INTERNACIONAL CONFERENCE CALL
ITAÚ UNIBANCO HOLDING S.A.
First Quarter 2011 Earnings
May 4, 2011

Operator: Ladies and gentlemen, thank you for standing by. This is Itaú Unibanco Holding conference call about the first quarter of 2011 earnings. At this time all lines are in a listen-only mode. Later there will be a question and answer session and instructions to participate will be given at that time. If you need assistance during the call please press the star key followed by zero (*0).

As a reminder this conference is being recorded and broadcast live at www.itau-unibanco.com/ir. A slide presentation is also available on the site.

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

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

First Mr. Alfredo Setubal will comment on first quarter of 2011 earnings Earnings. Afterwards Management will be available for a question and answer session. It is now my pleasure to turn the call over to Mr. Setubal. Please go ahead sir.

Mr. Alfredo Setubal (Itaú Unibanco) : Thank you all. Good morning for those in the USA, good afternoon for those who are in Europe. It is a pleasure for us to be with you again to talk about our results for the first quarter of 2011.

For those who are following through the Internet and through the slides presentation, we are starting on slide number 2 with the highlights from the first quarter. The first one is the results, the recurring net income reached R$ 3.638 billion in this quarter, that means an ROE annualized of 23.4%. That means an increase of 7% when we compare to the 4Q10. Net income stood at R$ 3.530 billion in this quarter. The second point of highlights is a loan portfolio finished the quarter with R$ 344.9 billion, which means a growth of 3.4% when we compare to the previous quarter and 21.9% when we compare to the first quarter of 2010. It was a strong and solid growth and was superior than the presented by the market. We continue focussing on middle companies and individuals. The third highlight is the financial margin with clients added up to R$ 10.8 billion, a solid number for the quarter, up by 17.2% when compared to the same quarter of the previous year. In the quarter this margin was almost flat. The banking services fees totaled R$ 4.5 billion representing an increase of 11% when we compare to the first quarter of 2010.

The fourth highlight is the NPL and the result of loan losses. The NPL for 90 days maintained at 4.2%, stable for the third consecutive quarter. It derives from the portfolio mix offered by the bank. We see some deterioration especially in very small and small companies. We signalized in previous months, in the last conference call and in the guidance that we provided that we see and expect some deterioration in delinquency because of the increase of the interest rate and macroprudential measures taken by the Central Bank, so it is was under our expectation some deterioration in the numbers. The total number is ok, 4.2%, but we see, as I said, some deterioration especially in small and very small companies. As a consequence, we made in this quarter R$ 270 million in provisions - above the minimum required by the Central Bank - related to the methodology that we adopted when we considered the potential losses of the revolving credits that we have. So we continue expecting some deterioration in the next quarter. We expect to make some additional provisions in the next quarter, but we expect the total number of the bank to stabilize around 4.5% during the year - and so it is not a huge deterioration, but it is a deterioration that we expected due to the conditions that we see now in the Brazilian economy. These complementary allowance for loan and lease losses increased to R$ 5.1 billion considering these new provisions that were made this quarter. The fifth highlight the non-interest expenses decreased 8.1% compared to prior quarter, and an increased 19% when compare with the 1Q10 due to seasonal issues, and is higher than our guidance around 12%-13% for 2011.

On slide 4, it is presented the managerial financial margin and service fees. In the 1Q11, this figure decreased 1.2%, remaining almost in line with the previous quarter, but a growth of 12% when we compare for 12 months. Loan losses R$ 3.173 billion, an increase of 21.7% due to the new additional provision performed in this quarter already mentioned in the previous slide. Non-interest expenses amounted to R$ 7.686 billion, an 8.1% decrease in the quarter.

On slide number 5, net interest margin with our clients posted a slight decrease in the quarter from 12.2% to 11.7% - but still a very good number - especially due to credit cards. We presented a very strong position in credit cards market in the first quarter, you can see it also happened in the 4Q10 when we posted a decrease especially related to the credit card business - but we expect that it will be back to previous levels in the coming quarters. Banking fees revenues and income from banking charges remained stable in the quarter also related to accounting services and credit cards. In the quarter, ROE was 23.4%. This number is around our expectations for the period.

