Banco Votorantim S.A.

Consolidated financial statements in IFRS as of December 31, 2011 and 2010

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KPMG Auditores Independentes
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Independent auditors' report on consolidated financial statements

To
The Board of Directors and Shareholders of
Banco Votorantim S.A.
São Paulo - SP

We have audited the consolidated financial statements of Banco Votorantim S.A. ("Bank"), which comprise the consolidated balance sheet as of December 31, 2011 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory notes to the financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the internal controls it deemed necessary to enable the preparation of these financial statements free from misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit carried out in accordance with the 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 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 assessment, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco Votorantim S.A. as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other subjects

Statements of value added

In addition, we have examined the consolidated statements of value added as of 31 December 2011, whose presentation is being made spontaneously by Banco Votorantim S.A. and as supplementary information to the IFRS, which do not require the presentation of the statements of value added. These statements were subject to the same audit procedures as mentioned above and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, March 29, 2012

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Alberto Spilborghs Neto
Accountant CRC 1SP167455/O-0

Luciana Liberal Sâmia
Accountant CRC 1SP198502/O-8

Banco Votorantim S.A.

Consolidated balance sheets

as of December 31, 2011 and 2010

(In thousands of Reais*)*

	Note	2011	2010
Assets		134.739.577	120.775.214
Cash and cash equivalents	4	5.594.904	1.499.981
Financial assets with agreement for resale	5	9.618.225	12.256.373
Financial assets at fair value through profit and loss	6a	10.011.804	13.111.360
Financial assets available for sale	6b	16.045.469	8.796.258
Derivative financial instruments	7	1.676.944	1.789.425
Loans and receivables	8	86.148.678	78.795.878
Dividend receivables		26.148	-
Current tax assets	9	965.201	635.108
Deferred tax assets	10	2.900.047	2.040.681
Non-current assets held for sale	11	101.826	87.330
Other assets	12	1.469.075	1.610.449
Tangible assets	13	138.928	130.328
Intangible assets	14	42.328	22.043
Total assets		134.739.577	120.775.214

	Note	2011	2010
Liabilities		127.508.730	112.969.251
Financial liabilities at fair value through profit or loss	15	123.706	2.623.977
Financial liabilities at amortized cost	16	35.366.768	33.998.441
Financial liabilities associated with transferred assets	17	23.484.973	15.336.744
Financial institution deposits	18	2.856.203	726.266
Client deposits	19	22.768.436	22.871.690
Loans and onlendings	20	11.478.362	11.254.480
Securities issued	21	17.739.264	11.252.882
Derivative financial instruments	7	1.482.004	1.894.621
Subordinated liabilities	22	7.397.310	6.904.262
Provisions	23	337.157	113.691
Current tax liabilities	24	98.576	145.759
Deferred tax liabilities	25	1.036.732	1.164.706
Dividends payable		-	142.240
Legal obligations	26	1.524.350	1.400.348
Other liabilities	27	1.814.889	3.139.144
Total stockholders' equity attributable to the controlling shareholders		7.230.838	7.805.903
Capital stock		5.026.841	4.026.841
Reserves	28b	2.185.602	3.926.093
Others	28c	-	(93.647)
Equity assessment adjustments	28e	18.395	(53.384)
Total stockholders' equity attributable to non-controlling shareholders		9	60
Total liabilities and stockholders' equity		134.739.577	120.775.214

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of income

Fiscal years ended on December 31, 2011 and 2010

(In thousands of Reais*)*

	Note	2011	2010
Interest revenue	29	16.568.001	11.120.383
Interest expense	30	(12.649.084)	(7.924.062)
Financial Margin		3.918.917	3.196.321
Revenues from services and commission fees	31	1.737.664	3.435.070
Expenses with services and commission fees	32	(2.539.557)	(3.338.120)
Net services and commission fee results		(801.893)	96.950
Result of financial assets/liabilities at fair value through profit and loss	33	3.446.854	2.429.554
Result of financial assets available for sale		132.644	58.342
Result from derivative financial instruments	34	(1.328.467)	(1.302.828)
Other operating revenues		100.442	247.569
Operating results		5.468.497	4.725.908
Result of losses due to impairment	35	(4.023.487)	(1.428.797)
Personnel expenses	36	(858.650)	(774.724)
Other administrative expenses	37	(557.548)	(546.369)
Depreciation and amortization expenses	38	(37.202)	(28.432)
Tax expenses	39	(580.268)	(519.305)
Result from sale of non-current assets held for sale	40	(105.198)	(119.370)
Other operating expenses	41	(557.575)	(206.946)
Income before taxes and contributions and profit sharing		(1.251.431)	1.101.965
Current income taxes and contribution expenses	42a	(119.934)	(265.625)
Deferred income taxes and contribution expenses	42b	1.039.827	25.942
Profit sharing		(186.916)	(215.430)
Net income for the fiscal year attributable to the controlling shareholders		(518.454)	646.852
Participation of non-controlling shareholders		-	11
Net income for the fiscal year		(518.454)	646.863

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of comprehensive income

Fiscal years ended on December 31, 2011 and 2010

(In thousands of Reais*)*

	2011	2010
Net income for the fiscal year	(518.454)	646.863
Net variance of the fair value of financial assets available for sale	129.270	24.900
Fair value adjustment against equity	261.914	83.242
Reclassification of realized income to profit and loss	(132.644)	(58.342)
Income from derivative financial instruments (hedging)	(5.005)	-
Income tax and social contribution on comprehensive income	(52.486)	3.706
Total comprehensive income	(446.675)	675.469

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of changes in stockholders' equity

Fiscal years ended on December 31, 2011 and 2010

(In thousands of Reais*)*

	Patrimônio líquido atribuível aos acionistas controladores								
	Capital stock	**Capital reserves**	**Profit reserves**	**Others**	**Equity assessment adjustment**	**Acummulat Income/ (loss)**	**Total**	**Non-controlling participations**	**Total stockholders' equity**
Balances on January 1, 2010	3.544.896	617.049	3.045.477	(193.593)	(81.990)	-	6.931.839	49	6.931.888
Increase / (reduction) of capital stock	450.000	-	-	-	-	-	450.000	-	450.000
Capital paid in	31.945	(31.945)	-	-	-	-	-	-	-
Constitution / (reversal) of reserves	-	-	295.512	-	-	(295.512)	-	-	-
Revenues associated with funding	-	-	-	99.946	-	(99.946)	-	-	-
Equity assessment adjustments	-	-	-	-	28.606	(10.273)	18.333	-	18.333
Net income for the fiscal year	-	-	-	-	-	646.852	646.852	11	646.863
Distribution of dividends	-	-	-	-	-	(241.121)	(241.121)	-	(241.121)
Balances on December 31, 2010	4.026.841	585.104	3.340.989	(93.647)	(53.384)	-	7.805.903	60	7.805.963
Increase / (reduction) of capital stock	1.000.000	-	(1.000.000)	-	-	-	-	-	-
Constitution / (reversal) of reserves	-	-	(740.491)	-	-	740.490	(1)	(51)	(52)
Revenues associated with funding	-	-	-	93.647	-	(93.647)	-	-	-
Equity assessment adjustments	-	-	-	-	71.779	-	71.779	-	71.779
Net income for the fiscal year	-	-	-	-	-	(518.454)	(518.454)	-	(518.454)
Distribution of dividends	-	-	-	-	-	(128.389)	(128.389)	-	(128.389)
Balance on December 31, 2011	5.026.841	585.104	1.600.498	-	18.395	-	7.230.838	9	7.230.847

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of cash flows

Fiscal years ended on December 31, 2011 and 2010

(In thousands of Reais)

	2011	2010
Cash flows from operating activities		
Net income for the fiscal year	(518.454)	646.863
Adjustments to net income:	4.401.124	1.862.140
Depreciation/amortization	37.202	28.432
Provision for losses due to impairment	3.922.807	1.347.474
Provisions and legal obligations	347.468	386.288
Revenues associated with funding	93.647	99.946
Net (increase) decrease of operating assets	(13.691.582)	(39.354.157)
Financial assets with agreement for resale	2.638.148	289.727
Financial assets at fair value through profit or loss	3.099.556	(2.669.281)
Financial assets available for sale	(7.249.211)	(3.972.750)
Derivative financial instruments	112.481	(267.754)
Loans and receivables	(11.275.607)	(31.018.312)
Dividend receivables	(26.148)	-
Current tax assets	(330.093)	(308.893)
Deferred tax assets	(859.366)	(393.549)
Non-current assets held for sale	(14.496)	(23.014)
Other assets	141.375	(1.008.664)
Equity assessment adjustments	71.779	18.333
Net increase (decrease) of oeprating liabilities	13.747.555	26.603.768
Financial liabilities at fair value through profit or loss	(2.500.271)	2.242.749
Financial liabilities at amortized cost	1.368.327	6.394.509
Financial liabilities associated with transferred assets	8.148.229	8.181.381
Financial institution deposits	2.129.937	(1.014.776)
Client deposits	(103.254)	135.811
Loans and onlendings	223.882	3.951.725
Securities issued	6.392.735	4.016.779
Derivative financial instruments	(412.617)	623.153
Current tax liabilities	(47.183)	(135.297)
Deferred tax liabilities	(127.974)	411.011
Other liabilities	(1.324.256)	1.796.723
Cash generated / (used) by operating activities	3.938.643	(10.241.386)
Cash flows deriving from financing activities		
Capital increase	-	450.000
Dividends paid	(270.629)	(294.026)
Increase or decrease of participation of non-controlling shareholders	(51)	11
Subordinated liabilities	493.048	2.537.441
Cash generated / (used) by the financing activities	222.368	2.693.426
Cash flow deriving from the investment activities		
Tangible assets	(41.758)	(54.650)
Intangible assets	(24.330)	(19.026)
Cash generated / (used) by the investment activities	(66.088)	(73.676)
Net variance of cash and cash equivalents	4.094.923	(7.621.636)
Cash and cash equivalents at the beginning of the fiscal year	1.499.981	9.121.617
Cash and cash equivalents at the end of the fiscal year	5.594.904	1.499.981
Increase / (reduction) of cash and cash equivalents	4.094.923	(7.621.636)

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of value added

Fiscal years ended on December 31, 2011 and 2010

(In thousands of Reais*)*

	2011	2010
Revenues	782.237	2.970.795
Interest revenue	16.568.001	11.120.383
Interest expense	(12.649.084)	(7.924.062)
Results from services and commission fees	(801.893)	96.950
Results from losses due impairment	(4.023.487)	(1.428.797)
Other operating revenues / (expenses)	1.688.700	1.106.321
Items acquired from third parties	(423.944)	(431.407)
Materials, energy and others	(9.836)	(11.602)
Third party services	(17.274)	(86.002)
Others	(396.834)	(333.803)
Communications	(101.454)	(102.374)
Maintenance and preservation of assets	(17.183)	(13.967)
Data processing	(152.250)	(118.137)
Promotions and public relations	(16.222)	(22.779)
Publications	(1.000)	(1.797)
Advertising and publicity	(10.211)	(33.841)
Financial system services	(692)	(1.038)
Specialized technical services	(27)	(120)
Transportation	(24.151)	(21.507)
Others	(73.644)	(18.244)
Gross value added	358.293	2.539.388
Amortization/depreciation expenses	(37.202)	(28.432)
Net value added produced by the entity	321.091	2.510.956
Value added to be distributed	321.091	2.510.956
Value added distributed	321.091	2.510.956
Personnel	911.308	868.659
Salaries and professional fees	529.854	489.243
Profit sharing	186.916	215.430
Benefits and training	144.375	124.363
FGTS (Unemployment Compensation Fund)	50.163	39.622
Taxes, tariffs and contributions	(205.367)	880.483
In Brazil	(205.367)	880.483
INSS (National Social Security Institute) on salaries	134.258	121.495
Tax expenses (except income tax and social contribution)	580.268	519.305
Income tax / social contribution	(919.893)	239.683
Remuneration of Third Party Capital	133.604	114.962
Rent	133.604	114.962
Remuneration of own capital	(518.454)	646.852
Dividends / interest on equity	128.389	241.121
(Loss) / Retained earnings	(646.843)	405.731
Minority participation in retained earnings	-	-

The explanatory notes are constitunet parts of the financial statements.

Banco Votorantim S.A.

Explanatory notes to the consolidated financial statements

As of December 31, 2011 and 2010

(in thousands of Brazilian Reais)

1 Operating context

Banco Votorantim is a non-public stock company that, operating in the form of a multiple bank, carries out banking activities in the authorized categories, by means of its commercial, investments, financing and foreign exchange transaction portfolios. Headquartered in Brazil, Banco Votorantim is located at Avenida das Nações Unidas No. 14171 - São Paulo - State of São Paulo.

Banco Votorantim and its controlled subsidiaries BV Financeira S.A. - Crédito, Financiamento e Investimento, Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda., Votorantim Corretora de Títulos e Valores Mobiliários Ltda. and BV Leasing - Arrendamento Mercantil S.A. (the Conglomerate) also operate in a number of other categories, featuring among them activities of consumer credit, financial leasing and third party assets management.

The transactions are conducted in an integrated form in the financial market, including with regard to risk management, where certain transactions have the co-participation or intermediation of associated institutions. The benefits of the services provided among these institutions and the costs of the operating and administrative structure are absorbed according to the practicability and reasonability of them being attributed jointly or individually.

2 Basis for the preparation of the financial statements

a. *Representation of conformity*

The consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

b. *Basis for recognition and measurement*

The regular acquisitions and sales of financial instruments, including derivative financial instruments, are recognized on the date of trading - the date when the Conglomerate commits to acquiring or selling the asset.

The financial instruments are written off when the rights of receiving cash flows from the investments have matured or have been transferred; in the latter case, provided that the Conglomerate has transferred significantly all the risks and all the benefits of ownership of the financial instrument. The financial assets available for sale and the financial assets measured by the fair value through profit or loss are subsequently booked at fair value. The loans and receivables are booked by the amortized cost, using the effective interest method.

Gains or losses deriving from variances in the fair value of financial assets measured at fair value through profit or loss are shown in the statement of income in “Result of financial assets at fair value through profit or loss” in the fiscal year in which they occur.

When the instruments classified as available for sale are sold or incur losses due to impairment, the accumulated adjustments of the fair value, recognized in the stockholders’ equity, are included in the statement of income as “Result of financial assets available for sale”.

The fair values of financial assets with public quotes are based on the current purchase and sale prices. If the market for a financial asset (and for instruments not registered in a Security Exchange) is not active, the Conglomerate establishes the fair value using evaluation techniques. These techniques include recent transactions contracted with third parties, reference to other instruments that are substantially similar, analysis of discounted cash flows and the pricing models of options that make the most use possible of information generated by the market and that rely on the least possible information generated by the Management.

The Conglomerate regularly assesses if there is objective evidence that a financial asset or a group of financial assets show(s) signs of impairment of its recoverable value. For the case of financial assets classified as available for sale, a significant or prolonged drop of the fair value of the instrument, to below its cost value, is considered to be a sign that the instruments are impaired. If any one of these evidences exists for the financial assets available for sale, the cumulative loss - measured as being the difference between cost of acquisition and current fair value - is removed from the stockholders’ equity and recognized in the statement of income.

c. *Functional currency and currency of presentation*

These financial statements are presented in *Reais*, which are the functional currency of the Company.

d. *Accounting estimates and judgment*

The preparation of financial statements requires Management to use judgment to determine and record accounting estimates. The settlement of transactions involving such estimates can result in amounts that are different from those estimated, due to inaccuracies that are inherent to the process of determination. Significant items that are subject to such estimates and assumptions include the evaluation of financial assets and liabilities and derivative financial instruments at their fair value, analysis of credit risk for the determination of the provisions for losses due to impairment, as well as analysis of the contingent liabilities. Management revises the estimates and assumptions regularly.

The principal amounts recognized in the financial statements by means of estimates are included in the following explanatory notes:

No. 6 - Financial assets
No. 7 - Derivative financial instruments
No. 8 - Loans and receivables
No. 15 - Financial liabilities at fair value through profit or loss
No. 23 - Provisions

e. *Basis for consolidation*

The companies that are considered to be subsidiaries are those over which the Company exercises control, represented by the power of managing their financial and operating policies to obtain benefits from their activities. The subsidiaries are consolidated by the integrated method, from the moment when the Company assumes control over their activities up to the moment when such control ceases.

(in thousands of Brazilian Reais)

The consolidated financial statements comprise the transactions of Banco Votorantim (parent) and of the following companies:

	Percentage	
	2011	**2010**
Controlled subsidiaries in Brazil (direct participation)		
Votorantim CTVM Ltda.	99.98	99.98
Votorantim Asset Management DTVM Ltda.	99.99	99.99
BV Financeira S.A. Crédito, Financiamento e Investimento	100.00	100.00
BV Leasing Arrendamento Mercantil S.A.	99.99	99.99
BVIP - BV Investimentos e Participações S.A.	100.00	100.00
BVIA - BV Inv. Alternativos e Gestão de Recursos S.A.	100.00	100.00
Controlled subsidiaries abroad (direct participation)		
Votorantim Bank Limited	100.00	100.00
Banco Votorantim Securities Inc.	100.00	100.00
Votorantim Securities (UK) Limited – (i.)	100.00	-

The consolidated financial statements also show investment funds in which Banco Votorantim and its controlled subsidiaries hold the majority of the risks and benefits of the activities of such funds, which are listed below:

	Percentage of participation in the total units	
	2011	**2010**
BV Financeira FIDC I	-	47.22
BV Financeira FIDC II	-	25.66
BV Financeira FIDC III	-	22.67
BV Financeira FIDC IV	-	20.77
Fundo Invest. Nióbio I Renda fixa - (ii.)	100.00	-
BV Financeira FIDC V – Não padronizado	29.29	36.94
Votorantim G&K FIP	100.00	100.00
BVIA Fundo Invest. Participações	100.00	100.00
Fundo de Invest. Sedna Ref. DI	100.00	100.00

(in thousands of Brazilian Reais)

i. Votorantim Securities (UK) was incorporated on July 29, 2011 with initial capital of £ 4 million.

ii. Banco Votorantim and its subsidiary BV Financeira indirectly hold shares through Fundo Invest. Nióbio I Renda fixa [fixed income fund] which as of July 25, 2011, absorbed 100% of the subordinated shares of receivables funds shown in the table below:

	Percentage of indirect participation total units
BV Financeira FIDC I	59.22
BV Financeira FIDC II	24.51
BV Financeira FIDC III	24.31
BV Financeira FIDC IV	22.48
BV Financeira FIDC VI	25.80

f. Investments in affiliates

An affiliate is an entity over which the Bank has significant influence and which does not appear as a controlled subsidiary nor as participation in an enterprise under common control ("joint venture"). Significant influence is the power of participating in the decisions concerning the financial and operating policies of the invested entity, without controlling such policies on either an individual or joint basis. On December 31, 2011 and 2010, the Conglomerate had no investments in affiliates.

g. Transactions elimination in consolidation

Intragroup balances and transactions, and any revenues or expenses deriving from intragroup transactions, are eliminated when preparing the consolidated financial statements. Unrealized earnings deriving from transactions with invested companies, recorded by the equity accounting system, are eliminated against the investment in proportion to the participation of the Conglomerate in the invested company. Unrealized losses are eliminated in the same way as unrealized earnings, but only to the extent that there is no evidence of loss due to impairment.

