

**BANCO ITAÚ BBA S.A.**  
**MANAGEMENT REPORT**

To our Stockholders:

We present the Management Report and the financial statements of Banco Itaú BBA S.A. (Itaú BBA) for the period from January 1 to December 31, 2011 and 2010, in accordance with the regulations established by the Central Bank of Brazil (BACEN) and the National Monetary Council (CMN).

**NET INCOME AND STOCKHOLDERS' EQUITY**

Itaú BBA net income totaled R\$ 2,219 million in the period and stockholders' equity totaled R\$ 6,832 million. Net income per share was R\$ 209.99, whereas its book value per share was R\$ 646.40.

**ASSETS AND FUNDS RAISED**

Assets totaled R\$ 211,164 million and were substantially made up of R\$ 111,082 million of Interbank Investments and Securities and Derivative Financial Instruments, and R\$ 82,983 million of Loan, Lease, Other Credit Operations and Foreign Exchange Portfolio. Raised and Managed Funds represented R\$ 194,550 million.

**CIRCULAR LETTER No. 3,068/01 OF BACEN**

Itaú BBA hereby represents to have the financial capacity and the intention to hold to maturity securities classified under the line "held-to-maturity securities" in the balance sheet, in the amount of R\$ 54 million, corresponding to only 0.10% of total securities held.

**ACKNOWLEDGEMENTS**

We thank our shareholders for their support and trust which have been indispensable for the continuous development achieved by Itaú BBA. To our employees, we express our recognition for their determination and commitment. To our clients, our thanks for their trust and loyalty, which we try to repay with differentiated products and services.

São Paulo, February 15, 2012.

Executive Board

## MANAGEMENT REPORT

### Chairman

ROBERTO EGYDIO SETUBAL

### Vice-Chairmen

FERNÃO CARLOS BOTELHO BRACHER  
PEDRO MOREIRA SALLES

### Members

ALFREDO EGYDIO SETUBAL  
ANTONIO CARLOS BARBOSA DE OLIVEIRA  
CANDIDO BOTELHO BRACHER  
EDUARDO MAZZILLI DE VASSIMON  
HENRI PENCHAS  
JOÃO DIONÍSIO FILGUEIRA BARRETO AMOÊDO  
SÉRGIO RIBEIRO DA COSTA WERLANG

## EXECUTIVE BOARD

### Chief Executive Officer

CANDIDO BOTELHO BRACHER

### Executive Vice-Presidents

ALBERTO FERNANDES  
DANIEL LUIZ GLEIZER  
JEAN-MARC ROBERT NOGUEIRA BAPTISTA ETLIN  
RODOLFO HENRIQUE FISCHER

### Executive Directors

ALEXANDRE JADALLAH AOUDE  
ANDRÉ LUÍS TEIXEIRA RODRIGUES  
ELAINE CRISTINA ZANATTA RODRIGUES VASQUINHO  
FERNANDO FONTES IUNES  
MARCELO TREVISAN MARANGON  
MILTON MALUHY FILHO

### Accountant

CARLOS ANDRÉ HERMESINDO DA SILVA  
CRC - 1SP281528/O-1

## Directors

ADRIANO LIMA BORGES  
ALBERTO ZOFFMANN DO ESPÍRITO SANTO  
ALEXANDRE ENRICO SILVA FIGLIOLINO  
ÁLVARO DE ALVARENGA FREIRE PIMENTEL  
ANDRÉ CARVALHO WHYTE GAILEY  
ANDRÉ DEL BEL CURY  
ANDRÉ FERRARI  
ANTONIO JOSÉ CALHEIROS RIBEIRO FERREIRA  
ANTONIO SANCHEZ JUNIOR  
EDUARDO CARDOSO ARMONIA  
EDUARDO CORSETTI  
EMERSON SAVI JUNQUEIRA  
FABIO MASSASHI OKUMURA  
FERNANDO HENRIQUE MEIRA DE CASTRO  
FLÁVIO DELFINO JÚNIOR  
GILBERTO FRUSSA  
GUSTAVO HENRIQUE PENHA TAVARES  
HENRIQUE RUTHER  
ILAN GOLDFAJN  
JOÃO CARLOS DE GÊNOVA  
JOÃO MARCOS PEQUENO DE BIASE  
JORGE BEDRAN JETTAR  
JOSÉ AUGUSTO DURAND  
LILIAN SALA PULZATTO KIEFER  
MARCELLO PECCININI DE CHIARO  
MARCELO ARIEL ROSENHEK  
MARCELO DA COSTA LOURENÇO  
MARCELO MAZIERO  
MARCO ANTONIO SUDANO  
MARCOS AUGUSTO CAETANO DA SILVA FILHO  
MÁRIO LÚCIO GURGEL PIRES  
MÁRIO LUÍS BRUGNETTI  
PAULO DE PAULA ABREU  
PAULO ROBERTO SCHIAVON DE ANDRADE  
RODERICK SINCLAIR GREENLEES  
SOLANGE PAIVA VIEIRA  
THALES FERREIRA SILVA

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**Head Office:** Av. Brigadeiro Faria Lima, 3.400 - 3º ao 8º, 11º e 12º andares - Itaim Bibi - São Paulo - SP

**BANCO ITAÚ BBA S.A.**  
**Balance Sheet**  
*(In thousands of reais)*

ASSETS	12/31/2011	12/31/2010
<b>CURRENT ASSETS</b>	<b>138,614,279</b>	<b>128,198,206</b>
<b>CASH AND CASH EQUIVALENTS (Note 3a)</b>	<b>332,819</b>	<b>532,482</b>
<b>INTERBANK INVESTMENTS (Notes 3a, 3b and 5)</b>	<b>30,881,449</b>	<b>41,345,203</b>
Money market	3,761,711	11,999,966
Interbank deposits	27,119,738	29,345,237
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3c, 3d and 6)</b>	<b>50,768,807</b>	<b>45,134,496</b>
Own portfolio	8,585,852	10,253,133
Subject to repurchase commitments	34,196,891	26,687,536
Pledged in guarantee	4,902,884	3,107,975
Derivative financial instruments	3,083,180	5,085,852
<b>INTERBANK ACCOUNTS</b>	<b>6,873,275</b>	<b>2,414,034</b>
Central Bank deposits	6,821,415	2,412,235
Correspondents	21,171	1,799
Interbank onlending	30,689	-
<b>INTERBRANCH ACCOUNTS - Internal transfers of funds</b>	<b>28,179</b>	<b>-</b>
<b>LOAN OPERATIONS (Notes 3e, 3g and 7)</b>	<b>29,641,183</b>	<b>24,541,392</b>
Loans	29,762,206	24,831,966
(Allowance for loan losses)	(121,023)	(290,574)
<b>LEASE OPERATIONS (Notes 3f, 3g and 7d)</b>	<b>2,013</b>	<b>2,005</b>
Lease receivable and guaranteed residual value	1,308,079	1,384,894
(Unearned income and offsetting residual value)	(1,251,510)	(1,311,033)
(Allowance for doubtful lease receivables)	(54,556)	(71,856)
<b>OTHER RECEIVABLES</b>	<b>20,057,140</b>	<b>14,185,846</b>
Foreign exchange portfolio (Note 8)	17,378,099	11,402,930
Income receivable	65,622	56,776
Negotiation and intermediation of securities	1,040,815	1,018,081
Sundry (Note 11a)	1,586,732	1,735,092
(Allowance for loan losses) (Notes 3g and 7e)	(14,128)	(27,033)
<b>OTHER ASSETS (Note 3h)</b>	<b>29,414</b>	<b>42,748</b>
Other assets	109	4,189
Prepaid expenses	29,305	38,559
<b>LONG-TERM RECEIVABLES</b>	<b>61,257,526</b>	<b>59,291,966</b>
<b>INTERBANK INVESTMENTS (Notes 3b and 5)</b>	<b>4,586,769</b>	<b>13,994,444</b>
Money market	3,993,945	9,826,585
Interbank deposits	592,824	4,167,859
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3c, 3d and 6)</b>	<b>24,845,050</b>	<b>21,477,071</b>
Own portfolio	7,371,839	4,520,337
Subject to repurchase commitments	14,805,514	14,800,851
Pledged in guarantee	308,254	32,063
Derivative financial instruments	2,359,443	2,123,820
<b>LOAN OPERATIONS (Notes 3e, 3g and 7)</b>	<b>30,786,339</b>	<b>23,264,741</b>
Loans	31,178,737	23,786,918
(Allowance for loan losses)	(392,398)	(522,177)
<b>LEASE OPERATIONS (Notes 3f, 3g and 7d)</b>	<b>30,956</b>	<b>73,988</b>
Lease receivable and guaranteed residual value	2,944,447	4,079,537
(Unearned income and offsetting residual value)	(2,893,591)	(3,987,377)
(Allowance for doubtful lease receivables)	(19,900)	(18,172)
<b>OTHER RECEIVABLES</b>	<b>1,000,219</b>	<b>469,951</b>
Foreign exchange portfolio (Note 8)	40,876	1,767
Income receivable	5,960	2,094
Sundry (Note 11a)	953,994	466,644
(Allowance for loan losses) (Notes 3g and 7e)	(611)	(554)
<b>OTHER ASSETS - Prepaid expenses (Note 3h)</b>	<b>8,193</b>	<b>11,771</b>
<b>PERMANENT ASSETS</b>	<b>11,292,499</b>	<b>5,902,232</b>
<b>INVESTMENTS (Note 3i)</b>	<b>6,564,633</b>	<b>256,806</b>
Investments in subsidiaries and affiliates (Note 13 I)	6,469,338	74,669
Domestic	6,449,884	73,179
Foreign	19,454	1,490
Other investments	120,432	197,683
(Allowance for loan losses)	(25,137)	(15,546)
<b>FIXED ASSETS (Note 3j)</b>	<b>150,085</b>	<b>124,622</b>
Real estate in use	4,958	24,387
Other fixed assets	255,537	182,874
(Accumulated depreciation)	(110,410)	(82,639)
<b>OPERATING LEASE ASSETS (Notes 3k, 3l and 7d)</b>	<b>3,641,707</b>	<b>4,443,762</b>
Leased assets	3,458,319	4,228,970
(Accumulated depreciation)	183,388	214,792
<b>INTANGIBLE ASSETS (Note 3m and 13 II)</b>	<b>936,074</b>	<b>1,077,042</b>
Acquisition of rights to credit payroll	270	270
Other intangible assets	2,488,336	2,179,213
(Accumulated amortization)	(1,552,532)	(1,102,441)
<b>TOTAL ASSETS</b>	<b>211,164,304</b>	<b>193,392,404</b>

