **118,526** | **107,465** | **7.3%** | **18.3%** |
| Credit Card | 34,953 | 30,901 | 29,313 | 13.1% | 19.2% |
| Personal Loans | 23,918 | 23,265 | 20,627 | 2.8% | 16.0% |
| Vehicles | 60,190 | 57,334 | 52,276 | 5.0% | 15.1% |
| Mortgage Loans | 8,067 | 7,025 | 5,249 | 14.8% | 53.7% |
| **Companies** | **193,951** | **181,116** | **159,210** | **7.1%** | **21.8%** |
| Corporate | 110,793 | 104,411 | 95,832 | 6.1% | 15.6% |
| Very Small, Small and Middle Market (*) | 83,158 | 76,704 | 63,377 | 8.4% | 31.2% |
| **Argentina/Chile/Uruguay/Paraguay** | **14,397** | **13,548** | **11,708** | **6.3%** | **23.0%** |
| **Total with Endorsements and Sureties** | **335,476** | **313,189** | **278,382** | **7.1%** | **20.5%** |
| **Total Retail (**)** | **210,286** | **195,230** | **170,842** | **7.7%** | **23.1%** |
| **Endorsements and Sureties** | **38,374** | **34,155** | **32,431** | **12.4%** | **18.3%** |
| Individuals | 252 | 186 | 187 | 35.8% | 34.7% |
| Corporate | 34,111 | 30,238 | 29,150 | 12.8% | 17.0% |
| Very Small, Small and Middle Market | 3,123 | 2,962 | 2,414 | 5.4% | 29.4% |
| Argentina/Chile/Uruguay/Paraguay | 888 | 769 | 680 | 15.4% | 30.6% |

(*) Includes Rural Loans (Individuals).
(**) Includes Credit Card, Personal Loans, Vehicles, Rural Loans (Individuals), Mortgage Loans (Individuals) and Very Small, Small and Middle Market.
Note: The acquired payroll credit portfolio started to be considered as corporate risk, and to achieve comparability, the prior quarters were adjusted. Mortgage Loans and Rural Loans portfolios from the businesses segment are allocated according to the client's size. For more details see page 23.

**Loan Portfolio (*)**

*R$ billion*

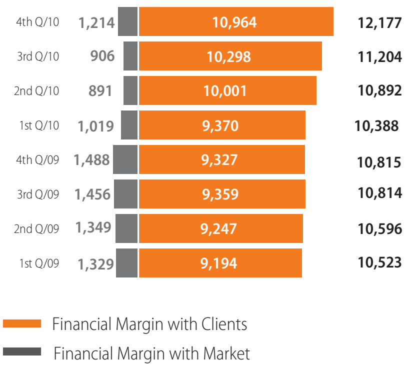



(*) Includes endorsements and sureties.

The credit portfolio, including endorsements and sureties, totaled R$ 335,476 million at December 31, 2010, a 7.1% increase from the third quarter of the year. When compared to the prior year, this balance grew 20.5%. In the individual segment, the highlights were the credit card, vehicles and mortgage loans, with increases of 13.1%, 5.0% and 14.8% quarter-on-quarter, and 19.2%, 15.1% and 53.7% for the 12-month period, respectively. In the companies segment, it is worth mentioning the corporate portfolio performance, with a 6.1% growth in the quarter and 15.6% in the year, as well as the very small, small and middle market portfolio, which increased 8.4% quarter-on-quarter and 31.2% in the last 12 months.

**Managerial Financial Margin**

*R$ million*

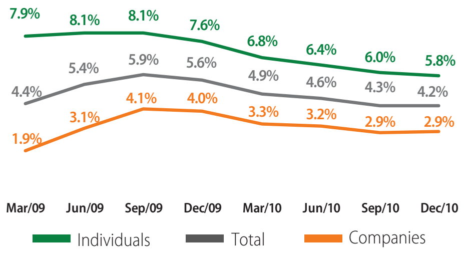



The managerial financial margin for the fourth quarter of 2010 totaled R$ 12,177 million, representing an 8.7% growth when compared to the prior quarter. The managerial financial margin with clients increased 6.5%, reaching R$ 10,964 million, driven by the rise of the loan portfolio. With respect to the financial margin with the market, we observed a 33.9% increase from the prior period, totaling R$ 1,214 million.

# Executive Summary

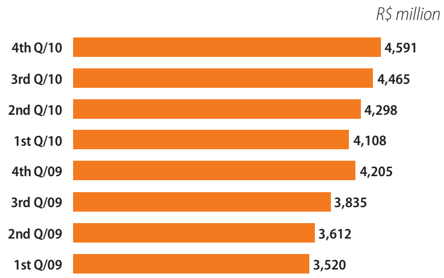
## Fourth Quarter of 2010

### NPL Ratio over 90 days



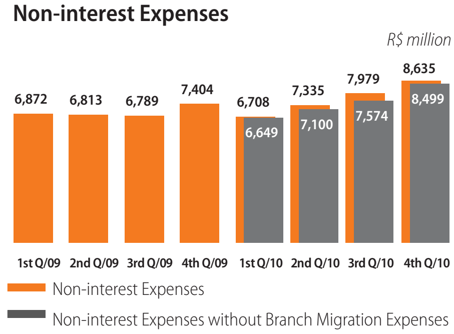

The expense for loan and lease losses totaled R$ 3,982 million in the fourth quarter of 2010, representing a 2.1% decline quarter-on-quarter. In 2010, this expense reached R$ 15,936 million, decreasing by 2.8% from the prior year. The decrease in the expense for loan and lease losses, coupled with higher income from the recovery of credits previously written off as losses, led to an improvement in the result from loan losses of 9.6% in the fourth quarter and 17.7% in the year, amounting R$ 2,652 million and R$ 11,660 million in the respective periods. Disregarding the usage of the additional provision made in 2009, in the amount of R$ 1,687 million, the annual improvement in the result from loan and lease losses would have been 26.4%. The total non-performing ratio, considering the balance of transactions more than 90 days overdue, reached 4.2% in December 2010, a 140 basis points improvement when compared to December 2009.

### Banking Services Fees and Income from Banking charges




Revenues from banking services fees and bank charges added up to R$ 4,591 million in the fourth quarter of 2010, improving by 2.8% quarter-on-quarter. During the period, the customer base grew and operating activities expanded with impacts on current account services; revenues from credit transactions and sureties and endorsements provided also rose, driven by the higher volume of vehicle financing and leasing transactions; and finally, increased revenues from economic and financial advisory services, due to the enhanced activity in the Corporate and Investment Bank areas. In 2010, revenues from banking services fees and banking charges reached R$ 17,463 million, a 15.1% growth from 2009.

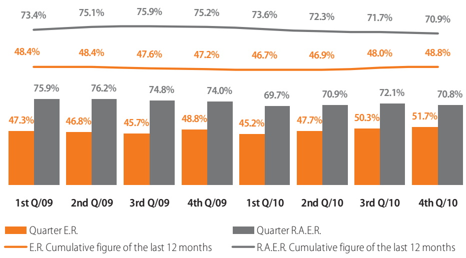
### Non-interest Expenses




Non-interest expenses totaled R$ 8,635 million in the fourth quarter of 2010, an 8.2% growth from the previous quarter. The main changes were seen in expenses for data processing and telecommunications; third-party services; advertising, promotion and publications; selling expenses of credit cards; and strengthening of provisions for tax and social security contingencies.

During 2010, non-interest expenses totaled R$ 30,657 million, increasing 10.0% when compared to 2009. Disregarding the branch migration expenses, total expenses would have been R$ 29,822 million, or a 7.0% growth when compared to the prior year.

### Efficiency Ratio (E.R) and Risk Adjusted Efficiency Ratio (R.A.E.R.) (*)

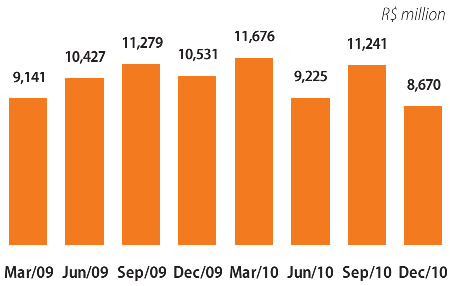



(*) The criteria for calculating the efficiency ratio and the risk–adjusted efficiency ratio are detailed on page 18.

In the fourth quarter of 2010, the efficiency ratio reached 51.7%, due to higher non-interest expenses, as described above. For the last 12 months, the efficiency ratio reached 48.8%, a 160 basis points increase when compared to the same period of the prior year, basically driven by branch migration expenses in 2010. Disregarding expenses related to branch migration, the efficiency ratio for the last 12 months would have been 47.5%.

The calculation methodology of the efficiency ratio has changed to better reflect the institution's global performance. Under the previous methodology, the ratio would have been 50.5% in the fourth quarter and 47.7% for the last 12 months. For more details on this change, please see page 18.

### Unrealized Profits




Unrealized profits in income totaled R$ 8,670 million in the fourth quarter of 2010, representing a R$ 2,571 million decrease when compared to the prior period. This decline is basically due to the decline in Redecard share prices on BM&FBOVESPA stock exchange.

Also during the quarter, the balance of the additional provision for loan and lease losses reached R$ 4,531 million. It should be noted that this provision is not taken into consideration when determining unrealized profits.

R$ million

**Balance Sheet**

| ASSETS | Dec 31,10 | Sep 30,10 | Dec 31,09 | Variation (%) Dec/10 – Sep/10 | Variation (%) Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| **Current and Long-term Assets** | **744,601** | **675,973** | **597,978** | **10.2%** | **24.5%** |
| Cash and Cash Equivalents | 10,493 | 11,063 | 10,594 | -5.2% | -1.0% |
| Short-term Interbank Investments | 85,926 | 112,483 | 139,195 | -23.6% | -38.3% |
| Securities and Derivative Financial Instruments | 188,853 | 141,879 | 120,189 | 33.1% | 57.1% |
| Interbank and Interbranch Accounts | 86,524 | 66,243 | 14,570 | 30.6% | 493.9% |
| Loans, Lease and Other Credits Operations | 297,102 | 279,035 | 245,951 | 6.5% | 20.8% |
| (Allowance for Loan Losses) | (22,292) | (23,284) | (24,052) | -4.3% | -7.3% |
| Other Assets | 97,996 | 88,554 | 91,531 | 10.7% | 7.1% |
| Foreign Exchange Portfolio | 21,593 | 20,571 | 27,239 | 5.0% | -20.7% |
| Other | 76,403 | 67,983 | 64,292 | 12.4% | 18.8% |
| **Permanent Assets** | **10,512** | **10,275** | **10,295** | **2.3%** | **2.1%** |
| Investments | 2,135 | 2,226 | 2,187 | -4.1% | -2.4% |
| Fixed and Operating Lease Assets | 5,025 | 4,702 | 4,360 | 6.9% | 15.3% |
| Intangible Assets and Goodwill | 3,352 | 3,347 | 3,748 | 0.2% | -10.6% |
| **TOTAL ASSETS** | **755,112** | **686,248** | **608,273** | **10.0%** | **24.1%** |

R$ million

**Balance Sheet**

| LIABILITIES AND EQUITY | Dec 31,10 | Sep 30,10 | Dec 31,09 | Variation (%) Dec/10 – Sep/10 | Variation (%) Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| **Current and Long-term Liabilities** | **689,904** | **624,896** | **553,584** | **10.4%** | **24.6%** |
| Deposits | 202,738 | 194,917 | 190,772 | 4.0% | 6.3% |
| Demand Deposits | 26,437 | 29,052 | 25,834 | -9.0% | 2.3% |
| Savings Deposits | 57,899 | 54,874 | 48,222 | 5.5% | 20.1% |
| Interbank Deposits | 1,985 | 1,293 | 2,046 | 53.5% | -3.0% |
| Time Deposits | 116,416 | 109,697 | 114,671 | 6.1% | 1.5% |
| Deposits Received under Securities Repurchase Agreements | 199,641 | 155,636 | 131,935 | 28.3% | 51.3% |
| Funds from Acceptances and Issue of Securities | 25,609 | 23,379 | 17,320 | 9.5% | 47.9% |
| Interbank and Interbranch Accounts | 4,055 | 8,281 | 3,077 | -51.0% | 31.8% |
| Borrowings and Onlendings | 47,412 | 43,259 | 34,692 | 9.6% | 36.7% |
| Derivative Financial Instruments | 5,705 | 9,077 | 5,476 | -37.1% | 4.2% |
| Technical Provisions for Insurance, Pension Plans and Capitalization | 61,365 | 58,490 | 52,404 | 4.9% | 17.1% |
| Other Liabilities | 143,379 | 131,857 | 117,909 | 8.7% | 21.6% |
| Subordinated Debt | 33,830 | 33,017 | 22,038 | 2.5% | 53.5% |
| Foreign Exchange Portfolio | 22,035 | 21,399 | 27,682 | 3.0% | -20.4% |
| Other | 87,514 | 77,441 | 68,188 | 13.0% | 28.3% |
| **Deferred Income** | **599** | **469** | **466** | **27.6%** | **28.6%** |
| **Minority Interest in Subsidiaries** | **3,731** | **3,658** | **3,540** | **2.0%** | **5.4%** |
| **Stockholders' Equity of Parent Company** | **60,879** | **57,225** | **50,683** | **6.4%** | **20.1%** |
| **TOTAL LIABILITIES AND EQUITY** | **755,112** | **686,248** | **608,273** | **10.0%** | **24.1%** |

Total assets at December 31, 2010 amounted to R$ 755.1 billion, increasing by R$ 68.9 billion from the prior quarter and 24.1% from 2009. We highlight the increase of the Credit Portfolio of 6.5% in the quarter and 20.8% in the year, to reach R$ 297.1 billion. Also significant was the R$ 20.3 billion growth in Interbank and Intrabank Relations during the quarter, mostly because of the increase in compulsory deposits established by the Brazilian Central Bank as from December 2010. Finally we highlight the growth in Securities and Derivative Financial Instruments, especially by the investment in government securities financed by the market through repurchase agreements.

*R$ million*

**Income Statement**

| | $4^{th}$Q/10 | $3^{rd}$Q/10 | 2010 | 2009 | Variation $4^{th}$Q/10 – $3^{rd}$Q/10 | % | Variation 2010 – 2009 | % |
|---|---|---|---|---|---|---|---|---|
| **Managerial Financial Margin** | **12,177** | **11,204** | **44,662** | **42,748** | **973** | **8.7%** | **1,914** | **4.5%** |
| Financial Margin with Clients | 10,964 | 10,298 | 40,633 | 37,127 | 666 | 6.5% | 3,506 | 9.4% |
| Financial Margin with Market | 1,214 | 906 | 4,029 | 5,621 | 307 | 33.9% | (1,592) | -28.3% |
| **Result of Loan Losses** | **(2,652)** | **(2,935)** | **(11,660)** | **(14,165)** | **283** | **-9.6%** | **2,505** | **-17.7%** |
| Expenses for Allowance for Loan Losses | (3,982) | (4,069) | (15,936) | (16,399) | 87 | -2.1% | 463 | -2.8% |
| Income from Recovery of Credits Written Off as Loss | 1,330 | 1,134 | 4,276 | 2,234 | 196 | 17.3% | 2,042 | 91.4% |
| **Net Result from Financial Operations** | **9,525** | **8,269** | **33,002** | **28,582** | **1,256** | **15.2%** | **4,419** | **15.5%** |
| **Other Operating Income/(Expenses)** | **(4,377)** | **(3,593)** | **(13,636)** | **(13,011)** | **(783)** | **21.8%** | **(625)** | **4.8%** |
| Banking Services Fees and Income from Banking Charges | 4,591 | 4,465 | 17,463 | 15,172 | 126 | 2.8% | 2,290 | 15.1% |
| Result from Insurance, Pension Plans and Capitalization Operations | 607 | 685 | 2,658 | 2,432 | (78) | -11.4% | 227 | 9.3% |
| Non-interest Expenses | (8,635) | (7,979) | (30,657) | (27,877) | (655) | 8.2% | (2,779) | 10.0% |
| Tax Expenses for ISS, PIS, Cofins and Other Taxes | (1,137) | (913) | (3,885) | (3,468) | (224) | 24.5% | (418) | 12.0% |
| Equity in earnings of affiliates and Other investments | 44 | 64 | 224 | 209 | (20) | -31.7% | 15 | 7.2% |
| Other Operating Income | 153 | 85 | 561 | 521 | 68 | 79.5% | 40 | 7.6% |
| **Operating Income** | **5,149** | **4,676** | **19,366** | **15,572** | **472** | **10.1%** | **3,794** | **24.4%** |
| Non-operating Income | 58 | 3 | 80 | 68 | 55 | 1641.8% | 11 | 16.5% |
| **Income before Tax and Profit Sharing** | **5,207** | **4,679** | **19,446** | **15,640** | **528** | **11.3%** | **3,806** | **24.3%** |
| **Income Tax and Social Contribution** | **(1,504)** | **(1,253)** | **(5,237)** | **(4,081)** | **(251)** | **20.0%** | **(1,157)** | **28.3%** |
| **Profit Sharing** | **(93)** | **(52)** | **(261)** | **(205)** | **(41)** | **77.9%** | **(57)** | **27.7%** |
| **Minority Interests in Subsidiaries** | **(211)** | **(216)** | **(924)** | **(864)** | **6** | **-2.6%** | **(60)** | **6.9%** |
| **Recurring Net Income** | **3,400** | **3,158** | **13,023** | **10,491** | **242** | **7.6%** | **2,532** | **24.1%** |

We present below a perspective on the income statement highlighting the Managerial Financial Margin plus Banking Service Fees, which is primarily derived from the sum of the main items composed by revenues from the banking and insurance, pension plans and capitalization operations.

*R$ million*

**Income Statement**

| | $4^{th}$Q/10 | $3^{rd}$Q/10 | 2010 | 2009 | Variation $4^{th}$Q/10 – $3^{rd}$Q/10 | % | Variation 2010 – 2009 | % |
|---|---|---|---|---|---|---|---|---|
| **Managerial Financial Margin Plus Banking Service Fees** | **18,617** | **17,473** | **69,663** | **65,432** | **1,144** | **6.5%** | **4,231** | **6.5%** |
| Financial Margin with Clients | 10,964 | 10,298 | 40,633 | 37,127 | 666 | 6.5% | 3,506 | 9.4% |
| Financial Margin with Market | 1,214 | 906 | 4,029 | 5,621 | 307 | 33.9% | (1,592) | -28.3% |
| Banking Services Fees and Income from Banking Charges | 4,591 | 4,465 | 17,463 | 15,172 | 126 | 2.8% | 2,290 | 15.1% |
| Result from Insurance, Pension Plans and Capitalization Operations Before Retained Claims and Selling Expenses | 1,696 | 1,718 | 6,977 | 6,991 | (22) | -1.3% | (14) | -0.2% |
| Other Operating Income | 153 | 85 | 561 | 521 | 68 | 79.5% | 40 | 7.6% |
| **Loan and Retained Claims Losses net of Recovery** | **(3,346)** | **(3,624)** | **(14,535)** | **(17,370)** | **278** | **-7.7%** | **2,835** | **-16.3%** |
| Expenses for Allowance for Loan Losses | (3,982) | (4,069) | (15,936) | (18,086) | 87 | -2.1% | 2,150 | -11.9% |
| Reversal (increase) of additional provision for loan losses | - | - | - | 1,687 | - | - | (1,687) | - |
| Income from Recovery of Credits Written Off as Loss | 1,330 | 1,134 | 4,276 | 2,234 | 196 | 17.3% | 2,042 | 91.4% |
| Retained Claims | (694) | (689) | (2,875) | (3,205) | (4) | 0.6% | 330 | -10.3% |
| **Operating Margin** | **15,271** | **13,848** | **55,128** | **48,062** | **1,423** | **10.3%** | **7,065** | **14.7%** |
| **Other Operating Income/(Expenses)** | **(10,064)** | **(9,169)** | **(35,682)** | **(32,422)** | **(895)** | **9.8%** | **(3,260)** | **10.1%** |
| Non-interest Expenses | (8,635) | (7,979) | (30,657) | (27,877) | (655) | 8.2% | (2,779) | 10.0% |
| Tax Expenses for ISS, PIS, Cofins and Other Taxes | (1,137) | (913) | (3,885) | (3,468) | (224) | 24.5% | (418) | 12.0% |
| Other Results | (292) | (276) | (1,140) | (1,077) | (16) | 5.9% | (63) | 5.8% |
| **Income before Tax and Profit Sharing** | **5,207** | **4,679** | **19,446** | **15,640** | **528** | **11.3%** | **3,806** | **24.3%** |
| **Income Tax and Social Contribution** | **(1,504)** | **(1,253)** | **(5,237)** | **(4,081)** | **(251)** | **20.0%** | **(1,157)** | **28.3%** |
| **Profit Sharing** | **(93)** | **(52)** | **(261)** | **(205)** | **(41)** | **77.9%** | **(57)** | **27.7%** |
| **Minority Interests in Subsidiaries** | **(211)** | **(216)** | **(924)** | **(864)** | **6** | **-2.6%** | **(60)** | **6.9%** |
| **Recurring Net Income** | **3,400** | **3,158** | **13,023** | **10,491** | **242** | **7.6%** | **2,532** | **24.1%** |

Note: Other Results are composed of Equity in earnings of affiliates, other investments and Non-operating Income and Selling Expenses from Insurance.

The recurring net income for 2010 reached R$ 13,023 million, up 24.1% from 2009. This result is primarily attributable to a 9.4% increase in the financial margin on clients transactions, a 15.1% growth in revenues from banking services fees and Income from banking charges and a 17.7% improvement in the result from loan and lease losses. During the period, non-interest expenses increased 10.0%, mostly due to the migration of Unibanco branches to the Itaú platform, a process that was completed in October 2010.


# Analysis of the Net Income

## Managerial Financial Margin

Our managerial financial margin totaled R$ 12,177 million in the fourth quarter of 2010, a R$ 973 million increase from the third quarter of the year. The main drivers of this change are discussed below.