(in thousands of Brazilian Reais)

h. Equity position of the controlled subsidiaries in Brazil

On December 31, 2011

	Votorantim CTVM	Votorantim DTVM	BV Financeira	BV Leasing	BVIP (a)	BVIA (a)
Current assets	348,898	26,078	17,405,110	18,407,460	109	172
Long-term assets	18,607	91,211	26,102,932	10,518,298	-	-
Total assets	367,505	117,289	43,508,042	28,925,758	109	172
Current liabilities	81,601	39,693	24,924,916	3,252,967	-	-
Long-term liabilities	30,597	-	17,882,296	24,376,936	-	-
Stockholders' equity	255,307	77,596	700,830	1,295,855	109	172
Total liabilities	367,505	117,289	43,508,042	28,925,758	109	172

On December 31, 2010

	Votorantim CTVM	Votorantim DTVM	BV Financeira	BV Leasing
Current assets	370,670	39,451	16,597,695	4,827,970
Long-term assets	18,735	55,685	20,224,875	22,909,290
Total assets	389,405	95,136	36,822,570	27,737,260
Current liabilities	114,797	37,675	10,393,662	6,291,078
Long-term liabilities	25,104	-	25,094,045	20,135,186
Stockholders' equity	249,504	57,461	1,334,863	1,310,996
Total liabilities	389,405	95,136	36,822,570	27,737,260

(a) On December 31, 2010 the equity position of these companies amounted to less than one thousand Brazilian Reais (R$ 1,000).

(in thousands of Brazilian Reais)

i. Equity position of the controlled subsidiaries abroad

	2011			2010	
	VBL	BV Securities	BV Securities UK	VBL	BV Securities
Current assets	113,516	11,107	11,667	40,355	13,551
Long-term assets	1,845	442	-	2,054	350
Total assets	115,361	11,549	11,667	42,409	13,901
Current liabilities	78,771	530	-	9,007	529
Long-term liabilities	-	-	-	-	-
Stockholders' equity	36,590	11,019	11,667	33,402	13,372
Total liabilities	115,361	11,549	11,667	42,409	13,901

j. Equity positions of the investment funds

On December 31, 2011

	FI Nióbio I Renda fixa – (a)	BV Financeira FIDC V	Votorantim G&K FIP	BVIA FIP	FI Sedna Ref. DI	Other Funds
Current assets	1,528,534	1,057,126	55,663	470,997	43,425	289,325
Long-term assets	-	-	-	-	-	-
Total assets	1,528,534	1,057,126	55,663	470,997	43,425	289,325
Current liabilities	372	3,166	84	70	184	-
Long-term liabilities	-	-	-	-	-	-
Stockholders' equity	1,528,162	1,053,960	55,580	470,927	43,421	289,325
Total liabilities	1,528,534	1,057,126	55,663	470,997	43,425	289,325

(a) Banco Votorantim and its BV Financeira subsidiary hold indirectly, through Fundo Invest. Nióbio I Renda fixa [fixed income fund] which as of July 25, 2011, absorbed 100% of the subordinated shares of the Receivables Funds shown in the table below:

(in thousands of Brazilian Reais)

	BV Financeira FIDC I	BV Financeira FIDC II	BV Financeira FIDC III	BV Financeira FIDC IV	BV Financeira FIDC VI
Current assets	459,053	920,419	693,825	1,765,633	2,726,672
Long-term assets	-	-	-	-	-
Total assets	459,053	920,419	693,825	1,765,633	2,726,672
Current liabilities	6,610	3,142	2,905	2,508	2,640
Long-term liabilities	-	-	-	-	-
Stockholders' equity	452,443	917,277	690,920	1,763,125	2,724,032
Total liabilities	459,053	920,419	693,825	1,765,633	2,726,672

On December 31, 2010

	BV Financeira FIDC I	BV Financeira FIDC II	BV Financeira FIDC III	BV Financeira FIDC IV	BV Financeira FIDC V	Other Funds
Current assets	555,230	618,066	614,159	513,764	1,077,473	1,570,811
Long-term assets	-	-	-	-	-	-
Total assets	555,230	618,066	614,159	513,764	1,077,473	1,570,811
Current liabilities	577	912	282	186	1,217	880
Long-term liabilities	-	-	-	-	-	-
Stockholders' equity	554,653	617,154	613,877	513,578	1,076,256	1,569,931
Total liabilities	555,230	618,066	614,159	513,764	1,077,473	1,570,811

k. *Foreign currency*

Monetary assets and liabilities denominated and assessed in foreign currencies on the date of presentation are reconverted to the functional currency at the exchange rate assessed on that date.

Foreign exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interest and effective payments during the period, and the amortized cost in foreign currency at the exchange rate at the end of the period of presentation. On the base date the assets and liabilities of the subsidiary and of the branch located abroad are converted to the currency of presentation adopted by the Company at the exchange rate effective on the balance sheet date.

l. Offset of financial instruments

Financial assets and liabilities are only offset and the net amount reported in the balance sheet when there is a legally applicable right to offset the amounts recognized and there is an intention of settling them on a net basis, or of realizing the asset and settling the liability simultaneously. On December 31, 2011 and 2010 there were no offsets of financial instruments.

m. Rules and interpretations that came into effect in the year ended December 31, 2011

Amendment to IFRIC 13 - "Customer Loyalty Programmes" - explains the concept of fair value in cases of points awarded under customer loyalty programs. This altered interpretation has not led to any impact for our consolidated financial statements.

Amendment to IFRIC 14 – “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”- removes an unintended consequence of IFRIC 14 related to voluntary prepayments for pension plans with minimum funding requirements. This altered interpretation has not led to any impact for our consolidated financial statements.

Amendment to IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments" - deals with recognition when a debt is settled by issuing an equity instrument. Stipulates that gain or loss on settlement of liabilities by issuing an equity instrument must be recognized in the result. This altered interpretation has not led to any impact for our consolidated financial statements.

Amendment to IAS 1 - "Presentation of Financial Statements" - states that an entity must disclose an analysis of other comprehensive income in the Statement of Changes in Equity or in notes. This altered pronouncement has not led to any impact on the consolidated financial statements.

Amendment to IAS 24 - "Related Party Disclosure" - covers new requirements for relationships with government agencies and excludes transactions between affiliates. This altered pronouncement has not led to any impact on the consolidated financial statements.

Amendment to IAS 27 - "Consolidated and Separate Financial Statements " - states that loss of control over a subsidiary, loss of influence over an affiliate or loss of joint control in a joint venture are similar events and must be recognized and measured at fair value and gains or losses recognized in income. This altered pronouncement has not led to any impact on the consolidated financial statements.

Amendment to IAS 32 - "Financial Instruments: Presentation "- states conditions under which an issue of certain rights, in a functional currency other than an entity's functional currency may be classified as an equity instrument. This altered pronouncement has not led to any impact on the consolidated financial statements.

Alteration of IAS 34 - "Interim Financial Reporting" - requires disclosure of transactions and material events in interim financial statements. This altered pronouncement has not led to any impact on the consolidated financial statements.

Amendment to to IFRS 1 - "First-time Adoption of International Financial Reporting Standards" - covers limited exemptions based on comparative disclosures in IFRS 7. This altered pronouncement has not led to any impact on the consolidated financial statements.

Amendment to IFRS 3 - "Business Combinations" - deals with interests of minority shareholders and acquired options. This altered pronouncement has not led to any impact on the consolidated financial statements.

Amendment to IFRS 7 - "Financial Instruments: Disclosures "- emphasizes the interaction between quantitative and qualitative disclosures concerning the nature and extent of risks associated with financial instruments, especially collateral held. The effects of these disclosure requirements are shown in Note 45.

n. Rules and interpretations due to come into effect after the period ended December 31, 2011

Amendment to IAS 19 - "Employee Benefits" - this alteration ends the use of the "corridor" method and all changes shall be posted in Cumulative Other Comprehensive Income. This is effective as of January 1, 2013. This altered pronouncement will not lead to impact on the consolidated financial statements.

Amendment to IAS 32 - "Financial Instruments: Presentation "- this alteration was issued to clarify "offsetting" requirements for financial instruments on the Balance Sheet. This change comes into effect as of January 1, 2014. Possible impacts of the adoption of this amendment are being analyzed.

Amendments to IFRS 7 - "Financial Instruments: Disclosures "- an amendment to this pronouncement was issued in October 2010 requiring additional disclosures of transfers of assets (remaining risks) and transfers near the date of the period. These requirements come into effect as of July 1, 2011. Additionally in December 2011 another alteration of the pronouncement was issued requiring added disclosure on the "offsetting" process. These requirements come into effect for fiscal years beginning after January 1, 2013. Possible impacts of adopting these alterations are being analyzed.

IFRS 9 - "Financial Instruments" - the pronouncement is the first step in the process of replacing IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is expected to affect accounting recognition of the conglomerate's financial instruments. It will not come into effect until January 1, 2015, but the IASB allows early adoption.

IFRS 10 - "Consolidated Financial Statements" - the pronouncement alters the current guideline to identify the concept of control as a factor determining when an entity should be consolidated. IFRS 10 provides additional guidance to assist in the determination of control when there are difficulties in certain cases. It is not effective until January 1, 2013. Possible impacts resulting from adoption of this pronouncement are being analyzed.

IFRS 11 - "Joint Arrangements" - The pronouncement takes a different approach to the analysis of "Joint Arrangements" with more focus on rights and obligations under agreements than on legal forms. IFRS 11 divides "Joint Arrangements" into two types: "Joint Operations" and "Joint Ventures", depending on the rights and obligations of the parties. For investments in "Joint Ventures", proportionate consolidation is no longer permitted. It is not effective until January 1, 2013. This altered pronouncement will not lead to impact on the consolidated financial statements.

IFRS 12 - "Disclosures of Interests in Other Entities" - The announcement includes new disclosure requirements for all forms of investment in other entities, such as "Joint Arrangements", associations and specific-purpose companies. It is not effective until January 1, 2013. Possible impacts resulting from adoption of this pronouncement are being analyzed.

IFRS 13 - "Fair Value Measurement" - The pronouncement aims for closer alignment between IFRS and US GAAP, with more consistency and less complexity for disclosures, using precise definitions of fair value. It is not effective until January 1, 2013. Possible impacts of adopting the rule are being analyzed.

o. Authorization of the financial statements

The issuance of the financial statements was authorized by the Executive Board on March 29, 2012.

3 Principal accounting practices

a. Cash and cash equivalents

Cash and cash equivalents are represented by cash, short-term investments in interbank deposits, in foreign currencies and in committed transactions - own resources, maturing within 90 days.

b. Financial instruments with repurchase/resale commitment

Instruments sold with an agreement for repurchase on a specific future date are not written off the balance sheet, since the Conglomerate retains substantially all the risks and benefits of possession. The corresponding cash received is recognized in the balance sheet as an obligation of return, including interest appropriated as a liability, reflecting the effective substance of the transaction as a debt of the Conglomerate. The difference between the selling price and the repurchasing price is treated as interest expense and appropriated throughout the duration of the agreement using the effective interest rate.

Inversely, for instruments acquired with an agreement of resale on a specific future date, the amount paid, including appropriated interest, is recorded in the balance sheet as financial assets with resale agreement, thus reflecting the economic substance of the transaction. The difference between the purchase price and the resale price is recorded in “interest revenue” and is appropriated throughout the term of the agreement using the effective interest rate.

c. Financial instruments

Under IAS 39, all financial assets and liabilities, including derivatives must be recognized on the Balance Sheet and measured depending on the category in which the instrument has been classified.

Financial assets and liabilities may be classified in the following categories:

- Financial assets and liabilities at fair value through profit or loss - held for trading;

- Financial assets and liabilities at fair value through profit or loss - designated at fair value;
- Financial assets and liabilities at fair value through profit or loss - derivatives;
- Financial assets available for sale;
- Financial assets held to maturity;
- Loans and receivables;
- Financial liabilities at amortized cost.

Classification depends on the purpose for which financial assets were acquired or liabilities assumed. Management determines classification of its financial instruments on initial recognition.

Banco Votorantim S.A management decided to classify in its consolidated financial statements the financial instruments in the categories which most appropriate reflect the nature and characteristics of these financial instruments.

Regular purchases and sales of financial assets are recognized and / or derecognized on trade date.

Financial assets are reversed / derecognized when cash flow receivables expire or when Banco Votorantim S.A. transfers substantially all risks and rewards of ownership, thus justifying derecognition (IAS 39). Therefore, if risks and benefits have not been substantially transferred, Banco Votorantim S.A. will reassess control and determine whether active involvement related to any retained control will prevent it making the derecognition. Financial liabilities are derecognized on liquidation or extinguishing.

Assets and liabilities are offset and reported on the balance sheet at their net amount only when there is a legally enforceable right to offset the recognized amounts and an intention to settle them on a net basis, or realize the asset and settle the liability simultaneously.

i. **Financial assets at fair value through profit or loss - held for trading** - assets acquired and incurred mainly with the intention of being traded in the short term or when part of a portfolio of financial instruments that are managed as a whole and for which there is evidence of a recent history of short-term sales. Derivatives are classified as held for trading at fair value unless designated and made as accounting hedges Banco Votorantim S.A chose to disclose derivatives on a separate line of the Consolidated Balance Sheet (Item (iii)).

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is classified as such at the moment of initial recognition.

The financial assets are designated for fair value through profit or loss if Management monitors such investments and takes purchase and sale decisions based on their fair values according to the documented risk management and the investments strategy of the Conglomerate. After their initial recognition, the financial assets with pre-fixed or post-fixed remuneration have their amortized cost calculated using the effective interest method and measured by the fair value. The remuneration calculated by the amortized costs of the financial assets recognized initially is presented in the statement of income as "Interest revenue".

The remuneration of financial assets held for trading is considered applicable to the Banco Votorantim S.A.'s trading transactions and is presented in aggregate form for all the changes of fair value of assets held for trading in the heading "Result of financial assets held at fair value through profit or loss".

The changes of fair value are recognized in the result for the period and presented in the statement of income as "Result of financial assets at fair value through profit or loss".

ii. Financial assets at fair value through profit or loss - designated at fair value - Assets designated at fair value through profit or loss on initial recognition (fair value option). This designation may not be subsequently altered. Under IAS 39, the fair value option may only be used if it reduces or eliminates accounting inconsistencies in the result or if the financial assets comprise a portfolio for which risk is managed and reported to Management based on its fair value, or if these assets consist of debt instruments and embedded derivatives that must be separated.

Banco Votorantim S.A did not have transactions in this class to report in its consolidated financial statements for the year ended December 31, 2011 and 2010.

iii. Financial assets and liabilities at fair value through profit or loss - derivatives - Derivative financial instruments that do not fulfill the criteria for hedging have their adjustments to fair value recorded directly in the result for the period and are shown in the statement of income as "Result of derivative financial instruments".

Financial instruments that are combined with other financial instruments, whether derivative or not, are treated as distinct financial instruments and are recorded considering the economic characteristics and the risks directly related to those of the principal contract.

Built-in derivatives are segregated from their principal contracts and recorded individually, if the economic characteristics and risks of the principal contract and of the built-in derivative are not intrinsically related; or if an individual instrument with the same conditions as the built-in derivative fulfills the definition of a derivative.

Financial assets available for sale - financial assets available for sale are financial assets that are not classified in any of the above categories. After initial recognition, financial assets earning fixed- or floating-rate remuneration are measured at amortized cost using the effective interest method and measured at fair value. Alterations in fair value other than impairment losses are recognized net of tax effects in shareholders' equity as "equity valuation adjustments." When an investment is derecognized, the result accrued in shareholders' equity is transferred to the period's result.

Financial assets held to maturity - If the conglomerate has the intention and capacity to hold financial assets to maturity, these assets are classified as held to maturity. After initial recognition, financial assets earning fixed- or floating-rate remuneration are measured at amortized cost using the effective interest method and shown in the income statement as "Interest income" less any impairment loss.

Banco Votorantim S.A did not have transactions in this class to report in its consolidated financial statements for the year ended December 31, 2011 and 2010.

iv. Loans and receivables - Loans and receivables are financial assets earning payments that are fixed or may be calculated, and that are not quoted in an active market. Such assets are initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. Earnings measured at amortized cost are shown in financial statements as "interest income. Loans and receivables used as hedges for derivatives are measured at fair value, using consistent and verifiable criteria.

Alterations of their fair value are recognized in the period's result and shown in the income statement as "Result from financial assets at fair value through profit or loss".

d. *Derecognition of financial instruments*

i. Financial assets

A financial asset (or an applicable portion of a financial asset or a group of similar assets) is derecognized when:

- The right to receive the cash flow of the asset has matured;
- The Conglomerate transferred the right to receive the cash flow of the asset or assumed the obligation of paying the cash flow received, for its total amount, without material delay, to a third party due to a transfer agreement and if:
- The Conglomerate has transferred substantially all of the risks and benefits of the asset; or
- The Conglomerate has not transferred substantially or retained substantially all of the risks and benefits of the asset, but has transferred control over the asset.

Loans and receivables that are more than 360 days overdue are written off against the provision for losses due to impairment, except when there is any expectation of recovery.

ii. Financial liabilities

A financial liability is written off when the obligation relative to the liability is eliminated, cancelled, matured or settled. When an existing financial liability is substituted by another one of the same creditor on substantially different terms, or the terms of the existing liability are substantially modified, the change or modification is treated as a write-off of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss. On December 31, 2011 and 2010, the financial liabilities did not incur any significant substitutions.

e. *Hedge Accounting*

The Conglomerate maintains derivative instruments for financial hedging to protect its exposures to foreign currency and interest rate risks.

