

(A free translation of the original in Portuguese)

**Banco Indusval S.A.
(Indusval & Partners) and
Banco Indusval S.A. and
Subsidiaries (Indusval &
Partners Consolidated)**

**Financial Statements,
Independent auditor's report on the
financial statements and fiscal concil's report
December 31, 2011**



Banco Indusval S.A.
Publicly-Held Company
Corporate Taxpayer's Id. (CNPJ): 61.024.352/0001-71

MANAGEMENT REPORT
Fiscal Year 2011

The year 2011 marked a new chapter in BI&P's nearly 45-year history. During this period, we went through decisive moments in the evolution of our business: from brokerage to bank in 1991; the merger with Multistock in 2003; the sale of the consumer credit operation in 2004; the opening of the first branches in 2006; the IPO in 2007; the strategy review in 2010; and, in March 2011, we signed investment agreements with Warburg Pincus, one of the world's leading private equity funds; with Sertrading, one of Brazil's biggest foreign trade service companies; we strengthened our management team; acquired Serglobal Comércio de Cereais Ltda, a company that issues agribusiness bonds; and, we obtained a financing line from J.P. Morgan, which also subscribed to preferred stock warrants, thus becoming eligible for holding a 2.5% minority interest in the Bank's capital in the future. To mark this new phase, incorporating the new partnerships, new values, new vision and our new business strategy defined within the scope of these changes, we started operating under a new brand: **BI&P**.

These changes, apart from merely expanding the Bank's capital structure, enabled us to take a qualitative leap supported by our vision of becoming an "innovative bank that excels in corporate lending, with a profound knowledge of our clients' activities and their operating sectors".

Our objective is clear: to return to our historic growth levels by generating top quality assets in the middle market and corporate segments, increasing the revenue from services and reducing credit risk through an in-depth knowledge of our clients' operations. To achieve this objective, we have already started improving and expanding our portfolio of financial products by strengthening our management and hiring experienced professionals for key positions, and increasing recurring revenues from services.

The effects can already be seen in the results of the second half of the year and should become more evident in the coming semesters, since the teams are already in place and aligned to our vision and strategy, working in consonance with the values defined for BI&P's business development. In 2012, we will further streamline the practices and controls and, by speeding up the process launched in 2011, deliver more solid and consistent growth.

Macroeconomic Environment

The Brazilian economy recorded uneven growth throughout 2011. While it grew at an annualized rate of close to 5% in the first quarter, it did not grow more than 0.5% in the last quarter, due both to internal and external factors. Notable on the domestic front



were the growth containment measures adopted by the government, such as interest rate hikes and the macro prudential measures in bank credit. The international scenario was marked by the worsening of the financial crisis in Europe. Both ended up influencing the Brazilian economy specially in the second half of the year.

During the year, the industrial segment remained a drag on growth, reaching close to zero growth by November. On the other hand, retail sales surprised once again, growing by approximately 7% in volume and 12% in nominal revenue up to November, driven by wage increases and the record decline in unemployment rate. The top performers in retail were, once again, consumer electronics, computers, as well as personal use and domestic articles.

The Brazilian Real ended the year 13% weaker, declining sharply in September with the deterioration of the crisis in Europe. In response to the worsening international scenario, the Brazilian Central Bank, at a meeting in August, decided to reverse the trend of interest rate hikes to begin a new cycle of interest rate cuts. Recent indications suggest that the monetary policy committee should envision a single-digit interest rate at the beginning of 2012.

Credit supply in Brazil's financial system grew 19% in 2011, lower than the 20.6% in 2010, but still higher than the government's estimate of 17.5%. The credit/GDP ratio finished the year at 49.1%, compared to 45.2% in the previous year. The greatest contributions came from earmarked credit, via BNDES loans, consumer credit, and credit to agribusiness, mining and petrochemicals, as well as housing loans.

The credit expansion in 2011 went hand-in-hand with an increased default rate. Said increase was steeper in the individual segment, increasing from 5.7% at the end of 2010 to 7.3% in December 2011, according to Central Bank data. Corporate credit also saw an increase, though milder, in the percentage of operations overdue more than ninety (90) days, starting the year at 3.5% and ending at 3.9%.