*R$ million*

| | $4^{th}$ Q/10 | $3^{rd}$ Q/10 | 2010 | 2009 | Variation | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | $4^{th}$ Q/10 – $3^{rd}$ Q/10 | % | 2010 – 2009 | % |
| **Financial Margin with Clients** | **10,964** | **10,298** | **40,633** | **37,127** | **666** | **6.5%** | **3,506** | **9.4%** |
| Interest Rate Sensitive | 1,669 | 1,545 | 5,737 | 4,612 | 124 | 8.0% | 1,125 | 24.4% |
| Spread-Sensitive | 9,295 | 8,753 | 34,896 | 32,515 | 542 | 6.2% | 2,381 | 7.3% |
| **Financial Margin with Market** | **1,214** | **906** | **4,029** | **5,621** | **307** | **33.9%** | **(1,592)** | **-28.3%** |
| **Total** | **12,177** | **11,204** | **44,662** | **42,748** | **973** | **8.7%** | **1,914** | **4.5%** |

### Managerial Financial Margin with Clients

The managerial financial margin with clients comprises the use of financial products and services by our clients including account holders and non-account holders.

In the fourth quarter of 2010, the margin with clients totaled R$ 10,964 million, increasing by R$ 666 million when compared to the prior period. In order to allow for a better understanding of changes in the financial margin, in this discussion the margin is divided into two different components: financial margin that are sensitive to interest rate changes, and financial margin that are sensitive to spreads.

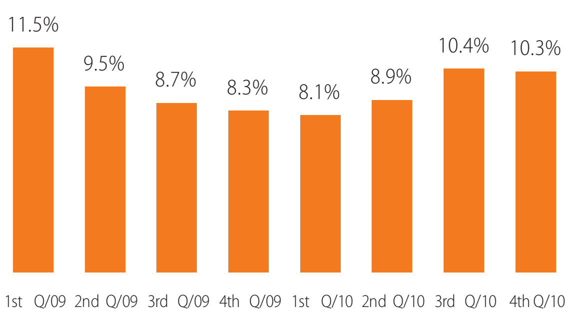
#### Interest Rate Sensitive Margin with Clients

The financial margin on interest rate-sensitive operations amounted to R$ 1,669 million in the quarter, increasing 8.0%, or R$ 124 million, from the prior quarter. The increased volume of operations, particularly associated with the growth in the average balance of working capital, resulted in such change. Annualized rates remained virtually stable.

**Annualized Rate of Interest Rate Sensitive Banking Operations Performed with Clients**

*R$ million*

| | $4^{th}$ Q/10 | $3^{rd}$ Q/10 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Average Balance | 64,906 | 59,151 | 5,755 | 9.7% |
| Financial Margin | 1,669 | 1,545 | 124 | 8.0% |
| Annualized Rate | 10.3% | 10.4% | | -10 bps |



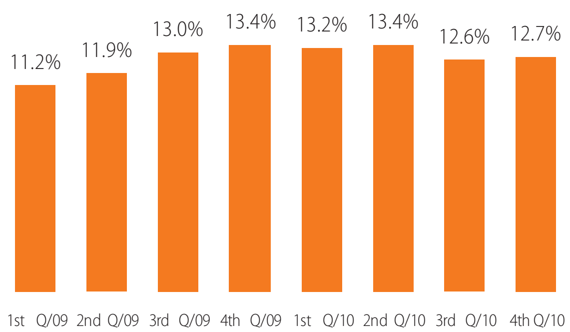

#### Spread-Sensitive Margin with Clients

The financial margin on spread-sensitive operations added up to R$ 9,295 million in the period, a 6.2%, or R$ 542 million increase from the prior quarter. Such growth was mainly driven by the rise in the average balance of the loan portfolio, with a slight increase in annualized rates.

**Annualized Rate of Spread-Sensitive Margin with Clients**

*R$ million*

| | $4^{th}$ Q/10 | $3^{rd}$ Q/10 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Average Balance | 292,282 | 277,692 | 14,589 | 5.3% |
| Financial Margin | 9,295 | 8,753 | 542 | 6.2% |
| Annualized Rate | 12.7% | 12.6% | | 10 bps |




### Managerial Financial Margin with Market

The financial margin on market transactions basically comprises treasury transactions. During the quarter, the financial margin with market totaled R$ 1,214 million, increasing 33.9% when compared to the prior quarter. This increase is primarily attributable to the management of fixed-income and proprietary positions.

# Analysis of the Net Income

## Managerial Financial Margin

As a result of the above changes, the net interest margin – NIM – annualized rate of managerial financial margin, disregarding the financial margin with market – achieved 12.3% in the fourth quarter of 2010, an improvement of 10 basis points with the prior quarter rate. When the expense from provisions for loan and lease losses, net of the recovery of credits previously written off as losses, is taken into account, the adjusted NIM rate reached 9.3%, pointing out an impressive 60 basis points growth from the prior quarter, due to improvements in our loan and recovery indexes. In annualized terms, NIM increased from 11.8% in 2009 to 12.3% in 2010.

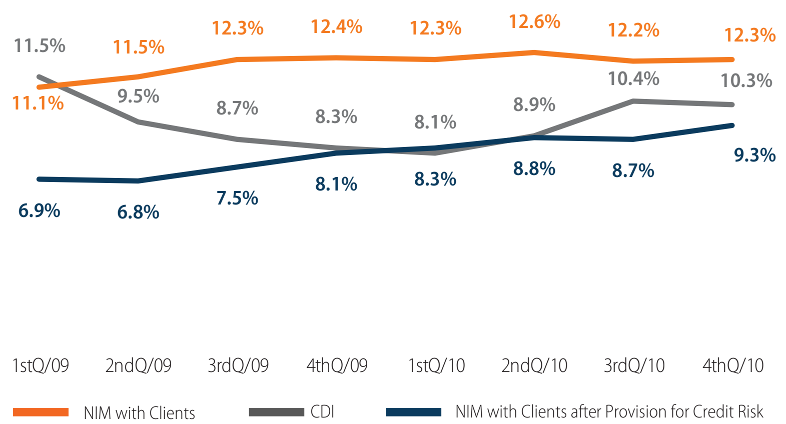
*R$ million*

**Financial Margin Analysis**

| | 4th Q/10 | | | 3rd Q/10 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Financial Margin | CDI (p.y.) | Average Balance | Financial Margin | CDI (p.y.) | Average Balance | Financial Margin | CDI (p.y.) |
| Demand Deposits + Floatings | 38,356 | | | 37,304 | | | 36,955 | | |
| (-) Compulsory Deposits | (11,930) | | | (11,922) | | | (11,402) | | |
| Contingent Liabilities (-) Deposits in guarantee of Contingent Liabilities | 1,165 | | | 900 | | | 1,174 | | |
| Tax and Social Security obligations (-) Deposits in guarantee | 18,246 | | | 16,827 | | | 16,847 | | |
| (-) Tax Credits | (26,893) | | | (27,674) | | | (27,190) | | |
| Working Capital (Equity + Minority Interests - Permanent Assets - Capital Allocated to Treasury) | 45,963 | | | 43,716 | | | 42,392 | | |
| **Interest Rate Sensitive Margin with Clients (A)** | **64,906** | **1,669** | **10.3%** | **59,151** | **1,545** | **10.4%** | **58,777** | **5,737** | **9.8%** |
| | **Average Balance** | **Financial Margin** | **Spread (p.y.)** | **Average Balance** | **Financial Margin** | **Spread (p.y.)** | **Average Balance** | **Financial Margin** | **Spread (p.y.)** |
| Cash and Cash Equivalents + Interbank Deposits + Securities (*) | 72,218 | | | 70,831 | | | 70,653 | | |
| Interbank and Interbranch Accounts | 64,453 | | | 52,302 | | | 41,817 | | |
| Loans, Leasing and Other Credits | 288,068 | | | 271,267 | | | 267,541 | | |
| (Allowance for Loan Losses) | (22,788) | | | (23,092) | | | (23,139) | | |
| **Spread-Sensitive Margin with Clients - Prior Criteria** | **401,951** | **9,295** | **9.2%** | **371,308** | **8,753** | **9.4%** | **356,870** | **34,896** | **9.8%** |
| (-) Compulsory Deposits - Central Bank | (64,698) | | | (51,086) | | | (44,013) | | |
| (-) Assets Guaranteeing PGBL/VGBL Technical Provisions | (44,971) | | | (42,529) | | | (42,032) | | |
| **Spread-Sensitive Margin with Clients (B) - Revised Criteria** | **292,282** | **9,295** | **12.7%** | **277,692** | **8,753** | **12.6%** | **270,825** | **34,896** | **12.9%** |
| **Net Interest Margin with Clients (C= A+B)** | **357,188** | **10,964** | **12.3%** | **336,844** | **10,298** | **12.2%** | **329,603** | **40,633** | **12.3%** |
| **Provision for Loan and Lease Losses (D)** | | **(3,982)** | | | **(4,069)** | | | **(15,936)** | |
| **Recovery of Credits Written Off as Losses (E)** | | **1,330** | | | **1,134** | | | **4,276** | |
| **Net Interest Margin after Provision for Credit Risk (F = C+D+E)** | **357,188** | **8,312** | **9.3%** | **336,844** | **7,363** | **8.7%** | **329,603** | **28,972** | **8.8%** |
| **Treasury Financial Margin (G)** | | **1,214** | | | **906** | | | **4,029** | |
| **Net Result from Financial Operations (H= F+G)** | | **9,525** | | | **8,269** | | | **33,002** | |

(*) Cash and Cash Equivalents + Interbank Deposits + Securities (-) Interbank Deposits related to Repurchase Liability (-) Derivative financial instruments. (-) Operations Sensitive to Variations in Interest Rate.
Note: spread is the annualized difference between the earnings of assets and their opportunity costs.

**Net Interest Margin with Clients and Net Interest Margin with Clients after Provision for Loan Lease Losses vs CDI**



## Results from Loan and Lease Losses

*R$ million*

| | 4th Q/10 | 3rd Q/10 | 2010 | 2009 | Variation | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 4th Q/10 – 3rd Q/10 | % | 2010-2009 | % |
| Expenses for Provision for Loan and Lease Losses before the usage of the Additional Provision | (3,982) | (4,069) | (15,936) | (18,086) | 87 | -2.1% | 2,150 | -11.9% |
| Usage of the Additional Provision for Loan Losses | - | - | - | 1,687 | - | - | (1,687) | - |
| Expenses for Provision for Loan and Lease Losses | (3,982) | (4,069) | (15,936) | (16,399) | 87 | -2.1% | 463 | -2.8% |
| Income from Recovery of Credits Written Off as Losses | 1,330 | 1,134 | 4,276 | 2,234 | 196 | 17.3% | 2,042 | 91.4% |
| **Result from Loan Losses** | **(2,652)** | **(2,935)** | **(11,660)** | **(14,165)** | **283** | **-9.6%** | **2,505** | **-17.7%** |

The expenses for the provision for loan and lease losses totaled R$ 3,982 million in the fourth quarter of 2010, corresponding to a 2.1% decline when compared to the third quarter. During 2010, such expenses reached R$ 15,936 million, decreasing by 2.8% from the prior year. Before the usage of the additional provision in 2009, the expense for loan and lease losses posted an annual decline of 11.9%, or R$ 2,150 million.

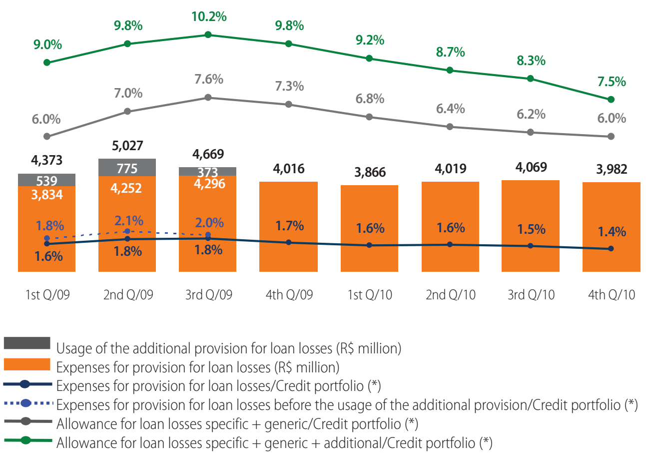
In the last quarter of 2010, income from the recovery of credits written off as losses amounted to R$ 1,330 million, representing an improvement of 17.3% quarter-on-quarter. For the year, such revenues added up to R$ 4,276 million, increasing by 91.4% from 2009.

The decline in expenses for the provision for loan and lease losses, coupled with higher income from the recovery of credits written off as losses, led to a 9.6% improvement in the result from loan and lease losses in the fourth quarter and 17.7% in the year, for a total of R$ 2,652 million and R$ 11,660 million in the respective periods. Disregarding the impact of the usage of the additional provision in 2009, the annual improvement in the result from loan and lease losses would have been 26.4%.

### Review of the Criteria for Additional Provisions for Loan and Lease Losses

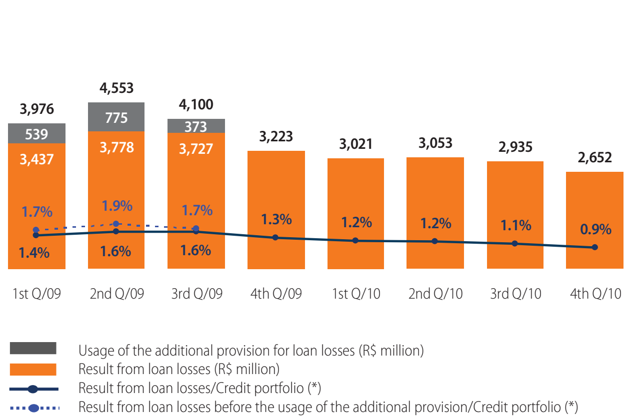
As of this quarter, the additional provision for loan and lease losses started to reflect the model of expected loss adopted in the institution's credit risk management, based on the broad concept of BIS II, which considers the potential loss for revolving credits. This model replaces the former one, which contained, besides expected loss, the concept of counter-cyclical provision, which is treated as a capital cushion according to the BIS III precepts. The adoption of this model resulted in a R$ 1,573 million provision reversal, with a net impact of R$ 1,038 million, treated as non–recurring, and an additional provision of R$ 4,531 million in relation to the minimum required by the Brazilian Central Bank.

**Provision for Loan Losses and Credit Portfolio**




(*) Average balance of the two previous quarters.

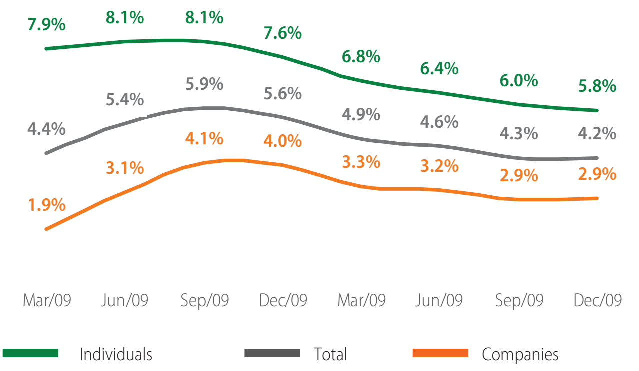
**Result from Loan Losses and Credit Portfolio**




(*) Average balance of the two previous quarters.

As of December 2010, the balance of the credit portfolio increased by 20.8% when compared to December 2009, reaching R$ 297,102 million, while the balance of allowance for loan losses declined by 7.3%, totaling R$ 22,292 million, highlighting the improvement in the credit portfolio quality. The ratio of the allowance for loan losses to the credit portfolio has improved quarter-on-quarter to reach 1.4% in December. When compared to the same period of the prior year, this ratio presents a positive evolution of 30 basis points. Similarly, the ratio of results from loan losses to the credit portfolio reached 0.9% in the last quarter of the year, representing a 40 basis points increase from December 2009.

### NPL Ratio – 90 days




### Nonperforming Ratios

*R$ million*

| | Dec 31, 10 | Sep 30, 10 | Dec 31, 09 |
|---|---|---|---|
| Nonperforming Loans over 60 days [a] | 15,059 | 14,231 | 16,297 |
| Nonperforming Loans over 90 days [b] | 12,593 | 11,902 | 13,838 |
| Credit Portfolio [c] | 297,102 | 279,035 | 245,951 |
| NPL Ratio [(a)/(c)] x 100 over 60 days | 5.1% | 5.1% | 6.6% |
| NPL Ratio [(b)/(c)] x 100 over 90 days | 4.2% | 4.3% | 5.6% |

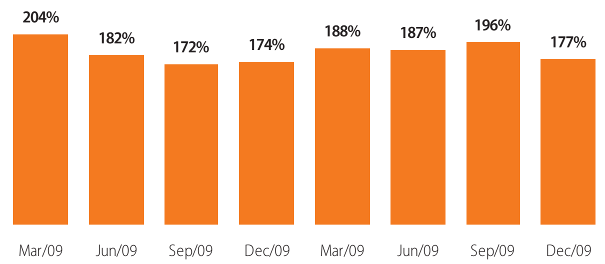
(a) Loans overdue for more than 60 days and that do not accrue revenues.
(b) Loans overdue for more than 90 days.
(c) Endorsements and sureties not included.

Throughout the year of 2010, we emphasize the improvement trend observed in our loan and financing portfolio performance indicators started in the third quarter of 2009. The overall non-performing ratio (credit transactions more than 90 days overdue) reached 4.2% in December 2010, a 140 basis points improvement from December 2009 and 10 basis points from the prior quarter. When compared to the previous year, the ratios of loan transactions to individuals and companies improved by 180 and 110 basis points, respectively. The non-performing ratio of companies has been influenced by the larger growth of the small and middle market segment, which has higher delinquency levels than large companies.

The decrease in delinquency levels is directly associated with the current Brazilian economic cycle and the more conservative credit policies adopted since the end of 2008.

### Coverage Ratio – 90 days

The 90-day coverage ratio decrease from 196% in September to 177% in December is mainly attributable to the reversal of part of the additional provision in the fourth quarter of 2010. The balance of the allowance for loan losses reached R$ 22,292 million in December, a 4.3% decrease from the prior quarter, while the nonperforming loans over 90 days grew by 5.8% in the same period.




The coverage ratio is derived from the division of the provisions for loans and lease losses balance by the balance of operations more than 90 days overdue.

### Overdue Loans

The overdue loans portfolio increased by 1.9% in the fourth quarter and decreased by 6.4% in the last 12 months, while the loan portfolio grew by 6.5% quarter-on-quarter and 20.8% in the year. The decrease in the coverage of allowance for loan losses over overdue loans was impacted by the reversal of part of the additional provision in the fourth quarter of 2010.

*R$ million*

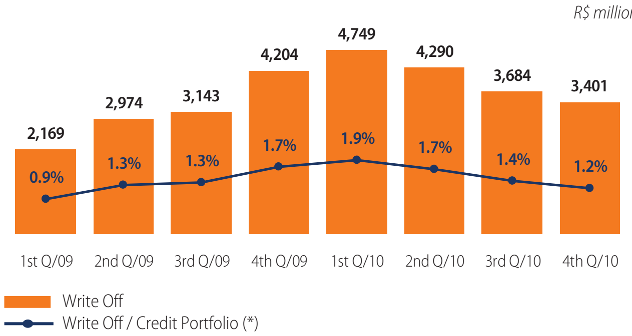
| | Dec 31, 10 | Sep 30, 10 | Dec 31, 09 |
|---|---|---|---|
| Overdue Loans | 22,294 | 21,870 | 23,808 |
| Balance of Allowance for Loan and Lease Losses | (22,292) | (23,284) | (24,052) |
| Coverage | (2) | 1,414 | 244 |

Obs: Overdue loans are credit operations having at least one installment more than 15 days overdue, irrespective of collateral provided.

### Credit Portfolio Write Offs

Write offs from the credit portfolio totaled R$ 3,401 million in the last quarter of the year, reducing by 7.7% and 19.1% when compared to the prior period and the fourth quarter of 2009, respectively. Noteworthy during 2010 was the improvement trend in the ratio of written-off transactions to the credit portfolio, which reached 1.2% in the fourth quarter, a 50 basis points decline when compared to the same period of the prior year.

*R$ million*




(*) Average balance of the two previous quarters.

## Banking Services Fee and Income from Banking Charges

*R$ million*

| | 4thQ/10 | 3rdQ/10 | 2010 | 2009 | Variation 4thQ/10 – 3rdQ/10 | % | 2010 – 2009 | % |
|---|---|---|---|---|---|---|---|---|
| Asset Management | 658 | 654 | 2,526 | 2,249 | 3 | 0.5% | 277 | 12.3% |
| Current Account Services | 644 | 641 | 2,473 | 2,147 | 3 | 0.5% | 326 | 15.2% |
| Credit Operations and Guarantees Provided | 747 | 727 | 2,804 | 2,414 | 20 | 2.8% | 389 | 16.1% |
| Collection Services | 350 | 336 | 1,325 | 1,205 | 14 | 4.1% | 121 | 10.0% |
| Credit Cards | 1,705 | 1,720 | 6,606 | 5,761 | (14) | -0.8% | 844 | 14.7% |
| Other | 487 | 386 | 1,729 | 1,395 | 100 | 26.0% | 334 | 23.9% |
| **Total** | **4,591** | **4,465** | **17,463** | **15,172** | **126** | **2.8%** | **2,291** | **15.1%** |

In the fourth quarter of 2010, banking service fees, including banking charges, amounted to R$ 4,591 million, a 2.8% growth from the prior period. To comply with Technical Pronouncement CPC 30, we have reclassified the value for provision for future disbursement related to the reward program for credit cards, previously accounted for in "Operating Expenses", to "Service Revenues". Prior periods were adjusted to enable adequate comparison.

### Asset Management

Asset Management revenues added up to R$ 658 million in the fourth quarter, in line with the previous period level. Assets under management totaled R$ 363,818 million in December, increasing by 1.8% compared to September and 9.0% compared to December 2009.

### Current Account Services

Revenues from current account services totaled R$ 644 million in the last quarter of the year, maintaining a positive evolution as a result of increased revenues from the charge package, due to the growth in the client base.

### Credit Operations and Guarantees Provided

Revenues from credit operations and guarantees provided grew 2.8% in the fourth quarter, driven by the higher volume of credit operations, in particular vehicle financing and leasing.

### Collection Services

Revenues from collection services increased by 4.1% from the third quarter due to the higher number of notes under collection in the period.