At the moment of initial designation of the hedge, the Conglomerate formally documents the relationship between the hedge instruments and the items that are subject-matter of hedging, including the objectives for management of risks and the strategy for conduction of the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Conglomerate assesses hedge transactions on inception and continually monitors thereafter, if there is an expectation that the hedging instruments be “highly effective” in the variances of the fair value of the relevant items that are subject-matter of hedging during the periods for which the hedge is designated, and if the actual result of the each hedge are within a range of 80-125 percent.

Derivatives deemed hedges are classified depending on their nature:

Fair value hedge - Derivatives classified in this category, as well as the hedged item, have their fair value adjustments recorded against the period's result and shown in the income statement as "Result from derivatives"; and

Cash flow hedge - Derivatives classified in this category have their fair value adjustments recognized in shareholders' equity as "equity valuation adjustments", net of tax effects.

f. Determination of the fair value

The fair value of the financial instruments with public quotes is based on the current market prices.

For financial assets and liabilities that have no active market, the Conglomerate establishes the fair value using evaluation techniques. These techniques are established with observance of consistent and verifiable criteria and can include:

- Comparison with recent transactions contracted with third parties;
- Reference to other instruments that are substantially similar;
- Analysis of discounted cash flows; and
- Conventional and recognized pricing models.

The principal additional information on the assumptions used in assessing the fair value is disclosed in the specific notes of the relevant asset or liability.

g. *Provision for losses due to impairment*

A financial asset not measured by the fair value through profit or loss is appraised periodically to assess if there is objective evidence that there has been loss due to impairment. An asset is impaired if the objective evidence shows that an event of loss occurred after initial recognition of the asset, and that the event of loss had a negative effect on the projected future cash flows that can be estimated in a reliable way.

The measurement of the recoverable value is applicable to the following financial assets that are present in the Balance Sheet, whether attributed to the Wholesale segment or to the Retail segment:

- Financial assets with agreement of resale;
- Financial assets "Available for sale"; and
- Loans and receivables.

In addition to the abovementioned assets, one also takes into account all the items not included in the balance sheet that show credit risks for the entity, such as corporate/personal guarantees and other guarantees pledged.

The procedures that are applicable for the measurement of the loss of recoverable value consider the phases of the life cycle of the financial asset, which are: origination / acquisition of financial assets, the occurrence of objective evidences of impairment, renegotiation of a financial asset and a write-off.

Upon the origination or acquisition of financial assets, the Conglomerate does not recognize any reduction of the recoverable value of the asset, and also does not consider for accounting purposes any estimated expected losses as a result of future and uncertain events, irrespective of their probability.

The occurrence of objective evidences of loss of recoverable value indicates possible problems for the recovery of a financial asset, or of a group of financial assets. According to the internal policies of the Conglomerate, the following facts are considered by the institution as being objective evidence of loss of recoverable value:

- Non-payment;
- Delay of payment;

- Restructuring of the amount owed on conditions that the Conglomerate would not consider in other transactions;

- Indications that the debtor or issuer will enter a process of bankruptcy;
- The discontinuity of an active market for an instrument.

The Conglomerate first assess if there is “objective evidence of loss of recoverable value” for “assets that are individually significant” or collectively for “mass-oriented assets”.

For this purpose, the Conglomerate’s Credit Risk area considers as “individually significant assets” those assets whose nominal value is equal to or greater than the individually significant reference value (value corresponding to the application of a percentage on the Reference Equity). These transactions undergo periodic evaluations (agreement by agreement) concerning the payment capability of the borrower or of the economic group of the borrower, the quality of the guarantees offered and fulfillment with all of the conditions negotiated contractually.

Any transactions that do not qualify at the level defined as “individually significant assets” will be classified as “mass-oriented” transactions and will be appraised by the Credit Risk area on a group basis.

If an “individually significant asset” shows one or more “objective evidence of loss”, a provision is accrued for the difference between the book value of the asset and the estimated present value of the cash flows.

The level of provisions for reduction to impaired value of the individually significant balances, defined as being material, is revised at least on a quarterly basis, and more regularly when circumstances thus require. This normally includes a reassessment of the applicability of execution of guarantees maintained and advanced receipts.

When assessing the loss due to impairment in a mass-oriented form, the Conglomerate uses an internal assessment system that considers historical trends of the probability of default, of the period for recovery and of the amounts of loss incurred, adjusted to reflect the judgment of Management.

The portfolio of mass-oriented transactions is divided so as to identify groups with homogeneous levels at the parameters observe of probability of default and of losses attributed to the default and stability of such parameters in a given historical period. Each one of those groups shows distinct level of such parameters. The formation of homogenous groups is oriented by criteria such as product, category and timeframe.

In these cases, measurement of the provision for losses is made based on statistical methods that take into consideration the Loss, given the Default (calculated based on historical data of losses for cases where the evidences of loss were identified).

The provisions for reduction to impaired value are only reduced when there are reasonable and objective evidences of favorable alterations in the estimates of loss that had been previously established.

The guarantees pledged are also subject to losses. Upon the appearance of objective evidence of loss due to impairment of the portfolio of guarantees pledged, the Conglomerate recognizes the guarantee as a financial liability at fair value. In this case, when representing a transaction covenanted according to market parameters, the fair value is equal to the premium paid by the counterparty. At the end of each reporting period, these financial guarantees are assessed as to the possibility of their being honored by the Conglomerate and classified as “probable”, “possible” or “remote”. For each one of these classifications a specific accounting treatment is applied.

For the case of financial guarantees classified as “probable”, the present value of the expenditure required to settle the present obligation of the institution is recognized as a liability. For those classified as “possible”, the present value of the expenditure required to settle the obligation is disclosed in explanatory notes. For those guarantees classified as “remotes”, no additional procedure is carried out by the entity. On December 31, 2011 and 2010, no probable losses were identified for financial guarantees.

The reduction of the recoverable value of a financial asset, measured by the amortized cost, calculated based on the difference between the book value and the present value of estimated future cash flows is recognized in profit or loss and shown in the statement of income as “Result of losses due to impairment”, with the balancing entry in a provision account. When a subsequent event shows reversal of the loss of value, the reduction in the loss of value is reversed and recorded in profit or loss.

Whenever possible, the Conglomerate seeks to restructure debts instead of taking possession of the guarantee. This can involve an extension of the term for payment and an agreement on the new conditions of the loan. Management conducts continual revision of the renegotiated loans to ensure that all the criteria are fulfilled and that future payments will occur. The loans continue to be subject to individual or collective assessment of reduction due to impairment, calculated by using the effective original rate of the loan.

h. *Assignment of financial assets*

When applying the accounting practices to assigned financial assets, the Conglomerate has considered the degree of transfer of the risks and benefits of the transferred assets to another entity:

- When the Conglomerate has transferred financial assets to another entity, but did not substantially transfer all the risks and benefits related to the transferred assets, the assets remain recognized in the balance sheet of the Conglomerate.

- When the Conglomerate transfers substantially all the risks and benefits related to the transferred assets to an entity that is not controlled, the assets are written off the balance sheet of the Conglomerate.

- When the Conglomerate does not transfer or retain substantially all of the risks and benefits related to transferred financial assets, and retains control of the transferred assets, the Conglomerate continues to recognize the transferred asset to the extent of its continuity in the involvement of the transferred financial asset.

In the course of its activities, the Conglomerate carries out transactions that result in the transfer of financial assets to third parties or to Funds for Investment in Credit Rights. However, the credit risks of these transactions are substantially retained. In this way, the Conglomerate continues to recognize these transactions in its balance sheet in an associated liability.

i. *Non-current assets held for sale*

The long-term assets and groups of assets held for sale are classified as intended for sale if their book value is recovered principally by means of sale instead of continual use. This condition is only fulfilled when the sale is highly probable and the long-term asset is available for immediate sale in its current condition. Management must be committed to the sale, which is expected, upon recognition, to be considered as a sale completed within one year from the date of classification.

Carrying amounts for these items are initially recorded in the balance sheet at whichever is lower; (a) fair value of assets less estimated cost of their sale; (b) the carrying amount of the loan.

Disposal of these assets is carried out in their current conditions through periodic official auctions, and they may be maintained as non-current assets for a period of one (1) year, which may be prolonged with consent from the regulatory agency (Central Bank of Brazil).

j. Contingent assets

Contingent assets are recognized in the financial statements only when there is evidence that gives rise to assurance of their realization, on which no further recourses are pertinent, characterizing the earnings as practically certain. There is no contingent asset recognized in these financial statements.

k. Tangible assets

Tangible assets are recognized at the cost of acquisition, after deduction of the relevant depreciation account. Depreciation is calculated by the linear method, based on the following annual rates:

- Installations, furniture and equipment for use - 10%;
- Communication, security and transportation systems - 10%;
- Data processing systems and leased assets - 20%;
- Improvements to third party property - term of the lease agreement.

Purchased software that is a constituent part of the functionality of equipment is capitalized as a part of the equipment.

The assets are subject to the assessment of recoverable value at annual periods.

l. Intangible assets

Development activities that involve a project aimed at the production of new or substantially enhanced products. The development expenditures are only capitalized if the costs of development can be measured reliably, if the product or process is technically and commercially viable, if the future economic benefits are probable and if the Conglomerate has the intention and the sufficient resources to complete the development and use the asset.

Intangible assets include rights that have as their subject-matter the intangible assets intended for the maintenance of the company or that are exercised with such a purpose. The amortization is calculated using the linear method, based on the following periods:

- Licenses and software - Term of the agreement for use
- Commercialization rights agreement - Term of the agreement
- Corporate projects – Period in which the future economic benefits are expected.

The assets are subject to assessment of recoverable value at annual periods.

m. Taxes and contributions on income

Income tax has been assessed based on a rate of 15%, with an additional surtax of 10%, while social contribution has been assessed based on a rate of 15% for financial institutions and 9% for non-financial institutions, both applicable to taxable income, and considers the offset of tax losses and negative base of social contribution, limited to 30% of taxable income.

Income tax and social contribution expenses comprise the current and deferred taxes and contributions on income. Current tax and deferred tax are recognized in profit or loss unless they are recognized in stockholders' equity.

Current income tax is the current income tax liability expected based on the taxable income or loss for the fiscal year.

Deferred tax assets are established according to a study prepared by the Management of the capability of realization.

Deferred tax is generated by temporary differences on the balance sheet date between the tax bases of assets and liabilities and their book values for purposes of financial disclosure.

Deferred tax assets are recognized for all the deductible temporary differences, unused tax credits and losses, to the extent that it is probable that taxable income is available so that the deductible temporary differences can be realized.

The book value of the deferred tax assets is revised monthly and written off to the extent that it is no longer probable that taxable income will be available to permit that all or a portion of the deferred tax asset may be used. Deferred tax assets written off are reassessed on each balance sheet date and are recognized to the extent that it becomes probable that future taxable income will enable the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the year in which the asset is realized or the liability is settled, based on the tax rates that were applicable on the balance sheet date.

n. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded and measured at fair value, and any change in fair value is immediately recognized in income. Under international accounting standards (IAS 39), this asset category may be divided into two distinct categories:

(i) Financial liabilities at fair value through profit or loss - designated at fair value - Banco Votorantim S.A. had no financial liability at fair value through profit or loss - designated at fair value in its portfolio in the years ended December 31, 2011 and 2010.

(ii) Financial liabilities at fair value through profit or loss - held for trading - Financial liabilities at fair value through profit and loss - held for trading recognized by Banco Votorantim S.A. correspond to derivatives, unless designated and effective as hedges or designated to financial liabilities at fair value through profit or loss on initial recognition (fair value option). This designation may not be subsequently altered. Under IAS 39, the fair value option may only be used if it reduces or eliminates accounting inconsistencies in the result or if the financial assets comprise a portfolio for which risk is managed and reported to Management based on its fair value, or if these assets consist of debt instruments and embedded derivatives that must be separated.

o. Financial liabilities at amortized cost

Financial liabilities at amortized cost are recognized initially by their fair value, with addition of any attributable transaction costs. After initial recognition, these financial liabilities are measured by the amortized cost using the effective interest method. The charges calculated by the amortized cost are shown in the statement of income as “interest expense”.

p. Financial liabilities associated with transferred assets

Financial liabilities associated with transferred assets consist of:

- The contractual obligations established with the acquiring assignees of loans and receivables portfolios with a joint liability clause or significant retention of credit risk; and

- The equity position of the unit holders that participate in funds for investment in credit rights, consolidated in these financial statements, according to explanatory notes Nos. 2e and 2j.

The financial liabilities with assignees are initially recognized by their fair value, with addition of any attributable transaction costs. After initial recognition, these financial liabilities are measured by the amortized cost, using the effective interest method. The charges calculated by the amortized cost are shown in the statement of income as “interest expense”.

q. Deposits by financial institutions and clients

Deposits by financial institutions and clients are initially recognized by their fair value, with the addition of any attributable transaction costs. After initial recognition, these deposits are measured by the amortized cost through the effective interest method. The charges calculated by the amortized cost are shown in the statement of income as “interest expense”.

r. Loans and onlendings, securities issued and subordinated liabilities

Loans and onlendings, securities issued and subordinated liabilities are initially recognized by their fair value, with addition of any attributable transaction costs. After initial recognition these liabilities are measured by the amortized cost through the effective interest method. The charges calculated by the amortized cost are shown in the statement of income as “interest expense”.

The loans and onlendings, securities issued and subordinated liabilities that are subject-matter of hedging of derivative financial instruments are appraised by their fair value using a consistent and verifiable criterion. The changes of their fair value are recognized in the profit or loss for the period and are shown in the statement of income as “Result of the financial liabilities at fair value through profit or loss”.

s. Provisions

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisors and of Management, a risk of loss is considered probable in a judicial or administrative action, with probable expenditure of funds for settlement of the obligations, and when the amounts involved are measurable with sufficient reliability.

Contingent liabilities classified as possible losses are not recognized, and are only disclosed in the explanatory notes, while those classified as remote do not require provision or disclosure.

t. Legal obligations

The legal obligations are judicial proceedings related to tax obligations, whose object of contestation is their legality or constitutionality, which have their amounts fully recognized in the financial statements, based on the Management's risk analysis.

u. Other assets and other liabilities

Other assets are shown at realization value, including, when applicable, earnings and monetary and foreign exchange variances earned and a provision for loss when deemed necessary.

Other liabilities are shown at known or calculable amounts, with the addition of charges and of any monetary and foreign exchange variances incurred.

v. Capital stock

Common shares

Common shares are classified as stockholders' equity. Additional costs that are directly attributable to the issuance of shares are recognized as deductions to stockholders' equity, net of any tax effect. On December 31, 2011 and 2010, there were no costs directly attributable to the issuance of shares.

Preferred shares

Preferred capital is classified as stockholders' equity. Preferred shares have no voting rights and have preference for settlement of their portion of the capital stock.

The minimum compulsory dividends, as defined in the by-laws, are recognized as liabilities.

w. Reserves

Capital reserves

The capital reserve is accrued as premium in the subscription of shares.

Profit reserves - Legal reserve

Accrued compulsorily based on 5% of the net income obtained according to the corporate accounting for the period, until reaching a limit of 20% of capital stock obtained from the same corporate base. The legal reserve may cease to be constituted when, increased by the amount of capital reserves, exceeding 30% of capital stock. The capital reserve may only be used for the increase of capital or to offset losses.

Profit reserves - Reserve for expansion

At the end of the fiscal year Management proposes the allocation of undistributed profit to "Reserve for Expansion", accrued after the other allocations. The balance of the reserve is available for the shareholders for future resolution in a Shareholders' Meeting.

Dividends for common and preferred shares

Dividends for common and preferred shares are recognized as a liability and deducted from stockholders' equity when approved by the shareholders. Dividends on interim dates are deducted from stockholders' equity when declared and are not subject to future resolution by the Conglomerate.

Dividends for the year that were approved after the balance sheet date are disclosed as a subsequent event to the balance sheet date.

x. Payment based on shares

The Bank does not have a program of payments based on shares.

y. Interest revenues and expenses

For all financial instruments measured at amortized cost, interest-bearing financial assets that are classified as available for sale and financial instruments designated at fair value through profit or loss, the interest revenues or expenses are recorded using the effective interest rate. The calculation takes into consideration all of the contractual terms of the financial instrument and includes any incremental fees or costs that are directly attributable to the instrument and are constituent parts of the effective rate, but not of the future credit losses. The book value of a financial asset or liability is adjusted when the Bank revises its estimates of payments and receipts.

z. Revenues and expenses from services and commission fees

The Conglomerate earns revenue from services and commission fees through various types of services that it provides for its clients. Fees earned from providing services in the course of the period are appropriated in the course of the same period.

For revenues from holding fees for loan commitments, where the credit will probably not be used, the revenue is recognized in the course of the term of the commitment using the linear method.

aa. Revenues from dividends

Revenues from dividends are recognized when the right to receive is established. Dividends are reflected as a component of ‘Result of financial assets booked at fair value by means of profit or loss’ or in ‘Other operating revenue’, according to the classification of the instrument of capital.

bb. Operating segments

Management administrates the operating result of its business units separately in order to take decisions concerning allocation of resources and performance evaluations.

(in thousands of Brazilian Reais)

The performance of the segment is appraised based on the profit or loss of the operation, which in certain cases is measured differently from operating profit or losses in the consolidated financial statements.

Interest revenues are reported net, since the Management depends first on the net interest revenue as a measure of performance, and not on gross revenue and expenses.

Transfer prices between operating segments are conducted at market prices, in a form that is similar to the transactions carried out with third parties.

cc. Administration of investment funds

The Conglomerate manages and administrates assets held in investment funds and other categories of investment in favor of the investors. The financial statements for these funds are not consolidated in the consolidated financial statements of the Conglomerate, except for those of funds that are controlled by the Conglomerate. Information on the administration of funds by the Conglomerate is available in Explanatory Note No. 2J.