Financial and Operating Performance

BI&P's total assets were R\$4.3 billion on December 31, 2011, up 31% year-on-year. These assets were generated through the ten Brazilian and one overseas branch as well as by Indusval S.A. Corretora de Títulos e Valores Mobiliários, the brokerage firm.

To cover possible defaults resulting from operations before the entry of the new partners in the Bank's capital, additional provisions for loan losses, amounting to R\$67.2 million, were constituted in March 2011, by the time of the announcement of the corporate and organizational restructuring, in addition to those regulated by BACEN Resolution 2682. These additional provisions were constituted to safeguard the future results from operations generated in accordance the new vision and strategy. Allowance for Loan Losses in 2011 totaled R\$118.1 million. Gross income from financial intermediation before allowance for loan losses was R\$170.6 million, which, after deducting allowance expenses, resulted in a financial intermediation income of R\$52.5 million, for a net loss of R\$31.7 million in 2011.

Loan Operations - the credit portfolio totaled R\$2.3 billion which, after including sureties, guarantees, letters of credit issued and agricultural bonds, increased to R\$2.5 billion on December 31, 2011, up 30.6% year-on-year. Our growth is focused on companies with better quality of credit, which increased the share of operations classified in the best risk categories (AA - C) to 90% of the credit portfolio. This increase includes



the expansion of the 'Corporate' segment, whose share of the credit portfolio rose from 14% at the end of 2010 to 28% in December 2011. The middle market segment represented 69% of the credit portfolio, with its volume remaining at R\$1.6 billion, despite reducing exposure to loans that we determined to be significantly beyond our risk appetite. Further contribution to the results and management of default rates came from credit recoveries amounting to R\$11.4 million during the year, R\$8.7 million in the fourth quarter alone.

Funding – Our funding capacity also has been strengthened. The implementation of the strategy defined in the first half of the year and the development of new funding alternatives have already had a positive impact on funding costs. The three-notch raise in our risk ratings by Standard & Poor's in December 2011 proves that we are on the right track and will also help to reduce costs, while driving the continued recovery in margins over the upcoming quarters.

Funding volume reached R\$2.5 billion on December 31, 2011, 25% up year-on-year. Time deposits in Real, still our main source of funding, represented 64% of total funding. However, the agricultural bonds business, mainly Rural Product Certificates (CPR), which expanded with the acquisition of Serglobal Cereais, created a new funding alternative - Agribusiness Letters of Credit (LCA) – at more attractive costs without compromising the returns for investors. LCAs already account for 9% of total funding. Another source that accounts for 9% of total funding – onlendings - reflects the growth in onlending operations using funds from the Brazilian Development Bank (BNDES). Foreign loans, equivalent to 18% of funding, increased 43% in the year and are mainly related to Trade Finance lines granted by correspondent banks.

Liquidity – On December 31, 2011, the Company's free cash position totaled R\$887.3 million, equivalent to 48% of total deposits and 1.5 times the shareholders' equity.

Indusval Corretora de Títulos e Valores Mobiliários

The year was fairly challenging for stock broking operations on account of the stiff competition and the uncertainties caused by the international macroeconomic scenario. In 2011, Indusval S.A. Corretora de Valores and Banco Indusval S.A. worked together to develop methods for the distribution of the Bank's fixed income products.

In the BM&F segment, we wish to highlight the performance in the agricultural commodities business, in particular cattle and coffee, which ranked 9th and 12th, respectively, in the year. In the Bovespa Segment, the distinction was for the performance in forward transactions, ranking 3rd in 2011.

Risk Management

Efficient risk management is essential for the perpetuity of any financial institution. This subject became even more relevant after the financial crisis that rattled the global markets. Risk management is strategically important for BI&P and includes the continuity of business in adverse operating conditions, compliance, money laundering prevention, information security, control and mitigation of market and liquidity risks, in addition to the main risk it is exposed to: credit risk.