### Credit Cards

Revenues from credit cards totaled R$ 1,705 million in the fourth quarter of 2010. The growth of these revenues were impacted by expenses associated with the reward program, which grew by R$ 44 million from the prior quarter.

### Other

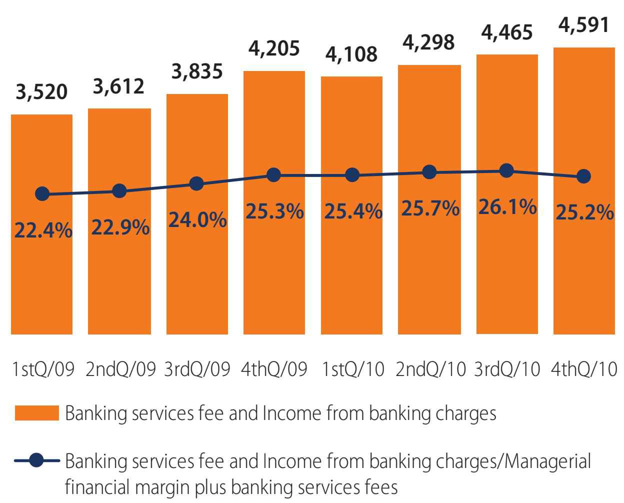
*R$ million*

| | 4thQ/10 | 3rdQ/10 | Variation |
|---|---|---|---|
| Foreign Exchange Services | 20 | 15 | 5 |
| Income from Brokerage and Securities Placement | 106 | 89 | 18 |
| Income from Custody Services and Management of Portfolio | 44 | 44 | (0) |
| Income from Economic and Financial Advisory Services | 106 | 60 | 46 |
| Other Services | 211 | 178 | 32 |
| **Total** | **487** | **386** | **100** |

Increase in revenues from economic and financial advisory services, driven by the higher volume of activity of the Corporate and Investment Bank areas.

**Banking Services Fee and Income from Banking Charges**

*R$ million*



## Non-interest Expenses

*R$ million*

| | 4thQ/10 | 3rdQ/10 | 4thQ/09 | 2010 | 2009 | Variation | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 4thQ/10 – 3rdQ/10 | % | 2010 - 2009 | % |
| Personnel Expenses | (3,355) | (3,346) | (3,244) | (12,769) | (12,092) | (9) | 0.3% | (677) | 5.6% |
| Administrative Expenses | (3,988) | (3,738) | (3,162) | (14,038) | (11,593) | (249) | 6.7% | (2,446) | 21.1% |
| Operating Expenses | (1,218) | (809) | (913) | (3,527) | (3,849) | (409) | 50.6% | 322 | -8.4% |
| Other Tax Expenses (*) | (74) | (86) | (85) | (323) | (344) | 12 | -13.7% | 21 | -6.1% |
| **Total** | **(8,635)** | **(7,979)** | **(7,404)** | **(30,657)** | **(27,877)** | **(655)** | **8.2%** | **(2,780)** | **10.0%** |

(*) Does not include ISS, PIS and Cofins.

During the fourth quarter, non-interest expenses totaled R$ 8,635 million, an 8.2% growth quarter-on-quarter. In 2010, non-interest expenses added up to R$ 30,657 million, representing a 10.0% increase when compared to 2009.

## Personnel Expenses

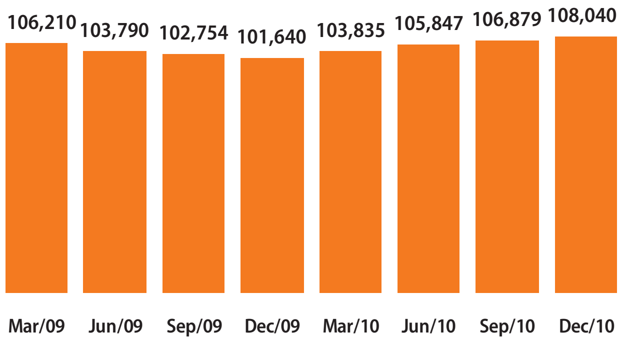
*R$ million*

| | 4thQ/10 | 3rdQ/10 | Variation |
|---|---|---|---|
| Compensation | (2,233) | (2,196) | (37) |
| Charges | (489) | (546) | 57 |
| Social Benefits | (430) | (423) | (6) |
| Training | (81) | (57) | (24) |
| Employee Terminations and Labor Claims | (122) | (123) | 1 |
| **Total** | **(3,355)** | **(3,346)** | **(9)** |

Personnel expenses remained practically stable in the fourth quarter of 2010, reaching R$ 3,355 million.

### Number of Employees (**)

The number of employees increased from 106,879 in September to 108,040 in December due to organic growth, in particular in connection with services provided to clients of the very small, small and mid-sized companies and Consumer Credit segment, in addition to the expansion in the branch network.




(**) For companies under control of Itaú Unibanco, 100% of the number of employees are considered. For shared–control companies, 50% of the employees are considered. No employee is considered for companies which are not under Itaú Unibanco's control.

## Administrative Expenses

*R$ million*

| | 4thQ/10 | 3rdQ/10 | Variation |
|---|---|---|---|
| Data Processing and Telecommunications | (1,004) | (857) | (147) |
| Depreciation and Amortization | (330) | (393) | 63 |
| Facilities | (655) | (727) | 72 |
| Third-Party Services | (875) | (779) | (96) |
| Financial System Services | (100) | (90) | (10) |
| Advertising, Promotions and Publications | (351) | (287) | (64) |
| Transportation | (163) | (170) | 7 |
| Materials | (138) | (141) | 3 |
| Security | (127) | (115) | (12) |
| Travel | (54) | (45) | (9) |
| Other | (191) | (134) | (57) |
| **Total** | **(3,988)** | **(3,738)** | **(249)** |

Administrative expenses increased by 6.7% quarter-on-quarter, driven by the higher volume of data processing and telecommunications as a result of the enhanced level of operating activities, which is typical in the last quarter of the year; growth in third-party services relating to consulting, advisory and telemarketing; and higher expenses for advertising, promotions and publications. Expenses for facilities and depreciation and amortization declined in the period, due to the completion of the branch migration process.

## Operating Expenses

*R$ million*

| | 4thQ/10 | 3rdQ/10 | Variation |
|---|---|---|---|
| Provision for contingencies | (310) | (79) | (231) |
| Selling – Credit Cards | (527) | (417) | (110) |
| Claims | (118) | (129) | 11 |
| Other | (262) | (183) | (79) |
| **Total** | **(1,218)** | **(809)** | **(409)** |

During the fourth quarter, operating expenses were mainly impacted by the strengthening in provisions for tax and social security contingencies, as well as selling expenses of credit cards due to the increased client's base and volume of transactions.

## Non-interest Expenses without Redecard, Porto Seguro, Migration and New Points of Sale Openings effects

Excluding the effect of expenses associated with the migration of Unibanco branches to the Itaú platform, opening of new points of sale, and expenses relating to Redecard and Porto Seguro – consolidated companies whose cost management is not directly under our administration – non-interest expenses totaled R$ 27,727 million in 2010, growing 3.3% when compared to the previous year.

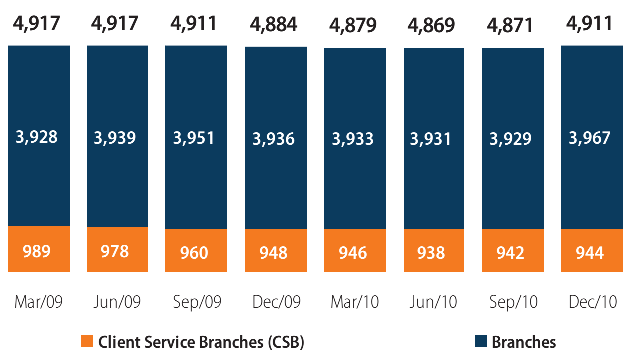
*R$ million*

**Non-interest Expenses without Redecard, Porto Seguro, New Points of Sale Openings and Branches' Migration effects.**

| | 4th Q/10 | 3rd Q/10 | 4th Q/09 | 2010 | 2009 | Variation: 4th Q/10 – 3rd Q/10 | Variation: % | Variation: 2010 - 2009 | Variation: % |
|---|---|---|---|---|---|---|---|---|---|
| **Non-interest Expenses** | (8,635) | (7,979) | (7,404) | (30,657) | (27,877) | (655) | 8.2% | (2,779) | 10.0% |
| (+) Redecard Expenses | 321 | 309 | 227 | 1,126 | 920 | 11 | 3.6% | 206 | 22.4% |
| (+) Porto Seguro Expenses (*) | 138 | 125 | 112 | 486 | 112 | 12 | 9.7% | 375 | - |
| **Non-interest Expenses without Redecard and Porto Seguro** | (8,177) | (7,545) | (7,065) | (29,045) | (26,846) | (632) | 8.4% | (2,199) | 8.2% |
| (+) New Points of Sale Expenses | 178 | 183 | - | 482 | - | (5) | - | 482 | - |
| (+) Branches' Migration Expenses | 135 | 406 | - | 835 | - | (270) | - | 835 | - |
| **Non-interest Expenses without Redecard, Porto Seguro, New Points of Sale Openings and Branches' Migration effects.** | (7,863) | (6,956) | (7,065) | (27,727) | (26,846) | (907) | 13.0% | (881) | 3.3% |

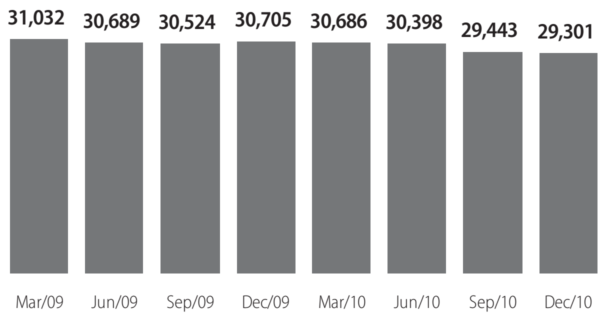
(*) In 2009, it refers only to the fourth quarter.

**Branches and Client Service Branches (CSB) - Brazil and Abroad**




Obs: Includes Banco Itaú Argentina, Banco Itaú BBA and Chile, Uruguay and Paraguay companies' information.

**Automated Teller Machines (ATMs) - Brazil and Abroad**

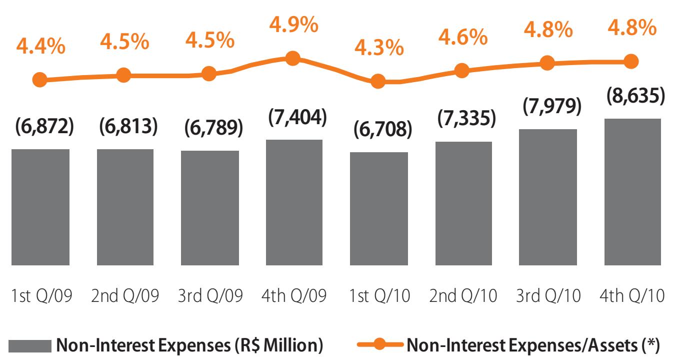



Obs: (i) Includes Banco Itaú Argentina and Chile, Uruguay and Paraguay companies' information.
(ii) Includes ESBs (electronic service branches) and service points in third-party establishments.
(iii) Does not include points of sale and ATMs of Banco 24h.

At the end of 2010, Itaú Unibanco had 3,967 branches, 944 CSBs and 29,301 ATMs, for a total of over 34 thousand service points.

The number of ATMs was impacted by the branch migration process and consolidation of the service network, which resulted in an optimization of these equipments.

**Performance of Non-Interest Expenses and Ratio of Non-Interest Expenses to Assets (*)**




(*) Division of Non-Interest Expenses by the arithmetic average of total assets for the two previous quarters (annualized).

# Analysis of the Net Income

## Efficiency Ratio and Risk-Adjusted Efficiency Ratio

The calculation methodology of the Efficiency Ratio has changed to better reflect the institution's global performance. Insurance, Pension Plan and Capitalization selling expenses, which were previously treated as revenue reducing items, are now considered as part of the Expense base.

We present below the efficiency ratio and the risk-adjusted efficiency ratio, which includes the risk portions associated with banking transactions (result of the provision for loan losses) and insurance and social security transactions (claims).

### Efficiency Ratio

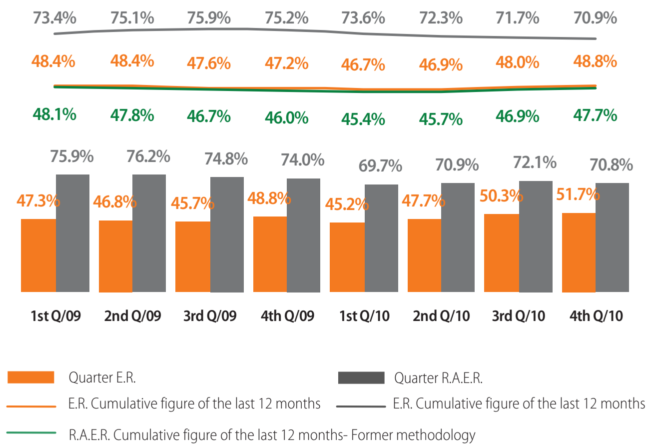
In the fourth quarter, the efficiency ratio reached 51.7%, representing a 140 basis points growth compared to the prior quarter, as a result of increased non-interest expenses. During the past 12 months, the efficiency ratio reached 48.8%, increasing by 160 basis points from the same period of the previous year, mainly driven by expenses related to the migration of branches in the course of 2010. Excluding expenses related to migration, the efficiency ratio for the past 12 months would have been 47.5%.

For comparison purposes, the efficiency ratio on the former methodology would have been 50.5% in the fourth quarter and 47.7% in the past 12 months.

### Risk-Adjusted Efficiency Ratio

During the fourth quarter, the risk-adjusted efficiency ratio was 70.8%, a 140 basis points improvement from the prior quarter, mainly due to a decline in results from loan losses. During the past 12 months, the risk-adjusted efficiency ratio reached 70.9%, a 430 basis points improvement when compared to the same period of the prior year, driven by the better quality of the credit portfolio.

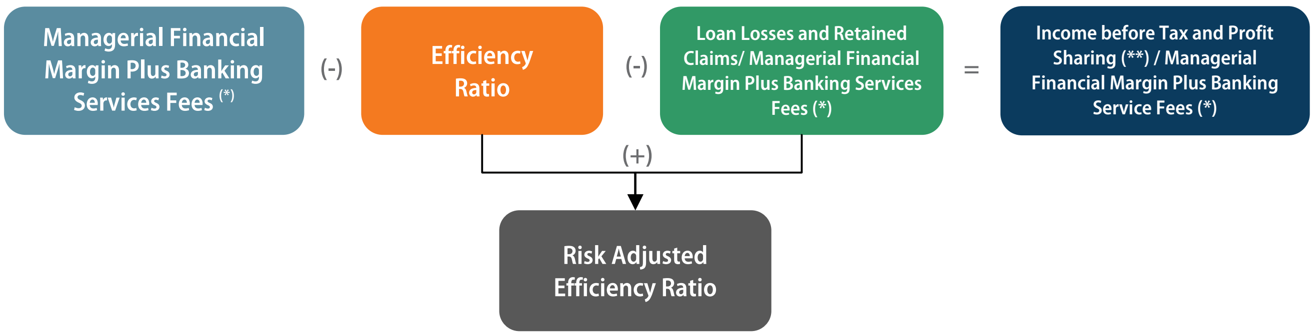
**Efficiency Ratio (E.R.) and Risk-Adjusted Efficiency Ratio (R.A.E.R.)**

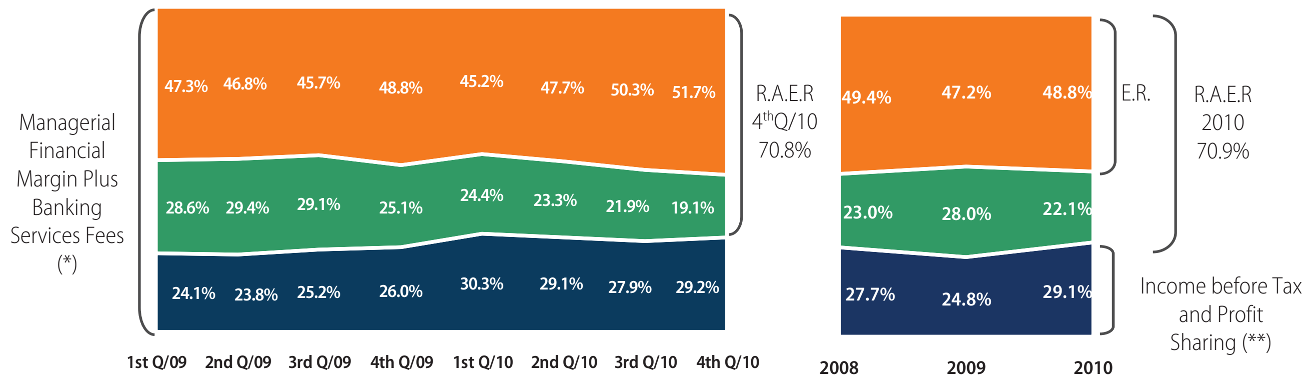



Risk Adjusted Efficiency Ratio = Non-Interest Expenses (Personnel Expenses + Administrative Expenses + Operating Expenses + Other Tax Expenses) +Insurance Selling Expenses + Result from Loan Losses + Retained Claims / (Managerial Financial Margin + Banking Service Fees and Banking Charges + Operating Result of Insurance, Capitalization and Pension Plans before Retained Claims and Insurance Selling Expenses + Other Operating Income - Tax Expenses for ISS, PIS, Cofins and Other Taxes)

## Usage of Managerial Financial Margin Plus Banking Services Fees

The chart below shows the portions of the Managerial Financial Margin Plus Banking Services Fees that are utilized to cover Non-interest Expenses, Result from Loan Losses and Retained Claims.




(*) Net of Tax Expenses for ISS, PIS and Cofins and Other.
(**) Does not include Equity in Earnings of Affiliates and Other Investments and Non-operating Income.

### Tax Expenses for ISS, PIS, Cofins and Other

Tax expenses amounted to R$ 1,137 million in the fourth quarter of 2010, representing a R$ 224 million growth from the prior quarter, due to the increase in the PIS and Cofins taxable base with respect to the payment of Interest on own Capital between the different group companies.

### Income Tax and Social Contribution on Net Income

In the fourth quarter of 2010, expenses for Income Tax and Social Contribution on Net Income amounted to R$ 1,504 million, a 20.0% increase quarter-on-quarter.

Social Contribution on Net Income expense payable in the short-term continues not to reflect the rate increase from 9% to 15%, as tax credits recorded are sufficient to counter this effect. Furthermore, a Direct Unconstitutionality Action filed by the National Federation of the Financial System (CONSIF) in this regard is yet to be decided.

At December 31, 2010, the balance of the unrecorded remaining social contribution credit, as a result from the income tax and social contribution rate increase, totaled R$ 1,732 million.

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Balance Sheet
Balance Sheet by Currency
Value at Risk
Ownership Structure

# Balance Sheet

## Securities Portfolio

R$ million

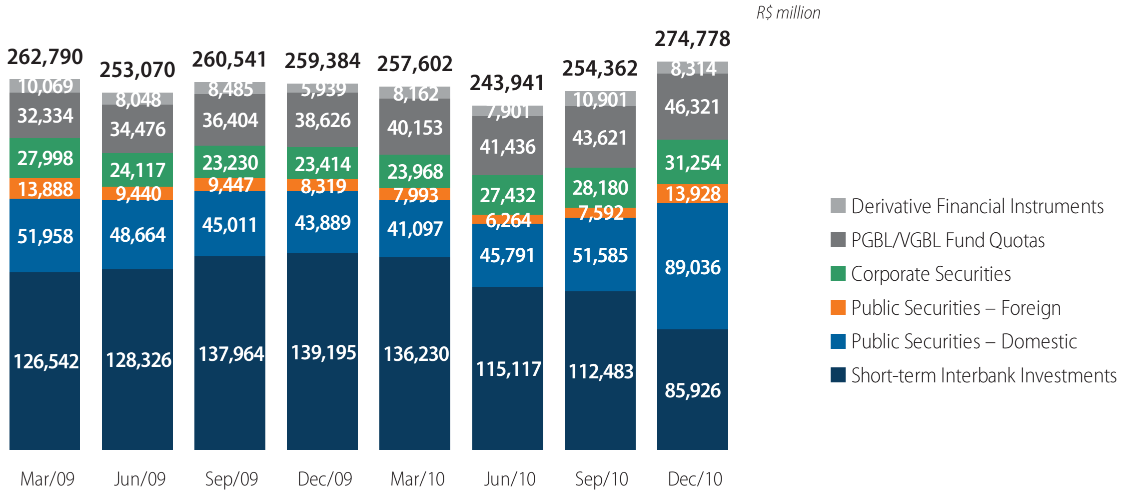
**Short-term Interbank Investments and Securities Portfolio**

| | Dec 31,10 | % | Sep 30,10 | % | Dec 31,09 | % | Variation (%) Dec/10 – Sep/10 | Variation (%) Dec/10 – Dec/09 |
|---|---|---|---|---|---|---|---|---|
| Short-term Interbank Investments | 85,926 | 31.3% | 112,483 | 44.2% | 139,195 | 53.7% | -23.6% | -38.3% |
| Total Public Securities | 102,964 | 37.5% | 59,177 | 23.3% | 52,208 | 20.1% | 74.0% | 97.2% |
| Government Securities – Domestic | 89,036 | 32.4% | 51,585 | 20.3% | 43,889 | 16.9% | 72.6% | 102.9% |
| Government Securities – Foreign | 13,928 | 5.1% | 7,592 | 3.0% | 8,319 | 3.2% | 83.5% | 67.4% |
| Argentina | 293 | 0.1% | 274 | 0.1% | 179 | 0.1% | 6.7% | 63.5% |
| Russia | 45 | 0.0% | - | - | - | - | - | - |
| Denmark | 2,014 | 0.7% | 1,534 | 0.6% | 1,971 | 0.8% | 31.3% | 2.2% |
| Spain | 734 | 0.3% | 836 | 0.3% | 1,093 | 0.4% | -12.1% | -32.8% |
| Korea | 236 | 0.1% | 2,043 | 0.8% | 1,756 | 0.7% | -88.4% | -86.5% |
| Chile | 702 | 0.3% | 1,382 | 0.5% | 1,352 | 0.5% | -49.2% | -48.1% |
| Paraguay | 257 | 0.1% | 267 | 0.1% | 417 | 0.2% | -3.9% | -38.4% |
| Uruguay | 225 | 0.1% | 855 | 0.3% | 522 | 0.2% | -73.7% | -57.0% |
| United States | 9,394 | 3.4% | 361 | 0.1% | 766 | 0.3% | 2505.2% | 1126.7% |
| Mexico | 29 | 0.0% | 13 | 0.0% | 10 | 0.0% | 126.0% | 195.9% |
| Other | - | 0.0% | 27 | 0.0% | 254 | 0.1% | -100.0% | -100.0% |
| Corporate Securities | 31,254 | 11.4% | 28,180 | 11.1% | 23,414 | 9.0% | 10.9% | 33.5% |
| PGBL/VGBL Fund Quotas | 46,321 | 16.9% | 43,621 | 17.1% | 38,626 | 14.9% | 6.2% | 19.9% |
| Derivative Financial Instruments | 8,314 | 3.0% | 10,901 | 4.3% | 5,939 | 2.3% | -23.7% | 40.0% |
| **Total** | **274,778** | **100.0%** | **254,362** | **100.0%** | **259,384** | **100.0%** | **8.0%** | **5.9%** |

At December 31, 2010, our short-term interbank investments and securities portfolio added up to R$ 274,778 million, increasing 8.0% from the prior quarter.