4 Cash and cash equivalents

	2011	**2010**
Cash available	188,188	150,639
Cash	420	301
Bank deposits	81,199	68,237
Cash and cash equivalents in foreign currencies	106,569	82,101
Interbank liquidity investments	5,406,716	1,349,342
Committed trans. - Own position	4,062,765	590,873
Investments in interbank deposits	1,087,331	671,142
Investments in foreign currencies	256,620	87,327
Total	5,594,904	1,499,981

(in thousands of Brazilian Reais)

5 Financial assets with resale agreement

	2011		2010	
	Market Value (book)	Fair Value of Guarantee	Market Value (book)	Fair Value of Guarantee
Committed trans. - Own position	3,305,384	3,064,960	1,933,743	1,919,067
Federal Treasury Bills	662,173	675,296	224,835	224,511
National Treasury Notes	2,643,211	2,389,664	1,682,309	1,667,957
Others	-	-	26,599	26,599
Committed trans. - Financed position	6,312,841	6,383,763	7,792,317	7,795,548
Financial Treasury Bills	2,465,337	2,471,265	-	-
Federal Treasury Bills	3,649,107	3,712,412	5,817,573	5,816,298
National Treasury Notes	198,397	200,086	1,974,744	1,979,250
Committed trans. - Short position	-	-	2,530,313	2,523,392
National Treasury Notes	-	-	2,530,313	2,523,392
Total	9,618,225	9,448,723	12,256,373	12,238,007

(in thousands of Brazilian Reais)

6 Financial assets

a. Financial assets at fair value through profit or loss

	2011			2010		
	Cost value	**Fair value (book)**	**Unrealized profit / (loss)**	**Cost value**	**Fair value (book)**	**Unrealized profit / (loss)**
In Brazil	8,235,321	8,320,601	85,280	9,412,621	9,590,697	178,076
Financial Treasury Bills	727,758	727,805	47	615,130	617,191	2,061
Federal Treasury Bills	515,304	515,161	(143)	753,671	754,824	1,153
National Treasury Notes	2,778,912	2,820,015	41,103	5,770,153	5,806,977	36,824
Real Estate Receipts Certif.	12,247	12,247	-	7,148	7,148	-
Debentures	261,573	291,183	29,610	308,626	350,933	42,307
Agrarian Debt Instruments	31,468	33,118	1,650	53,981	55,153	1,172
Rural Product Certificates	401,986	416,603	14,617	457,896	466,384	8,488
Promissory Notes	101,507	101,507	-	31,137	31,119	(18)
Units of Invest. Funds	2,578,349	2,578,349	-	985,414	985,414	-
FIDC Units (Receivables Funds)	289,325	289,325	-	96,214	96,214	-
Shares of public companies	69,800	68,196	(1,604)	90,050	88,945	(1,105)
Shares of non-public companies	467,092	467,092	-	243,201	330,395	87,194
Abroad	1,678,688	1,691,203	12,515	3,593,380	3,520,663	(72,717)
Foreign Governments	1,376,790	1,383,392	6,602	1,802,020	1,803,016	996
National Treasury	104,069	106,299	2,230	279,270	283,821	4,551
Others Instruments	197,829	201,512	3,683	1,512,090	1,433,826	(78,264)
Total	9,914,009	10,011,804	97,795	13,006,001	13,111,360	105,359

(in thousands of Brazilian Reais)

b. *Financial assets available for sale*

	2011			2010		
	Cost value	**Fair value (book)**	**Unrealized profit / (loss)**	**Cost value**	**Fair value (book)**	**Unrealized profit / (loss)**
In Brazil	15,443,681	15,372,330	(71,351)	8,587,295	8,489,177	(98,119)
Financial Treasury Bills	5,145,765	5,125,335	(20,430)	-	-	-
National Treasury Notes	5,968,134	6,011,139	43,005	4,826,837	4,771,068	(55,769)
Real Estate Receipts Certif.	16,154	17,000	846	26,939	28,638	1,699
Debentures	1,384,942	1,352,215	(32,727)	1,299,780	1,325,597	25,817
Promissory Notes	261,144	261,126	(18)	-	-	-
Units of Invest. Funds	372,996	372,996	-	1,730	1,730	-
FIDC Units (Receivables Funds)	427,238	427,238	-	555,366	555,366	-
Shares of public companies	62,326	54,343	(7,983)	203,452	217,054	13,601
Shares of non-public companies	1,700,040	1,688,436	(11,604)	1,578,387	1,535,092	(43,295)
Other shares	6	6	-	6	6	-
Tax incentive investments	104,759	62,319	(42,440)	94,621	54,449	(40,172)
Equity securities	177	177	-	177	177	-
Abroad	713,209	673,139	(40,070)	330,127	307,081	(23,046)
Other Instruments	713,209	673,139	(40,070)	330,127	307,081	(23,046)
Total	16,156,890	16,045,469	(111,421)	8,917,422	8,796,258	(121,165)

(in thousands of Brazilian Reais)

7 Derivative financial instruments

a. Breakdown in equity accounts

	2011	2010
Assets		
Swap differences receivable	936,599	794,567
Currency term forward contracts	1,561	538
Acquisition of purchase options - Shares	5,886	4,625
Acquisition of selling options - Shares	796	9,368
Acquisition of purchase options - Fin./Comm. assets	448,504	194,521
Acquisition of selling options - Fin./Comm. Assets	32,821	319,989
Credit derivatives	45,216	346,888
Non-deliverable forwards	176,431	114,964
Others	29,130	3,965
Total	1,676,944	1,789,425
Liabilities		
Swap differences payable	851,589	1,167,609
Currency term forward contracts	935	171
Sale of purchase options - Shares	1,170	3,817
Sale of selling options - Shares	339	2,970
Sale of purchase options - Fin./Comm. assets	379,642	260,326
Sale of selling options - Fin./Comm. Assets	157,677	89,081
Credit derivatives	36,146	190,406
Non-deliverable forwards	47,120	116,951
Others	7,386	63,290
Total	1,482,004	1,894,621

(in thousands of Brazilian Reais)

b. Breakdown of swap contracts by indicator

	2011			2010		
	Original amount	**Curve amount**	**Fair value**	**Original amount**	**Curve amount**	**Fair value**
Asset position	26,413,149	28,598,238	29,802,418	27,276,161	28,964,951	28,880,644
DI (Interbank Deposits)	11,788,416	12,212,857	13,261,785	9,003,016	10,221,170	10,231,353
Dollar	4,561,641	5,129,083	5,219,953	4,913,473	4,633,463	4,676,572
Euro	479,815	504,654	506,797	152,730	150,550	151,096
IGPM (General Market Price Index)	1,172,403	1,509,120	1,536,882	980,573	1,233,364	1,249,515
IPCA (Broad Consumer Prices Index)	3,774,454	4,153,412	4,179,558	1,998,340	1,671,213	1,499,340
Prefixed	2,344,148	2,751,801	2,795,384	3,195,918	4,018,491	4,027,535
Libor	1,566,664	1,534,893	1,517,827	2,666	2,666	2,666
Yen	-	-	-	33,844	33,778	33,863
Swiss Franc	441,047	501,328	511,258	441,047	445,642	454,112
Commodities	3,192	19,720	2,999	6,554,554	6,554,614	6,554,592
Others	281,369	281,370	269,975	-	-	-
Liability position	26,413,149	28,216,829	29,717,408	27,276,161	29,427,280	29,253,686
DI	7,802,011	8,695,648	8,710,616	5,637,232	6,211,321	6,196,975
Dollar	2,144,944	2,357,482	2,391,096	3,345,816	3,255,515	3,267,736
Euro	88,792	89,228	89,073	140,129	137,640	138,167
IGPM (General Market Price Index)	837,270	1,203,870	1,229,837	892,270	1,193,484	1,210,735
IPCA (Broad Consumer Prices Index)	5,411,638	6,870,856	7,054,138	5,589,428	6,013,227	5,922,478
Prefixed	9,518,811	8,390,047	9,665,522	5,026,120	5,961,101	5,861,674
Libor	345,964	331,402	303,892	2,666	2,666	2,666
Yen	-	-	-	33,478	33,978	34,064
TJLP (Long-Term Interest Rate)	247,121	255,276	249,476	39,247	44,025	44,025
Commodities	4,270	4,150	3,950	6,556,445	6,556,453	6,556,408
Others	12,328	18,870	19,808	13,330	17,870	18,758
Net difference	-	381,409	85,010	-	(462,329)	(373,042)

(in thousands of Brazilian Reais)

c. *Breakdown of forward contracts by indicator*

	2011			2010		
	Original amount	**Curve amount**	**Fair value**	**Original amount**	**Curve amount**	**Fair value**
Assets position						
Currency term forward contracts	16,969	1,561	1,561	16,778	538	538
Total	16,969	1,561	1,561	16,778	538	538
Liability position						
Currency term forward contracts	7,884	935	935	17,955	171	171
Total	7,884	935	935	17,955	171	171

d. *Breakdown of option agreements by indicator*

	2011		2010	
	Contracted amount	**Fair value (book)**	**Contracted amount**	**Fair value (book)**
Long position				
Dollar	5,689,314	360,527	6,166,038	156,175
Index	112,383	1,599	70,000	1,977
DI	248,425,587	27,616	510,845,318	344,231
Shares	177,824	6,682	105,605	13,993
Commodities	770	2	359,138	856
Flexible	1,662,055	91,581	5,007,326	11,271
Total	256,067,933	488,007	522,553,425	528,503
Short position				
Dollar	9,990,840	348,182	9,359,763	69,964
Index	200,640,079	86,048	165,200	1,577
DI	688	54,257	465,653,280	161,119
Shares	122,726	1,509	391,400	6,787
Commodities	19,769	1,648	165,325	225
Flexible	2,085,477	47,184	6,672,349	116,522
Total	212,859,579	538,828	482,407,317	356,194

(in thousands of Brazilian Reais)

e. Breakdown of future contracts by indicator

	2011	2010
Purchase commitment	75,672,583	43,775,964
DDI	12,615,757	8,549,436
Dollar	285,048	1,746,739
DI	61,717,665	31,853,930
Commodities	8,886	-
T-Note	-	54,118
Index	52,577	-
BGI	-	288,956
SCC	577,702	891,161
Currency Exchange Coupon	414,948	391,624
Selling commitment	79,210,346	95,353,657
DDI	12,527,641	7,344,453
Euro	17,814	212,282
Dollar	635,806	807,292
DI	65,051,440	85,483,888
Commodities	33,911	28,640
T-Note	330,588	588,117
Index	35,993	-
BGI	96	-
SCC	576,660	887,059
Currency Exchange Coupon	397	-
Others	-	1,926
Net difference	(3,537,763)	(51,577,693)

(in thousands of Brazilian Reais)

f. Breakdown of NDF (non-deliverable forwards) by indicator

	2011		2010	
	Contracted amount	**Fair value (book)**	**Contracted amount**	**Fair value (book)**
Assets				
Dollar	2,084,285	99,912	2,430,964	36,899
Euro	12,517	313	1,020	2,434
Yuan	112,548	2,579	-	-
Reais	351,712	73,487	-	-
Others	4,230	140	22,324	75,631
Total	2,565,292	176,431	2,454,308	114,964
Liability				
Dollar	1,153,822	36,632	1,502,367	89,665
Euro	1,216	11	29,399	2,325
Yuan	112,548	1,397	-	-
Reais	49,708	8,793	-	-
Others	3,090	287	1,099	24,961
Total	1,320,384	47,120	1,532,865	116,951
Net difference	1,244,908	129,311	921,443	(1,987)

(in thousands of Brazilian Reais)

g. *Credit derivatives*

	2011		2010	
	Reference amount	**Market value**	**Reference amount**	**Market value**
Risk received				
Credit swaps	3,132,586	(20,798)	3,782,274	(6,975)
Credit linked notes	-	-	304,915	320,541
Total	3,132,586	(20,798)	4,087,189	313,566
Risk transferred				
Credit swaps	946,491	(29,868)	1,611,215	225
Credit linked notes	-	-	141,027	147,544
Equity linked notes	-	-	9,164	9,315
Total	946,491	(29,868)	1,761,406	157,084

h. *Credit derivatives by indicator*

	2011			2010		
	Original amount	**Curve amount**	**Market value**	**Original amount**	**Curve amount**	**Market value**
Assets position						
Prefixed	2,644,090	29,164	45,216	4,087,189	319,623	346,888
Total	2,644,090	29,164	45,216	4,087,189	319,623	346,888
Liability position						
Prefixed	1,434,987	4,507	36,146	1,761,407	154,320	190,406
Total	1,434,987	4,507	36,146	1,761,407	154,320	190,406
Net difference	1,209,103	24,657	9,070	2,325,782	165,303	156,482

(in thousands of Brazilian Reais)

i. Hedge accounting derivatives

Hedged items	2011			2010		
Swap - liability position	**Cost amount**	**Market value**	**Unrealized earnings / (loss)**	**Cost amount**	**Market value**	**Unrealized earnings / (loss)**
Dollar	485,492	490,980	(5,488)	431,244	436,353	(5,109)
Total	485,492	490,980	(5,488)	431,244	436,353	(5,109)

Hedging Instruments	**2011**	**2010**
Future market - buy commitment		
DDI	488.279	433.765
Total	488.279	433.765

Result from hedging in period	**2011**	**2010**
Derivative financial instruments - Hedged items	(73.338)	11.246
Derivative financial instruments - Hedging Instr.	58.418	(10.937)
Total	(14.920)	309

(in thousands of Brazilian Reais)

8 Loans and receivables

a. Breakdown of the transactions

	2011	2010
Advances to depositors	895	784
Loans	16.168.797	14.116.706
Discounted trade bills	61.127	27.080
Financing	34.126.401	33.715.406
Export financing	3.429.810	2.638.709
Financing in foreign currency	550.594	270.727
Rural financing	877.329	1.333.247
Real estate financing	234.220	110.277
Advances on foreign exchange contracts	748.484	537.799
Financial leasing transactions*	3.424.935	4.391.145
Credits assigned with co-liability	15.343.709	11.237.178
Credits assigned without co-liability	4.834.530	2.226.650
Others	-	23.553
Total transactions with characteristics of granting of credit	79.800.831	70.629.261
Provision for losses due to impairment	(3.702.271)	(1.052.182)
Associated costs	1.778.114	1.059.062
Other receivables	8.272.004	8.159.737
Total loans and receivables	86.148.678	78.795.878

* The leasing portfolio broken down by maturity was shown as follows:

	Future minimum payments	Unearned discount	Present value
Under 1 year	4.148.901	(1.224.782)	2.924.119
1 - 5 years	2.004.712	(1.503.886)	500.826
Over 5 years	-	(10)	(10)
Total	6.153.613	(2.728.678)	3.424.935

(in thousands of Brazilian Reais)

b. *Breakdown of other receivables*

	2011	2010
Investments in interbank deposits	1.297.505	1.399.268
Deposits with Central Bank	5.846.931	6.212.534
Interbank onlendings	157.524	72.219
Relations with correspondents	28.460	25.670
Earnings receivable	22.522	27.674
Amounts receivable from related companies	122	7.149
Credit card transactions	281.823	188.660
Settlement of foreign instruments	233.741	191.156
Benefits from using rights of shares in non-public companies	292.521	-
Trading and intermediation of securities	109.115	33.531
Others	1.740	1.876
Total	8.272.004	8.159.737

c. *Provision for losses due to impairment*

	2011	2010
Loans and receivables	(3.158.572)	(998.514)
Assigned credits	(543.699)	(53.668)
Total	(3.702.271)	(1.052.182)

d. *Loans and receivables subject to hedge accounting*

Hedged *items*	2011			2010		
	Cost amount	**Market value (book)**	**Unrealized earnings / (loss)**	**Cost amount**	**Market value (book)**	**Unrealized earnings / (loss)**
Loans and financing	40.102.039	40.993.471	891.432	35.203.292	35.462.692	259.400
Leasing transactions	3.346.786	3.424.935	78.149	4.543.427	4.609.835	66.408
Total	43.448.825	44.418.406	969.581	39.746.719	40.072.527	325.809

(in thousands of Brazilian Reais)

Hedging instruments	**2011**	**2010**
Future market - sell commitment		
DI1	(44.279.019)	(37.695.873)
DDI	(2.597.358)	(1.915.292)
Dollar	(42.206)	-
Total	(46.918.583)	(39.611.165)

Result from hedging in period	**2011**	**2010**
Hedged loans and receivables	1.178.111	387.996
Hedging derivatives	(1.175.154)	(365.270)
Total	2.957	22.726

9 Current tax assets

	2011	**2010**
Income tax to compensate	577.411	361.944
Social contribution to compensate	274.171	183.622
PIS (Social Integration Program) to compensate	15.783	15.477
COFINS (Social Contribution for Financing of Social Security) to compensate	96.212	71.496
Other assets	1.624	2.569
Total	965.201	635.108

(in thousands of Brazilian Reais)

10 Deferred tax assets

a. Breakdown of deferred tax assets

	2011	2010
IR (income tax) losses	856.508	833.828
CS (social contribution) negative base	37.674	56.788
Adjustment to fair value of financial assets	19.603	3.972
Adjustment o fair value of derivatives	105.734	2.720
Provision for losses due to impairment	1.614.281	775.298
Provisions	134.519	43.475
Derivatives – non accrual	-	1.600
Legal obligations	223.003	223.003
Depreciation shortfall	(268.250)	-
Result of branches abroad	138.433	94.488
Others	38.542	5.509
Total	2.900.047	2.040.681

b. Deferred tax assets activity in the period

	2011	2010
Beginning balance	2.040.681	1.647.132
IR (income tax) tax loss	22.680	329.867
CS (social contribution) negative base	(19.115)	(16.311)
Adjustment to fair value of financial assets	15.631	(50.146)
Adjustment o fair value of derivatives	103.014	806
Profit sharing	-	(114)
Provision for losses due to impairment	838.983	126.099
Provisions	91.044	15.115
Derivatives – non accrual	(1.600)	(14.936)
Result of branches abroad	43.945	-
Depreciation shortfall	(268.250)	-
Others	33.034	3.169
Ending balance	2.900.047	2.040.681

(in thousands of Brazilian Reais)

c. *Expectation of realization of deferred tax assets*

	2011
	Book value
In 2012	377.363
In 2013	1.172.021
In 2014	214.124
In 2015	125.135
In 2016	206.230
As from 2017	805.174
Total	2.900.047

11 Non-current assets held for sale

	2011	**2010**
Assets not for own use		
Properties	4.326	2.380
Vehicles	97.500	84.950
Total	101.826	87.330

(in thousands of Brazilian Reais)

12 Other assets

	2011	2010
Foreign exchange purchased to be settled	856.544	1.221.375
Rights of sale of foreign exchange	9.625	643.639
Advances in local/foreign currency received	(4.504)	(585.205)
Record and settlement cash	15.791	17.118
Settlement account debtors outstanding	28.762	4.408
Financial assets and commodity transactions to be settled	-	46.627
Salary advances	2.980	3.079
Advances to suppliers	3.184	2.755
Guarantee deposit debtors	495.789	125.180
Insurance expenses	-	1.163
Data processing expenses	-	3.075
Financial system service expenses	-	4.929
Specialized technical service expenses	-	15.291
Others	60.904	107.015
Total	1.469.075	1.610.449

13 Tangible assets

	2011			2010		
	Cost	Depreciation/ amortization	Net	Cost	Depreciation/ amortization	Net
Fixed assets in construction	111	-	111	111	-	111
Installations	49.795	(6.040)	43.755	18.568	(1.522)	17.046
Furniture and equipment for use	55.433	(18.854)	36.579	49.258	(14.286)	34.972
Communications system	11.966	(7.069)	4.897	11.806	(6.097)	5.709
Data processing system	73.580	(52.346)	21.234	68.630	(42.148)	26.482
Security system	2.308	(718)	1.590	2.202	(524)	1.678
Transportation system	1.685	(1.493)	192	1.672	(1.236)	436
Improvements to third party properties	43.164	(12.594)	30.570	83.860	(39.966)	43.894
Total	238.042	(99.114)	138.928	236.107	(105.779)	130.328

(in thousands of Brazilian Reais)

	2011	2010
Beginning balance	130.328	101.978
Acquisitions	45.467	72.985
Retirements	(3.709)	(18.335)
Depreciation/amortization	(33.158)	(26.300)
Ending balance	138.928	130.328

On December 31, 2011 and 2010, no relevant asset with impairment indicators has been identified.

