INTERNACIONAL CONFERENCE CALL
ITAÚ UNIBANCO HOLDING S.A.
Third Quarter 2011 Earnings
November 3, 2011

Operator: Ladies and gentlemen, thank you for standing by. This is Itaú Unibanco Holding conference call about the third quarter of 2011 earnings.

At this time all lines are in a listen-only mode. Later there will be a question and answer session and instructions to participate will be given at that time. If you need assistance during the call, please press the star key followed by zero (*0). As a reminder, this conference is being recorded and broadcast live on **www.itau-unibanco.com/ir**. A slide presentation is also available on this site.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from those anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks, and other factors.

With us today in this conference call in São Paulo are **Alfredo Egydio Setubal**, Investor Relations Officer; **Sérgio Ribeiro da Costa Werlang**, Executive Vice President of Risk Control and Finance; **Caio Ibrahim David**, Chief Financial Officer; **Rogério Calderón**, Corporate Controller & Head of Investor Relations; **Marco Antunes**, Accounting Director; and **Rodolfo Henrique Fisher**, Itaú BBA´s Vice President.

First, Mr. Alfredo Setubal will comment on the third quarter 2011 earnings. Afterwards, management will be available for a question and answer session. It is now my pleasure to turn the call over to Mr. Setubal.

Mr. Alfredo Setubal (Itaú Unibanco): Good morning for those who are in the United States and good afternoon for those who are in Europe. It is a pleasure to be back to talk about our third quarter of 2011 results.

For those who are following through the Internet we are starting on the page 2, highlights for the results. The first one is the result of the bank. We had a recurring net income of R$ 3.9 billion with an annualized ROE of 23.5% and an increase of 18.8% when we compare to the 2Q11. The net income was R$ 3.8 billion when we reduce the extraordinary gain in this quarter. The second point is the loan portfolio growth. The growth in the quarter was 6.1% and when we compare to 3Q10 the number was 22.8%. We have to note here that due to the devaluation of the real against the dollar, our dollar portfolio increased in reais, so if we offset this impact the growth of the loan portfolio has been 3.5%, which is in line with the growth of the credit portfolio of the financial system in Brazil. Therefore, it was a good quarter in terms of portfolio growth. The third point is the financial margin with the clients. The financial margin with clients achieved R$ 11.8 billion, which means an increase of 5.3% from 2Q11. With this growth in the credit portfolio we were able to increase a little bit the financial margin with clients in this environment that we are operating, especially in the credit, where we are going into lower-risks segments. Also in the financial margin, we see the financial margin with the market totaled R$ 1.1 billion in the quarter, growing R$ 446 million when we compare to the 2Q11. It is important to notice that of course the market was much better for the treasury in this quarter, as it was released by CETIP, we sold part of our state with other shareholders to a new investor and this sale represents a gain of R$ 151 million that is inside that R$ 1.1 billion. So we have this extra gain in the treasury on this quarter related to the sale of CETIP shares. The fourth highlight is the non-performing loans and lease losses. The expenses with provision for loan and lease losses was R$ 4.97 billion in the 3Q11, with a decrease of R$ 136 million when compared to the 2Q11. It was a quarter that we made a lot of provisions especially related to small companies if you remember. On this quarter we reduced the level of provisions because we think it is necessary due to the anticipation of provisions created by the expected loss model that we are using since the end of 2010. So we made prior provisions, so we do not need in our models to make new provisions in this quarter. The 90-days delinquency ratio increased 20 bps to 4.7% on September. Here it is important to notice that if the real did not have the devaluation which increased our credit portfolio as I mentioned, this number should be 4.8%. So our guidance was 4.8%, it was a little bit lower especially because of the impact of the real devaluation in our credit portfolio. So we continue to see a good performance in the delays, so we do not see further deterioration in terms of non-performing loans in this quarter. Of course we have the reverse in fact, because the real is under valuation against the dollar, so due to this, we have an impact in the opposite direction than we had in this 3Q11 and maybe a marginal deterioration in individuals. So we expected the number for this quarter to be around 4.9% considering these two factors. The fifth highlight is related to efficiency. Our efficiency ratio achieved 47.5% with the decrease of 80 bps when compared to 2Q11 and 310 bps when we compare to the 3Q10. So we continue in this trend of increasing this efficiency ratio both from expenses control and revenue growth. Non-interest expenses increased 5.7% quarter over quarter. Personnel expenses grew R$ 135 million, so we were able to continue the trend of reduction of the accumulated expenses when we compare to 2010. In the first nine months of this year the non-interest expenses grew 12.5%, and we continue to believe that by the end of the year the total non-interest expenses will increase between 8% and 10% of the guidance we gave. In terms of revenues the growth was lower than expected. We were expecting more growth in terms of revenues and that is the reason why the efficiency ratio is not in the level that we expected it to be at this time. This lower growth was related to the pace of changing the mix of the credit portfolio. We are in a faster pace entering into lower-risk credit portfolios, so we are going to have lower revenues and lower spreads also, because banking fees and tariffs are growing lower than we expected. Our guidance is 14% to 16% growth in banking fees for this year, but we do not believe that this number will be achieved. So the new expectation that we have, for the whole year of 2011, is a 13% growth in terms of banking fees and tariffs.