The short-term interbank investments and securities portfolio mix changed during the quarter, with higher exposure to public securities.

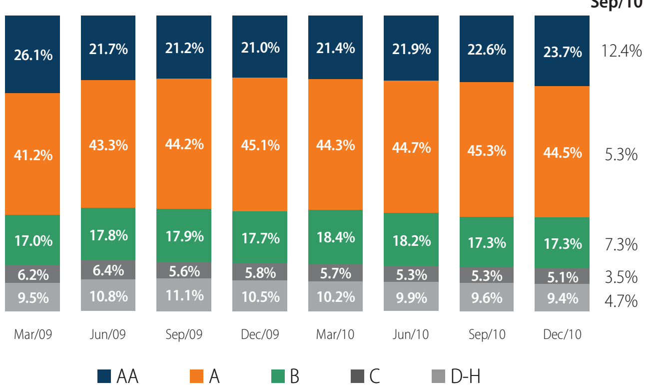
**Evolution of Short-term Interbank Investments and Securities Portfolio**




## Credit Portfolio by Risk Level

At December 31, 2010, the share of credits rated "AA" to "C" grew by 20 basis points compared to the prior quarter, accounting for 90.6% of the portfolio. The increased share was a result of the overall improvement in the portfolio profile, attested by the growth in "AA" and "A" portfolios, by 12.4% and 5.3%, respectively. Such growth was essentially driven by the reduced risks associated with the individuals segment. At the same time, the credit portfolio rated "D-H" continued to lose share since September of last year, as a result of the improved economic scenario and the introduction of more conservative credit policies since 2009.

**Evolution of Credit Portfolio by Risk Level**



## Credit Portfolio by Product

In the table below, we segregate the loan portfolio exclusively in individuals and companies. For a better understanding of the evolution of the two portfolios, the main product clusters for each of them are presented.

*R$ million*

| | Dec 31,10 | Sep 30,10 | Dec 31,09 | Variação (%) Dec/10 – Sep/10 | Variação (%) Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| **Individuals** | **132,146** | **123,282** | **111,602** | **7.2%** | **18.4%** |
| Credit Card | 34,953 | 30,901 | 29,313 | 13.1% | 19.2% |
| Personal Loans | 17,282 | 16,942 | 15,435 | 2.0% | 12.0% |
| Vehicles | 60,190 | 57,334 | 52,276 | 5.0% | 15.1% |
| Own Payroll Loans | 6,384 | 6,137 | 4,972 | 4.0% | 28.4% |
| Mortgage Loans | 8,067 | 7,025 | 5,249 | 14.8% | 53.7% |
| Rural Loans | 289 | 302 | 348 | -4.3% | -17.0% |
| Argentina/Chile/Uruguay/Paraguay | 4,982 | 4,640 | 4,010 | 7.4% | 24.2% |
| **Companies** | **164,956** | **155,753** | **134,349** | **5.9%** | **22.8%** |
| Working Capital (*) | 89,351 | 84,296 | 72,792 | 6.0% | 22.7% |
| BNDES/Onlending | 33,714 | 30,909 | 24,407 | 9.1% | 38.1% |
| Export / Import Financing | 12,508 | 12,143 | 13,810 | 3.0% | -9.4% |
| Vehicles | 8,511 | 8,699 | 7,171 | -2.2% | 18.7% |
| Acquired Payroll Loans | 2,018 | 1,662 | 1,094 | 21.4% | 84.5% |
| Mortgage Loans | 5,190 | 4,938 | 3,261 | 5.1% | 59.1% |
| Rural Loans | 5,136 | 4,967 | 4,796 | 3.4% | 7.1% |
| Argentina/Chile/Uruguay/Paraguay | 8,527 | 8,138 | 7,018 | 4.8% | 21.5% |
| **Total without Endorsements and Sureties** | **297,102** | **279,035** | **245,951** | **6.5%** | **20.8%** |
| Endorsements and sureties | 38,374 | 34,155 | 32,431 | 12.4% | 18.3% |
| **Total with Endorsements and Sureties** | **335,476** | **313,189** | **278,382** | **7.1%** | **20.5%** |
| Private Securities (**) | 15,598 | 13,419 | 10,535 | 16.2% | 48.1% |
| **Adjusted Total Risk** | **351,074** | **326,608** | **288,917** | **7.5%** | **21.5%** |

(*) Also includes Revolving, Receivables, Hot Money, Leasing, and other.
(**) Includes Debentures, CRI and Commercial Paper.

The individuals portfolio grew 7.2% at December 31, 2010 compared to the prior quarter, reaching R$ 132,146 million. This evolution was primarily explained by increases of 5.0% in the vehicles portfolio, totaling R$ 60,190 million, 13.1% in the credit card portfolio, amounting to R$ 34,953 million, 14.8% in the mortgage loans portfolio, adding up to R$ 8,067 million, 7.4% in our operations in Southern Cone countries, for a total of R$ 4,982 million, and 2.0% in the personal loans portfolio, reaching R$ 17,282 million. Also noteworthy was the growth in the own payroll loans portfolio, that reached R$ 6,384 million, increasing by 4.0% from the prior quarter.

The companies portfolio increased 5.9% in the quarter and totaled R$ 164,956 million. Changes seen in this portfolio were mainly driven by the expansion in the working capital portfolio by 6.0%, amounting to R$ 89,351 million, and the BNDES/Onlending portfolio by 9.1%, that reached R$ 33,714 million.

Taking into consideration our private fixed-income securities portfolio, that is increasingly significant as a financing instrument for corporate companies, and the balance of sureties and endorsements, our total adjusted loan portfolio reached R$ 351,074 million, a 7.5% growth compared to the prior quarter.

## Credit Portfolio by Industry

The main increases in the portfolio during the quarter were seen in the following industries: Food and Beverage (up R$ 1,398 million, or 8.8%), Pharmaceuticals (up R$ 940 million, or 32.5%), Light and Heavy Vehicles (up R$ 847 million, or 9.3%), Metals and Steel (up R$ 805 million, or 10.1%), Apparel (up R$ 720 million, or 9.9%), Telecommunications (up R$ 708 million, or 21.2%), Electro-electronics (up R$ 587 million, or 7.2%), Service Providers (up R$ 533 million, or 12.3%), Autoparts and Accessories (up R$ 521 million, or 12.7%), Supermarkets (up R$ 506 million, or 29.3%), as well as other less significant changes. The main reductions in the quarter were seen in the following portfolios: Chemicals and Petrochemicals (down R$ 101 million, or 1.4%), Tobacco (down R$ 99 million, or 20.0%), and Electrical Energy Generation, Transformation and Distribution (down R$ 98 million, or 1.2%).

## Funding

R$ million

**Funding from Clients**

| | Dec 31, 10 | Sep 30, 10 | Dec 31, 09 | Dec/10 – Sep/10 | Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| Demand Deposits | 25,661 | 28,461 | 25,240 | -9.8% | 1.7% |
| Savings Deposits | 57,883 | 54,858 | 48,207 | 5.5% | 20.1% |
| Time Deposits | 113,468 | 106,011 | 102,494 | 7.0% | 10.7% |
| Debentures (Repurchase Agreements) and Mortgage – Backed Notes (*) | 103,715 | 94,066 | 69,642 | 10.3% | 48.9% |
| **(1) Funding from Account Holders** | **300,728** | **283,397** | **245,582** | **6.1%** | **22.5%** |
| Institutional Clients | 16,982 | 14,104 | 20,217 | 20.4% | -16.0% |
| Onlending | 31,689 | 28,862 | 22,356 | 9.8% | 41.7% |
| **(2) Total – Funding from Institutional & Account Holders** | **349,399** | **326,363** | **288,155** | **7.1%** | **21.3%** |
| Assets Under Management | 363,818 | 357,495 | 333,869 | 1.8% | 9.0% |
| Technical Provisions for Insurance, Pension Plan and Capitalization | 61,365 | 58,490 | 52,404 | 4.9% | 17.1% |
| Deposits from Banks | 1,985 | 1,293 | 2,046 | 53.5% | -3.0% |
| Funds from Acceptance and Issuance of Securities Abroad | 9,930 | 9,295 | 5,703 | 6.8% | 74.1% |
| **Total Funds from Clients** | **786,497** | **752,935** | **682,178** | **4.5%** | **15.3%** |

**Ratio between Credit Portfolio and Funding**

| | Dec 31, 10 | Sep 30, 10 | Dec 31, 09 | Dec/10 – Sep/10 | Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| Funding from Clients + Account Holders | 349,399 | 326,363 | 288,155 | 7.1% | 21.3% |
| Funds from Acceptance and Issuance of Securities Abroad | 9,930 | 9,295 | 5,703 | 6.8% | 74.1% |
| Borrowings | 15,723 | 14,397 | 12,336 | 9.2% | 27.5% |
| Other (**) | 15,721 | 16,814 | 10,009 | -6.5% | 57.1% |
| **Total (A)** | **390,773** | **366,869** | **316,204** | **6.5%** | **23.6%** |
| (-) Compulsory Deposits | (88,825) | (64,432) | (24,662) | 37.9% | 260.2% |
| (-) Cash and Cash Equivalents (Currency) | (10,493) | (11,063) | (10,594) | -5.2% | -1.0% |
| **Total (B)** | **291,455** | **291,374** | **280,947** | **0.0%** | **3.7%** |
| **Credit Portfolio (C) (***)** | **297,102** | **279,035** | **245,951** | **6.5%** | **20.8%** |
| **C/A** | **76.0%** | **76.1%** | **77.8%** | **-10 bps** | **-180 bps** |
| **C/B** | **101.9%** | **95.8%** | **87.5%** | **620 bps** | **1440 bps** |

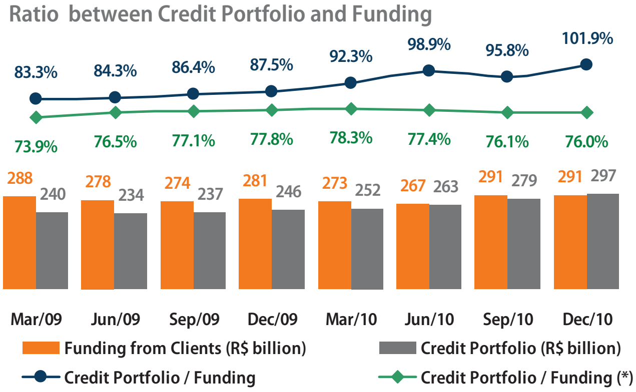
(*) Includes funds from Real Estate, Mortgage, Financial, Credit and Similar Notes.
(**) These are comprised of installments of subordinated debt that is not included in Tier II Reference Equity.
(***) The credit portfolio balance does not include sureties and endorsements.

At December 31, 2010, total funds from clients amounted to R$ 786,497 million, or a 4.5% increase from the prior quarter.

During this quarter the funding mix was changed, as funds obtained through own issue repurchase agreements and mortgage -backed notes grew R$ 9,649 million and time deposits increased R$ 7,457 million.

The ratio of credit portfolio to funding before compulsory deposits and cash and cash equivalents reached 76.0% in December 2010, remaining practically stable in comparison with the past 12 months. Considering compulsory deposits and cash and cash equivalents, the ratio achieved 101.9% in December 2010, versus 95.8% in September. The increase is mainly attributable to the R$ 24,393 million growth in compulsory deposits, impacted by the new rates on both demand and time deposits implemented as from December 6, and by the reduction of the line named Other, since the Brazilian Central Bank approved US$ 1 billion in Subordinated Notes to compose the Tier II Referential Equity.

**Ratio between Credit Portfolio and Funding**




(*) Gross funding, disregarding the deduction of compulsory deposits and cash and cash equivalents.

R$ million

## Total Funds

| | Dec 31, 10 | Sep 30, 10 | Dec 31, 09 | Dec/10 – Sep/10 | Dec/10 – Dec/09 |
|---|---|---|---|---|---|
| **Funding from Clients** | **786,497** | **752,935** | **682,178** | **4.5%** | **15.3%** |
| Repurchase Agreements [1] | 98,363 | 65,844 | 66,477 | 49.4% | 48.0% |
| Borrowings | 15,723 | 14,397 | 12,336 | 9.2% | 27.5% |
| Foreign Exchange Portfolio | 22,035 | 21,399 | 27,682 | 3.0% | -20.4% |
| Subordinated Debt | 33,830 | 33,017 | 22,038 | 2.5% | 53.5% |
| Collection and Payment of Taxes and Contributions | 695 | 3,707 | 473 | -81.2% | 47.0% |
| Free Assets [2] | 54,098 | 50,608 | 43,929 | 6.9% | 23.2% |
| **Free Assets and Other** | **224,743** | **188,972** | **172,936** | **18.9%** | **30.0%** |
| **Total Funds (Free, Raised and Managed Assets)** | **1,011,241** | **941,907** | **855,113** | **7.4%** | **18.3%** |

(1) Does not include own issued debentures.
(2) Stockholders´ Equity + Minority Interests - Permanent Assets

Total funds exceeded R$ 1.0 trillion as of December 31, 2010, increasing by R$ 69.3 billion when compared to September 2010, and R$ 156.1 billion to December 2009.

The repurchase agreements increased by 49.4% and 48.0% in the same periods above mentioned, respectively.

## External Funding

The table below highlights the main issues abroad of Itaú Unibanco outstanding as of December 31, 2010.

US$ millions

**Main Issues in Effect [1]**

| Instrument | Coordinator | Balance at Sep 30, 10 | Issues | Amortization | Exchange Variation | Balance at Dec 31, 10 | Issue Date | Maturity Date | Coupon % p.y. |
|---|---|---|---|---|---|---|---|---|---|
| Fixed Rate Notes[2] | Merrill Lynch | 359 | | | 10 | 369 | 8/13/2001 | 8/15/2011 | 4.250% |
| Fixed Rate Notes | Merrill Lynch and Itaubank | 100 | | | | 100 | 8/13/2001 | 8/15/2011 | 10.000% |
| Fixed Rate Notes | Merrill Lynch and Itaubank | 80 | | | | 80 | 11/9/2001 | 8/15/2011 | 10.000% |
| Fixed Rate Notes[3] | UBS/Merrill Lynch | 500 | | | | 500 | 7/29/2005 | Perpetual | 8.700% |
| Fixed Rate Notes[4] | Itaú Chile | 97 | | | | 97 | 7/24/2007 | 7/24/2017 | UF[9] + 3.79% |
| Fixed Rate Notes[5] | Itaú Chile | 98 | | | | 98 | 10/30/2007 | 10/30/2017 | UF[9] + 3.44% |
| Floating Rate Notes | Itaubank | 393 | | | | 393 | 12/31/2002 | 3/30/2015 | Libor[10] + 1.25% |
| Floating Rate Notes[6] | Itaú Europa, HypoVereinsbank and LB Baden Wuerttemberg | 136 | | (41) | (3) | 93 | 12/22/2005 | 12/22/2015 | Euribor[11] + 0.55% |
| Floating Rate Notes[7] | Itaú Europa, UBS Inv. Bank/US and Natexis Banques Populaires | 301 | | (14) | (6) | 281 | 7/27/2006 | 7/27/2011 | Euribor[11] + 0.32% |
| Floating Rate Notes[8] | HSBC | 229 | | | 4 | 232 | 5/30/2007 | 5/30/2012 | 9.210% |
| Medium Term Notes | Banco Itaú Holding Cayman | 1,000 | | | | 1,000 | 4/15/2010 | 4/15/2020 | 6.200% |
| Medium Term Notes | Banco Itaú Holding Cayman | 1,000 | | | | 1,000 | 9/23/2010 | 1/22/2021 | 5.750% |
| Medium Term Notes[12] | Banco Itaú Holding Cayman | 0 | 291 | | | 291 | 11/23/2010 | 11/23/2015 | 10.500% |
| Other Notes[13] | | 2,831 | | (116) | | 2,715 | | | |
| **Total** | | **7,123** | **291** | **(171)** | **5** | **7,249** | | | |

(1) Balance refers to principal amounts.
(2) Amount in US$ equivalent on the dates shown to JPY 30 billion.
(3) Perpetual Bonds.
(4) and (5) Amounts in US$ equivalent on the issue dates shown to CHP 46.9 billion, and CHP 48.5 billion, respectively.
(6) and (7) Amounts in US$ equivalent on the dates shown to € 200 million, € 100 million and € 300 million, respectively.
(8) Amounts in US$ equivalent on the date to R$ 387 million.
(9) Fomentation Financial Unit.
(10) 180–day Libor.
(11) 90–day Euribor.
(12) Amounts in US$ equivalent on the date to R$ 500 million.
(13) Structured Notes.

## Equity and Tangible Capital

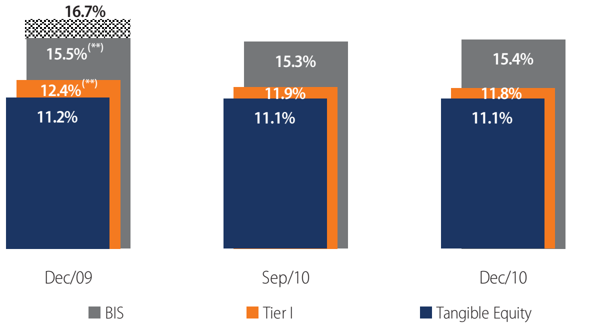
At December 31, 2010, stockholders' equity totaled R$ 60,879 million, an increase of R$ 3,653 million from September. This evolution is in compliance with technical pronouncement CPC 33 (benefits to employees), which impacted stockholders' equity by R$ 926 million without affecting the net income. In the same period, the Basel Ratio reached 15.4%. A breakdown of the Basel ratio is presented below in order to show the Tangible Common Equity (TCE) ratio(*).

R$ million

| | Dec 31,10 | Sep 30,10 | Dec 31,09 |
|---|---|---|---|
| **Stockholders´ Equity of Parent Company** | **60,879** | **57,225** | **50,683** |
| (-) Intangible | (3,285) | (3,273) | (3,748) |
| **(=) Tangible Equity (A)** | **57,594** | **53,953** | **46,935** |
| | | | |
| **Risk-weighted Exposure** | **522,952** | **489,357** | **422,840** |
| (-) Intangible asset not eliminated from weighting | (2,896) | (2,851) | (3,172) |
| **(=) Adjusted Risk-weighted Exposure (B)** | **520,056** | **486,506** | **419,668** |
| | | | |
| **Ratios** | | | |
| **BIS** | **15.4%** | **15.3%** | **16.7%** |
| **Tier I** | **11.8%** | **11.9%** | **13.7%** |
| **Tangible Equity (A/B)** | **11.1%** | **11.1%** | **11.2%** |

(*) Internationally defined as Stockholders' Equity less intangible assets, goodwill and redeemable preference shares. In Brazil, non-voting shares basically have an equity function and, for this reason, have not been excluded from Tangible Equity.

**Capital Ratios**




(**) For comparison purposes, we disregarded the benefit of including the additional provision that prevailed at that time on the calculation of the ratios. In December 2009, the BIS ratio was 16.7% and the Tier I ratio was 13.7%.

## Balance Sheet by Currency (*)

The exchange rate risk management policy adopted by Itaú Unibanco with respect to its assets and liabilities positions is primarily intended to prevent impacts on consolidated results from fluctuations in exchange rate parities.

The Brazilian tax legislation determines that exchange rate variation gains and losses on permanent foreign investments shall not be included in the tax basis. Gains and losses arising from financial instruments used to hedge such assets position, however, are impacted by tax effects. Therefore, in order not to expose net income to exchange rate variations, a liabilities position must be built at a higher volume than the hedged assets.

The Balance Sheet per Currencies shows assets and liabilities balances denominated in local and foreign currencies. At December 31, 2010, the net exchange position was a liability of US$ 9,355 million.

