

**CONFIDENTIAL**

**FINAL TERMS**

**(IN CONNECTION WITH THE OFFERING MEMORANDUM DATED MARCH 29, 2010)**

**THE SUBORDINATION NUCLEUS SET OUT IN EXHIBIT A HERETO (THE "SUBORDINATION NUCLEUS") FORMS PART OF THESE FINAL TERMS. THE SUBORDINATION NUCLEUS WILL PREVAIL OVER ANY TERMS SET OUT IN THESE FINAL TERMS OR ANY OTHER TRANSACTION DOCUMENT (INCLUDING ANY DOCUMENT REFERRED TO IN THESE FINAL TERMS). FOR THE AVOIDANCE OF DOUBT, PARAGRAPH 5 OF THE SUBORDINATION NUCLEUS IS A SUMMARY OF THE TERMS AND CONDITIONS OF THIS SERIES OF SUBORDINATED NOTES.**

Final Terms dated January 24, 2011

**Itaú Unibanco Holding S.A.**

acting through its Cayman Islands Branch

**U.S.\$10,000,000,000**

**Global Medium-Term Note Programme**

**Series No: 2**

**Tranche No: 2**

**U.S.\$250,000,000 5.75% Subordinated Notes due 2021**

**(Reopening of U.S.\$1,000,000,000 5.75% Subordinated Notes due 2021)**

**Issue price: 97.353%, plus accrued interest totaling U.S.\$359,375 from and including January 22, 2011 to, but excluding, January 31, 2011**

**BANCO ITAÚ EUROPA, S.A. – LONDON BRANCH**

**DEUTSCHE BANK SECURITIES INC.**

**MORGAN STANLEY & CO. INCORPORATED**

This document constitutes the Final Terms relating to the issue of the U.S.\$250,000,000 5.75% Subordinated Notes due 2021 (the "**Tranche 2 Subordinated Notes**") described herein and the Subordination Nucleus contained in Exhibit A is an integral and inseparable part of these Final Terms. The subordination conditions contained in the Subordination Nucleus prevail over these Final Terms and over any other documents of the programme (including those referred to in these Final Terms), it being understood that section 5 of the Subordination Nucleus is a summary of the terms and conditions of the Subordinated Notes (as defined below).

As of the Issue Date (as specified in paragraph 7 (i) below), Tranche 2 Subordinated Notes sold pursuant to Rule 144A will be fungible with, will be consolidated and form a single Series (as

specified in paragraph 2 (i) below) with, and will vote as a single class with, the Issuer's U.S.\$1,000,000,000 5.75% Subordinated Notes due 2021 (the "**Tranche 1 Subordinated Notes**") and, together with the Tranche 2 Subordinated Notes, the "**Subordinated Notes**"). At any time following expiration of the distribution compliance period pursuant to Regulation S, which will occur no earlier than March 12, 2011, holders of Tranche 2 Subordinated Notes sold pursuant to Regulation S ("**Regulation S Tranche 2 Subordinated Notes**") should instruct the broker, dealer, commercial bank, trust company or other nominee through which they hold Regulation S Tranche 2 Subordinated Notes to exchange such notes through the facilities of DTC for Tranche 2 Subordinated Notes with the same permanent CUSIP, ISIN and Common Code numbers as the Tranche 1 Subordinated Notes sold pursuant to Regulation S. Tranche 2 Subordinated Notes received in such exchange will be consolidated and fungible with the Tranche 1 Subordinated Notes.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Subordinated Notes (the "**Conditions**") set forth in the Offering Memorandum dated March 29, 2010 (the "**Offering Memorandum**"). These Final Terms contain the final terms of the Tranche 2 Subordinated Notes and must be read in conjunction with the Offering Memorandum.

**THE SUBORDINATED NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE SUBORDINATED NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE TRANCHE 2 SUBORDINATED NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") AND FOR LISTING OF THE TRANCHE 2 SUBORDINATED NOTES ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE. THE SUBORDINATED NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SUBORDINATED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SUBORDINATED NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE OFFERING MEMORANDUM, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS" CONTAINED IN THE OFFERING MEMORANDUM.**

BY ITS PURCHASE AND HOLDING OF SUBORDINATED NOTES (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS SUBORDINATED NOTES (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF SUBORDINATED NOTES WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL LAW, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

THE SUBORDINATED NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

1. Issuer: Itaú Unibanco Holding S.A. (acting through its Cayman Islands Branch)
2.
  - (i) Series Number: 2
  - (ii) Tranche Number: 2. As of the Issue Date (as specified in paragraph 7 (i) below), Tranche 2 Subordinated Notes sold pursuant to Rule 144A will be fungible with, will be consolidated and form a single Series (as specified in paragraph 2 (i) above) with, and will vote as a single class with, the Tranche 1 Subordinated Notes.  
  
As of the Issue Date (as specified in paragraph 7 (i) below), Regulation S Tranche 2 Subordinated Notes will form a single Series (as specified in paragraph 2 (i) above) with, and will vote as a single class with, the Tranche 1 Subordinated Notes. Regulation S Tranche 2 Subordinated Notes will be issued with temporary CUSIP, ISIN and Common Code numbers. At any time following expiration of the distribution compliance period pursuant to Regulation S, which will occur no earlier than March 12, 2011, holders of Regulation S Tranche 2 Subordinated Notes should instruct the broker, dealer, commercial bank, trust company or other nominee through which they hold Regulation S Tranche 2 Subordinated Notes to exchange such notes through the facilities of DTC for Tranche 2 Subordinated Notes with the same permanent CUSIP, ISIN and Common Code numbers as the Tranche 1 Subordinated Notes sold pursuant to Regulation S. Tranche 2 Subordinated Notes received in such exchange will be consolidated and fungible with the Tranche 1 Subordinated Notes.
3. Specified Currency or Currencies (Condition 1(d)): United States dollars (U.S.\$)
4. Aggregate Nominal Amount:
  - (i) Series: U.S.\$1,250,000,000  
Tranche 2 Subordinated Notes:
  - (ii) Tranche: U.S.\$250,000,000

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|-----|---|---|
| 5.  | (i) Issue Price:                                | 97.353% of the Aggregate Nominal Amount, plus accrued interest totaling U.S.\$359,375 from and including January 22, 2011 to, but excluding, January 31, 2011   |
|     | (ii) Gross Proceeds:                            | U.S.\$243,382,500   |
| 6.  | Specified Denominations (Condition 1 (b)):      | U.S.\$100,000 and integral multiples of U.S.\$1,000 thereafter  |
| 7.  | (i) Issue Date:                                 | January 31, 2011  |
|     | (ii) Interest Commencement Date:                | January 22, 2011  |
| 8.  | Maturity Date:                                  | January 22, 2021  |
| 9.  | Interest Basis (Condition 5):                   | Fixed Rate  |
| 10. | Redemption/Payment Basis (Condition 6(a)):      | Redemption at par   |
| 11. | Change of Interest or Redemption/Payment Basis: | Not Applicable  |
| 13. | Status of the Notes (Condition 4):              | Subordinated  |
| 14. | Listing:  | Application will be made to list the Tranche 2 Subordinated Notes on the Euro MTF market of the Luxembourg Stock Exchange. The first trading day on the Euro MTF market of the Luxembourg Stock Exchange for the Tranche 2 Subordinated Notes is expected to be January 31, 2011. The Tranche 1 Subordinated Notes were listed and began trading on the Euro MTF market of the Luxembourg Stock Exchange on September 23, 2010. |
| 15. | Method of distribution:                         | Syndicated  |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

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| 16. | Fixed Rate Note Provisions (Condition 5(I)): | Applicable                                       |
|     | (i) Rate(s) of Interest:                     | 5.75% per annum payable semi-annually in arrear  |
|     | (ii) Interest Payment Date(s):               | January 22 and July 22, commencing July 22, 2011 |

