executive summary

Itaú Unibanco Holding S.A.

2nd quarter of 2012

Management Discussion & Analysis

Executive Summary

Information and financial indicators of Itaú Unibanco Holding S.A. (Itaú Unibanco) are presented below.

Highlights

R$ million (except where indicated)

	2nd Q/12	1st Q/12	2nd Q/11	1st H/12	1st H/11
Statement of Income					
Recurring Net Income	3,585	3,544	3,317	7,129	6,955
Net Income	3,304	3,426	3,603	6,730	7,133
Operating Revenues (1)	20,268	19,914	18,147	40,183	35,821
Managerial Financial Margin (2)	13,469	13,307	11,921	26,776	23,635
Shares (R$)					
Recurring Net Income per share (3)	0.79	0.78	0.73	1.58	1.53
Net Income per share (3)	0.73	0.76	0.79	1.49	1.57
Number of Outstanding Shares – in thousands	4,517,639	4,520,103	4,534,669	4,517,639	4,534,669
Average price of non-voting share on the last trading day of the period	28.05	35.00	36.36	28.05	36.36
Book Value per share	16.74	16.04	14.57	16.74	14.57
Dividends/JCP net of taxes (4)	788	657	687	1,445	1,370
Dividends/JCP net of taxes (4) per share	0.17	0.15	0.15	0.32	0.30
Market Capitalization (5)	126,720	158,204	164,881	126,720	164,881
Market Capitalization (5) (US$ Million)	62,692	86,825	107,646	62,692	107,646
Performance Ratios (%)					
Recurring Return on Average Equity – Annualized (6)	19.4%	20.0%	20.4%	19.7%	21.9%
Return on Average Equity – Annualized (6)	17.9%	19.3%	22.2%	18.6%	22.4%
Recurring Return on Average Assets – Annualized (7)	1.6%	1.6%	1.7%	1.6%	1.8%
Return on Average Assets – Annualized (7)	1.5%	1.6%	1.8%	1.5%	1.8%
Solvency Ratio (BIS Ratio) - Economic Financial-Consolidated	16.9%	16.1%	16.1%	16.9%	16.1%
Annualized Credit Margin	13.4%	13.5%	12.8%	13.4%	12.8%
Annualized Net Interest Margin with Clients (8)	10.9%	11.2%	11.6%	11.0%	11.5%
Annualized Net Interest Margin with Credit after Provision for Credit Risk (8)	7.5%	7.4%	7.6%	7.4%	7.9%
Nonperforming Loans Index (NPL over 90 days)	5.2%	5.1%	4.5%	5.2%	4.5%
Coverage Ratio (Provision for Loan and Lease Losses/NPL over 90 days)	147%	148%	166%	147%	166%
Efficiency Ratio (ER) (9)	45.0%	44.5%	47.8%	44.8%	47.6%
Risk Adjusted Efficiency Ratio (RAER) (9)	73.0%	72.6%	71.8%	72.8%	70.3%

Balance Sheet	**Jun 30,12**	**Mar 31,12**	**Jun 30,11**
Total Assets	888,809	896,842	793,679
Total Loan Portfolio, including Sureties, Endorsements and Guarantees	413,399	400,519	360,107
Loan Operations (A)	356,789	347,369	316,964
Sureties, Endorsements and Guarantees	56,611	53,150	43,144
Deposits + Debentures + Securities + Borrowings and Onlending (B) (10)	464,565	457,699	413,601
Loan Operations/Funding (A/B)	76.8%	75.9%	76.6%
Stockholders' Equity	75,636	72,484	66,083
Relevant Data			
Assets Under Administration	422,623	423,205	379,392
Employees (Individuals)	99,017	102,694	107,546
Employees in Brazil (Individuals)	92,517	96,294	101,531
Employees Abroad (Individuals)	6,500	6,400	6,015
Number of Points of Service	32,795	32,974	34,478
Branches (Units)	4,105	4,081	3,992
CSB – Client Service Branches (Units)	901	899	943
ATM – Automated Teller Machines (Units) (11)	27,789	27,994	29,543

Macroeconomic | Indicators

	2nd Q/12	1st Q/12	2nd Q/11	1st H/12	1st H/11
EMBI Brazil Risk	213	176	147	213	147
CDI – In the Period (%)	2.1%	2.5%	2.8%	4.6%	5.5%
Dollar Exchange Rate – Quotation in R$	2.0213	1.8221	1.5611	2.0213	1.5611
Dollar Exchange Rate – Variation in the Period (%)	10.9%	-2.9%	-4.2%	29.5%	-13.3%
Euro Exchange Rate – Quotation in R$	2.5606	2.4300	2.2667	2.5606	2.2667
Euro Exchange Rate – Variation in the Period (%)	5.4%	-0.2%	-2.0%	13.0%	2.8%
IGP-M – In the Period (%)	2.6%	0.6%	0.7%	3.2%	3.1%

(1) Operating Revenues are the sum of Managerial Financial Margin, Banking Service Fees and Income from Banking Charges, Other Operating Income and Result from Insurance, Pension Plans and Capitalization Operations Before Retained Claims and Selling Expenses, Equity in Earnings of Affiliates and Non-Operating Income; **(2)** Described on page 16; **(3)** Calculated based on the weighted average number of outstanding shares; **(4)** JCP – Interest on Own Capital. Recognized and declared amounts paid; **(5)** Total number of outstanding shares (common and non-voting shares) multiplied by the average price of the non-voting share on the last trading day in the period; **(6)** Annualized Return was calculated by dividing Net Income by the Average Stockholders' Equity. The quotient was multiplied by the number of periods of the year to derive the annualized rate. The basis of calculations of the returns were adjusted by the amount of dividends which has not yet been approved in stockholder's meetings or by the Board of Director's, proposed after the balance sheet closing date; **(7)** Annualized Return was computed by dividing Net Income by Average Assets. The quotient of this division was multiplied by the number of periods of the year to derive the annualized rate. **(8)** It does not include Margin with Market. See details on page 17; **(9)** For more details on the calculation methodology of both Efficiency and Risk Adjusted Efficiency ratios, please see page 23; **(10)** As described on page 30; **(11)** It includes ESBs (electronic service branches) and service points in third-parties' establishments.