*R$ million*

**Balance Sheet**

| Assets | Dec 31,10 | | | | |
|---|---|---|---|---|---|
| | Consolidated Itaú Unibanco | Business in Brazil Itaú Unibanco | | | Business Abroad Itaú Unibanco |
| | | Total | Local Currency | Foreign Currency | |
| **Cash and Cash Equivalents** | **10,493** | **5,774** | **5,339** | **434** | **4,407** |
| **Short Term Interbank Deposits** | **85,926** | **78,126** | **77,063** | **1,063** | **10,375** |
| **Securities** | **188,853** | **163,001** | **162,678** | **324** | **41,465** |
| **Loans** | **297,102** | **264,531** | **257,233** | **7,297** | **43,998** |
| **(Allowance for Loan Losses)** | **(22,292)** | **(21,536)** | **(21,536)** | **-** | **(756)** |
| **Other Assets** | **184,520** | **174,904** | **164,639** | **10,265** | **28,339** |
| Foreign Exchange Portfolio | 21,593 | 17,035 | 7,242 | 9,793 | 23,253 |
| Other | 162,927 | 157,869 | 157,397 | 472 | 5,086 |
| **Permanent Assets** | **10,512** | **30,491** | **9,199** | **21,292** | **1,313** |
| **TOTAL ASSETS** | **755,112** | **695,290** | **654,615** | **40,675** | **129,142** |
| **Derivatives – Purchased Positions** | | | | **61,587** | |
| Futures | | | | 18,785 | |
| Options | | | | 5,750 | |
| Swaps | | | | 17,259 | |
| Other | | | | 19,793 | |
| **TOTAL ASSETS AFTER ADJUSTMENTS (a)** | | | | **102,262** | |

| Liabilities and Equity | Dec 31,10 | | | | |
|---|---|---|---|---|---|
| | Consolidated Itaú Unibanco | Business in Brazil Itaú Unibanco | | | Business Abroad Itaú Unibanco |
| | | Total | Local Currency | Foreign Currency | |
| **Deposits** | **202,738** | **166,555** | **166,367** | **188** | **36,947** |
| **Funds Received under Securities Repurchase Agreements** | **199,641** | **184,055** | **184,055** | **-** | **15,586** |
| **Funds from Acceptances and Issue of Securities** | **25,609** | **30,920** | **15,583** | **15,337** | **9,816** |
| **Borrowings and OnLendings** | **47,412** | **49,234** | **33,981** | **15,253** | **11,518** |
| **Interbank and Interbranch Accounts** | **4,055** | **3,950** | **2,329** | **1,621** | **106** |
| **Derivative Financial Instruments** | **5,705** | **3,983** | **3,983** | **-** | **1,994** |
| **Other Liabilities** | **143,379** | **130,753** | **120,169** | **10,584** | **31,812** |
| Foreign Exchange Portfolio | 22,035 | 17,465 | 7,344 | 10,122 | 23,265 |
| Other | 121,344 | 113,288 | 112,825 | 462 | 8,548 |
| **Technical Provisions of Insurance, Pension Plans and Capitalization** | **61,365** | **61,356** | **60,706** | **650** | **9** |
| **Deferred Income** | **599** | **533** | **533** | **0** | **62** |
| **Minority Interest in Subsidiaries** | **3,731** | **3,073** | **3,073** | **-** | **0** |
| **Stockholders' Equity of Parent Company** | **60,879** | **60,879** | **60,879** | **-** | **21,292** |
| Capital Stock | 47,556 | 47,556 | 47,556 | - | 19,670 |
| Net Income | 13,323 | 13,323 | 13,323 | - | 1,622 |
| **TOTAL LIABILITIES AND EQUITY** | **755,112** | **695,290** | **651,657** | **43,633** | **129,142** |
| **Derivatives – Sold Positions** | | | | **74,216** | |
| Futures | | | | 25,196 | |
| Options | | | | 10,641 | |
| Swaps | | | | 25,252 | |
| Other | | | | 13,127 | |
| **TOTAL LIABILITIES AND EQUITY AFTER ADJUSTMENTS (b)** | | | | **117,849** | |
| **Net Foreign Exchange Position Itaú Unibanco (c = a - b)** | | | | **(15,587)** | |
| **Net Foreign Exchange Position Itaú Unibanco (c) in US$** | | | | **(9,355)** | |

(*) Does not consider eliminations of operations between local and foreign businesses.

## Value at Risk (VaR)

### Itaú Unibanco's VaR

The table below shows the Consolidated Global VaR, comprising the portfolios of Itaú Unibanco, Itaú BBA, Banco Itaú Europa, Banco Itaú Argentina, Banco Itaú Chile, Banco Itaú Uruguay and Banco Itaú Paraguay. Itaú Unibanco's and Itaú BBA's portfolios are analyzed together and segregated by risk factor.

On a consolidated basis, Itaú Unibanco continues to pursue its policy of operating within low limits in relation to its capital. The consolidated values at risk presented an increase during the quarter, which can be seen in the Global Average VaR, mainly due to uncertainties in the international market in the period and its impact on local markets, but still remained at low levels due to a conservative management and an efficient portfolio diversification.

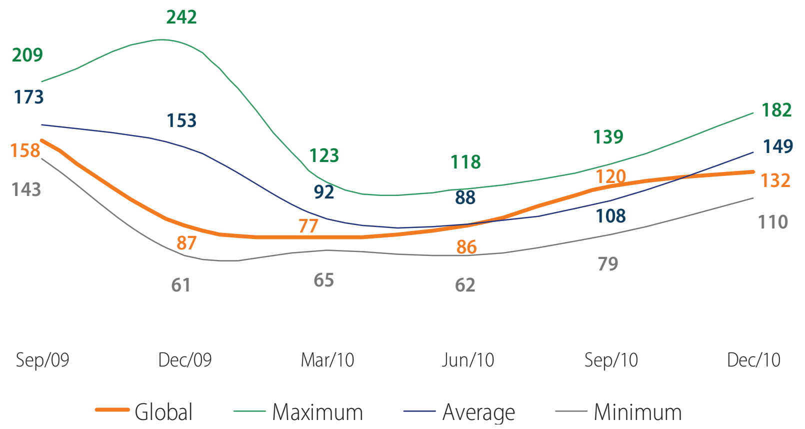
It may be seen that the diversification of risks from the business units is significant, enabling the conglomerate to maintain a reduced overall exposure to market risk when compared to its capital.

*R$ million*

| VaR – Itaú Unibanco | | | |
|---|---|---|---|
| **VaR by Risk Factor** | | **Dec 31, 10** | **Sep 30, 10** |
| Itaú Unibanco + Itaú BBA | Fixed Rate | 77.8 | 73.0 |
| | TR | 27.4 | 25.6 |
| | Inflation Indexes | 18.6 | 17.3 |
| | Dollar Linked Interest Rate | 13.0 | 12.8 |
| | Foreign Exchange Rate – US$ | 9.7 | 4.8 |
| | Foreign Sovereign and Private Securities | 4.3 | 4.8 |
| | Equities | 14.4 | 18.0 |
| | Foreign Interest Rate | 15.1 | 8.7 |
| | Commodities | 18.5 | 16.0 |
| | Other Foreign Exchange Rate | 5.7 | 14.2 |
| | Other | 2.4 | 7.3 |
| Itaú Europa | | 0.6 | 2.1 |
| Itaú Argentina | | 1.6 | 1.0 |
| Itaú Chile | | 3.3 | 5.1 |
| Itaú Uruguay | | 0.2 | 0.2 |
| Itaú Paraguay | | 0.9 | 0.3 |
| Diversification Effect | | (81.8) | (91.9) |
| **Global VaR** | | **131.9** | **119.5** |
| **Maximum VaR** | | **181.8** | **138.7** |
| **Average VaR** | | **149.0** | **107.7** |
| **Minimum VaR** | | **109.5** | **78.6** |

Adjusted for tax effects.
VaR refers to the maximum potential loss in one day, with a 99% confidence level.

### Evolution of Itaú Unibanco's Value at Risk (R$ million)




Find out more on risk management in Note 21 to the Financial Statements and in our Investor Relations website, www.itau-unibanco.com/ir, in the Corporate Governance/Risk Management section, and also in Form 20-F, available in the Financial Information/SEC Files section.

## Ownership Structure

Management of our ownership structure is mainly intended to optimize the capital allocation to the various segments comprising the conglomerate.

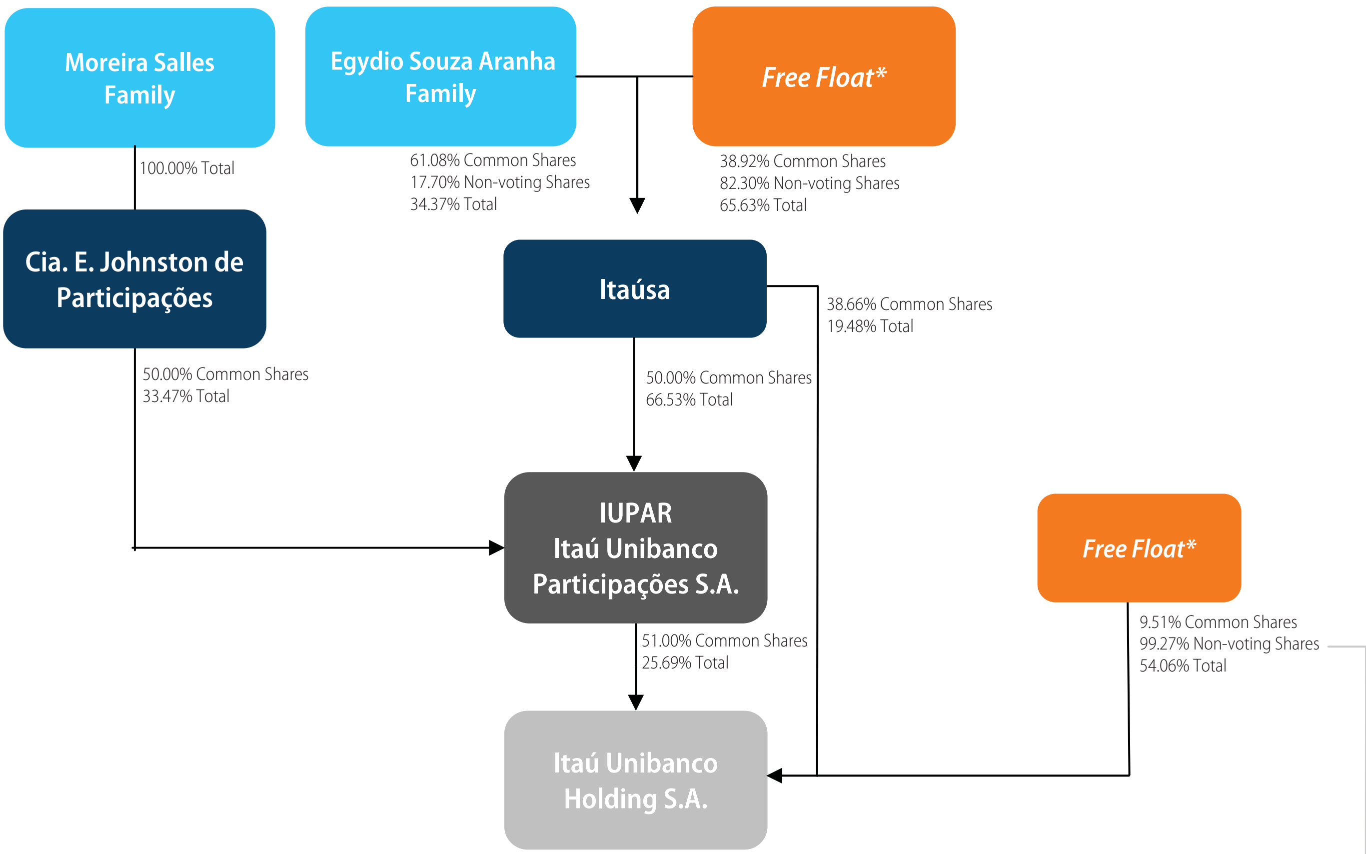
The average acquisition cost of treasury shares, as well as the activity of options granted to conglomerate executives under the Option Plan, are set out in Note 16-f to the Complete Financial Statements.

The table below shows the number of shares of capital stock and treasury shares as of December 31, 2010:

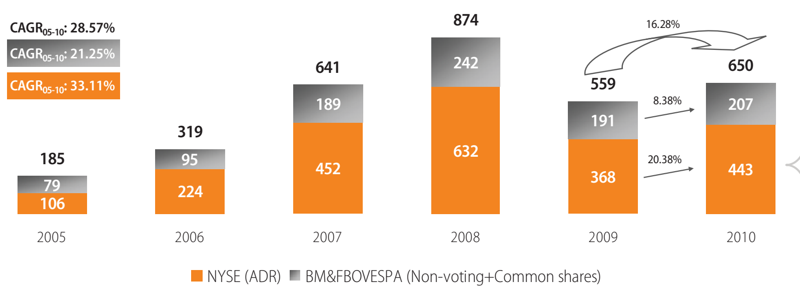
*In thousands*

| NUMBER OF SHARES | | | |
|---|---|---|---|
| **ITAÚ UNIBANCO HOLDING S.A.** | **Common Shares** | **Non-voting Shares** | **Total** |
| Balance of Shares | 2,289,286 | 2,281,650 | 4,570,936 |
| Treasury Shares | 2 | 26,566 | 26,568 |
| **Total Shares (-) Treasury** | **2,289,284** | **2,255,084** | **4,544,368** |

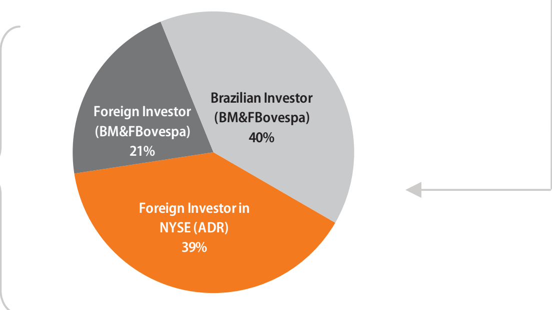
The organization chart below summarizes the current ownership structure on 12/31/2010:




Average Daily Trading Volume (BM&FBovespa+NYSE) *R$ million*




Non-voting Shares Mix on 12/31/2010




### Traded Financial Volume Ranking

In 2010, Itaú Unibanco's non-voting shares (ITUB4) figured in the fourth position on the ranking of average financial volume traded on BM&FBOVESPA. In the same period, the Bank's ADR (American Depositary Receipt) was the third most traded paper on NYSE (New York Stock Exchange) and the first most traded among bank shares listed in the USA.

(*) Excluding Controlling Stockholders and Treasury

## Performance in Stock Market

| 2010 | Non-voting shares ITUB4 (R$) | Common shares ITUB3 (R$) | ADRs ITUB (US$) |
|---|---|---|---|
| **Closing quotation at 12/31/2009** | **38.69** | **30.00** | **22.84** |
| High for the year | 43.72 | 33.20 | 26.30 |
| Average for the year | 37.92 | 29.54 | 21.75 |
| Low for the year | 31.03 | 24.66 | 16.33 |
| **Closing quotation at 09/30/2009** | **40.47** | **30.85** | **24.18** |
| High for the quarter * | 43.72 | 33.20 | 26.30 |
| Average for the quarter | 40.74 | 31.49 | 24.39 |
| Low for the quarter ** | 37.66 | 29.48 | 22.47 |
| **Closing quotation at 12/31/2010** | **39.79** | **31,00** | **24.01** |
| Change in 2010 | 2.8% | 3.3% | 5.1% |
| Change in 4thQ/10 | -1.7% | 0.5% | -0.7% |
| Average daily trading financial volume in 2010 (million) | 201 | 6 | 250 |
| Average daily trading financial volume in 4thQ/10 (million) | 224 | 7 | 211 |

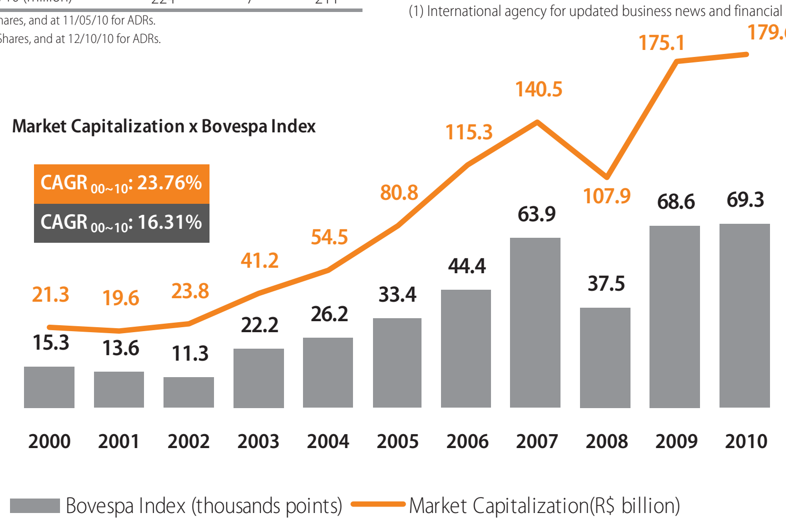
* quotation at 11/09/10 for Non-voting and Common Shares, and at 11/05/10 for ADRs.
** quotation at 12/20/10 for Non-voting and Common Shares, and at 12/10/10 for ADRs.

## Market Capitalization (*) vs. Bovespa Index

On December 31, 2010, Itaú Unibanco's market capitalization was R$ 179,639 million, up 2.57% from December 31, 2009. In the same period, the Bovespa Index growth was equal to 1.02%. When compared to 2000, Itaú Unibanco's market capitalization grew 8.4 times, while the Bovespa Index grew 4.5 times.
According to Bloomberg[1], at the end of December 2010, Itaú Unibanco ranked 10th in terms of worldwide bank market capitalization. For the second consecutive year, the Bank figures among the 10 largest banks in the world.

(1) International agency for updated business news and financial information.

**Market Capitalization x Bovespa Index**




(*) Average price of non-voting shares (the most liquid) on the last trading day of the period x total shares outstanding.

## Participation in Brazilian Market Indexes

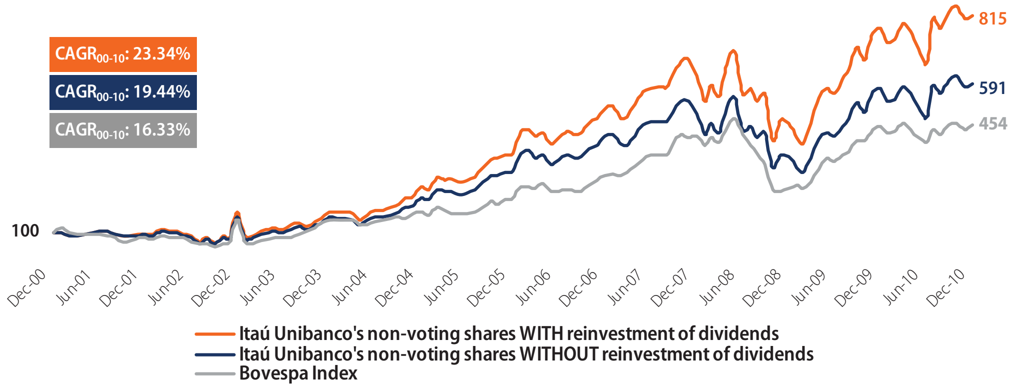
Besides being one of the companies with higher participation in the Bovespa Index (Ibovespa), IBrX-100 and IBrx-50, Itaú Unibanco was selected for the sixth time to comprise the stock portfolio of the Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial* - ISE). ISE 2010/2011 is made up of 38 companies known for their commitment to sustainability.
The participation in market indexes represents a benchmark for institutional investors. Also in 2010, two new indexes were developed: ICO2 – Carbon-Efficient Index, and IGCT – Corporate Governance Trade Index. The first indicator considers the efficiency level of greenhouse gas (GHG) emissions in relation to a company's total outstanding shares, while IGCT is a derivation of IGC (Corporate Governance Index), with defined liquidity criteria. Of all banks listed on BM&FBOVESPA, Itaú Unibanco has the most significant participation in the two new indexes.

| Index | Participation (%) | Ranking |
|---|---|---|
| Ibovespa | 3.83 | 4th |
| IBrX - 100 | 8.28 | 3rd |
| IBrX - 50 | 9.73 | 3rd |
| ICO2 | 14.10 | 2nd |
| IFNC | 20.00 | 1st |
| IGC | 7.76 | 2nd |
| IGCT | 11.66 | 2nd |
| ISE | 5.83 | 6th |
| Itag | 13.80 | 1st |

Source: BM&FBOVESPA

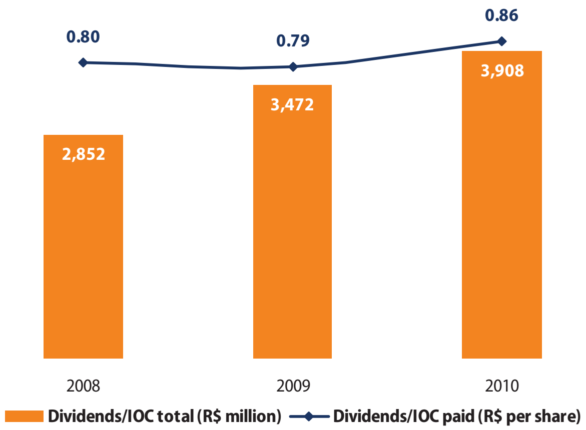
The chart on the side depicts the evolution of R$ 100 invested on December 31, 2000 through December 31, 2010, and compares the quotations with and without reinvestment of Itaú Unibanco's dividends to the Ibovespa performance.

**Preferred Shares Appreciation – ITUB4 - baseline 100=12/31/2000**



## Dividends / Interest on Capital (IOC)

As from July 1980, Itaú Unibanco has compensated its shareholders with monthly and supplementary payments (historically, twice a year), which are evenly distributed to common and non-voting stockholders. Pursuant to the By-laws (art. 13), shareholders are entitled to receive, as mandatory dividends, at least 25% of adjusted net income for the year. For the past ten years, on average, the net amount distributed by Itaú Unibanco to its shareholders was in excess of 30% of the annual consolidated net income.




## Subordinated Notes – Medium Term Notes

The Medium Term Notes (MTN) program implemented in 2010 is intended to issue Itaú Unibanco Holding S.A. debt in the total amount of US$ 10 billion, thereby granting the bank prompt access to international capital markets, with no need to dilute the interest of its shareholders.

Under this program, in 2010 Itaú Unibanco issued US$ 2 billion in subordinated debt, of which US$ 1 billion is payable in 2020 at the fixed rate of 6.20% p.y., and US$ 1 billion is payable in 2021, at the fixed rate of 5.75% p.y. The purpose of this funding is to maintain the level II equity base, thus enabling a higher growth in loan and financing transactions.

In addition to the subordinated debt, the Bank also issued senior debt worth R$ 500 million, maturing in 2015 at the fixed rate of 10.50% p.y..

The above mentioned offerings were carried out in the USA to qualified institutional investors, as well as to non-USA investors outside the USA.

