

## **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, 2010 and 2009, 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\$ 2,196 million in the period and stockholders' equity totaled R\$ 8,052 million. Net income per share was R\$ 207,78, whereas its book value per share was R\$ 761,89.

### **ASSETS AND FUNDS RAISED**

Assets totaled R\$ 193,392 million and were substantially made up of R\$ 121,951 million of Interbank Investments and Securities and Derivative Financial Instruments, and R\$ 64,603 million of Loan, Lease, Other Credit Operations and Foreign Exchange Portfolio. Raised and Managed Funds represented R\$ 174,213 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\$ 63 million, corresponding to only 0.10% of total securities held.

### **ACKNOWLEDGEMENTS**

We thank our shareholders for their indispensable support and trust to 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 22, 2011.

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  
ALMIR VIGNOTO  
ANDRÉ EMILIO KOK NETO  
ANDRÉ LUÍS TEIXEIRA RODRIGUES  
ELAINE CRISTINA ZANATTA RODRIGUES VASQUINHO  
FERNANDO FONTES IUNES  
MILTON MALUHY FILHO  
NICOLAU FERREIRA CHACUR

## Directors

ADRIANO LIMA BORGES  
ALBERTO ZOFFMANN DO ESPÍRITO SANTO  
ALEXANDRE ENRICO SILVA FIGLIOLINO  
ÁLVARO DE ALVARENGA FREIRE PIMENTEL  
ANDRÉ CARVALHO WHYTE GAILEY  
ANDRÉ FERRARI  
ANDRÉ LUIZ HELMEISTER  
ANTONIO JOSÉ CALHEIROS RIBEIRO FERREIRA  
ANTONIO SANCHEZ JUNIOR  
EDUARDO CARDOSO ARMONIA  
EDUARDO CORSETTI  
EMERSON SAVI JUNQUEIRA  
FABIO MASSASHI OKUMURA  
FLÁVIO DELFINO JÚNIOR (\*)  
GILBERTO FRUSSA  
GUILHERME DE ALENCAR AMADO  
GUSTAVO HENRIQUE PENHA TAVARES  
HENRIQUE RUTHER  
ILAN GOLDFAJN  
JOÃO CARLOS DE GÊNOVA  
JOÃO MARCOS PEQUENO DE BIASE  
JORGE BEDRAN JETTAR  
JOSÉ AUGUSTO DURAND  
JOSÉ IRINEU NUNES BRAGA  
LILIAN SALA PULZATTO KIEFER  
LUÍS ALBERTO PIMENTA GARCIA  
LUIZ MARCELO ALVES DE MORAES  
MARCELO DA COSTA LOURENÇO (\*\*)  
MARCELO MAZIERO  
MARCO ANTONIO SUDANO  
MARCOS AUGUSTO CAETANO DA SILVA FILHO  
MARIO ANTONIO BERTONCINI  
MÁRIO LÚCIO GURGEL PIRES  
MÁRIO LUÍS BRUGNETTI  
PASCHOAL PIPOLO BAPTISTA  
PAULO DE PAULA ABREU  
PAULO ROBERTO SCHIAVON DE ANDRADE  
PEDRO REZENDE MARINHO NUNES  
RODRIGO PASTOR FACEIRO LIMA

(\*) Elected at the Board Meeting of 1/3/2011 - Awaiting approval from BACEN

(\*\*) Elected at the Board Meeting of 2/1/2011 - Awaiting approval from BACEN

### Accountant

CARLOS ANDRÉ HERMESINDO DA SILVA  
CRC - 1SP - 281.528/O-1

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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	12/31/2010	12/31/2009
<b>CURRENT ASSETS</b>	<b>128,198,206</b>	<b>69,406,801</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>532,482</b>	<b>333,435</b>
<b>INTERBANK INVESTMENTS (Notes 3b and 5)</b>	<b>41,345,203</b>	<b>19,387,271</b>
Money market	11,999,966	4,320,775
Interbank deposits	29,345,237	15,066,496
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3c, 3d and 6)</b>	<b>45,134,496</b>	<b>18,368,821</b>
Own portfolio	10,253,133	9,376,607
Subject to repurchase commitments	26,687,536	2,375,661
Pledged in guarantee	3,107,975	3,829,620
Deposited with the Central Bank	-	1,055
Derivative financial instruments	5,085,852	2,785,878
<b>INTERBANK ACCOUNTS</b>	<b>2,414,034</b>	<b>97,628</b>
Central Bank deposits	2,412,235	3,812
Correspondents	1,799	88,718
Interbank onlending	-	5,098
<b>INTERBRANCH ACCOUNTS - Internal transfers of funds</b>	<b>-</b>	<b>1,277</b>
<b>LOAN OPERATIONS (Notes 3e, 3g and 7)</b>	<b>24,541,392</b>	<b>20,749,551</b>
Loans	24,831,966	21,235,688
(Allowance for loan losses)	(290,574)	(486,137)
<b>LEASE OPERATIONS (Notes 3f, 3g and 7d)</b>	<b>2,005</b>	<b>1,873</b>
Lease receivable and guaranteed residual value	1,384,894	1,017,777
(Unearned income and offsetting residual value)	(1,311,033)	(944,975)
(Allowance for doubtful lease receivables)	(71,856)	(70,929)
<b>OTHER RECEIVABLES</b>	<b>14,185,846</b>	<b>10,374,315</b>
Foreign exchange portfolio (Note 8)	11,402,930	9,174,170
Income receivable	56,776	43,505
Negotiation and intermediation of securities	1,018,081	139,270
Sundry (Note 11a)	1,735,092	1,094,179
(Allowance for loan losses) (Notes 3g and 7e)	(27,033)	(76,809)
<b>OTHER ASSETS (Note 3h)</b>	<b>42,748</b>	<b>92,630</b>
Other assets	4,189	18,198
Prepaid expenses	38,559	74,432
<b>LONG-TERM RECEIVABLES</b>	<b>59,291,966</b>	<b>51,407,592</b>
<b>INTERBANK INVESTMENTS (Notes 3b and 5)</b>	<b>13,994,444</b>	<b>17,823,806</b>
Money market	9,826,585	11,842,085
Interbank deposits	4,167,859	5,981,721
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3c, 3d and 6)</b>	<b>21,477,071</b>	<b>15,825,353</b>
Own portfolio	4,520,337	2,405,715
Subject to repurchase commitments	14,800,851	12,034,740
Pledged in guarantee	32,063	31,078
Derivative financial instruments	2,123,820	1,353,820
<b>LOAN OPERATIONS (Notes 3e, 3g and 7)</b>	<b>23,264,741</b>	<b>16,920,168</b>
Loans	23,786,918	18,196,636
(Allowance for loan losses)	(522,177)	(1,276,468)
<b>LEASE OPERATIONS (Notes 3f, 3g and 7d)</b>	<b>73,988</b>	<b>98,379</b>
Lease receivable and guaranteed residual value	4,079,537	4,692,119
(Unearned income and offsetting residual value)	(3,987,377)	(4,578,252)
(Allowance for doubtful lease receivables)	(18,172)	(15,488)
<b>OTHER RECEIVABLES</b>	<b>469,951</b>	<b>715,976</b>
Foreign exchange portfolio (Note 8)	1,767	25,068
Income receivable	2,094	-
Sundry (Note 11a)	466,644	690,965
(Allowance for loan losses) (Notes 3g and 7e)	(554)	(57)
<b>OTHER ASSETS - Prepaid expenses (Note 3h)</b>	<b>11,771</b>	<b>23,910</b>
<b>PERMANENT ASSETS</b>	<b>5,902,232</b>	<b>6,180,733</b>
<b>INVESTMENTS (Note 3i)</b>	<b>256,806</b>	<b>222,514</b>
Investments in subsidiaries and affiliates (Note 13)	74,669	124,878
Domestic	73,179	123,154
Foreign	1,490	1,724
Other investments	197,683	100,789
(Allowance for loan losses)	(15,546)	(3,153)
<b>FIXED ASSETS (Note 3j)</b>	<b>124,622</b>	<b>90,447</b>
Real estate in use	24,387	19,938
Other fixed assets	182,874	132,068
(Accumulated depreciation)	(82,639)	(61,559)
<b>OPERATING LEASE ASSETS (Notes 3k, 3l and 7d)</b>	<b>4,443,762</b>	<b>4,371,889</b>
Leased assets	4,228,970	4,199,014
(Accumulated depreciation)	214,792	172,875
<b>INTANGIBLE ASSETS (Note 3m)</b>	<b>1,077,042</b>	<b>1,495,883</b>
Acquisition of rights to credit payroll	270	270
Other intangible assets	2,179,213	2,179,213
(Accumulated amortization)	(1,102,441)	(683,600)
<b>TOTAL ASSETS</b>	<b>193,392,404</b>	<b>126,995,126</b>

## BANCO ITAÚ BBA S.A.

## Balance Sheet

(In thousands of reais)