On slide number 6 we can see the growth of the total assets 3.7% in the quarter, and 23.5% over 12 months, also related to securities and to credit portfolio growth that was very strong in this period. Stockholders' equity amounted R$ 63.731 billion, a strong growth of 4.7% due to some gains that were accounted directly in stockholders' equity in this period. Loan portfolio went up by 3.4% in the quarter. As I said, our growth was higher than the total market released by the Central Bank and almost 22% when compared the same quarter of the previous year. As to funding, the company presented a 3.3% increase in deposits and clients' money under management in the period.

On slide number 7 we can see more numbers, more information regarding results. I think it is important to see the financial margin with clients. As we said, a slight decrease in this quarter, but a strong number - when we compare to the 4Q10, it was almost flat. I think it is important because the 4Q was very strong in terms of business with clients, stronger in terms of economic numbers for the bank. Once again, we have strong numbers related to transactions with our clients. Financial margin with the market, treasury structural and proprietary, decreased in the quarter when compared to the 4Q and also when compared to 1Q10. In terms of financial margin numbers are good; the numbers decreased, but the number with clients I think in our view is the most important, we recorded a very strong and solid number. Result from insurance business, including pension plans and capitalization, presented a good result, reaching 10.6%. Regarding loan losses, as I said, we made some additional provisions in this quarter related to the losses that we expected for future months and also a recovery of credits written off was good when we see the numbers for 12 months, 44.9%, achieving R$ 1.2 billion in the quarter. Non-interest expenses declined 8.1%, in line with the target to be reduced and to present more efficiency in the coming years. Just remember that our target, which was announced in release the results of 2010, is to achieve 41% in efficiency ratio by the end of 2013. So we continue working hard to achieve this efficiency ratio. Recurring net income totaled R$ 3.638 billion. Some small non-recurring events, so the net income that we released R$ 3.530 billion for the quarter in our view was a very strong number especially related to clients businesses.

On slide 8, loans by type of client are presented. We continue focussing on personal loans. Credit card in the 1Q usually is not strong due to the very strong use of credit cards in the Christmas period, at the end of the year, so currently we have been focusing on individuals. Vehicles, macroprudential measures taken by the Central Bank at the end of the year had affected a little in terms of credit. However, the new vehicles sales number are our record in Brazil, in spite of the reduction of the level of financing, which has to do with the measures that the Central Bank announced in December. Mortgage rate continues to be strong and we expect that this will be the trend again this year: 15% only for individuals and 61.8% when we saw the numbers compared to March 2010. In terms of companies, this quarter is strong for corporate business, the corporation's growth of 4.2% and some improvements related to the mortgage for developers can prove this conclusion. But anyway the corporate business is very strong; contrary the capital market is not so strong for companies. Nevertheless we will keep focusing on both segments. Small and very small companies and middle market continue to be our target, especially the middle market. We have slightly reduced the pace of concessions of credit in this quarter for small and very small companies, due to some expectations of deterioration of delinquency especially in very small companies. That is the reason of reducing the pace. However we will maintain focusing on our growth, especially with middle companies.

On slide number 9, we can see the trend of the NPL for 90 days. The third quarter in a row is in the same average number of 4.2% and we can see that for individuals the numbers are getting better, because of the mix that we have and also related to new vehicle financing and mortgage that usually shows less delinquency. It is not the case when we see the numbers for companies. Companies have increased from 2.9% to 3.1% when we compare the results of the last quarter; this fact is because of small and very small companies. In terms of middle market and large companies the numbers continue to be very good. Coverage ratio for 90 days is 173% for March, 2011. It continues to be a strong number, even though it is lower than the number of September 2010, when the number was 196%. But anyway it is a very comfortable number in terms of coverage. R$ 22.239 billion in provisions for loan losses; out of that, R$ 5.058 billion are above of the minimum requirement of the Central Bank regulations. And write-offs of R$ 4.159 billion in 1Q10.