## Expo Money 2010

The Expo Money cycle came to a close in 2010 with four more events held in Brazil in the last quarter (for a total of 12 in the year). Itaú Unibanco was present at 11 of such events. In addition to giving lectures on financial education, the Bank makes available certain of its brokerage house professionals, from the Investor Relations area, as well as consultants specialized in investment products, to clarify doubts raised by all shareholders, investors and stakeholders.

The events are attended by thousands of participants who seek to learn about, or improve their knowledge of, finance and the financial market. Please see our 2011 Agenda on the Investor Relations site for more information (www.itau-unibanco.com/ir > Agenda).

## Sustainability Rating

In accordance with the "Most Sustainable Large Banks" annual ranking developed by the consultancy Management & Excellence and LatinFinance in 2010, Itaú Unibanco continues to be the most sustainable bank in Latin America for the sixth consecutive year, in addition to being ascribed the first position in the Corporate Governance category. The rating assesses criteria such as ethics, transparency, corporate social responsibility, strategic evaluation, and corporate governance. Itaú Unibanco's scoring has positively evolved since 2006 to reach the unparalleled score of 0.99 in 2010 (for a maximum score of 1.0), testifying the Bank's strong efforts towards a consistent, efficient performance in all its activities.

## Itaú Unibanco has the Best Investor Relations Program

In November 2010, Itaú Unibanco and its Investor Relations team were designated by the Institutional Investor magazine as the best players in the Latin American banking and financial services industry on six out of eight items divided into four categories. This result stems from a survey performed by Latin America Investor Relations Perception with 60 investment analysts and 58 industry investors. Factors assessed include the creditworthiness of the Investor Relations team, knowledge of the sector, quality and depth of answers to investors, and access to top management.

In addition to the award by Institutional Investor, in 2010 Itaú Unibanco also received:

(i) from APIMEC, the Best Brazilian Public Company award, for the fifth time.

(ii) from IR Magazine/Fundação Getúlio Vargas, the Gran Prix as Best Investor Relations Program for all companies with market cap over R$ 2 billion, for the second time.

## Subsequent Event – Agreement with Globex

In January 2011, Itaú Seguros, a subsidiary of Itaú Unibanco Holding, and Nova Casa Bahia, a subsidiary of Globex Utilidades, entered into an additional term of the Operational Agreement for the Provision of Services of Differentiated Extended Warranty Insurance, that will be in effect until December 31, 2015. On January 14, Nova Casa Bahia received the equivalent of R$ 260 million to supplement the prepayment of Sales of individual certificates of Extended Warranty Insurance.


# *Pro Forma* Financial Statements by Segment

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### *Pro Forma* Adjustments and Allocated Capital

The *pro forma* financial information takes into account the impacts associated with the allocation of capital. For this sake, adjustments were made to the financial statements, based on a proprietary model that considers the credit, market and operating risks, as well as the regulatory framework and the level of fixed asset formation. Then, we determine the Risk Adjusted Return on Capital (RAROC), an operating performance indicator consistently adjusted to the capital required to support the risk of asset and liability positions taken.

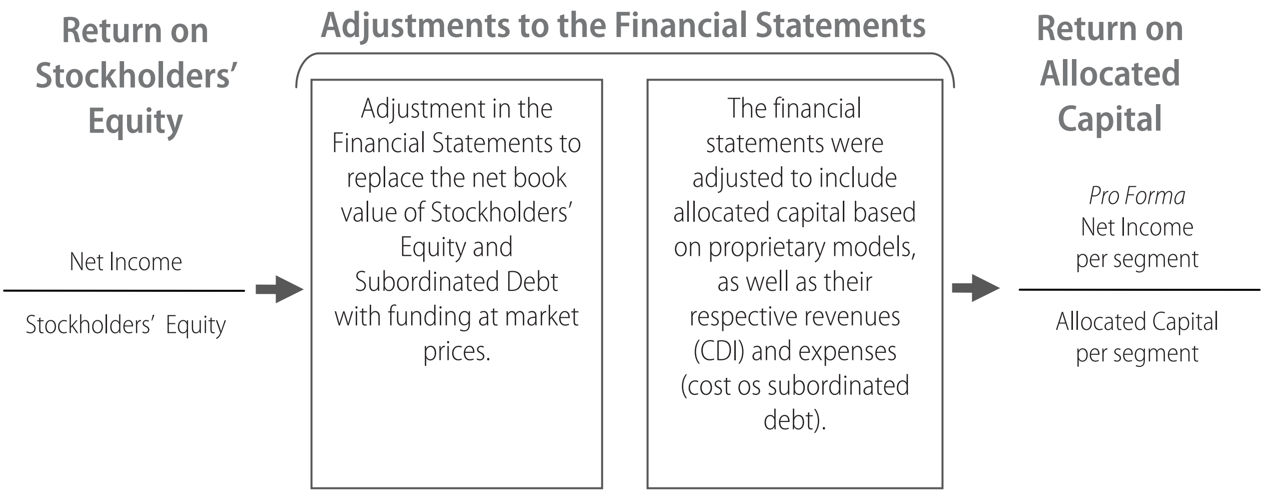
Adjustments made to the balance sheet and statement of income for the period are based on the business units' managerial information.

The Treasury+Corporate column shows the results associated with excess capital, excess subordinated debt and the carrying cost of the net balance of deferred taxes. It also shows the cost of the treasury operation, equity in the earnings of companies not yet linked to the different segments, as well as the adjustments for minority interests in subsidiaries and the market financial margin.

Since the fourth quarter of 2009, the Treasury+Corporate column also comprises the consolidation of 30% of Porto Seguro.

Income Tax and Social Contribution on Net Income effects on the payment of Interest on Own Capital for each segment were reversed and subsequently reallocated to the individual segments in proportion to the amount of Tier I capital, while the financial statements were adjusted in order to replace net book value with market level funding. The financial statements were then adjusted to include revenues associated with the allocated capital. The cost of subordinated debt and the related remuneration at market prices were allocated to the segments on a *pro rata* basis, in accordance with the Tier I allocated capital.

The diagram below shows the changes introduced in the financial statements to reflect the impacts of capital allocation in each segment.



# *Pro Forma* Financial Statements by Segment

The *pro forma* financial statements of the Commercial Bank, Itaú BBA, Consumer Credit and Treasury+Corporation, presented below, are based on managerial information derived from internal models, so as to more accurately reflect the activities of the business units.

**On December 31, 2010**

*R$ million*

## *Pro Forma* Balance Sheet by Segment

| ASSETS | Commercial Bank | Itaú BBA | Consumer Credit | Treasury + Corporation | Itaú Unibanco |
|---|---|---|---|---|---|
| **Current and Long-Term Assets** | **524,881** | **209,106** | **92,385** | **68,556** | **744,601** |
| Cash and Cash Equivalents | 9,475 | 594 | - | 12 | 10,493 |
| Short-term Interbank Investments | 142,958 | 49,700 | - | 5,057 | 85,926 |
| Short-term Interbank Deposits in the Market | 98,157 | 223 | - | 5,057 | 85,926 |
| Short-term Interbank Deposits in Intercompany* | 44,801 | 49,477 | - | - | - |
| Securities and Derivative Financial Instruments | 121,233 | 68,599 | 0 | 33,381 | 188,853 |
| Interbank and Interbranch Accounts | 83,992 | 2,414 | 119 | - | 86,524 |
| Loans, Lease and Other Credit Operations | 122,680 | 77,006 | 93,754 | 3,664 | 297,102 |
| (Allowance for Loan Losses) | (11,083) | (1,131) | (7,627) | (2,451) | (22,292) |
| Other Assets | 55,627 | 11,923 | 6,138 | 28,894 | 97,996 |
| Foreign Exchange Portfolio | 13,456 | 11,366 | - | - | 21,593 |
| Others | 42,170 | 557 | 6,138 | 28,894 | 76,403 |
| **Permanent Assets** | **7,022** | **882** | **1,445** | **1,163** | **10,512** |
| **TOTAL ASSETS** | **531,903** | **209,988** | **93,829** | **69,719** | **755,112** |

| LIABILITIES AND EQUITY | Commercial Bank | Itaú BBA | Consumer Credit | Treasury + Corporation | Itaú Unibanco |
|---|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **510,658** | **197,169** | **85,624** | **46,779** | **689,904** |
| Deposits | 203,452 | 76,568 | 28 | 1,097 | 202,738 |
| Deposits from Clients | 173,469 | 31,767 | 28 | 1,097 | 202,738 |
| Deposits with Intercompany* | 29,983 | 44,801 | - | - | - |
| Deposits Received under Securities Repurchase Agreements | 94,158 | 56,080 | 70,241 | 14,401 | 199,641 |
| Securities Repurchase Agreements in the Market | 74,664 | 41,285 | 70,241 | 14,401 | 199,641 |
| Securities Repurchase Agreements with Intercompany* | 19,494 | 14,795 | - | - | - |
| Funds from Acceptances and Issue of Securities | 45,961 | 5,690 | - | 17 | 25,609 |
| Interbank and Interbranch Accounts | 1,691 | 2,352 | 14 | - | 4,055 |
| Borrowings and Onlendings | 18,934 | 28,828 | 484 | - | 47,412 |
| Derivative Financial Instruments | 5,840 | 6,109 | - | - | 5,705 |
| Other Liabilities | 81,180 | 21,542 | 14,857 | 29,341 | 143,379 |
| Foreign Exchange Portfolio | 13,648 | 11,617 | - | - | 22,035 |
| Others | 67,531 | 9,925 | 14,857 | 29,341 | 121,344 |
| Technical Provisions for Insurance, Pension Plans and Capitalization | 59,442 | - | - | 1,923 | 61,365 |
| **Deferred Income** | **496** | **96** | **-** | **7** | **599** |
| **Minority Interest in Subsidiaries** | **(0)** | **-** | **-** | **3,732** | **3,731** |
| **Allocated Tier I Capital** | **20,750** | **12,722** | **8,206** | **19,201** | **60,879** |
| **TOTAL LIABILITIES AND EQUITY** | **531,903** | **209,988** | **93,829** | **69,719** | **755,112** |

*The Intercompany were eliminated in the Consolidated.

*R$ million*

## *Pro Forma* Income Statement by Segment

| 4th Quarter/10 | Commercial Bank | Itaú BBA | Consumer Credit | Treasury + Corporation | Itaú Unibanco |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | **7,488** | **1,338** | **2,253** | **1,095** | **12,177** |
| Financial Margin with Clients | 7,370 | 1,338 | 2,253 | - | 10,964 |
| Financial Margin with the Market | (0) | - | - | 1,214 | 1,214 |
| Financial Margin of the Corporation | 119 | - | - | (119) | - |
| **Result of Loan Losses** | **(2,082)** | **203** | **(772)** | **(1)** | **(2,652)** |
| Expenses for Allowance for Loan Losses | (2,847) | 88 | (1,222) | (1) | (3,982) |
| Income from Recovery of Credits Written Off as Loss | 766 | 115 | 449 | - | 1,330 |
| **Net Result from Financial Operations** | **5,407** | **1,541** | **1,481** | **1,094** | **9,525** |
| **Other Operating Income/(Expenses)** | **(2,858)** | **(308)** | **(681)** | **(518)** | **(4,377)** |
| Banking Service Fees and Income from Banking Charges | 2,424 | 539 | 1,520 | 114 | 4,591 |
| Result from Insurance, Pension Plans and Capitalization Operations | 396 | 0 | 72 | 139 | 607 |
| Non-interest Expenses | (5,396) | (709) | (2,003) | (529) | (8,635) |
| Tax Expenses for ISS, PIS and Cofins and Other Taxes | (461) | (100) | (283) | (293) | (1,137) |
| Equity in Earnings of Affiliates and Other Investments | (0) | (3) | - | 46 | 44 |
| Other Operating Income | 179 | (35) | 13 | 4 | 153 |
| **Operating Income** | **2,548** | **1,233** | **800** | **576** | **5,149** |
| Non-operating Income | 1 | 58 | (1) | 1 | 58 |
| **Income Before Tax and Profit Sharing** | **2,549** | **1,291** | **799** | **577** | **5,207** |
| **Income Tax and Social Contribution** | **(721)** | **(360)** | **(231)** | **(192)** | **(1,504)** |
| **Profit Sharing** | **(35)** | **(40)** | **(11)** | **(7)** | **(93)** |
| **Minority Interests in Subsidiaries** | **(0)** | **-** | **-** | **(219)** | **(211)** |
| **Recurring Net Income** | **1,792** | **892** | **556** | **159** | **3,400** |
| **(RAROC) – Return on Average Tier I Allocated Capital** | **35.1%** | **28.6%** | **28.6%** | **3.5%** | **23.0%** |
| **Efficiency Ratio (ER)** | **53.1%** | **40.7%** | **56.0%** | **43.6%** | **51.7%** |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.
The Consolidated figures do not represent the sum of the parts, because there are operations between the companies that were eliminated only in the Consolidated figures.

# *Pro Forma* Financial Statements by Segment

The *pro forma* financial statements of the Commercial Bank, Itaú BBA, Consumer Credit and Treasury+Corporation, presented below, are based on managerial information derived from internal models, so as to more accurately reflect the activities of the business units.

**On September 30, 2010**

*R$ million*

## Pro Forma Balance Sheet by Segment

| ASSETS | Commercial Bank | Itaú BBA | Consumer Credit | Treasury + Corporation | Itaú Unibanco |
|---|---|---|---|---|---|
| **Current and Long-Term Assets** | **480,921** | **196,205** | **84,493** | **58,269** | **675,973** |
| Cash and Cash Equivalents | 9,468 | 1,354 | - | 8 | 11,063 |
| Short-term Interbank Investments | 173,485 | 48,435 | - | 3,384 | 112,483 |
| Short-term Interbank Deposits in the Market | 124,278 | 39 | - | 3,384 | 112,483 |
| Short-term Interbank Deposits in Intercompany* | 49,207 | 48,396 | - | - | - |
| Securities and Derivative Financial Instruments | 82,276 | 61,884 | 0 | 23,681 | 141,879 |
| Interbank and Interbranch Accounts | 64,843 | 1,556 | 76 | - | 66,243 |
| Loans, Lease and Other Credit Operations | 114,805 | 73,956 | 86,191 | 4,085 | 279,035 |
| (Allowance for Loan Losses) | (11,388) | (2,198) | (7,243) | (2,455) | (23,284) |
| Other Assets | 47,433 | 11,217 | 5,468 | 29,567 | 88,554 |
| Foreign Exchange Portfolio | 15,124 | 9,590 | - | - | 20,571 |
| Others | 32,308 | 1,628 | 5,468 | 29,567 | 67,983 |
| **Permanent Assets** | **6,892** | **922** | **1,279** | **1,182** | **10,275** |
| **TOTAL ASSETS** | **487,814** | **197,127** | **85,772** | **59,452** | **686,248** |

| LIABILITIES AND EQUITY | Commercial Bank | Itaú BBA | Consumer Credit | Treasury + Corporation | Itaú Unibanco |
|---|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **467,289** | **184,816** | **78,428** | **38,278** | **624,896** |
| Deposits | 198,405 | 76,072 | 13 | 1,129 | 194,917 |
| Deposits from Clients | 170,511 | 26,865 | 13 | 1,129 | 194,917 |
| Deposits with Intercompany* | 27,894 | 49,207 | - | - | - |
| Deposits Received under Securities Repurchase Agreements | 68,481 | 48,210 | 65,201 | 6,551 | 155,636 |
| Securities Repurchase Agreements in the Market | 47,979 | 36,234 | 65,201 | 6,551 | 155,636 |
| Securities Repurchase Agreements with Intercompany* | 20,502 | 11,976 | - | - | - |
| Funds from Acceptances and Issue of Securities | 40,193 | 5,050 | - | 26 | 23,379 |
| Interbank and Interbranch Accounts | 6,114 | 2,387 | 14 | - | 8,281 |
| Borrowings and Onlendings | 16,838 | 26,737 | 502 | - | 43,259 |
| Derivative Financial Instruments | 5,437 | 6,909 | - | - | 9,077 |
| Other Liabilities | 75,159 | 19,452 | 12,698 | 28,745 | 131,857 |
| Foreign Exchange Portfolio | 15,535 | 10,007 | - | - | 21,399 |
| Others | 59,623 | 9,445 | 12,698 | 28,745 | 110,458 |
| Technical Provisions for Insurance, Pension Plans and Capitalization | 56,662 | - | - | 1,827 | 58,490 |
| **Deferred Income** | **404** | **58** | **-** | **7** | **469** |
| **Minority Interest in Subsidiaries** | **(0)** | **-** | **-** | **3,658** | **3,658** |
| **Allocated Tier I Capital** | **20,120** | **12,253** | **7,344** | **17,508** | **57,225** |
| **TOTAL LIABILITIES AND EQUITY** | **487,814** | **197,127** | **85,772** | **59,452** | **686,248** |

*The Intercompany were eliminated in the Consolidated.

*R$ million*

## *Pro Forma* Income Statement by Segment

| 3rd Quarter/10 | Commercial Bank | Itaú BBA | Consumer Credit | Treasury + Corporation | Itaú Unibanco |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | **7,066** | **1,164** | **2,280** | **714** | **11,204** |
| Financial Margin with Clients | 6,874 | 1,164 | 2,280 | - | 10,298 |
| Financial Margin with the Market | 0 | - | - | 906 | 906 |
| Financial Margin of the Corporation | 192 | - | - | (192) | - |
| **Result of Loan Losses** | **(2,119)** | **143** | **(955)** | **(4)** | **(2,935)** |
| Expenses for Allowance for Loan Losses | (2,947) | 110 | (1,227) | (4) | (4,069) |
| Income from Recovery of Credits Written Off as Loss | 828 | 33 | 272 | - | 1,134 |
| **Net Result from Financial Operations** | **4,946** | **1,307** | **1,326** | **710** | **8,269** |
| **Other Operating Income/(Expenses)** | **(2,888)** | **(208)** | **(423)** | **(71)** | **(3,593)** |
| Banking Service Fees and Income from Banking Charges | 2,345 | 468 | 1,544 | 109 | 4,465 |
| Result from Insurance, Pension Plans and Capitalization Operations | 474 | (0) | 72 | 140 | 685 |
| Non-interest Expenses | (5,191) | (533) | (1,817) | (437) | (7,979) |
| Tax Expenses for ISS, PIS and Cofins and Other Taxes | (603) | (107) | (251) | 48 | (913) |
| Equity in Earnings of Affiliates and Other Investments | 0 | (3) | - | 67 | 64 |
| Other Operating Income | 88 | (33) | 29 | 3 | 85 |
| **Operating Income** | **2,058** | **1,098** | **902** | **639** | **4,676** |
| Non-operating Income | 12 | (10) | (0) | 2 | 3 |
| **Income Before Tax and Profit Sharing** | **2,070** | **1,088** | **902** | **642** | **4,679** |
| **Income Tax and Social Contribution** | **(566)** | **(281)** | **(264)** | **(142)** | **(1,253)** |
| **Profit Sharing** | **(21)** | **(18)** | **(6)** | **(7)** | **(52)** |
| **Minority Interests in Subsidiaries** | **0** | **-** | **-** | **(238)** | **(216)** |
| **Recurring Net Income** | **1,483** | **789** | **631** | **255** | **3,158** |
| **(RAROC) – Return on Average Tier I Allocated Capital** | **31.7%** | **26.1%** | **33.7%** | **5.7%** | **22.5%** |
| **Efficiency Ratio (ER)** | **54.3%** | **35.7%** | **49.5%** | **38.3%** | **50.3%** |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.
The Consolidated figures do not represent the sum of the parts, because there are operations between the companies that were eliminated only in the Consolidated figures.

## Commercial Bank

The Commercial Bank result consists from the offering of financial products and banking services to a diversified client base, including individuals and companies. The segment includes retail clients (individuals and very small companies), high-income clients, private bank clients and small and mid-sized companies.

In the fourth quarter of 2010, the recurring net income of the Commercial Bank increased by 20.9% to reach R$1,792 million. During the quarter, the financial margin on with clients grew 7.2%, mostly driven by the increase in the Very Small, Small, ad Mid-sized Companies. Non-interest expenses grew 3.9% from the prior quarter. The credit portfolio added up to R$ 122,680 million, or a 6.9% increase compared to the prior quarter. The Commercial Bank return on allocated capital reached 35.1% per year, while the efficiency ratio hit 53.1% in the period.

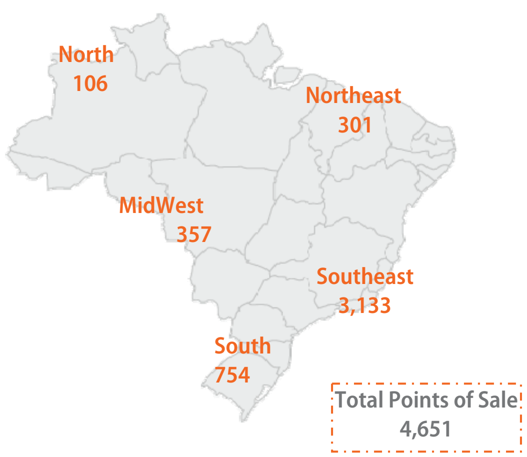
### Some Commercial Bank Highlights:

**Branch Network**

Itaú Unibanco's service network is nationwide and adopts a segmentation strategy, including structures, products and services that are developed to meet the specific requirements of our many diversified clients profiles: Itaú, Uniclass, Personnalité and Private Bank.

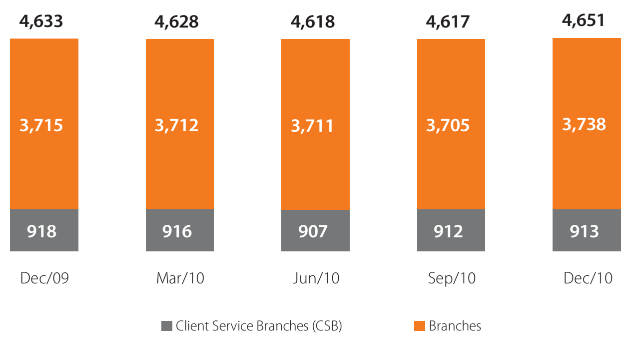
Products which are available at our branch network and *30 Horas* electronic channels include current accounts, investments, credit cards, personal loans, insurance and mortgage and vehicle financing, among others.