Going to page 4, highlights on numbers. The operating revenues as I said, had a growth of 12.5% when compared 12 months; loan losses increased 18.8% to R$ 10.5 billion and decreased 1.6% in this quarter; non-interest expenses, had a growth of 12.5%; and recurrent net income with the growth was 13.2%, achieving R$ 10.9 billion in these nine months.

There are highlights also on page 5. The net interest margin reached 11.6% with a reduction of 60 bps, when we compare to September 2010 and an increase of 10 bps when it is compared to 2Q11 this year. So 2Q11 was 11.6% and we achieved 11.7% going into a lower-risk portfolio.

Banking fees almost R$ 14 billion, represent a growth of 10.7% and as I said we expected now 13% for this year.

ROE in the quarter was 23.5%; but due to the 2Q11 which was lower than that, the nine months was 22.4%.

On page 6, the net interest margin, as I mentioned, presented a small increase in this quarter. It was good news.

On page 7, we can see the dynamics of the origination of the credit portfolio. We already renewed 57% of the portfolio and we still have 26% of last year. So we are renewing very fast the credit portfolio.

On page 8, just numbers: the total assets of R$ 837 billion; stockholders' equity of R$ 68.2 billion; loan portfolio of R$ 382.2 billion; and total funding from clients (including here the AUM) of R$ 869.3 billion.

On page 9, we see the results. This quarter, as I mentioned, an important growth in terms of operating revenues of 6.7% achieving R$ 19.2 billion; an important impact of margin with the market of R$ 1.1 billion in this quarter, and R$ 2.8 billion in the year (2Q11 you remember that was not so good), and then to compare with last year we see that even this line is under the numbers of 2010 with a reduction of 2%. So with the reduction on expenses for loan losses and the better control on non-interest expenses we had this recurring result of R$ 3.9 billion.

On page 10, we see the loan portfolio by kind of client. We continue to see a very important growth in terms of mortgage. The portfolio is still small when we compare with other segments; but it is growing fast for almost 15% in this quarter and 79% in 12 months. So it is gaining importance. In terms of very small, small and middle market the growth was only 2.2% due to the fact that we reduced the portfolio of very small and small companies, as we mentioned in 2Q11 conference call that we were reducing these portfolios due to the risk and the level of provisions, which we were obliged to make in 2Q11. So we continue to grow in the middle, very middle companies; but we reduced the portfolio in the other segments. In corporate companies, there was an increase of 9%. Of course, there was also an impact of the dollar portfolio's growth, due to the devaluation of the currency.

On page 11, the NPL ratio of 4.7% (it should be 4.8% if we did not have this devaluation of the currency); in terms of companies almost stable but we had a deterioration in this quarter in the case of individuals, when the NPL ratio over 90 days increased from 5.8% to 6.3%; on the NPL ratio 31 to 90 days we see good numbers; we do not see any problem related to the increase of deterioration in the credit portfolio and we believe these numbers for 4Q11 will remain something between 4.8% and 4.9%. We do not see big problems in this area. The coverage was 156% and the total provisions reached R$ 24.7 billion. Of this total, R$ 5,1 billion is related to the expected loss model - that provision that we made before.

On page 12, we have the evolution of the expenses in a visual way. We can see the reduction in 3Q11 compared to 2Q11 and also on the right side of this page that the negotiation under the resolution of the Monetary Council is 3.9% of our total portfolio.

On page 13 the total funding, working capital and so on, totaled R$ 1.1 trillion.

On page 14, we can see that we improved the balance between funding and credit portfolio this quarter. We increased the deposits and we are almost in the level of deposits to credit and when you consider in this number the reserve requirement. In the central bank we have 75.2%. So funding continues to be not an issue in Brazil. The deposits is not an issue to fund the credit portfolio growth.

On slide 15 we can see the banking fees. The growth in the quarter of 3.2%, in 12 months 10.7%, and here we expect as now 13% for the year.

On page 16 we can see the non-interest expenses, 5.7% in the quarter (12.5% when compared to last year) and we continued to be very strict in terms of controlling the expenses. We maintain our expectations for 2011 of the growth of the expenses (non-interest expenses) between 8% and 10% when compared to last year. It is important to notice in this slide the evolution of the employees of the bank stopped, we continue to reduce it; we achieved almost 110,000 in March of this year and finished with 105,969 in September of this year. Of this total, 6,000 are outside Brazil and 99,800 are in Brazil, what shows a very good efficiency in terms of number of employees to the size of the operation that we have here in Brazil.