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|--------|--|--|
| (iii)  | Arrears Rate:  | 1.0%   |
| (iv)   | Fixed Coupon Amount(s):  | U.S.\$28.75 per Subordinated Note of U.S.\$1,000 Specified Denomination. |
| (v)    | Broken Amount(s):  | Not Applicable   |
| (vi)   | Day Count Fraction:  | 30/360   |
| (vii)  | Determination Date(s):   | Not Applicable   |
| (viii) | Business Day Convention:   | Following Business Day Convention  |
| (ix)   | Business Centre(s):  | New York and São Paulo   |
| (x)    | Other terms relating to the method of calculating interest for Fixed Rate Notes: | Not Applicable   |
17. Floating Rate Note Provisions (Condition 5(II)):
18. Index Linked Interest Note Provisions:
19. Dual Currency Note Provisions:

#### **PROVISIONS RELATING TO REDEMPTION**

20. Call Option (Condition 17(d)(vi)):
21. Final Redemption Amount of each Note:
22. Early Redemption Amount:
- |      |  |   |
|------|--|---|
| (i)  | Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 17(d)(iv)), the occurrence of a Regulatory Event (Condition 17(d)(v)) or on an Event of Default (Condition 9) or the method of calculating the same (if required or if different from that set out in the Conditions): | Not Applicable  |
|      |  | U.S.\$1,000 per Subordinated Note of U.S.\$1,000 Specified Denomination |
| (ii) | Original Withholding Level   | 100% of the U.S.\$1,000 Specified Denomination                          |
|      |  | 0%  |

(Condition 17(d)(iv)):

**GENERAL PROVISIONS APPLICABLE TO THE SUBORDINATED NOTES**

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|-----|---|--|
| 23. | Form of Subordinated Notes:   | Registered Notes   |
|     | (i) DTC Global Notes, European Global Notes or individual Definitive Notes:   | DTC Restricted Global Note or DTC Unrestricted Global Note available on Issue Date   |
| 24. | Details relating to Partly Paid Subordinated Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Subordinated Notes and interest due on late payment: | Not Applicable   |
| 25. | Redenomination, renominalisation and reconventioning provisions (Condition 21):   | Not Applicable   |
| 26. | Maximum number of days (after the date on which the Issuer is no longer in violation of the Risk-Based Capital Requirements) for deferral of interest and principal (Condition 17(c)(ii)):  | 14   |
| 27. | Minimum number of Relevant Business Days' notice to be given in connection with a deferral (Condition 17(c)(iv)):   | 2  |
| 28. | Maximum number of Relevant Business Days' notice to be given in connection with a deferral (Condition 17(c)(iv)):   | 14   |
| 29. | Other terms or special conditions:  | Subordination Nucleus, attached herein as Exhibit A, detailing the subordination terms and related conditions as set forth in Resolution No. 3,444 |

**DISTRIBUTION**

30. (i) If syndicated, names of

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|---|--|
| Managers:                                 | Banco Itaú Europa, S.A. – London Branch,<br>Deutsche Bank Securities Inc. and Morgan<br>Stanley & Co. Incorporated |
| (ii) Stabilising Manager (if any):        | Not Applicable   |
| 31. If non-syndicated, name of Dealer(s): | Not Applicable   |
| 32. Additional selling restrictions:      | Not Applicable   |

## OPERATIONAL INFORMATION

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|--------------------|---|
| 33. (i) ISIN:      | 144A: US46556LAB09<br>Regulation S: US46556MAB81<br>Temporary Reg S: US46556MAD48 |
| (ii) CUSIP:        | 144A: 46556LAB0<br>Regulation S: 46556MAB8<br>Temporary Reg S: 46556MAD4          |
| (iii) Common Code: | 144A: 054399456<br>Regulation S: 054399502<br>Temporary Reg S: 058617644          |
| (iv) Other:        | Not Applicable  |

The Tranche 1 Subordinated Notes and the Tranche 2 Subordinated Notes will share the same ISIN and CUSIP numbers and be fungible, except that the Tranche 2 Subordinated Notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the Issue Date (as specified in paragraph 7 (i) above). See paragraph 2 (ii) above.

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|---|---|
| 34. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s): | Not Applicable  |
| 35. Delivery:   | We expect that delivery of the Tranche 2 Subordinated Notes will be made against payment for the Tranche 2 Subordinated Notes on January 31, 2011, which will be the fifth business day following the date of the pricing of the Tranche 2 Subordinated Notes (such settlement cycle being referred to as T+5). Purchasers of the Tranche 2 Subordinated Notes should note that trading of the Tranche 2 Subordinated Notes on the date of pricing or the next succeeding business day may be affected by |



- the T+5 settlement.
36. Registrar: The Bank of New York Mellon, acting through its New York Branch
37. Calculation Agent: The Bank of New York Mellon, acting through its London Branch
38. Trustee: The Bank of New York Mellon, acting through its New York Branch
39. Additional Agent(s) (if any): The Bank of New York Mellon, acting through its London Branch as London Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Paying Agent
40. U.S. Tax: See "Certain U.S. Tax Considerations" below.

## **LISTING APPLICATION**

These Final Terms comprise the final terms required to list the issue of the Tranche 2 Subordinated Notes described herein pursuant to the U.S.\$10,000,000,000 Global Medium Term Note Programme of Itaú Unibanco Holding S.A., acting through its Cayman Islands Branch.

## **ADDITIONAL ISSUER DISCLOSURE**

The first paragraph on page 81 of the Offering Memorandum is hereby replaced by the following paragraph:

Income (loss) tax and social contribution for the year resulted in a benefit of R\$9,420 million in 2008 compared to a tax expense of R\$4,756 million in the prior year. The main factors that contributed to the increase from year to year were: (i) during 2008, we had exclusions from our tax base of R\$6,131 million arising from the "Association", (ii) the effect of exchange rate gains and losses on our investments abroad totaling a benefit of R\$1,281 million in 2008, an increase of R\$1,821 million compared to 2007, and (iii) a higher tax benefit on dividends paid as interest on stockholders' equity (a form of tax deductible dividend), which totaled R\$700 million in 2008, an increase of R\$618 million compared to 2007.

### *Recent Credit Card Regulations*

On November 25, 2010, the National Monetary Council of Brazil (*Conselho Monetário Nacional* or "CMN") issued Resolution No. 3,919 which established new rules applicable to credit card fees charged for services rendered by financial institutions, including specific rules regarding the information to be disclosed in credit card invoices, the types of fees that can be charged and the requirement that financial institutions offer clients the option of a credit card with certain basic services. These new rules will take effect on March 1, 2011. On the same date, the Central Bank of Brazil issued Circular No. 3,512 which established a minimum amount that credit card holders

must pay monthly on outstanding credit card balances: 15% from June 2011, increasing to 20% from December 2011.

#### *Compensation of Directors and Officers of Financial Institutions*

On November 25, 2010, the CMN issued Resolution No. 3,921 which established new rules related to the compensation of directors and officers of financial institutions, requiring financial institutions to conform existing compensation policies for directors and officers. Compensation of directors and officers may be fixed or variable. Variable compensation may be based on specific criteria set forth in Resolution No. 3,921 and is required to be compatible with the financial institution's own risk management policies. At least 50% of variable compensation must be paid in stock or stock-based instruments and at least 40% of variable compensation must be deferred for future payment by at least 3 years. These new rules will take effect on January 1, 2012.

The Issuer is reviewing its existing compensation policies to conform them to Resolution 3,921 by the effectiveness date of the new rules.

#### *Senior Notes Issuance*

On November 23, 2010, the Issuer issued BRL 500 million aggregate principal amount of 10.50% senior notes due 2015.