On slide number 10, we can see that we have very comfortable announcements for loan losses. The numbers that we have in terms of total provisions are very comfortable. When we compare to the total portfolio, we can see that this number is 7.3%, what gives us a very good cushion to continue to grow the portfolio. We can see also the result of loan-losses compared to the financial margin, 26.9%, with a good reduction when compared to the peak that was in 2Q09 – the peak number achieved almost 41% and that was the peak of the financial crisis that started in 2008.

On slide 11 we can see the funding and assets under management. The funding continues not to be an issue for credit portfolio growth. We continue to find enough funding from clients and specialty retail, where is our basis for deposits and also the growth of our portfolio management business. The total funding in terms of deposits and assets under management and technical provisions reached R$ 810 billion, an increase of 3.3% when compared to the last quarter, a good growth. When we consider all instruments and also our free capital in the total number is R$ 1.057 trillion.

On slide 12 banking fees revenues and income from banking charges are in line with the expectations for the 1Q. We continue believing that due to the economy growth presented this year, we expect to be something between 2.5% and 4%, this number will be in line and continue to grow in the same pace that we see, or even a little bit higher than this in the 12 months compared to 2010 - March 2010 that was 11%.

Non-interest expenses on slide 13 reported 8.1% in terms of reduction. I think it is important to notice that we increased our personnel in 1,800 new employees, especially related to middle market operations and expansion of branches opened, and even with this we continue to have a good number in terms of personnel expenses in this quarter. Administrative expenses also registered an important reduction when we compare to December 2010. We'll continue to work hard to achieve 41% in terms of efficiency ratio.

On slide 14 our efficiency ratio in the quarter stood at 47.8%, 49.5% of the last 12 months, still above the number that we would like to have. But we continue to believe that we are going to reduce this efficiency ratio to something around or a slightly below 47%, for this year.

BIS ratio of 16.1%, very strong both in terms of tangible and TIER I, very strong numbers, and we have a pending approval of R$ 2.6 billion of TIER II in the Central Bank. If we consider this number, BIS ratio would be 16.6%. So in terms of capital, I think it is not a limitation for Itaú Unibanco to continue the growth of the business, especially related to credit to our clients.

On slide 16, we can see the managerial numbers, the pro forma numbers for the four segments that we usually release. We can see in 1Q11 that R$ 3,638 billion in recurring net income: R$ 2.3 billion came from our commercial bank; R$ 665 million from Itaú BBA that is our corporate and investment banking operations; consumer credit R$ 425 million and treasury and excess of capital R$ 218 million. So you can see the RAROC at all the numbers are very good, especially when we see the numbers related to clients business.

To conclude market capitalization and daily trading, we continue to have a very good liquidity both in New York and São Paulo and our market capitalization by the end of the quarter amounted to R$ 175 billion.

Those are the numbers that they would like to show you and also we are now open to questions that you probably have for us.

Q&A Session

Mr. Daniel Abut (Citi): Alfredo good morning. One question on net interest margin: you explained that to a large extent it was seasonal and it was expected because it was related to the strength of your credit card business and it happens almost every year. My question is: did you have in your budget and your expectation for the year this type of decline? Because you guided for 250 bps improvement in the cost-income ratio for the year-end call and it is difficult to imagine that happening if the NIM does not rebound in a quite meaningful way in the remainder of the year. You did say you expect the NIM to recover, but I want to get a sense as if the decline of 50 bps quarter on quarter surprised you, was it a bit more than you had expected or if it was pretty much factored in the way you thought it about the year as a whole when you gave that guidance for the cost-income ratio improvement.

Mr. Rogério Calderón (Itaú Unibanco): Daniel, Rogério Calderón, good morning. Yes, this is very much in line what we had in our business plan for the year, it did not surprise us. If you also take a look over the past two years, one of them shown in the chart here just presented by Alfredo, we had a drop of 30 bps from 2009, 8 to 9, and 40 bps from 9 to 10, now it is 50 bps. This is pretty much in line with the normal seasonality of our NIM behavior. It is also very much linked to the credit card business. You know, credit card business is very impactant in the 1Q since we came from the most important quarter to the less important quarter. It is also a consequence of the selectivity process that the bank has been doing and also it is a consequence of the vintage maturity. Of course when we take a look into total portfolio, the very old portfolios or vintages that are now running off are those with the highest level of NIM. And as we had anticipated this is a trend that should be compensated in volumes and this was exactly what happened in the quarter: if you look at clients total margin it is flat, and so NIM was compensated by that. It was not a surprise, very much in line with the budget, totally aligned with the guidances we provided.