Net Income and Recurring Net Income

Our recurring net income totaled R$3,585 million in the second quarter of 2012. This amount was adjusted by the impact of non-recurring events, which are presented in the table below, resulting in net income of R$3,304 million in the period.

Non-Recurring Events Net of Tax Effects

R$ million

	2nd Q/12	1st Q/12	2nd Q/11	1st H/12	1st H/11
Recurring Net Income	**3,585**	**3,544**	**3,317**	**7,129**	**6,955**
Non-recurring events	**(281)**	**(118)**	**286**	**(399)**	**178**
Program for Settlement or Installment Payment of Federal Taxes- Law No.11,941/09 (a)	-	-	509	-	509
Sale of Total Interest in Banco Português de Investimento (b)	(205)	-	-	(205)	-
Market Value Adjustment – BPI (c)	(45)	(55)	(156)	(101)	(156)
Provision for Contingencies – Economic Plans (d)	(31)	(63)	(67)	(93)	(175)
Net Income	**3,304**	**3,426**	**3,603**	**6,730**	**7,133**

Note: Impacts of the non-recurring events, described above, are net of tax effects – further details are presented in Note 22-K of the Financial Statements.

Non-Recurring Events in the First Half of 2012 and 2011

(a) Program for the Settlement or Installment Payment of Federal Taxes - Law No. 11,941/09

Additional effects of the adherence of Itaú Unibanco Holding and its subsidiaries to the Program for the Settlement or Installment Payment of Federal Taxes in 2009. This program includes the debts managed by the Federal Revenue Service of Brazil and by the General Attorney's Office of the National Treasury.

(b) Total Interest Sale in Banco Português de Investimento

On April 20, 2012, Itaú Unibanco sold its interest of 18.87% in Banco Português de Investimento to the La Caixa group and received approximately € 93 million. This transaction negatively impacted our net income in R$205 million, net of taxes, and positively impacted our stockholder's equity in R$106 million.

(c) Adjustment to Market Value – BPI Investment

Effect of the adjustment of the investment held in Banco Português de Investimento based on the share price in the second quarter (before the sale of our interest).

(d) Provision for Contingencies – Economic Plans

Provision for losses arising from economic plans that were in effect in Brazil in the 1980's.

Managerial Statement of Income

The following tables are based on the Managerial Statement of Income, which arises from reclassifications made in the audited accounting statement of income. The tax effects of hedges of investments abroad, which were originally included in tax expenses (PIS and COFINS) and income tax and social contribution on net income, were reclassified to the financial margin. Additionally, non-recurring events were also adjusted.

Our strategy for the exchange risk management of capital invested abroad is intended to avoid impacts from foreign exchange variations on net income. For this purpose, the foreign exchange risk is neutralized and the investments are remunerated in Brazilian reais through the use of derivative financial instruments. Our strategy to hedge investments abroad also considers the impact of all related tax effects. It should be noted that, in the second quarter of 2012, the real depreciated 10.9% in relation to the U.S. dollar and 5.4% in relation to the Euro, compared with an appreciation of 2.9% and 0.2%, respectively, in the previous quarter.

Changes in the Composition of Operating Revenues

In the first quarter of 2012, we improved the criteria for accounting for discounts granted in the renegotiation of credits that had already been written off as losses. These discounts, which previously reduced Operating Revenues (affecting the Managerial Financial Margin), are now classified in the Income from the recovery of credits written off as losses account. In the first half of 2011, the discounts granted in renegotiations totaled R$287 million and, if they had been reclassified to recovery of credits, they would have improved the efficiency ratio by 40 basis points.

Other highlights / subsequent events

(a) Purchase of 49% of Banco CSF S.A. ("Banco Carrefour")

Itaú Unibanco indirectly purchased shares that represent 49% of the capital of Banco CSF S.A. ("Banco Carrefour"). The transaction of R$816 million, which was approved by the Brazilian Central Bank, resulted in goodwill of R$583 million to be amortized over 10 years. This interest was recognized using the equity method.

(b) Creation of a New Entity with Banco BMG S.A.— Payroll Loans

On July 10, we announced the creation of a New Entity with BMG for the establishment of Banco Itaú BMG Consignado S.A., aiming at the distribution and sale of payroll loans. We will hold a 70% interest in the initial capital of R$1 billion and BMG will hold the remaining 30%. The New Entity will be entitled to finance 70% of the credits arising from BMG's distribution channels and we agreed to provide up to R$300 million a month to BMG, subject to limits and conditions, for a period of five years, for BMG's own payroll credit operations. With this association, we expect to become the leading private bank in this segment, taking into consideration, in addition to our operations, New Entity's portfolio which, according to our expectations, will amount to R$12 billion within two years.

Executive Summary

The reconciliations between the Accounting and Managerial Statements of Income of the last two quarters are presented below.

Reconciliation between the Accounting and Managerial Statements | 2nd Quarter of 2012

R$ million

	Itaú Unibanco			
	Accounting	Non-recurring Effects	Tax Effect of Hedge	Managerial
Operating Revenues	**18,303**	**379**	**1,586**	**20,268**
Managerial Financial Margin	11,883	-	1,586	13,469
Financial Margin with Clients	12,340	-	-	12,340
Financial Margin with Market	(457)	-	1,586	1,129
Banking Service Fees and Income from Banking Charges	5,078	-	-	5,078
Results from Insurance, Pension Plans and Capitalization Operations Before Retained Claims and Selling Expenses	1,466	-	-	1,466
Other Operating Income	84	-	-	84
Equity in Earnings of Affiliates and Other Investments	82	69	-	151
Non-operating Income	(291)	310	-	19
Loan and Retained Claim Losses Net of Recovery	**(5,374)**	**-**	**-**	**(5,374)**
Expenses for Allowance for Loan and Lease Losses	(5,988)	-	-	(5,988)
Income from Recovery of Loans Written Off as Losses	1,126	-	-	1,126
Retained Claims	(511)	-	-	(511)
Other Operating Income/(Expenses)	**(9,582)**	**46**	**(170)**	**(9,705)**
Non-interest Expenses	(8,457)	46	-	(8,411)
Tax Expenses for ISS, PIS, Cofins and Other Taxes	(879)	-	(170)	(1,050)
Selling Expenses from Insurance	(245)	-	-	(245)
Income before Tax and Profit Sharing	**3,347**	**426**	**1,416**	**5,189**
Income Tax and Social Contribution	**215**	**(145)**	**(1,416)**	**(1,345)**
Profit Sharing	**(52)**	**-**	**-**	**(52)**
Minority Interests	**(207)**	**-**	**-**	**(207)**
Net Income	**3,304**	**281**	**-**	**3,585**