#### *New Capital Adequacy and Reserve Requirement Rules*

On December 3, 2010, CMN and the Central Bank of Brazil enacted Resolution No. 3931 and Circulars Nos. 3513, 3514 and 3515. Together, these measures revised certain capital adequacy and reserve requirement rules enacted in connection with the global financial crisis of 2008 and 2009. The most significant changes introduced by the new rules include:

Increase of the capital requirement for consumer loans entered into from December 6, 2010 with a maturity of 24 months or longer. The risk weighting factor (*fator de ponderação de risco*) for such transactions has been increased from 100% to 150%, resulting in a capital allocation of 16.5% (instead of the former 11%). The following consumer loans are excluded from this requirement:

- Rural loans, residential mortgages or financing for residential leases;
- Cargo vehicle financing or leasing transactions;
- Payroll loans with a maturity of less than 36 months;
- Vehicle financing or leasing if (a) the maturity is 24 to 36 months and the amount financed is up to 80% of the purchase price ( in the case of a financing) or present value (in the case of a lease) of the vehicle acquired and given as guarantee or leased, (b) the maturity is 36 to 48 months and the financed amount is up to 70% of the purchase price or present value of the vehicle acquired and given as guarantee or leased, or (c) the maturity is 48 to 60 months and the financed amount is up to 60% of

the purchase price or present value of the vehicle acquired and given as guarantee or leased.

Increase of reserve requirements for deposits, including the following changes:

- the additional rate for demand and time deposit reserve requirements has been increased from 8% to 12% (for savings deposits the rate has been maintained at 10%);
- the limitation on deductibility from the additional rate for demand, savings and time deposit reserve requirements for financial institutions with consolidated Tier 1 capital of (i) less than R\$2 billion has been increased from R\$2 billion to R\$2.5 billion, and (i) equal to or greater than R\$2 billion and less than R\$5 billion has been increased from R\$1.5 billion to R\$2 billion;
- the reserve requirement for time deposits has been increased from 15% to 20%;
- the limitation on deductibility from time deposit reserve requirements for financial institutions with consolidated Tier 1 capital of (i) no more than R\$2 billion has been increased from R\$2 billion to R\$3 billion, (ii) equal to or greater than R\$2 billion and less than R\$5 billion has been increased from R\$1.5 billion to R\$2.5 billion, and (iii) greater than R\$5 billion has been maintained at zero;
- the limitation on deductibility from time deposit reserve requirements of certain transactions concluded before June 11, 2011 with smaller financial institutions with consolidated Tier 1 capital of no more than R\$2.5 billion (including: (x) interbank deposits with such smaller financial institutions; (y) investments in debt securities issued by such smaller financial institutions, and (iii) any loan portfolio purchased from such smaller financial institutions) has been reduced from 45% to 36% of a financial institution's total time deposit reserve requirements; and
- financial bills (*letras financeiras*) issued by financial institutions have been exempted from reserve requirements.

Change in the role of the Credit Guarantee Fund (*Fundo Garantidor de Crédito* or "FGC") as follows:

- the volume of deposits that financial institutions can accept with the guarantee granted by FGC will be reduced by 20% every year from January 2012 to January 2016, thereby eliminating such guarantee by 2016; and
- the maximum FGC guaranteed amount of deposits and credit instruments held by an individual with a single financial institution has been increased from R\$60,000 to R\$70,000.

On January 6, 2011, the Central Bank of Brazil enacted Circular No. 3520, establishing a cash reserve requirement for financial institutions with foreign exchange operations, effective as of April 4, 2011, corresponding to 60% of the amount of daily short positions taken in foreign

currencies in excess of the lower of (i) US\$3 billion or (ii) the regulatory capital of the financial institution.

### *Basel III Framework*

On December 16, 2010, the Basel Committee on banking Supervision (the "**Basel Committee**") issued its new Basel III framework. The Basel III framework includes higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, and the introduction of a new leverage ratio and two liquidity standards. The new rules will be phased in gradually and, as with other Basel directives, these will not be self-effectuating. Rather, each country must adopt them by legislation or regulation to be imposed upon that country's home banks. As of the date of these Final Terms, the Central Bank of Brazil has not published a timeline for its deliberation and eventual adoption of the new Basel III framework.

The Basel III framework will require banks to maintain: (i) a minimum common equity capital ratio of 4.5%, (ii) a minimum Tier 1 capital ratio of 6% and (iii) a minimum total capital ratio of 8%. In addition to the minimum capital requirements, Basel III will require a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. The capital conservation buffer and the countercyclical buffer, if implemented, would restrict discretionary distributions, and, in the case of the countercyclical buffer, require retention of up to an additional 2.5% of risk weighted assets. The Basel Committee phased in the three basic minimum requirements first, beginning on January 1, 2013, with a longer period for banks to comply with the capital conservation buffer and other requirements, beginning on January 1, 2016.

Basel III also introduces a new leverage ratio. A supervisory monitoring period will begin in 2011 and a parallel testing run of a minimum Tier 1 leverage ratio of 3% will begin in 2013. Basel III will require banks to disclose their leverage ratio and its components beginning January 1, 2015.

In addition, Basel III aims to improve risk coverage by reforming the treatment of counterparty credit risk ("**CCR**"). Going forward, affected banks generally will, among other things, (i) be required to determine their capital requirement for CCR using stressed inputs, (ii) be subject to a capital charge for potential mark-to-market losses associated with counterparties' deteriorating credit-worthiness, (iii) have to apply longer margining periods to determine their capital requirements with respect to large and illiquid derivative exposures, and (iv) be incentivized to move collateral and mark-to-market exposures to central counterparties.

In relation to liquidity, Basel III implements a liquidity coverage ratio (the "**LCR**") and a net stable funding ratio (the "**NSFR**"). The LCR will require affected banks to maintain sufficient high-quality liquid assets to cover 100% of the net cash outflows that could be encountered under an acute stress scenario assuming (i) a significant downgrade of the bank's credit rating, (ii) a partial loss of deposits, (iii) a loss of unsecured wholesale funding, (iv) a significant increase in secured funding haircuts, and (v) increases in derivative collateral calls and substantial calls on off-balance sheet exposures. Expected inflows eligible for netting against

outflows will be capped at a maximum of 75% of expected outflows. The NFSR establishes a minimum amount of stable funding a bank will be required to maintain based on the liquidity of the bank's assets and activities over a one year period. The ratio of available stable funding to the amount of required stable funding must be greater than 100%. Basel III provides for an observation period to begin in 2011 and it is contemplated that the LCR and the NSFR, including any revisions, will be introduced as minimum standards beginning January 1, 2015 and 2018, respectively.

In addition, on January 13, 2011, the Basel Committee expanded on the Basel III capital rules with additional requirements (the "**January 13 Annex**") applicable to non-common Tier 1 or Tier 2 instruments issued by internationally active banks. The January 13 Annex imposes further requirements on Additional Tier 1 and Tier 2 capital instruments issued by internationally active banks. To be included in Additional Tier 1 or Tier 2 capital, the January 13 Annex requires an instrument issued by an internationally active bank to have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon a "trigger event."

A "trigger event" is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority.

The additional requirements will apply to all instruments issued after January 1, 2013; otherwise, qualifying instruments issued prior to that date will be phased out over a ten years period, beginning in 2013.

As of the date of these Final Terms, the Central Bank of Brazil has not published a timeline for its deliberation and eventual adoption of the Basel III framework, including the January 13 Annex.

#### *Officer Resignation*

In a letter dated November 30, 2010 to the board of directors of Itaú Unibanco, José Eduardo Lima de Paula Araujo requested to resign from the board of officers. Mr. Lima de Paula Araujo's resignation was effective as of November 30, 2010.

#### *IOF/FX*

Pursuant to Decree No. 7,412/10, the tax on exchange transactions (*Imposto Sobre Operações Financeiras/Câmbio* or "IOF/FX") has been reduced, effective as of January 1, 2011, from 6% to 2% with respect to foreign exchange transactions relating to the inflow of funds for investments in private equity funds (FIPs), emerging companies funds (FIEEs) and funds investing in FIPs and FIEEs. Remittances of funds abroad relating to portfolio investments remain, as a general rule, subject to the IOF/FX at a 0% rate.