On page 17 the efficiency ratio. We continue to go to the level that we target of 41% for 2013. As I mentioned this year we are in a lower pace than expected, especially because of the lower growth of our revenues.

On page 18 the evolution of BIS, is in a very comfortable position, 15.5%. We still have some approvals pending on the Central Bank, if we considered this issue; the Basel ratio would have reached 15.7%.

So I think we had a very good quarter. Of course 2Q11, as we mentioned was below the potential of Itaú Unibanco for specific reasons that we talked about in the last conference call; however we were able to release a very strong R$ 3.9 billion recurrent number for 3Q11; our portfolio growth was above the average of the system; we were able to grow the net interest margin; delinquency and bad provisions clearly show us a stabilization in these levels in the short-term. We are very confident in our models, in the expected loss model that we are working since the end of last year. So we are in line with the best practices when we compare to IFRS and BIS III, so we continue to be very confident that our models are working very well when we are talking about the provisions. In terms of expenses I think these numbers are showing a very good control and we will continue to target the 41% by the end of 2013. Also, we expect to grow the expenses in line with inflation in the coming years. So in general I think it was a very good quarter. I think the research analysts in almost all of the researches that we were able to read during these two days after the release, were very good showing that we are in a very good track in terms of results.

So that this is our first considerations and now we are open to questions.

Q&A Session

Mr. Saul Martinez (JP Morgan): Hi, good morning everybody. I guess my question is on asset quality and just generally speaking I want to get your sense, how confident you are that 4Q11 will be the peak of the cycle? I think if you wanted to be skeptic you could show that NPLs did increase in the quarter - you have seen a bigger increase obviously on the retail side - and new NPL formation did worsen in the quarter as well, the new NPL before charge-offs did grow. So what other than a pretty small decline in the early-stage delinquencies gives you in your models comfort that the NPL cycle and the asset quality is very close to reaching its end?

Mr. Rogério Calderón (Itaú Unibanco): You are right, we are pretty confident on the trend of the provisions and the expenses and NPL. This is actually more than proved along the year. We raised the provision based on the expected loss model by the first quarter and since then we did not change anything. The criterion is absolutely the same, very consistent and not showing any need for additional provisions. On the contrary; by keeping the same level it is because we are actually economically using a part in the provision provided by them. Some other sources add confidence on our perspective. You mentioned the early delinquency based on the 31 to 90 days with a very slight improvement, it is true. Normally the system uses the 15 to 90 days and it is even better, it is actually showing an improvement of 20 bps for the consolidated portfolio, 40 bps down for companies and actually 5 bps down on individuals. But it is really improving. We do not see any other change that could give us any sort of movements on the other direction. We are pretty confident that this is what is going to happen, and also remember that we would have been changing the mix of our portfolio towards a lower-risk portfolio. So we should see further improvement in the next quarters on this.

Mr. Saul Martinez (JP Morgan): Ok and then just on that latter point, Rogério: your post-provision interest margin as you show on one of your exhibits has declined and obviously as the NIM has come down, your loan loss provisions have gone up; can you give us a sense of what the outlook is for your NIM with clients after provision for credit risk next year? Do you think that loan loss provisioning levels could start to moderate and the percentage of loans enhance even if NIMs are flat or down you can actually see an increase in your NIM with clients after the provision for credit risk?

Mr. Rogério Calderón (Itaú Unibanco): That is what we see. So we are not expecting any major movements on this; but we do believe that the net interest margin risk just after those bad provisions should be resilient, flat or even improving as time goes on, since we have this benefit due to the expenses. On the other hand it is pretty difficult to be assertive when talking on the net interest margin before bad debt, because we have at the same time movements in the spreads. The interest rate is moving down in the country with some perspectives of keeping at the same direction. So the future curve tends to create lower spreads during the next vintages and we also have this impact from the mix of the portfolio. So it should be resilient; but definitely the best way to look at the future is by looking at the risk-adjusted net interest margin that you are much more confident on the resilience of the figures. Thank you.

Mr. Saul Martinez (JP Morgan): Ok great, thanks a lot.

Mr. Jason Mollin (Goldman Sachs): Hello everyone, thank you for giving the opportunity to ask my question. Maybe you could just talk a little bit about Itaú's expectations for interest rate, particularly given what you have just said. Where do you think the Selic will be heading next year? In what level you are saying that they are going down and how far? And then maybe you can talk a little bit about the past of the net interest margin and the relationship or sensitivity of your margins to that past? And my second question would be just to understand a bit of your outlook for cost synergies, particularly efficiency ratio. You talked about on your metrics of still sticking with the 41%, I believe for the end of 2013; but you did talk about lower than previously anticipated revenues; could you give us some of your views, if it makes sense to stick with that - it has only been a couple of quarters - but to stick with this efficiency ratio expectation, if it is in fact we are starting from a weaker position. Thank you.