Reconciliation between the Accounting and Managerial Statements | 1st Quarter of 2012

R$ million

	Itaú Unibanco			
	Accounting	Non-recurring Effects	Tax Effect of Hedge	Managerial
Operating Revenues	**20,325**	**83**	**(495)**	**19,914**
Managerial Financial Margin	13,801	-	(495)	13,307
Financial Margin with Clients	12,352	-	-	12,352
Financial Margin with Market	1,449	-	(495)	954
Banking Service Fees and Income from Banking Charges	5,003	-	-	5,003
Results from Insurance, Pension Plans and Capitalization Operations Before Retained Claims and Selling Expenses	1,461	-	-	1,461
Other Operating Income	57	-	-	57
Equity in Earnings of Affiliates and Other Investments	(2)	83	-	81
Non-operating Income	4	-	-	4
Loan and Retained Claim Losses Net of Recovery	**(5,304)**	**-**	**-**	**(5,304)**
Expenses for Allowance for Loan and Lease Losses	(6,031)	-	-	(6,031)
Income from Recovery of Loans Written Off as Losses	1,192	-	-	1,192
Retained Claims	(465)	-	-	(465)
Other Operating Income/(Expenses)	**(9,592)**	**95**	**56**	**(9,440)**
Non-interest Expenses	(8,248)	95	-	(8,153)
Tax Expenses for ISS, PIS, Cofins and Other Taxes	(1,097)	-	56	(1,041)
Selling Expenses from Insurance	(246)	-	-	(246)
Income before Tax and Profit Sharing	**5,430**	**179**	**(439)**	**5,170**
Income Tax and Social Contribution	**(1,786)**	**(61)**	**439**	**(1,408)**
Profit Sharing	**(28)**	**-**	**-**	**(28)**
Minority Interests	**(191)**	**-**	**-**	**(191)**
Net Income	**3,426**	**118**	**-**	**3,544**

Executive Summary

We present below a perspective of the income statement highlighting the Operating Revenues, which is composed of the sum of revenues from banking, insurance, pension plans and capitalization operations.

Statement of Income | Operating Revenues Perspective

R$ million

						Variation					
	2nd Q/12	1st Q/12	2nd Q/11	1st H/12	1st H/11	2nd Q/12 - 1st Q/12		2nd Q/12 - 2nd Q/11		1st H/12 - 1st H/11	
Operating Revenues	**20,268**	**19,914**	**18,147**	**40,183**	**35,821**	**354**	**1.8%**	**2,121**	**11.7%**	**4,361**	**12.2%**
Managerial Financial Margin	13,469	13,307	11,921	26,776	23,635	163	1.2%	1,548	13.0%	3,141	13.3%
Financial Margin with Clients	12,340	12,352	11,231	24,692	22,010	(12)	-0.1%	1,108	9.9%	2,682	12.2%
Financial Margin with Market	1,129	954	690	2,084	1,625	175	18.4%	439	63.7%	459	28.3%
Banking Service Fees and Income from Banking Charges	5,078	5,003	4,672	10,082	9,140	75	1.5%	406	8.7%	942	10.3%
Result from Insurance, Pension Plans and Capitalization Operations Before Retained Claims and Selling Expenses	1,466	1,461	1,279	2,927	2,503	5	0.3%	187	14.6%	424	16.9%
Other Operating Income	84	57	95	141	223	27	46.6%	(11)	-11.3%	(81)	-36.5%
Equity in Earnings of Affiliates and Other Investments	151	81	96	233	193	70	85.8%	56	58.3%	40	20.5%
Non-operating Income	19	4	84	24	127	15	-	(65)	-	(104)	-
Loan and Retained Claim Losses Net of Recovery	**(5,374)**	**(5,304)**	**(4,118)**	**(10,678)**	**(7,693)**	**(70)**	**1.3%**	**(1,256)**	**30.5%**	**(2,985)**	**38.8%**
Expenses for Allowance for Loan and Lease Losses	(5,988)	(6,031)	(5,107)	(12,020)	(9,487)	43	-0.7%	(881)	17.3%	(2,533)	26.7%
Income from Recovery of Loans Written Off as Losses	1,126	1,192	1,393	2,318	2,600	(66)	-5.6%	(266)	-19.1%	(281)	-10.8%
Retained Claims	(511)	(465)	(403)	(976)	(805)	(47)	10.1%	(108)	26.8%	(171)	21.2%
Operating Margin	**14,895**	**14,610**	**14,029**	**29,505**	**28,129**	**284**	**1.9%**	**865**	**6.2%**	**1,376**	**4.9%**
Other Operating Income/(Expenses)	**(9,705)**	**(9,440)**	**(9,192)**	**(19,146)**	**(18,058)**	**(265)**	**2.8%**	**(513)**	**5.6%**	**(1,088)**	**6.0%**
Non-interest Expenses	(8,411)	(8,153)	(7,971)	(16,564)	(15,657)	(258)	3.2%	(440)	5.5%	(908)	5.8%
Tax Expenses for ISS, PIS, Cofins and Other Taxes	(1,050)	(1,041)	(983)	(2,091)	(1,918)	(9)	0.8%	(67)	6.8%	(173)	9.0%
Selling Expenses From Insurance	(245)	(246)	(238)	(491)	(484)	2	-0.6%	(6)	2.6%	(7)	1.5%
Income before Tax and Profit Sharing	**5,189**	**5,170**	**4,837**	**10,359**	**10,071**	**19**	**0.4%**	**352**	**7.3%**	**288**	**2.9%**
Income Tax and Social Contribution	**(1,345)**	**(1,408)**	**(1,256)**	**(2,753)**	**(2,648)**	**63**	**-4.4%**	**(90)**	**7.1%**	**(105)**	**4.0%**
Profit Sharing	**(52)**	**(28)**	**(71)**	**(80)**	**(107)**	**(24)**	**87.4%**	**19**	**-27.3%**	**27**	**-25.2%**
Minority Interests in Subsidiaries	**(207)**	**(191)**	**(193)**	**(397)**	**(361)**	**(16)**	**8.5%**	**(13)**	**6.9%**	**(36)**	**10.0%**
Recurring Net Income	**3,585**	**3,544**	**3,317**	**7,129**	**6,955**	**41**	**1.2%**	**268**	**8.1%**	**174**	**2.5%**

We present below a perspective of the income statement highlighting the Managerial Financial Margin.