**Geographical Distribution Service Network—Brazil**
Number of Branches and Client Service Branches (CSB)




In October 2010, before completing two years of the association, Itaú Unibanco completed the integration of its entire branch network in Brazil which, at the end of the year, comprised of 4,651 units, including regular branches and clients service branches (CSB).

**Points of Services Evolution (*) – Brazil**




**Clients**

In the Individuals segment, the credit portfolio reached R$127,128 million at the end of 2010, growing 7.3% from September 2010 and 18.3% from December 2009. Even with the growth of credit granting, the overall non-performing ratio decreased significantly, an improvement of 180 basis points (referring to the individuals credit transactions more than 90 days overdue) compared to the same period of 2009. This decrease is directly associated with the more conservative credit polices adopted since the end of 2008 and with the current Brazilian economic cycle.

The credit portfolio in the Companies segment, which provides services to clients with revenues up to R$150 million, grew 8.4% quarter-on-quarter and 31.2% when compared with December 2009. Such growth was primarily attributable to the expansion in our operations and to the economic upturn seen in the period.

## Wealth Management & Services

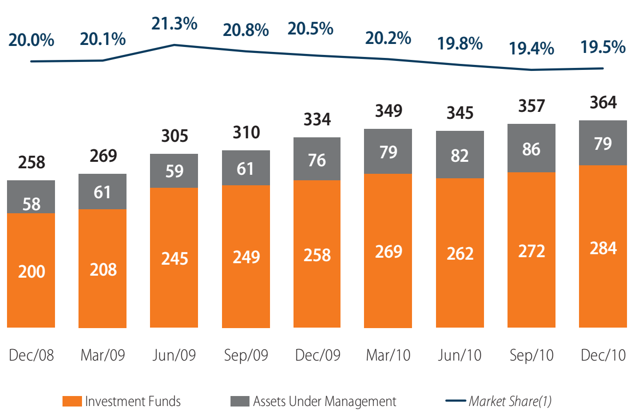
All our investment products fall under the responsibility of Wealth Management & Services. The most significant ones are mentioned below.

## Asset Management

In December 2010, Itaú Unibanco reached R$240 billion of assets under management, including investment funds and managed portfolios, corresponding to a 14.3% market share[1]. We are leaders in the Corporate, Middle Market, Private Banking and High-Income Retail segments, providing services to approximately 2 million clients.

### Assets Under Management (AUM)

*R$ billion*




Assets under management reached R$ 363.8 billion at the end of 2010, increasing 1.8% and 9.0% when compared to the prior quarter and the same period of 2009, respectively.

Leader in custody services, at the end of the fourth quarter of 2010 Itaú Unibanco recorded a total of R$ 762.4 billion in assets under custody, an 11.2% rise compared to the same period of 2009, representing 25.1% of the total market[1]. Domestic custody services reached R$ 515.4 billion at the end of 2010 and international custody added up to R$ 247.0 billion.

We also offer several financial solutions to companies, including: Investment Funds Trust Management, Asset Bookkeeping, Listed Shares Bookkeeping, Guarantee Agent on Project Finance Operations, Escrow Accounts, and Loan and Financing Contract transactions.

## Mortgage Loans

In the fourth quarter of 2010, the mortgage loans portfolio, including individuals and companies, reached R$ 13,257 million, growing by 10.8% from the prior quarter and 55.8% from the same period of 2009, thus maintaining the accelerated expansion rate that has characterized the real estate market in the most recent quarters.

Between October and December 2010, the volume of new mortgage loan financing contracts to individual borrowers was R$ 1,488 million, while financing to companies added up to R$ 2,132 million, for a total of R$ 3,620 million.

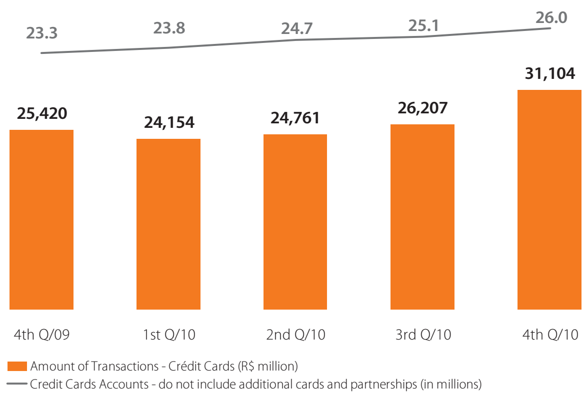
*R$ million*

| Volume of contracts | | | Variation | |
|---|---|---|---|---|
| | 4th Q/10 | 3rd Q/10 | 4th Q/10 – 3rd Q/10 | % |
| Individuals | 1,488 | 1,099 | 389 | 35.4% |
| Companies | 2,132 | 2,265 | (133) | -5.9% |
| **Total** | **3,620** | **3,364** | **256** | **7.6%** |

## Credit Cards

Itaú Unibanco is leader in the Brazilian credit card market. Itaucard and Hipercard offer a wide range of products to 26.0 million clients, including both account holders and non-account holders. In the fourth quarter of 2010, the volume of transactions on credit cards amounted to R$ 31,104 million, a 22.4% increase when compared to the same period of the prior year.

### Amount of Transactions and Quantity of Credit Card Accounts




(1) Source: ANBIMA (Brazilian Association of Financial and Capital Market Entities)

## Itaú BBA

The Itaú BBA segment is responsible for banking transactions with large companies and investment bank services. Itaú BBA's net income added up to R$ 892 million in the fourth quarter of 2010, a 13.1% increase compared to the prior quarter. Return on allocated capital reached 28.6% per year, while the efficiency ratio reached 40.7% in the period. The financial margin with clients totaled R$ 1,338 million, increasing by 15.0% from the previous quarter.

The outstanding quality level of the credit portfolio is to be highlighted, with 95.3% of the credits ascribed as "AA", "A" and "B" risk ratings, in accordance with the criteria set forth in the Brazilian Monetary Council Resolution 2,682. The result from loan and lease losses was R$ 203 million in the end of the quarter.

Banking service fees totaled R$ 539 million in the fourth quarter, growing 15.2% from the prior quarter, mainly due to the increase in revenues from Investment Bank transactions and credit fees. The rise in non-interest expenses is primarily attributable to the accelerated pace of technology projects.

Among the various operations carried out by Itaú BBA that obtained good results in recent quarters, are: (i) Leadership on transfer disbursements of BNDES-Exim lines, with volume of R$ 3.6 billion and 23% of market share, according to the ranking of BNDES (ii) 30% growth in volumes of Cash Management, (iii) Inauguration in January 2011 of a representative office in Peru, expanding the international focus on customer service.

In Investment Bank, Itaú BBA finished 2010 with excellent results, especially: (i) Leadership in the ANBIMA[1] ranking for distribution of fixed income, with R$ 23.6 billion of operations in debentures, promissory notes and securitization, reaching 23.3% market share, (ii) Second place in issues of international fixed income, with volume of US$ 13.3 billion becoming the first Brazilian bank to lead a fund-raising for the Brazilian National Treasury (Global 2041), with a volume of US$ 500 million, (iii) In Mergers and Acquisitions, provided advice on 35 transactions, rating second place in the number of transactions according to Thomson rankings, (iv) In Equities, consolidated its position among the market leaders, coordinating a significant volume of R$ 132.3 billion in initial public offerings and participating in 59% of total transactions, especially, coordinating the public offering of shares of Petrobras, the biggest stock offering in the world.

[1] Source: ANBIMA (Brazilian Association of Financial and Capital Market Entities)

## Consumer Credit

The Consumer Credit segment result includes financial products and services offered to clients who are non-account holders. In the fourth quarter of 2010, net income of the segment was R$ 556 million. Return on allocated capital was 28.6% per year, while the efficiency ratio reached 56.0% during the period. The credit portfolio totaled R$ 93,754 million, corresponding to an 8.8% increase from the prior quarter.

### Vehicle Financing

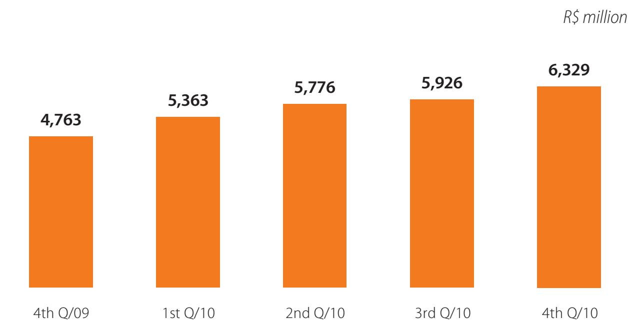
During the fourth quarter of 2010, new operations for vehicle financing and leasing added up to R$ 9,112 million, or a 9.8% growth when compared to the previous quarter, and a 32.5% increase from the same period of 2009. Such growth reflects our good performance throughout 2010, when our market share reached 24.8% at the end of the period. The individuals vehicle portfolio balance reached R$ 60,190 million of the end of 2010.

At December 31, 2010, the financing of new vehicles accounted for 57.7% of the total vehicle portfolio, versus 57.2% at the end of the prior quarter. Also, during the quarter the good performance in the recovery of credits previously written off as losses continued to be seen in this segment. Such recoveries amounted to R$ 176 million, for a total of R$ 337 million during 2010.

### Partnerships

Our partnerships, in the form of joint ventures and operating agreements with major retailers present in the Brazilian market, are responsible for the offering of consumer credit to non-account holders. In the fourth quarter of 2010, total revenues amounted to R$ 6,329 million, equal to a 32.9% rise compared to the same period of the prior year.

**Amount of Transactions**




# Insurance, Pension Plans and Capitalization

# Insurance, Pension Plans and Capitalization

The *pro forma* financial statements below were prepared based on Itaú Unibanco internal and managerial information and are intended to identify the performance of the insurance-related businesses.

The numbers presented in this chapter are from the Commercial Bank segment and do not include results from the Porto Seguro association.

**On December 31, 2010**

*R$ million*

***Pro Forma* Insurance, Pension Plans and Capitalization Balance Sheet**

| ASSETS | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Assets** | **8,746** | **55,972** | **3,019** | **67,715** |
| Cash and Cash Equivalents | 48 | 25 | 5 | 78 |
| Securities | 3,151 | 55,274 | 2,978 | 61,392 |
| Other Assets (mainly receivables from insurance) | 5,547 | 672 | 36 | 6,244 |
| **Permanent Assets** | **704** | **106** | **42** | **844** |
| **TOTAL ASSETS** | **9,450** | **56,078** | **3,061** | **68,559** |

| LIABILITIES AND EQUITY | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long – Term Liabilities** | **8,411** | **53,182** | **2,832** | **64,394** |
| Technical Provisions – Insurance | 4,815 | 924 | - | 5,739 |
| Technical Provisions – Pension Plans and VGBL | 540 | 50,736 | - | 51,276 |
| Technical Provisions – Capitalization | - | - | 2,620 | 2,603 |
| Other Liabilities | 3,056 | 1,521 | 212 | 4,775 |
| **Allocated Tier I Capital** | **1,039** | **2,896** | **229** | **4,165** |
| **TOTAL LIABILITIES AND EQUITY** | **9,450** | **56,078** | **3,061** | **68,559** |

*R$ million*

***Pro Forma* Insurance, Pension Plans and Capitalization Income Statement**

| 4th Quarter/10 | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Earned Premiums (a)** | **907** | **199** | **0** | **1,102** |
| **Result of Pension Plans and Capitalization (b)** | **1** | **19** | **115** | **135** |
| **Retained Claims (c)** | **(316)** | **(60)** | **-** | **(376)** |
| **Selling Expenses (d)** | **(348)** | **(20)** | **(13)** | **(381)** |
| **Other Operating Income/(Expenses) of Insurance Operations (e)** | **(79)** | **(9)** | **-** | **(83)** |
| **Underwriting Margin (f=a+c+d+e)** | **165** | **109** | | **274** |
| **Result from Insurance, Pension Plans and Capitalization (g=b+f)** | **165** | **128** | **102** | **396** |
| Managerial Financial Margin | 68 | 129 | 31 | 219 |
| Banking fees and charge revenues | - | 153 | - | 154 |
| Non-interest Expenses | (130) | (92) | (52) | (273) |
| Tax Expenses for ISS, PIS and Cofins and other taxes | (23) | (23) | (6) | (51) |
| Other Operating Income | 5 | (1) | 1 | 4 |
| **Operating Income** | **84** | **296** | **76** | **449** |
| Non-operating Income | 8 | 0 | 3 | 11 |
| **Income Before Income Tax and Social Contribution** | **93** | **296** | **79** | **460** |
| Income Tax/Social Contribution | (26) | (86) | (26) | (134) |
| Profit Sharing | (1) | - | - | (1) |
| **Recurring Net Income** | **66** | **210** | **53** | **324** |
| **(RAROC) – Return on Average Tier I Allocated Capital** | **25.9%** | **29.9%** | **95.7%** | **32.0%** |
| **Efficiency Ratio** | **58.2%** | **25.4%** | **45.8%** | **47.2%** |

Note: The information on VGBL was classified together with the pension plan products.
Non-interest Expenses comprise Personnel Expenses, Other Administrative Expenses, Tax Expenses, and Other Operating Expenses.
The Underwriting Margin comprises insurance operations and life and pension plans.
The Consolidated figures do not represent the sum of the parts, because there are operations between the companies that were eliminated only in the Consolidated figures.

# Insurance, Pension Plans and Capitalization

The *pro forma* financial statements below were prepared based on Itaú Unibanco internal and managerial information and are intended to identify the performance of the insurance-related businesses.

The numbers presented in this chapter are from the Commercial Bank segment and do not include results from the Porto Seguro association.

**On September 30, 2010**

*R$ million*

***Pro Forma* Insurance, Pension Plans and Capitalization Balance Sheet**

| ASSETS | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Assets** | **8,719** | **52,713** | **2,871** | **64,279** |
| Cash and Cash Equivalents | 71 | 13 | 5 | 89 |
| Securities | 3,088 | 52,027 | 2,815 | 57,910 |
| Other Assets (mainly receivables from insurance) | 5,560 | 673 | 51 | 6,279 |
| **Permanent Assets** | **725** | **106** | **42** | **866** |
| **TOTAL ASSETS** | **9,444** | **52,819** | **2,914** | **65,146** |

| LIABILITIES AND EQUITY | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long – Term Liabilities** | **8,447** | **50,089** | **2,696** | **61,200** |
| Technical Provisions – Insurance | 4,806 | 921 | - | 5,727 |
| Technical Provisions – Pension Plans and VGBL | 541 | 47,901 | - | 48,443 |
| Technical Provisions – Capitalization | - | - | 2,500 | 2,484 |
| Other Liabilities | 3,099 | 1,266 | 195 | 4,546 |
| **Allocated Tier I Capital** | **997** | **2,731** | **218** | **3,945** |
| **TOTAL LIABILITIES AND EQUITY** | **9,444** | **52,819** | **2,914** | **65,146** |

*R$ million*

***Pro Forma* Insurance, Pension Plans and Capitalization Income Statement**

| 3rd Quarter/10 | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Earned Premiums (a)** | **901** | **199** | **0** | **1,095** |
| **Result of Pension Plans and Capitalization (b)** | **1** | **(1)** | **112** | **112** |
| **Retained Claims (c)** | **(309)** | **(67)** | **-** | **(376)** |
| **Selling Expenses (d)** | **(323)** | **(21)** | **(13)** | **(357)** |
| **Other Operating Income/(Expenses) of Insurance Operations (e)** | **(49)** | **(1)** | **(0)** | **(45)** |
| **Underwriting Margin (f=a+c+d+e)** | **219** | **110** | | **330** |
| **Result from Insurance, Pension Plans and Capitalization (g=b+f)** | **220** | **109** | **99** | **428** |
| Managerial Financial Margin | 73 | 174 | 33 | 263 |
| Banking fees and charge revenues | - | 153 | - | 153 |
| Non-interest Expenses | (147) | (68) | (13) | (233) |
| Tax Expenses for ISS, PIS and Cofins and other taxes | (26) | (20) | (6) | (52) |
| Other Operating Income | (15) | (3) | 2 | 3 |
| **Operating Income** | **104** | **345** | **116** | **562** |
| Non-operating Income | 9 | (1) | 2 | 10 |
| **Income Before Income Tax and Social Contribution** | **113** | **344** | **118** | **572** |
| Income Tax/Social Contribution | (33) | (102) | (39) | (174) |
| Profit Sharing | 0 | - | - | 0 |
| **Recurring Net Income** | **80** | **242** | **79** | **399** |
| **(RAROC) – Return on Average Tier I Allocated Capital** | **34.1%** | **36.4%** | **148.2%** | **41.9%** |
| **Efficiency Ratio** | **55.7%** | **18.0%** | **18.1%** | **40.4%** |

Note: The information on VGBL was classified together with the pension plan products.
Non-interest Expenses comprise Personnel Expenses, Other Administrative Expenses, Tax Expenses, and Other Operating Expenses.
The Underwriting Margin comprises insurance operations and life and pension plans.
The Consolidated figures do not represent the sum of the parts, because there are operations between the companies that were eliminated only in the Consolidated figures.

# Insurance, Pension Plans and Capitalization

## Insurance

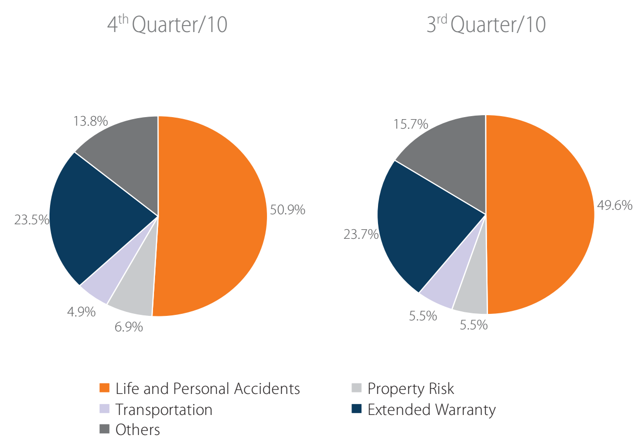
Itaú Unibanco is the leader in the consolidated insurance segments in which it is present, with a market share of 14%, according to SUSEP data (SUSEP, the Brazilian Supervisior of Private Insurance, is the agency that regulates all insurance lines, except for Health Insurance, which is regulated by ANS, the National Health Agency) for the period from January to December 2010. We recorded R$ 6,322 million of insurance earned premiums, taking into account the 30% share in Porto Seguro.

In the individuals segment we highlight Life and Extended Warranty products. In the companies segment, Group Life and Large Risks.

With respect to Itaú Unibanco's insurance business, excluding Porto Seguro, revenues added up to R$ 1,100 million, a 9.2% increase from the prior quarter, driven by campaigns to promote Life and Personal Accidents products in the Retail and Itaú Uniclass segments, and to the optimization of product offerings. A further driver of the increase was the good performance of the Property Risk portfolio.

The recurring net income of the Insurance sub segment reached R$ 66 million, declining 17.5% when compared to the third quarter of 2010, primarily due to higher selling expenses associated with Borrowers and Collective Personal Accident products.

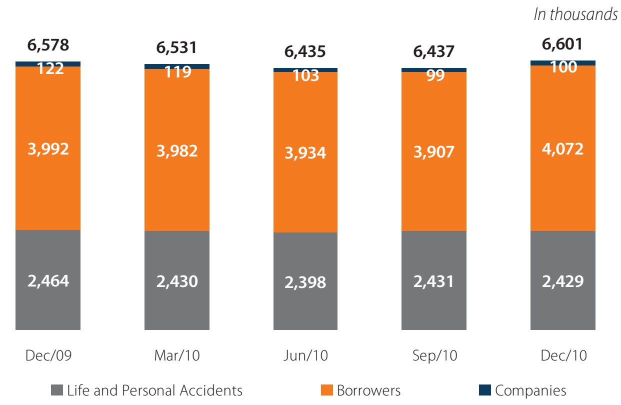
### Composition of Earned Premiums




Note: Insurance charts do not include the Itauseg Saúde companies and include the Life portfolio of Itaú Vida e Previdência S.A.

Insurance earned premiums totaled R$ 907 million in the fourth quarter of 2010, practically in line with the prior quarter. Among the components of earned premiums, we highlight Life and Personal Accidents portfolio, and Property Risks, that mainly comprise products for the Large Companies segment, as well as the Extended Warranty portfolio, where Itaú Unibanco is the market leader.

### Number of Contracts – Mass products

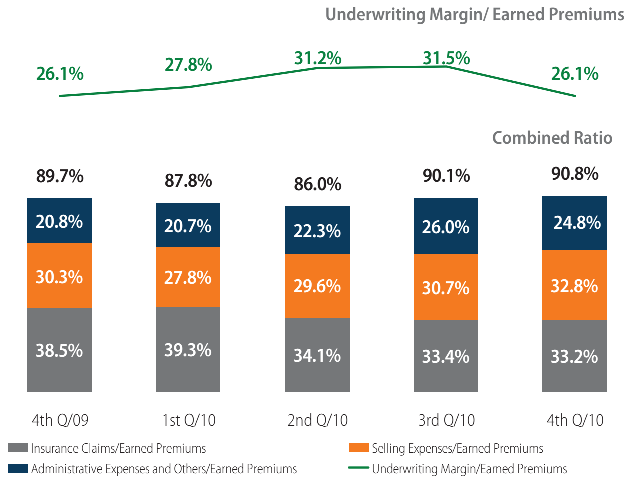



The number of policies increased 2.5% from the prior quarter, mainly due to sales of Borrowers and Group Life products, caused by the optimization of product offerings.

### Combined Ratio

The combined ratio, which reflects the operating cost efficiency in relation to income from premiums earned, grew by 70 basis points quarter-on-quarter, mainly due to increased selling expenses associated with Borrower and Collective Personal Accidents products.