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

**BANCO ITAÚ BBA S.A.**
**Balance Sheet**
*(In thousands of reais)*

LIABILITIES AND STOCKHOLDER'S EQUITY	12/31/2011	12/31/2010
<b>CURRENT LIABILITIES</b>	<b>145,093,180</b>	<b>123,478,268</b>
<b>DEPOSITS (Notes 3b and 9)</b>	<b>61,519,015</b>	<b>46,818,715</b>
Demand deposits	3,332,519	1,723,371
Interbank deposits	29,050,762	26,282,801
Time deposits	29,135,734	18,811,239
Other deposits	-	1,304
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 3b and 9)</b>	<b>35,358,656</b>	<b>40,357,979</b>
Own portfolio	29,004,509	28,226,574
Third-party portfolio	6,354,147	12,107,733
Free portfolio	-	23,672
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 3b and 9)</b>	<b>8,663,649</b>	<b>4,036,276</b>
Real estate, mortgage, credit and similar notes	1,403,486	2,618,816
Foreign borrowings through securities	7,260,163	1,417,460
<b>INTERBANK ACCOUNTS – Onlending</b>	<b>8,699</b>	<b>8,740</b>
<b>INTERBRANCH ACCOUNTS</b>	<b>1,273,281</b>	<b>938,480</b>
Third-party funds in transit	1,273,281	938,415
Internal transfer of funds	-	65
<b>BORROWINGS (Notes 3b and 9)</b>	<b>11,372,882</b>	<b>8,262,837</b>
Foreign	11,372,882	8,262,837
<b>DOMESTIC ONLENDING (Notes 3b and 9)</b>	<b>4,830,626</b>	<b>4,515,265</b>
National Treasury	559	544
BNDES	1,211,854	1,427,538
CEF	16,383	14,265
FINAME	3,482,630	2,994,083
Other institutions	119,200	78,835
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3d and 6b)</b>	<b>3,699,667</b>	<b>4,616,599</b>
<b>OTHER LIABILITIES</b>	<b>18,366,705</b>	<b>13,923,377</b>
Collection and payment of taxes and contributions	28,649	20,842
Foreign exchange portfolio (Note 8)	14,280,126	9,593,301
Social and statutory	969,233	1,149,029
Tax and social security contributions (Notes 3o, 3p and 12c)	1,409,627	1,565,350
Negotiation and intermediation of securities	873,168	856,666
Advances for guaranteed residual values (Notes 3f and 7d)	574,447	523,387
Sundry (Note 11b)	231,455	214,802
<b>LONG-TERM LIABILITIES</b>	<b>59,106,640</b>	<b>61,763,710</b>
<b>DEPOSITS (Notes 3b and 9)</b>	<b>19,251,916</b>	<b>25,474,239</b>
Interbank deposits	1,755,453	20,361,141
Time deposits	17,496,463	5,113,098
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 3b and 9)</b>	<b>20,111,496</b>	<b>20,391,710</b>
Own portfolio	19,997,735	14,267,278
Third-party portfolio	-	3,366,644
Free portfolio	113,761	2,757,788
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 3b and 9)</b>	<b>3,099,889</b>	<b>1,632,621</b>
Real estate, mortgage, credit and similar notes	1,849,740	113,992
Foreign borrowings through securities	1,250,149	1,518,629
<b>INTERBANK ACCOUNTS – Onlending</b>	<b>8,625</b>	<b>17,250</b>
<b>BORROWINGS (Notes 3b and 9)</b>	<b>2,115,929</b>	<b>1,101,600</b>
Domestic – Other institutions	1,575	1,555
Foreign	2,114,354	1,100,045
<b>DOMESTIC ONLENDING (Notes 3b and 9)</b>	<b>11,080,089</b>	<b>10,003,959</b>
National Treasury	1,678	2,119
BNDES	4,590,914	4,030,871
CEF	50,625	62,470
FINAME	6,391,680	5,870,665
Other institutions	45,192	37,834
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3d and 6b)</b>	<b>1,711,838</b>	<b>1,492,825</b>
<b>OTHER LIABILITIES</b>	<b>1,726,858</b>	<b>1,649,506</b>
Foreign exchange portfolio (Note 8)	41,388	1,855
Social and statutory	84,985	23,861
Tax and social security contributions (Notes 3o, 3p and 12c)	35,912	26,297
Advances for guaranteed residual values (Notes 3f and 7d)	1,383,554	1,538,474
Sundry (Note 11b)	181,019	59,019
<b>DEFERRED INCOME (Note 3q)</b>	<b>132,693</b>	<b>97,966</b>
<b>STOCKHOLDERS' EQUITY (Note 14)</b>	<b>6,831,791</b>	<b>8,052,460</b>
Capital	4,224,086	4,224,086
Capital reserves	15,372	16,907
Revenue reserves	2,471,291	3,734,468
Asset valuation adjustment (Notes 3c and 6a)	121,042	76,999
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>211,164,304</b>	<b>193,392,404</b>

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

**BANCO ITAU BBA S.A.****Statement of income***(In thousands of reais)*

	<b>2nd half</b>	<b>01/01 to</b>	<b>01/01 to</b>
	<b>2011</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>7,951,432</b>	<b>15,776,699</b>	<b>15,809,451</b>
Loans (Note 3e)	3,128,090	5,295,507	4,447,532
Lease operations (Note 3f)	545,887	1,239,241	1,731,622
Securities	5,074,799	8,401,134	7,352,686
Derivative financial instruments (Note 6b IV)	(1,053,715)	282,660	1,984,555
Foreign exchange operations	(9,777)	111,476	196,217
Compulsory deposits	266,148	446,681	96,839
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(6,172,007)</b>	<b>(12,213,724)</b>	<b>(10,958,431)</b>
Money market	(5,565,475)	(10,580,192)	(9,467,540)
Borrowings and onlending	(394,073)	(821,598)	(884,145)
Lease operations (Note 3f)	(412,102)	(914,433)	(1,267,486)
(Reversal) Allowance for loan losses (Notes 3g and 7e)	199,643	102,499	660,740
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>1,779,425</b>	<b>3,562,975</b>	<b>4,851,020</b>
<b>OTHER OPERATING REVENUES (EXPENSES)</b>	<b>(412,723)</b>	<b>(926,401)</b>	<b>(1,293,761)</b>
Banking service fees (Note 11c)	547,867	1,033,874	830,156
Personnel expenses	(321,798)	(687,675)	(977,667)
Other administrative expenses (Note 11d)	(343,109)	(595,896)	(405,861)
Tax expenses (Notes 3p and 12a II)	(76,683)	(211,180)	(314,358)
Equity in earnings of subsidiaries and affiliates (Notes 3i and 13 I)	80,056	76,484	33,753
Other operating revenues	36,111	93,554	81,556
Other operating expenses (Note 11e)	(335,167)	(635,562)	(541,340)
<b>OPERATING INCOME</b>	<b>1,366,702</b>	<b>2,636,574</b>	<b>3,557,259</b>
<b>NON-OPERATING INCOME (EXPENSES) (Note 11f)</b>	<b>109,031</b>	<b>142,917</b>	<b>12,310</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>1,475,733</b>	<b>2,779,491</b>	<b>3,569,569</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Notes 3p and 12a I)</b>	<b>4,207</b>	<b>(485,796)</b>	<b>(1,271,806)</b>
Due on operations for the period	(17,866)	(538,059)	(604,813)
Related to temporary differences	22,073	52,263	(666,993)
<b>PROFIT SHARING (Note 15b)</b>	<b>(31,802)</b>	<b>(74,254)</b>	<b>(101,759)</b>
<b>NET INCOME</b>	<b>1,448,138</b>	<b>2,219,441</b>	<b>2,196,004</b>
<b>NUMBER OF SHARES (Note 14a)</b>		<b>10,569,053</b>	<b>10,569,053</b>
<b>NET INCOME PER SHARE - R\$</b>		<b>209.99</b>	<b>207.78</b>
<b>BOOK VALUE PER SHARE - R\$</b>		<b>646.40</b>	<b>761.89</b>

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

**BANCO ITAÚ BBA S.A.**
**Statement of Changes in Stockholders' Equity (Note 14)**
*(In thousands of reais)*

	Capital	Capital reserves	Revenue reserves	Equity valuation adjustment	Retained earnings	Total
<b>BALANCES AT JULY 1, 2011</b>	<b>4,224,086</b>	<b>15,372</b>	<b>1,605,771</b>	<b>36,415</b>	-	<b>5,881,644</b>
Change in adjustment to market value	-	-	-	84,627	-	84,627
Net Income	-	-	-	-	1,448,138	1,448,138
Appropriations:						
Legal reserve	-	-	72,407	-	(72,407)	-
Statutory reserve	-	-	793,113	-	(793,113)	-
Dividends	-	-	-	-	(212,618)	(212,618)
Interest on capital	-	-	-	-	(370,000)	(370,000)
<b>BALANCES AT DECEMBER 31, 2011</b>	<b>4,224,086</b>	<b>15,372</b>	<b>2,471,291</b>	<b>121,042</b>	-	<b>6,831,791</b>
<b>CHANGES IN THE PERIOD</b>	-	-	<b>865,520</b>	<b>84,627</b>	-	<b>950,147</b>
<b>BALANCES AT JANUARY 1, 2010</b>	<b>4,224,086</b>	<b>15,372</b>	<b>2,104,444</b>	<b>42,762</b>	-	<b>6,386,664</b>
Change in adjustment to market value	-	1,134	-	34,237	-	35,371
Granting of stock options recognized by subsidiaries	-	401	-	-	-	401
Dividends – Year 2009	-	-	(4,829)	-	-	(4,829)
Net Income	-	-	-	-	2,196,004	2,196,004
Appropriations:						
Legal reserve	-	-	109,800	-	(109,800)	-
Statutory reserve	-	-	1,525,053	-	(1,525,053)	-
Dividends	-	-	-	-	(297,151)	(297,151)
Interest on capital	-	-	-	-	(264,000)	(264,000)
<b>BALANCES AT DECEMBER 31, 2010</b>	<b>4,224,086</b>	<b>16,907</b>	<b>3,734,468</b>	<b>76,999</b>	-	<b>8,052,460</b>
<b>CHANGES IN THE PERIOD</b>	-	<b>1,535</b>	<b>1,630,024</b>	<b>34,237</b>	-	<b>1,665,796</b>
<b>BALANCES AT JANUARY 1, 2011</b>	<b>4,224,086</b>	<b>16,907</b>	<b>3,734,468</b>	<b>76,999</b>	-	<b>8,052,460</b>
Change in adjustment to market value	-	-	-	44,043	-	44,043
Granting of stock options recognized by subsidiaries	-	(1,535)	-	-	-	(1,535)
Dividends – (Note 14b)	-	-	(2,900,000)	-	-	(2,900,000)
Net Income	-	-	-	-	2,219,441	2,219,441
Appropriations:						
Legal reserve	-	-	110,972	-	(110,972)	-
Statutory reserve	-	-	1,525,851	-	(1,525,851)	-
Dividends	-	-	-	-	(212,618)	(212,618)
Interest on capital	-	-	-	-	(370,000)	(370,000)
<b>BALANCES AT DECEMBER 31, 2011</b>	<b>4,224,086</b>	<b>15,372</b>	<b>2,471,291</b>	<b>121,042</b>	-	<b>6,831,791</b>
<b>CHANGES IN THE PERIOD</b>	-	<b>(1,535)</b>	<b>(1,263,177)</b>	<b>44,043</b>	-	<b>(1,220,669)</b>

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

**BANCO ITAÚ BBA S.A.**  
**Statement of Cash Flows**  
(In thousands of reais)

	2nd half 2011	01/01 to 12/31/2011	01/01 to 12/31/2010
<b>ADJUSTED NET INCOME</b>	<b>(280,718)</b>	<b>(34,645)</b>	<b>817,589</b>
Net Income	1,448,138	2,219,441	2,196,004
Adjustments to net income:	(1,728,856)	(2,254,086)	(1,378,415)
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	588,630	603,332	(135,045)
Effects of changes in exchange rates on cash and cash equivalents	(369,069)	91,384	907,456
(Reversal) Allowance for loan losses	(199,643)	(102,499)	(660,740)
Depreciation and amortization	33,235	59,142	22,280
Amortization of goodwill	209,393	418,787	440,929
Deferred taxes	(22,073)	(52,263)	666,993
Equity in earnings of subsidiaries and affiliates	(80,056)	(76,484)	(33,753)
Income from available-for-sale securities	(1,770,349)	(3,042,968)	(2,593,260)
Income from held-to-maturity securities	(12,665)	(12,603)	(5,668)
(Income) loss from sale of investments (Note 11f)	(114,125)	(147,970)	-
Provision for losses on other investments	7,568	7,568	12,393
Others	298	488	-
<b>CHANGE IN ASSETS AND LIABILITIES</b>	<b>24,958,194</b>	<b>17,317,716</b>	<b>15,719,073</b>
(Increase) decrease in interbank investments	12,005,031	24,943,006	(2,521,581)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(13,092,075)	(4,785,564)	(27,803,790)
(Increase) decrease in compulsory deposits with the Central Bank of Brazil	(3,405,976)	(4,409,180)	(2,408,423)
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)	(67,715)	247,894	138,609
(Increase) decrease in loan and lease operations	(7,808,750)	(11,777,687)	(9,191,595)
(Increase) decrease in other receivables and other assets	485,825	(198,750)	(1,630,935)
(Increase) decrease in foreign exchange portfolio and negotiation of securities (assets/liabilities)	(1,031,780)	(1,287,920)	464,520
(Decrease) increase in deposits	21,240,568	8,477,977	15,422,279
(Decrease) increase in deposits received under securities repurchase agreements	9,622,967	(5,279,537)	31,657,591
(Decrease) increase in funds from issuance of securities	4,998,667	6,094,641	2,957,927
(Decrease) increase in borrowings and onlending	2,524,907	5,515,866	8,025,362
(Decrease) increase in other liabilities	(395,303)	276,954	1,044,466
Changes in deferred income	18,870	34,727	40,679
Payment of income tax and social security contribution	(137,042)	(534,711)	(476,036)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>24,677,476</b>	<b>17,283,071</b>	<b>16,536,662</b>
Dividends and interest on capital received	6,343	6,374	64
Funds received from sale of available-for-sale securities	2,374,553	13,009,498	4,635,405
Funds received from sale of held-to-maturity securities	11,168	22,043	23,485
(Purchase) disposal of investments	145,962	225,221	(23,561)
Purchase of available-for-sale securities	(4,743,919)	(15,428,671)	(4,133,176)
Increase in the capital of subsidiaries	(6,318,016)	(6,318,842)	(9,459)
(Purchase) disposal of assets not for own use	4,080	4,080	13,972
(Purchase) disposal of fixed assets	(41,094)	(53,301)	(56,455)
(Purchase) disposal of intangible assets	(9,123)	(309,123)	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(8,570,046)</b>	<b>(8,842,721)</b>	<b>450,275</b>
Dividends and interest on capital paid	(313,052)	(3,477,052)	(273,445)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(313,052)</b>	<b>(3,477,052)</b>	<b>(273,445)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Notes 3a and 4)</b>	<b>15,794,378</b>	<b>4,963,298</b>	<b>16,713,492</b>
At the beginning of the period	8,542,484	19,834,017	4,027,981
Effects of changes in exchange rates on cash and cash equivalents	369,069	(91,384)	(907,456)
At the end of the period	<b>24,705,931</b>	<b>24,705,931</b>	<b>19,834,017</b>

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

**BANCO ITAÚ BBA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM JANUARY 1 TO DECEMBER 31, 2011 AND 2010**  
(In thousands of reais)

**NOTE 1 - OPERATIONS**

The purpose of Banco Itaú BBA S.A. (Itaú BBA) is to develop banking activities, including the foreign exchange operations that are authorized for full service banks, with commercial, investment, leasing, real estate loan, and financing and investment portfolios.