LIABILITIES	12/31/2010	12/31/2009
<b>CURRENT LIABILITIES</b>	<b>123,478,268</b>	<b>71,538,953</b>
<b>DEPOSITS (Notes 3b and 9)</b>	<b>46,818,715</b>	<b>32,558,151</b>
Demand deposits	1,723,371	1,112,938
Interbank deposits	26,282,801	21,524,936
Time deposits	18,811,239	9,916,894
Other deposits	1,304	3,383
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 3b and 9)</b>	<b>40,357,979</b>	<b>18,015,017</b>
Own portfolio	28,226,574	3,646,023
Third-party portfolio	12,107,733	14,368,994
Free portfolio	23,672	-
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 3b and 9)</b>	<b>4,036,276</b>	<b>1,983,829</b>
Real estate, mortgage, credit and similar notes	2,618,816	1,484,524
Foreign borrowings through securities	1,417,460	499,305
<b>INTERBANK ACCOUNTS – Onlending</b>	<b>8,740</b>	<b>44,602</b>
<b>INTERBRANCH ACCOUNTS</b>	<b>938,480</b>	<b>874,553</b>
Third-party funds in transit	938,415	874,553
Internal transfer of funds	65	-
<b>BORROWINGS (Notes 3b and 9)</b>	<b>8,262,837</b>	<b>4,416,466</b>
Domestic – Other institutions	-	1,545
Foreign	8,262,837	4,414,921
<b>DOMESTIC ONLENDING (Notes 3b and 9)</b>	<b>4,515,265</b>	<b>1,464,596</b>
National Treasury	544	5,088
BNDES	1,427,538	861,165
CEF	14,265	12,578
FINAME	2,994,083	454,667
Other institutions	78,835	131,098
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3d and 6b)</b>	<b>4,616,599</b>	<b>2,340,372</b>
<b>OTHER LIABILITIES</b>	<b>13,923,377</b>	<b>9,841,367</b>
Collection and payment of taxes and contributions	20,842	21,528
Foreign exchange portfolio (Note 8)	9,593,301	6,900,091
Social and statutory (Note 14b)	1,149,029	879,604
Tax and social security contributions (Notes 3o, 3p and 12c)	1,632,253	1,310,992
Negotiation and intermediation of securities	856,666	177,123
Advances for guaranteed residual values (Notes 3f and 7d)	523,387	246,021
Sundry (Note 11b)	147,899	306,008
<b>LONG-TERM LIABILITIES</b>	<b>61,763,710</b>	<b>49,012,222</b>
<b>DEPOSITS (Notes 3b and 9)</b>	<b>25,474,239</b>	<b>24,312,524</b>
Interbank deposits	20,361,141	22,382,182
Time deposits	5,113,098	1,930,342
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 3b and 9)</b>	<b>20,391,710</b>	<b>11,077,081</b>
Own portfolio	14,267,278	10,976,680
Third-party portfolio	3,366,644	-
Free portfolio	2,757,788	100,401
<b>FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES (Notes 3b and 9)</b>	<b>1,632,621</b>	<b>727,141</b>
Real estate, mortgage, credit and similar notes	113,992	3,528
Foreign borrowings through securities	1,518,629	723,613
<b>INTERBANK ACCOUNTS – Onlending</b>	<b>17,250</b>	<b>-</b>
<b>BORROWINGS (Notes 3b and 9)</b>	<b>1,101,600</b>	<b>2,882,096</b>
Domestic – Other institutions	1,555	-
Foreign	1,100,045	2,882,096
<b>DOMESTIC ONLENDING (Notes 3b and 9)</b>	<b>10,003,959</b>	<b>7,095,141</b>
National Treasury	2,119	-
BNDES	4,030,871	3,973,755
CEF	62,470	74,473
FINAME	5,870,665	3,032,426
Other institutions	37,834	14,487
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 3d and 6b)</b>	<b>1,492,825</b>	<b>1,415,392</b>
<b>OTHER LIABILITIES</b>	<b>1,649,506</b>	<b>1,502,847</b>
Foreign exchange portfolio (Note 8)	1,855	25,086
Social and statutory (Note 14b)	23,861	-
Tax and social security contributions (Notes 3o, 3p and 12c)	26,297	38,964
Advances for guaranteed residual values (Notes 3f and 7d)	1,538,474	1,434,905
Sundry (Note 11b)	59,019	3,892
<b>DEFERRED INCOME (Note 3q)</b>	<b>97,966</b>	<b>57,287</b>
<b>STOCKHOLDERS' EQUITY (Note 14)</b>	<b>8,052,460</b>	<b>6,386,664</b>
Capital	4,224,086	4,224,086
Capital reserves	16,907	15,372
Revenue reserves	3,734,468	2,104,444
Asset valuation adjustment (Notes 3c and 6a)	76,999	42,762
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>193,392,404</b>	<b>126,995,126</b>

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

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

	2nd half 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>8,831,788</b>	<b>15,809,451</b>	<b>12,595,901</b>
Loans (Note 3e)	2,286,053	4,447,532	3,189,602
Lease operations (Note 3f)	843,987	1,731,622	1,399,245
Securities	4,001,008	7,352,686	5,523,564
Derivative financial instruments	1,611,386	1,984,555	2,620,279
Foreign exchange operations	19,639	196,217	(136,789)
Compulsory deposits	69,715	96,839	-
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(5,193,760)</b>	<b>(10,958,431)</b>	<b>(7,800,952)</b>
Money market	(5,225,090)	(9,467,540)	(7,485,876)
Borrowings and onlending	(319,634)	(884,145)	767,166
Lease operations (Note 3f)	(621,816)	(1,267,486)	(989,699)
(Reversal) Allowance for loan losses (Notes 3g and 7e)	972,780	660,740	(92,543)
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>3,638,028</b>	<b>4,851,020</b>	<b>4,794,949</b>
<b>OTHER OPERATING REVENUES (EXPENSES)</b>	<b>(608,450)</b>	<b>(1,293,761)</b>	<b>(1,306,620)</b>
Banking service fees (Note 11c)	450,406	830,156	568,341
Personnel expenses	(461,889)	(977,667)	(745,431)
Other administrative expenses (Note 11d)	(201,131)	(405,861)	(372,011)
Tax expenses (Notes 3p and 12a II)	(195,276)	(314,358)	(357,538)
Equity in earnings of subsidiaries and affiliates (Notes 3i and 13)	41,338	33,753	10,447
Other operating revenues	41,879	81,556	94,023
Other operating expenses (Note 11e)	(283,777)	(541,340)	(504,451)
<b>OPERATING INCOME</b>	<b>3,029,578</b>	<b>3,557,259</b>	<b>3,488,329</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>	<b>12,757</b>	<b>12,310</b>	<b>6,599</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>3,042,335</b>	<b>3,569,569</b>	<b>3,494,928</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Notes 3p and 12a I)</b>	<b>(1,187,238)</b>	<b>(1,271,806)</b>	<b>(1,554,924)</b>
Due on operations for the period	(390,823)	(604,813)	(835,277)
Related to temporary differences	(796,415)	(666,993)	(719,647)
<b>PROFIT SHARING – Officers - Statutory – Law No. 6,404 of 12/15/1976</b>	<b>(64,313)</b>	<b>(101,759)</b>	<b>(93,079)</b>
<b>NET INCOME</b>	<b>1,790,784</b>	<b>2,196,004</b>	<b>1,846,925</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>207.78</b>	<b>174.75</b>
<b>BOOK VALUE PER SHARE – R\$</b>		<b>761.89</b>	<b>604.28</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, 2010</b>	<b>4,224,086</b>	<b>16,417</b>	<b>2,408,595</b>	<b>39,704</b>	-	<b>6,688,802</b>
Change in adjustment to market value	-	1,134	-	37,295	-	38,429
Granting of stock options recognized by subsidiaries	-	(644)	-	-	-	(644)
Net Income	-	-	-	-	1,790,784	1,790,784
Appropriations:						
Legal reserve	-	-	89,539	-	(89,539)	-
Statutory reserve	-	-	1,236,334	-	(1,236,334)	-
Dividends	-	-	-	-	(200,911)	(200,911)
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>490</b>	<b>1,325,873</b>	<b>37,295</b>	-	<b>1,363,658</b>
<b>BALANCES AT JANUARY 1, 2009</b>	<b>4,223,086</b>	<b>15,372</b>	<b>1,439,548</b>	<b>(17,288)</b>	<b>203,263</b>	<b>5,863,981</b>
Merger – ESM of 02/28/2009	-	-	(3,221)	-	-	(3,221)
Capital increase - ESM of 06/30/2009	1,000	-	-	-	-	1,000
Change in adjustment to market value	-	-	-	60,050	-	60,050
Net Income	-	-	-	-	1,846,925	1,846,925
Appropriations:						
Legal reserve	-	-	92,346	-	(92,346)	-
Statutory reserve	-	-	1,475,771	-	(1,475,771)	-
Dividends	-	-	(900,000)	-	(160,371)	(1,060,371)
Interest on capital	-	-	-	-	(321,700)	(321,700)
<b>BALANCES AT DECEMBER 31, 2009</b>	<b>4,224,086</b>	<b>15,372</b>	<b>2,104,444</b>	<b>42,762</b>	-	<b>6,386,664</b>
<b>CHANGES IN THE PERIOD</b>	<b>1,000</b>	-	<b>664,896</b>	<b>60,050</b>	<b>(203,263)</b>	<b>522,683</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>