Statement of Income | Managerial Financial Margin Perspective

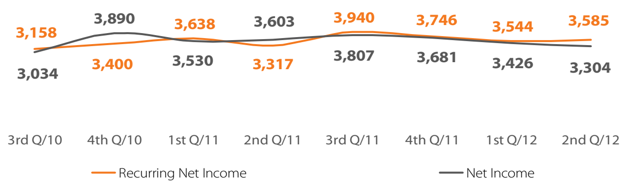
R$ million

						Variation					
	2nd Q/12	1st Q/12	2nd Q/11	1st H/12	1st H/11	2nd Q/12 - 1st Q/12		2nd Q/12 - 2nd Q/11		1st H/12 - 1st H/11	
Managerial Financial Margin	**13,469**	**13,307**	**11,921**	**26,776**	**23,635**	**163**	**1.2%**	**1,548**	**13.0%**	**3,141**	**13.3%**
Financial Margin with Clients	12,340	12,352	11,231	24,692	22,010	(12)	-0.1%	1,108	9.9%	2,682	12.2%
Financial Margin with Market	1,129	954	690	2,084	1,625	175	18.4%	439	63.7%	459	28.3%
Results from Loan and Lease Losses	**(4,862)**	**(4,839)**	**(3,715)**	**(9,701)**	**(6,888)**	**(23)**	**0.5%**	**(1,148)**	**30.9%**	**(2,814)**	**40.9%**
Expenses for Allowance for Loan and Lease Losses	(5,988)	(6,031)	(5,107)	(12,020)	(9,487)	43	-0.7%	(881)	17.3%	(2,533)	26.7%
Income from Recovery of Loans Written Off as Losses	1,126	1,192	1,393	2,318	2,600	(66)	-5.6%	(266)	-19.1%	(281)	-10.8%
Net Result from Financial Operations	**8,607**	**8,468**	**8,207**	**17,074**	**16,748**	**139**	**1.6%**	**400**	**4.9%**	**327**	**2.0%**
Other Operating Income/(Expenses)	**(3,437)**	**(3,302)**	**(3,454)**	**(6,739)**	**(6,804)**	**(135)**	**4.1%**	**17**	**-0.5%**	**65**	**-1.0%**
Banking Service Fees and Income from Banking Charges	5,078	5,003	4,672	10,082	9,140	75	1.5%	406	8.7%	942	10.3%
Result from Insurance, Pension Plans and Capitalization Operations	710	750	637	1,460	1,214	(40)	-5.4%	73	11.4%	246	20.2%
Non-interest Expenses	(8,411)	(8,153)	(7,971)	(16,564)	(15,657)	(258)	3.2%	(440)	5.5%	(908)	5.8%
Tax Expenses for ISS, PIS, Cofins and Other Taxes	(1,050)	(1,041)	(983)	(2,091)	(1,918)	(9)	0.8%	(67)	6.8%	(173)	9.0%
Equity in Earnings of Affiliates and Other Investments	151	81	96	233	193	70	85.8%	56	58.3%	40	20.5%
Other Operating Income	84	57	95	141	223	27	46.6%	(11)	-11.3%	(81)	-36.5%
Operating Income	**5,170**	**5,166**	**4,753**	**10,335**	**9,943**	**4**	**0.1%**	**417**	**8.8%**	**392**	**3.9%**
Non-operating Income	19	4	84	24	127	15	-	(65)	-	(104)	-
Income before Tax and Profit Sharing	**5,189**	**5,170**	**4,837**	**10,359**	**10,071**	**19**	**0.4%**	**352**	**7.3%**	**288**	**2.9%**
Income Tax and Social Contribution	**(1,345)**	**(1,408)**	**(1,256)**	**(2,753)**	**(2,648)**	**63**	**-4.4%**	**(90)**	**7.1%**	**(105)**	**4.0%**
Profit Sharing	**(52)**	**(28)**	**(71)**	**(80)**	**(107)**	**(24)**	**87.4%**	**19**	**-27.3%**	**27**	**-25.2%**
Minority Interests in Subsidiaries	**(207)**	**(191)**	**(193)**	**(397)**	**(361)**	**(16)**	**8.5%**	**(13)**	**6.9%**	**(36)**	**10.0%**
Recurring Net Income	**3,585**	**3,544**	**3,317**	**7,129**	**6,955**	**41**	**1.2%**	**268**	**8.1%**	**174**	**2.5%**

Executive Summary

Net Income

R$ million

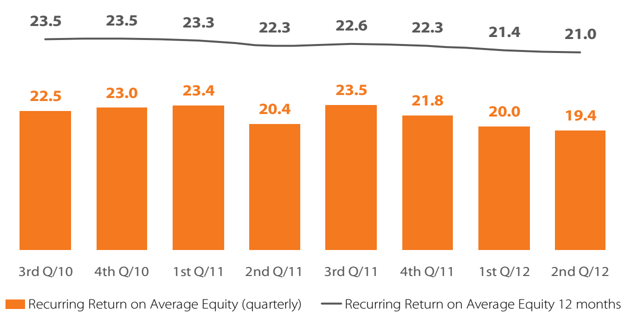


The recurring net income for the second quarter of 2012 amounted to R$3, 585 million, representing an increase of 1.2% in relation to the previous quarter. Our operating revenues grew 1.8% in the period, affected by the growth in the financial margin with the market, whereas our non-interest expenses showed a seasonal increase of 3.2% compared to the first quarter of 2012. The expenses for provisions for loan losses remained stable, with a slight drop of 0.7% in relation to the previous quarter.