Mr. Sérgio Werlang (Itaú Unibanco): Ok. Jason this is Sérgio Werlang. Interest rates next year our expectation is that the Selic rate in Brazil should reach around 9.5% by some time to midyear next year and remain like that at least with a more plausible scenario that we see right now. As for the linkage with the margin I will pass on to Rogério.

Mr. Rogério Calderón (Itaú Unibanco): Jason of course we have several different consequences of any movement in Selic; but we have a direct consequence - an obvious consequence - on the cash position that we have invested in federal bonds bearing Selic (indirectly bearing Selic or directly bearing Selic). This is a notional corresponding to around R$ 60 billion in our balance sheet and we show that figure on page 13 of our MD&A. So considering any reduction of 100 bps we should observe a contraction of the margin by R$ 600 million in a year and this is pre-tax; after tax is R$ 400 – R$ 450 million, what means what means R$ 30 million – R$ 35 million per month, around R$ 100 million per quarter considering that the only consequence of Selic would be on this position. Of course when we look at Selic we have several others issues, like I mentioned before on the other question: we have the spread with some level of sensitiveness because of the future yield curve, and we also have positions built up in terms of treasury. And the fourth consequence - by far the most important one - is that with the lowering level of Selic, we tend to observe the removal of pressure on the income from the individuals, what could benefit the delinquency removing some pressure and, of course, helping the risk-adjusted net interest margin to recover and increase. Those are the most important consequences of Selic. Of course also in expenses we would have an impact out of this.

Mr. Jason Mollin (Goldman Sachs): And in terms of expenses are you sticking with your 41%?

Mr. Rogério Calderón (Itaú Unibanco): Sure. In terms of efficiency, as Alfredo mentioned at the beginning, we are actually improving very much our expenses line. We decreased our expectation of growing expenses from 10% to 13%, it just decreased to 8% to 10%. We will be inside this range, single-digit growth this year - but it is very positive; revenue generation was a little bit lower than expected, what could cause some difficulties on delivering the first stage of our efficiency ratio. However, we keep pretty confident and we reiterate our commitment on the 41% by the end of 2013. We have no reason to believe this is not going to be delivered.

Mr. Jason Mollin (Goldman Sachs): Very helpful, thank you.

Mr. Marcelo Telles (Credit Suisse): Hello everyone. I have two questions, one follow-up on asset quality: when we look in terms of your short-term NPL ratio indicator there was not a quarter 10 bps improvement; but then you expect, I believe in 20 bps deterioration in 4Q11, right? I would expect, even that in the short-term delinquency is improving, that you would actually expect maybe some stability or maybe some improvement in 4Q11. In my reading are they right? And what would explain this difference between what your short-term delinquency indicator is showing versus your expectation for 4Q11? And my second question is regarding the operating expenses for 2012. Do you think that you are going to be able to grow the Opex below the revenue growth next year? Can we expect another good year in terms of operating expenses as we are seeing in 2011? Is there anything that would make it more difficult to achieve, for instance the increase in salaries that we had in September - relatively high - for the sector? And just one third question as well, that is a very specific question: I was wondering if you could share with us what was the provisioning coverage for the 90-day overdue credit in the renegotiated portfolio. I know that for the 3Q11 was 141%, as you mentioned, but I did not see, at least in the release, the same number for 4Q11. Thank you.

Mr. Rogério Calderón (Itaú Unibanco): Marcelo starting from the end I just received your message asking for, including this other information in the MD&A, thank you very much, we are considering it, we are preparing it to share with you guys. Well, going from the third to the second question about the Opex, like I just said, we do believe we are going to deliver this 41% by 2013. The improvement from the current level to 2013 is similar between 2012 and 2013. We should see long-term expenses growing in line with inflation - definitely not more than inflation - and probably it is going to be a similar level and maybe even lower level than what we are expecting for 2011. So in 2012, we should see around 7% or 8% growth as the current stage of our budget process. This is the perspective we have in mind. I just want to highlight that we normally announce our perspectives for the following year by the beginning of the year, if it is going to happen in February; whenever we mention, we present the financial statements for the whole year. So far it is a preliminary figure but they have very good movements on these efficiency processes this year 2011 that will contribute integrally for the year in 2012 and that will help in some cases even more than 2011 we will notice that in 2012. The first question on NPL ratio as a whole what we are observing in terms of our delinquency movements, Marcelo and all of you, is exactly what we had anticipated in our expected loss model and that is why we created additional provisions, named as complement to the model of expected losses. This happened in 1Q11 and in 2Q11, we kept the provisions at the same level. If you look inside the movement of the provision what we had in 2Q11 was an increase of the generic provision - not the specific provision - and what we have now is an increase of the specific provision without any increase in the generic provision. At the same time we have the pace of NPL reducing, and this growth of 20 bps was exactly what we had anticipated. It would be 30 bps and not 20 bps; this was just the exchange rate benefit that will be back on 4Q11. That is exactly why we are anticipating 10 bps, maybe 20 bps at 4Q11. And much more important than this, it should be the peak and then delinquency should be flat or downwards. We are pretty confident. The model has never changed the consistency of the models actually being proved; they are pretty efficient and we are seeing exactly what we had anticipated. A couple of other indicators show that 31 to 90 days is improving 10 bps; the 90-day that is the system more used figure is actually improving 20 bps our NPL. So we are at the end of this credit cycle. It should improve now; of course our coverage tends to reduce when the peak is reached and then it increases when the NPL decreases. This is the normal cycle. I just reiterate: we do not have any longer, any anti-cyclical provision. We do not see the anti-cyclical provision as the correct way to account for provisions in line with IFRS and BIS III. So the unexpected losses and the anti-cyclical provisions are considered in our capital formation and not in our income statement.