The Bank employs tools to identify and map the risks that it is exposed to, measure its exposure, adopt mitigation measures and permanently manage any deviations and scenarios that may impact its businesses and results. It also adopts positions consistent



with the guidelines and limits defined by the Management in its Risk Management Policies. Risk management is a concern prevalent in all business activities, especially in the aforementioned committees, who advise Management on growth processes, both in terms of policies and internal regulations as well as in terms of monitoring and mitigating these risks. More information about risk management is available in our website (www.indusval.com.br).

Corporate Governance

BI&P's shares (IDVL3 and IDVL4) are listed under Corporate Governance Level 1 of BM&FBOVESPA, with the voluntary adoption of additional practices specific to companies listed in the Novo Mercado special trading segment, which include:(a) 100% tag along rights;(b) at least 20% of the Board of Directors are independent members;(c) resorting to the Market Arbitration Chamber to resolve any shareholder-related issues; and (d) minimum free float of 25%. The Extraordinary Shareholders' Meeting held on December 22, 2011 approved the migration to BM&FBovespa's Level 2 special segment and the consequent amendments to the Company's Bylaws, which were homologated by the Brazilian Central Bank on February 7th, 2012. Therefore, we are in the final steps to formalize the migration to Level 2 listing.

Our Board of Directors has four independent members, who are experts in their respective fields, in addition to the controlling shareholders. The board of Directors consists of Messrs. Manoel Felix Cintra Neto, Carlos Ciampolini, Luiz Masagão Ribeiro, Jair Ribeiro da Silva Neto, Antonio Geraldo da Rocha and the independent members: Messrs. Alain Belda, Alfredo de Goeye, Guilherme Affonso Ferreira and Walter Iorio.

The Fiscal Council, which was created in 2010, continued operational, with its members' terms of office extended to 2011, allowing them to make a better contribution to the development of the business.

The Executive Board, which was elected for 2011/ 2012, consists of nine reputable and highly experienced market professionals, led by Jair Ribeiro and Luiz Masagão, who share the role of CEO.

Capital Markets

Capital and Outstanding Shares: On December 31, 2011, Banco Indusval S.A.'s capital consisted of 63,105,693 shares, of which 36,945,649 were common shares (IDVL3) and 26,160,044 were preferred shares (IDVL4), of which 746,853 are held in treasury. Excluding the 746,853 shares held in treasury, the 21,480,659 shares owned by the controlling group and the 337,432 shares owned by the Management, free float totaled 40,540,749 shares (15,925,009 common shares and 24,615,740 preferred shares), equivalent to 64.2% of the capital stock.

Share Buyback Program: The 4th Preferred Share Buyback Program was closed on August 9, 2011, with 775,453 shares having been repurchased. On October 19, 2011, the 5th Share Buyback Program was launched, effective until October 18, 2012, for the repurchase of up to 1,720,734 preferred shares. Indusval S.A. CTVM is the intermediary in this buyback program.

Shareholder Remuneration: In 2011, Interest on Equity was decided and paid before the year's minimum mandatory dividend, in the amount of R\$27.8 million, equivalent to R\$0.52920 per share.



Investor Relations: The Investor Relations area provides quality information in a clear and objective manner at the opportune moment. To expand and facilitate stakeholder access, the Company's website (<http://www.indusval.com.br/ir>) is also accessible through tablets, cell phones and smartphones. Moreover, its presentations and earnings releases may be accessed via Slideshare (<http://www.slideshare.net/indusval>). These channels complement the broad dissemination of information to the public through the Securities and Exchange Commission of Brazil (CVM), BM&FBovespa, newspapers and emails to those registered on its website.

Human Resources

On December 31, 2011, the BI&P companies had 421 employees, whose total earnings, fees and benefits in the fiscal year reached R\$69.9 million.

Our human resources were the focus of much attention this year. A restructuring process, such as the one carried out at BI&P this year, is only possible with the development and hiring of experienced professionals and with the engagement of people. In order to implement the new strategy and align the new vision and values, our teams went through a series of significant changes, not only to enable the creation of new products, expand the client base and seek excellence in credit, but also to improve and optimize all the processes underlying these initiatives for sustainable growth. Apart from hiring new employees, a great deal of importance was given to training and renovating the teams, including expansion of the internship program and the launch of the Third Trainee Program. This program attracted 3,506 candidates, from which 10 trainees were hired and began the job rotation process in December, getting exposure to diverse areas of the bank.