14 Intangible assets

	2011			2010		
	Cost amount	**Accumulated amortization**	**Net**	**Cost amount**	**Accumulated amortization**	**Net**
BMF&Bovespa SISBEX (dollar trading system)	-	-	-	200	-	200
Software without physical substance	4.031	(971)	3.060	3.069	(681)	2.388
Licenses	17.243	(5.355)	11.888	10.066	(2.231)	7.835
Commercialization rights agreement	5.000	(1.165)	3.835	5.000	(415)	4.585
STI - AMBID	3.531	(252)	3.279	-	-	-
Corporate projects	20.266	-	20.266	7.035	-	7.035
Total	50.071	(7.743)	42.328	25.370	(3.327)	22.043

	2011	**2010**
Beginning balance	22.043	5.149
Acquisitions	31.550	19.026
Retirements	(7.226)	-
Amortization	(4.039)	(2.132)
Ending balance	42.328	22.043

On December 31, 2011 and 2010, no relevant asset with impairment indicators has been identified.

(in thousands of Brazilian Reais)

Expected realization of intangible assets

	2011
	Book value
In 2012	4.529
In 2013	4.529
In 2014	4.529
In 2015	2.337
In 2016	741
As from 2017	25.663
Total	42.328

15 Financial liabilities at fair value through profit or loss

	2011			2010		
	Cost amount	**Fair value (book)**	**Unrealized profit / (loss)**	**Cost amount**	**Fair value (book)**	**Unrealized profit / (loss)**
In Brazil						
Committed transactions - Free activity	8.481	8.465	16	2.595.165	2.599.011	(3.846)
Creditors for loaned shares	4.181	4.169	12	25.565	24.966	599
Other Instruments	109.495	111.072	(1.577)	-	-	-
Total	122.157	123.706	(1.549)	2.620.730	2.623.977	(3.247)

(in thousands of Brazilian Reais)

16 Financial liabilities at amortized cost

	2011	2010
Committed transactions - Own portfolio	27.111.269	24.821.784
Financial Treasury Bills	6.537	368.918
Federal Treasury Bills	1.232.272	579.083
National Treasury Notes	4.204.975	5.257.535
Banking deposit certificate	9.170	1.161
Debentures	634.814	1.112.477
Own securities issued	20.029.599	16.604.896
Other securities abroad	102.628	14.284
Others	891.274	883.430
Committed transactions - Third party portfolios	6.326.734	6.860.675
Financial Treasury Bills	2.465.628	-
Federal Treasury Bills	3.662.673	5.761.542
National Treasury Notes	198.433	1.099.133
Options box	1.928.765	2.315.982
Fixed income strategy	1.928.765	2.315.982
Total	35.366.768	33.998.441

17 Financial liabilities associated with transferred assets

	2011	2010
Assignees	17.522.792	12.862.398
FIDC (Receivables Funds) unit holders	5.612.141	2.269.478
Other liabilities	350.040	204.868
Total	23.484.973	15.336.744

(in thousands of Brazilian Reais)

18 Financial institution deposits

	2011	2010
Interbank deposits	2.856.203	726.266
Total	2.856.203	726.266

19 Client deposits

	2011	2010
Demand deposits	431.760	308.931
Term deposits	22.336.676	22.562.609
Other deposits	-	150
Total	22.768.436	22.871.690

20 Loans and onlendings

		2011	2010
Loans in Brazil			
With foreign exchange variance	(a)	15.279	21.357
Loans Abroad			
With foreign exchange variance	(b)	5.148.118	4.237.430
Onlendings in Brazil - National Treasury			
Pre-fixed	(c)	155.089	73.338
Onlendings in Brazil - BNDES (National Economic and Social Development Bank)			
Pre-fixed	(d)	1.138.657	1.538.129
Post-fixed	(e)	2.265.248	2.476.730
With foreign exchange variance	(f)	97.038	66.468
Onlendings in Brazil - FINAME (Government Financing for Machinery and Equipment)			
Pre-fixed	(g)	2.129.639	2.251.842
Post-fixed	(h)	529.294	589.186
Total		11.478.362	11.254.480

(in thousands of Brazilian Reais)

(a) Restatement rate in 2011: 0.40 % p.a. + foreign exchange variance.
(b) Restatement rate in 2011: 0.40% p.a. to 7.42% p. a + foreign exchange variance.
(c) Restatement rate in 2011: 6.75% p.a.
(d) Restatement rate in 2011: 1.50% p.a. to 8.0% p.a.
(e) Restatement rate in 2011: 9.08% p.a. to 9.91% p.a. + IPCA / 6.90% p.a. to 10.50% p.a. + TJLP
(f) Restatement rate in 2011: 0.90 % p.a. to 6.27% p.a. + foreign exchange variance
(g) Restatement rate in 2011: 0.30 % p.a. to 9.80% p.a.; and
(h) Restatement rate in 2011: 6.50 % p.a. to 11.50% p.a. + TJLP

Loans and transfers subject to hedge accounting

Hedged items	**2011**		
	Cost amount	**Market value (book)**	**Unrealized earnings / (loss)**
Liability from foreign borrowings	475.496	477.589	(2.093)
Total	475.496	477.589	(2.093)

Hedging instruments	**2011**		
Cash flow Swap - assets position	**Cost amount**	**Market value**	**Unrealized earnings / (loss)**
Euro	475.496	477.771	2.275
Total	475.496	477.771	2.275

Result from hedging in period	**2011**
Hedged loans and onlendings	(1.900)
Hedging derivatives	8.924
Total	7.024

(in thousands of Brazilian Reais)

In the year ended December 31, 2010 the Conglomerate had no loans or onlendings designated for *Hedge Accounting*.

21 Securities issued

		2011	2010
Debentures			
Post-fixed	(a)	3.131.148	1.446.441
Associated costs		(16.307)	-
With foreign exchange variance		-	2.521.877
Funds of Real Estate Credit Bills			
Post-fixed	(b)	6.980	4.632
Funds of Agribusiness Credit Bills			
Post-fixed	(c)	1.635.424	1.789.518
Pre-fixed	(d)	16.535	-
Financial Bills			
Post-fixed	(e)	7.087.451	2.593.316
Pre-fixed	(f)	56.886	13.644
Securities and Bonds Obligations Abroad			
Pre-fixed		-	369.806
With foreign exchange variance	(g)	5.821.147	2.513.648
Total		17.739.264	11.252.882

(a) Restatement rate in 2011: DI + 0.35% p.a.
(b) Restatement rate in 2011: from 87.00% to 95.50% of the DI
(c) Restatement rate in 2011: from 45.00% to 96.50% of the DI
(d) Restatement rate in 2011: from 11.86% to 12.35% p.a.
(e) Restatement rate in 2011: from 100% to 112% DI / from 108% to 109% Selic / from 4.50% to 7.81% + IPCA / from 5.05% to 5.99% + IGPM
(f) Restatement rate in 2011: from 10.90% to 14.00% p.a.
(g) Restatement rate in 2011: 2.75% p.a. to 3.59% p. a + foreign exchange variance.

(in thousands of Brazilian Reais)

Securities issued subject to hedge accounting

Hedged items	**2011**			**2010**		
	Cost amount	**Fair value (book)**	**Unrealized gain/ (loss)**	**Cost amount**	**Fair value (book)**	**Unrealized gain/ (loss)**
Securities and Bonds obligations abroad	2.837.870	2.888.897	(51.027)	446.862	441.371	5.491
Total	2.837.870	2.888.897	(51.027)	446.862	441.371	5.491

Hedging Instruments	**2011**			**2010**		
Swap – asset position	**Cost amount**	**Market value**	**Unrealized gain/ (loss)**	**Cost amount**	**Market value**	**Unrealized gain/ (loss)**
Swiss Franc	501.328	511.258	9.930	445.642	454.112	8.470
Total	501.328	511.258	9.930	445.642	454.112	8.470
Future market - buy commitment						
DDI		2.593.709			-	
Total		3.104.967			454.112	

(in thousands of Brazilian Reais)

Result from hedging in period	2011	2010
Hedged Securities and Bonds obligations abroad	(452.262)	(13.075)
Hedging derivatives	593.267	13.064
Total	141.005	(11)

22 Subordinated liabilities

		2011	2010
Subordinated financial bills			
Post-fixed	(a)	2.109.441	304.964
Bank deposit certificate			
Post-fixed	(b)	3.088.122	3.262.539
Debentures			
Post-fixed		-	1.451.075
Subordinated notes			
With foreign exchange variance	(c)	2.199.747	1.885.684
Total		7.397.310	6.904.262

(a) Restatement rate in 2011: from 1.30% p.a. to 1.94% p.a. + CDI or from 109% to 119% of the CDI / from 6.71% p.a. to 7.70% p.a. + IGPM / from 5.45% p.a. to 8.02% p.a. + IPCA
(b) Restatement rate in 2011: from 0.49% p.a. to 1.67% p.a. + CDI / 7.22% p.a. + IGPM / from 7.92% p.a. to 8.00% p.a. + IPCA
(c) Restatement rate in 2011: 7.38% p.a. + PTAX

Subordinated liabilities subject to hedge accounting

Hedged items	2011			2010		
	Cost amount	Fair value (book)	Unrealized gain/ (loss)	Cost amount	Fair value (book)	Unrealized gain/ (loss)
Subordinated note	2.236.638	2.199.747	36.891	1.986.505	1.885.684	100.821
Total	2.236.638	2.199.747	36.891	1.986.505	1.885.684	100.821

(in thousands of Brazilian Reais)

Hedging instruments	**2011**	**2010**
Future market - buy commitment		
DDI	2.841.284	2.535.390
Total	2.841.284	2.535.390

Result from hedging in period	**2011**	**2010**
Hedged subordinated liabilities	(472.263)	(188.056)
Hedging derivatives	447.783	211.676
Total	(24.480)	23.620

23 Provisions

a. Breakdown of the contingent liabilities classified in the probable risk category

		2011	**2010**
Tax contingencies	(a)	5.307	6.413
Civil contingencies	(b)	192.217	23.290
Labor contingencies	(c)	139.633	83.988
Total		337.157	113.691

(a) Refer basically to issues involving services tax (ISS) in the amount of R$ 2,461,000, and social contribution (CSLL) in the amount of R$ 1,423.

(b) Refer basically to actions claiming compensation of the following types: challenging total number effective cost under contracts; reviewing contractual conditions and obligations; and rates charged.

(in thousands of Brazilian Reais)

(c) In their great majority concerning proceedings filed by former employees, the nature of which involves indemnities, overtime, de-characterization of the workday, job and representation allowances and others.

On account of the stage in which the liability contingencies are in, and based on the Management's judgment, the final outcome of these actions cannot be determined at this time, making it impossible to determine the expected timeframe for any future cash flow developments.

b. *Changes in contingent liabilities classified in the probable risk category*

	Tax proceedings		Civil proceedings		Labor proceedings	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Beginning balance	6.413	12.169	23.290	31.102	83.988	38.058
Accruals/(Reversals)	(1.749)	(6.361)	168.927	(7.812)	55.645	45.930
Write-offs	-	-	-	-	-	-
Actualizations	643	605	-	-	-	-
Ending balance	5.307	6.413	192.217	23.290	139.633	83.988

c. *Breakdown of contingent liabilities classified in the possible risk category*

		2011	**2010**
Tax contingencies	(a)	953.304	400.183
Civil contingencies	(b)	16.018	37.934
Labor contingencies	(c)	61.330	2.891
Total		1.030.652	441.008

(a) Basically referring to : a) Taxes (IRPJ and CS: income tax and social contribution) on equity equivalence earnings on foreign investments amounting to R$ 185,536; b) Taxes (IRPJ and CS) on contingent COFINS (Social Contribution for Financing of Social Security) and its inflation adjustment in the amount of R$ 381,215, and c) social security charges (INSS) in the amount of R$ 134,542.

(in thousands of Brazilian Reais)

(b) Basically actions claiming compensation by challenging total effective cost under contract or reviewing contractual conditions and obligations; and rates charged.

(c) In their great majority, proceedings filed by former employees, which involves indemnities, overtime, de-characterization of the working day, job and representation allowances and others.

d. In-court deposits

	2011	2010
Tax contingencies	398.412	77.384
Civil contingencies	-	27.799
Labor contingencies	40.272	19.790
Others	57.105	207
Total	495.789	125.180

24 Current tax liabilities

	2011	2010
Taxes and contributions on income payable	-	51.785
Taxes and contributions on third party services	5.880	12.312
Taxes and contributions on salaries	7.886	6.672
Taxes and contributions on financial investments	31.348	34.180
PIS (Social Integration Program)	3.501	9.453
COFINS (Social Contribution for Financing of Social Security)	21.545	7.234
ISS (services tax)	5.335	8.377
IOF (taxes on financial transactions)	21.919	-
Other taxes and contributions	1.162	15.746
Total	98.576	145.759

(in thousands of Brazilian Reais)

25 Deferred tax liabilities

a. Breakdown of deferred tax liabilities

	2011	2010
Adjustment of financial assets to fair value	18.173	80.222
Adjustment of derivatives to fair value	140	150.366
Adjustments of loans and receivables to fair value	389.793	130.323
Derivatives - Cash system	2.709	11.833
Supervenient depreciation	625.917	791.962
Total	1.036.732	1.164.706

b. Activity of deferred tax liabilities

	2011	2010
Beginning balance	1.164.706	753.695
Adjustment of financial assets to fair value	(62.049)	68.986
Adjustment of derivatives to fair value	(150.225)	71.115
Adjustments of loans and receivables to fair value	259.470	(82.457)
Derivatives - Cash system	(9.124)	(31.089)
Supervenient depreciation	(166.046)	384.456
Ending balance	1.036.732	1.164.706

26 Legal obligations

Basically concerns a dispute on non-payment of COFINS (Social Contribution for Financing of Social Security) based on revenues that do not derive from monthly billings (broadening of the calculation base introduced by Law No. 9.718/98).

(in thousands of Brazilian Reais)

27 Other liabilities

	2011	2010
Third party funds in transit	122.735	32.040
Internal transfers of funds	218	3
Collection of tax and similar revenues	-	24.292
Foreign exchange sold to be settled	9.642	641.385
Obligations due to purchases of foreign exchange	786.635	1.252.142
Record and settlement cash	11.524	95
Commission and brokerage fees payable	980	1.408
Outstanding creditors' settlement account	51.733	52.778
Transactions with financial assets and commodities to be settled	-	10.899
Provision for profit sharing	99.555	251.330
Bonuses and profit sharing payable	-	19
Provision for personnel expenses	96.732	68.383
Provision for administrative expenses	90.998	69.726
Commissions for intermediation of transactions	15.405	107.102
Credit card transactions	287.103	194.023
Settlement of instruments abroad	1.050	209.935
Credit and leasing transactions to be released	31.364	30.657
Others (a)	209.215	192.927
Total	1.814.889	3.139.144

(a) Basically concerns amounts to be processed that derive from the operating flow of the loans and receivables portfolio.

28 Stockholders' equity

a. Capital stock

The capital stock of Banco Votorantim is represented by 81,538,822,950 shares, which are fully subscribed and paid up, of which 66,713,582,406 are registered common shares with no par value and 14,825,240,544 are registered preferred shares with no par value.

(in thousands of Brazilian Reais)

	Common	Preferred
Number on December 31, 2011	66,713,582,406	14,825,240,544
Number per shareholder		
Votorantim Finanças	33,356,791,208	7,412,620,264
Banco do Brasil	33,356,791,198	7,412,620,274
Others	-	6
Percentage per shareholder		
Votorantim Finanças	50.00000001%	49.99999995%
Banco do Brasil	49.99999999%	50.00000001%
Others	0.00000000%	0.00000004%

(a) According to the strategic partnership established between Banco do Brasil and Votorantim Finanças, conversion of common shares into preferred shares was effected involving 7,412,620,267 shares.

(b) According to the strategic partnership established between Banco do Brasil and Votorantim Finanças, Banco do Brasil acquired 7,412,620,277 new preferred shares issued by BV for the amount of R$ 1,2 billion, of which R$750 million was paid immediately and R$450 million was paid in this fiscal year.

b. Breakdown of the reserves

	2011	2010
Capital reserves	585,104	585,104
Profit reserves	1,600,498	3,340,989
Legal reserve	421,612	394,583
Reserve for expansion	1,178,886	2,946,406
Total reserves	2,185,602	3,926,093

(in thousands of Brazilian Reais)

Pursuant to the Special Shareholders' Meeting held on December 22, 2010, allocation was resolved and approved for the balances of the capital reserves accrued by subventions of tax incentives and actualization of equity securities for the increase of capital, amounting to R$ 31,945.