Mr. Daniel Abut (Citi): Pretty clear. So you do expect to have a meaningful rebound in the rest of the year that would slightly make 4Q NIM below point has been the case prior years.

Mr. Rogério Calderón (Itaú Unibanco): Yes.

Mr. Daniel Abut (Citi): My second question is more on the spike on the delinquency, the early delinquencies, the delinquencies that are up to 90 days, which caused you to conservatively increase your excess reserves that I am assuming you are trying to consume later in the year and so the early delinquencies become real delinquencies.

Could you elaborate more what is behind it? Part of it is seasonal I imagine, but not all of that is seasonal. So it was a bit more what we have seen in prior years in terms of spike in the early delinquency ratio in the first quarter of every year.

So what is behind it? Because the guidance that Alfredo just gave, the NPL ratio as a whole may increase to 4.5%, so only an additional 30 bps, seems a little too optimistic in line with what we saw in the early delinquency basket in 1Q.

Mr. Rogério Calderón (Itaú Unibanco): Well, there is a seasonal impact in this number as well, as you mention; but in 2011 it was a bit more than the other years and so more than seasonal - but considered and anticipated when we made our presentation on last year's figures. So it is, again it was part of the overall picture we had. Just now it is being captured by our model. We have adapted the model based on expected losses on a strong December 2010, it is now captured in our models. One of the indicators that presents that is the 31 to 90 days overdue - not only this one, but this is much clear to show and it was there. It was really a little bit more than seasonality, but it was captured in this movement. And of course when we talk about the deterioration in the portfolio what we do believe is that this is not actually a strong deterioration; what we see is a slight increase in delinquency during the years of maybe 20, 30 basis on what we have now. But we cannot anticipate precisely the size of this movement. The important thing is that we expect a loss, the model captured this, and captured not only for the provisioning method; it is also driving our selectivity, our pricing, and it is the bank's core business. Provisioning is a consequence of this. It is important to make an statement, that we move based on the market, we anticipate, we see. So we take all the decisions to protect the bank's results based on the scenario we are foreseeing.

Mr. Daniel Abut (Citi): What you are just saying is that given your models and what you have seen, despite the fact that the average delinquencies after 90 days have increased more than just what seasonality would indicate, you feel comfortable that the NPL ratio over 90 days should not increase more than additional 30 bps or so?

Mr. Rogério Calderón (Itaú Unibanco): At this point in time it is possible 20, 30 bps; we are not sure about this figure, of course, but what we do know is that this is being monitored and captured in the model. So it is quite a comfortable position right now, Daniel.

Mr. Daniel Abut (Citi): Thank you Rogério.

Mr. Alfredo Setubal (Itaú Unibanco): Considering also the mix of the portfolio, Daniel. Do not forget that we are changing, we have been more selective considering small and very small companies; we are also growing in mortgage; new cars that continue presenting a low delinquency level, and so I think this expectation is more related to the credit that we provided before and not to the credit and spreads that we are doing these last months and especially this quarter.

Mr. Daniel Abut (Citi): Thank you Alfredo.

Mr. Jason Mollin (Goldman Sachs): Hello everyone. My question is also a little bit on asset quality. You mentioned that you are seeing this deterioration of thin on the small side of the SME segment. If you can talk about what you are seeing, is there any segments that you are seeing more of industry or what kind of companies are you seeing this slight deterioration in asset quality? And my second question is also on the side, you talked about that previously in the other call, but just in terms of expenses and synergies after the merger, if you can give us an update on where we might be seeing some of the synergies coming through since some of your discussions in your MD&A you talked about data processing, if you could give us an update on that front. Thank you.