In the first half of 2012, recurring net income totaled R$7,129 million, an increase of 2.5% in relation to the same period of 2011, despite the increase of 26.7% in the expenses for provisions for loan losses.

Annualized Return on Average Equity

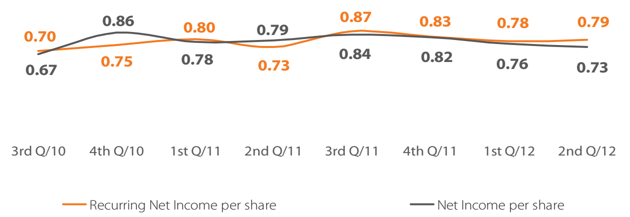
%



The annualized recurring return on average equity reached 19.4% in the second quarter of 2012. On June 30, 2012, stockholders' equity totaled R$75.6 billion, a 14.5% increase from the same period of the previous year.

Net Income per Share and Recurring Net Income per Share

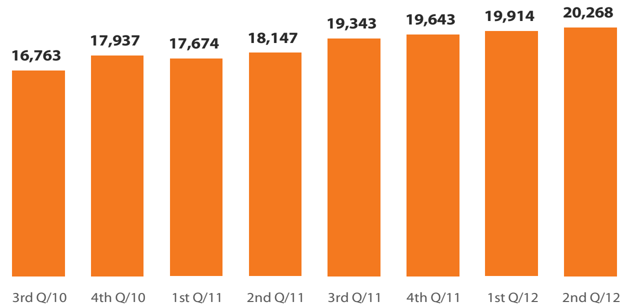
R$



In the second quarter of 2012, recurring net income per share totaled R$0.79 in the quarter, R$0.01 higher than in the previous quarter. Net income per share totaled R$0.73, dropping 3.6% from the previous quarter, affected by the effects of the sale of our investment in Banco Português de Investimento.

Operating Revenues

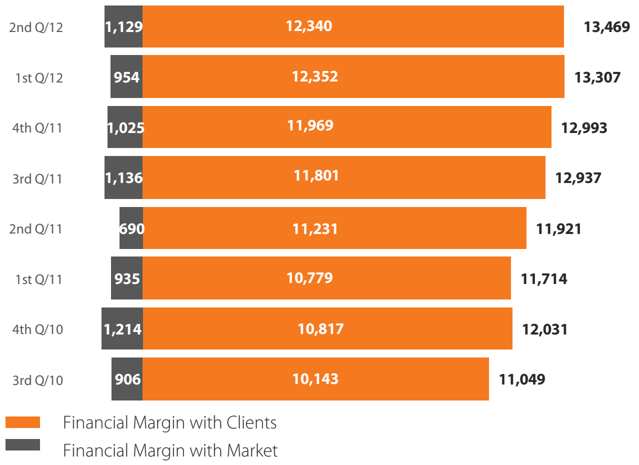
R$ million



In the second quarter of 2012, operating revenues, which represent revenues from banking operations and insurance, pension plan and capitalization operations, totaled R$20,268 million, growing 1.8% from the previous quarter and 11.7% from the same period of the previous year. The main components of operating revenues and other items of results are presented below.

Managerial Financial Margin

R$ million

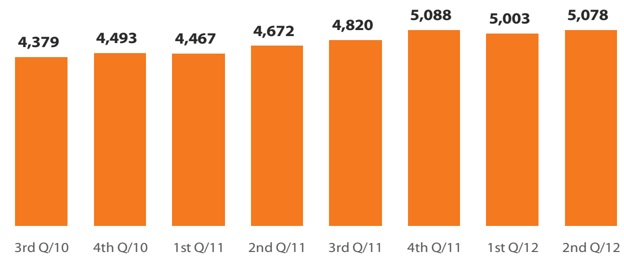


The managerial financial margin for the second quarter of 2012 totaled R$13,469 million, an increase of R$163 million in relation to the first quarter of 2012. The managerial financial margin with clients totaled R$12,340 million, stable in relation to the previous period, despite of having been affected by the reduction in the annualized Brazilian benchmark rate (SELIC), which reached 8.5% at the end of the quarter and caused a R$210 million impact on financial margin in this quarter. The financial margin with the market amounted to R$1,129 million, an increase of R$175 million from the previous quarter.

In relation to the first half of 2011, our managerial financial margin increased 13.3% as a result of the increase of 12.2% in the financial margin with clients and of 28.3% in the financial margin with the market. The reduction in the annualized Brazilian benchmark rate (SELIC), impacted R$541 million on the margin of this half when compared to the first half of 2011.

Banking Services Fees and Income from Banking Charges

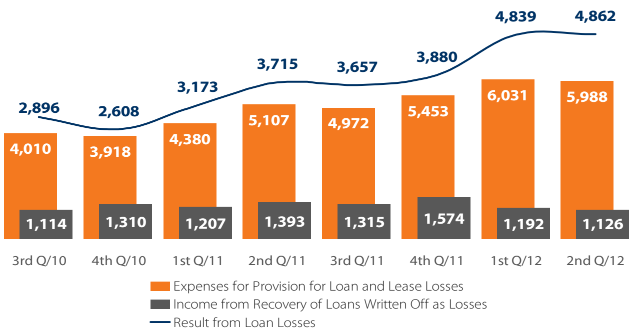
R$ million



In the second quarter of 2012, banking service fees, including income from banking charges, increased 1.5% from the first quarter of 2012, totaling R$5,078 million. This growth was, mainly due to increased revenues from current account services and from asset management, however impacted negatively by the reduction of Orbitall revenues (around R$80 million lower than usual) entity sold in the quarter.