#### *Income Tax*

Provisional Measure No. 517, enacted on December 31, 2010 (MP 517/10), made several changes to Brazilian tax regulations. Among those changes are tax benefits provided to foreign and Brazilian investors with regard to investments in long term debt issued by Brazilian entities. Pursuant to MP 517/10, the Brazilian withholding income tax ("WHT") rate is reduced to zero on the income paid, credited, delivered or remitted to persons resident or domiciled outside of Brazil relating to securities issued by Brazilian non-financial institutions and acquired after January 1, 2011. The tax benefit is only applicable if: (i) the securities bear fixed interest rates or the interest rate is linked to a price index or reference rate (TR); (ii) the securities have a weighted average term (which will be further regulated by the CMN) greater than four years; (iii) the securities are not called by the issuer within two years of their issuance; (iv) the buyer does not have a commitment to resell the securities to the issuer; (v) the coupons, if any, shall be paid within a term of 180 days, (vi) there is evidence indicating that the securities have been traded into a regulated securities market, and (vii) evidence (through a simplified proceeding, which will be also further regulated by the CMN) is presented as to the use of proceeds in investment projects; and (viii) the investor is not located in a Tax Favorable Jurisdiction (i.e. countries or places that do not impose tax or where the maximum income tax rate is lower than 20%), pursuant to article 1 of Normative Ruling No. 1037 dated June 4, 2010. Moreover, with respect to securities acquired before January 1, 2011 that comply with the requirements above, eligible investors can prepay the WHT due on the income related to such investments until June 30, 2011 so as to benefit from the 0% WHT rate on future income payments.

## **ADDITIONAL RISK FACTOR**

***The Tranche 2 Subordinated Notes issued pursuant to Regulation S will initially not be fungible with the Tranche 1 Subordinated Notes.***

The Tranche 2 Subordinated Notes issued pursuant to Regulation S will initially not be fungible with the Tranche 1 Subordinated Notes. The Tranche 2 Subordinated Notes issued pursuant to Regulation S (the "**Regulation S Tranche 2 Subordinated Notes**") will initially have different CUSIP, ISIN and Common Code numbers from the Tranche 1 Subordinated Notes issued pursuant to Regulation S (the "**Regulation S Tranche 1 Subordinated Notes**"). Following the 40-day distribution compliance period and upon the exchange of Regulation S Tranche 2 Subordinated Notes with temporary CUSIP, ISIN and Common Code numbers by holders who have requested that such exchange be made (as described in paragraph 2(ii) above), it is expected that the Regulation S Tranche 2 Subordinated Notes will share the same CUSIP, ISIN and Common Code numbers with the Regulation S Tranche 1 Subordinated Notes and will thereafter be fungible. However, in the event the CUSIP, ISIN and Common Code numbers of the Regulation S Tranche 2 Subordinated Notes are not consolidated with the CUSIP, ISIN and Common Code numbers of the Regulation S Tranche 1 Subordinated Notes, those Regulation S Tranche 2 Subordinated Notes will continue to trade under separate CUSIP, ISIN and Common Code numbers and accordingly would not be fungible.

## **EXPECTED RATINGS OF TRANCHE 2 SUBORDINATED NOTES**

The Tranche 2 Subordinated Notes are expected to be rated "Baa2, positive outlook" by Moody's Investors Service and "BBB- Sub Debt Rating" by Fitch Rating Services.

The Tranche 2 Subordinated Notes ratings above are not a recommendation to buy, sell or hold the Tranche 2 Subordinated Notes offered hereby. The ratings may be subject to revision or withdrawal at any time by Moody's Investors Service and Fitch Rating Services. Each of the Tranche 2 Subordinated Notes ratings above should be evaluated independently of any other security rating.

## **CERTAIN U.S. TAX CONSIDERATIONS**

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Tranche 2 Subordinated Notes by U.S. Holders (as defined below) who purchase the Tranche 2 Subordinated Notes in this offering at their Issue Price (which is set out on the cover page of these Final Terms) and hold the Tranche 2 Subordinated Notes as capital assets within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**"). This discussion does not address all of the tax considerations that may be relevant to U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special rules under U.S. federal income tax laws, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders who hold the Tranche 2 Subordinated Notes as part of a "straddle," "hedging," "conversion" or other integrated transaction, U.S. Holders who mark their securities to market for U.S. federal income tax purposes, U.S. Holders whose functional currency is not the U.S. dollar or U.S. Holders that own (or are deemed to own) 10% or more (by voting power) of the Issuer's stock. In addition, this discussion does not address the effect of any state, local or non-U.S. tax laws or any U.S. federal estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, the Treasury Regulations promulgated thereunder and administrative and judicial pronouncements, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of a Tranche 2 Subordinated Note that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Tranche 2 Subordinated Note, the U.S. federal income tax considerations relating to such investment generally will depend in part upon the status and activities of such entity and its partners. Such an entity should consult its own tax advisors regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of such Tranche 2 Subordinated Note.

ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES SET FORTH IN THESE FINAL TERMS WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER FEDERAL TAX LAW. SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRANCHE 2 SUBORDINATED NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS.

Except where specifically described below, this discussion assumes that the Issuer is not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes. Please see the discussion under "Passive Foreign Investment Company Considerations" below.

### **Characterisation of the Tranche 2 Subordinated Notes**

The determination of whether a security should be classified as indebtedness or equity for U.S. federal income tax purposes depends on the terms of the security. The Issuer intends to treat the Tranche 2 Subordinated Notes as indebtedness for U.S. federal income tax purposes. The Issuer's treatment will be binding on all U.S. Holders, except a U.S. Holder that discloses its differing treatment on its U.S. federal income tax return. However, the Issuer's treatment is not binding on the Internal Revenue Service (the "**IRS**"), and as a result of (i) the level of subordination of the Tranche 2 Subordinated Notes, (ii) the potential deferral of payment by the Issuer of interest and principal under certain circumstances and (iii) the absence of a right of the Holders to accelerate payment on the Tranche 2 Subordinated Notes upon the Issuer's failure to pay interest on the Tranche 2 Subordinated Notes, there is a substantial risk that the Tranche 2 Subordinated Notes could be treated as equity of the Issuer for U.S. federal income tax purposes.

### **Treatment of the Tranche 2 Subordinated Notes as Debt of the Issuer**

If the Tranche 2 Subordinated Notes are treated as debt of the Issuer for U.S. federal income tax purposes, the U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Tranche 2 Subordinated Notes are generally described in the Offering Memorandum under the heading "Taxation –U.S. Federal Income Taxation."

Under certain circumstances, the Issuer will defer payments on the Tranche 2 Subordinated Notes. U.S. Treasury Regulations provide special rules for contingent payment debt instruments which, if applicable, could cause the timing, amount and character of a U.S. Holder's income, gain or loss with respect to the Tranche 2 Subordinated Notes to be different from those described in the Offering Memorandum. For purposes of determining whether a debt instrument is a contingent payment debt instrument, remote or incidental contingencies are ignored. The Issuer intends to treat the possibility of its deferral of such payments as remote. Accordingly, the



Issuer does not intend to treat the Tranche 2 Subordinated Notes as contingent payment debt instruments. The Issuer's treatment will be binding on all U.S. Holders, except a U.S. Holder that discloses its differing treatment on its U.S. federal income tax return. However, the Issuer's treatment is not binding on the IRS. If the IRS were to challenge the Issuer's treatment, U.S. Holders might be required to accrue income on the Tranche 2 Subordinated Notes in excess of stated interest and to treat as ordinary income, rather than capital gain, any gain recognised on the disposition of the Tranche 2 Subordinated Notes.