To encourage our professionals to exercise their functions to the highest standards while remaining focused on results, our appraisal process evolved, adopting the 360° method, thus making it more transparent and effective in awarding the best performers.

Also in 2011, for the first time we carried out an organizational climate survey conducted by GPTW – Great Place to Work, as our objective in the medium term is to become one of the 100 best companies to work for in Brazil, which will help us to attract, retain and develop excellent professionals.

Sustainability

BI&P endeavors to guarantee the economic, social and environmental sustainability of its business through improvements to its corporate governance structure, disciplined risk management and a policy on socio-environmental responsibility. On the economic front, in addition to the disciplined monitoring and management of the operational risks, we strive to provide a qualified service by offering products and services that are aligned to our clients' needs, anchored on our policy on socio-environmental responsibility, which is an integral part of our credit analysis and approval, and product development processes. On the social front, the focus is on training and the quality of life of our 421 employees, encouraging them to volunteer in projects related to education, income generation and base development. On the environmental front, we are committed to reducing the impact that our business activities have on the environment. Currently, around 80% of the bank's documents are scanned and the recyclable waste is collected once a fortnight by a partner organization and taken to be recycled.



Management's Statement

Pursuant to Article 25, Paragraph 1, Items V and VI of CVM Rule 480 of December 7, 2009, the Executive Board of Banco Indusval S/A declares that it has reviewed, discussed and agrees with the financial statements related to the period ended December 31, 2011, disclosed herein, as well as the opinion expressed in the independent auditors' report.

Acknowledgements

We are grateful for the confidence, support and endeavor of our shareholders, clients, business partners and, especially, our employees, who were fundamental in implementing the corporate and organizational changes throughout the year, making us a stronger, more dynamic and innovative bank. There is still much to do before we reach the level of growth, profitability and excellence that we proposed. 2011 was only the beginning of this new cycle.

São Paulo, February 15, 2012.

The Management

Banco Indusval S.A.

Banco Indusval S.A. (Indusval & Partners) and Banco Indusval S.A. and Subsidiaries (Indusval & Partners Consolidated)

Balance Sheets at December 31 In thousands of reais

(A free translation of the original in Portuguese)