The Financial Statements prepared for the period from January 1 to December 31, 2011 and 2010, were approved by the Executive Board on February 15, 2012.

**NOTE 2 - PRESENTATION OF THE FINANCIAL STATEMENTS**

The financial statements of Itaú BBA have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, in conformity, when applicable, with instructions issued by the Central Bank of Brazil (BACEN) and the National Monetary Council (CMN), which include the use of estimates necessary to calculate accounting provisions.

As set forth in paragraph 1, article 2, of BACEN Circular No. 2,804, of February 11, 1998, the financial statements of Itaú BBA comprise the consolidation of its foreign branches and subsidiaries (Note 16d).

As set forth in the sole paragraph of article 7 of BACEN Circular No. 3,068, of November 8, 2001, securities classified as trading securities (Note 6a) are presented in the Balance Sheet under Current Assets regardless of their maturity dates.

**NOTE 3 - SUMMARY OF THE MAIN ACCOUNTING PRACTICES**

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

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

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

The effects of the application of the procedures described above in the affiliated and subsidiary companies of Itaú BBA and reflected in their respective stockholders' equity or income and expense accounts, were likewise recorded in stockholders' equity or in the equity in earnings of the parent company in proportion to Itaú BBA's ownership percentage.

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

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

Market Risk Hedge – Financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income.

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

**e) Loan, Lease and Other Credit Operations (Operations with credit granting characteristics)** - These transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index and interest rate, and are recorded on the accrual basis until the 60<sup>th</sup> day overdue. After the 60<sup>th</sup> day, income is recognized upon the effective receipt of installments. The income arising from the recovery of operations that had been previously written off is classified in Income from Loan Operations and fees contracted in these operations are classified in Banking Service Fees.

**f) Lease receivable and guaranteed residual value** - recorded at the contractual amount, with a contra-entry to unearned income accounts and offsetting residual value at the contracted conditions. The guaranteed residual value received in advance is recorded in Other Liabilities – Advances for Guaranteed Residual Values until the date of the contract termination. The adjustment to present value of installments and guaranteed residual value receivable from lease operations is recognized as excess/insufficient depreciation in lease assets so as to make the accounting practices compatible with BACEN Circular No. 1,429 of January 20, 1989. Lease operations are recorded on the accrual basis until the 60<sup>th</sup> day overdue. After the 60<sup>th</sup> day overdue, income is recognized upon the effective receipt of installments, and the income arising from the recovery of operations that had been previously written off is classified in Income from Lease Operations. The fees from contracting these operations are recorded in Income from bank charges and operating lease results are appropriated to income on the date the installment is payable.

**g) Allowance for Loan Losses** – the balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution No. 2,682 of December 21, 1999, amended by article 2 of resolution No. 2,697 of February 24, 2000, among which are:

- Provisions are recorded from the date loans are granted, based on the client's risk rating and on the periodic quality evaluation of clients and industries, and not only in the event of default;
- Based exclusively on delinquency, write-offs may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

**h) Other assets** – these assets are mainly comprised by assets held for sale relating to real estate available for sale, own real estate not in use and real estate received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations; and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods, and commissions paid to dealers upon the granting of vehicle financing or leasing.

- i) **Investments** - Investments are accounted for under the equity method. The consolidated financial statements of foreign subsidiaries are adapted to comply with Brazilian accounting practices and converted into Reais. Other investments are recorded at cost and adjusted to market value by setting up a provision in accordance with current standards. The goodwill arising from the acquisitions of investments is amortized based on the expected future profitability (10 years) or upon their realization.
- j) **Fixed assets** - These assets are stated at cost of acquisition or construction, less accumulated depreciation. They correspond to rights related to tangible assets intended for maintenance of the company's operations or exercised for such purposes, including assets arising from transactions that transfer to the company their benefits, risks and control. The items acquired through lease contracts are recorded according to CVM Resolution No. 554, of November 12, 2008, with a contra-entry to Lease obligations. Depreciation is calculated using the straight-line method, based on monetarily restated cost, at the following annual rates:

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

- k) **Operating leases** – Leased assets are recorded in property, plant and equipment at cost of acquisition. The depreciation of leased assets is recognized under the straight-line method, based on their usual useful lives, taking into account that the useful life shall be decreased by 30% should they meet the conditions provided for by Ordinance No. 113/1988, issued by the Ministry of Finance. The annual depreciation rates, without taking into consideration said reduction, are: buildings, 4%, furniture, fixtures and installations, 10%, machinery and equipment, from 10% to 50%, vehicles and related assets, from 20% to 25%, and other assets, from 10% to 20%.
- l) **Unamortized lease losses** – The difference determined at the end of the contract between the attributed residual value and the guaranteed residual value, when it is owed, is debited to deferred charges for amortization over the remaining useful life of the asset. For publication purposes, the balance of deferred charges is classified in Operating Leases.
- m) **Intangible assets** – Correspond to acquired rights over nonphysical assets intended for maintenance of the company or which are exercised for such purpose, according to CMN Resolution No. 3,642, of November 26, 2008. They are composed of goodwill upon the acquisition of companies, which is transferred to intangible assets when the subsidiaries are merged into the Company, as determined by Law No. 9,532/97, and are amortized over the terms determined in appraisal reports, as well as rights acquired to credit payrolls, amortized over the agreement terms.
- n) **Impairment of assets** – A loss is recognized when there is clear evidence that assets are stated at a non-recoverable value. This procedure is performed every six months.
- o) **Contingent assets and liabilities and legal liabilities – tax and social security** - assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 3,823 of December 16, 2009, and BACEN Circular Letter No. 3,429 of February 11, 2010.

**I - Contingent Liabilities** - basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, tax and social security matters and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recognized; possible, which are disclosed but not recognized; and remote, for which recognition or disclosure are not required. Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts.

Escrow deposits are restated in accordance with the current legislation.

**II - Legal liabilities - tax and social security** - represented by amounts payable related to tax liabilities, the legality or constitutionality of which are subject to judicial defense, recognized at the full amount under discussion.

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

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

Income tax	15.00%
Additional income tax	10.00%
Social contribution	15.00%
PIS	0.65%
COFINS	4.00%
ISS	up to 5.00%

q) **Deferred income** - this refers to unexpired interest received in advance that is recognized in income as earned.

#### NOTE 4 - CASH AND CASH EQUIVALENTS

	12/31/2011	12/31/2010
Cash and cash equivalents	332,819	532,482
Securities purchased under agreements to resell – Funded position	939,597	943,883
Interbank deposits	23,433,515	18,357,652
<b>TOTAL</b>	<b>24,705,931</b>	<b>19,834,017</b>

#### NOTE 5 - INTERBANK INVESTMENTS

	12/31/2011				12/31/2010			
	0 - 30	31 - 180	181 - 365	Over 365	Total	%	Total	%
<b>Money market</b>	<b>3,088,954</b>	<b>672,757</b>	-	<b>3,993,945</b>	<b>7,755,656</b>	<b>21.9</b>	<b>21,826,551</b>	<b>39.4</b>
Funded position (*)	939,597	137,738	-	80,520	1,157,855	3.3	3,226,230	5.8
Financed position	2,146,892	423,729	-	3,913,425	6,484,046	18.3	15,820,926	28.6
Short position	2,465	111,290	-	-	113,755	0.3	2,779,395	5.0
<b>Interbank deposits</b>	<b>24,120,823</b>	<b>1,079,604</b>	<b>1,919,311</b>	<b>592,824</b>	<b>27,712,562</b>	<b>78.1</b>	<b>33,513,096</b>	<b>60.6</b>
<b>TOTAL</b>	<b>27,209,777</b>	<b>1,752,361</b>	<b>1,919,311</b>	<b>4,586,769</b>	<b>35,468,218</b>	<b>100.0</b>	<b>55,339,647</b>	<b>100.0</b>
% per maturity term	76.8	4.9	5.4	12.9				
<b>TOTAL - 12/31/2010</b>	<b>29,663,405</b>	<b>9,188,674</b>	<b>2,493,124</b>	<b>13,994,444</b>	<b>55,339,647</b>			
% per maturity term	53.6	16.6	4.5	25.3				

(\*) Includes R\$ 162,334 related to money market with free movement, in which securities are basically restricted to guarantee transactions at the BM&FBovespa S.A. - Bolsa de Valores, Mercadorias e Futuros (Securities, Commodities and Futures Exchange).

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

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

**a) Summary per maturity**

	12/31/2011											12/31/2010
	Cost	Provision for adjustment to market value with impact on:		Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	
		Results	Stockholders' equity									
<b>GOVERNMENT SECURITIES - DOMESTIC</b>	<b>21,555,333</b>	<b>15,433</b>	<b>64</b>	<b>21,570,830</b>	<b>28.5</b>	<b>80,146</b>	-	<b>107,291</b>	<b>8,629,731</b>	<b>4,631,090</b>	<b>8,122,572</b>	<b>8,622,496</b>
Financial Treasury Bills	2,888	-	-	2,888	-	-	-	-	-	2,888	-	2,586
National Treasury Bills	11,681,359	(26,046)	-	11,655,313	15.4	-	-	107,270	7,907,067	1,752,101	1,888,875	1,085,162
National Treasury Notes	9,870,411	41,479	4	9,911,894	13.1	80,146	-	21	722,382	2,875,648	6,233,697	7,532,994
Other	675	-	60	735	-	-	-	-	282	453	-	1,754
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>2,662,505</b>	-	<b>1</b>	<b>2,662,506</b>	<b>3.5</b>	<b>590,143</b>	<b>1,518,535</b>	<b>344,806</b>	<b>209,022</b>	-	-	<b>16,313</b>
Denmark	1,949,128	-	1	1,949,129	2.6	171,778	1,432,545	344,806	-	-	-	-
Spain	418,365	-	-	418,365	0.6	418,365	-	-	-	-	-	-
Korea	295,012	-	-	295,012	0.3	-	85,990	-	209,022	-	-	-
Uruguay	-	-	-	-	-	-	-	-	-	-	-	16,313
<b>CORPORATE SECURITIES</b>	<b>45,731,423</b>	<b>(2,431)</b>	<b>208,906</b>	<b>45,937,898</b>	<b>60.8</b>	<b>4,783,138</b>	<b>319,192</b>	<b>368,753</b>	<b>767,395</b>	<b>1,953,159</b>	<b>37,746,261</b>	<b>50,763,086</b>
Eurobonds and other	1,234,160	32	41,903	1,276,095	1.7	6,400	101,535	71,001	37,871	520,273	539,015	9,414,485
Shares	1,451,633	(1,067)	8,584	1,459,150	1.9	1,459,150	-	-	-	-	-	1,833,209
Debentures (1)	36,615,574	652	71,034	36,687,260	48.5	1,935	-	-	484,903	1,195,060	35,005,362	33,009,426
Promissory Notes	645,791	-	34	645,825	0.9	-	115,687	297,752	232,386	-	-	1,264,832
Quotas of Funds	3,319,124	(3,471)	-	3,315,653	4.4	3,315,653	-	-	-	-	-	2,293,657
Fixed income	2,369,810	-	-	2,369,810	3.1	2,369,810	-	-	-	-	-	1,442,620
Credit rights	755,322	-	-	755,322	1.0	755,322	-	-	-	-	-	692,624
Other	193,992	(3,471)	-	190,521	0.3	190,521	-	-	-	-	-	158,413
Securitized real estate loans	2,218,681	1,423	86,960	2,307,064	3.1	-	-	-	-	232,466	2,074,598	2,947,477
Others	246,460	-	391	246,851	0.3	-	101,970	-	12,235	5,360	127,286	-
<b>SUBTOTAL - SECURITIES</b>	<b>69,949,259</b>	<b>13,004</b>	<b>208,971</b>	<b>70,171,234</b>	<b>92.8</b>	<b>5,453,427</b>	<b>1,837,727</b>	<b>820,850</b>	<b>9,606,148</b>	<b>6,584,249</b>	<b>45,868,833</b>	<b>59,401,895</b>
Trading securities	39,963,143	13,004	-	39,976,147	52.9	1,250,980	2	107,269	8,650,421	4,596,376	25,371,099	32,656,835
Available-for-sale securities	29,932,179	-	208,971	30,141,150	39.9	4,202,175	1,837,489	713,581	954,239	1,953,638	20,480,028	26,681,683
Held-to-maturity securities (2)	53,937	-	-	53,937	-	272	236	-	1,488	34,235	17,706	63,377
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>5,077,596</b>	<b>365,027</b>	-	<b>5,442,623</b>	<b>7.2</b>	<b>1,431,854</b>	<b>566,559</b>	<b>433,698</b>	<b>651,069</b>	<b>640,405</b>	<b>1,719,038</b>	<b>7,209,672</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) - 12/31/2011</b>	<b>75,026,855</b>	<b>378,031</b>	<b>208,971</b>	<b>75,613,857</b>	<b>100.0</b>	<b>6,885,281</b>	<b>2,404,286</b>	<b>1,254,548</b>	<b>10,257,217</b>	<b>7,224,654</b>	<b>47,587,871</b>	<b>66,611,567</b>
Deferred taxes			(88,734)									
Adjustment of subsidiaries and affiliates			805									
<b>ADJUSTMENT TO MARKET VALUE - SECURITIES - STOCKHOLDERS' EQUITY</b>			<b>121,042</b>									
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)</b>	<b>(4,752,696)</b>	<b>(658,809)</b>	-	<b>(5,411,505)</b>	-	<b>(1,104,747)</b>	<b>(684,491)</b>	<b>(646,614)</b>	<b>(1,263,815)</b>	<b>(798,377)</b>	<b>(913,461)</b>	<b>(6,109,424)</b>