Mr. Marcelo Telles (Credit Suisse): Perfect. Rogério if you allow me just one more question - I know that will take more time from the other analysts' questions - but if you think about the outlook for next year and think about your expected loss model, at least the economic data we have seen so far in terms of industrial production – growth, employment - they always come more on the negative side, at least versus market expectations. So we are starting to see some deterioration in these economic indicators. How is that capture in your model? Do you have a different outlook for the economy next year or are you betting a lot on the fact that you are becoming a lot more conservative on your credit granting policies? How much do you think it is related to a more bullish economy and how much should it be, because you guys are betting on getting out of the riskier segments and moving to low-risk segments?

Mr. Sérgio Werlang (Itaú Unibanco): Marcelo this is Sérgio Werlang again. Just to comment on the macro - and here I am going to comment on the macro overview which is compatible with the macro scenario that I just mentioned in a previous answer - and then Rogério is going to comment on the impact in our balance sheet. Our current macro view is that there is going to be still a further deterioration on delinquency rate for personal credit. It is not a large one; but still there is going to be some deterioration on the average NPL of the system until more or less the middle of the next year, when we see some stability. then it is starting to go down as we see the full impact of the cut in interest rates taking effect into the economy. Now let me pass on to Rogério.

Mr. Rogério Calderón (Itaú Unibanco): Thank you Sérgio. I just want to add a couple of other things that impact our portfolio other than, of course, the macro scenario. The mix of our portfolio is moving towards a lower risk. We should present a better performance than the system because of that. Also the interest rate reduction, as I mentioned some minutes ago, helps a lot on the individuals' income. It is true that the employment rate could increase but it is going to be in a good level considering the macro scenario and about these two movements in our portfolio we believe this trend should be the one I just mentioned.

Mr. Marcelo Telles (Credit Suisse): Thank you, thank you very much.

Mr. Jorge Kuri (Morgan Stanley): Hi good morning everyone. I have two questions, the first one is on asset quality and I guess I am just trying to put together what Sérgio explained and what Rogério mentioned. I guess I agree that NPLs moving waves they just do not jump up and down on a quarter on quarter basis, and if you look at the NPLs this quarter on the consumer side, they accelerated quite significantly up 50 bps versus 10 bps in 2Q11 - so we are still seeing an acceleration. Given that this thing moves in waves I think it is fair to assume that it will continue to deteriorate for several quarters more, which if I understood correctly, is what Sérgio said. Now I am trying to reconcile that with your view, with the top down view that we are only going to see NPLs up in 4Q11 and that is it. So two questions there: first can you give us a little bit of sense in terms of what is happening exactly on the consumer side? What products or segments or particular clients are suffering the most? And then just what the expectation is its NPL going to the peak in the 4Q11 or next year? Just to clarify that. And my second question is on margins. If Selic rates are at 9.5% by mid-2012 as your microeconomic department just explained, average Selic rate for 2012 is going to be around 10% versus 11.5% on average in 2011 and so that is 150 bps lower Selic. Can you be a bit more specific at what the impact is going to be under margin? I appreciated the risk-adjusted explanation, let us just leave that aside for a second and adjust on the margin for example the 150 bps decline in Selic; what does that do to your net interest margins? They have been at 11.7% this year; what do you think they are going to be next year considering the 150 bps lower Selic and your more conservative lending mix? Thank you.