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 2010	01/01 to 12/31/2010	01/01 to 12/31/2009
<b>ADJUSTED NET INCOME</b>	<b>1,234,577</b>	<b>817,589</b>	<b>2,411,530</b>
Net Income	1,790,784	2,196,004	1,846,925
Adjustments to net income:	(556,207)	(1,378,415)	564,605
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(282,817)	(135,045)	(497,924)
Effects of changes in exchange rates on cash and cash equivalents	1,001,141	907,456	640,247
(Reversal) Allowance for loan losses	(972,780)	(660,740)	92,543
Depreciation and amortization	11,822	22,280	15,660
Amortization of goodwill	236,748	440,929	375,044
Deferred taxes	796,415	666,993	719,647
Equity in earnings of subsidiaries and affiliates	(41,338)	(33,753)	(10,447)
Income from available-for-sale securities	(1,307,080)	(2,593,260)	(788,150)
Income from held-to-maturity securities	(10,711)	(5,668)	22,357
(Income) loss from sale of investments	-	-	(4,372)
Provision for losses on other investments	-	12,393	-
<b>CHANGE IN ASSETS AND LIABILITIES</b>	<b>4,712,778</b>	<b>15,719,073</b>	<b>(3,692,679)</b>
(Increase) decrease in interbank investments	2,011,682	(2,521,581)	(1,823,680)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(18,937,310)	(27,803,790)	21,784
(Increase) decrease in compulsory deposits with the Central Bank of Brazil	(1,446,830)	(2,408,423)	(2,813)
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)	384,727	138,609	135,490
(Increase) decrease in loan and lease operations	(6,429,096)	(9,191,595)	594,141
(Increase) decrease in other receivables and other assets	(1,770,448)	(1,630,935)	1,179,835
(Increase) decrease in foreign exchange portfolio and negotiation of securities (assets/liabilities)	104,785	464,520	(1,713,376)
(Decrease) increase in deposits	5,165,071	15,422,279	(19,105,726)
(Decrease) increase in deposits received under securities repurchase agreements	16,054,057	31,657,591	18,459,971
(Decrease) increase in funds for issuance of securities	2,121,007	2,957,927	(510,225)
(Decrease) increase in borrowings and onlending	6,344,324	8,025,362	340,366
(Decrease) increase in other liabilities	1,182,022	1,044,466	(452,403)
Changes in deferred income	44,428	40,679	13,126
Payment of income tax and social security contribution	(115,641)	(476,036)	(829,169)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>5,947,355</b>	<b>16,536,662</b>	<b>(1,281,149)</b>
Dividends and interest on capital received	5	64	444
Funds received from sale of available-for-sale securities	1,639,255	4,635,405	4,046,262
Funds received from sale of held-to-maturity securities	23,485	23,485	1,461
(Purchase) disposal of investments	(12,267)	(23,561)	2,803
Purchase of available-for-sale securities	(41,740)	(4,133,176)	(14,970,545)
Increase in the capital of subsidiaries	(9,459)	(9,459)	-
Cash and cash equivalents of assets and liabilities received in the corporate restructuring	-	-	27
(Purchase) disposal of assets not for own use	13,234	13,972	22,755
(Purchase) disposal of fixed assets	(42,162)	(56,455)	(66,196)
(Purchase) disposal of intangible assets	-	-	(237)
<b>NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES</b>	<b>1,570,351</b>	<b>450,275</b>	<b>(10,963,226)</b>
Capital increase	-	-	1,000
Dividends and interest on capital paid	-	(273,445)	(1,048,970)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>-</b>	<b>(273,445)</b>	<b>(1,047,970)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Notes 3a and 4)</b>	<b>7,517,706</b>	<b>16,713,492</b>	<b>(13,292,345)</b>
At the beginning of the period	13,317,452	4,027,981	17,960,573
Effects of changes in exchange rates on cash and cash equivalents	(1,001,141)	(907,456)	(640,247)
At the end of the period	19,834,017	19,834,017	4,027,981

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, 2010 AND 2009**  
(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.

**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 16c).

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 Statement of Cash Flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits and securities purchased under agreements to resell – funded position that have original maturities of up to 90 days or less.
- b) **Interbank investments, remunerated restricted credits – 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 statements of income.

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

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

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

**e) Loan, Lease and Other Credit Operations (Operations with credit granting characteristics)** - These transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index and 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 considerations and guaranteed residual value receivable from lease operations is recognized as depreciation in excess/deficient in the lease assets so as to make the accounting practices compatible in accordance 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 operations 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 controls. The items acquired through lease contracts are recorded according to CVM Resolution No. 554, of November 12, 2008, as contra-entry to Lease obligations. Depreciation is calculated using the straight-line method, based on monetarily restated cost, at the following annual rates:

Real estate in use	4% 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 restated 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 it 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 from 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 rights acquired whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution No. 3,642, of November 26, 2008. They are composed of goodwill from merger corresponding to the goodwill paid upon the acquisition of companies, which is transferred to intangible assets due to the absorption of the companies' net equity, as determined by Law No. 9,532/97, and are amortized over the terms determined in appraisal reports, rights acquired to credit payrolls amortized over the agreement terms.
- n) Impairment of assets** – a loss is recognized when there are clear evidences that assets are stated at a non-recoverable value. This procedure is adopted annually, at the end of each year.
- 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 lawsuits and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recognized; possible, which are disclosed but not recognized; and remote, for which recognition or disclosure are not required. Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts.

Escrow deposits are restated in accordance with the current legislation.

**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.

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

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

#### NOTE 4 - CASH AND CASH EQUIVALENTS

	12/31/2010	12/31/2009
Cash and cash equivalents	532,482	333,435
Securities purchased under agreements to resell – Funded position	943,883	-
Interbank deposits	18,357,652	3,694,546
<b>TOTAL</b>	<b>19,834,017</b>	<b>4,027,981</b>

#### NOTE 5 - INTERBANK INVESTMENTS

	12/31/2010					12/31/2009			
	0 - 30	31 - 180	181 - 365	Over 365	Total	%	Total	%	
<b>Money market</b>	<b>4,160,712</b>	<b>7,839,254</b>	<b>-</b>	<b>9,826,585</b>	<b>21,826,551</b>	<b>39.4</b>	<b>16,162,860</b>	<b>43.5</b>	
Funded position (*)	943,883	2,097,211	-	185,136	3,226,230	5.8	1,341,220	3.6	
Financed position	3,216,829	2,962,648	-	9,641,449	15,820,926	28.6	14,719,686	39.6	
Short position	-	2,779,395	-	-	2,779,395	5.0	101,954	0.3	
<b>Interbank deposits</b>	<b>25,502,693</b>	<b>1,349,420</b>	<b>2,493,124</b>	<b>4,167,859</b>	<b>33,513,096</b>	<b>60.6</b>	<b>21,048,217</b>	<b>56.5</b>	
<b>TOTAL</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>	<b>100.0</b>	<b>37,211,077</b>	<b>100.0</b>	
% per maturity term	53.6	16.6	4.5	25.3					

(\*) Includes R\$ 1,956,048 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**

	12/31/2010											12/31/2009
	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>8,588,892</b>	<b>33,562</b>	<b>42</b>	<b>8,622,496</b>	<b>12.9</b>	<b>417,112</b>	<b>-</b>	<b>3,912,625</b>	<b>558,011</b>	<b>956,435</b>	<b>2,778,313</b>	<b>4,506,157</b>
Financial Treasury Bills	2,586	-	-	2,586	-	-	-	-	-	-	2,586	3,491
National Treasury Bills	1,084,888	274	-	1,085,162	1.6	364,693	-	48,695	285,907	189,210	196,657	1,064,863
National Treasury Notes	7,499,701	33,288	5	7,532,994	11.3	52,419	-	3,863,930	271,000	766,974	2,578,671	3,436,032
Other	1,717	-	37	1,754	-	-	-	-	1,104	251	399	1,771
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>16,279</b>	<b>34</b>	<b>-</b>	<b>16,313</b>	<b>-</b>	<b>242</b>	<b>212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,859</b>	<b>2,978,380</b>
Austria / Denmark / Spain / United States	-	-	-	-	-	-	-	-	-	-	-	2,244,890
Paraguay	-	-	-	-	-	-	-	-	-	-	-	716,434
Uruguay	16,279	34	-	16,313	-	242	212	-	-	-	15,859	17,056
<b>CORPORATE SECURITIES</b>	<b>50,612,663</b>	<b>17,205</b>	<b>133,218</b>	<b>50,763,086</b>	<b>76.2</b>	<b>4,319,490</b>	<b>9,075,968</b>	<b>1,504,483</b>	<b>1,277,790</b>	<b>672,003</b>	<b>33,913,352</b>	<b>22,569,939</b>
Eurobonds and other	9,369,783	839	43,863	9,414,485	14.1	178,577	7,952,226	152,845	181,373	61,932	887,532	471,487
Shares	1,812,278	(1,389)	22,320	1,833,209	2.8	1,833,209	-	-	-	-	-	1,826,363
Debentures (1)	32,971,462	580	37,384	33,009,426	49.6	1,060	937,556	509,166	569,742	302,080	30,689,822	17,028,734
Promissory Notes	1,264,539	-	293	1,264,832	1.9	-	156,765	806,059	302,008	-	-	1,626,193
Quotas of Funds	2,286,050	7,607	-	2,293,657	3.4	2,293,657	-	-	-	-	-	1,539,927
Fixed income	1,442,620	-	-	1,442,620	2.2	1,442,620	-	-	-	-	-	764,905
Credit rights	692,624	-	-	692,624	1.0	692,624	-	-	-	-	-	743,431
Other	150,806	7,607	-	158,413	0.2	158,413	-	-	-	-	-	31,591
Securitized real estate loans	2,908,551	9,568	29,358	2,947,477	4.4	12,987	29,421	36,413	224,667	307,991	2,335,998	77,235
<b>SUBTOTAL - SECURITIES</b>	<b>59,217,834</b>	<b>50,801</b>	<b>133,260</b>	<b>59,401,895</b>	<b>89.2</b>	<b>4,736,844</b>	<b>9,076,180</b>	<b>5,417,108</b>	<b>1,835,801</b>	<b>1,628,438</b>	<b>36,707,524</b>	<b>30,054,476</b>
Trading securities	32,606,034	50,801	-	32,656,835	49.0	1,347,372	7,829,649	3,912,602	584,499	1,033,932	17,948,781	5,439,306
Available-for-sale securities	26,548,423	-	133,260	26,681,683	40.1	3,389,230	1,246,321	1,504,506	1,251,302	591,530	18,698,794	24,533,978
Held-to-maturity securities (2)	63,377	-	-	63,377	0.1	242	210	-	-	2,976	59,949	81,192
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>6,918,840</b>	<b>290,832</b>	<b>-</b>	<b>7,209,672</b>	<b>10.8</b>	<b>2,986,564</b>	<b>642,348</b>	<b>581,951</b>	<b>874,989</b>	<b>625,798</b>	<b>1,498,022</b>	<b>4,139,698</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) – 12/31/2010</b>	<b>66,136,674</b>	<b>341,633</b>	<b>133,260</b>	<b>66,611,567</b>	<b>100.0</b>	<b>7,723,408</b>	<b>9,718,528</b>	<b>5,999,059</b>	<b>2,710,790</b>	<b>2,254,236</b>	<b>38,205,546</b>	<b>34,194,174</b>
Deferred taxes			(53,806)									
Adjustment of subsidiaries and affiliates			(2,455)									
<b>ADJUSTMENT TO MARKET VALUE - SECURITIES – STOCKHOLDERS' EQUITY</b>			<b>76,999</b>									
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)</b>	<b>(6,150,923)</b>	<b>41,499</b>	<b>-</b>	<b>(6,109,424)</b>	<b>100.0</b>	<b>(2,509,044)</b>	<b>(735,195)</b>	<b>(571,722)</b>	<b>(800,638)</b>	<b>(587,695)</b>	<b>(905,130)</b>	<b>(3,755,764)</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\$ 8,038 (R\$ 14,531 at 12/31/2009).