(1) Basically includes securities issued by Dibens Leasing S.A. - Arrendamento Mercantil and by BFB Leasing S.A. Arrendamento Mercantil;

(2) Securities classified in this category, if stated at market value, would present a positive adjustment of R\$ 4,052 (R\$ 8,038 at 12/31/2010).

## **b) Derivative financial instruments**

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

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

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

The derivative transactions carried out by Itaú BBA with clients are neutralized in order to eliminate market risks.

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

The main risk factors of the derivatives, assumed at December 31, 2011, were related to the foreign exchange rate, interest rate, commodities, U.S. dollar coupon, Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

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

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

The total value of margins pledged in guarantee is R\$ 5,211,138.

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

	Memorandum account Notional amount		Balance sheet account receivable / Adjustment to market value (in results)		Market value	
	12/31/2011	12/31/2010	12/31/2011	12/31/2011	12/31/2011	12/31/2010
					(received) payable / (paid)	
<b>Futures contracts</b>	<b>107,741,317</b>	<b>127,766,264</b>	<b>17,187</b>	<b>12,160</b>	<b>29,347</b>	<b>11,210</b>
<b>Purchase commitments</b>	<b>107,727,085</b>	<b>101,029,842</b>	<b>17,187</b>	<b>(15,761)</b>	<b>1,426</b>	<b>71,854</b>
Commodities	1,111,711	70,414	111	(15,585)	(15,474)	32,945
Indices	21,880,714	5,718,104	19,524	499	20,023	1,526
Foreign currency	17,205,186	3,174,856	(2,537)	2,338	(199)	36,984
Interbank market	67,299,248	92,066,468	89	(5)	84	399
Securities	230,226	-	-	(3,008)	(3,008)	-
<b>Commitments to sell</b>	<b>14,232</b>	<b>26,736,422</b>	<b>-</b>	<b>27,921</b>	<b>27,921</b>	<b>(60,644)</b>
Foreign currency	-	3,792,800	-	-	-	(110)
Interbank market	-	6,412,847	-	-	-	(2,574)
Indices	-	16,291,703	-	-	-	(3,541)
Securities	-	33,324	-	-	-	(177)
Commodities	14,232	205,748	-	27,921	27,921	(54,242)
<b>Swap contracts</b>	<b>204,009,761</b>	<b>214,767,123</b>	<b>(920,105)</b>	<b>194,933</b>	<b>(725,172)</b>	<b>610,188</b>
<b>Asset position</b>	<b>101,544,828</b>	<b>107,668,915</b>	<b>1,795,698</b>	<b>455,765</b>	<b>2,251,463</b>	<b>2,825,471</b>
Foreign currency	18,921,585	20,120,543	889,492	(11,279)	878,213	87,087
Interbank market	47,056,664	47,120,933	341,333	50,573	391,906	1,444,190
Fixed rate	24,841,398	30,606,986	315,449	294,646	610,095	879,170
Floating rate	5,611,164	3,066,245	991	(582)	409	3,740
Indices	5,061,924	6,409,993	248,433	122,407	370,840	402,443
Securities	49,093	125,524	-	-	-	3,736
Commodities	3,000	218,691	-	-	-	5,105
<b>Liability position</b>	<b>102,464,933</b>	<b>107,098,208</b>	<b>(2,715,803)</b>	<b>(260,832)</b>	<b>(2,976,635)</b>	<b>(2,215,283)</b>
Foreign currency	33,142,420	26,879,061	(1,456,744)	124,065	(1,332,679)	(118,915)
Interbank market	31,793,923	45,246,773	(228,258)	(2,150)	(230,408)	(754,322)
Fixed rate	20,445,851	19,750,914	(466,975)	(222,779)	(689,754)	(842,403)
Floating rate	7,251,911	3,739,464	(133,161)	1,674	(131,487)	(4,391)
Indices	9,603,772	11,084,806	(343,501)	(191,718)	(535,219)	(453,217)
Securities	118,595	195,645	(86,165)	34,120	(52,045)	(10,133)
Commodities	108,461	201,545	(999)	(4,044)	(5,043)	(31,902)
<b>Option contracts</b>	<b>756,239,076</b>	<b>1,955,657,010</b>	<b>808,467</b>	<b>(611,568)</b>	<b>196,899</b>	<b>405,753</b>
<b>Purchase commitments – long position</b>	<b>218,534,817</b>	<b>576,472,751</b>	<b>414,401</b>	<b>(198,099)</b>	<b>216,302</b>	<b>878,606</b>
Foreign currency	12,010,148	21,512,687	243,903	(104,505)	139,398	261,926
Interbank market	36,294,363	519,563,114	63,287	(34,657)	28,630	454,020
Floating rate	278,388	314,295	1,417	(1,173)	244	1,637
Indices	169,447,671	33,646,694	90,828	(57,808)	33,020	91,145
Securities	1,241	793,924	742	366	1,108	19,722
Commodities	501,299	642,037	14,173	(310)	13,863	50,156
Other	1,707	-	51	(12)	39	-
<b>Commitments to sell – long position</b>	<b>249,053,852</b>	<b>450,683,960</b>	<b>1,639,487</b>	<b>1,425</b>	<b>1,640,912</b>	<b>1,122,666</b>
Foreign currency	7,521,343	11,290,979	145,141	(39,095)	106,046	442,982
Interbank market	27,406,479	388,623,480	251,401	(16,001)	235,400	97,428
Floating rate	218,024	282,438	606	(260)	346	917
Indices	211,972,223	48,681,339	588,915	(7,311)	581,604	6,479
Securities	1,168,129	1,253,690	639,281	64,384	703,665	572,618
Commodities	767,654	552,034	14,143	(292)	13,851	2,242
<b>Purchase commitments – short position</b>	<b>106,159,554</b>	<b>419,694,373</b>	<b>(549,003)</b>	<b>(65,366)</b>	<b>(614,369)</b>	<b>(806,640)</b>
Foreign currency	10,311,349	21,358,633	(442,336)	(106,213)	(548,549)	(437,941)
Interbank market	18,701,642	367,609,819	(36,931)	14,720	(22,211)	(255,570)
Indices	76,907,732	29,912,254	(63,243)	24,595	(38,648)	(56,942)
Securities	2,163	197,037	(297)	152	(145)	(10,308)
Commodities	236,668	616,630	(6,196)	1,380	(4,816)	(45,879)
<b>Commitments to sell - short position</b>	<b>182,490,853</b>	<b>508,805,926</b>	<b>(696,418)</b>	<b>(349,528)</b>	<b>(1,045,946)</b>	<b>(788,879)</b>
Foreign currency	10,470,652	14,731,230	(295,961)	114,557	(181,404)	(408,187)
Interbank market	35,673,305	431,171,934	(173,161)	(226,827)	(399,988)	(184,223)
Floating rate	224,776	282,438	(695)	342	(353)	(917)
Indices	134,942,982	61,535,497	(54,641)	(125,650)	(180,291)	(5,749)
Securities	844,110	932,590	(160,793)	(107,329)	(268,122)	(187,032)
Other	1,650	-	(48)	(14)	(62)	-
Commodities	333,378	152,237	(11,119)	(4,607)	(15,726)	(2,771)
<b>Forward contracts</b>	<b>15,877,915</b>	<b>1,459,620</b>	<b>234,719</b>	<b>(27,551)</b>	<b>207,168</b>	<b>-</b>
<b>Purchase receivable</b>	<b>8,275,894</b>	<b>1,459,620</b>	<b>629,464</b>	<b>(61,341)</b>	<b>568,123</b>	<b>1,459,620</b>
Foreign currency	7,883,317	-	623,365	(61,547)	561,818	-
Interbank market	349,985	-	-	-	-	-
Fixed rate	5,761	1,235,831	5,503	258	5,761	1,235,831
Floating rate	-	223,789	-	-	-	223,789
Commodities	36,831	-	596	(52)	544	-
<b>Purchase payable</b>	<b>1,351,234</b>	<b>-</b>	<b>(68,100)</b>	<b>(8,397)</b>	<b>(76,497)</b>	<b>-</b>
Foreign currency	1,218,300	-	(43,312)	(7,514)	(50,826)	-
Floating rate	-	-	(5,503)	(258)	(5,761)	-
Commodities	130,857	-	(19,081)	(631)	(19,712)	-
Others	2,077	-	(204)	6	(198)	-
<b>Sales receivable</b>	<b>1,285,869</b>	<b>-</b>	<b>72,103</b>	<b>11,110</b>	<b>83,213</b>	<b>(1,459,620)</b>
Foreign currency	1,181,390	-	24,352	9,067	33,419	-
Interbank market	47,169	-	-	-	-	-
Fixed rate	46,928	-	44,783	2,145	46,928	(1,235,831)
Floating rate	-	-	-	-	-	(223,789)
Commodities	10,382	-	2,968	(102)	2,866	-
<b>Sales deliverable</b>	<b>4,964,918</b>	<b>-</b>	<b>(398,748)</b>	<b>31,077</b>	<b>(367,671)</b>	<b>-</b>
Foreign currency	4,905,297	-	(341,957)	32,400	(309,557)	-
Interbank market	-	-	-	(8)	(8)	-
Floating rate	-	-	(44,783)	(2,145)	(46,928)	-
Commodities	59,621	-	(12,008)	830	(11,178)	-