The Special General Meeting held on December 22, 2011, discussed and approved compliance with requirements under corporate legislation in relation to an R$ 1,000,000 capital increase using a "Growth Reserve" without issuing new shares.

c. *Reconciliation of Stockholders' Equity and Net Income between BR GAAP (Brazilian Generally Accepted Accounting Practices) and IFRS*

	2011		2010	
	Stockholders' equity	**Net income**	**Stockholders' equity**	**Net income**
Balance in BR GAAP	8,041,428	(201,077)	8,388,936	1,015,247
Revenues associated with funding	-	93,647	(93,647)	99,946
Assignment of credits with co-liability, net of tax effects	(920,469)	(251,939)	(668,530)	(368,937)
Provision for losses due to impairment, net of tax effects	169,776	(18,862)	188,638	(89,697)
Impairment of financial assets available for sale	-	(81,861)	-	-
Other adjustments, net of tax effects	(59,888)	(58,362)	(9,434)	(9,696)
Balance in IFRS	7,230,847	(518,454)	7,805,963	646,863

Summary of the main differences between BR GAAP (BACEN) and IFRS:

Revenues associated with funding - In BR GAAP the premium received in fiscal years 2007 and 2006, in a total amount of R$ 500,000, provided for in the deed of the 3rd issue of debentures of controlled subsidiary BV Leasing, was recorded in Capital Reserve, as provided in Article 182 Paragraph One - item c, of Law No. 6.404/76 (legislation that was effective on the date of issuance of the debentures). In IFRS the premium is recognized in the course of the expectation of effectiveness of the funding.

Assignment of credits with co-liability - In the course of its activities, the Conglomerate carries out transactions that result in the transfer of financial assets to third parties. However the credit risks of such transactions are substantially retained. In BR GAAP the assignment of credit transactions are booked through recognition of the result at the moment of conduction of the assignment, irrespective of whether or not the risk is retained.

Under IFRS rules, when financial assets are assigned with substantial retention of risks and benefits related to the assets assigned, the latter remain on the conglomerate's balance sheet and an associated liability is recognized.

Impairment of assets available for sale - Under IAS 39, when a decrease in fair value of a financial asset available for sale has been recognized in other comprehensive income and there is objective evidence that the asset may be impaired, the cumulative loss that has been recognized in other comprehensive income is reclassified from shareholders' equity to the result as a reclassification adjustment, even if the financial asset has not been derecognized. Certain investments in shares of non-public companies that were classified as available for sale had a negative fair value adjustment for more than one reporting period.

Provision for losses due to impairment - In BR GAAP the provision for doubtful accounts is measured considering an analysis of the risks related to the realization of the credits, in an amount considered sufficient to cover any losses following the rules established by the BACEN (Central Bank). According to these rules, the provisions are accrued as from the granting of the credit, based on the classification of credit risk, on account of the periodic analysis of the quality of the client and of the sectors of activity, and not only upon occurrence of default. In BR GAAP, the provision cannot be less than the minimum required by the rules of the regulator, but an additional provision can be recognized when the minimum provision is considered insufficient. IAS 39 determines that the entity should assess on each base date whether there is objective evidence that the credit transaction or a group of credit transactions is in a situation of loss due to impairment. A credit transaction or a group of credit transactions is in a situation of loss due to impairment if there is objective evidence of reduction due to impairment as a consequence of one or more events that occurred after the initial recognition of the credit transaction (event of loss) and such event or events have an impact on the future cash flow and can be estimated reliably.

(in thousands of Brazilian Reais)

d. Dividends

Shareholders are assured a minimum mandatory dividend corresponding to 25% of each period's income net of the legal reserve. On December 31, 2010, Management proposed payment of dividends on the period's income.

	2010
Net income by BR GAAP	1,015,247
Legal reserve	(50,762)
Calculation base	964,485
Interest on equity	-
Dividends payable	241,121
Amount proposed	241,121
% of calculation base	25%

In the year ended December 31, 2011, dividends were proposed in the amount of R$ 128,389, calculated on net income for the first half of 2011 amounting to R$ 540,585.

e. Adjustments of book value recognized in stockholders' equity

	2011	**2010**
Beginning balance	(53,384)	(81,990)
Financial assets available for sale		
Financial institutions	19,367	24,900
Non-financial institutions	109,903	-
Derivatives - Cash Flow Hedge	(5,005)	-
Tax effects	(52,486)	3,706
Ending balance	18,395	(53,384)

(in thousands of Brazilian Reais)

29 Interest revenues

	2011	2010
Advances to depositors	127	26
Loans	2,859,719	2,083,807
Discounted trade bills	10,272	4,904
Financing	7,049,297	5,190,275
Export financing	551,134	291,534
Financing in foreign currency	24,563	(25,412)
Rural financing	109,876	75,468
Real estate financing	22,669	176
Rights from loans of shares	6	10,863
Foreign exchange transactions	68,833	5,238
Leasing	657,382	690,980
Credits for corporate/personal guarantees and other guarantees	78	30
Investments in committed transactions	1,725,267	1,388,481
Investments in interbank deposits	111,303	112,835
Investments in foreign currencies	38,878	5,782
Assigned credits	2,470,686	950,885
Benefits from using rights of shares in non-public companies	44,298	-
Others	823,613	334,511
Total	16,568,001	11,120,383

(in thousands of Brazilian Reais)

30 Interest expenses

	2011	2010
Committed transactions	(4,006,056)	(3,180,669)
Expenses with assignees	(1,382,693)	(709,507)
Interbank deposits	(183,358)	(75,647)
Term deposits	(2,841,357)	(2,483,528)
Loans in Brazil	(1,317)	(2,924)
Loans abroad	(409,445)	171,282
National Treasury onlendings	(6,522)	(1,499)
BNDES (National Economic and Social Development Bank) onlendings	(257,262)	(253,905)
FINAME (Government Financing for Machinery and Equipment) onlendings	(152,752)	(115,996)
Obligations to bankers abroad	(84,127)	(4,404)
Debentures	(600,870)	(588,757)
Funds of Real Estate Credit Bills	(370)	(3,462)
Funds of Agribusiness Credit Bills	(165,135)	(146,748)
Financial Bills	(765,578)	(113,574)
Options box - fixed income strategy	(218,586)	(287,052)
Securities and Bonds obligations abroad	(1,541,536)	(95,841)
Others	(32,120)	(31,831)
Total	(12,649,084)	(7,924,062)

31 Revenues from services and commission fees

	2011	2010
Banking fees	559,828	777,823
Valuation and revaluation of assets received as collateral	220,275	167,800
Administration of investment funds	125,942	109,819
Collection revenues	11,189	6,030
Commissions from placement of securities	62,031	77,543
Brokerage fees from stock exchange transactions	34,341	30,092
Revenues from guarantees pledged	140,829	144,032
Credit card transactions	19,275	13,055
Insurance brokerage fees	-	42,279
Financial advisory	41,983	19,925
Reimbursement of fees for intermediation of transactions	365,930	1,403,430
Reimbursement of other costs	45,469	639,212
Others	110,572	4,030
Total	1,737,664	3,435,070

(in thousands of Brazilian Reais)

32 Expenses from services and commission fees

	2011	2010
Financial system services	(195,507)	(181,612)
Specialized technical services	(567,501)	(572,427)
Credit card transactions	(14,072)	(10,478)
Commissions from intermediation of transactions	(1,428,243)	(2,052,652)
Associated costs	(127,868)	(386,586)
Others	(206,366)	(134,365)
Total	(2,539,557)	(3,338,120)

33 Result of financial assets/liabilities at fair value through profit or loss

	2011	2010
Financial assets	3,057,715	2,570,285
Financial liabilities	(98,205)	(1,627)
Loans and receivables	487,344	(139,104)
Total	3,446,854	2,429,554

34 Result from derivative financial instruments

	2011	2010
Swap contracts	(62,188)	(497,254)
Term contracts	2,521	(8,248)
Forward contracts	(1,408,274)	(767,434)
Option contracts	26,286	(28,025)
NDF (non-deliverable forwards) contracts	18,556	(18,673)
Credit derivatives	40,605	18,691
Others	54,027	(1,885)
Total	(1,328,467)	(1,302,828)

(in thousands of Brazilian Reais)

35 Result of losses due to impairment

	2011	2010
(Accrual) / reversals of provision for losses	(3,922,807)	(1,347,474)
Recovery of credits written off to loss	188,232	192,743
Discounts granted for renegotiation	(288,912)	(274,066)
Total	(4,023,487)	(1,428,797)

36 Personnel expenses

	2011	2010
Professional fees	(26,662)	(27,060)
Benefits	(139,447)	(118,362)
Welfare charges	(184,422)	(161,117)
Earnings	(503,191)	(462,183)
Training	(4,928)	(6,002)
Total	(858,650)	(774,724)

37 Other administrative expenses

	2011	2010
Water, electricity and gas	(5,204)	(5,041)
Rent	(133,605)	(110,142)
Leasing of assets	(4,353)	(4,821)
Communications	(101,454)	(102,374)
Charitable contributions	(2,683)	(7,461)
Maintenance and preservation of assets	(17,183)	(13,967)
Materials	(4,632)	(6,561)
Data processing	(152,250)	(118,137)
Promotions and public relations	(16,222)	(22,779)
Advertising and publicity	(10,211)	(33,841)
Publications	(1,000)	(1,797)

(in thousands of Brazilian Reais)

Insurance	(12,161)	(17,747)
Financial system services	(692)	(1,038)
Third party services	(17,274)	(20,840)
Vigilance and security	(5,604)	(3,990)
Transportation	(24,151)	(21,507)
Travel	(34,821)	(35,968)
Court and notary public service fees	-	(664)
Specialized technical services	(27)	-
Others	(14,021)	(17,694)
Total	(557,548)	(546,369)

38 Depreciation and amortization expenses

	2011	2010
Amortization	(16,736)	(13,534)
Depreciation	(20,466)	(14,898)
Total	(37,202)	(28,432)

39 Tax expenses

	2011	2010
ISS (services tax)	(65,963)	(62,882)
PIS (Social Integration Program)	(54,262)	(48,687)
COFINS (Social Contribution for Financing of Social Security)	(314,698)	(300,436)
Others	(145,345)	(107,300)
Total	(580,268)	(519,305)

(in thousands of Brazilian Reais)

40 Result from sale of non-current assets held for sale

	2011	2010
Sale of assets	(105,282)	(119,486)
Sale of investments	84	116
Total	(105,198)	(119,370)

41 Other operating expenses

	2011	2010
Provision for contingent liabilities	(307,960)	(38,850)
Monetary restatement of liabilities	-	30,662
Others	(249,615)	(198,758)
Total	(557,575)	(206,946)

42 Income tax and contribution expenses

a. *Charges payable on the operations*

	2011	2010
Income before income tax and social contribution of the participations	(1,251,431)	1,101,965
Charges at the effective nominal rate	500,573	(440,786)
Exclusions/(additions)	(620,507)	175,161
IR (income tax) tax loss	(22,680)	(329,867)
CS (social contribution) negative base	19,113	16,311
Adjustment to fair value of financial assets	(130,938)	119,538
Adjustment to fair value of derivatives	(253,240)	(20,598)
Adjustment to fair value of loans and receivables	259,469	(28,480)
Profit sharing	74,064	39,539
Provision for losses due to impairment	(867,217)	(106,035)
Provisions	(91,043)	(15,620)
Derivatives - Cash system	(7,525)	(16,153)
Supervenient/Insufficient depreciation	102,204	384,456
Result of branches abroad	(43,945)	(23,686)
Non-taxable interest on financial assets	-	103,627
Permanent additions and tax incentives	261,988	-
Others	79,243	52,129
Current income taxes and contributions	(119,934)	(265,625)

(in thousands of Brazilian Reais)

b. Deferred income tax with effects on result

Deferred tax assets	**2011**	**2010**
Additions/(exclusions)		
IR (income tax) tax loss	50,146	329,867
CS (Social Contribution) negative base	(2,634)	(16,311)
Adjustment to fair value of financial assets	53,803	(31,010)
Adjustment to fair value of derivatives	103,016	806
Profit sharing	-	(114)
Provision for losses due to impairment	867,217	126,098
Provisions	91,043	15,620
Derivatives - Cash system	(1,600)	(14,936)
Insufficient depreciation	(268,250)	-
Others	4,799	3,111
Total	897,540	413,131

Deferred tax liabilities	**2011**	**2010**
Additions/(exclusions)		
Adjustment to fair value of financial assets	76,364	(45,164)
Adjustment to fair value of derivatives	150,224	(71,115)
Adjustment to fair value of loans and receivables	(259,470)	82,457
Derivatives - Cash system	9,124	31,089
Supervenient/Insufficient depreciation	166,045	(384,456)
Total	142,287	(387,189)

43 Related parties

a. Summary of transactions with related parties

The balances of the asset, liability, revenue and expense transactions involving non-consolidated related parties are the following:

(in thousands of Brazilian Reais)

	Banco do Brasil (a)		Votorantim (b)		Subsidiaries	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and cash equivalents	854,187	22,539	-	-	39,817,150	32,788,286
Financial assets	-	-	-	900	20,299,006	16,883,132
Loans and receivables	-	-	(9,384)	-	-	-
Derivative financial instruments	481,643	707,429	9,656	20	532,630	430,548
Other assets	-	1,167,390	-	-	379	165
Liabilities						
Deposits	267,408	203,915	228,404	84,566	333,247	15,195
Financial liabilities at amortized cost	72,131	269,865	307,281	876,325	-	1,542,647
Liabilities related to assigned assets	16,514,998	10,096,800	-	-	-	-
Securities issued	-	278,048	-	-	-	-
Loans and onlendings	1,547,155	-	-	-	-	-
Derivative financial instruments	1,064,760	2,808,640	1,755,141	61,125	21,397,652	17,647,433
Other liabilities	-	1,231,566	-	64,297	508	-
Revenues						
Interest revenue	432,627	53,857	2,811	64	12	5,385
Result of financial instruments at fair value	262,514	-	-	-	195,482	-
Derivative financial instruments	5,197	15,200	-	565,971	6,657,207	3,605,107
Expenses						
Interest expense	179,489	43,390	91,201	191,964	(6,786,446)	(134,508)
Result of financial instruments at fair value	-	-	(39)	-	-	-
Derivative financial instruments	-	52,529	-	169,014	-	(1,543,527)
Other operating expenses	-	310	-	-	(11,114)	(3,480)

(a) **Banco do Brasil -** Comprise the companies that make up the Banco do Brasil Financial Conglomerate, of which Banco do Brasil S.A. is the principal one.

(b) **Votorantim -** Comprise the companies that make up the Votorantim Industrial Conglomerate, of which the principal ones are Votorantim Finanças S.A. and Votorantim Industrial S.A.

b. Remuneration of key Management personnel

The Votorantim Conglomerate disbursed the following amounts on account of remuneration for its key Management personnel:

(in thousands of Brazilian Reais)

	2011	2010
Professional fees	26,662	27,060
Bonuses	55,568	74,654
Welfare charges	25,080	31,023
Total	107,310	132,737

44 Operating segments

An operating segment is a component of the Conglomerate that conducts business activities from which it can obtain revenues and incur expenses, including revenues and expenses related to transactions with other components of the Conglomerate.

The result of the segments include items that are directly attributable to each segment, as well as those that can be allocated on reasonable bases. Non-allocated items comprise mainly corporate assets, head-office expenses and income tax and social contribution assets and liabilities.

The Conglomerate has two segments that are subject to disclosure, as described below, which are the strategic business units of the Conglomerate. The strategic business units of the Conglomerate offer different products and services and are managed separately, as they require different technologies and marketing strategies. The following summary describes the operations in each one of the reportable segments of the Conglomerate:

- **Retail** - Transactions with characteristics of granting of credit aimed at the retail segment such as, for example, personal credit and financing of vehicles;

- **Wholesale** - Transactions with characteristics of granting of credit and structured transactions aimed at the non-retail segment;

- **Others** - Includes transactions related to the management of third party funds, transactions related to brokerage of stock, instruments, bonds, commodities and other non-relevant transactions that cannot be allocated on reasonable bases.

Information relative to the result of each reportable segment is included below. The performance is assessed based on the income of the segment before income tax and social contribution:

(in thousands of Brazilian Reais)

	2011	
In R$ Millions	**Retail**	**Wholesale**
Financial Revenues and Expenses	4,269	1,209
Provision for losses due to impairment	3,255	417
Administrative and personnel expenses	872	529
Tax expenses	469	185

45 Risk management

Risk management has policies that adhere to best market practices and are in line with the guidelines defined by the National Monetary Council ("CMN"). Its scope is within the ambit of the institutions that make up the Votorantim Financial Conglomerate.

Policies, procedures and management systems have been implemented that are capable of managing, assessing and mitigating the risks inherent to its businesses, providing the Management with a vision of all the risks.

A Risk Management Committee has been created and subordinated to it are three commissions, one aimed at the management of market risk, another to act as a manager of credit risk and a third one focused on the management of operating risk.

The Assets and Liabilities Management Committee ("ALM") has the responsibility of conducting strategic management of capital and of the balance sheet. The monitoring of the liquidity risk is conducted by a specific Commission, which is subordinate to this Committee.

a. *Market risk*

Market risk is defined as being the possibility of occurrence of losses resulting from fluctuation of the market values of the positions held. Management is conducted in a centralized form by an area that maintains independence in relation to the operations desk.

The basic procedures adopted for management of this risk are: (a) integrity in the price of assets and derivatives; (b) risk assessment by the Value at Risk methodology and through simulation of scenarios; and (c) monitoring of daily results with tests of adhesion to the methodology (back-test).

The Conglomerate carries out transactions that involve derivative financial instruments, acting in the organized and over-the-counter markets, with the purpose of enabling risk market management that is adequate for its policy. These instruments are used for the hedging of positions, in order to meet the demand of counterparties and as a means of reversal of positions in moments of major fluctuations.

b. *Operating risk*

Operating risk is defined as the possibility of occurrence of losses resulting from the failure, deficiency or inadequacy of internal processes, people and systems, or of external events. It also includes the legal risk associated with the inadequacy or deficiency in agreements executed by the institution, as well as sanctions due to failure to comply with legal provisions and indemnities for damages to third parties deriving from the activities carried out.

The management process begins with the application of proprietary methodology for the mapping of risks. The stages of the management are: the identification, assessment, monitoring, control and mitigation of the risks, communication and an action plan.
The combination of the actions of mapping and monitoring the risks with the information obtained from the records of the losses incurred enables continual improvement in the policies and procedures adopted, as well as the reduction of the existing risks.