## **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, 2010, 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\$ 3,906,718.

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		Balance sheet		Market value	
	amount		account receivable / (received) payable / (paid)		market value (in results)	
	12/31/2010	12/31/2009	12/31/2010	12/31/2010	12/31/2010	12/31/2009
<b>Futures contracts</b>	<b>127,766,264</b>	<b>116,215,752</b>	-	<b>11,210</b>	<b>11,210</b>	<b>(1,371)</b>
<b>Purchase commitments</b>	<b>101,029,842</b>	<b>74,670,247</b>	-	<b>71,854</b>	<b>71,854</b>	<b>11,151</b>
Commodities	70,414	-	-	32,945	32,945	-
Indices	5,718,104	6,503,993	-	1,526	1,526	949
Foreign currency	3,174,856	1,421,521	-	36,984	36,984	(57)
Interbank market	92,066,468	66,724,761	-	399	399	21,761
Other	-	19,972	-	-	-	(11,502)
<b>Commitments to sell</b>	<b>26,736,422</b>	<b>41,545,505</b>	-	<b>(60,644)</b>	<b>(60,644)</b>	<b>(12,522)</b>
Foreign currency	3,792,800	2,087,419	-	(110)	(110)	322
Interbank market	6,412,847	29,492,969	-	(2,574)	(2,574)	(9,445)
Indices	16,291,703	8,971,832	-	(3,541)	(3,541)	1,131
Securities	33,324	-	-	(177)	(177)	-
Commodities	205,748	-	-	(54,242)	(54,242)	-
Other	-	993,285	-	-	-	(4,530)
<b>Swap contracts</b>	<b>214,767,123</b>	<b>183,202,526</b>	<b>570,707</b>	<b>39,481</b>	<b>610,188</b>	<b>(199,620)</b>
<b>Asset position</b>	<b>107,668,915</b>	<b>91,546,307</b>	<b>2,688,510</b>	<b>136,961</b>	<b>2,825,471</b>	<b>2,227,633</b>
Foreign currency	20,120,543	21,064,121	94,424	(7,337)	87,087	101,778
Interbank market	47,120,933	35,317,510	1,342,389	101,801	1,444,190	1,107,890
Fixed rate	30,606,986	22,459,192	913,799	(34,629)	879,170	775,811
Floating rate	3,066,245	8,166,850	-	3,740	3,740	383
Indices	6,409,993	4,435,038	331,827	70,616	402,443	236,753
Securities	125,524	-	3,382	354	3,736	-
Commodities	218,691	-	2,689	2,416	5,105	-
Other	-	103,596	-	-	-	5,018
<b>Liability position</b>	<b>107,098,208</b>	<b>91,656,219</b>	<b>(2,117,803)</b>	<b>(97,480)</b>	<b>(2,215,283)</b>	<b>(2,427,253)</b>
Foreign currency	26,879,061	20,537,921	(196,622)	77,707	(118,915)	(195,740)
Interbank market	45,246,773	33,534,842	(743,349)	(10,973)	(754,322)	(1,159,031)
Fixed rate	19,750,914	23,532,975	(746,238)	(96,165)	(842,403)	(810,623)
Floating rate	3,739,464	6,623,801	(906)	(3,485)	(4,391)	(7,855)
Indices	11,084,806	7,154,015	(392,234)	(60,983)	(453,217)	(224,144)
Securities	195,645	-	(9,597)	(536)	(10,133)	-
Commodities	201,545	-	(28,857)	(3,045)	(31,902)	-
Other	-	272,665	-	-	-	(29,860)
<b>Option contracts</b>	<b>1,955,657,010</b>	<b>1,310,025,085</b>	<b>141,093</b>	<b>264,660</b>	<b>405,753</b>	<b>575,575</b>
<b>Purchase commitments – long position</b>	<b>576,472,751</b>	<b>343,440,702</b>	<b>889,353</b>	<b>(10,747)</b>	<b>878,606</b>	<b>564,195</b>
Foreign currency	21,512,687	17,615,511	309,396	(47,470)	261,926	125,032
Interbank market	519,563,114	324,902,193	448,864	5,156	454,020	378,630
Floating rate	314,295	32,630	1,740	(103)	1,637	109
Indices	33,646,694	276,247	75,411	15,734	91,145	24,619
Securities	793,924	375,332	24,181	(4,459)	19,722	12,850
Commodities	642,037	-	29,761	20,395	50,156	-
Other	-	238,789	-	-	-	22,955
<b>Commitments to sell – long position</b>	<b>450,683,960</b>	<b>390,846,667</b>	<b>995,873</b>	<b>126,793</b>	<b>1,122,666</b>	<b>838,537</b>
Foreign currency	11,290,979	9,498,320	330,402	112,580	442,982	253,416
Interbank market	388,623,480	379,890,241	113,434	(16,006)	97,428	174,061
Floating rate	282,438	-	497	420	917	-
Indices	48,681,339	317,238	38,166	(31,687)	6,479	2,525
Securities	1,253,690	1,010,199	504,087	68,531	572,618	393,143
Other	-	130,669	-	-	-	15,392
Commodities	552,034	-	9,287	(7,045)	2,242	-
<b>Purchase commitments – short position</b>	<b>419,694,373</b>	<b>251,648,309</b>	<b>(965,573)</b>	<b>158,933</b>	<b>(806,640)</b>	<b>(554,872)</b>
Foreign currency	21,358,633	14,971,214	(627,789)	189,848	(437,941)	(143,448)
Interbank market	367,609,819	235,878,158	(243,048)	(12,522)	(255,570)	(375,450)
Indices	29,912,254	249,780	(53,882)	(3,060)	(56,942)	(24,817)
Securities	197,037	410,784	(10,178)	(130)	(10,308)	(3,799)
Commodities	616,630	-	(30,676)	(15,203)	(45,879)	-
Other	-	138,373	-	-	-	(7,358)
<b>Commitments to sell - short position</b>	<b>508,805,926</b>	<b>324,089,407</b>	<b>(778,560)</b>	<b>(10,319)</b>	<b>(788,879)</b>	<b>(272,285)</b>
Foreign currency	14,731,230	11,070,526	(348,267)	(59,920)	(408,187)	(95,033)
Interbank market	431,171,934	312,501,156	(181,792)	(2,431)	(184,223)	(165,028)
Floating rate	282,438	-	(559)	(358)	(917)	-
Indices	61,535,497	294,246	(35,272)	29,523	(5,749)	(5,558)
Securities	932,590	120,800	(198,797)	11,765	(187,032)	(2,799)
Other	-	102,679	-	-	-	(3,867)
Commodities	152,237	-	(13,873)	11,102	(2,771)	-
<b>Forward contracts</b>	<b>1,459,620</b>	<b>37,436</b>	-	-	-	-
<b>Purchase receivable</b>	<b>1,459,620</b>	<b>18,718</b>	<b>1,430,855</b>	<b>28,765</b>	<b>1,459,620</b>	<b>18,718</b>
Fixed rate	1,235,831	-	1,199,999	35,832	1,235,831	-
Floating rate	223,789	18,718	230,856	(7,067)	223,789	18,718
<b>Purchase payable</b>	-	-	-	-	-	<b>(18,718)</b>
Floating rate	-	-	-	-	-	(18,718)
<b>Sales receivable</b>	-	<b>18,718</b>	<b>(1,430,855)</b>	<b>(28,765)</b>	<b>(1,459,620)</b>	<b>18,718</b>
Fixed rate	-	-	(1,199,999)	(35,832)	(1,235,831)	-
Floating rate	-	18,718	(230,856)	7,067	(223,789)	18,718
<b>Sales deliverable</b>	-	-	-	-	-	<b>(18,718)</b>
Floating rate	-	-	-	-	-	(18,718)