Mr. Rogério Calderón (Itaú Unibanco): Hi Jason, Rogério. So maybe it is better if we make a split between individuals and corporations. In individuals we have some signs of increase in delinquency; however, you know, we are moving from a riskier type of credit to a safer type of credit, particularly with important increases in auto loans, particularly on brand new auto loans, and also in the real estate mortgage business. So what gives actually a sort of a mitigation of these impacts when you look at individuals; but we also identified some movements in individuals' portfolio not impacting too much Itaú Unibanco's portfolio, but we do see in data from the market - actually you also could see based on the Central Bank figures just posted. If you look at corporate, the large corporations are not suffering anything out of this macroeconomic scenario right now at least, and if you look at smaller companies - particularly to those very small companies - yes, they suffer more than other segments, driving our selectivity process, what drives our targets to a further penetration in the market. I am sorry, you had a second question on synergies right?

Mr. Jason Mollin (Goldman Sachs): The second question on synergies, if you can just give us an update on where we stand and what kind of progress we might be seeing…

Mr. Rogério Calderón (Itaú Unibanco): Ok. So I think the affirmative here is so far so good. We had a normal decrease because of seasonality in 1Q (this normal decrease is 4%, 5%) and we had a drop of 8%, registering an improvement. And if you look at the segments, as you mentioned, you can analyse insurance for instance: we posted some improvement in combined ratios, some improvement in other processes; also credit cards as a consequence of integration of the seven platforms into just one - so it is starting to be seen. Of course it is fair to say that most of movement in expenses in 1Q was due to seasonality. On the other side, on the planning side, I think it is worth mentioning that we have developed the plans with each one of the managers of this bank is now engaging all management levels and targets are there, part of the remuneration schemes and part of the targets for everyone over the coming months. So we are quite confident that we are going to deliver on the guidance.

Mr. Jason Mollin (Goldman Sachs): Thank you very much.

Mr. Jorge Kuri (Morgan Stanley): Hi good morning everyone. I still have a question on your margin. There is something that is not clear for me: you mentioned that the decline this quarter was due to credit card seasonality; however, if I look at your spread, your rate on spread-sensitive products declined 80 bps in the 1Q versus 4Q. This is, in the context of overall industry spread that increased 390 bps and your credit card loans fell 1%. Now, go back to last year. Last year's spread reduction was only 40 bps, so half of what we saw this year; however, last year spreads in the industry were declining a lot: spreads actually fell 190 bps in March 2010 and your credit card loans fell 2%. So I would have expected given all these numbers that the impact on the credit card would have been significantly lower than last year – it does not seem to be the be the case, actually it seems to be the opposite. So there is something that I still do not understand happening to your margin especially because spreads have increased a lot in the industry. So I am wondering if it has to do rather with credit cards seasonality and more with the fact that consumer lending is growing much slower than overall lendings, particularly corporate and commercial, which have lower spreads and therefore we may continue to see this below-expectations margin going forward. I am really trying to understand what is happening but certainly there is something else than credit card and so I just wanted to get color on that. That is the first question, I will ask another one.

Mr. Rogério Calderón (Itaú Unibanco): Ok Jorge. Well, I am not absolutely sure that I understood your first question, but...

Mr. Jorge Kuri (Morgan Stanley): I can repeat it, no problem; do you want me to repeat it?

Mr. Rogério Calderón (Itaú Unibanco): No, no. Let us make it and you just confirm if my understanding is correct. I think you are looking at the portion of our net interest margin explanation that addresses the spread sensitive and not the interest rate sensitive portion; am I right?

Mr. Jorge Kuri (Morgan Stanley): Yes, I am, yes. If you look at net interest margins it is the same thing, right?

Mr. Rogério Calderón (Itaú Unibanco): Ok. So I think it is much better if we look at the net interest margin, because whenever we look at one of these portions we have some impact due to the way we show this figure. Because in the interest rate portion we show what we could name the floating spread we do, and the spread is from the treasury price, the internal transfer price. So if you look at the aggregate, the drop was 50 bps, quite similar to the 40 bps showing last year and 30 bps shown in the previous year. It is very much in line with last year, but it was a little bit higher because we have been moving up in the credit card penetration and so the credit card is increasing this impact in the mix of the portfolio.