Result from Loan Losses, Net of Recovery

R$ million

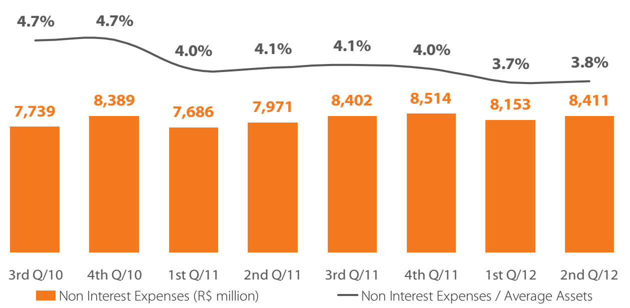


The result from loan losses, net of recovery, was practically stable in relation to the previous quarter, with a slight increase of 0.5%, totaling R$4,862 million in the quarter. The expenses for provisions for loan losses decreased R$43 million in the quarter (a drop of 0.7%) to R$5,988, but they were offset by a reduction of R$66 million in the income from recovery of credits previously written off as losses, which totaled R$1,126 million.

As presented on page 6, since the beginning of 2012, the discounts granted in the recovery of credits written off as losses are no longer deducted from the financial margin and started to deduct the income from the recovery of these credits. In the first half of 2011, these discounts amounted to R$287 million. If the effects of this change were disregarded, the income from the recovery of credits written off as losses for the first half of 2012 would have remained practically unchanged in relation to the income for the first half of 2011.

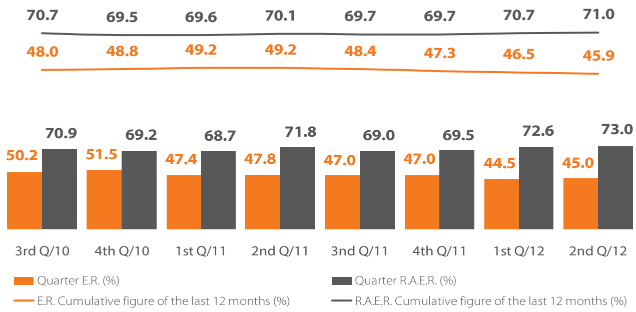
Non-Interest Expenses

R$ million



In the second quarter of 2012, non-interest expenses increased R$258 million in relation to the previous quarter (3.2%), totaling R$8,411 million in the quarter. Personnel expenses grew 1.3% due to the increase in expenses with employee terminations and labor claims mainly related to the effects of the restructuring process carried out at Itaú Unibanco. If this increase in expenses with employee terminations were disregarded, personnel expenses would have dropped by 0.9%. Administrative expenses increased R$231 million (6.7%) in the quarter, mainly due to seasonal factors and higher marketing expenses in the quarter, in addition to the standardization of accounting criteria for depreciation between group companies. When compared to the first half of 2011, expenses grew 5.8% as a result of the effects of the completion of the integration of Itaú and Unibanco and the dissemination of practices related to the efficiency project which accounts for the strong performance in the control of our expenses. Disregarding expenses increased in the semester due to terminations and its corresponding labor claims, total non-interest expenses would have remained normally unchanged in the year to date.

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



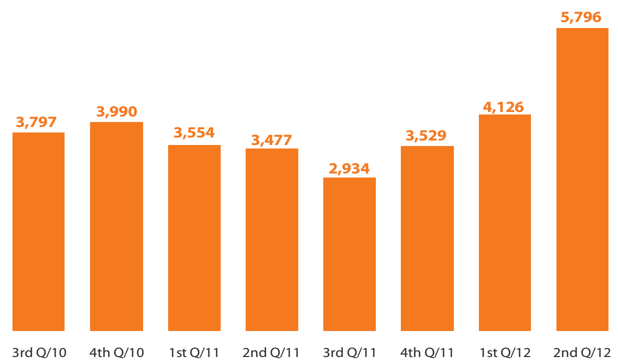
(*) The criteria for calculating the ratios are detailed on page 23

In the second quarter of 2012, the efficiency ratio reached 45.0%, an increase of 50 basis points from the first quarter. In the year to June, the efficiency ratio reached 44.8%, a decrease of 280 basis points from the same period of the previous year. This was a result of the 12.2% increase in operating revenues in relation to an increase of 5.8% in non-interest expenses.

The risk-adjusted efficiency ratio for the second quarter of 2012 was 73.0%, an increase of 40 basis points from the first quarter of 2012, due to the same factors that impacted the efficiency ratio, partially offset by the increase in loan losses and claims net of recovery.

Unrealized Gains

R$ million



Unrealized gains grew 40.5% from the previous quarter and totaled R$5,796 million at the end of the second quarter of 2012. The main effects arise from the higher market value of our securities and credit portfolios. The balance of the unrealized gains from our available for sale portfolio reached R$1,517 million in June, 2012.

Balance Sheet | Assets

R$ million

	Jun 30,12	Mar 31,12	Jun 30,11	Variation Jun 30,12 - Mar 31,12	Variation Jun 30,12 - Jun 30,11
Current and Long-term Assets	**875,964**	**885,032**	**782,732**	**-1.0%**	**11.9%**
Cash and Cash Equivalents	13,614	10,551	15,186	29.0%	-10.3%
Short-term Interbank Investments	119,934	144,399	98,445	-16.9%	21.8%
Securities and Derivative Financial Instruments	214,369	201,616	180,733	6.3%	18.6%
Interbank and Interbranch Accounts	77,937	80,017	96,245	-2.6%	-19.0%
Loan, Lease and Other Loan Operations	356,789	347,369	316,964	2.7%	12.6%
(Allowance for Loan Losses)	(27,056)	(25,951)	(23,775)	4.3%	13.8%
Other Assets	120,377	127,032	98,934	-5.2%	21.7%
Foreign Exchange Portfolio	36,584	49,092	24,869	-25.5%	47.1%
Other	83,793	77,939	74,065	7.5%	13.1%
Permanent Assets	**12,845**	**11,809**	**10,947**	**8.8%**	**17.3%**
Investments	3,265	2,634	2,974	24.0%	9.8%
Fixed and Operating Lease Assets	5,277	5,156	4,781	2.3%	10.4%
Intangible Assets and Goodwill	4,303	4,019	3,191	7.1%	34.8%
TOTAL ASSETS	**888,809**	**896,842**	**793,679**	**-0.9%**	**12.0%**

On June 30, 2012, our total assets amounted to R$888.8 billion, corresponding to a decrease of 0.9% when compared to the end of the previous quarter and an increase of 12.0% in relation to the same period of the previous year. We highlight the drop of 16.9% in short-term interbank investments in this quarter, explained by the reduction in deposits received under securities repurchase agreements, and the reduction of 25.5% in our foreign exchange portfolio, which was mainly impacted by the reduction of spot and forward exchange instruments, with an equivalent reduction in our liabilities. These drops were partially offset by increases of 2.7% in our credit operations (without endorsements and sureties), which totaled R$356.8 billion, and of 6.3% in our securities and derivative financial instruments portfolio.