	Memorandum Account Notional		Balance sheet account		Market value	
	Amount		receivable / (received) payable / (paid)		Adjustment to market value (in results)	
	12/31/2010	12/31/2009	12/31/2010	12/31/2010	12/31/2010	12/31/2009
<b>Credit derivatives</b>	<b>3,000,836</b>	<b>2,072,999</b>	<b>193,862</b>	<b>(7,274)</b>	<b>186,588</b>	<b>(7,838)</b>
<b>Asset position</b>	<b>1,976,141</b>	<b>1,508,649</b>	<b>215,997</b>	<b>(6,360)</b>	<b>209,637</b>	<b>8,422</b>
Fixed rate	1,976,141	1,506,907	215,997	(6,360)	209,637	8,422
Indices	-	1,742	-	-	-	-
<b>Liability position</b>	<b>1,024,695</b>	<b>564,350</b>	<b>(22,135)</b>	<b>(914)</b>	<b>(23,049)</b>	<b>(16,260)</b>
Interbank market	-	50,000	-	-	-	(72)
Fixed rate	600,165	514,350	(22,135)	(83)	(22,218)	(16,188)
Securities	424,530	-	-	(831)	(831)	-
<b>Forward operations</b>	<b>29,130,244</b>	<b>1,431,172</b>	<b>(137,744)</b>	<b>24,260</b>	<b>(113,484)</b>	<b>2,034</b>
<b>Asset position</b>	<b>14,275,354</b>	<b>538,867</b>	<b>698,251</b>	<b>15,421</b>	<b>713,672</b>	<b>24,189</b>
Foreign currency	14,077,286	286,031	658,009	8,447	666,456	14,246
Commodities	198,068	-	40,242	6,974	47,216	-
Other	-	252,836	-	-	-	9,943
<b>Liability position</b>	<b>14,854,890</b>	<b>892,305</b>	<b>(835,995)</b>	<b>8,839</b>	<b>(827,156)</b>	<b>(22,155)</b>
Foreign currency	14,790,938	892,305	(819,048)	10,175	(808,873)	(22,155)
Commodities	63,952	-	(16,947)	(1,336)	(18,283)	-
<b>Swap com Verificação</b>	<b>12,048</b>	<b>1,263,499</b>	<b>(8)</b>	<b>8</b>	<b>-</b>	<b>31,180</b>
<b>Asset position</b>	<b>6,020</b>	<b>659,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,972</b>
Foreign currency	-	200,044	-	-	-	649
Interbank market	6,020	387,607	-	-	-	45,323
Fixed rate	-	71,695	-	-	-	-
<b>Liability position</b>	<b>6,028</b>	<b>604,153</b>	<b>(8)</b>	<b>8</b>	<b>-</b>	<b>(14,792)</b>
Foreign currency	-	371,550	-	-	-	(53)
Interbank market	6,028	217,056	(8)	8	-	(14,392)
Fixed rate	-	15,547	-	-	-	(347)
<b>Target flow of swap – foreign currency</b>	<b>25,384</b>	<b>3,159,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,798</b>
<b>Asset position</b>	<b>25,384</b>	<b>2,450,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,704</b>
Foreign currency	25,384	2,447,446	-	-	-	185,704
Indices	-	3,529	-	-	-	-
<b>Liability position</b>	<b>-</b>	<b>708,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(139,906)</b>
Foreign currency	-	708,701	-	-	-	(139,906)
<b>Other derivative financial instruments (*)</b>	<b>8,750</b>	<b>7,523,022</b>	<b>-</b>	<b>(7)</b>	<b>(7)</b>	<b>(61,824)</b>
<b>Asset position</b>	<b>-</b>	<b>3,188,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,610</b>
Foreign currency	-	3,035,908	-	-	-	190,264
Other	-	153,081	-	-	-	17,346
<b>Liability position</b>	<b>8,750</b>	<b>4,334,033</b>	<b>-</b>	<b>(7)</b>	<b>(7)</b>	<b>(269,434)</b>
Foreign currency	8,750	4,286,612	-	(7)	(7)	(264,677)
Other	-	47,421	-	-	-	(4,757)
		<b>ASSETS</b>	<b>6,918,840</b>	<b>290,832</b>	<b>7,209,672</b>	<b>4,139,698</b>
		<b>LIABILITIES</b>	<b>(6,150,923)</b>	<b>41,499</b>	<b>(6,109,424)</b>	<b>(3,755,764)</b>
		<b>TOTAL</b>	<b>767,917</b>	<b>332,331</b>	<b>1,100,248</b>	<b>383,934</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>12/31/2010</b>	<b>12/31/2009</b>
Futures	49,187,522	13,861,213	28,521,589	36,195,940	127,766,264	116,215,752
Swaps	32,156,271	23,370,621	10,718,201	38,735,312	104,980,405	89,200,744
Options	1,053,572,826	396,112,589	419,640,329	86,331,266	1,955,657,010	1,310,025,085
Forwards	1,459,620	-	-	-	1,459,620	37,436
Credit derivatives	16,662	975,984	2,249	2,005,941	3,000,836	2,072,999
Forwards	6,519,530	12,236,250	4,920,682	5,453,782	29,130,244	1,431,172
Swaps with target flow	-	-	6,020	-	6,020	659,346
Target flow of swap	6,346	15,865	3,173	-	25,384	3,159,676
Other	-	8,750	-	-	8,750	7,523,022

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:

	12/31/2010								
	Futures	Swaps	Options	Forwards	Credit derivatives	Forwards	Swap with target flow	Target flow of swap	Other
<b>BM&amp;F/Bovespa</b>	<b>116,509,808</b>	<b>15,404,640</b>	<b>1,927,300,383</b>	-	-	-	-	-	<b>8,750</b>
<b>Over-the-counter market</b>	<b>11,256,456</b>	<b>89,575,765</b>	<b>28,356,627</b>	<b>1,459,620</b>	<b>3,000,836</b>	<b>29,130,244</b>	<b>6,020</b>	<b>25,384</b>	-
Financial institutions	10,556,245	77,504,624	25,568,195	1,459,620	2,247,714	15,438,485	-	-	-
Companies	700,211	12,063,590	2,788,432	-	753,122	13,685,394	6,020	25,384	-
Individuals	-	7,551	-	-	-	6,365	-	-	-
<b>Total</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>
<b>Total 12/31/2009</b>	<b>116,215,752</b>	<b>89,200,744</b>	<b>1,310,025,085</b>	<b>37,436</b>	<b>2,072,999</b>	<b>1,431,172</b>	<b>579,778</b>	<b>3,159,676</b>	<b>7,523,022</b>

### III- Credit derivatives

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

	Credit risk amount	
	12/31/2010	12/31/2009
<b>Transferred</b>		
Credit swaps whose underlying assets are:		
Securities	1,976,141	1,508,649
<b>Received</b>		
Credit swaps whose underlying assets are:		
Securities	1,024,695	564,350
Total return rate swaps whose underlying assets are:		
Securities	424,530	-
<b>Total</b>	<b>3,000,836</b>	<b>2,072,999</b>

During the period, there was no occurrence of credit event related to those set forth in agreements.

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

	01/01 to 12/31/2010	01/01 to 12/31/2009
Swap	915,774	809,879
Futures	294,474	1,356,300
Options	547,526	126,340
Credit derivatives	(73)	39,807
Other	226,854	287,953
<b>Total</b>	<b>1,984,555</b>	<b>2,620,279</b>

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

	01/01 to 12/31/2010	01/01 to 12/31/2009
<b>Opening balance</b>	<b>264,325</b>	<b>(340,466)</b>
Adjustments with impact on:		
Results	<b>135,045</b>	<b>497,924</b>
Trading securities	12,760	(5,628)
Derivative financial instruments (assets and liabilities)	122,285	503,552
Stockholders' equity	<b>56,444</b>	<b>106,867</b>
<b>Closing balance</b>	<b>455,814</b>	<b>264,325</b>
Adjustment to market value	<b>455,814</b>	<b>264,325</b>
Trading securities	50,801	38,041
Available-for-sale securities	133,260	76,816
Derivative financial instruments (assets and liabilities)	271,753	149,468

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

	12/31/2010	12/31/2009
Adjustment of available-for-sale securities – stockholders' equity	133,260	76,816
Adjustment to held-to-maturity securities	8,038	14,531
<b>Total unrealized gain</b>	<b>141,298</b>	<b>91,347</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) Composição da Carteira de Crédito por Tipo de Operação e Níveis de Risco**

Risk levels	12/31/2010										12/31/2009
	AA	A	B	C	D	E	F	G	H	Total	Total
<b>Loan operations</b>	<b>24,748,681</b>	<b>18,207,410</b>	<b>3,038,284</b>	<b>1,180,420</b>	<b>755,142</b>	<b>73,603</b>	<b>384,748</b>	<b>125,346</b>	<b>105,250</b>	<b>48,618,884</b>	<b>39,432,324</b>
Loans and discounted trade receivables	10,623,676	8,050,045	2,010,087	1,035,671	732,577	73,058	384,748	125,346	103,958	23,139,166	19,889,906
Financing	12,524,014	8,648,967	792,701	133,939	18,854	545	-	-	968	22,119,988	16,284,695
Farming and agribusiness financing	1,600,991	1,508,398	235,496	10,810	3,711	-	-	-	324	3,359,730	3,257,723
<b>Lease operations (Note 6d)</b>	<b>2,496</b>	<b>2,076,656</b>	<b>215,022</b>	<b>115,178</b>	<b>41,547</b>	<b>22,252</b>	<b>15,295</b>	<b>13,411</b>	<b>46,174</b>	<b>2,548,031</b>	<b>2,878,637</b>
<b>Advance on exchange contracts (1)</b>	<b>369,328</b>	<b>1,285,629</b>	<b>367,773</b>	<b>18,251</b>	<b>-</b>	<b>-</b>	<b>6,541</b>	<b>2,650</b>	<b>11,044</b>	<b>2,061,216</b>	<b>2,646,658</b>
<b>Other sundry receivables (2)</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>-</b>	<b>7,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,057</b>	<b>9,530</b>
<b>Total operations with credit granting characteristics</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>	<b>44,967,149</b>
<b>Endorsements and sureties (3)</b>										<b>23,602,140</b>	<b>16,084,014</b>
<b>Total with endorsements and sureties</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>76,838,328</b>	<b>61,051,163</b>
<b>Grand total 12/31/2009</b>	<b>16,195,945</b>	<b>19,970,145</b>	<b>5,289,361</b>	<b>2,170,724</b>	<b>509,871</b>	<b>226,076</b>	<b>182,496</b>	<b>105,223</b>	<b>317,308</b>	<b>44,967,149</b>	

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

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

(3) Recorded in Memorandum Accounts.