Mr. Rogério Calderón (Itaú Unibanco): Jorge, Rogério. Well, beginning from the impacting margins on page 13 in our MD&A, there is a statement in which we show around R$ 60 billion of our net assets that are sensitive to any variation in the Selic. So it is just 150 bps on average, times R$ 60 billion would represent around R$ 800 million, net of tax R$ 500; 600 million. In the whole year you should consider - and that is what I just mentioned - that this is one of the movements that Selic caused. There are several others, among them; the most important is the potential improvements in the risk-adjusted margin. Talking on the 50 bps plus this quarter, what we are observing - and that is really important - is actually what we had anticipated in our expected loss model, and the movements quarter per quarter can be different; but what is important to say is that it was 50 bps in 3Q11, but this 50 bps was the total for the year up to now and there could be another 10 bps, 20 bps as we mentioned and this should be the end of this cycle. So if we put under the perspective of the whole year you are going to see that our behavior in terms of NPLs is actually better than the system and similar to the other big players in the system, although we have a few riskier portfolio of individuals because the level of “payroll”, for instance, is much lower in our portfolio. Regarding the 50 bps increase in 3Q11, we do not have any specific line of products that showed an issue; it happened across the board - of course except by the "payroll" and the mortgage - but those two portfolios are very low and they actually serve as a sort of a subvention to any reduction of the others. But as they are very small they do not help the net interest margin as a whole in the individual's portfolio. So it was 50 bps in the personal portfolio, it was the same 50 credit cards. So it is pretty much the same for each one of the lines. What is important to say is that it was 50 bps in the quarter but it was 50 bps in the year up to now.

Mr. Jorge Kuri (Morgan Stanley): All right and just to clarify: so you expect NPLs in consumers to at the peak in 4Q11 or in the middle of next year?

Mr. Rogério Calderón (Itaú Unibanco): 4Q11, sorry, I missed that.

Mr. Jorge Kuri (Morgan Stanley): 4Q11? So, in the middle of 4Q11, that is the peak of NPLs for consumers, right?

Mr. Rogério Calderón (Itaú Unibanco): Absolutely.

Mr. Jorge Kuri (Morgan Stanley): And if I do the math of the R$ 500 million on your margins - I am trying to do the math pretty quickly here and this is why I wanted your help - so from the 150 bps decline in Selic for next year that front laid if, I am doing the math right, for a 150 bps reduction in your net interest margin; so that sounds more or less correct?

Mr. Rogério Calderón (Itaú Unibanco): I should make the calculations. It is close, I think net of tax it would represent around R$ 600 million. I did the math when I talked to you. We can check and get back to you.

Mr. Jorge Kuri (Morgan Stanley): All right thank you.

Mr. Daniel Abut (Citi): Good morning. Rogério and Alfredo, just to follow up on the whole discussion about your cost - income ratio program, improvement program that you are reiterating the commitment to reach 41% by the end of 2013. It seems to me that earlier in the announcement of this program you are planning to rely more on revenue than on cost and as you signed to see revenues being softer you move the emphasis to the more reliance on cost. You started the year guiding a cost growth in the 10% to 13% level and you reduced it to 8% – 10%, which you are comfortable that you will reach this year. And then for next year softly you are starting to guide more in line with inflation, I think you said, Rogério, 7% to 8%. So it is good to see that you are relying now more on cost, because it is likely that it will remain soft next year. So I wanted to talk a bit about revenues into next year. I know that you are not giving guidance yet; but at least if you could comment what your expectation will be for loan growth next year assuming - as most economists are assuming now - that the economy growth around 3%, real GDP growth next year. And given what you are seeing on fee income that you already reduced your expectation for this year to 14%, as Alfredo said; what could be a good expectation to have for next year? I want to get a sense of how soft revenues could be next year - and that would make it even more important to be more stringent on costs as it seems to me that you are.

Mr. Alfredo Setubal (Itaú Unibanco): Daniel you are right. We are entering evening a new scenario; revenues will be more difficult due to the environment and the mix of products that we are aiming to achieve. So we have to work hard on both sides trying to compensate revenues, growing more volumes if possible and controlling expenses by the level of inflation to really achieve the efficiency ratio and to keep good levels of ROE for the shareholders. So we had to work both ways. Of course we expected credit growth for next year to be around 15%, so considering inflation and the growth of the economy, so 1.5x, around that in terms of nominal GDP we think is feasible to achieve; of course we have to follow up the macro scenario to see the real trend in the coming quarters. But up to now we think it is feasible to achieve this level of growth in terms of credit portfolio.

Mr. Daniel Abut (Citi): And on fee income Alfredo?

Mr. Alfredo Setubal (Itaú Unibanco): Maybe a little bit lower, but similar; for this year we expect 13%, maybe around 13% to 14%. But I think it will be a little bit lower than the growth of the credit portfolio.

Mr. Daniel Abut (Citi): Thank you Alfredo, that is useful.