In addition, it is mandatory to record on the database system of operating losses and of operating risk management the events occurred in the institutions. This procedure has the primary purpose of developing a database to be used for the calculation of allocation of capital to cover the operating risk, as provided in the Basel II agreement, but gives rise to the supply of information that is sufficient for identification of the causes of such risks.

c. *Credit risk*

Credit risk consists of the possibility of occurrence of losses associated with non-performance by the borrower or the counterparty of its relevant financial obligations on the covenanted terms, as well as devaluation of the credit agreement deriving from deterioration of the risk classification of the borrower, as well as from the reduction of gains or remuneration, from benefits granted in the renegotiation and from costs for recovery.

As part of the process of credit risk management, monitoring of the policies, rules for processes and established limits is conducted, as well as analysis of the risks and submission to the levels of authority and to the approving committees. The credit policy is developed based on analysis of the internal indicators of the portfolio and of the processes of pricing and assessment of companies, and on external factors, related to the financial condition of the companies and to the economic environment in the country and abroad.
The Conglomerate conducts assessments of the credit risk of the operations, determined by using judgmental and statistical models. It is stressed that in the identification of deterioration of the quality of the credit portfolio, risk mitigation actions are taken, such as reassessment of the risk profile of the clients and sectors analyses that influence the management of limits up to the management and control of guarantees.

The credit cycle consists of the following stages:

1- Credit Proposal
2- Assessment of the Credit Risk
3- Granting of the Credit
4- Origination of the Transaction
5- Monitoring
6- Collection of the Transaction
7- Recovery

The Executive Board has delegated the responsibility for credit risk management to the Credit Department, which is responsible for supervision of the credit risk, including:

- Formulation of credit policies together with the business units, including the requirements of guarantees, assessment of credit, classification of risk and presentation of reports, legal and documental procedures, as well as compliance with normative and statutory requirements.

- Establishment of the structure of limits of authority for approval and renewal of credit facilities. The limits of authority are defined for the Credit Executive Officers of the business units. Significant credit facilities must be approved by the Credit Area, the Credit Executive Officer, and the Credit Committee or by the Executive Board - whichever is most appropriate.

(in thousands of Brazilian Reais)

- Revision and assessment of the credit risk. The Credit Area assesses all of the credit exposure in excess of the established limits, before the credit facilities are released to the clients by the business unit in question. The renewals and revisions of credit facilities are subject to the same revision process.

- Limitation of concentration of exposure by counterparties, geographical areas and industrial sectors, ranges of credit classification, market liquidity and country.

- Development and maintenance of the risk classification of the Bank in order to classify the exposures according to the level of risk of financial loss faced and focus the management on the inherent risks.

- Offering counseling, orientation and specialized techniques to the business units to promote the best practices by the entire Group in the management of credit risk.

The book value of the financial assets represents the maximum credit exposure. The maximum credit exposure on the date of the financial statements was:

	2011	2010
Financial assets	**42,947,346**	**37,453,397**
Cash and cash equivalents	5,594,904	1,499,981
Financial assets with agreement of resale	9,618,225	12,256,373
Financial assets at fair value through profit or loss	10,011,804	13,111,360
Financial assets available for sale	16,045,469	8,796,258
Derivatives financial instruments	1,676,944	1,789,425
Loans and receivables	**79,800,831**	**70,629,261**
Loans and receivables - (a)	79,800,831	70,629,261
Off Balance	**11,858,993**	**10,252,394**
Corporate guarantees and other guarantees	11,838,994	10,010,949
Comfort letter	19,999	241,445
Total	134,607,170	118,335,052

(a) - Conglomerate policy is to use loans and receivables for credit risk exposure purposes, see note 8a.

(in thousands of Brazilian Reais)

Maximum exposure to credit risk for financial assets on the date of the financial statements, by counterparty geographic region:

	2011	2010
Domestic	40,316,764	33,025,814
Abroad	2,630,582	4,427,583
Total	42,947,346	37,453,397

Maximum exposure to credit risk for financial assets on the date of the financial statements, broken down by counterparty:

	2011	2010
Public	16,722,265	14,092,051
Private	26,225,081	23,361,346
Total	42,947,346	37,453,397

Stream of maturities of part-payments of financial assets on the date of the financial statements:

	2011	2010
Up to 90 days	21,886,799	6,065,659
91 - 360 days	2,726,025	15,934,517
1 - 3 years	5,962,882	4,556,143
3 - 5 years	6,478,959	4,113,066
Over 5 years	5,892,681	6,784,012
Total	42,947,346	37,453,397

Maximum exposure to credit risk for loans and receivables as of the financial statements date, by counterparty geographic region:

	2011	2010
Domestic	79,800,831	70,581,990
United States	-	28,271
Denmark	-	18,365
Others	-	635
Total	79,800,831	70,629,261

(in thousands of Brazilian Reais)

Maximum exposure to credit risk for loans and receivables as of the date of the financial statements by business segment:

	2011	2010
Retail customers	58,980,102	50,930,459
Wholesale customers	20,820,729	19,698,802
Total	79,800,831	70,629,261

Maximum exposure to credit risk for loans and receivables on the date of the financial statements, by risk concentration:

	2011	2010
Top ten debtors	3,018,213	3,129,462
Top fifty debtors	4,266,170	4,570,739
Top hundred debtors	3,458,730	3,625,949
Other clients	69,057,718	59,303,111
Total	79,800,831	70,629,261

Maximum exposure to credit risk for loans and receivables on the date of financial statements, by sector of economic activity:

	2011	2010
Legal entities	21,971,937	20,174,947
State public sector	53,417	77,018
Services	53,417	77,018
Private sector	21,918,520	20,097,929
Industry	10,535,227	9,641,526
Commerce	3,995,092	3,283,583
Rural	877,330	1,313,368
Services	6,510,871	5,859,452
Individuals	57,828,894	50,454,314
Total	79,800,831	70,629,261

(in thousands of Brazilian Reais)

The flow of maturity of the installments of the loans and receivables portfolio with characteristics of granting of credit, granted on the date of the financial statements, was:

	2011	2010
Overdue installments		
As of 15 days	1,974,370	826,384
Installments due		
Up to 90 days	13,415,668	14,554,872
From 91 to 360 days	22,121,653	18,244,766
From 1 to 3 years	32,749,900	29,991,385
From 3 to 5 years	7,303,112	6,867,665
Over 5 years	2,236,128	144,189
Total	79,800,831	70,629,261

The Bank holds guarantees for loans and receivables with characteristics of granting of credit in the form of mortgages on properties, securities and other guarantees. The table below shows the amount of these guarantees:

	2011	2010
Corporate guarantees and other guarantees	17,719,650	16,936,872
Securities	7,211,957	4,572,043
Machinery and equipment	1,533,353	1,733,717
Mortgages	644,707	694,482
Others	4,415,365	2,728,942
Total	31,525,032	26,666,056

Provision for impairment losses by individually significant transaction and mass-oriented transactions portfolio:

(in thousands of Brazilian Reais)

	2011	2010
Individual significant transactions	336,539	213,786
Mass-oriented transactions	3,365,732	838,396
Total	3,702,271	1,052,182

The activity and the provision for losses due to impairment in relation to the loans and receivables with characteristics of granting of credit were:

	2011	2010
Beginning balance	1,052,182	1,044,932
Accrual/(reversals)	3,922,807	1,347,474
Write-offs to loss	(1,289,886)	(1,397,611)
Others	17,168	57,387
Ending balance	3,702,271	1,052,182

Based on historical default rates, no additional provision for impairment is required for the loans and receivables portfolio's solvent or delinquent customers with repayments in arrears of up to 90 days. As of December 31, 2011, these contracts accounted for 92.91% (94.8% in 2010) of the total portfolio.

During 2011 the Conglomerate renegotiated R$ 9,981,306 (R$ 8,906,615 in 2010) of loans and receivables with characteristics of granting of credit. This amount considers renegotiation of performing and non-performing agreements. In the same period the Conglomerate recovered R$ 188,232 (R$ 192,743 in 2010) that had been written off to loss.

d. *Management of capital*

Allocation of capital

The allocation of capital among the operations and specific activities is, in its majority, driven by the optimization of return on allocated capital.

The amount of capital allocated to each operation or activity is mainly based on the regulating capital, but in certain cases the regulating norms do not completely reflect the level of variance of risk associated with the different activities. In these cases, the capital requirements can be adapted to reflect the different risk profiles, subject to the general level of capital to sustain a specific operation or activity that does not fall below the minimum required for regulating purposes.

The process of allocation of capital to specific operations and activities is conducted independently of the persons responsible for the operation and is subject to analysis by the Assets and Liabilities Management Committee.
Although the maximization of the return on capital adjusted for risk is the main base used to determine how capital is allocated within the Bank for specific operations or activities, it is not the only base used for taking decisions. Synergies with other operations and activities, availability of management and other resources and the adequacy of the activity for the long-term strategic objectives of the Bank also are other factors taken into consideration. The policies of the Bank in relation to management and allocation of capital are analyzed regularly by the Executive Board.

Regulatory capital

The Central Bank of Brazil is the regulating agency that establishes and monitors the capital norms for the Bank as a whole.

In relation to implementation of the current capital norms, the Central Bank of Brazil requires the Conglomerate to maintain an established proportion of the total capital in relation to the weighted total of the risk assets. The Bank calculates the needs for market risk in its tradable portfolios based on the VaR models adopted and uses its internal classifications as a base to weight the credit risk.

The regulating capital of the group is analyzed at two levels:

- Level 1 Capital, which basically includes the capital of common and preferred shares, accumulated profits and capital and profit reserves.

- Level 2 Capital, which basically includes subordinated liabilities.

(in thousands of Brazilian Reais)

The policy of the Bank seeks to maintain a solid capital base to retain the confidence of the investor, of the creditor or of the market, and to sustain future development of the business. The impact of the level of capital on the shareholder's return is also recognized and the Bank recognizes the need to maintain equilibrium between the higher returns that may be possible with more leveraging and the benefits and security provided by a solid capital position.

The Bank and its individually-regulated operations have complied with all capital requirements imposed externally during the period.

There were no significant changes in the capital management of the Bank during the period. The position of the regulating capital of the Conglomerate on December 31, 2011 and 2010 is shown below:

Basel Index calculated based on the equity position prepared using the accounting guidelines emanated from the Corporations Law and the norms and instructions of the CMN (National Monetary Council).

	2011	**2010**
Total Referential Equity (PR)	12,054,180	11,844,719
Level I Referential Equity	8,086,351	8,405,405
Level II Referential Equity	3,967,829	3,439,314
Required Referential Equity (PRE)	9,385,719	9,945,507
Credit risk	8,923,692	8,759,342
Market risk	193,114	769,232
Operational risk	268,913	416,933
Excess Referential Equity	2,668,461	1,899,212
Index (PR x 100)/(PRE/0.11)	14.1%	13.1%

	2011	**2010**
Situational limit for immobilization	213,741	5,922,359
Margin or shortfall	5,813,348	166,244
Limit for immobilization	5,813,348	5,756,115

(in thousands of Brazilian Reais)

e. *Liquidity risk*

Liquidity risk is the risk of the Bank facing difficulties to perform obligations associated with financial liabilities that are settled with spot cash payments or with other financial assets. The Bank's approach to the management of liquidity is of ensuring to the maximum extent possible that it can perform its obligations as each one matures, under both normal and stressful conditions, without causing unacceptable losses or incurring the risk of jeopardizing the reputation of the Conglomerate.

The cash flow is prepared by the risk area to monitor the current financial position of the Bank, and is sent to the executive officer responsible. Regular daily stress tests are conducted with a variety of scenarios in normal and more severe market conditions. The contingency plan considers the strategies and procedures that are necessary to at least conduct the equilibrium of its capability of payment, taking into account the potential imbalances identified in the stress tests and in the various scenarios.

f. *Management of assets and liabilities*

The Assets and Liabilities Management Committee (ALM) is responsible for the management of the structural risks of the interest, foreign exchange and liquidity rates, as well as management of the capital that seeks to optimize the risk versus return ratio and more efficiency in the composition of the factors that can impact the Solvability Index (Basel).

The contractual maturities of assets and liabilities are shown below:

	2011					
	Up to 90 days	**From 91 to 360 days**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	5,594,904	-	-	-	-	5,594,904
Financial assets with agreement of resale	8,998,430	619,795	-	-	-	9,618,225
Financial assets at fair value through profit or loss	4,016,503	1,138,598	2,486,184	1,558,621	811,898	10,011,804
Financial assets available for sale	3,006,885	181,522	3,202,330	4,659,018	4,995,714	16,045,469
Derivative financial instruments	270,078	786,110	274,368	261,320	85,068	1,676,944
Loans and receivables	21,296,208	22,023,288	33,568,876	7,117,533	2,142,773	86,148,678
Total	43,183,008	24,749,313	39,531,758	13,596,492	8,035,453	129,096,024
Liabilities						
Financial liabilities at fair value through profit or loss	11,843	-	100,332	11,531	-	123,706
Financial liabilities at amortized cost	14,264,319	16,717,088	4,091,613	191,711	102,037	35,366,768
Financial liabilities associated with transferred assets	8,139,340	5,108,308	8,270,791	1,958,893	7,641	23,484,973
Financial institution deposits	821,803	802,329	612,149	15,513	604,409	2,856,203

(in thousands of Brazilian Reais)

	2011					
	Up to 90 days	From 91 to 360 days	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets						
Client deposits	4,556,105	13,453,414	4,635,533	108,467	14,917	22,768,436
Loans and onlendings	1,813,798	3,493,210	4,780,924	692,817	697,613	11,478,362
Securities issued	179,617	4,952,744	8,765,520	3,760,147	81,236	17,739,264
Derivative financial instruments	330,008	648,857	193,115	185,616	124,408	1,482,004
Subordinated liabilities	-	1,136,579	2,002,476	445,759	3,812,496	7,397,310
Total	30,116,833	46,312,529	33,452,453	7,370,454	5,444,757	122,697,026

	2010					
	Up to 90 days	From 91 to 360 days	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1,499,981	-	-	-	-	1,499,981
Financial assets with agreement of resale	12,256,373	-	-	-	-	12,256,373
Financial assets at fair value through profit or loss	2,115,175	2,632,129	3,656,670	2,299,151	2,408,235	13,111,360
Financial assets available for sale	2,049,045	611,988	286,046	1,782,082	4,067,097	8,796,258
Derivative financial instruments	526,339	434,027	488,546	31,833	308,680	1,789,425
Loans and receivables	23,440,685	18,351,955	29,991,385	6,867,665	144,188	78,795,878
Total	43,887,589	22,030,099	34,422,647	10,980,731	6,928,200	116,249,275
Liabilities						
Financial liabilities at fair value through profit or loss	992,219	1,563,591	53,252	1,362	13,553	2,623,977
Financial liabilities at amortized cost	11,028,262	18,043,696	4,834,359	92,124	-	33,998,441
Financial liabilities associated with transferred assets	5,451,843	3,246,686	6,245,845	379,368	13,002	15,336,744
Financial institution deposits	304,094	338,993	75,196	6,860	1,123	726,266
Client deposits	5,384,904	12,324,664	5,126,658	26,165	9,299	22,871,690
Loans and onlendings	1,727,396	4,610,034	4,227,282	648,853	40,915	11,254,480
Securities issued	767,322	3,436,904	5,434,742	1,121,741	492,173	11,252,882
Derivative financial instruments	358,278	741,668	609,892	109,237	75,546	1,894,621
Subordinated liabilities	-	1,451,075	1,610,252	1,551,465	2,291,470	6,904,262
Total	26,014,318	45,757,311	28,217,478	3,937,175	2,937,081	106,863,363

The assets and liabilities with an indefinite term, for the purposes of segregation in the balance sheet, are classified showing the asset transactions as “over 5 years” and the liability transactions as “up to 90 days”. Stockholders’ equity has no defined term and is being shown as “over 5 years”.

(in thousands of Brazilian Reais)

On December 31, 2011 the profile of the interest-bearing financial instruments of the Conglomerate was:

Instruments with prefixed rate	**58,282,793**
Financial assets	84,606,165
Financial liabilities	(26,323,373)
Instruments with post-fixed rate	**(57,241,880)**
Financial assets	37,218,010
Financial liabilities	(94,459,890)

On December 31, 2011 and 2010, the portfolio of credit commitments by corporate/personal guarantees and other guarantees, recorded in memorandum accounts, was:

	2011	**2010**
Corporate guarantees and other guarantees	11,838,994	10,010,949
Comfort letters	19,999	241,445

The profile of the derivative financial instruments segregated by place of trading in the relevant base dates were:

Asset position	**2011**	**2010**
Transactions in stock exchanges	517,136	441,016
Over-the-counter	1,159,808	1,348,409
Financial institutions	909,473	1,307,537
Clients	250,335	40,872
Total	1,676,944	1,789,425

(in thousands of Brazilian Reais)

Liability position	2011	2010
Transactions in stock exchanges	546,213	637,407
Over-the-counter	935,791	1,257,214
Financial institutions	864,600	1,063,416
Clients	71,191	193,798
Total	1,482,004	1,894,621

The financial assets pledged in guarantee for Stock Exchange transactions, clearing houses, among others, are:

	2011	2010
Transactions in stock exchange	2,015,730	1,815,813
National Treasury Notes	256,790	1,811,045
Financial Treasury Bills	21,920	4,768
Federal Treasury Bills	1,737,020	-
Clearing house transactions	61,463	71,383
National Treasury Notes	6,652	26,081
Financial Treasury Bills	-	24,288
Federal Treasury Bills	54,811	21,014
Others	1,774,907	2,951,207
National Treasury Notes	410,859	84,286
Financial Treasury Bills	21,820	12,985
Others (a)	1,342,228	2,853,936
Total	3,852,100	4,838,403

(a) In 2011 basically concerning instruments of foreign governments, amounting to R$ 1,332,557 (R$ 1,546,455 in 2010), and other instruments abroad, amounting to R$ 9,671 (R$ 1,307,481 in 2010).