	Memorandum Account Notional		Balance sheet	Adjustment to	Market value	
	Amount		account	market value (in		
	12/31/2011	12/31/2010	receivable /	results)	12/31/2011	12/31/2010
			(received) payable			
			/ (paid)			
<b>Credit derivatives</b>	<b>3,690,064</b>	<b>3,000,836</b>	<b>210,658</b>	<b>136,109</b>	<b>346,767</b>	<b>186,588</b>
<b>Asset position</b>	<b>2,882,474</b>	<b>1,976,141</b>	<b>231,192</b>	<b>139,566</b>	<b>370,758</b>	<b>209,637</b>
Fixed rate	1,694,776	1,976,141	214,942	129,885	344,827	209,637
Floating rate	-	-	4,955	11,278	16,233	-
Indices	-	-	11,144	(1,446)	9,698	-
Securities	1,187,698	-	151	(151)	-	-
<b>Liability position</b>	<b>807,590</b>	<b>1,024,695</b>	<b>(20,534)</b>	<b>(3,457)</b>	<b>(23,991)</b>	<b>(23,049)</b>
Fixed rate	798,528	600,165	(20,534)	(3,121)	(23,655)	(22,218)
Securities	9,062	424,530	-	(336)	(336)	(831)
<b>Forward operations</b>	<b>25,485,272</b>	<b>29,130,244</b>	<b>(25,852)</b>	<b>-</b>	<b>(25,852)</b>	<b>(113,484)</b>
<b>Asset position</b>	<b>12,603,633</b>	<b>14,275,354</b>	<b>278,064</b>	<b>-</b>	<b>278,064</b>	<b>713,672</b>
Foreign currency	12,603,633	14,077,286	278,064	-	278,064	666,456
Commodities	-	198,068	-	-	-	47,216
<b>Liability position</b>	<b>12,881,639</b>	<b>14,854,890</b>	<b>(303,916)</b>	<b>-</b>	<b>(303,916)</b>	<b>(827,156)</b>
Foreign currency	12,881,639	14,790,938	(303,916)	-	(303,916)	(808,873)
Commodities	-	63,952	-	-	-	(18,283)
<b>Swap with target flow</b>	<b>101,920</b>	<b>12,048</b>	<b>(174)</b>	<b>(2,306)</b>	<b>(2,480)</b>	<b>-</b>
<b>Asset position</b>	<b>50,873</b>	<b>6,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interbank market	50,873	6,020	-	-	-	-
<b>Liability position</b>	<b>51,047</b>	<b>6,028</b>	<b>(174)</b>	<b>(2,306)</b>	<b>(2,480)</b>	<b>-</b>
Interbank market	51,047	6,028	(174)	(2,306)	(2,480)	-
<b>Target flow of swap – foreign currency</b>	<b>53,488</b>	<b>25,384</b>	<b>-</b>	<b>4,441</b>	<b>4,441</b>	<b>-</b>
<b>Asset position</b>	<b>53,488</b>	<b>25,384</b>	<b>-</b>	<b>4,441</b>	<b>4,441</b>	<b>-</b>
Foreign currency	53,488	25,384	-	4,441	4,441	-
<b>Other derivative financial instruments (*)</b>	<b>-</b>	<b>8,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>
<b>Liability position</b>	<b>-</b>	<b>8,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>
Foreign currency	-	8,750	-	-	-	(7)
		<b>ASSETS</b>	<b>5,077,596</b>	<b>365,027</b>	<b>5,442,623</b>	<b>7,209,672</b>
		<b>LIABILITIES</b>	<b>(4,752,696)</b>	<b>(658,809)</b>	<b>(5,411,505)</b>	<b>(6,109,424)</b>
		<b>TOTAL</b>	<b>324,900</b>	<b>(293,782)</b>	<b>31,118</b>	<b>1,100,248</b>
<b>Derivative contracts mature as follows (in days):</b>						
<b>Clearing</b>	<b>0 - 30</b>	<b>31 - 180</b>	<b>181 - 365</b>	<b>Over 365</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Futures</b>	57,107,635	16,775,940	12,618,963	21,238,779	107,741,317	127,766,264
<b>Swaps</b>	13,933,117	27,205,681	17,213,803	41,396,529	99,749,130	104,980,405
<b>Options</b>	529,122,259	50,734,768	150,981,614	25,400,435	756,239,076	1,955,657,010
<b>Forwards</b>	2,760,252	7,653,679	3,625,230	1,838,754	15,877,915	1,459,620
<b>Credit derivatives</b>	88,449	1,677,283	9,379	1,914,953	3,690,064	3,000,836
<b>Forwards</b>	9,821,024	8,560,510	2,494,539	4,609,199	25,485,272	29,130,244
<b>Swaps with target flow</b>	-	-	-	50,873	50,873	6,020
<b>Target flow of swap</b>	-	-	-	53,488	53,488	25,384
<b>Other</b>	-	-	-	-	-	8,750

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

	12/31/2011								
	Futures	Swaps	Options	Forwards	Credit derivatives	Forwards	Swap with target flow	Target flow of swap	Other
<b>BM&amp;F/Bovespa</b>	<b>97,329,554</b>	<b>12,905,296</b>	<b>712,542,728</b>	<b>397,154</b>	-	-	-	-	-
<b>Over-the-counter market</b>	<b>10,411,763</b>	<b>86,843,834</b>	<b>43,696,348</b>	<b>15,480,761</b>	<b>3,690,064</b>	<b>25,485,272</b>	<b>50,873</b>	<b>53,488</b>	-
Financial institutions	1,137,255	66,820,861	39,043,297	1,782,172	2,755,447	23,977,318	-	-	-
Companies	9,274,508	20,014,529	4,653,051	13,698,589	934,617	1,507,954	50,873	53,488	-
Individuals	-	8,444	-	-	-	-	-	-	-
<b>Total</b>	<b>107,741,317</b>	<b>99,749,130</b>	<b>756,239,076</b>	<b>15,877,915</b>	<b>3,690,064</b>	<b>25,485,272</b>	<b>50,873</b>	<b>53,488</b>	-
<b>Total 12/31/2010</b>	<b>127,766,264</b>	<b>104,980,405</b>	<b>1,955,657,010</b>	<b>1,459,620</b>	<b>3,000,836</b>	<b>29,130,244</b>	<b>6,020</b>	<b>25,384</b>	<b>8,750</b>

### III- Credit derivatives

See below the composition of Credit Derivatives (assets and liabilities) portfolio stated at notional amount:

	Credit risk amount	
	12/31/2011	12/31/2010
<b>Transferred</b>	<b>(2,882,474)</b>	<b>(1,976,141)</b>
Credit swaps whose underlying assets are:		
Securities	(1,694,775)	(1,976,141)
Total return swaps whose underlying assets are:		
Securities	(1,187,699)	-
<b>Received</b>		
Credit swaps whose underlying assets are:	<b>807,590</b>	<b>1,024,695</b>
Securities	798,528	600,165
Total return swaps whose underlying assets are:		
Securities	9,062	424,530
<b>Total</b>	<b>(2,074,884)</b>	<b>(951,446)</b>

During the period, there was no credit event as set forth in the agreements.

#### IV - Realized and unrealized gains of the derivative financial instruments portfolio

	01/01 to 12/31/2011	01/01 to 12/31/2010
Swap	(347,910)	915,774
Forwards	(331,255)	-
Futures	491,789	294,474
Options	472,477	547,526
Credit derivatives	48,066	(73)
Other	(50,507)	226,854
<b>Total</b>	<b>282,660</b>	<b>1,984,555</b>

#### c) Changes in adjustment to market value

	01/01 to 12/31/2011	01/01 to 12/31/2010
<b>Opening balance</b>	<b>455,814</b>	<b>264,325</b>
Adjustments with impact on:		
Results	<b>(603,332)</b>	<b>135,045</b>
Trading securities	(37,797)	12,760
Derivative financial instruments (assets and liabilities)	(565,535)	122,285
Stockholders' equity	<b>75,711</b>	<b>56,444</b>
<b>Closing balance</b>	<b>(71,807)</b>	<b>455,814</b>
Adjustment to market value	<b>(71,807)</b>	<b>455,814</b>
Trading securities	13,004	50,801
Available-for-sale securities	208,971	133,260
Derivative financial instruments (assets and liabilities)	(293,782)	271,753

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

	12/31/2011	12/31/2010
Adjustment of available-for-sale securities – stockholders' equity	208,971	133,260
Adjustment to held-to-maturity securities	4,052	8,038
<b>Total unrealized gain</b>	<b>213,023</b>	<b>141,298</b>

#### d) Reclassification of securities

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

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

No reclassifications or changes to the existing guidelines have been made in the period.

**NOTE 7 - LOAN, LEASE AND OTHER CREDIT OPERATIONS**

**a) Composition of loan operations by type and risk level**

Risk levels	12/31/2011										12/31/2010
	AA	A	B	C	D	E	F	G	H	Total	Total
<b>Loan operations</b>	<b>46,931,834</b>	<b>9,794,275</b>	<b>2,647,524</b>	<b>757,348</b>	<b>364,342</b>	<b>2,091</b>	<b>260,362</b>	<b>24,853</b>	<b>158,314</b>	<b>60,940,943</b>	<b>48,618,884</b>
Loans and discounted trade receivables	19,117,922	6,711,280	2,233,625	713,157	322,524	1,133	230,219	24,853	141,042	29,495,755	23,139,166
Financing	24,399,970	2,752,293	377,578	34,476	28,161	958	30,143	-	17,272	27,640,851	22,119,988
Farming and agribusiness financing	3,413,942	330,702	36,321	9,715	13,657	-	-	-	-	3,804,337	3,359,730
<b>Lease operations (Note 7d)</b>	<b>103,519</b>	<b>1,307,591</b>	<b>153,018</b>	<b>94,491</b>	<b>43,062</b>	<b>24,107</b>	<b>17,104</b>	<b>15,156</b>	<b>33,192</b>	<b>1,791,240</b>	<b>2,548,031</b>
<b>Advance on exchange contracts (1)</b>	<b>2,010,859</b>	<b>755,139</b>	<b>100,176</b>	<b>1,221</b>	<b>13,253</b>	<b>2,255</b>	<b>-</b>	<b>-</b>	<b>7,169</b>	<b>2,890,072</b>	<b>2,061,216</b>
<b>Other sundry receivables (2)</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>7,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,018</b>	<b>8,057</b>
<b>Total operations with credit granting characteristics</b>	<b>49,046,212</b>	<b>11,857,505</b>	<b>2,900,718</b>	<b>853,060</b>	<b>428,175</b>	<b>28,453</b>	<b>277,466</b>	<b>40,009</b>	<b>198,675</b>	<b>65,630,273</b>	<b>53,236,188</b>
<b>Endorsements and sureties (3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,794,457</b>	<b>23,602,140</b>
<b>Total with endorsements and sureties</b>	<b>49,046,212</b>	<b>11,857,505</b>	<b>2,900,718</b>	<b>853,060</b>	<b>428,175</b>	<b>28,453</b>	<b>277,466</b>	<b>40,009</b>	<b>198,675</b>	<b>102,424,730</b>	<b>76,838,328</b>
<b>Grand total 12/31/2010</b>	<b>25,120,505</b>	<b>21,569,695</b>	<b>3,621,534</b>	<b>1,313,849</b>	<b>804,291</b>	<b>95,855</b>	<b>406,584</b>	<b>141,407</b>	<b>162,468</b>	<b>53,236,188</b>	

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, accounted for in Other Receivables/Liabilities - Foreign Exchange Portfolio (Note 8);

(2) Includes Securities and Credits Receivable, Debtors for Purchase of Assets and Endorsements and Sureties paid (Note 11a);

(3) Recorded in Memorandum Accounts.

**b) Composition of loan operations by maturity and risk level**

	Overdue Operations (*)										Total	%
	AA	A	B	C	D	E	F	G	H			
<b>Falling due installments</b>	-	-	<b>113,724</b>	<b>358,729</b>	<b>92,613</b>	<b>16,126</b>	<b>69,134</b>	<b>8,104</b>	<b>93,437</b>	<b>751,867</b>	<b>1.15%</b>	
01 to 60	-	-	8,274	20,111	5,384	1,549	3,940	822	4,934	45,014	0.07%	
61 to 90	-	-	4,276	7,292	1,880	748	1,907	404	2,315	18,822	0.03%	
91 to 180	-	-	12,436	17,378	5,822	2,207	22,772	1,176	6,265	68,056	0.10%	
181 to 365	-	-	25,747	35,661	11,073	4,224	11,318	2,284	14,107	104,414	0.16%	
Over 365	-	-	62,991	278,287	68,454	7,398	29,197	3,418	65,816	515,561	0.79%	
<b>Overdue installments</b>	-	-	<b>12,891</b>	<b>19,424</b>	<b>51,999</b>	<b>9,158</b>	<b>30,578</b>	<b>28,632</b>	<b>59,276</b>	<b>211,958</b>	<b>0.32%</b>	
01 to 60	-	-	12,891	8,856	4,956	1,593	25,436	850	23,824	78,406	0.12%	
61 to 90	-	-	-	9,336	43,972	774	1,639	413	2,865	58,999	0.09%	
91 to 180	-	-	-	1,232	3,071	5,702	2,143	26,172	9,556	47,876	0.07%	
181 to 365	-	-	-	-	-	1,089	1,360	1,197	19,989	23,635	0.04%	
Over 365	-	-	-	-	-	-	-	-	3,042	3,042	0.00%	
<b>SUBTOTAL</b>	-	-	<b>126,615</b>	<b>378,153</b>	<b>144,612</b>	<b>25,284</b>	<b>99,712</b>	<b>36,736</b>	<b>152,713</b>	<b>963,825</b>	<b>1.47%</b>	
	Non-Overdue Operations										Total	%
	AA	A	B	C	D	E	F	G	H			
<b>Falling due installments</b>	<b>48,833,026</b>	<b>11,811,062</b>	<b>2,768,440</b>	<b>474,601</b>	<b>283,240</b>	<b>3,123</b>	<b>165,186</b>	<b>3,241</b>	<b>45,713</b>	<b>64,387,632</b>	<b>98.11%</b>	
01 to 60	8,368,680	1,371,676	685,462	45,387	13,463	202	2,265	168	5,077	10,492,380	15.99%	
61 to 90	3,011,463	965,697	198,138	6,812	5,272	105	1,116	87	2,064	4,190,754	6.39%	
91 to 180	6,346,986	1,355,583	226,822	105,077	54,058	318	2,307	261	732	8,092,144	12.33%	
181 to 365	7,642,302	1,979,914	407,854	50,784	32,597	653	13,508	521	1,058	10,129,191	15.43%	
Over 365	23,463,595	6,138,192	1,250,164	266,541	177,850	1,845	145,990	2,204	36,782	31,483,163	47.97%	
<b>Overdue up to 14 days</b>	<b>213,186</b>	<b>46,442</b>	<b>5,664</b>	<b>306</b>	<b>323</b>	<b>47</b>	<b>12,567</b>	<b>32</b>	<b>249</b>	<b>278,816</b>	<b>0.42%</b>	
<b>SUBTOTAL</b>	<b>49,046,212</b>	<b>11,857,504</b>	<b>2,774,104</b>	<b>474,907</b>	<b>283,563</b>	<b>3,170</b>	<b>177,753</b>	<b>3,273</b>	<b>45,962</b>	<b>64,666,448</b>	<b>98.53%</b>	
<b>GRAND TOTAL 12/31/2011</b>	<b>49,046,212</b>	<b>11,857,504</b>	<b>2,900,719</b>	<b>853,060</b>	<b>428,175</b>	<b>28,454</b>	<b>277,465</b>	<b>40,009</b>	<b>198,675</b>	<b>65,630,273</b>	<b>100.00%</b>	
Required Allowance	-	(59,288)	(29,007)	(25,592)	(42,817)	(8,536)	(138,733)	(28,006)	(198,675)	(530,654)		
Additional Allowance	-	-	-	-	-	(4,498)	(55,465)	(11,999)	-	(71,962)		
<b>EXISTING ALLOWANCE</b>	-	<b>(59,288)</b>	<b>(29,007)</b>	<b>(25,592)</b>	<b>(42,817)</b>	<b>(13,034)</b>	<b>(194,198)</b>	<b>(40,005)</b>	<b>(198,675)</b>	<b>(602,616)</b>		
<b>GRAND TOTAL 12/31/2010</b>	<b>25,120,505</b>	<b>21,569,695</b>	<b>3,621,534</b>	<b>1,313,849</b>	<b>804,291</b>	<b>95,855</b>	<b>406,584</b>	<b>141,407</b>	<b>162,468</b>	<b>53,236,188</b>		
Required Allowance	-	(107,848)	(36,215)	(39,415)	(80,429)	(28,757)	(203,292)	(98,985)	(162,468)	(757,409)		
Additional Allowance	-	-	-	-	(30,112)	(19,161)	(81,276)	(42,408)	-	(172,957)		
<b>EXISTING ALLOWANCE</b>	-	<b>(107,848)</b>	<b>(36,215)</b>	<b>(39,415)</b>	<b>(110,541)</b>	<b>(47,918)</b>	<b>(284,568)</b>	<b>(141,393)</b>	<b>(162,468)</b>	<b>(930,366)</b>		