	Indusval & Partners		Indusval & Partners Consolidated	
	2011	2010	2011	2010
Assets				
Current assets	3,192,647	2,657,329	3,226,561	2,672,676
Cash (Note 4)	45,451	7,081	45,455	7,081
Short-term interbank investments (Note 4(b))	305,833	44,648	305,833	44,648
Open market investments	229,694	22,507	229,694	22,507
Interbank deposits	76,139	22,141	76,139	22,141
Marketable securities and derivative financial instruments (Note 5)	1,093,210	1,245,171	1,111,272	1,255,106
Own portfolio	363,027	586,517	364,656	586,517
Subject to repurchase agreements	544,740	540,385	544,740	540,385
Subject to guarantees	168,433	82,816	184,866	92,751
Derivative financial instruments	17,010	35,453	17,010	35,453
Interbank accounts	1,600	1,553	1,600	1,553
Restricted deposits	1,600	1,553	1,600	1,553
Brazilian Central Bank deposits				
Loan operations (Note 6)	1,234,820	920,861	1,234,820	920,861
Loan operations - private sector	1,255,136	933,827	1,255,136	933,827
Loan operations - public sector	(20,316)	(22,103)	(20,316)	(22,103)
Allowance for loan losses				
Other receivables	449,368	395,427	464,465	400,319
Foreign exchange portfolio (Note 7)	442,822	325,586	442,822	325,586
Income receivable			45	85
Negotiation and intermediation of securities	5,591	70,520	20,238	75,341
Sundry (Note 8(a))	7,795	4,770	8,200	4,756
Provision for loan losses (Note 6(a))	(6,840)	(5,449)	(6,840)	(5,449)
Other assets (Note 8(b))	62,365	42,588	63,116	43,108
Non-operating assets	65,772	43,538	66,049	43,538
Provision for loss	(4,748)	(1,915)	(4,748)	(1,915)
Prepaid expenses	1,341	965	1,815	1,485
Liabilities and equity				
Current liabilities	2,654,606	2,069,174	2,665,276	2,074,519
Deposits (Note 10 (a))	806,509	823,675	791,158	820,679
Demand deposits	55,971	47,798	53,435	47,682
Interbank deposits	98,490	108,688	85,675	105,393
Time deposits	652,048	667,133	652,048	667,133
Other deposits		56		471
Funds obtained in the open market (Note 10 (c))	867,896	538,580	867,896	538,580
Own portfolio	747,830	538,580	747,830	538,580
Unrestricted portfolio	120,066		120,066	
Funds from acceptance and issuance of securities (Note 10(a))	218,217	74,648	218,217	74,648
Agribusiness and financial letters of credit	218,217	74,648	218,217	74,648
Interdepartmental accounts	24,963	5,898	24,963	5,898
Third-party funds in transit	24,963	5,898	24,963	5,898
Borrowings (Note 10(a))	417,275	324,800	417,275	324,800
Foreign borrowings	417,275	324,800	417,275	324,800
Local onlendings (Note 10(a))	81,411	43,297	81,411	43,297
National Bank for Economic & Social Development (BNDES)		18,087		18,087
Fund for Financing the Acquisition of Industrial Machinery and Equipment (FINAME)	46,221	25,210	46,221	25,210
Other liabilities	35,190		35,190	
Foreign exchange portfolio (Note 7)	238,335	258,276	264,356	266,617
Negotiation and intermediation of securities (Note 12(a))	61,744	22,002	61,744	22,002
Derivative financial instruments (Note 5(c))	126,282	187,288	150,978	195,316
Taxes and social security contributions (Note 12(c))	24,611	34,184	24,611	34,184
Social and statutory payables	4,401	4,283	4,895	4,474
Collection and payment of taxes and similar	14,988	3,630	15,038	3,661
Sundry	244	571	244	571
	6,065	6,318	6,846	6,409

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

Statement of Operations

In thousands of reais, except share data

(A free translation of the original in Portuguese)

	Indusval & Partners			Indusval & Partners Consolidated	
	Six-month period ended December 31	Years ended December 31		Years ended December 31	
	2011	2011	2010	2011	2010
Income from financial intermediation (Note 15(a))	385,839	628,262	450,621	631,658	453,774
Loan operations	157,071	283,461	267,535	283,461	267,535
Marketable securities	151,623	255,463	110,805	258,182	113,008
Derivative financial instruments	(35,806)	(38,923)	10,596	(38,246)	11,546
Foreign exchange	112,951	128,261	61,685	128,261	61,685
Expenses for financial intermediation (Note 15(b))	(309,729)	(580,223)	(312,917)	(579,181)	(312,567)
Funds obtained in the market	(167,813)	(325,111)	(200,367)	(324,069)	(200,017)
Loans, assignments and onlendings	(126,989)	(137,007)	(63,542)	(137,007)	(63,542)
Provision for loan losses (Note 6(a))	(14,927)	(118,105)	(49,008)	(118,105)	(49,008)
Gross profit from financial intermediation	76,110	48,039	137,704	52,477	141,207
Other operating income (expenses)	(53,542)	(106,803)	(96,245)	(111,573)	(99,591)
Income from services rendered (Note 15(c))	2,780	5,347	4,583	19,927	12,754
Income from bank fees (Note 15(c))	374	851	982	851	982
Personnel expenses (Note 15(d))	(35,469)	(65,981)	(53,124)	(71,694)	(56,478)
Equity in the results of investees (Note 9 (a))	1,244	664	158	989	
Other administrative expenses (Note 15(e))	(18,544)	(37,926)	(32,376)	(50,394)	(39,399)
Taxes (Note 15(f))	(5,430)	(11,323)	(14,321)	(13,191)	(15,319)
Other operating income	3,119	4,741	2,928	17,397	2,969
Other operating expenses	(1,616)	(3,176)	(5,075)	(15,458)	(5,100)
Operating profit (loss)	22,568	(58,764)	41,459	(59,096)	41,616
Non-operating income (expense), net	(1,171)	(2,968)	577	(2,977)	577
Profit (loss) before taxation	21,397	(61,732)	42,036	(62,073)	42,193
Income tax and social contribution	1,523	38,384	(4,937)	38,829	(5,041)
Income tax (Note 11)	(1,081)	(1,022)	511	(804)	441
Social contribution (Note 11)	(649)	(613)	390	(507)	355
Deferred tax assets (Note 11)	3,253	40,019	(5,838)	40,140	(5,837)
Profit sharing and contributions (Note 14(c))	(5,254)	(8,397)	(8,090)	(8,501)	(8,143)
Employees	(3,654)	(6,797)	(6,990)	(6,849)	(7,024)
Directors	(1,600)	(1,600)	(1,100)	(1,652)	(1,119)
Net income (loss) for the six-month period/year	17,666	(31,745)	29,009	(31,745)	29,009
Number of outstanding shares	62,358,840	62,358,840	40,466,187		
Net income (loss) per share – in reais	0.28	(0.51)	0.72		