### Combined Ratio and Underwriting Margin

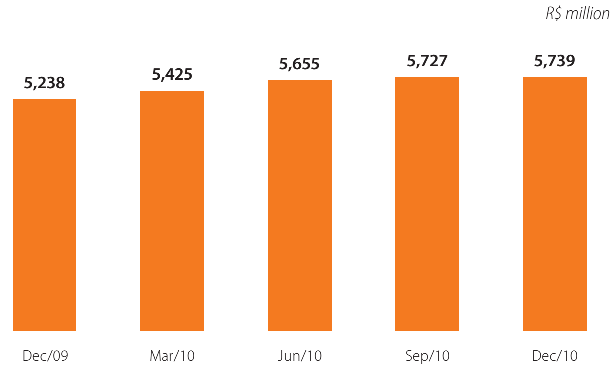



Note: The combined ratio is the sum of the following ratios: retained claims/ earned premiums, selling expenses/earned premiums and administrative expenses + other operating income and expenses/ earned premiums.
The underwriting margin is the sum of: earned premiums, retained claims, selling expenses and other operating income (expenses) of insurance operations.

Note: the chart does not include the Itauseg Saúde company and includes the Life portfolio of Itaú Vida e Previdência S.A.

### Insurance Technical Provisions

At December 31, 2010, insurance technical provisions added up to R$ 5,739 million, increasing 0.2% and 9.6% from the prior quarter and the same period of the prior year, respectively.




## Life and Pension Plan

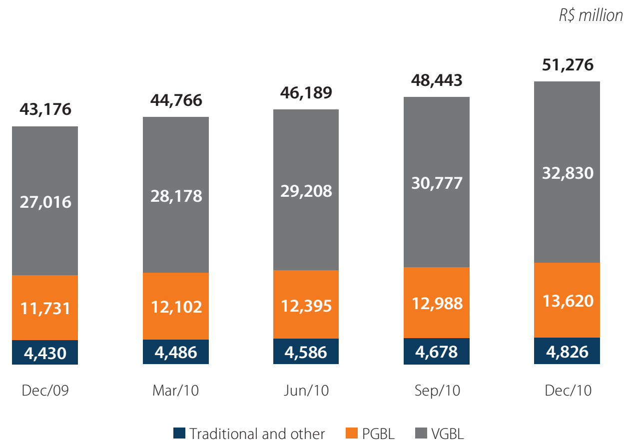
At December 31, 2010, according to information provided by SUSEP, Itaú Unibanco's Pension Plan operations reached a market share of 24% in total technical provisions.

Contributions to pension plans totaled R$ 2,810 million, a 37.2% increase compared to the prior quarter. The main drivers include funds obtained from high-income clients, and commercial actions carried out in the individual pension plan segment.

The R$ 32 million decline in the recurring net income against the prior quarter is a result of the decreased managerial financial margin and the increase in non-interest expenses.

### Pension Plan Technical Provisions

At December 31, 2010, pension plan technical provisions added up to R$ 51,276 million, primarily due to increased contributions, representing a 5.8% growth compared to the prior quarter and 18.8% compared to 2009.




## Capitalization

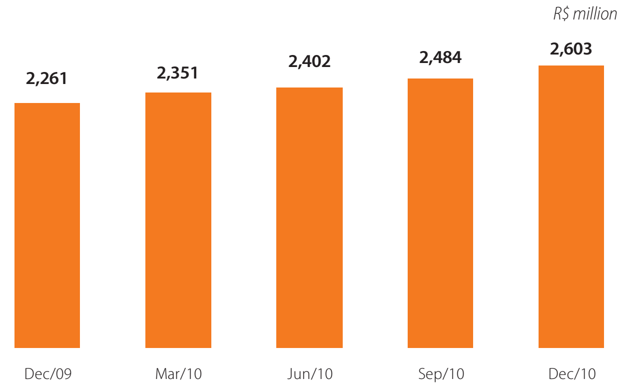
The result from capitalization transactions amounted to R$102 million, increasing 3.3% from the third quarter of 2010, due to higher revenues from capitalization bonds, in particular products purchased under a one-off payment contract.

In the fourth quarter of 2010, 426 clients were awarded prizes in the aggregate sum of approximately R$ 9 million.

Itaú Unibanco takes part in social/environmental and social responsibility initiatives, by distributing funds arising from the sales of a diversified range of products, in particular capitalization bonds.

### Capitalization Technical Provisions

At December 31, 2010, capitalization technical provisions reached R$ 2,603 million, corresponding to a 4.8% increase when compared to the third quarter of 2010 and 15.2% when compared to the same period of 2009.



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# Activities Abroad

## Activities Abroad


Our operations are mainly carried out in Brazil. However, we are present in 18 countries with strategically located places in each of them. Our main operations are in South America (Argentina, Chile, Uruguay and Paraguay), Europe (Portugal, London, Luxembourg and Switzerland), USA (Miami and New York), and Asia (Hong Kong, Tokyo and Dubai). In the above mentioned South American countries, we operate as universal banks both for individuals and companies, providing retail and corporate services.
Selected information on our foreign operations (including results, assets and liabilities recorded by foreign branches) is presented below:

R$ million (except where indicated)

| Highlights | | | | |
|---|---|---|---|---|
| **Income Statement** | **4th Q/10** | **3rd Q/10** | **2010** | **2009** |
| Net Income | 390 | 428 | 1,622 | 1,165 |
| Net Result from Financial Operations | 506 | 581 | 2,090 | 1,471 |
| **Balance Sheet** | **Dec 31, 10** | **Sep 30, 10** | **2010** | **2009** |
| Total Assets | 129,142 | 113,438 | 129,142 | 97,653 |
| Loans, Lease and Other Credit Operations | 43,242 | 40,157 | 43,242 | 25,493 |
| Deposits | 36,947 | 34,165 | 36,947 | 31,923 |
| Stockholders' Equity | 21,292 | 21,426 | 21,292 | 17,722 |
| **Relevant Data** | **Dec 31, 10** | **Sep 30, 10** | **2010** | **2009** |
| Employees (Individuals) | 5,724 | 5,651 | 5,724 | 5,400 |
| Number of Points of Sale | 708 | 675 | 708 | 652 |
| Branches (Units) | 220 | 215 | 220 | 212 |
| CSBs (Units) | 31 | 30 | 31 | 30 |
| Automated Teller Machines (Units) | 457 | 430 | 457 | 410 |

# Activities Abroad

## Europe

The banking activities under Banco Itaú Europa S.A.'s structure are carried out in Europe, in Portugal, Switzerland, and Luxembourg, and outside Europe, in Miami, Cayman Islands and the Bahamas, and are primarily focused on international banking activities including corporate and Investment Banking, capital markets and private banking in close cooperation with the conglomerate's divisions and teams, which coordinate such activities in Brazil. On December 31, 2010, Itaú Europa's consolidated assets totaled R$ 12.7 billion and assets under management, coming from the private banking segment, reached R$ 21.1 billion. Net income for the quarter was R$ 20 million, representing a R$ 2 million increase from the prior quarter, primarily driven by a higher financial margin on private banking transactions.

Early in 2011, Banco Itaú Europa's corporate name changed to Banco Itaú BBA International S.A. This name change comes as the result of the continued integration of Itaú Unibanco's international corporate and investment banking activities into a single global brand – Itaú BBA. This brand will enable the bank to continue fostering its current corporate relationships and provide an increasing array of services to its clients all over the world.

## Argentina

Banco Itaú Argentina operates both in the companies (very small, small, mid-sized and large companies) and individuals segments, focusing on the latter segment through an 81-branch network and 1,514 employees. The main products offered to individuals clients are savings and current accounts, personal loans and credit cards. For companies, the main products offered are financing solutions, syndicated loans and treasury products, including derivatives and foreign exchange. In the last quarter of 2010, Banco Itaú Argentina signed a major commercial agreement which will enable an expansion of the bank's customer base, through the launch of a co-branded card. On December 31, 2010, the bank's total assets amounted to R$ 2.3 billion, reflecting a growth in its securities portfolio.

## Chile

Banco Itaú Chile is active in the companies (very small, small, mid-sized and large companies) and individual segments, focusing on mid- and high-income customers, by offering a vast array of products. During the last quarter of the year, Banco Itaú Chile opened 4 new branches, reaching 75 service units in its network served by a total of 2,045 employees. During the period, the bank also raised US$ 200 million through a syndicated loan.

On December 31, 2010, total assets added up to R$ 12.3 billion, while the credit portfolio amounted to R$ 9 billion, representing a 5% increase from September 30, 2010. Net income for the period was R$ 42 million, being positively affected by the sale of a portion of a student loan portfolio, while adversely impacted by the increase in the provision for loan losses, resulting from regulatory changes in Chile.

## Uruguay

Banco Itaú Uruguay operates in the companies and individual segments through 21 branches, of which one was opened in the fourth quarter of the year. As such, three new branches were opened in 2010. The main products offered are savings and current accounts, credit cards, financing solutions, cash management, trade financing, investment services, treasury products, and pension funds. The bank has approximately 154 thousand customers, representing a 5% growth compared to the third quarter of 2010 and 19% growth compared to the prior year.

Additionally, Itaú Unibanco operates in the credit card market through the largest credit card company in the country, OCA, which carries out the product's three main operations: acquirer, card issuance, and transaction processing. Credit cards and direct consumer credit are the major products provided by OCA to it's approximately 368 thousand clients on December 2010, growing 6% from 2009 and representing a market share of 41% of the domestic market.

Itaú Unibanco's total assets in Uruguay added up to R$ 3.6 billion, having a strong increase in credit transactions during the last quarter of 2010. Net income for the quarter totaled R$ 9 million while net income for the year was R$ 54 million. Both figures improved compared to prior periods. Main highlights include the improved results on credit card and pension fund transactions.

During the quarter, Moody's upgraded Banco Itaú Uruguay's rating to Ba2 (foreign currency), thus nearing investment grade.

## Paraguay

The Itaú brand has been present in Paraguay since July 12, 2010, although the bank has operated in that country for over 30 years, using the Interbanco brand. The service structure for the individuals and companies (small, mid-sized and large companies, agribusiness and institutional customers) segments include 19 branches and 517 employees.

Credit cards stand out among the bank's products as a significant revenue driver that operates three international banners: Visa, Mastercard, and American Express. For the latter, the bank is the only issuer and acquirer in the country. In the fourth quarter of 2010, total assets totaled R$ 2.3 billion and net income was R$ 39 million, driven mainly by improved results on credit card transactions and reduced allowances for loan losses.

## Products and Services for Foreign Institutional Customers

The Itaú group also provides its foreign institutional customers a comprehensive range of products and services, such as asset management, fund management, custody, alternative products, equities, fixed-income products, foreign exchange products, bank guarantees and treasury products.

Foreign institutional customers are served both by specialized teams and relationship managers based in offices located in New York, London, Hong Kong, Tokyo and Dubai.

# Activities Abroad

Below we present the financial statements of Banco Itaú Europa (*) and the South America units:

**On December 31, 2010 (*)**

*R$ million*

**Balance Sheet – Activities Abroad**

| ASSETS | Consolidated Itaú Europa | Consolidated Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay | Banco Itaú Paraguay |
|---|---|---|---|---|---|
| **Current and Long-term Assets** | **12,207** | **2,248** | **12,101** | **3,549** | **2,260** |
| Cash and Cash Equivalents | 1,029 | 108 | 410 | 380 | 171 |
| Short-term Interbank Deposits | 3,136 | 183 | 300 | 545 | 58 |
| Securities and Derivative Financial Instruments | 1,295 | 259 | 1,831 | 881 | 261 |
| Loans, Lease and Other Credit Operations | 5,387 | 1,354 | 9,285 | 1,431 | 1,440 |
| (Allowance for Loan Losses) | (13) | (32) | (219) | (78) | (35) |
| Other Credits | 1,356 | 90 | 376 | 74 | 88 |
| Other Assets | 17 | 285 | 118 | 316 | 277 |
| **Permanent Assets** | **513** | **95** | **212** | **23** | **21** |
| Investments | 337 | 2 | 1 | 0 | 1 |
| Fixed and Operating Lease Assets | 21 | 57 | 134 | 22 | 21 |
| Intangible Assets | 156 | 36 | 77 | 0 | - |
| **TOTAL ASSETS** | **12,720** | **2,343** | **12,313** | **3,572** | **2,281** |

| LIABILITIES AND EQUITY | Consolidated Itaú Europa | Consolidated Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay | Banco Itaú Paraguay |
|---|---|---|---|---|---|
| **Current and Long-term Liabilities** | **11,303** | **2,159** | **10,897** | **3,273** | **1,962** |
| Deposits | 6,353 | 1,783 | 7,662 | 2,749 | 1,725 |
| Deposits Received under Securities Repurchase Agreements | - | 99 | 157 | - | 2 |
| Funds from Acceptances and Issue of Securities | 2,488 | - | 1,089 | - | - |
| Borrowings and Onlendings | 626 | 33 | 860 | 33 | 112 |
| Derivative Financial Instruments | 257 | (4) | 165 | 2 | - |
| Other Liabilities | 1,579 | 247 | 955 | 490 | 123 |
| Technical Provisions for Insurance, Pension Plans and Capitalization | - | - | 9 | - | - |
| **Deferred Income** | **20** | **-** | **1** | **-** | **0** |
| **Minority Interest in Subsidiaries** | **0** | **35** | **0** | **0** | **-** |
| **Stockholders' Equity** | **1,396** | **149** | **1,415** | **299** | **319** |
| **TOTAL LIABILITIES AND EQUITY** | **12,720** | **2,343** | **12,313** | **3,572** | **2,281** |

**Income Statement – Activities Abroad**

| 4th Quarter/10 | Consolidated Itaú Europa | Consolidated Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay | Banco Itaú Paraguay |
|---|---|---|---|---|---|
| **Financial Margin** | **24** | **42** | **145** | **32** | **44** |
| **Result from Loan Losses** | **2** | **(1)** | **(39)** | **(6)** | **2** |
| Expenses for Allowance for Loan Losses | 2 | (1) | (47) | (6) | 2 |
| Income from Recovery of Credits Written Off as Loss | - | 0 | 8 | 0 | - |
| **Net Result from Financial Operations** | **26** | **42** | **106** | **26** | **46** |
| **Other Operating Income/(Expenses)** | **(4)** | **(41)** | **(54)** | **(14)** | **(4)** |
| Banking Service Fees and Income from Banking Charges | 57 | 23 | 33 | 54 | 15 |
| Result from Insurance, Pension Plans and Capitalization Operations | - | - | 6 | - | - |
| Non-interest Expenses | (66) | (68) | (100) | (68) | (21) |
| Tax Expenses for ISS, PIS, Cofins and Other Taxes | - | - | - | - | - |
| Equity in Earnings of Affiliates and Other Investments | 1 | (0) | 0 | 0 | - |
| Other Operating Income | 4 | 4 | 7 | 0 | (0) |
| **Operating Income** | **22** | **1** | **52** | **13** | **42** |
| Non-operating Income | (2) | 1 | (1) | (0) | (1) |
| **Income before Tax and Profit Sharing** | **19** | **2** | **50** | **13** | **41** |
| **Income Tax and Social Contribution** | **3** | **0** | **(9)** | **(3)** | **(2)** |
| **Profit Sharing** | **(2)** | **-** | **-** | **-** | **-** |
| **Minority Interests in Subsidiaries** | **0** | **1** | **(0)** | **(0)** | **-** |
| **Recurring Net Income** | **20** | **3** | **42** | **9** | **39** |
| **Return on Equity – Annualized (%p.y.)** | **5.7%** | **9.3%** | **11.8%** | **12.5%** | **51.9%** |
| **Efficiency Ratio** | **77.2%** | **98.1%** | **54.2%** | **79.1%** | **35.5%** |
| **Non-interest Expenses to total Assets (%p.y.)** | **2.1%** | **11.6%** | **3.2%** | **7.6%** | **3.7%** |

(*) Does not include Foreign branches

# Activities Abroad

Below we present the financial statements of Banco Itaú Europa (*) and the South America units:

**On September 30, 2010 (*)**

*R$ million*

**Balance Sheet – Activities Abroad**

| ASSETS | Consolidated Itaú Europa | Consolidated Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay | Banco Itaú Paraguay |
|---|---|---|---|---|---|
| **Current and Long-term Assets** | **12,665** | **2,218** | **11,497** | **3,487** | **2,162** |
| Cash and Cash Equivalents | 1,488 | 111 | 354 | 447 | 159 |
| Short-term Interbank Deposits | 2,409 | 161 | 39 | 599 | 62 |
| Securities and Derivative Financial Instruments | 1,448 | 218 | 1,748 | 848 | 269 |
| Loans, Lease and Other Credit Operations | 5,275 | 1,371 | 8,814 | 1,275 | 1,319 |
| (Allowance for Loan Losses) | (15) | (34) | (198) | (74) | (39) |
| Other Credits | 1,939 | 105 | 608 | 90 | 85 |
| Other Assets | 121 | 286 | 131 | 303 | 307 |
| **Permanent Assets** | **555** | **56** | **203** | **20** | **15** |
| Investments | 372 | 2 | 1 | 0 | 1 |
| Fixed and Operating Lease Assets | 20 | 53 | 129 | 20 | 15 |
| Intangible Assets | 163 | 1 | 73 | 0 | - |
| **TOTAL ASSETS** | **13,220** | **2,274** | **11,699** | **3,507** | **2,177** |

| LIABILITIES AND EQUITY | Consolidated Itaú Europa | Consolidated Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay | Banco Itaú Paraguay |
|---|---|---|---|---|---|
| **Current and Long-term Liabilities** | **11,774** | **2,125** | **10,304** | **3,217** | **1,892** |
| Deposits | 6,248 | 1,744 | 7,085 | 2,710 | 1,613 |
| Deposits Received under Securities Repurchase Agreements | - | 87 | 122 | - | - |
| Funds from Acceptances and Issue of Securities | 2,478 | - | 1,014 | - | - |
| Borrowings and Onlendings | 648 | 35 | 590 | 34 | 107 |
| Derivative Financial Instruments | 220 | 0 | 199 | 7 | - |
| Other Liabilities | 2,179 | 258 | 1,286 | 467 | 173 |
| Technical Provisions for Insurance, Pension Plans and Capitalization | - | - | 8 | - | - |
| **Deferred Income** | **16** | **-** | **2** | **-** | **0** |
| **Minority Interest in Subsidiaries** | **0** | **1** | **0** | **0** | **-** |
| **Stockholders' Equity** | **1,431** | **149** | **1,393** | **290** | **285** |
| **TOTAL LIABILITIES AND EQUITY** | **13,220** | **2,274** | **11,699** | **3,507** | **2,177** |

**Income Statement – Activities Abroad**

| 3rd Quarter/10 | Consolidated Itaú Europa | Consolidated Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay | Banco Itaú Paraguay |
|---|---|---|---|---|---|
| **Financial Margin** | **16** | **38** | **125** | **16** | **32** |
| **Result from Loan Losses** | **-** | **(1)** | **(12)** | **(3)** | **(2)** |
| Expenses for Allowance for Loan Losses | 3 | (1) | (18) | (3) | (2) |
| Income from Recovery of Credits Written Off as Loss | - | 0 | 6 | 1 | - |
| **Net Result from Financial Operations** | **19** | **37** | **113** | **13** | **30** |
| **Other Operating Income/(Expenses)** | **20** | **(35)** | **(51)** | **(9)** | **(19)** |
| Banking Service Fees and Income from Banking Charges | 58 | 21 | 35 | 45 | 15 |
| Result from Insurance, Pension Plans and Capitalization Operations | - | - | (0) | - | (0) |
| Non-interest Expenses | (54) | (60) | (97) | (54) | (33) |
| Tax Expenses for ISS, PIS, Cofins and Other Taxes | - | - | - | - | - |
| Equity in Earnings of Affiliates and Other Investments | 14 | 0 | 0 | - | - |
| Other Operating Income | 2 | 3 | 11 | 0 | (0) |
| **Operating Income** | **39** | **2** | **62** | **4** | **12** |
| Non-operating Income | (0) | 0 | (5) | (0) | (1) |
| **Income before Tax and Profit Sharing** | **39** | **2** | **57** | **4** | **11** |
| **Income Tax and Social Contribution** | **(17)** | **-** | **(9)** | **(2)** | **(3)** |
| **Profit Sharing** | **(3)** | **-** | **-** | **-** | **-** |
| **Minority Interests in Subsidiaries** | **0** | **(0)** | **(0)** | **-** | **-** |
| **Recurring Net Income** | **18** | **2** | **48** | **2** | **8** |
| **Return on Equity – Annualized (%p.y.)** | **5.3%** | **4.8%** | **13.6%** | **2.3%** | **11.2%** |
| **Efficiency Ratio** | **71.1%** | **95.6%** | **56.6%** | **88.9%** | **69.9%** |
| **Non-interest Expenses to total Assets (%p.y.)** | **1.6%** | **10.5%** | **3.3%** | **6.2%** | **6.1%** |

(*) Does not include Foreign branches

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## Report of Independent Auditors on Supplementary Information

To the Board of Directors and Stockholders
Itaú Unibanco Holding S.A.

### Introduction

In connection with our audits of the financial statements of Itaú Unibanco Holding S.A. (Bank) and Itaú Unibanco Holding S.A. and its subsidiary companies (consolidated) as of December 31, 2010 and 2009, on which we issued an unqualified opinion dated February 21, 2011, we performed a review of the supplementary information included in the Management Discussion and Analysis Report on the Consolidated Operations of Itaú Unibanco Holding S.A. and its subsidiaries.

### Scope of the Review

We conducted our review in accordance with specific rules set forth by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accountancy Council, for the purpose of reviewing the accounting information contained in the supplementary information of the Management Discussion and Analysis Report on the Consolidated Operations of Itaú Unibanco Holding S.A. and its subsidiary companies. Our review mainly comprised: (a) inquiry of, and discussion with, management responsible for the accounting, financial and operational areas of the Bank and its subsidiaries with regard to the main criteria adopted for the preparation of the accounting information presented in the supplementary information and (b) review of the significant information and of the subsequent events which have, or could have, significant effects on the financial position and the operations of the Bank and its subsidiaries. The supplementary information included in the Management Discussion and Analysis Report on the Consolidated Operations is presented to permit additional analysis. Notwithstanding, this information should not be considered an integral part of the financial statements.

### Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accounting information contained in this supplementary information, in order for it to be adequately presented, in all material respects, in relation to the financial statements at December 31, 2010, taken as a whole, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

São Paulo, February 21, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5