In summary, the reduction of R$8.0 billion in our assets in the second quarter was a result of the reductions of R$24.5 billion in short-term interbank investments and of R$12.5 billion in the foreign exchange portfolio, which were partially offset by the increases of R$12.8 billion in securities and derivative financial instruments and of R$9.4 billion in the credit portfolio.

Balance Sheet | Liabilities and Equity

R$ million

	Jun 30,12	Mar 31,12	Jun 30,11	Variation Jun 30,12 - Mar 31,12	Variation Jun 30,12 - Jun 30,11
Current and Long-term Liabilities	**810,535**	**821,611**	**724,006**	**-1.3%**	**12.0%**
Deposits	234,975	231,345	208,914	1.6%	12.5%
Demand Deposits	31,361	26,903	24,463	16.6%	28.2%
Savings Deposits	73,056	68,488	60,008	6.7%	21.7%
Interbank Deposits	9,686	8,569	2,802	13.0%	245.6%
Time Deposits	120,872	127,385	121,641	-5.1%	-0.6%
Deposits Received under Securities Repurchase Agreements	195,100	212,668	197,864	-8.3%	-1.4%
Fund from Acceptances and Issue of Securities	54,296	49,336	32,297	10.1%	68.1%
Interbank and Interbranch Accounts	8,100	9,331	8,519	-13.2%	-4.9%
Borrowings and Onlendings	55,579	52,074	52,947	6.7%	5.0%
Derivative Financial Instruments	9,215	7,623	6,887	20.9%	33.8%
Technical Provisions for Insurance, Pension Plans and Capitalization	82,553	77,830	66,703	6.1%	23.8%
Other Liabilities	170,717	181,405	149,875	-5.9%	13.9%
Subordinated Debt	42,948	44,984	37,210	-4.5%	15.4%
Foreign Exchange Portfolio	36,775	49,364	25,458	-25.5%	44.5%
Other	90,994	87,056	87,206	4.5%	4.3%
Deferred Income	**821**	**843**	**829**	**-2.6%**	**-0.9%**
Minority Interest in Subsidiaries	**1,817**	**1,904**	**2,762**	**-4.6%**	**-34.2%**
Stockholders' Equity	**75,636**	**72,484**	**66,083**	**4.3%**	**14.5%**
TOTAL LIABILITIES AND EQUITY	**888,809**	**896,842**	**793,679**	**-0.9%**	**12.0%**

Our stockholders' equity grew 4.3% in the first quarter of 2012 and reached R$75,636 million. Liabilities dropped in the second quarter of this year due to the decrease of 8.3% in deposits received under securities repurchase agreements and reduction of 25.5% in the foreign exchange portfolio, which were offset by increases of 1.6% in deposits and of 6.1% in technical provisions for insurance, pension plan and capitalization. Year-on-year, stockholders' equity showed a growth of 14.5%, deposits grew 12.5%, technical provisions for insurance, pension plan and capitalization increased 23.8% and the foreign exchange portfolio was up 44.5%.

In summary, the decrease in liabilities and equity in the second quarter is a result of the decreases of R$17.6 billion in deposits received under securities repurchase agreements and of R$12.6 billion in the foreign exchange portfolio which were partially offset by the increase of R$3.6 billion in deposits and of R$4.7 billion in the technical provisions for insurance, pension plan and capitalization.

Credit Portfolio with Endorsements and Sureties

The credit portfolio, including endorsements and sureties, amounted to R$413,399 million on June 30, 2012, growing 3.2% quarter-on-quarter, and 14.8% from the same period of the previous year.

In the individuals segment, the highlights were the mortgage loan and payroll loan (part of personal loan) portfolios, which increased 7.8% and 5.1% in the quarter, respectively. In the 12-month period, these products increased 43.3% and 30.0%, respectively.

The companies segment grew 4.3% in the quarter and 15.6% in the 12-month period. The corporate portfolio increased 5.8% in the quarter and 22.1% in the last 12 months, whereas the very small, small and middle market companies portfolio grew 1.9% from the first quarter of 2012 and 6.3% in the last 12 months, driven by the growth of the mid-sized companies portfolio.

Our operations in Latin America continue to grow consistently. In the first quarter of 2012, this portfolio grew 14.8% and totaled R$24,923 million. Year-on-year, the growth reached 60.8%.

The balance of endorsements and sureties totaled R$56,611 million on June 30, 2012, representing an increase of 6.5% in the quarter and of 31.2% in the last 12 months, mainly due to the higher volume of transactions with large companies, which grew 6.3% from March 31, 2012 and 30.8% in relation to June 30, 2011.