A portion of the price paid for a Tranche 2 Subordinated Note will be allocable to interest that accrued prior to the date the Tranche 2 Subordinated Note is issued (the "pre-issuance accrued interest"). The Issuer intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to the pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the Tranche 2 Subordinated Notes. Amounts treated as a return of pre-issuance accrued interest generally should not be taxable when received but should reduce a U.S. Holder's adjusted tax basis in the Tranche 2 Subordinated Note by a corresponding amount.

Generally, a U.S. Holder has market discount on a Tranche 2 Subordinated Note to the extent that the sum of all amounts (other than payments of stated interest) payable on such Tranche 2 Subordinated Note after its acquisition by such U.S. Holder exceeds the amount paid by such U.S. Holder in connection with such acquisition (other than with respect to pre-issuance accrued interest) by no less than a statutory de minimis amount. Under the market discount rules, such U.S. Holder will generally be required to treat as ordinary income any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, such Tranche 2 Subordinated Note to the extent of any accrued market discount on such Tranche 2 Subordinated Note. For this purpose, market discount generally will accrue ratably during the period from the date of acquisition of such Tranche 2 Subordinated Note to the maturity date of such Tranche 2 Subordinated Note, unless such U.S. Holder elects to accrue the market discount on such Tranche 2 Subordinated Note under the constant yield method, which election, once made, is irrevocable. In addition, such U.S. Holder may be required to defer, until the sale, exchange, retirement or other disposition of such Tranche 2 Subordinated Note, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Tranche 2 Subordinated Note.

A U.S. Holder may elect to include market discount on a Tranche 2 Subordinated Note in income currently as it accrues (either ratably or under the constant yield method), in which case the rules described above that treat gain as ordinary income and defer interest deductions will not apply to such Tranche 2 Subordinated Note. The election to include market discount in income currently, once made by a U.S. Holder, will apply to all market discount bonds acquired by such U.S. Holder during or after the taxable year for which the election is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations relating to the ownership and disposition of a Tranche 2 Subordinated Note with market discount, including the tax consequences of making the election to accrue market discount in income currently.

## **Treatment of the Tranche 2 Subordinated Notes as Equity of the Issuer**

If the Tranche 2 Subordinated Notes are treated as equity of the Issuer for U.S. federal income tax purposes, the U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Tranche 2 Subordinated Notes will be as described below.

### **Interest**

Payments of interest on the Tranche 2 Subordinated Notes will be treated as distributions paid with respect to shares of the Issuer's stock. A distribution paid by the Issuer out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Brazilian withholding tax paid by the Issuer with respect thereto, will generally be included in the gross income of a U.S. Holder as a dividend on the date such U.S. Holder actually or constructively receives such distribution, and will not be eligible for the dividends received deduction allowed to corporations or the reduced rate applicable to certain dividends received by non-corporate holders. A distribution on a Tranche 2 Subordinated Note in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in such Tranche 2 Subordinated Note and thereafter as gain from the sale or exchange of such Tranche 2 Subordinated Note. The Issuer has not maintained and does not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder may need to include the entire amount of any such distribution in income as a dividend.

### **Sale, Exchange, Retirement or Other Disposition of the Tranche 2 Subordinated Notes**

Upon a sale, exchange, retirement or other disposition of a Tranche 2 Subordinated Note, a U.S. Holder generally will recognise gain or loss equal to the difference between the amount realised on such sale, exchange, retirement or other disposition and such U.S. Holder's tax basis in such Tranche 2 Subordinated Note. Such gain or loss generally will be long-term capital gain or loss if such U.S. Holder will have held such Tranche 2 Subordinated Note for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

### **Foreign Tax Credit Considerations**

As discussed in the Offering Memorandum under "Taxation—Brazil," under current law, payments of interest and original issue discount in respect of the Tranche 2 Subordinated Notes could be subject to Brazilian withholding taxes. Distributions treated as dividends, before reduction for any Brazilian withholding taxes paid by the Issuer with respect thereto, will generally be included in the gross income of a U.S. Holder. Thus, such U.S. Holder may be required to report income for such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Distributions treated as dividends on a Tranche 2 Subordinated Note generally will constitute income from sources outside the United States, and generally will be categorised for U.S. foreign tax credit purposes as "passive category income" or, in the case of some U.S. Holders, as "general category income." Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. However, the IRS may take the view that a U.S. Holder's legal right to receive the principal of the Tranche 2

Subordinated Notes on a fixed date is sufficient to cause the Tranche 2 Subordinated Notes to fail to satisfy the holding period requirement, in which case U.S. Holders may not be eligible to claim such a credit for such taxes, but may instead be able to claim a deduction. As discussed in the Offering Memorandum under "Taxation—Brazil," under current law, gain resulting from a sale or other disposal of a Tranche 2 Subordinated Note may be subject to Brazilian income or withholding taxes. A U.S. Holder's use of a foreign tax credit with respect to any such Brazilian income or withholding taxes could be limited, as such gain generally will constitute income from sources within the United States.

A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. Foreign currency exchange gain or loss generally will constitute income from sources within the United States.

The rules relating to foreign tax credits are very complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

### **Passive Foreign Investment Company Considerations**

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of certain subsidiaries, either: at least 75% of its gross income is "passive income", or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties, gains from the disposition of passive assets and gains from commodities transactions.

The application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS has issued a notice, and has proposed regulations, that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the "**Active Bank Exception**"). The IRS notice and proposed regulations have different requirements for qualifying as a foreign bank, and for determining the banking income that may be excluded from passive income under the Active Bank Exception. Moreover, the proposed regulations have been outstanding since 1994 and will not be effective unless finalised.

Based on estimates of the Issuer's current and projected gross income and gross assets, the Issuer does not believe that it will be classified as a PFIC for its current or future taxable years. The determination of whether the Issuer is a PFIC, however, is made annually and is based upon the composition of the Issuer's income and assets (including, among others, entities in which the Issuer holds at least a 25% interest), and the nature of the Issuer's activities (including its ability to qualify for the Active Bank Exception).

Because final regulations have not been issued and because the notice and the proposed regulations are inconsistent, the Issuer's status under the PFIC rules is subject to considerable uncertainty. While the Issuer conducts, and intends to continue to conduct, a significant banking business, there can be no assurance that the Issuer will satisfy the specific requirements for the Active Bank Exception under either the IRS notice or the proposed regulations. Accordingly, U.S. Holders could be subject to U.S. federal income tax under the rules described below.

If the Issuer is treated as a PFIC for any taxable year, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to the Tranche 2 Subordinated Notes, as described below, any gain realised on a sale or other taxable disposition of the Tranche 2 Subordinated Notes and certain "excess distributions" (generally distributions in excess of 125% of the average distribution over a three-year period, or if shorter, the holding period for the Tranche 2 Subordinated Notes) will be treated as ordinary income and will be subject to tax as if (i) the excess distribution or gain had been realised ratably over the U.S. Holder's holding period for the Tranche 2 Subordinated Notes, (ii) the amount deemed realised in each year had been subject to tax in each such year at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before the Issuer became a PFIC, which would be subject to tax at such U.S. Holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (iii) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years.

The Issuer does not expect to provide information that would allow U.S. Holders to avoid the foregoing consequences by making a "qualified electing fund" election.

If the Issuer is treated as a PFIC and, at any time, the Issuer invests in non-U.S. corporations that are classified as PFICs (each, a "**Subsidiary PFIC**"), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in any such Subsidiary PFIC. If the Issuer is treated as a PFIC, a U.S. Holder could incur liability for the deferred tax and interest charge described above if either (i) the Issuer receives a distribution from, or disposes of all or part of its interest in, any such Subsidiary PFIC or (ii) such U.S. Holder disposes of all or part of the Tranche 2 Subordinated Notes.