(\*) Operations with overdue installments for more than 14 days or under responsibility of companies in bankruptcy or in process of bankruptcy.

c) By sector of debtor

	12/31/2011	12/31/2010
<b>Public Sector</b>	<b>1,475,061</b>	<b>385,875</b>
<b>Private Sector</b>	<b>64,155,212</b>	<b>52,850,313</b>
<b>Companies</b>	<b>62,410,203</b>	<b>50,309,111</b>
Industry and Commerce	33,821,644	26,918,741
Services	19,112,144	15,123,207
Primary Sector	8,833,465	8,164,277
Other	642,950	102,886
<b>Individuals</b>	<b>1,745,009</b>	<b>2,541,202</b>
<b>Total</b>	<b>65,630,273</b>	<b>53,236,188</b>

d) Composition of the present value of lease operations

	12/31/2011	12/31/2010
<b>Lease operations</b>	<b>107,534</b>	<b>166,130</b>
Lease receivable and guaranteed residual value	4,252,526	5,464,431
(Unearned income and offsetting residual value)	(4,145,101)	(5,298,410)
Other assets – Reinstated assets	109	109
<b>Lease assets</b>	<b>3,641,707</b>	<b>4,443,762</b>
<b>Leased assets</b>	<b>3,458,319</b>	<b>4,228,970</b>
Vehicles	3,458,319	4,228,970
<b>Accumulated depreciation</b>	<b>183,388</b>	<b>214,792</b>
(Accumulated depreciation)	(2,219,221)	(2,033,241)
Depreciation in excess	2,402,609	2,248,033
<b>(Advances for guaranteed residual values)</b>	<b>(1,958,001)</b>	<b>(2,061,861)</b>
<b>Total</b>	<b>1,791,240</b>	<b>2,548,031</b>

e) Changes in allowance for loan losses

	01/01 to 12/31/2011	01/01 to 12/31/2010
<b>Opening balance</b>	<b>(930,366)</b>	<b>(1,925,888)</b>
<b>Net reversal (increase) for the period</b>	<b>102,499</b>	<b>660,740</b>
Required by Resolution No. 2,682/99	102,499	(273,303)
Additional	-	934,043
Write-Off	225,251	334,782
<b>Closing balance</b>	<b>(602,616)</b>	<b>(930,366)</b>
Required allowance (Note 3g)	(530,654)	(757,409)
Additional allowance (*)	(71,962)	(172,957)

(\*) Refers to the provision in excess of the minimum percentage required by CMN Resolution No. 2,682 of December 21, 1999, based on the expected loss methodology, adopted in the institution's credit risk management, which also considers the potential losses on revolving credit.

At December 31, 2011, the balance of the allowance in relation to the loan portfolio is equivalent to 0.92% (1.75% at 12/31/2010).

f) Recovery and renegotiation of credits

- I - In the period, credits amounting to R\$ 141,329 (R\$ 186,232 at 12/31/2010) that had been written-off to the allowance for loan losses account were recovered and are recorded in Income from Loan Operations.
- II - At 12/31/2011, the balance of renegotiated credits totaled R\$ 90,749 (R\$ 74,961 at 12/31/2010) and the related allowance for loan losses totaled R\$ 39,711 (R\$ 33,939 at 12/31/2010).

g) Credit assignment

In the year, credits amounting to R\$ 1,178,744 (R\$ 959,551 at 12/31/2010), the book value of which totaled R\$ 1.080,967 (R\$ 964,748 at 12/31/2010), were assigned without joint obligation in accordance with the provision in CMN Resolution No. 2,836, of May 30, 2001. The gross result was (R\$ 295) (R\$ 5,197 at 12/31/2010).

#### h) Restricted operations on assets

We present below information related to the restricted operations on assets, in accordance with CMN Resolution No. 2,921, of January 17, 2002.

	12/31/2011				01/01 to 12/31/2011
	0 - 30	31 - 180	181 - 365	Total	Income (expenses)
<b>Restricted operations on assets</b>					
Loan operations	480	110,569	26,261	137,310	22,740
<b>Restricted operations on liabilities</b>					
Foreign borrowings through securities	480	110,569	26,261	137,310	(22,715)
<b>Net revenue from restricted operations</b>					<b>25</b>

#### NOTE 8 - FOREIGN EXCHANGE PORTFOLIO

	12/31/2011	12/31/2010
<b>ASSETS - OTHER RECEIVABLES</b>	<b>17,418,975</b>	<b>11,404,697</b>
Exchange purchase pending settlement - foreign currency	11,385,064	6,569,739
Exchange sale rights - local currency	6,185,773	4,898,986
(-) Advances received – local currency	(217,758)	(102,242)
Income receivable from advances granted	65,896	38,214
<b>LIABILITIES - OTHER LIABILITIES</b>	<b>14,321,514</b>	<b>9,595,156</b>
Exchange sales pending settlement - foreign currency	6,132,515	4,971,585
Liabilities from purchase of foreign currency - local currency	11,015,420	6,645,821
(-) Advances on exchange contracts and Import financing – exchange rate contracted	(2,826,890)	(2,023,002)
Other	469	752
<b>MEMORANDUM ACCOUNTS</b>	<b>884,712</b>	<b>326,826</b>
Outstanding import credits - foreign currency	880,820	301,732
Confirmed export credits - foreign currency	3,892	25,094

**NOTE 9 - FUNDING AND BORROWINGS AND ONLENDING**

	12/31/2011				12/31/2010	
	0 - 30	31 - 180	181 - 365	Over 365 days	Total	Total
<b>Deposits</b>	<b>45,211,316</b>	<b>10,638,824</b>	<b>5,668,875</b>	<b>19,251,916</b>	<b>80,770,931</b>	<b>72,292,954</b>
<b>Deposits received under securities repurchase agreements</b>	<b>21,415,377</b>	<b>7,442,735</b>	<b>6,500,544</b>	<b>20,111,496</b>	<b>55,470,152</b>	<b>60,749,689</b>
<b>Funds from acceptances and issuance of securities</b>	<b>2,929,482</b>	<b>3,569,841</b>	<b>2,164,326</b>	<b>3,099,889</b>	<b>11,763,538</b>	<b>5,668,897</b>
Funds from credit related to agribusiness	251,769	888,401	263,316	1,849,740	3,253,226	2,732,808
Foreign borrowings and securities	2,677,713	2,681,440	1,901,010	1,250,149	8,510,312	2,936,089
Euro Certificates of Deposits	2,653,804	2,239,327	1,871,241	37,874	6,802,246	1,331,555
Brazil Risk Note Programme	-	-	-	-	-	919,813
Euro Medium-term Note Programme	-	-	-	-	-	417,680
Medium Term Note	23,103	24,594	21,210	43,481	112,388	125,798
Structure Note Issued	-	417,519	8,559	1,168,794	1,594,872	114,943
Euronotes	-	-	-	-	-	14,546
Other	806	-	-	-	806	11,754
<b>Borrowings and onlending (*)</b>	<b>1,637,342</b>	<b>7,382,500</b>	<b>7,183,666</b>	<b>13,196,018</b>	<b>29,399,526</b>	<b>23,883,661</b>
<b>TOTAL</b>	<b>71,193,517</b>	<b>29,033,900</b>	<b>21,517,411</b>	<b>55,659,319</b>	<b>177,404,147</b>	<b>162,595,201</b>

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

## NOTE 10 - CONTINGENT LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

Itaú BBA is involved in contingencies in the ordinary course of its business, as follows:

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

- **Calculation criteria:**

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

- Individual (lawsuits related to claims considered unusual and the amounts of which are considered significant): at the claimed indemnity amount, based on the evidence presented and on the evaluation of legal advisors which considers case law, legal opinions raised, evidence produced in the records and the judicial decisions to be issued – relating to the risk level of loss of lawsuits.

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

Labor claims: these are calculated based on the individual analysis of the potential amount of probable loss for lawsuits with significant amounts.

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

- **Contingencies classified as probable:** are recognized in the accounting books and mainly comprise civil lawsuits, labor claims and tax and social security lawsuits.

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

Provisions for contingent liabilities	01/01 to 12/31/2011				01/01 to 12/31/2010
	Civil	Labor	Tax and social security	Total	Total
<b>Opening balance</b>	<b>68,256</b>	<b>14,746</b>	<b>72,281</b>	<b>155,283</b>	<b>114,831</b>
Restatement/Charges	8,427	9,354	161	17,942	9,933
Changes in the period reflected in results	180	20,071	27,398	47,649	31,333
Increase	548	20,071	27,405	48,024	34,866
Write-offs through reversal	(368)	-	(7)	(375)	(3,533)
Payments	-	(52)	-	(52)	(814)
<b>Closing balance at 12/31/2011</b>	<b>76,863</b>	<b>44,119</b>	<b>99,840</b>	<b>220,822</b>	<b>155,283</b>
<b>Closing balance at 12/31/2010</b>	<b>75,135</b>	<b>20,615</b>	<b>59,533</b>	<b>155,283</b>	
<b>Escrow deposits at 12/31/2011</b>	<b>5,151</b>	<b>8,304</b>	<b>3,177</b>	<b>16,632</b>	
<b>Escrow deposits at 12/31/2010</b>	<b>4,677</b>	<b>4,615</b>	<b>3,042</b>	<b>12,334</b>	

- **Contingencies classified as possible:** not recognized in the accounting books and comprise Tax and Social Security Lawsuits amounting to R\$ 343,766 mainly related to:

- IRPJ, CSLL, PIS and COFINS – Request for offset dismissed - R\$ 96,062: cases in which the credit has expired;
- IRPJ and CSLL – Equity Recomposition – R\$ 49,855: assessment notice requiring Income Tax and Social Contribution on the amount received from government authorities for equity recomposition. The amounts received arise from the privatization of Banco Bemge S.A. The State of Minas Gerais (Parent company and seller) reimbursed Banco Bemge S.A. (later called Banco Itaú BBA S.A.) for amounts related to tax convictions against Banco Bemge S.A. with respect to tax events that occurred prior to privatization;
- Income Guarantees – R\$ 48,812: Activities originated from financial operations. This is income earned by the promise of credit transaction under suspensive condition: the implementation of the condition causes the financial institution to become obligated to pay the debt of the contractor, finalizing the extension of the credit. As with guarantees with cost, there is no service being provided.