Mr. Mario Perry (Deutsche Bank): Good morning. Let me ask two questions as well, the first one on asset quality, if you just can give us some color on how your SME portfolio behaved. This quarter I think there was the bulk of your pickup in delinquencies, last quarter related to the SME portfolio this quarter. I have only seen the data before the overall corporate portfolio; if you could break down for me the deterioration in the large corporate and the SME segments? Also on the asset quality I think your coverage ratio of 156% is the lowest I have seen probably in the last 10 years. I am just trying to get a feel from you of what level do you think that this ratio could go before you start to worry about it. And then a final question would be on costs. We have seen your headcount come down from 110,000 employees in 1Q11 to 106,000 employees. Should we expect more headcount reductions or is this the level you are comfortable with? Because I do expect you to be opening branches next year as well. Thank you.

Mr. Rogério Calderón (Itaú Unibanco): Ok Mario, just a couple of questions here. I would like to start from the movement in SME. The corporate portfolio growth was 9% including, of course, the exchange rate benefit; net of this it would be 3.5% to 3.7%. The very small, small and midsized companies' growth posted was 2.2%. If we break the micro and small companies actually we have a reduction in the total portfolio and if we take the midsized companies there was a growth. The figures are similar, the growth for midsized companies was 4.1% and the decrease in the balance for micro and small companies was 2.2%. So if you look at the SME taken as a whole the growth was 2.2%; but what we had was actually a deceleration in the small companies as a result of that decision we took since November of asking for more collaterals from the clients and by doing so, there was a deceleration in this portfolio - just highlighting that we are talking about small and very small companies; the midsized companies we keep a very, very strongly growing, it is pretty positive results and returns on this (risk-adjusted returns are very positive.

Mr. Mario Perry (Deutsche Bank): Excuse me I am sorry. I meant the delinquency ratio on your SME portfolio rather than the overall growth. So what happened to the delinquency ratio on the SME segment this quarter?

Mr. Rogério Calderón (Itaú Unibanco): I do not have this figure here, I was trying to get it. I think we had a deterioration of around 20 bps during the quarter and the corporation as a whole was actually benefited by the large corporate managed by Itaú BBA - but I cannot confirm it to you. There was a small deterioration. Talking about the coverage, this is particularly the most important point, because I think there was some misunderstanding on this. The coverage ratio is always the clients when NPL is growing; and always when NPL starts to decrease we have an increase of the coverage over 90 days. This is the cyclicality of the process. We decided as from December that we do not have any anti-cyclical provisions in our income statement. We treat anti-cyclical risk, unexpected risk - this is different from the scenario we are looking forward - we treat as capital. This is in line with IFRS and BIS III. Those are the best practices we can find. So through the glasses of expected loss perspective this is what drives our provision. Of course if we look at the future and anticipate NPLs growing in the future we increase provisions, the coverage increases; whenever the NPL is coming and confirming what we had anticipated the coverage declines - that is absolutely expected. We were not expecting a different behavior; a different behavior would be a wrong behavior if you look from the cyclicality of this. I just want to draw your attention to the absolute coverage, it is very important to mention that if you look at our coverage on a specific provision that is the provision based on currency, the deduction was actually 2 bps; if you look our coverage by removing the class H of our provision - because class H is 100% provisioned; there is no sense on increasing additional provisions on 100% provisioned credit - so if you remove that the coverage during the whole year was actually flat. I think you had a third question on the headcounts. What we are seeing is a consequence of the integration of some areas, particularly the consumer credit areas, and we may see some additional reductions over time but not strongly; most of them were already observed in 2Q11 and 3Q11.

Mr. Mario Perry (Deutsche Bank): Ok thank you.

Mr. Jonathan Prigoff (Equinox): Hi. I just wanted to see if you can touch more on the different types of individual loans and which ones are growing faster. Specifically we have seen personal loan growth pick up a lot; I was wondering if you could touch on that - and I know vehicles loan has been lower due to what is going on in the market and may be due to some regulatory concerns - but could you can help us understand your expectations for those other buckets.

Mr. Rogério Calderón (Itaú Unibanco): The personal credit growth was mainly accelerated during the last two or three quarters, because they were a little bit behind during the process of integration of branches from Unibanco to Itaú. Now with the single platform we can explore more adequately the level of risk and so we are catching up. That is the reason of the personal loans increasing in recent quarters. Actually we had lost some of our normal market share on this and we are catching up. That is the reason. Looking at the auto loans you are right saying that auto loans is not growing; but the reason is not actually very related to this macro prudential measures; it is actually related to maturity of this portfolio. We have a very strong risk appetite on this business; it is a very contributive business and we keep originating around R$ 2.3 million every single month on this portfolio. What happens is with the maturity of the portfolio - there is no growth because we have the same level of contracts expiring.

Mr. Jonathan Prigoff (Equinox): If I look historically, as I recall, vehicle loans were a big engine on growth and helped fuel the growth that we have seen over the past few years here. Given that, as you said maybe that the market is a kind of matured for you and given the pullback you have seen in the smaller and of the SME business what is the engine of growth going to be going forward? What are the products that you think are going to help you get a multiplier effect on nominal GDP growth?