A U.S. holder of stock in a PFIC (but possibly not a Subsidiary PFIC, as discussed below) may make a "mark-to-market" election, provided the PFIC stock is "marketable stock" as defined under applicable Treasury regulations (i.e., "regularly traded" on a "qualified exchange or other market"). Under applicable Treasury regulations, a "qualified exchange or other market" includes a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in applicable Treasury regulations. Under applicable Treasury regulations, PFIC stock traded on a qualified exchange or other market is regularly traded on such exchange or other market for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. The Issuer cannot assure U.S. Holders that the Tranche 2 Subordinated Notes will be treated as "marketable stock" for any taxable year.

If an effective mark-to-market election is made, an electing U.S. Holder generally would (i) include in gross income, entirely as ordinary income, an amount equal to the excess, if any, of the fair market value of the Tranche 2 Subordinated Notes as of the close of each taxable year and such U.S. Holder's adjusted tax basis in such Tranche 2 Subordinated Notes, and (ii) deduct as an ordinary loss the excess, if any, of such U.S. Holder's adjusted tax basis in such Tranche 2 Subordinated Notes over the fair market value of such Tranche 2 Subordinated Notes at the end of the taxable year, but only to the extent of the net amount previously included in gross income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in the Tranche 2 Subordinated Notes would increase or decrease by the amount of the gain or loss taken into account under the mark-to-market regime. Even if a U.S. Holder is eligible to make a mark-to-market election with respect to the Tranche 2 Subordinated Notes, however, it is not clear whether or how such election would apply with respect to the stock of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC stock might not be marketable stock. The mark-to-market election is made with respect to marketable stock in a PFIC on a stockholder-by-stockholder basis and, once made, can only be revoked with the consent of the IRS. Special rules would apply if the mark-to-market election is not made for the first taxable year in which a U.S. Holder owns stock of a PFIC.

A U.S. Holder who owns the Tranche 2 Subordinated Notes during any taxable year that the Issuer is treated as a PFIC generally would be required to file an information return with respect to each PFIC (including Subsidiary PFICs) in which the U.S. Holder holds a direct or indirect interest. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to the Tranche 2 Subordinated Notes and the availability and advisability of making a mark-to-market election should the Issuer be considered a PFIC for any taxable year.

### **Substitution of the Issuer**

If the Issuer substitutes for itself a Substituted Debtor, such substitution could be treated for U.S. federal income tax purposes as a taxable exchange of (i) such Tranche 2 Subordinated Notes as in place prior to such substitution for (ii) such Tranche 2 Subordinated Notes as in place after such substitution. See "—Sale, Exchange, Retirement or Other Disposition of the Tranche 2 Subordinated Notes" above. U.S. Holders should consult their own tax advisors as to U.S. federal income tax considerations relating to such an event.

### **Backup Withholding and Information Reporting**

Backup withholding and information reporting requirements generally apply to interest and principal payments made to, and the proceeds of sales by, certain U.S. Holders. A U.S. Holder not otherwise exempt from backup withholding generally can avoid backup withholding by providing a properly executed IRS Form W-9. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### **Disclosure Requirements for Specified Foreign Financial Assets**

Under recent legislation, individual U.S. Holders (and certain U.S. entities specified in IRS guidance) who, during any taxable year, hold any interest in any "specified foreign financial

asset" generally will be required to file with their U.S. federal income tax returns a statement setting forth certain information if the aggregate value of all such assets exceeds U.S.\$50,000. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include the Tranche 2 Subordinated Notes if they are not held in an account maintained with a U.S. financial institution. Substantial penalties may be imposed, and the period of limitation on assessment and collection of U.S. federal income taxes may be extended, for a failure to comply. U.S. Holders should consult their own tax advisors as to the possible application to them of this new filing requirement.

### **Disclosure Requirements for Certain U.S. Holders Recognising Significant Losses**

A U.S. Holder that claims significant losses in respect of a Tranche 2 Subordinated Note for U.S. federal income tax purposes (generally (i) U.S.\$10 million or more in a taxable year or U.S.\$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) U.S.\$2 million or more in a taxable year or U.S.\$4 million or more in any combination of taxable years for all other taxpayers, or (iii) U.S.\$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) may be subject to certain disclosure requirements for "reportable transactions." U.S. Holders should consult their own tax advisors concerning any possible disclosure obligation with respect to the Tranche 2 Subordinated Notes.

### **CAYMAN ISLANDS TAXATION**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Tranche 2 Subordinated Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under Existing Cayman Islands Laws:

Payments of interest and principal on the Tranche 2 Subordinated Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Tranche 2 Subordinated Notes, nor will gains derived from the disposal of Tranche 2 Subordinated Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Tranche 2 Subordinated Notes. An instrument of transfer in respect of a Tranche 2 Subordinated Notes is stampable if executed in or brought into the Cayman Islands.

### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum (and the information incorporated by reference therein) referred to above, contain all information that is material in the context of the Tranche 2 Subordinated Notes.

## GOVERNING LAW AND JURISDICTION

The Trust Deed, the Subordinated Notes, the Final Terms (including the summary of the Final Terms set out in section 5 of the Subordination Nucleus) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, **provided that** the provisions contained in the Subordination Nucleus set out in Exhibit A hereto, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including the non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed may be brought in such courts. Under the Trust Deed, the Issuer irrevocably submits to the exclusive jurisdiction of the English courts.

Signed on behalf of the Issuer:

**ITAÚ UNIBANCO HOLDING S.A.,  
acting through its Cayman Islands Branch**

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

*(Signature page to the Final Terms)*



**EXHIBIT A**  
**SUBORDINATION NUCLEUS**

*("Núcleo de subordinação")*

This Subordination Nucleus ("*núcleo de subordinação*") has been prepared for the purposes of article 7 of Resolution No. 3,444, issued by the National Monetary Council of Brazil ("**CMN**") on February 28, 2007, as amended ("**Resolution No. 3,444**").

**1.     Clauses showing compliance with all requirements of article 9 of Resolution No. 3,444:**

- (i)     Pursuant to article 9, I, II and III of Resolution No. 3,444, the Subordinated Notes shall be issued in registered form, fully-paid in cash and may not have a maturity date, be redeemed, or amortized prior to five years from the issuance date, as set forth below:

***Form, Subscription in Cash and Maturity***

- i.     *Form: The Tranche 2 Subordinated Notes will be issued as registered notes.*
  - ii.    *Subscription and payment in cash: The Subordinated Notes may be issued in one or more Tranches, consideration for which shall be paid to the Issuer in cash at the date of issue thereof.*
  - iii.   *Maturity: The Subordinated Notes shall not, without the prior approval of the Central Bank, have a maturity date, be redeemed, or amortized prior to five (5) years from their issuance date.*
- (ii)    Pursuant to article 9, IV, of Resolution No. 3,444, the payment of any amounts due and payable under the Subordinated Notes shall be subordinated to other obligations of the Issuer, in the case of the Issuer's dissolution, bankruptcy or liquidation, as set forth below:

***Status; Subordination Provisions***

- i.     *Status: The Subordinated Notes constitute unsecured and subordinated obligations of the Issuer.*
- ii.    *Subordination: The Subordinated Notes are subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with this Subordination Nucleus.*

*Subject to applicable law (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon the Issuer's winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings (each a "**Bankruptcy Event**"), and (B)(i) the Subordinated Notes shall rank *pari passu* with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the*

*Subordinated Notes shall rank pari passu with the rights and claims of holders of the Parity Liabilities and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer's Second Priority Liabilities; provided that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a cisão) of its properties, assets and liabilities substantially as an entirety to another corporation shall not be deemed a Bankruptcy Event for the purposes of this clause if the Central Bank has approved such consolidation, merger, transfer or conveyance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such Successor Corporation pursuant to the terms of Resolution 3,444.*

- (iii) Pursuant to article 9, V, of Resolution No. 3,444, the payment of principal, interest or any amounts due and payable under the Subordinated Notes shall be postponed in case the Issuer is not in compliance with the risk-based capital requirements or its operational limits determined by the Central Bank or if such payment would cause the Issuer to fail to satisfy such risk-based capital requirements, as set forth below:

***Deferral of Interest and Principal***

- i. *Any payment (of principal, interest or any other amount) on the Subordinated Notes on any Interest Payment Date, the Maturity Date or any other date, as applicable, shall not be due at that time and the Issuer will defer that payment of interest or principal or any other amount relating thereto in full if the Issuer determines that it is, or if such payment would result in it being, in noncompliance with then applicable capital adequacy requirements or operational limits as set out in Resolution 3,444 or Resolution 2,099 or its financial ratios fall below the minimum levels required by regulations applicable to the Issuer either existing at the date of this Subordination Nucleus as specified in the Final Terms or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority (the "**Risk-Based Capital Requirements**").*
- ii. *Upon the occurrence of sub-paragraph (i) above, the Issuer will defer payments of interest or principal or any other amount in full until the date no later than the number of days specified in the Final Terms after the date it is no longer in violation of the Risk-Based Capital Requirements and the payment of that interest or principal amount or other amount, or any portion thereof, would no longer cause the Issuer to violate the Risk-Based Capital Requirements.*
- iii. *The deferral of any payment in accordance with this condition will not constitute an Event of Default under the Subordinated Notes.*
- iv. *Deferred interest amounts will be determined on each Interest Payment Date only for the purpose of calculating the interest accruing thereafter on amounts in*

*arrears. Such amounts in arrears will bear interest at the Rate of Interest for the Subordinated Notes plus the Arrears Rate as specified in the Final Terms. The Issuer will use reasonable efforts to give not more than the maximum number of Relevant Business Days' notice specified in the Final Terms and not less than the minimum number of Relevant Business Days' notice specified in the Final Terms to the Noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable. If amounts in arrears are at any time only partially payable:*

- A. all amounts in arrears will be payable before additional interest on those amounts;*
- B. all amounts in arrears will be payable in the order of the Interest Periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and*
- C. all amounts in arrears or additional interest on those amounts, as the case may be, for any Interest Period will be paid pro rata to the Noteholders.*

(iv) Pursuant to article 9, VI, of Resolution No. 3,444, the repurchase or early redemption of the Subordinated Notes, even if indirectly, through a legal entity related to the Issuer within the same financial conglomerate or economic/financial group, is subject to Central Bank prior authorization, as set forth below:

- i. Repurchases: Subject to the prior approval of the Central Bank (in accordance with art. 9, VI and §3, of Resolution 3,444) or any other applicable Brazilian Governmental Authority, if then required, the Issuer or any Affiliate may at any time repurchase Subordinated Notes in the open market or otherwise in any manner and at any price, provided that the Issuer is in compliance with the Risk-Based Capital Requirements and that such repurchase would not cause the Issuer to fail to be in compliance with such Risk-Based Capital Requirements. Subordinated Notes so repurchased, while held by or on behalf of the Issuer or any of its Affiliates, shall not entitle the Noteholder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders.*
- ii. Optional Redemption for Taxation Reasons: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of Subordinated Notes at its option in whole, but not in part, at any time, on giving not less than 30 days nor more than 45 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (with interest accrued to, but excluding, the date fixed for redemption) if (i) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with item 8 of the Terms and Conditions) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the*

*Original Withholding Level specified in the Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands, or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, provided that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Subordinated Notes then due. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this clause 1(iv)(ii) of this Subordination Nucleus, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, which shall be conclusive and binding on the Noteholders.*

- iii. *Optional Redemption due to a Regulatory Event:* *Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of Subordinated Notes, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to, but excluding, the date fixed for redemption) if the Issuer certifies to the Trustee immediately prior to the giving of such notice that a Regulatory Event has occurred, provided, however, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days prior to the earliest date on which the Regulatory Event is or is reasonably expected to be effective. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this clause 1(iv)(iii) of this Subordination Nucleus, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the Issuer is entitled to effect such a redemption or to cause such purchase in lieu of redemption pursuant to this clause 1(v)(iii) of this Subordination Nucleus, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption. Concurrently, the Issuer will deliver to the Trustee a written Opinion of Counsel stating, among other things, that a Regulatory Event has occurred and that all governmental approvals necessary for the Issuer to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.*
- iv. *Redemption of Subordinated Notes at the Option of the Issuer (Call Option):* *Not applicable.*

- (v) Pursuant to article 9, VII, of Resolution No. 3,444, the Subordinated Notes shall not be redeemed at the Noteholders' option, as set forth below:

*No Redemption at the Option of the Noteholders: The Subordinated Notes may not be redeemed at the option of the Noteholders.*

- (vi) Pursuant to article 9, VIII and IX, of Resolution No. 3,444, the Subordinated Notes shall be unsecured obligations of the Issuer and shall not be subject to insurance coverage, as set forth below:

*No Guarantee or Insurance: The Subordinated Notes are unsecured and subordinated obligations of the Issuer and do not benefit from any guarantee or insurance issued pursuant to any insurance policy or similar structure that compromises the subordination of the Subordinated Notes and/or requires or allows payments or transfers of funds to the Noteholders, directly or indirectly, by the Issuer or any Affiliate.*

- (vii) Pursuant to paragraph one of article 9 of Resolution No. 3,444, the Trust Deed and the Subordinated Notes shall be governed by, and construed in accordance with, a specific governing law and jurisdiction:

*Governing Law: The Trust Deed, the Subordinated Notes and any non-contractual obligations arising out of or in connection with them (including the summary of the Final Terms established on item 5 of this Subordination Nucleus) are governed by, and shall be construed in accordance with, English law, provided that the provisions contained in this Subordination Nucleus, imposed on the Issuer in order for the Tranche 2 Subordinated Notes to qualify as Tier 2 Capital under Resolution No. 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.*

*Jurisdiction: The courts of England have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.*

- 2. Clause providing that, pursuant to article 7, II, of Resolution No. 3,444, any provision, whether in the Trust Deed itself, in the Subordinated Notes or in another ancillary document, to the extent that they impair the fulfillment of, or conflict with, those requirements set out in article 9 of Resolution No. 3,444, is null and void, as set forth below:**

*Conflicts: In the event of conflict between the provisions of this Subordination Nucleus and any other provision set forth in any Transaction Document with respect to the Tranche 2 Subordinated Notes, the provision of this Subordination Nucleus shall prevail, as per art. 7, II, of Resolution 3,444 and any such conflicting provision shall be null and void.*

**3. Clause of each ancillary document providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:**

- (i) Clause of the Trust Deed providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Trust Deed that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

- (ii) Clause of the Subordinated Notes providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Subordinated Note that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

- (iii) Clause of the Agency Agreement providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Agency Agreement that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

- (iv) Clause of the Dealer Agreement providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this Dealer Agreement that conflicts with the Subordination Nucleus with respect to any Series of Subordinated Notes shall be null and void.*

- (v) Clause of the First Supplemental Trust Deed providing, pursuant to article 7, paragraph 1 of Resolution No. 3,444, the subordination of such document to this Subordination Nucleus:

*Pursuant to article 7, paragraph 1 of Resolution No. 3,444, any provision of this First Supplemental Trust Deed that conflicts with the Subordination Nucleus with respect to the Tranche 2 Subordinated Notes shall be null and void.*

**4. Clause providing that, pursuant to article 7, III and paragraph two, of Resolution No. 3,444, any amendment, change or revocation affecting the provisions of this Subordination Nucleus will be subject to prior authorization of the Central Bank, as set forth below:**

*The execution of any amendment, change or revocation of any provision of this Subordination Nucleus is subject to the prior consent of the Central Bank, if required pursuant to applicable regulations then in effect.*