- INSS – Non-compensatory amounts – R\$ 38,749: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and on-time bonus;
- Amnesty noncompliance – R\$ 34,209: Declassification of the benefits of amnesty.
- IRPJ, CSLL, PIS and COFINS – Usufruct of quotas and shares - R\$ 25,818: we discuss the adequate accounting and tax treatment for the amount received due to the onerous recognition of usufruct.

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

<b>Change in legal liabilities</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Opening balance</b>	<b>30,584</b>	<b>17,646</b>
Charges on taxes	1,109	1,099
Changes in the period reflected in results – Reversal from favorable outcome	-	11,839
<b>Closing balance (Note 12c)</b>	<b>31,693</b>	<b>30,584</b>

<b>Change in escrow deposits</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
<b>Opening balance</b>	<b>453,678</b>	<b>426,602</b>
Appropriation of income	26,756	28,856
Deposited	28,526	-
Conversion into income	(65,925)	(1,780)
<b>Closing balance</b>	<b>443,035</b>	<b>453,678</b>

The main legal liabilities are described below:

- PIS – R\$ 27,210: Principles of anteriority over 90 days and non-retroactivity: we request the rejection of constitutional Amendments No. 10/96 and No. 17/97 in view of the principles of anteriority and nonretroactivity, seeking authorization to make payment based on Supplementary Law No. 07/70. The corresponding escrow deposit balance totals R\$ 18,876.

In the opinion of the legal advisors, ITAÚ BBA is not party to any other administrative proceedings or legal lawsuits that could significantly impact the results of their operations.

**NOTE 11 – BREAKDOWN OF ACCOUNTS**

**a) Other sundry receivables**

	12/31/2011	12/31/2010
Securities receivable without credit granting characteristics (Note 15a)	919,804	834,048
Deferred tax assets (Note 12b I)	911,279	730,838
Escrow deposits in guarantee for provision for contingent liabilities (Note 10b)	459,667	466,011
Taxes and contributions for offset	119,070	83,670
Securities receivable with credit granting characteristics (Note 7a)	8,018	8,057
Other	122,888	79,112
<b>Total</b>	<b>2,540,726</b>	<b>2,201,736</b>

**b) Other sundry liabilities**

	12/31/2011	12/31/2010
Provisions for contingent liabilities (Note 10a)	220,822	155,283
Provision for payments	98,760	82,004
Sundry creditors - local	90,476	30,651
Other	2,416	5,883
<b>Total</b>	<b>412,474</b>	<b>273,821</b>

**c) Banking service fees**

	01/01 to 12/31/2011	01/01 to 12/31/2010
Loan operations and guarantees provided	460,523	340,933
Income from economic and financial advisory	342,607	298,089
Collection fees	88,658	77,584
Commissions	82,438	63,597
Brokerage commission	45,555	30,572
Other	14,093	19,381
<b>Total</b>	<b>1,033,874</b>	<b>830,156</b>

**d) Other administrative expenses**

	01/01 to 12/31/2011	01/01 to 12/31/2010
Data processing and telecommunications	(180,487)	(109,039)
Third-party services	(106,617)	(77,059)
Installations	(84,281)	(59,778)
Expenses of the National Financial System	(56,329)	(48,511)
Cost sharing (Note 15a)	(50,502)	(30,126)
Depreciation and amortization	(27,838)	(22,280)
Travel	(16,353)	(15,526)
Communications	(13,106)	(7,621)
Other	(60,383)	(35,921)
<b>Total</b>	<b>(595,896)</b>	<b>(405,861)</b>

**e) Other operating expenses**

	01/01 to 12/31/2011	01/01 to 12/31/2010
Amortization of goodwill on merger	(418,787)	(447,724)
Foreign exchange expenses	(129,320)	(25,901)
Provision for losses on securities receivable without credit granting characteristics	(6,388)	(6,160)
Other	(81,067)	(61,555)
<b>Total</b>	<b>(635,562)</b>	<b>(541,340)</b>

**f) Non-operating income** - R\$ 142,917, represented primarily by sales of investments in shares of SPEs and CETIP, in the amount of R\$ 147,970 .

## NOTE 12 - TAXES

### a) Composition of expenses for taxes and contributions

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

Due on operations for the period	01/01 to 12/31/2011	01/01 to 12/31/2010
<b>Income before income tax and social contribution</b>	<b>2,779,491</b>	<b>3,569,569</b>
Charges (Income tax and social contribution) at the rates in effect (Note 3p)	(1,111,796)	(1,427,828)
<b>Increase/decrease to income tax and social contribution charges arising from:</b>		
<b>Permanent (additions) exclusions</b>	<b>737,747</b>	<b>150,032</b>
Investments in subsidiaries and affiliates	30,594	(1,346)
Foreign exchange variation on investments abroad	215,422	(67,072)
Interest on capital	148,000	105,600
Interest on external debt bonds and dividends	128,620	118,636
Other (*)	215,111	(5,786)
<b>Temporary (additions) exclusions</b>	<b>(248,643)</b>	<b>561,059</b>
Allowance for loan losses	58,808	369,715
Excess of depreciation of leased assets	49,674	239,857
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	(233,293)	3,159
Legal liabilities - tax and social security, contingent liabilities and restatement of escrow deposits	(12,257)	6,957
Profit sharing provisions	(84,935)	-
Other non-deductible provisions	(26,640)	(58,629)
<b>(Increase) offset of tax losses</b>	<b>84,633</b>	<b>111,924</b>
<b>Expenses for income tax and social contribution</b>	<b>(538,059)</b>	<b>(604,813)</b>
<b>Related to temporary differences – for the period</b>		
Increase (reversal) for the period	164,010	(672,983)
Prior periods increase (reversal)	(111,747)	5,990
<b>Income (expenses) from deferred taxes</b>	<b>52,263</b>	<b>(666,993)</b>
<b>Total income tax and social contribution</b>	<b>(485,796)</b>	<b>(1,271,806)</b>

(\*) Basically include the effect due to Payment Program or Installment Payment of Federal Taxes - Law 11.941/09 and adjust prior period.

II - Tax expenses are represented mainly by PIS, COFINS and ISS.

### b) Deferred taxes

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

	12/31/2010	Realization	Increase	12/31/2011
Tax loss/social contribution loss carryforwards	61	-	581	642
Allowance for loan losses	357,478	(287,657)	228,850	298,671
Adjustment to market value of securities and derivative financial instruments	24,705	(24,705)	256,431	256,431
Legal liabilities - tax and social security and contingent liabilities	49,073	(640)	16,367	64,800
Adjustments of operations carried out in futures settlement market	31,276	(28,258)	1,000	4,018
Other non-deductible provisions	268,245	(175,808)	194,281	286,718
Profit sharing	154,406	(154,406)	175,929	175,929
Other	113,839	(21,402)	18,352	110,789
<b>Total</b>	<b>730,838</b>	<b>(517,068)</b>	<b>697,510</b>	<b>911,280</b>

- II- The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001 and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2011, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

Realization year	Temporary differences
2012	492,123
2013	188,052
2014	46,467
2015	32,490
2016	61,118
After 2016	91,029
<b>Total</b>	<b>911,279</b>
Present value (1)	733,668

(1) The average funding rate was used to determine the present value.

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

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

- III- At December 31, 2011, there are no unrecorded deferred taxes.

#### c) Tax and social security contributions

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

	12/31/2011	12/31/2010
Taxes and contributions on income payable	424,748	385,563
Taxes and contributions payable	55,665	367,774
Provision for deferred income tax and social contribution (1)	933,433	807,726
Legal Liabilities - tax and social security (Note 10b)	31,693	30,584
<b>Total</b>	<b>1,445,539</b>	<b>1,591,647</b>

(1) Mainly represented by excess depreciation of lease assets.

**NOTE 13 - INVESTMENTS AND INTANGIBLE ASSETS**

**Investments in subsidiaries and affiliates**

Companies	Balances at 12/31/2010	Equity in earnings of subsidiaries and affiliates from 01/01 to 12/31/2011 (1)	Adjustments to market value of securities of subsidiaries and others	Provision of dividends	Capital increase	Balances at 12/31/2011	Equity in earnings of subsidiaries and affiliates from 01/01 to 12/31/2010
<b>Domestic</b>	<b>73,179</b>	<b>77,362</b>	<b>961</b>	<b>(1,618)</b>	<b>6,300,000</b>	<b>6,449,884</b>	<b>33,928</b>
Intrag-Part Administração e Participações S.A.	(2) -	46,246	(1) -	-	4,800,000	4,846,245	-
Itauseg Participações S.A.	(3) (4) -	24,820	962	(1,552)	1,500,000	1,524,230	-
Itaú BBA Trading S.A.	73,179	6,296	-	(66)	-	79,409	1,942
Delle Holdings S.A.	-	-	-	-	-	-	33,365
Puerto Cia Securitizadora de Créditos Financeiros	-	-	-	-	-	-	662
Estruturadora Brasileira de Projetos S.A.	-	-	-	-	-	-	(2,041)
<b>Foreign</b>	<b>1,490</b>	<b>(878)</b>	<b>-</b>	<b>-</b>	<b>18,842</b>	<b>19,454</b>	<b>(175)</b>
Itaú BBA SAS.	(5) (6) -	(1,287)	-	-	17,713	16,426	-
Banco Itaú Argentina S.A.	(7) 1,490	409	-	-	1,129	3,028	(175)
<b>Total</b>	<b>74,669</b>	<b>76,484</b>	<b>961</b>	<b>(1,618)</b>	<b>6,318,842</b>	<b>6,469,338</b>	<b>33,753</b>

(1) Includes foreign exchange variation in the amount of R\$ 622;

(2) Capital increase in the amount of R\$ 4,800,000 in Intrag-Part Administração e Participações S.A. by Itaú BBA on 11/30/2011;

(3) Equity in earnings does not reflect the current share in earnings of subsidiary, for changes in interest during the period;

(4) Capital increase in the amount of R\$ 1,500,000 in Itauseg Participações S.A. by Itaú BBA on 11/30/2011;

(5) Company incorporated in 07/25/2011;

(6) Capital increase in the amount of R\$ 11,336 in November, 2011;

(7) Includes adjustments in unrealized result of participation in the amount of R\$ 307.

Companies	Capital	Stockholders' equity	Net income (Loss) for the period	Number of common shares owned by Itaú BBA	Number of quotas owned by Itaú BBA	Equity share in capital and voting capital (%)
<b>Domestic</b>						
Itaú BBA Trading S.A.	46,442	79,409	6,297	3,938,518,832	-	100.00%
Intrag-Part Administração e Participações S.A.	5,950,679	6,637,856	63,344	-	60,816,478	73.01%
Itauseg Participações S.A.	10,182,908	13,929,929	234,858	554,902,067	-	10.94%
<b>Foreign</b>						
Itaú BBA SAS.	18,233	16,426	(1,760)	711,200	-	100.00%
Banco Itaú Argentina S.A.	185,907	302,788	(4,740)	4,263,928	-	1.00%

## II- Intangible assets

	12/31/2011			12/31/2010
	Cost	(Accumulated amortization)	Net position	Net position
<b>Goodwill on purchase of investments <sup>(1)</sup></b>	<b>2,179,213</b>	<b>(1,521,141)</b>	<b>658,072</b>	<b>1,076,859</b>
Banco Único	1,163,514	(659,324)	504,190	736,892
Itaúsaga	760,905	(715,578)	45,327	181,310
Itaú	254,794	(146,239)	108,555	158,657
Aquisition of rigths to credit payroll	270	(141)	129	183
Other intangible assets <sup>(2)</sup>	309,123	(31,250)	277,873	-
<b>Total</b>	<b>2,488,606</b>	<b>(1,552,532)</b>	<b>936,074</b>	<b>1,077,042</b>

(1) Refers mainly to goodwill on purchase of investments concerning the association of Itau Unibanco, which were merged in 2009.

(2) Contract with Tele Norte Leste Participacoes which guarantees the right to receive interest on capital/dividends of Telemar Norte Leste S.A.

## NOTE 14 - STOCKHOLDERS' EQUITY

a) **Shares** - Capital comprises 10,569,053 book-entry shares with no par value, of which 5,284,526 are common class A shares, 1 is common class B share and 5,284,526 are preferred shares.

b) **Dividends and interest on capital** - Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law.

At the Board Meeting held on 05/09/2011, Additional Dividends were approved, amounting to R\$ 2,900,000, and paid on the same date, at the proportion of R\$ 274.39 per share.

At December 30, 2011, credit related to Interest on Capital was approved, amounting to R\$ 314,500, comprising R\$ 370,000 gross and R\$ 55,500 Withholding Tax.