Mr. Rogério Calderón (Itaú Unibanco): Alfredo has just mentioned that we believe the normal pace on words now is no longer 3x, 4x GDP; we are talking about 1.5x GDP now. Corporate loans should be one of the important drivers, mortgage another one; credit card businesses still underpenetrated in Brazil and should count for it. So I am referring to the lines of portfolio, “consignado” (the payroll type of credit). I am referring to those that should grow a little bit ahead of this average 15%. On the other hand some other - midsized companies again - on the other auto loans should be behind, even under a positive scenario, it is difficult to figure out growth bigger than 5% to 8% in auto loans. So some could be behind this average, some others ahead; and the total 15% is what we expect.

Mr. Jonathan Prigoff (Equinox): Thank you. One more question if I may, just to take a step back about individual delinquencies. What do you think is actually causing the delinquency? A few months ago people were talking a lot about the debt service requirements being high and I think you and a lot of the other banks made a good case as to why - at least by the historic standard - that service requirements are not that high for Brazilian individuals; but yet we have seen this uptake in delinquencies without a huge increase in unemployment. So what do you think? Is it just due to the interest rates and once rates come down that should correct itself or were people having affordability issues with their levels of debt?

Mr. Rogério Calderón (Itaú Unibanco): It is related to inflation and interest rates, the increase of these two components in the individual income that caused this. Of course we noted this and we provided for it by the beginning of the year based on expected loss. What we see now is exactly what we had anticipated, nothing new and nothing different from that. Based on the methods you anticipate provisions before NPLs and that is the reason we do not see any figure - just to reiterate – bubble; we do not share any view on bubble. We believe a bubble is impossible to be created in a scenario of so high interest rates and so short duration of credit to talk in summary. Let us go to the last question because the time is expiring please.

Mr. Jonathan Prigoff (Equinox): Thank you.

Mr. Victor Galliano (HSBC): Hi thank you. I have a couple of questions here. Just on cost, Rogério, if you can focus on what you were talking about in line with inflation Opex growth; but can you just remind me what you are also planning in terms of further expansion? Is there anything in line with the inflation cost growth is there built-in some increase in the branch network, etc.? And my second question is on margins and really focusing on this revenue line. So the kind of core scenario or the soft guidance, should we say, for 2012 is 15% loan growth; if you go 15% loan growth what can we expect in terms of net interest income line? I presume we are looking at a best-case scenario in this environment of lower-risk credit; 12%, something along those lines, in line with the commission guidance it gave us? Is that right?

Mr. Rogério Calderón (Itaú Unibanco): Yes. Actually when we look at the top line we see credit growing 15%, we see a resilient risk-adjusted margin eventually improving a little bit. So let us consider around 15% growth in top line fee income should be at a similar level, it should not reduce too much its importance in relation to the total top line. But I just want to mention that we are going to present our perspective for 2012 within three months in our conference call on the results for the entire year that is scheduled for February. Those are all preliminary views on this. Back to the other question on cost, the 7% on the inflation alignment in our cost line is actually the improvements in cost; the efficiency in cost could fund our growth. We expected to open branches - on average 150 branches for next year. Actually we have a little bit bigger figure for next year. It is scheduled to be 170 branches; but on average we open around 150 branches and also we have scheduled a remodeling of branches totaling 600 branches for next year. All those costs should be funded by these further improvements in costs in order to have the full line growing in line with inflation - let us consider now around 7% - and we will be back to this and following up on this within three months.

Mr. Victor Galliano (HSBC): Ok so just to recap on the branches you are expected to increase about 150 branches this year and 170 branches next year?

Mr. Rogério Calderón (Itaú Unibanco): We have already opened 50 branches this year and we have scheduled another 90 branches until the end of the year and so it is going to be around 130, 140 branches this year. The normal level anticipated for this year was between 120 and 150 branches and we are going to be inside this range. Next year it is going to be a little bit higher than the normal, which are 150 branches to around 170 branches. About, remodeling we had this refurbishing, remodeling of the branches this year with a total a little bit below 500 branches and it is scheduled to have 600 branches next year.

Mr. Victor Galliano (HSBC): Ok great thank you.

Mr. Rogério Calderón (Itaú Unibanco): Thank you Victor.

Mr. Alfredo Setubal (Itaú Unibanco): Thank you for all. If you still have some questions that we could not attend we are going to call those who are in line. Sorry but the conference was a little bit too long, we have to stop here. But thank you for your time, I think we had a very good quarter, I think we are on the track for a good quarter ahead and so we continue very confident about our models, about our business, we are very confident. So we will see you again in the conference call next year about the year-end results. Thank you.

Operator: Thank you. That does conclude our Itaú Unibanco Holding earnings conference call for today. Thank you very much for your participation and have a good day.