**5. Summary of the transaction, pursuant to article 7, IV, of Resolution No. 3,444:**

*Fixed rate*

*This Tranche of Subordinated Notes, designated the "5.75% Subordinated Notes due 2021", issued in the aggregate principal amount of U.S.\$250,000,000 (the "**Tranche 2 Subordinated Notes**"). The Tranche 2 Subordinated Notes will be fungible with, will be consolidated and form a single Series with, and will vote as a single class with, the Issuer's U.S.\$1,000,000,000 5.75% Subordinated Notes due 2021 (the "**Tranche 1 Subordinated Notes**"). Subject to the provisions of this Subordination Nucleus, the Subordinated Notes shall mature on January 22, 2021. Interest shall accrue on the Tranche 2 Subordinated Notes from and including January 22, 2011 at the Rate of Interest of 5.75% per annum (the "**Note Rate**"), provided that (i) interest on the then-outstanding principal balance of the Subordinated Notes after the Maturity Date and (ii) interest on any overdue interest, shall accrue (to the extent permitted by applicable law), including, for the avoidance of doubt, during any period during which deferral of any payment is permitted pursuant to this Subordination Nucleus, at the Note Rate plus 1.0% per annum. Subject to the provisions of this Subordination Nucleus, all interest shall be paid by the Issuer to the Principal Paying Agent and distributed by the Principal Paying Agent semi-annually in arrears on January 22 and July 22 of each year (or if such date is not a Relevant Business Day, the next succeeding Relevant Business Day following such day) during which any portion of the Subordinated Notes shall be outstanding (each, an "Interest Payment Date"), commencing July 22, 2011. Interest shall be calculated based on a 360-day year of twelve 30-day months.*

**6. Definitions:**

For the purposes hereof, capitalized terms and expressions used herein and not otherwise defined shall have the following meanings:

For the purposes of this Subordination Nucleus:

**"Affiliate"** means any legal entity related to the Issuer within the same financial conglomerate or economic/financial consolidated group (*consolidado econômico-financeiro*).

**"Arrears Rate"** means 1%.

**"Benchmark"** means one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Terms.

**"Brazilian Governmental Authority"** means, as applicable, the government of Brazil, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Issuer.

**"Business Day Convention"** means the number of days in the calculation period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the calculation period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the calculation period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

**"Central Bank"** means the Central Bank of Brazil or any Brazilian Governmental Authority that replaces the Central Bank of Brazil in its current functions applicable to this Subordination Nucleus.

**"Determination Date"** means the Interest Payment Date.

**"Dealer Agreement"** means the dealer agreement dated the date of the Trust Deed between the Issuer, Banco Itaú Europa, S.A. – London Branch, Goldman, Sachs and Co. and Morgan Stanley & Co. Incorporated and includes any agreement by which any additional dealers accede to such dealer agreement.

**"Early Redemption Amount"** means 100% of the U.S.\$1,000 Specified Denomination.

**"Event of Default"** subject to this Subordination Nucleus, means the following events: (1) the Issuer fails to pay any principal or interest (if any) in respect of any of the Subordinated Notes on the date when due and, with respect to principal, such failure continues for a period of three days and, with respect to interest, such failure continues for a period of ten days; or (2) the Issuer (a) is dissolved other than in connection with a consolidation, merger or reorganization not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Subordinated Notes are assumed by the successor entity; (b) suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due; (c) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy law; (d) consents to the commencement against it of an involuntary case in bankruptcy or any other action or proceeding, or a proceeding is commenced in an involuntary case if such proceeding is not dismissed on or before the 60<sup>th</sup> day after the entry thereof or if any such dismissal or stay ceases to be in effect; or (3) any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to in item (2) of this definition.

**"Euro"** means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty .

**"Exchange"** means any stock exchange on which the relevant Subordinated Notes may be listed.

**"Final Terms"** means the Final Terms dated January 24, 2011 with respect to the Tranche 2 Subordinated Notes, which shall be deemed to include terms specified in this Subordination Nucleus set out as an annex to such Final Terms.



**"First Supplemental Trust Deed"** means the first supplemental trust deed dated January 31, 2011 between the Issuer and the Trustee.

**"Interest Commencement Date"** means January 22, 2011.

**"Interest Payment Date"** means January 22 and July 22, commencing July 22, 2011.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

**"Issue Date"** means January 31, 2011.

**"Issuer"** means Itaú Unibanco Holding S.A. or any successor thereto, acting through its Cayman Islands Branch.

**"Maturity Date"** means January 22, 2021.

**"Noteholder"** means the person in whose name a Subordinated Note is registered.

**"Opinion of Counsel"** means a written opinion of counsel from any person which may include, without limitation, counsel for the Issuer, whether or not such counsel is an employee of the Issuer, in all cases in form and substance reasonably acceptable to the Trustee.

**"Original Withholding Level"** means 0%.

**"Parity Liabilities"** means, with respect to the Issuer, any securities or liabilities that have been or will be deemed part of the Issuer's regulatory capital (*Patrimônio de Referência*) in accordance with and established by Resolution 3,444, except for the Second Priority Liabilities.

**"Rate of Interest"** means 5.75% per annum payable semi-annually in arrear.

**"Regulatory Event"** means, subsequent to the time that the Subordinated Notes initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Subordinated Notes may not be included in the consolidated Tier 2 Capital of the Issuer.

**"Relevant Business Day"** means (a) in case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; or (b) in the case of euro, a TARGET Business Day; and (c) in the case of any currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Business Centres specified in the Final Terms.

**"Relevant Financial Centre"** means the principal financial centre for the relevant currency (which in the case of Euro shall be Europe).

**"Resolution 2,099"** means Resolution No. 2,099 of August 17, 1994 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

**"Resolution 3,444"** means Resolution No. 3,444 of February 28, 2007 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

**"Second Priority Liabilities"** means all types or classes of the Issuer's capital stock.

**"Senior Liabilities"** means all liabilities of the Issuer except for the Parity Liabilities and the Second Priority Liabilities.

**"Series"** means subordinated notes of the Issuer in accordance with Resolution 3,444 which have identical terms and conditions, other than in respect of the issue date, the date on which interest commences to accrue and related matters.

**"Specified Denomination"** means U.S.\$100,000 and integral multiples of U.S.\$1,000 thereafter.

**"Specified Interest Payment Date"** means each date which falls on the last day of the Interest Period specified in the Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Subordinated Note, in each case as adjusted by the Business Day Convention specified in the Final Terms.

**"Subordinated Notes"** means the Tranche 1 Subordinated Notes issued by the Issuer in accordance with the Final Terms dated September 16, 2010 and Resolution 3,444 and the Tranche 2 Subordinated Notes issued by the Issuer in accordance with the Final Terms and Resolution 3,444.

**"Subordination Nucleus"** means this subordination nucleus prepared in accordance with Resolution 3,444.

**"Successor Corporation"** means the corporation formed by consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer (including in connection with a *cisão*) all or substantially all of the properties and assets of the Issuer.

**"TARGET Business Day"** means a day on which the TARGET System is operating.

**"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on November 19, 2007 or any successor thereto.

**"Terms and Conditions"** means the terms and conditions of the subordinated notes as amended and supplemented by the relevant final terms in relation to a Series of subordinated notes of the Issuer in accordance with Resolution 3,444.

**"Tier 2 Capital"** means raising of capital carried out by the Issuer or by its Affiliates, which were, or will be, authorized by the Central Bank as Tier 2 of the regulatory capital (*Patrimônio de Referência*), as set forth in Resolution 3,444.

**"Tranche"** means Subordinated Notes which have the same Issue Date.

**"Transaction Documents"** means the Trust Deed, the First Supplemental Trust Deed, the Agency Agreement, the Dealer Agreement and the Subordinated Notes (other than the Subordination Nucleus).

**"Treaty"** means the treaty establishing the European Community, as amended

**"Trustee"** shall include all persons for the time being the trustee or trustees under the Trust Deed.

**"Trust Deed"** means the trust deed dated March 29, 2010 between the Issuer and the Trustee, as amended and/or supplemented from time to time.