(in thousands of Brazilian Reais)

The Conglomerate's exposure to foreign currency risk was the following:

	2011		
	Local currency	**Foreign currency**	**Total**
Assets			
Cash and cash equivalents	5,369,745	225,159	5,594,904
Financial assets with agreement for resale	9,173,337	444,888	9,618,225
Financial assets at fair value through profit or loss	8,453,047	1,558,757	10,011,804
Financial assets available for sale	16,045,469	-	16,045,469
Derivative financial instruments	1,676,944	-	1,676,944
Loans and receivables	79,981,204	6,167,474	86,148,678
Total	120,699,746	8,396,278	129,096,024
Liabilities			
Financial liabilities at fair value through profit or loss	123,706	-	123,706
Financial liabilities at amortized cost	35,366,768	-	35,366,768
Financial liabilities associated with transferred assets	23,484,973	-	23,484,973
Financial institution deposits	2,753,460	102,743	2,856,203
Client deposits	22,055,819	712,617	22,768,436
Loans and onlendings	10,045,723	1,432,639	11,478,362
Securities issued	7,469,412	10,269,852	17,739,264
Derivative financial instruments	1,482,004	-	1,482,004
Subordinated liabilities	4,728,358	2,668,952	7,397,310
Other liabilities	955,456	859,433	1,814,889
Total	108,465,679	16,046,236	124,511,915

Derivative financial instruments	
Foreign currency asset position	9,470,174
Foreign currency liability position	1,910,368
Currency exchange exposure	(90,152)

(in thousands of Brazilian Reais)

	2010		
	Local currency	**Foreign currency**	**Total**
Assets			
Cash and cash equivalents	1,499,981	-	1,499,981
Financial assets with agreement for resale	11,757,466	498,907	12,256,373
Financial assets at fair value through profit or loss	10,500,821	2,610,539	13,111,360
Financial assets available for sale	8,796,258	-	8,796,258
Derivative financial instruments	1,789,425	-	1,789,425
Loans and receivables	74,756,007	4,039,871	78,795,878
Other assets	1,606,317	4,132	1,610,449
Total	110,706,275	7,153,449	117,859,724
Liabilities			
Financial liabilities at fair value through profit or loss	2,623,977	-	2,623,977
Financial liabilities at amortized cost	33,998,441	-	33,998,441
Financial liabilities associated with transferred assets	15,336,744	-	15,336,744
Financial institution deposits	711,918	14,348	726,266
Client deposits	22,193,123	678,567	22,871,690
Loans and onlendings	10,042,906	1,211,574	11,254,480
Securities issued	618,884	10,633,998	11,252,882
Derivative financial instruments	1,894,621	-	1,894,621
Subordinated liabilities	6,904,262	-	6,904,262
Other liabilities	2,694,796	444,348	3,139,144
Total	97,019,672	12,982,835	110,002,507

Derivative financial instruments	
Foreign currency asset position	7,993,200
Foreign currency liability position	2,236,072
Currency exchange exposure	(72,258)

The tables below show a summary of the results for the Trading Portfolio, consisting of government and private instruments, derivative financial instruments and funding obtained through committed transactions, presenting the amounts observed on each base date:

iii. Scenario 1 - Consists of the probable scenario for the risk factors and is based on the referential information by the BM&F BOVESPA and ANBIMA (Brazilian Financial and Capital Markets Association) on the market used.

iv. Scenario 2 - Scenario with a 25% shock on the probable market scenario, provided by the Market Risk Department, according to an internal norm for pricing of assets and economic analysis, which is consistent with best market practices.

(in thousands of Brazilian Reais)

v. Scenario 3 - Scenario with a 50% shock on the probable market scenario, provided by the Market Risk Department, according to an internal norm for the pricing of assets and economic analysis, which is consistent with best market practices.

2011
Scenario I

Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Reduction	33,363
Foreign currency coupons	Risk of variance of foreign exchange coupons	Maintenance	-
Foreign exchange variance	Risk of variance of the foreign exchange rates	Increase	2,791
Price indices	Risk of variance of price indices coupons	Increase	260
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Maintenance	-
Others	Risk of variance of other coupons	Reduction	(975)

2011
Scenario II

Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Increase	(75,889)
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	(1,845)
Foreign exchange variance	Risk of variance of the foreign exchange rates	Increase	(182,305)
Price indices	Risk of variance of price indices coupons	Reduction	(631)
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Maintenance	-
Others	Risk of variance of other coupons	Increase	(26,408)

2011
Scenario III

Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Increase	(175,389)
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	(3,626)
Foreign exchange variance	Risk of variance of the foreign exchange rates	Increase	(857,311)
Price indices	Risk of variance of price indices coupons	Reduction	(1,482)
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Maintenance	-
Others	Risk of variance of other coupons	Reduction	(94,304)

(in thousands of Brazilian Reais)

2010 Scenario I			
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Neutral	-
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	84,994
Foreign exchange variance	Risk of variance of the foreign exchange rates	Increase	(1,380,765)
Price indices	Risk of variance of price indices coupons	Increase	(4,807)
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Increase	(851)
Others	Risk of variance of other coupons	Increase	(24,443)

2010 Scenario II			
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Reduction	(1,211,761)
Foreign currency coupons	Risk of variance of foreign exchange coupons	Reduction	(223,796)
Foreign exchange variance	Risk of variance of the foreign exchange rates	Increase	(1,465,038)
Price indices	Risk of variance of price indices coupons	Increase	(17,044)
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Increase	(5,945)
Others	Risk of variance of other coupons	Reduction	(42,403)

2010 Scenario III			
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Reduction	(2,475,278)
Foreign currency coupons	Risk of variance of foreign exchange coupons	Reduction	(334,147)
Foreign exchange variance	Risk of variance of the foreign exchange rates	Increase	(2,051,286)
Price indices	Risk of variance of price indices coupons	Increase	(28,997)
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Increase	(10,483)
Others	Risk of variance of other coupons	Reduction	(415,735)

(in thousands of Brazilian Reais)

		Basic interest rate hike			
		2011		2010 (a)	
Risk factor	**Concept**	**+ 100 bps**	**- 100 bps**	**+ 100 bps**	**- 100 bps**
Prefixed rate	Risk of variance of the prefixed interest rates	(44,468)	46,158	(1,749,443)	1,802,864
Foreign currency coupons	Risk of variance of foreign exchange coupons	(18,249)	21,422	(771,935)	825,779
Foreign exchange variance	Risk of variance of the foreign exchange rates	-	-	-	-
Price indices	Risk of variance of price indices coupons	726	(709)	(465,771)	497,988
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	-	-	(143,882)	155,367
Others	Risk of variance of other coupons	-	-	-	-

(a) The Conglomerate separated the Trading and Banking portfolios as of May 31, 2011.

For transactions classified in the Non-Trading Portfolio, appreciation or depreciation resulting from changes of interest rates practiced in the market does not represent a significant financial and account impact on the result of the Bank. This is because this portfolio consists mainly of credit transactions (direct consumer credit, agribusiness, working capital, etc.), retail funding (demand, term and savings deposits) and securities and bonds, which are recorded in accounting mainly at the rates covenanted upon contracting the transactions. In addition, one stresses the fact that these portfolios shows as a principal characteristic the intention of maintaining the relevant positions up to maturity, thus not incurring the effects of the fluctuations of interest rates, or due to the fact that these transactions are naturally pegged to other instruments (natural hedge), thereby minimizing the impacts in a stressful scenario.

The tables below show a summary of the results for the Trading and Non-Trading (Banking) Portfolio, presenting the amounts observed on each base date:

2011 Scenario I			
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Reduction	377,871
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	(8,087)
Foreign exchange variance (1)	Risk of variance of the foreign exchange rates	Increase	4,380
TJLP	Risk of variance of TJLP coupons	Maintenance	-
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Maintenance	-
Price indices	Risk of variance of price indices coupons	Increase	2,509

	2011 Scenario II		
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Increase	(863,263)
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	(33,678)
Foreign exchange variance (1)	Risk of variance of the foreign exchange rates	Increase	(192,363)
TJLP	Risk of variance of TJLP coupons	Reduction	(3,975)
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Reduction	(1,211)
Price indices	Risk of variance of price indices coupons	Reduction	(5,298)

(1) Amounts net of tax effects.

	2010 Scenario I		
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Reduction	-
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	-
Foreign exchange variance (2)	Risk of variance of the foreign exchange rates	Reduction	-
TJLP	Risk of variance of TJLP coupons	Reduction	-
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Reduction	-
Price indices	Risk of variance of price indices coupons	Increase	-

	2010 Scenario II		
Risk factor	**Concept**	**Rates variance**	**Result**
Prefixed rate	Risk of variance of the prefixed interest rates	Increase	-
Foreign currency coupons	Risk of variance of foreign exchange coupons	Increase	-
Foreign exchange variance (2)	Risk of variance of the foreign exchange rates	Reduction	-
TJLP	Risk of variance of TJLP coupons	Reduction	-
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	Reduction	-
Price indices	Risk of variance of price indices coupons	Increase	-

(in thousands of Brazilian Reais)

(2) Amounts net of tax effects.

		Basic interest rate hike			
		2011		2010 (a)	
Risk factor	**Concept**	**+ 100 bps**	**- 100 bps**	**+ 100 bps**	**- 100 bps**
Prefixed rate	Risk of variance of the prefixed interest rates	(432,265)	448,240	(1,749,443)	1,802,864
Foreign currency coupons	Risk of variance of foreign exchange coupons	(32,183)	38,067	(771,935)	825,779
Foreign exchange variance	Risk of variance of the foreign exchange rates	-	-	-	-
Price indices	Risk of variance of price indices coupons	6,085	(5,478)	(465,771)	497,988
TR/TBF (Referential Rate/Basic Financial Rate)	Risk of variance of TR and TBF coupons	11,425	(11,792)	(143,882)	155,367
Others	Risk of variance of other coupons	-	-	-	-

(a) – The Conglomerate separated the Trading and Banking portfolios as of May 2011.

The following tables show stress testing for conglomerate's portfolio exposure to risk:

Largest losses in retrospective stress testing

	2011		2010	
Risk factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shares	38,060	(12,871)	166,304	(49,891)
Commodities	7,421	(462)	7,293	(729)
Foreign currency	347,204	(171,242)	174,465	(26,170)
Interest rate	25,719,378	(87,199)	255,069,416	(5,318,348)
Total	26,112,063	(271,774)	255,417,478	(5,395,138)

Largest gains in retrospective stress testing

	2011		2010	
Risk factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shares	38,060	-	166,304	31,598
Commodities	7,421	508	7,293	729
Foreign currency	347,204	-	174,465	43,616
Interest rate	25,719,378	88,666	255,069,416	5,638,198
Total	26,112,063	89,174	255,417,478	5,714,141

(in thousands of Brazilian Reais)

Largest losses in retrospective stress testing

	2011		2010	
Risk factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shares	38,060	(5,800)	166,304	(41,146)
Commodities	7,421	(462)	7,293	(729)
Foreign currency	347,204	(78,240)	174,465	(15,513)
Interest rate	25,719,378	(79,250)	255,069,416	(4,424,090)
Total	26,112,063	(163,752)	255,417,478	(4,481,478)

Largest losses in retrospective stress testing

	2011		2010	
Risk factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shares	38,060	-	166,304	24,173
Commodities	7,421	508	7,293	729
Foreign currency	347,204	-	174,465	31,981
Interest rate	25,719,378	66,937	255,069,416	3,767,784
Total	26,112,063	67,445	255,417,478	3,824,667

The accounting balances of the assets and liabilities are close to their corresponding fair value, as these transactions are based on rates that are traded and practiced in the market. The fair values of the financial assets and liabilities, together with the Book values shown in the balance sheet, are the following:

	2011		2010	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Cash and cash equivalents	5,594,904	5,594,904	1,499,981	1,499,981
Financial assets with agreement for resale	9,618,225	9,618,225	12,256,373	12,256,373
Financial assets at fair value through profit or loss	10,011,804	10,011,804	13,111,360	13,111,360
Financial assets available for sale	16,045,469	16,045,469	8,796,258	8,796,258
Derivative financial instruments	1,676,944	1,676,944	1,789,425	1,789,425
Loans and receivables	86,148,678	86,148,678	78,795,878	78,795,878
Total	129,096,024	129,096,024	116,249,275	116,249,275

(in thousands of Brazilian Reais)

	2011		2010	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities				
Financial liabilities at fair value through profit or loss	123,706	123,706	2,623,977	2,623,977
Financial liabilities at amortized cost	35,366,768	35,366,768	33,998,441	33,998,441
Financial liabilities associated w/ transferred assets	23,484,973	23,484,973	15,336,744	15,336,744
Financial institution deposits	2,856,203	2,856,203	726,266	726,266
Client deposits	22,768,436	22,768,436	22,871,690	22,871,690
Loans and onlendings	11,478,362	11,478,362	11,254,480	11,254,480
Securities issued	17,739,264	17,739,264	11,252,882	11,252,882
Derivative financial instruments	1,482,004	1,482,004	1,894,621	1,894,621
Subordinated liabilities	7,397,310	7,397,310	6,904,262	6,904,262
Total	122,697,026	122,697,026	106,863,363	106,863,363

Methods and assumptions used to estimate fair value are defined below:

Cash and cash equivalents and financial assets with resale agreements: Carrying amounts for these instruments shown on the consolidated balance sheet are approximate to their fair value.

Financial assets at fair value in the result, financial assets available for sale and derivatives: Under normal conditions, market prices quoted are the best indicators of fair value for financial instruments. However, not all instruments show liquidity or quotations, and in these cases, estimates of present value and other pricing techniques have to be used.

Fair value of government bonds is calculated based on interest rates provided by third parties in the market and validated by comparing with information provided by ANDIMA. The fair values of company's debt securities are calculated estimating the values of applications and discounting cash flows estimated by using market interest rates. Fair values of shares are calculated based on their quoted market prices. Fair values of derivatives were determined as follows:

i. **Swaps:** Their cash flows are discounted to present value based on yield curves that reflect appropriate risk factors. These yield curves may be compiled mainly based on prices of derivatives trading at BM & F, Brazilian government bonds on the secondary market, or derivatives and securities traded abroad. These yield curves may be used to obtain fair value for currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc...).

ii. **Futures, Forwards and Non Deliverable Forwards:** Quotations on stock exchanges or using same criteria as for swaps;

iii. **Options:** Fair values are determined based on mathematical models that are fed with data for implied volatility, yield curve and fair value of underlying asset. Current market prices of options are used to calculate implied volatilities. All these data are obtained from different external sources.

Loans: Fair value is estimated by groups of loans with similar financial and risk characteristics, using valuation models. Fair value of fixed rate loans was determined by discounting estimated cash flows using interest rates near our current rates for similar loans. For most variable rate loans, the carrying amount was considered as approximate to its fair value. Fair value of non-performing loans and leasing transactions was based on discounting expected cash flows at a rate proportional to the risk associated with the estimated cash flows or value of underlying collateral. Assumptions for cash flows and discount rates are determined using available market information and specific borrower details.

Financial liabilities at fair value in result, financial liabilities at amortized cost, financial liabilities associated with assigned assets, deposits from financial institutions, customer deposits, loans and onlendings, securities issued, derivatives and subordinated liabilities: Fair value of customer deposits earning variable rates was considered approximate to its carrying amount. Financial liabilities with floating rate and exchange-rate variation have their risk exposure mitigated by derivatives.

g. *Fair value hierarchy*

The table below shows financial instruments recorded at fair value on December 31, 2011, using an evaluation method. The different levels were defined as follows:

- Level 1: Prices quoted (not adjusted) in active markets.

(in thousands of Brazilian Reais)

- Level 2: Inputs included in Level 1 that are observable for assets or liabilities, directly (prices) or indirectly (deriving from prices; and
- Level 3: Assumptions that are based on market data that are observable (non-observable inputs).

	2011			2010		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial assets at fair value through profit or loss	7,207,612	2,249,338	554,854	9,896,825	2,802,256	412,279
Financial assets available for sale	12,439,540	992,856	2,613,073	5,265,758	1,646,980	1,883,520
Derivatives	28,152	1,647,151	1,641	1,431,267	-	358,158
Loans and receivables	-	44,418,406	-	-	40,072,527	-
Total	19,675,304	49,307,751	3,169,568	16,593,850	44,521,763	2,653,957
Liabilities						
Financial liabilities at fair value through profit or loss	8,465	115,241	-	-	-	-
Derivatives	7,386	1,442,054	32,564	1,590,540	-	304,081
Subordinated liabilities	-	2,199,747	-	-	1,885,684	-
Total	15,851	3,757,042	32,564	1,590,540	1,885,684	304,081

The fair value of the financial instruments traded in active markets (such as instruments held for trading and available for sale) is based on the market prices as quoted on the balance sheet date. A market is seen as being active if the prices quoted are promptly and regularly available with a stock exchange, a dealer, a broker, a group of industries, pricing service or regulating agency, and if such prices represent actual market transactions that occur regularly on strictly commercial bases.

The market price quoted used for the financial assets held by the Conglomerate is the current competing price. These instruments are included in Level 1**.**

The fair value of the financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined by using evaluation techniques. These evaluation techniques maximize the use of the data available in the market in which they are available, and rely on specific estimates of the entity the least possible. If all of the relevant information required for the fair value of an instrument are available by the market, the instrument is included in Level 2.

(in thousands of Brazilian Reais)

Fair value of financial instruments classified as level 3 are not based on data available in an active market. The Conglomerate uses criteria from mathematical models used in academic circles and / or through specific governance with the participation of specialists and structured internal processes.

The aim is to obtaining the most appropriate value for presenting these transactions, and the conglomerate believes that methodologies adopted are appropriate and consistent with market practices. The following are classified as Level 3: debentures, shares of non-public companies, and credit derivatives.

Changes in level 3

Assets

	Financial assets at fair value through profit/loss		Financial assets available for sale		Derivative financial instruments	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Beginning balance	412,279	-	1,883,520	253,998	358,158	416,347
Acquisitions	467,092	412,279	-	1,665,941	-	-
Charge-offs	(330,395)	-	-	-	-	-
Transfers	-	-	-	-	(350,733)	-
Restatements	5,878	-	729,553	(36,419)	(5,784)	(58,189)
Ending balance	554,854	412,279	2,613,073	1,883,520	1,641	358,158

Liabilities

	Derivative financial instruments	
	2011	**2010**
Beginning balance	304,081	463,415
Acquisitions	-	-
Charge-offs	-	-
Transfers	(272,421)	-
Restatements	904	(159,334)
Ending balance	32,564	304,081

46 Other information

a. Post-employment benefits for employees

There are no post-employment benefits, such as pensions, other retirement benefits, life insurance and post-employment medical care, other long-term benefits for employees and administrative officers, including remunerated leave of absence for years of service or other leaves, jubilee or other benefits for years of service, remuneration based on shares and benefits upon termination of employment contract, except for those provided in the collective bargaining agreement of the professional category.

b. Insurance coverage

The Conglomerate adopts a policy of contracting insurance coverage for the assets subject to risks, for amounts considered to be sufficient to cover any insurance losses, considering the nature of its activities. The risk assumptions adopted, given their nature, are not part of the scope of an audit of the financial statements and consequently were not analyzed by our independent auditors.