b) Composição da Carteira por Faixas de Vencimento e Níveis de Risco

	Overdue Operations (*)										Total	%
	AA	A	B	C	D	E	F	G	H			
<b>Falling due installments</b>	-	-	103,472	77,798	39,653	30,132	18,653	7,196	24,218	301,122	0.57%	
01 to 60	-	-	7,811	6,471	3,077	1,722	2,112	1,764	2,373	25,330	0.05%	
61 to 90	-	-	3,634	3,143	1,487	975	1,027	863	1,087	12,216	0.02%	
91 to 180	-	-	12,838	10,440	4,667	3,133	3,098	1,069	6,980	42,225	0.08%	
181 to 365	-	-	21,914	18,205	11,665	6,982	6,183	1,916	11,005	77,870	0.15%	
Over 365	-	-	57,275	39,539	18,757	17,320	6,233	1,584	2,773	143,481	0.27%	
<b>Overdue installments</b>	-	-	7,714	10,971	7,968	10,810	8,820	15,991	45,292	107,566	0.21%	
01 to 60	-	-	7,714	9,201	3,053	3,887	2,214	4,249	6,517	36,835	0.07%	
61 to 90	-	-	-	1,232	3,239	2,396	1,165	2,080	5,024	15,136	0.03%	
91 to 180	-	-	-	538	1,676	2,827	3,048	6,047	10,674	24,810	0.05%	
181 to 365	-	-	-	-	-	1,700	2,393	3,615	14,824	22,532	0.04%	
Over 365	-	-	-	-	-	-	-	-	8,253	8,253	0.02%	
<b>SUBTOTAL</b>	-	-	111,186	88,769	47,621	40,942	27,473	23,187	69,510	408,688	0.78%	
	Non-Overdue Operations										Total	%
	AA	A	B	C	D	E	F	G	H			
<b>Falling due installments</b>	25,096,072	21,550,968	3,499,272	1,223,585	754,036	54,875	379,100	118,210	81,774	52,757,892	99.09%	
01 to 60	3,805,735	2,693,199	608,443	139,742	18,242	3,367	74,645	111,784	1,946	7,457,103	14.00%	
61 to 90	1,477,429	1,844,686	545,809	17,531	1,736	864	31,498	235	784	3,920,572	7.36%	
91 to 180	3,048,761	2,961,212	474,373	288,691	49,091	2,371	142	1,992	2,649	6,829,282	12.83%	
181 to 365	4,286,276	4,265,769	596,032	273,713	84,824	7,983	283	2,781	10,432	9,528,093	17.90%	
Over 365	12,477,871	9,786,102	1,274,615	503,908	600,143	40,290	272,532	1,418	65,963	25,022,842	47.00%	
<b>Overdue up to 14 days</b>	24,433	18,727	11,076	1,495	2,634	38	11	10	11,184	69,608	0.13%	
<b>SUBTOTAL</b>	25,120,505	21,569,695	3,510,348	1,225,080	756,670	54,913	379,111	118,220	92,958	52,827,500	99.22%	
<b>GRAND TOTAL 12/31/2010</b>	25,120,505	21,569,695	3,621,534	1,313,849	804,291	95,855	406,584	141,407	162,468	53,236,188	100.00%	
<b>EXISTING ALLOWANCE</b>	-	(107,848)	(36,215)	(39,415)	(110,541)	(47,918)	(284,568)	(141,393)	(162,468)	(930,366)		
<b>GRAND TOTAL 12/31/2009</b>	16,195,945	19,970,145	5,289,361	2,170,724	509,871	226,076	182,496	105,223	317,308	44,967,149		
<b>EXISTING ALLOWANCE</b>	-	(197,705)	(158,152)	(229,160)	(509,820)	(226,054)	(182,477)	(105,212)	(317,308)	(1,925,888)		

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

c) By business sector

	12/31/2010	12/31/2009
<b>Public Sector</b>	<b>385,875</b>	<b>771,119</b>
<b>Private Sector</b>	<b>52,850,313</b>	<b>44,196,030</b>
<b>Companies</b>	<b>50,309,111</b>	<b>41,358,530</b>
Industry and Commerce	26,918,741	20,465,111
Serviços	15,123,207	12,843,746
Primary Sector	8,164,277	8,028,212
Other	102,886	21,461
<b>Individuals</b>	<b>2,541,202</b>	<b>2,837,500</b>
<b>Total</b>	<b>53,236,188</b>	<b>44,967,149</b>

d) Composition of the present value of lease operations

	12/31/2010	12/31/2009
<b>Lease operations</b>	<b>166,130</b>	<b>187,674</b>
Lease receivable and guaranteed residual value	5,464,431	5,709,896
(Unearned income and offsetting residual value)	(5,298,410)	(5,523,227)
Other assets – Reinstated assets	109	1,005
<b>Lease assets</b>	<b>4,443,762</b>	<b>4,371,889</b>
<b>Leased assets - Vehicles</b>	<b>4,228,970</b>	<b>4,199,014</b>
<b>Accumulated depreciation</b>	<b>214,792</b>	<b>172,875</b>
(Accumulated depreciation)	(2,033,241)	(1,172,744)
Depreciation in excess	2,248,033	1,345,619
<b>(Advances for guaranteed residual values)</b>	<b>(2,061,861)</b>	<b>(1,680,926)</b>
<b>Total</b>	<b>2,548,031</b>	<b>2,878,637</b>

e) Changes in allowance for loan losses

	01/01 to 12/31/2010	01/01 to 12/31/2009
<b>Opening balance</b>	<b>(1,925,888)</b>	<b>(1,913,438)</b>
<b>Net reversal (increase) for the period</b>	<b>660,740</b>	<b>(92,543)</b>
Required by Resolution No. 2,682/99	(273,303)	(645,338)
Additional	934,043	552,795
Merger of Banco Único S.A.	-	(165,131)
Write-Off	334,782	245,224
<b>Closing balance</b>	<b>(930,366)</b>	<b>(1,925,888)</b>
Required allowance (Note 3g)	(757,409)	(818,888)
Additional allowance (*)	(172,957)	(1,107,000)

(\*) 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.

In 2010, the need for additional allowance for loan losses was reduced in view of the new Basel III guidelines, which determined that the counter-cyclical effects should be buffered in the base of capital.

At December 31, 2010, the balance of the allowance in relation to the loan portfolio is equivalent to 1.75% (4.28% at 12/31/2009).

f) Recovery and renegotiation of credits

I - In the period, credits amounting to R\$ 186,232 (R\$ 7,650 at 12/31/2009) that had been written-off to the allowance for loan losses account were recovered and are recorded in Income from Loan Operations.

II - At 12/31/2010, the balance of renegotiated credits totaled R\$ 74,961 (R\$ 30,670 at 12/31/2009) and the related allowance for loan losses totaled R\$ 33,939 (R\$ 8,341 at 12/31/2009).

g) Credit assignment

In the year, credits amounting to R\$ 959,551 (R\$ 276,348 at 12/31/2009), the book value of which totaled R\$ 964,748 (R\$ 267,203 at 12/31/2009), 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\$ 5,197) (R\$ 9,144 at 12/31/2009).

#### 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.

	12/31/2010					01/01 to 12/31/2010	01/01 to 12/31/2009	
	0 - 30	31 - 180	181 - 365	Over 365 days	Total	Income (expenses)	Total	Income (expenses)
<b>Restricted operations on assets</b>								
Loan operations	424	785	13,829	134,129	149,167	(1,129)	162,351	(75,429)
<b>Obrigações por Operações Ativas Vinculadas</b>								
Foreign borrowings through securities	423	784	13,829	134,129	149,165	1,875	162,351	75,600
<b>Net revenue from restricted operations</b>						<b>746</b>		<b>171</b>

At December 31, 2010, there were no balances in default.

#### NOTE 8 - FOREIGN EXCHANGE PORTFOLIO

	12/31/2010	12/31/2009
<b>ASSETS - OTHER RECEIVABLES</b>	<b>11,404,697</b>	<b>9,199,238</b>
Exchange purchase pending settlement - foreign currency	6,569,739	5,684,560
Exchange sale rights - local currency	4,898,986	3,564,750
(-) Advances received – local currency	(102,242)	(127,699)
Income receivable from advances granted	38,214	77,627
<b>LIABILITIES - OTHER LIABILITIES</b>	<b>9,595,156</b>	<b>6,925,177</b>
Exchange sales pending settlement - foreign currency	4,971,585	3,580,289
Liabilities from purchase of foreign currency - local currency	6,645,821	5,913,412
(-) Advances on exchange contracts and Import financing – exchange rate contracted	(2,023,002)	(2,569,031)
Other	752	507
<b>MEMORANDUM ACCOUNTS</b>	<b>326,826</b>	<b>168,351</b>
Outstanding import credits - foreign currency	301,732	152,221
Confirmed export credits - foreign currency	25,094	16,130

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

	12/31/2010			12/31/2009
	Up to 365 days	Over 365 days	Total	Total
<b>Deposits</b>	<b>46,818,715</b>	<b>25,474,239</b>	<b>72,292,954</b>	<b>56,870,675</b>
<b>Deposits received under securities repurchase agreements</b>	<b>40,357,979</b>	<b>20,391,710</b>	<b>60,749,689</b>	<b>29,092,098</b>
<b>Funds from acceptances and issuance of securities</b>	<b>4,036,276</b>	<b>1,632,621</b>	<b>5,668,897</b>	<b>2,710,970</b>
<b>Funds from credit related to agribusiness</b>	<b>2,618,816</b>	<b>113,992</b>	<b>2,732,808</b>	<b>1,488,052</b>
<b>Foreign borrowings and securities</b>	<b>1,417,460</b>	<b>1,518,629</b>	<b>2,936,089</b>	<b>1,222,918</b>
Euro Certificates of Deposits	1,305,850	25,705	1,331,555	431,333
Brazil Risk Note Programme	61,675	858,138	919,813	23,398
Euro Medium-term Note Programme	22,833	394,847	417,680	597,334
Medium Term Note	3,332	122,466	125,798	-
Structure Note Issued	9,133	105,810	114,943	-
Euronotes	14,546	-	14,546	15,201
Other	91	11,663	11,754	155,652
<b>Borrowings and onlending (*)</b>	<b>12,778,102</b>	<b>11,105,559</b>	<b>23,883,661</b>	<b>15,858,299</b>
<b>TOTAL</b>	<b>103,991,072</b>	<b>58,604,129</b>	<b>162,595,201</b>	<b>104,532,042</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 12/31/2010				01/01 to 12/31/2009
	Civil	Labor	Tax and social security	Total	Total
Opening balance	61,377	8,877	3,892	74,146	64,926
Restatement/Charges	6,758	1,305	1,870	9,933	7,067
Changes in the period reflected in results	121	5,083	(89)	5,115	2,266
Increase	267	5,200	3,181	8,648	8,739
Write-offs through reversal	(146)	(117)	(3,270)	(3,533)	(6,473)
Payments	-	(519)	(295)	(814)	(113)
Closing balance at 12/31/2010	68,256	14,746	5,378	88,380	74,146
Closing balance at 12/31/2009	61,377	8,877	3,892	74,146	
Escrow deposits at 12/31/2010	4,676	4,615	3,042	12,333	
Escrow deposits at 12/31/2009	3,219	4,222	1,826	9,267	

- **Contingencies classified as possible:** not recognized in the accounting books and comprise Tax and Social Security Lawsuits amounting to R\$ 129,542 mainly related to:

- IRPJ and CSLL – Equity Recomposition – R\$ 54,599: 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 are prior to privatization;
- IRPJ, CSLL, PIS and COFINS – Usufruct of quotas and shares - R\$ 24,507: we discuss the adequate accounting and tax treatment for the amount received due to the onerous recognition of usufruct.