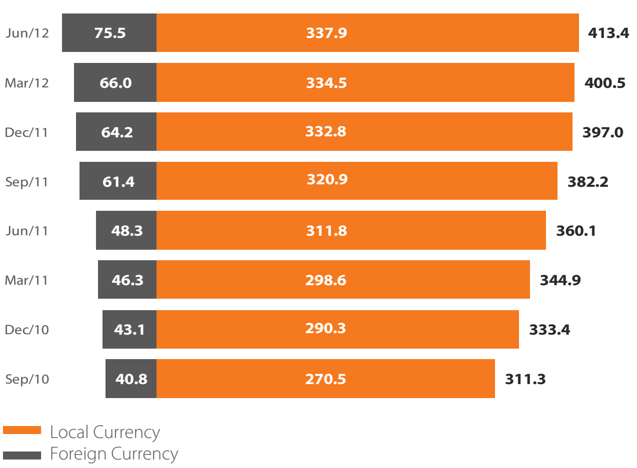
R$ million

	Jun 30,12	Mar 31,12	Dec 31,11	Jun 30,11	Variation		
					Jun/12 – Mar/12	Jun/12 – Dec/11	Jun/12 – Jun/11
Individuals – Brazil	**147,331**	**147,570**	**147,573**	**135,942**	**-0.2%**	**-0.2%**	**8.4%**
Credit Card	36,777	36,574	38,961	34,555	0.6%	-5.6%	6.4%
Personal Loans	38,243	37,351	35,069	30,262	2.4%	9.1%	26.4%
Vehicles	56,575	59,054	60,093	60,141	-4.2%	-5.9%	-5.9%
Mortgage Loans (*)	15,736	14,591	13,450	10,984	7.8%	17.0%	43.3%
Companies (**) – Brazil	**241,145**	**231,232**	**228,761**	**208,668**	**4.3%**	**5.4%**	**15.6%**
Corporate	149,487	141,253	138,384	122,453	5.8%	8.0%	22.1%
Very Small, Small and Middle Market (***)	91,658	89,979	90,378	86,215	1.9%	1.4%	6.3%
Argentina/Chile/Uruguay/Paraguay	**24,923**	**21,717**	**20,678**	**15,497**	**14.8%**	**20.5%**	**60.8%**
Total with Endorsements and Sureties	**413,399**	**400,519**	**397,012**	**360,107**	**3.2%**	**4.1%**	**14.8%**
Total Retail – Brazil (****)	**238,989**	**237,549**	**237,950**	**222,157**	**0.6%**	**0.4%**	**7.6%**
Total Retail – Brazil (ex-Vehicles)	**182,414**	**178,495**	**177,857**	**162,016**	**2.2%**	**2.6%**	**12.6%**
Endorsements and Sureties	**56,611**	**53,150**	**51,530**	**43,144**	**6.5%**	**9.9%**	**31.2%**
Individuals	214	212	267	237	1.0%	-19.8%	-9.7%
Corporate	51,170	48,123	46,630	39,113	6.3%	9.7%	30.8%
Very Small, Small and Middle Market	3,662	3,409	3,214	2,969	7.4%	13.9%	23.3%
Argentina/Chile/Uruguay/Paraguay	1,565	1,405	1,419	825	11.4%	10.3%	89.8%

(*) The table does not include co-obligation in mortgage loan assignments made in 4Q11 in the amount of R$463.6 million. (**) In 2Q12, we reclassified part of corporate clients registered in the NY branch to the very small, small and middle market companies and, for comparison purposes, we reprocessed their history. (***) Includes Rural Loans to Individuals. (****) Includes Individuals and Very Small, Small and Middle Market companies. Note: the acquired payroll loans portfolio is considered a corporate risk. Mortgage and Rural Loans portfolios from the businesses segment are allocated according to the client's size. For more details, see page 27. If the effect of the foreign exchange variation on the corporate portfolio is disregarded, the growth of this portfolio would be 2.8% in 2Q12 and 14.5% in the last 12 months and in our total credit portfolio, the growth would be 1.4% in 2Q12 and 10.4% in the last 12 months.

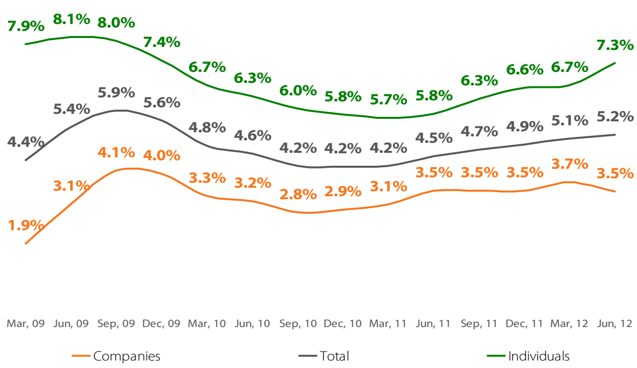
Credit Portfolio – Currency Disclosure

R$ billion



On June 30, 2012, R$75.5 billion of our total credit assets were denominated in, or indexed to, foreign currencies. With the depreciation of the Brazilian real in relation to these currencies, in particularly to the U.S. dollar, in relation to which it depreciated 10.9%, the total balance of loan operations in foreign currencies grew 14.4% in the second quarter of 2012.

NPL Ratio (overdue 90 days)



The NPL ratio for operations more than 90 days overdue (NPL-90), was practically unchanged in the quarter, representing 5.2% of our credit portfolio at the end of the second quarter of 2012. This indicator increased 10 basis points as compared to the ratio of the previous quarter and 70 basis points from June, 2011.

2012 Expectations

The table below presents our current expectations related to 2012:

Credit	Expectation
Total Credit Portfolio (without vehicles for individuals)	**Growth from 13% to 15%**
Vehicle Portfolio for Individuals	**Decreasing to R$ 50 billion - R$ 52 billion**
Expenses for Provision for Loan Losses	**3rd/Q12: From R$ 6.0 billion to R$ 6.5 billion** **4th/Q12: From R$ 5.7 billion to R$ 6.2 billion**
Banking Service Fees and Result of Insurance, Pension Plan and Capitalization *	**Growth of 10% to 12%**
Non-Interest Expenses	**Growth of 3.5% to 6.5%**
Efficiency Ratio	**Improvement of 200 to 300 basis points**

(*) Banking Service Fees (+) Income from Insurance, Pension Plan and Capitalization Operations (-) Expenses for Claims (-) Selling Expenses with Insurance, Pension Plan and Capitalization.

Although the growth plans and projections of results presented above are based on assumptions of management and information available in the market to date, these expectations involve inaccuracies and risks that are difficult to anticipate and there may be, therefore, results or consequences that differ from those anticipated. This information is not a guarantee of future performance. The use of these expectations should take into consideration the risks and uncertainties that involve any activities and that are out of our control. These risks and uncertainties include, and are not limited to, our ability to perceive the dimension of the synergies projected and their timing, political and economic changes, volatility in interest and foreign exchange rates, technological changes, inflation, financial disintermediation, competitive pressures over products, prices, changes in tax legislation, among others.