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

Banco Indusval S.A. (Indusval & Partners)

Statement of Changes in Equity

In thousands of reais

(A free translation of the original in Portuguese)

	Revenue reserves						Retained earnings (accumulated deficit)	Carrying value adjustments	Treasury stock	Total
	Capital	Capital increase	Capital reserve	Revaluation reserve	Legal	Statutory				
At January 1, 2010	370,983		779	1,995	10,403	51,814	67	100	(3,380)	432,604
Realization of revaluation reserve (Note 13 (c))				(67)						
Legal reserve					1,450					
Statutory reserve						2,513				
Carrying value adjustments							1,347			1,347
Net income for the year							29,009			29,009
Interest on own capital (Note 13 (e))							(25,113)			(25,113)
Appropriation of benefits - stock options (Note 13(b))			1,433							1,433
Stock options exercised								205		205
Purchase of own shares (Note 13(a))								(13,051)		(13,051)
Cancellation of own shares						(10,368)		10,269		(99)
At December 31, 2010	370,983		2,212	1,928	11,853	43,959		1,447	(5,957)	426,425
Changes for the year			1,433	(67)	1,450	(7,855)		1,347	(2,577)	(6,269)
At January 1, 2011	370,983		2,212	1,928	11,853	43,959		1,447	(5,957)	426,425
Realization of revaluation reserve (Note 13 (c))				(539)			539			
Realization of legal reserve					(11,853)					
Realization of statutory reserve						(43,959)				
Carrying value adjustments							43,959			
Loss for the year							(31,745)			(31,745)
Interest on own capital (Note 13(e))							(27,839)			(27,839)
Appropriation of benefits - stock options (Note 13(b))			3,405							3,405
Sale of subscription bonus (Note 13(b))			282							282
Purchase of own shares (Note 13 (a))								(1)		(1)
Capital increase (Note 13 (a))	201,413									201,413
At December 31, 2011	572,396		5,899	1,389			(3,233)	6,642	(5,958)	577,135
Changes for the year			3,687	(539)	(11,853)	(43,959)		5,195	(1)	(150,710)
At July 1, 2011	370,983	201,413	3,039	1,894	11,853	43,959		(1,727)	(5,958)	566,539
Realization of revaluation reserve (Note 13 (c))				(505)			505			
Realization of legal reserve					(11,853)		11,853			
Realization of statutory reserve						(43,959)	43,959			
Carrying value adjustments								8,369		8,369
Net income for the six-month period							17,666			17,666
Interest on own capital (Note 13(e))							(18,299)			(18,299)
Appropriation of benefits - stock options (Note 13(b))			2,578							2,578
Sale of bonus shares (Note 13(b))			282							282
Capital increase (Note 13(a))	201,413	(201,413)								
At December 31, 2011	572,396		5,899	1,389			(3,233)	6,642	(5,958)	577,135
Changes for the six-month period			2,860	(505)	(11,853)	(43,959)		8,369		(10,596)

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

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Statements of Cash Flows
In thousands of reais**

(A free translation for the original in Portuguese)