The amount of R\$ 89,944 (R\$ 54,458 at 12/31/2009) related to Permanent Assets represented by Real Estate, R\$ 600 (R\$ 8 at 12/31/2009), and Investments (shares), R\$ 89,344 (R\$ 54,458 at 12/31/2009), are pledged in guarantee of voluntary appeals related to administrative proceedings (article 32 of Law No. 10,522/02) amounting to R\$ 2,264. On April 10, 2007, in the unconstitutionality lawsuit No. 1.976, the Federal Supreme Court ruled unconstitutional the requirement of guarantees for considering voluntary appeals. The company is requesting the cancellation of the pledging of guarantees to the Federal Revenue Service.

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>12/31/2010</b>	<b>12/31/2009</b>
<b>Opening balance</b>	<b>17,646</b>	<b>773,962</b>
Charges on taxes	1,099	49,399
Changes in the period reflected in results – Reversal from favorable outcome	11,839	(12,946)
Payment	-	(792,769)
<b>Closing balance (Note 12c)</b>	<b>30,584</b>	<b>17,646</b>

<b>Change in escrow deposits</b>	<b>12/31/2010</b>	<b>12/31/2009</b>
<b>Opening balance</b>	<b>426,602</b>	<b>568,013</b>
Appropriation of income	28,856	45,336
Deposited	-	12,541
Conversion into income	(1,780)	(199,288)
<b>Closing balance</b>	<b>453,678</b>	<b>426,602</b>

**NOTE 11 – BREAKDOWN OF ACCOUNTS**

**a) Other sundry receivables**

	<b>12/31/2010</b>	<b>12/31/2009</b>
Securities receivable without credit granting characteristics	834,048	-
Deferred tax assets (Note 12b I)	730,838	1,103,754
Escrow deposits in guarantee for provision for contingent liabilities (Note 10)	466,011	435,869
Taxes and contributions for offset	83,670	109,605
Other	87,169	135,916
<b>Total</b>	<b>2,201,736</b>	<b>1,785,144</b>

**b) Other sundry liabilities**

	<b>12/31/2010</b>	<b>12/31/2009</b>
Provisions for contingent liabilities (Note 10a)	88,380	74,146
Provision for payments	82,004	51,068
Sundry creditors - local	30,651	177,217
Other	5,883	7,469
<b>Total</b>	<b>206,918</b>	<b>309,900</b>

**c) Banking service fees**

	<b>01/01 to 12/31/2010</b>	<b>01/01 to 12/31/2009</b>
Loan operations and guarantees provided	340,933	273,433
Income from economic and financial advisory	298,089	211,378
Collection fees	77,584	61,941
Commissions	63,597	1,990
Other	49,953	19,599
<b>Total</b>	<b>830,156</b>	<b>568,341</b>

**d) Other administrative expenses**

	<b>01/01 to 12/31/2010</b>	<b>01/01 to 12/31/2009</b>
Data processing and telecommunications	(109,039)	(69,727)
Third-party services	(77,059)	(82,427)
Installations	(59,778)	(60,310)
Expenses of the National Financial System	(48,511)	(35,804)
Cost sharing (Note 15a)	(30,126)	(51,851)
Depreciation and amortization	(22,280)	(15,660)
Other	(59,068)	(56,232)
<b>Total</b>	<b>(405,861)</b>	<b>(372,011)</b>

**e) Other operating expenses**

	<b>01/01 to 12/31/2010</b>	<b>01/01 to 12/31/2009</b>
Amortization of goodwill on merger	(447,724)	(375,044)
Foreign exchange expenses	(25,901)	(19,800)
Provision for losses on securities receivable without credit granting characteristics	(6,160)	(51,704)
Other	(61,555)	(57,903)
<b>Total</b>	<b>(541,340)</b>	<b>(504,451)</b>

## 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 12/31/2010	01/01 to 12/31/2009
<b>Income before income tax and social contribution</b>	<b>3,569,569</b>	<b>3,494,928</b>
Charges (Income tax and social contribution) at the rates in effect (Note 3p)	(1,427,828)	(1,397,971)
<b>Increase/decrease to income tax and social contribution charges arising from:</b>		
<b>Permanent (additions) exclusions</b>	<b>150,032</b>	<b>(156,953)</b>
Investments in subsidiaries and affiliates	(1,346)	4,179
Foreign exchange variation on investments abroad	(67,072)	(513,567)
Interest on capital	105,600	128,680
Interest on external debt bonds and dividends	118,636	215,118
Other	(5,786)	8,637
<b>Temporary (additions) exclusions</b>	<b>561,059</b>	<b>393,355</b>
Allowance for loan losses	369,715	62,473
Excess of depreciation of leased assets	239,857	254,170
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	3,159	(44,493)
Legal liabilities - tax and social security, contingent liabilities and restatement of escrow deposits	6,957	116,370
Other non-deductible provisions	(58,629)	4,835
<b>(Increase) offset of tax losses</b>	<b>111,924</b>	<b>326,292</b>
<b>Expenses for income tax and social contribution</b>	<b>(604,813)</b>	<b>(835,277)</b>
<b>Related to temporary differences – for the period</b>		
Increase (reversal) for the period	(672,983)	(719,647)
Prior periods increase (reversal)	5,990	-
<b>Income (expenses) from deferred taxes</b>	<b>(666,993)</b>	<b>(719,647)</b>
<b>Total income tax and social contribution</b>	<b>(1,271,806)</b>	<b>(1,554,924)</b>

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:

	12/31/2009	Realization	Increase	12/31/2010
Tax loss/social contribution loss carryforwards	35,692	(35,692)	61	61
Allowance for loan losses	718,410	(465,228)	104,296	357,478
Adjustment to market value of securities and derivative financial instruments	53,888	(53,888)	55,981	55,981
Legal liabilities - tax and social security and contingent liabilities	110,655	(64,899)	3,317	49,073
Other non-deductible provisions	180,033	(134,414)	222,626	268,245
Profit sharing	108,625	(108,625)	154,406	154,406
Provision for other receivables	43,979	-	2,397	46,376
Goodwill on purchase of investments	3,633	(1,993)	-	1,640
Other	23,796	(23,796)	65,823	65,823
<b>Total</b>	<b>1,098,678</b>	<b>(754,121)</b>	<b>386,281</b>	<b>730,838</b>
<b>Social contribution for offset arising from Option foreseen in article 8 of Provisional Measure No. 2,158-35 of 08/24/2001</b>	<b>5,076</b>	<b>(5,076)</b>	<b>-</b>	<b>-</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, 2010, 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
2011	479,871
2012	141,775
2013	22,908
2014	9,965
2015	7,440
Over 2015	68,879
<b>Total</b>	<b>730,838</b>
Present value (1)	601,716

(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 existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the trend of the realization of deferred tax assets arising from temporary differences, income tax and social contribution loss carryforwards not to be used as an indication of future net income.

- III- At December 31, 2010, there are no unrecorded deferred taxes.

#### c) Tax and social security contributions

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

	12/31/2010	12/31/2009
Taxes and contributions on income payable	385,563	368,000
Taxes and contributions payable (1)	434,677	489,238
Provision for deferred income tax and social contribution (2)	807,726	475,072
Legal Liabilities - tax and social security (Note 10b)	30,584	17,646
<b>Total</b>	<b>1,658,550</b>	<b>1,349,956</b>

(1) They basically include the adhesion to the Program for Cash or Installment Payment of Federal Taxes.

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

## NOTE 13 - INVESTMENTS

### Investments in subsidiaries and affiliates

Companies	Balances at 12/31/2009	Dividends received	Recognition (amortization) of goodwill	Capital increase / (Spin-off)	Equity in earnings of subsidiaries and affiliates	Adjustments to market value of securities of subsidiaries and others	Balances at 12/31/2010	Equity in earnings of subsidiaries and affiliates from 01/01 to 12/31/2009
<b>Domestic</b>	<b>123,154</b>	<b>334</b>	<b>(22,088)</b>	<b>(63,377)</b>	<b>33,928</b>	<b>1,228</b>	<b>73,179</b>	<b>11,188</b>
Itaú BBA Trading S.A.	(1) 54,450	334	-	16,453	1,942	-	73,179	9,266
Delle Holdings S.A.	(2) 51,062	-	(22,088)	(63,567)	33,365	1,228	-	1,895
Puerto Cia Securitizadora de Créditos Financeiros	(1) 15,858	-	-	(16,520)	662	-	-	489
Estruturadora Brasileira de Projetos S.A.	(3) 1,784	-	-	257	(2,041)	-	-	(462)
<b>Foreign - Banco Itaú Argentina S.A.</b>	<b>(4)(5) 1,724</b>	<b>(59)</b>	<b>-</b>	<b>-</b>	<b>(175)</b>	<b>-</b>	<b>1,490</b>	<b>(741)</b>
<b>Total</b>	<b>124,878</b>	<b>275</b>	<b>(22,088)</b>	<b>(63,377)</b>	<b>33,753</b>	<b>1,228</b>	<b>74,669</b>	<b>10,447</b>

(1) Company merged into Itaú BBA Trading S.A. on 11/30/2010;

(2) Company liquidated on 12/10/2010;

(3) On 12/30/2010 by means of the sale of the interest in Itaú Unibanco S.A. held in the subsidiary, the investment lost its characteristic of importance.

(4) Equity in earnings reflects adjustments, in order to standardize procedures under the scope of the investor, in the amounts of R\$ (49) and includes unrealized results from the investment and from the equity in earnings amounting to R\$ (307);

(5) Includes foreign exchange variation in the amount of R\$ (139).

Companies	Capital	Stockholders' equity	Net income for the period	Number of common shares owned by Itaú BBA	Equity share in capital and voting capital (%)
<b>Domestic - Itaú BBA Trading S.A.</b>	46,442	73,180	1,942	3,938,518,832	100.00
<b>Foreign - Banco Itaú Argentina S.A.</b>	62,165	179,776	32,034	1,482,244	1.00

## 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 June 30, 2010, a provision amounting to R\$ 4,829 at the proportion of R\$ 0.47 per share, which is equivalent to the Additional Dividends – 2009, was recognized.