Mr. Jorge Kuri (Morgan Stanley): All right. So your margins fell 50 bps this quarter. This is in the context of interest rates that went up in the economy; of spreads that went up 390 bps and your credit card portfolio fell 1%; last year your net interest margin fell 40 bps; however, interest rates were flat and spreads in the economy felt 190 bps. I do not understand this association with credit cards. It does not seem to be related to the credit card; otherwise we would have seen a different impact. So I am trying to understand what else impacts your margin beyond this credit card issue and then the expectation for the rest of the year. And my concern I wanted an answer is if this has to do more with the fact that consumer credit is growing much slower now and it is expected to grow much slower during the rest of the year than your corporate credit, which has a significantly lower spread and therefore we may see subdue margins for the rest of the year.

Mr. Rogério Calderón (Itaú Unibanco): Jorge, I was mentioning credit cards when giving additional colors on seasonality. You are right, it is not only seasonality; it is also a production of the selectivity process we have been doing in the portfolio; it is also a process of the vintage maturity process. We have some very old vintages that are now running off and they were contributing to a higher level of spread than the very last one. And the very last ones since the last quarter they have been growing in terms of spreads in the origination. So I should add: not only seasonality, but also the selectivity process and the vintages. We always said that if you look long-term, this compression in net interest margin is possibly to come. It is not a short-term, maybe not even a medium-term issue, but it is going to be noticed overtime. And what we have always said is that any movement in net interest margin should be compensated through higher volumes and this was actually - coincidence or not - that was exactly what happened in 1Q. So if you look at the net interest margin it was compressed 50 bps, but volumes compensated and if you look at the total margin with clients this line was actually flat.

Mr. Jorge Kuri (Morgan Stanley): All right. So let me move on: my second question is on your effective tax rate. It was 28% in 1Q11 to 29% in 2010. What is the expectation for the full year 2011 and full year 2012?

Mr. Rogério Calderón (Itaú Unibanco): 27%, 28% for this year. In 1Q it was a little bit lower than this and if you look in comparison with 4Q actually there is a stronger difference because in 4Q it was slightly bigger than this average. So 27%, 28% is the right number to be used in any model for this year. And from next year, a portion of our social contribution that you know (tax credit, etc.) is going to be most likely it is not going to be sufficient to irrigate the full year and so we should see some increase in the effective tax rate as of 2012. It is hard to precise the figure right now, but it is almost sure that it is not going to be under 30%.

Mr. Jorge Kuri (Morgan Stanley): So 30% is a good number for now or...

Mr. Rogério Calderón (Itaú Unibanco): No. 30% is a good number for 2012; 27%, 28% is good number for this year.

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

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

Mr. Saul Martinez (J.P. Morgan): Hi guys. I am going to ask a very similar question, so sorry if I keep at that horse. First on your NIM progression. It is a follow-up to Jorge's question; I will try to make it a little bit more simplified. But how quickly should we see the impact of higher lending spreads in the system going through their way to your net interest margin? Obviously, we started to see higher lending spreads in Central Bank data, but that is obviously just for new loans and not for your entire portfolio. And as you had mentioned in the past, the durations on those loans have lengthened and so it takes a while for that to filter through. Should we see higher lending spreads starting to benefit your net interest margin next quarter or is it still a couple of quarters away before we see the NIM progression really benefit from the higher lending spreads you are seeing in the system? Second question is on asset quality. I am a little confused here, because you guys have just presented a 30 bps increase. Your competitors are saying delinquencies are going to go up this year. If I look historically NPLs, across different cycles you have never had an NPL cycle where NPLs have only increased 30 bps; they have historically increased substantially more than that. So I am a little confused because you are more conservative than your peers, but you are arguing that this cycle is going to be, from a historical standpoint, a very, very shallow cycle. So I am just curious how confident you are in terms of your own projections about the increase in the delinquency rate.