At December 31, 2011, a provision amounting to R\$ 212,618 at the proportion of R\$ 20.117 per share, which is equivalent to the mandatory minimum dividend was recognized, and recorded in Other Liabilities – Social and Statutory.

### c) Reserves

	12/31/2011	12/31/2010
<b>CAPITAL RESERVES – RESTATEMENT OF EQUITY SECURITIES</b>	<b>15,372</b>	<b>16,907</b>
<b>REVENUE RESERVES</b>	<b>2,471,291</b>	<b>3,734,468</b>
Legal	622,815	511,843
Statutory (*)	1,848,476	3,222,625

(\*) Recognized to ensure to the company the proper operating margin, as provided in its By-laws.

**NOTE 15 - RELATED PARTIES**

a) Transactions between related parties are disclosed in compliance with CMN Resolution No. 3,750 of June 30, 2009. These transactions are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

	Assets/(Liabilities)		Revenue/(Expenses)	
	12/31/2011	12/31/2010	01/01 to 12/31/2011	01/01 to 12/31/2010
<b>Money market</b>	<b>6,462,671</b>	<b>19,493,999</b>	<b>651,634</b>	<b>2,140,669</b>
- Itaú Unibanco S.A.	5,366,789	18,876,686	651,634	1,752,042
- Other	1,095,882	617,313	-	388,627
<b>Interbank and foreign currency investments</b>	<b>24,578,460</b>	<b>30,977,211</b>	<b>259,142</b>	<b>2,009,421</b>
- Itaú Unibanco S.A.	707,673	16,990,500	259,186	1,916,016
- New York Branch	11,215,251	1,865,442	-	4,876
- Grand Cayman Branch	12,033,556	10,515,823	-	48,302
- Other	621,980	1,605,446	(44)	40,227
<b>Fixed and variable income securities and securities purchased under agreements to resell</b>	<b>29,157,581</b>	<b>26,055,104</b>	<b>4,332,294</b>	<b>1,906,458</b>
- Dibens Leasing S.A. Arrendamento Mercantil	26,609,868	21,153,699	4,016,194	1,209,671
- BFB Leasing S.A. Arrendamento Mercantil	2,547,713	4,901,405	316,100	709,349
- Itaú Corretora	-	-	-	(12,562)
<b>Derivative financial instruments – Asset Position</b>	<b>1,088,592</b>	<b>2,860,556</b>	<b>6,946,903</b>	<b>3,411,710</b>
- Itaú Unibanco S.A.	791,357	2,859,526	3,194,976	3,198,817
- Licania Fund Limited	210,714	-	3,247,263	-
- Other	86,521	1,030	504,664	212,893
<b>Negotiation and intermediation of securities</b>	<b>262,391</b>	<b>(11,225)</b>	<b>2,613,189</b>	<b>-</b>
- Itaú Grand Cayman	9,284	-	-	-
- Banco Itaú BBA Internacional	-	-	12,414	-
- Itau Bank Ltd.	-	(9,911)	310,609	-
- Itaú Corretora	33,365	-	-	-
- Licania Fund Limited	216,712	-	2,290,166	-
- Other	3,030	(1,314)	-	-
<b>Interbank accounts - Itaú Unibanco S.A.</b>	<b>14,676</b>	<b>1,799</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange portfolio – Asset Position</b>	<b>3,780,528</b>	<b>1,590,472</b>	<b>755,890</b>	<b>60,878</b>
- Itaú Unibanco S.A.	1,787,010	533,147	74,514	55,973
- Agência Grand Cayman	1,993,518	1,057,325	668,277	4,904
- Other	-	-	13,099	-
<b>Amounts receivable from related companies</b>	<b>928,202</b>	<b>836,946</b>	<b>9,529</b>	<b>118,675</b>
- New York Branch	919,804	834,048	-	15,254
- Grand Cayman Branch	-	-	9,364	57,342
- Itau Bank Ltd.	-	-	-	28,062
- Other	8,398	2,898	165	18,017
<b>Interbank deposits</b>	<b>(30,079,635)</b>	<b>(45,778,572)</b>	<b>(2,910,743)</b>	<b>(4,551,787)</b>
- Itaú Unibanco S.A.	(29,499,554)	(45,778,572)	(2,910,743)	(4,429,988)
- Other	(580,081)	-	-	(121,799)
<b>Time deposits</b>	<b>-</b>	<b>(1,780,400)</b>	<b>(31,474)</b>	<b>(35,201)</b>
- New York Branch	-	(1,024,593)	(9,381)	(969)
- Grand Cayman Branch	-	(542,387)	(9,498)	(11,788)
- Hipercard	-	-	(3,355)	-
- Porto Seguros	-	-	-	(16,504)
- Other	-	(213,420)	(9,240)	(5,940)
<b>Negotiation and intermediation of securities</b>	<b>(69,688)</b>	<b>(3,933)</b>	<b>(2,234,675)</b>	<b>-</b>
- Licania Fund Limited	(49,259)	-	(1,753,473)	-
- Itau Bank Ltd.	(12,483)	(3,933)	(456,008)	-
- Banco Itaú BBA Internacional	-	-	(1,900)	-
- Other	(7,946)	-	(23,294)	-
<b>Derivative financial instruments – (Liability Position)</b>	<b>(2,109,361)</b>	<b>(2,872,023)</b>	<b>(7,494,419)</b>	<b>(2,138,124)</b>
- Itaú Unibanco S.A.	(1,516,514)	(2,872,023)	(3,970,259)	(1,963,880)
- Licania Fund Limited	(420,947)	-	(3,026,502)	-
- Itau Bank Ltd.	(142,754)	-	-	-
- Other	(29,146)	-	(497,658)	(174,244)
<b>Foreign exchange portfolio – (Liability Position)</b>	<b>(3,816,338)</b>	<b>(1,584,629)</b>	<b>(809,712)</b>	<b>(32,674)</b>
- Itaú Unibanco S.A.	(1,766,659)	(530,678)	(80,624)	(23,456)
- Grand Cayman Branch	(2,048,366)	(1,053,951)	(684,318)	(9,218)
- Other	(1,313)	-	(44,770)	-
<b>Repurchase agreements – Own and third parties</b>	<b>(19,280,028)</b>	<b>(14,550,316)</b>	<b>(2,318,047)</b>	<b>(948,135)</b>
- Itaú Unibanco S.A.	(16,858,934)	(9,099,998)	(1,673,309)	(559,508)
- BFB Leasing S.A. Arrendamento Mercantil	-	(2,564,667)	(186,354)	(240,969)
- Dibens Leasing S.A. Arrendamento Mercantil	(2,421,094)	(2,807,419)	(456,925)	(146,119)
- Other	-	(78,232)	(1,459)	(1,539)
<b>Amounts payable to related companies</b>	<b>(7,289)</b>	<b>(744)</b>	<b>(10,765)</b>	<b>114,121</b>
- Itaú Unibanco S.A.	(146)	-	-	90,586
- Itaú BBA USA SEC	(6,983)	-	(6,583)	-
- Itaucard	-	-	-	20,164
- Fináustria Ass., Adm., Serv.Crédito e Partic. S.A.	(132)	(239)	(1,702)	-
- Fina Promoção e Serviços S.A.	(28)	(127)	(1,253)	-
- Other	-	(378)	(1,227)	3,371

In addition to the aforementioned transactions, ITAÚ BBA, as an integral part of the Agreement for Apportionment of Common Costs of the Itaú Unibanco Group, was reimbursed by the other group Companies in the amount of R\$ 58 and recorded, in Other Administrative Expenses, the amount of R\$ 50,502 (R\$ 30,126 from 01/01 to 12/31/2010) in view of the use of the common structure.

**b) Compensation of the Management Key Personnel**

The fees attributed in the period to ITAÚ BBA officers are as follows:

	12/31/2011	12/31/2010
Compensation – Board of Directors	101,032	153,723
Profit sharing	81,598	115,735
Contributions to pension plans	-	8,108
<b>Total</b>	<b>182,630</b>	<b>277,566</b>

## NOTE 16 – ADDITIONAL INFORMATION

- a) **Risk Management** – Itaú BBA, by means of the leading institution, Itaú Unibanco Holding S.A. (ITAÚ UNIBANCO) adopted the operational and market risk management structure in compliance with CMN Resolutions No. 3,380, of June 29, 2006, and No. 3,464, of June 26, 2007. The descriptions of these risk management structures are available on the website of the leading institution ([www.itaú-unibanco.com.br/ri](http://www.itaú-unibanco.com.br/ri)) under: Corporate Governance/Risk Management.
- b) **Arrangements for clearing and settlement of obligations under the National Financial System** - Certain agreements were signed for clearing and settlement of obligations under CMN Resolution No. 3,263 of February 24, 2005, through public instruments aimed at allowing compensation of credits and debits held with a single counterparty, where the maturity of the receivables and obligations can be anticipated to the date of the event of default by either party or in case of bankruptcy of the debtor.
- c) **Single Audit Committee** – In accordance with CMN Resolution No. 3,198 of May 27, 2004, Itaú BBA adopted the Single Audit Committee established by the Itaú Unibanco Financial Group by way of the leading institution Itaú Unibanco Holding S.A. The summary of the report of said Committee was disclosed together with the financial statements of the leading institution Itaú Unibanco Holding S.A.
- d) **Information on foreign subsidiaries** – Itaú BBA carries out operations by means of its branches in Nassau, Bahamas, and Montevideo, Uruguay. Their consolidated financial information, after the elimination of interbranch transactions, follows:

Assets	12/31/2010	12/31/2009
<b>Current assets and long-term receivables</b>	<b>67,006,489</b>	<b>51,075,762</b>
Cash and cash equivalents	134,430	481,017
Interbank investments	25,458,549	17,295,712
Securities and derivative financial instruments	7,903,150	12,979,685
Loan, lease and other credit operations	21,609,745	10,440,260
Foreign exchange portfolio	9,968,274	8,162,908
Other assets	1,932,341	1,716,180
<b>Permanent assets</b>	<b>22,838</b>	<b>27,351</b>
Other investments	21,984	27,338
Fixed assets	854	13
<b>Total</b>	<b>67,029,327</b>	<b>51,103,113</b>
<b>Liabilities and equity</b>		
<b>Current and long-term liabilities</b>	<b>60,811,439</b>	<b>46,760,384</b>
Deposits	26,777,183	16,985,766
Demand deposits	3,250,646	1,653,744
Interbank deposits	1,982,479	-
Time deposits	21,544,058	15,332,022
Deposits received under securities repurchase agreements	1,123,076	9,374,878
Funds from acceptances and issuance of securities	8,397,924	2,798,537
Borrowings	12,480,022	7,658,085
Derivative financial instruments	1,296,741	1,119,252
Foreign exchange portfolio	9,975,979	8,188,956
Other liabilities	760,514	634,910
<b>Deferred income</b>	<b>40,944</b>	<b>34,987</b>
<b>Stockholders' equity</b>	<b>6,176,944</b>	<b>4,307,742</b>
Capital and reserves	4,967,590	3,747,542
Net income	1,209,354	560,200
<b>Total</b>	<b>67,029,327</b>	<b>51,103,113</b>
<b>Statement of income</b>		
Income from financial operations	1,035,233	937,499
Expenses on financial operations	64,467	(431,449)
<b>Gross income from financial operations</b>	<b>1,099,700</b>	<b>506,050</b>
Other operating revenues/expenses	117,249	66,088
<b>Operating income</b>	<b>1,216,949</b>	<b>572,138</b>
<b>Non-operating income</b>	<b>(7,487)</b>	<b>(11,778)</b>
<b>Income before tax on income and profit sharing</b>	<b>1,209,462</b>	<b>560,360</b>
<b>Income tax and social contribution</b>	<b>(108)</b>	<b>(160)</b>
<b>Net income</b>	<b>1,209,354</b>	<b>560,200</b>

## **Independent Auditor's Report**

To the Management and Stockholders  
Banco Itaú BBA S.A.

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

### **Management's responsibility for the financial statements of the Bank**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for qualified opinion**

The Bank records its operations and prepares its financial statements in accordance with the accounting guidelines established by the Brazilian Central Bank (BACEN), which require that the adjustment to present value of the finance lease portfolio be classified in permanent assets as excess/insufficient depreciation. These guidelines do not require the reclassification of leases, which remain recorded in accordance with Law 6099/74, to current assets and long-term receivables and income/expenses from financial intermediation –finance leases, but they result in the presentation of the net income and equity in accordance with accounting practices adopted in Brazil.

### **Qualified opinion**

In our opinion, except for the non-reclassification described in the paragraph above, the financial statements present fairly, in all material respects, the financial position of Banco Itaú BBA S.A. as at December 31, 2011, and its financial performance and cash flows for the six-month period and for the year then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

São Paulo, February 15, 2012

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Paulo Sérgio Miron  
Contador CRC 1SP173647/O