At the Board Meeting held on 12/30/2010, credit related to Interest on Capital was approved amounting to R\$ 224,400 to be paid until 04/30/2011, comprising R\$ 264,000 gross and R\$ 39,600 Withholding Tax.

At December 31, 2010, a provision amounting to R\$ 297,151 at the proportion of R\$ 28,115, which is equivalent to the mandatory minimum dividend, and recorded in Other Liabilities – Social and Statutory, was recognized.

### c) Reserves

	12/31/2010	12/31/2009
<b>CAPITAL RESERVES – RESTATEMENT OF EQUITY SECURITIES</b>	<b>16,907</b>	<b>15,372</b>
<b>REVENUE RESERVES</b>	<b>3,734,468</b>	<b>2,104,444</b>
Legal	511,843	402,043
Statutory (*)	3,222,625	1,702,401

(\*) 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)	
	12/31/2010	12/31/2009	01/01 to 12/31/2010	01/01 to 12/31/2009
<b>Money market</b>	<b>19,493,999</b>	<b>15,979,266</b>	<b>2,140,669</b>	<b>1,786,293</b>
- Itaú Unibanco S.A.	18,876,686	15,979,266	1,752,042	1,786,293
- Other	617,313	-	388,627	-
<b>Interbank and foreign currency investments</b>	<b>30,977,211</b>	<b>19,078,967</b>	<b>2,009,421</b>	<b>2,418,295</b>
- Itaú Unibanco S.A.	16,990,500	16,031,945	1,916,016	2,390,536
- New York Branch	1,865,442	2,071,066	4,876	3,779
- Grand Cayman Branch	10,515,823	409,620	48,302	6,530
- Banco Itaú Europa S.A.	1,051,378	256,858	9,991	1,086
- Other	554,068	309,478	30,236	16,364
<b>Fixed and variable income securities and securities purchased under agreements to resell</b>	<b>26,055,104</b>	<b>12,363,482</b>	<b>1,906,458</b>	<b>533,939</b>
- Dibens Leasing S.A. Arrendamento Mercantil	21,153,699	3,749,112	1,209,671	410,639
- BFB Leasing S.A. Arrendamento Mercantil	4,901,405	8,614,370	709,349	123,299
- Itaú Corretora	-	-	(12,562)	-
<b>Derivative financial instruments – Asset Position</b>	<b>2,860,556</b>	<b>1,261,528</b>	<b>3,411,710</b>	<b>(30,483)</b>
- Itaú Unibanco S.A.	2,859,526	1,225,557	3,198,817	(30,539)
- Other	1,030	35,971	212,893	56
<b>Negotiation and intermediation of securities</b>	<b>(11,225)</b>	<b>6,410</b>	-	-
- Itaú Unibanco S.A.	-	6,410	-	-
- Itaú Bank Ltd.	(9,911)	-	-	-
- Other	(1,314)	-	-	-
<b>Interbank accounts - Itaú Unibanco S.A.</b>	<b>1,799</b>	<b>105,799</b>	-	-
<b>Foreign exchange portfolio – Asset Position</b>	<b>1,590,472</b>	<b>287,779</b>	<b>60,877</b>	<b>113,348</b>
- Itaú Unibanco S.A.	533,147	287,779	55,973	113,348
- Agência Grand Cayman	1,057,325	-	4,904	-
<b>Amounts receivable from related companies</b>	<b>836,946</b>	<b>6,930</b>	<b>118,675</b>	<b>6,364</b>
- New York Branch	834,048	-	15,254	-
- Grand Cayman Branch	-	-	57,342	-
- Itaú Bank Ltd.	-	-	28,062	-
- Duratex	-	-	-	5,534
- Other	2,898	6,930	18,017	830
<b>Interbank deposits</b>	<b>(45,778,572)</b>	<b>(43,225,543)</b>	<b>(4,551,787)</b>	<b>(5,076,611)</b>
- Itaú Unibanco S.A.	(45,778,572)	(43,225,543)	(4,429,988)	(4,668,719)
- Other	-	-	(121,799)	(407,892)
<b>Time deposits</b>	<b>(1,780,400)</b>	<b>(1,208,689)</b>	<b>(35,201)</b>	<b>(51,237)</b>
- New York Branch	(1,024,593)	(9,646)	(969)	(425)
- Grand Cayman Branch	(542,387)	(1,071,883)	(11,788)	(44,525)
- Banco Itaú Europa Internacional	-	-	(1,781)	-
- Porto Seguros	-	-	(16,504)	-
- Other	(213,420)	(127,160)	(4,159)	(6,287)
<b>Derivative financial instruments – (Liability Position)</b>	<b>(2,872,023)</b>	<b>(1,534,629)</b>	<b>(2,138,124)</b>	<b>1,702,521</b>
- Itaú Unibanco S.A.	(2,872,023)	(1,466,098)	(1,963,880)	1,704,812
- Other	-	(68,531)	(174,244)	(2,291)
<b>Foreign exchange portfolio – (Liability Position)</b>	<b>(1,584,629)</b>	<b>(344,106)</b>	<b>(32,674)</b>	<b>(60,993)</b>
- Itaú Unibanco S.A.	(530,678)	(344,106)	(23,456)	(60,993)
- Grand Cayman Branch	(1,053,951)	-	(9,218)	-
<b>Repurchase agreements – Own and third parties</b>	<b>(14,550,316)</b>	<b>(3,466,037)</b>	<b>(948,135)</b>	<b>(512,137)</b>
- Itaú Unibanco S.A.	(9,099,998)	(1,556,000)	(559,508)	(301,614)
- BFB Leasing S.A. Arrendamento Mercantil	(2,564,667)	(1,832,490)	(240,969)	(199,025)
- Dibens Leasing S.A. Arrendamento Mercantil	(2,807,419)	-	(146,119)	-
- Other	(78,232)	(77,547)	(1,539)	(11,498)
<b>Funds from acceptance of bills of exchange, real estate and mortgage notes, debentures and similar securities – Itaú Bank Ltd.</b>	<b>(3,933)</b>	<b>(3,615)</b>	-	-
<b>Amounts payable to related companies</b>	<b>(744)</b>	<b>(3,209)</b>	<b>114,121</b>	<b>(127,466)</b>
- Itaú Unibanco S.A.	-	-	90,586	(51,856)
- Itaucard	-	-	20,164	-
- Fináustria Ass., Adm., Serv. Crédito e Partic. S.A.	(239)	(1,514)	-	(23,249)
- Fina Promoção e Serviços S.A.	(127)	(196)	-	-
- Banco Itaú Europa S.A.	-	(1,177)	-	(37,854)
- Other	(378)	(322)	3,371	(14,507)

In addition to the aforementioned operations, ITAÚ BBA, as an integral part of the Agreement for Apportionment of Common Costs of the Itaú Unibanco Group, recorded in Other Administrative Expenses the amount of R\$ 30,126 (R\$ 51,851 from 01/01 to 12/31/2009) 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:

	12/31/2010	12/31/2009
Compensation – Board of Directors	153,723	86,670
Profit sharing	115,735	102,285
Contributions to pension plans	8,108	3,189
<b>Total</b>	<b>277,566</b>	<b>192,144</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)) in the route: Corporate Governance/Risk Management.

b) **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.

c) **Information on foreign subsidiaries** – Itaú BBA carries out operations by means of its branches in Nassau, Bahamas, and Montevideo, Uruguay. The consolidated balances of equity accounts after the elimination of interbranch transactions are as follows:

<b>Assets</b>	<b>12/31/2010</b>	<b>12/31/2009</b>
<b>Current assets and long-term receivables</b>	<b>51,075,762</b>	<b>25,594,333</b>
Cash and cash equivalents	481,017	213,141
Interbank investments	17,295,712	8,818,845
Securities and derivative financial instruments	12,979,685	4,302,787
Loan, lease and other credit operations	10,440,260	6,999,793
Foreign exchange portfolio	8,162,908	5,124,652
Other assets	1,716,180	135,115
<b>Permanent assets</b>	<b>27,351</b>	<b>18</b>
Other investments	27,338	-
Fixed assets	13	18
<b>Total</b>	<b>51,103,113</b>	<b>25,594,351</b>
<b>Liabilities</b>		
<b>Current and long-term liabilities</b>	<b>46,760,384</b>	<b>21,702,131</b>
Deposits	16,985,766	8,406,916
Demand deposits	1,653,744	1,076,705
Time deposits	15,332,022	7,330,211
Deposits received under securities repurchase agreements	9,374,878	286,211
Funds from acceptances and issuance of securities	2,798,537	1,067,265
Borrowings	7,658,085	6,470,536
Derivative financial instruments	1,119,252	216,843
Foreign exchange portfolio	8,188,956	5,106,983
Other liabilities	634,910	147,377
<b>Deferred income</b>	<b>34,987</b>	<b>380</b>
<b>Stockholders' equity</b>	<b>4,307,742</b>	<b>3,891,840</b>
Capital and reserves	3,747,542	3,750,460
Net income	560,200	141,380
<b>Total</b>	<b>51,103,113</b>	<b>25,594,351</b>
<b>Statement of income</b>		
Income from financial operations	937,499	1,070,140
Expenses on financial operations	(431,449)	(939,229)
<b>Gross income from financial operations</b>	<b>506,050</b>	<b>130,911</b>
Other operating revenues/expenses	66,088	7,174
<b>Operating income</b>	<b>572,138</b>	<b>138,085</b>
<b>Non-operating income</b>	<b>(11,778)</b>	<b>3,343</b>
<b>Income before tax on income and profit sharing</b>	<b>560,360</b>	<b>141,428</b>
<b>Income tax and social contribution</b>	<b>(160)</b>	<b>(48)</b>
<b>Net income for the year</b>	<b>560,200</b>	<b>141,380</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, 2010 and the statements of income, changes in equity and cash flows for the year and six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

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 controls 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.

### **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 operations, which remain recorded in accordance with Law 6099/74, to the accounts of current assets and long-term receivables and income/expenses from financial intermediation –finance lease operations, but they result in the presentation of the results 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, 2010, and its financial performance and cash flows for the year and six-month period 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 22, 2011

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Paulo Sergio Miron  
Contador CRC 1SP173647/O-5