	Indusval & Partners			Indusval & Partners Consolidated	
	Six-month period ended December 31	Years ended December 31		Years ended December 31	
	2011	2011	2010	2011	2010
Adjusted net income	34,723	100,226	92,559	100,098	92,873
Net income (loss)	17,666	(31,745)	29,009	(31,745)	29,009
Depreciation and amortization	2,762	4,317	1,696	4,546	1,828
Equity in the results of investees	(1,244)	(664)	(158)	(989)	
Accrual of stock options	2,578	3,405	1,433	3,405	1,433
Results on sale of treasury stock			(99)		(99)
Allowance for doubtful accounts	14,927	118,105	49,008	118,105	49,008
Provision for devaluation of assets	1,737	2,833	917	2,833	917
Provision for contingencies	389	1,261	3,375	1,265	3,375
Results on disposal of tangible assets	(1,144)	133	(1,341)	133	(1,339)
Mark-to-market adjustment – securities and derivatives	(2,948)	2,581	8,719	2,545	8,741
Variation in assets and liabilities	54,051	(15,270)	(109,756)	(42,904)	(109,885)
(Increase)decrease in short-term interbank investments	275,787	(124,125)	256,177	(124,125)	256,177
(Increase) decrease in securities and derivative financial instruments	319,132	(177,762)	(544,465)	(185,873)	(546,781)
(Increase) decrease in interbank and interdepartmental accounts	17,572	20,806	(5,888)	20,806	(5,888)
(Increase) in loan operations	(355,095)	(454,757)	(267,102)	(454,757)	(267,102)
Decrease in other receivables and other assets	(27,796)	(114,255)	(107,007)	(127,099)	(108,235)
Increase in deposits	118,786	161,655	231,152	137,334	232,987
Increase (decrease) in funds obtained in the open market	(493,445)	329,316	172,776	329,316	172,776
Increase in funds from acceptance and issuance of securities	81,585	136,224	71,434	136,224	71,434
Increase (decrease) in borrowings and onlendings	113,603	229,008	(67,003)	229,008	(67,003)
Change in deferred income	897	1,041	178	1,041	178
Increase (decrease) in other liabilities	3,025	(22,421)	149,992	4,779	151,572
Net cash provided by (used in) operating activities	88,774	84,956	(17,197)	57,194	(17,012)
Disposal of tangible assets	13,464	17,609	26,409	17,609	26,436
Acquisition of tangible assets	(28,586)	(43,175)	(20,540)	(43,918)	(20,754)
Acquisition of intangible assets		(13,100)		(15,491)	
Acquisition of investments	(6,513)	(56,413)		(25,513)	
Dividends received	2,110	2,110		2,110	
Net cash provided by (used in) investing activities	(19,525)	(92,969)	5,869	(65,203)	5,682
Capital increase		201,413		201,413	
Purchase of own shares		(1)	(13,051)	(1)	(13,051)
Stock options exercised			205		205
Sale of bonus shares	282	282		282	
Interest on own capital paid and/or accrued	(8,711)	(18,251)	(25,113)	(18,251)	(25,113)
Net cash provided by (used in) financing activities	(8,429)	183,443	(37,959)	183,443	(37,959)
Net increase (decrease) in cash and cash equivalents	60,820	175,430	(49,287)	175,434	(49,289)
Cash and cash equivalents at the beginning of the year/period	153,509	38,899	88,186	38,899	88,188
Cash and cash equivalents at the end of the year/period	214,329	214,329	38,899	214,333	38,899
Increase (decrease) in cash and cash equivalents (Note 4(a))	60,820	175,430	(49,287)	175,434	(49,289)

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

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

Statements of Value Added
In thousands of reais

(A free translation fo the original in Portuguese)