Mr. Rogério Calderón (Itaú Unibanco): Ok. There will be an improvement in net interest margin. It is not going to be a very strong recovery because the portfolio is very big. So the impact of the recent vintage with a higher level of spreads is going to be noticed overtime. It should impact marginally; it should be more noticed to the right side of the driver and should be more observed in the second half of the year and then increasingly. In terms of credit quality, this increase of 20, 30 bps in the NPL is not precise, actually. Based on data we have now, it is important to reaffirm that based on the expected loss model we have changed, we have applied all the impacts of the models not only in provisioning but also the pricing and the selective policies by the bank. So we should also see consequences of these changes in our behavior towards or in favor of this NPL movement. It is also worth noticing that we have been changing the quality of the portfolio; different from other periods you observed. Because what we see now is a slight deterioration in the NPL; but on the contrary, we have a movement change the mix of the portfolio, that could slightly reduce the impact of this movement.

Mr. Saul Martinez (J.P. Morgan): If you are wrong, if you think you are more likely to be wrong in that, delinquency rate will be higher or delinquency rate will be lower than your guidance?

Mr. Rogério Calderón (Itaú Unibanco): What we see now, Saul, is that, this is very much associated with the macroeconomic conditions in Brazil. So what we see is most likely during next quarter because of this spike in inflation we can see some increase in these trends. However, in the second half of this year, we should see the other way around movement: so delinquency should start improving in the second half. So to better address your question, I think we can need additional provisions eventually in 2Q, and most likely in the second half of the year it should be the other way around.

Mr. Saul Martinez (J.P. Morgan): So what you are pointing to is that net interest margins are going to benefit more from higher lending spreads likely in the second half and your asset quality could get better in the second half, so it sounds like you are very optimistic about earnings progression. Those two comments suggest you are pretty of domestic about how earnings will progress in the second half.

Mr. Rogério Calderón (Itaú Unibanco): I think I should say optimistic, not pretty optimistic because I am referring to small movements in all directions. So it is not that it is going to be seen jumping up or down; it is a slight movement in 2Q and a slight movement on the other way around in the second half. It is the normal behavior of the Brazilian economy. It is pretty much in line with current inflation. So inflation is now hitting its peak probably in the year and then in the second half it should be backwards to the range of the target inflation by the government.

Mr. Saul Martinez (J.P. Morgan): Ok great, thank you very much Rogério.

Mr. Rogério Calderón (Itaú Unibanco): My pleasure.

Mr. Jonathan Prigoff (Equinox): Hi. You talked a bit about the progression in expenses quarter on quarter. I was wondering if you could help me understand the year-on-year change in expenses and also fee income, because expense growth was significantly above the annual target you guys gave at the end of last quarter and fee income growth was a bit below, I think it was 11% instead of 14%. So I am wondering if that is also something that is going to have to improve later in the year in order for you to meet the guidance. I was wondering if you can tell me maybe what did not work this quarter and what is going to change throughout the year to help me get in line with that.

Mr. Rogério Calderón (Itaú Unibanco): Thank you Jonathan. On a quarterly comparison, expenses are higher, 19%, and our guidance is up to 13%. It should be back, in line to the guidance by 2Q or most likely 3Q and the reason for that is that we had in 2Q and 3Q last year, very strong expenses figures due to the migration and those are not going to be repeated this year. So we will be back to the guidance by 2Q or most likely 3Q. It was actually, part of calculations when we announced the guidance. The same when we refer to fee income. Fee income is now actually closer; it is 11% quarter-on-quarter. Our guidance was 14% to 16%. Usually, fee income accelerates from 2Q. We should be soon inside the guidance.

Jonathan Prigoff (Equinox): Ok thank you.

Mr. Mario Pierry (Deutsche Bank): Hi good morning everybody. Most of my questions have been answered, but in terms of... I did not see you provide your guidance again, so I am assuming that the guidance you provided at the end of the year still remains. My question then becomes with your loan growth. I think you guided back then a loan growth of 16% to 20% and since then, I think your economists have reduced their GDP forecast for Brazil and also we have seen the introduction of more macroprudential measures. So I was just wondering is there any reason to be reducing your outlook for loan growth this year? And I would also like to ask: so far from the macroprudential measures implemented by the Central Bank, judging by the data from the Central Bank we have seen very little impact; do you work with a base case where more measures could be implemented? Thank you.

Mr. Rogério Calderón (Itaú Unibanco): Mario, thank you. About the guidance, you are right: the guidance announced was 16% to 20%. This guidance was built up based on the overall picture of 15% growth in the market. Although it is right we have a different view in terms of the GDP growth, it is not going to be different in terms of credit growth, it is going to be close to 15% if the measures put in place are effective to that - and so far they are being effective to that. We are maintaining 16% to 20%, what is actually big enough to accommodate small movements and those are not different from the scenario we had when we announced the guidance. We disagree with the point that the measures were not strong or not effective in terms of demand, the impact in our overall origination for auto loans was important. If you consider 1Q this year on 1Q last year, we reduced 50% not only because of the macroprudential; it is a very mature portfolio and we had 5% to 10% growth in auto loans and it is going to be more or less like this. But the impact due to the macroprudential they are noticed.

Mr. Mario Pierry (Deutsche Bank): Ok so then you are assuming that no more macroprudential measures are implemented?

Mr. Rogério Calderón (Itaú Unibanco): Well, this is not exactly known, we do not know what is going to be done. But it seems, based on the minutes of the meetings, etc., it seems that it is going to be much more interest rate raisings instead of the use of macroprudential. You read, I read, everyone is reading this, this is the picture. As previously mentioned, I think the final chapter of this book is 15% or close to 15%. So more or less macroprudential, more or less interest rate should be towards this target anyway. But based on the history, we see and believe there is going to be an increase in interest rates and not the use of macroprudential in the near future.

Mr. Mario Pierry (Deutsche Bank): All right, thank you very much.

Mr. Marcelo Telles (Credit Suisse): Hello everyone. Thanks for the opportunity. Most of my questions have been answered but I have one question regarding the profitability of your consumer credit business: looking at slide number 16 there was a significant reduction in the RAROC for that segment. I know it seems the allocated capital has increased, but I was wondering if you could explain what is driving that profitability down. I do know, here you are probably reflecting the higher capital requirements for vehicle financing. So if you could elaborate on that, are you seeing any pressure in any specific sub segment within consumer credit or maybe it is just provisions? I would appreciate a feedback on that, thank you.

Mr. Rogério Calderón (Itaú Unibanco): Well, the main reason you just mentioned: the main reason was the capital allocation process that was changed during this quarter. But it was also impacted by the seasonality movement that I mentioned in the net interest margin aggregates for the bank. It impacts much more this column than any other one because this consumer credit is pretty much credit card business.

Mr. Marcelo Telles (Credit Suisse): That is very clear, thank you.

Mr. Jorge Kuri (Morgan Stanley): Sorry to take more of your time. I just wanted a bit more granularity on your guidance for loan growth: is there anything you can say in the different components of your book - individuals, SME, corporate - how do you think that is going to play out in terms of growth rates for 2011? Thank you.

Mr. Rogério Calderón (Itaú Unibanco): Well, the same range for individuals and corporations (so 16% to 20%). I mentioned during this call that auto loans are between 5% and 10% and I can add another one: SMEs we have 20 to 25%. I also remember the mortgage should be at the same pace of last year, so around 40%, 50% year on year.

Mr. Jorge Kuri (Morgan Stanley): Thank you.

Mr. Alfredo Setubal (Itaú Unibanco): Thank you all for your participation. We had a good quarter related to our clients business. I think we had strong numbers related to the clients segment. I think we are expecting a slight deterioration in the credit portfolio, provisions for loan losses, but everything is under control. I think we have been more cautious since we announced this deterioration when the Central Bank started to increase the interest rates some months ago and so we have been more selective. We have improved our pricing models, we have improved our provision models and so I think everything is under control. We continue to believe that the economy will grow

2.5% and this will provide a good environment for banking in Brazil, and so we keep confident that we are going to deliver good numbers for our shareholders in terms of results and in terms of the efficiency ratio in the coming quarters. So we continue very confident in operations and in the solid numbers we have been releasing quarter by quarter and we will, for sure, continue to release in coming quarters. Thank you all and we are expecting you again for 2Q results that we are going to release in August. Thank you.

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