	Indusval & Partners			Indusval & Partners Consolidated	
	Six-month period ended December 31	Years ended December 31		Years ended December 31	
	2011	2011	2010	2011	2010
Revenues	376,050	518,202	410,808	548,765	422,109
Financial intermediation	385,839	628,262	450,621	631,658	453,774
Services rendered and bank fees	3,154	6,198	5,565	20,778	13,736
Provision for loan losses	(14,927)	(118,105)	(49,008)	(118,105)	(49,008)
Other	1,984	1,847	3,630	14,434	3,607
Expenses for financial intermediation	(294,802)	(462,118)	(263,909)	(461,076)	(263,559)
Goods and services acquired from third parties	(15,102)	(33,817)	(34,434)	(57,675)	(40,964)
Materials, electricity and other	(8,631)	(16,920)	(13,994)	(20,556)	(15,782)
Third-party services	(6,064)	(15,316)	(15,407)	(23,255)	(20,121)
Other	(407)	(1,581)	(5,033)	(13,864)	(5,061)
Gross value added	66,146	22,267	112,465	30,014	117,586
Depreciation and amortization	(2,762)	(4,317)	(1,696)	(4,546)	(1,828)
Net value added produced by the Institution	63,384	17,950	110,769	25,468	115,758
Value added transferred from others	1,247	668	160	993	2
Equity in the results of investees	1,244	664	158	989	
Other	3	4	2	4	2
Total value added to be distributed	64,631	18,618	110,929	26,461	115,760
Distribution of value added	64,631	18,618	110,929	26,461	115,760
Personnel	35,577	64,970	52,910	69,893	55,803
Direct remuneration	26,771	49,902	41,459	53,721	43,662
Benefits	7,302	11,846	8,902	12,764	9,470
Employee Severance Indemnity Fund (FGTS)	1,504	3,222	2,549	3,408	2,671
Taxes, charges and contributions	9,081	(17,608)	27,606	(15,290)	29,221
Federal	8,767	(18,228)	26,746	(16,640)	27,947
State	5	7	281	7	281
Municipal	309	613	579	1,343	993
Remuneration of third-party capital	2,307	3,001	1,404	3,603	1,727
Rents	2,307	3,001	1,404	3,603	1,727
Remuneration of own capital	17,666	(31,745)	29,009	(31,745)	29,009
Interest on own capital	18,299	27,839	25,113	27,839	25,113
Retained earnings (loss) for the year/period	(633)	(59,584)	3,896	(59,584)	3,896

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

(A free translation of the original in Portuguese)

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

1 Operations

Banco Indusval S.A. and its subsidiaries operate mainly with commercial and foreign exchange portfolios and other transactions related to securities brokers.

2 Presentation of Financial Statements

(a) Basis of presentation

The financial statements of Banco Indusval S.A. (Indusval & Partners) and the consolidated financial statements of Banco Indusval S.A. and its subsidiaries (Indusval & Partners Consolidated) were prepared in accordance with Brazilian Corporation Law, with the regulations of the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM).

The financial statements of Banco Indusval S.A. and its subsidiaries (Indusval & Partners Consolidated) were approved by the Board of Directors on February 15, 2012.

In preparing the financial statements, estimates and assumptions were used to determine the amounts of certain assets, liabilities, revenues and expenses, in accordance with accounting practices effective in Brazil. These estimates and assumptions were considered in the measurement of provisions for losses on loans and for contingencies, in the determination of the market value of financial instruments and in the selection of the economic useful lives of certain assets. Actual results may differ from the estimates and assumptions adopted.

Law 11638 was enacted on December 28, 2007 for the purpose of adjusting Brazilian corporate legislation to facilitate the process of convergence of the accounting practices adopted in Brazil with those issued by the International Accounting Standards Board (IASB).

As part of the process of convergence with international accounting standards, certain rules and interpretations were issued by the Brazilian Accounting Pronouncements Committee (CPC), which will be applicable to financial institutions only after approval by BACEN. The accounting standards which have been approved by BACEN include the following:

- Resolution 3566/08 - Impairment of Assets
- Resolution 3604/08 - Statement of Cash Flows
- Resolution 3750/09 – Related-Party Disclosures

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

- Resolution 3823/09 – Provisions, Contingent Liabilities and Contingent Assets
- Resolution 3973/11 – Subsequent Events
- Resolution 3989/11 – Share-Based Compensation
- Resolution 4007/11 – Accounting Policies, Change in Estimates and Correction of Errors

At present, it is not practicable to estimate when BACEN will approve the other CPC accounting standards or whether their application to the parent company's financial statements will be retrospective or effective for future periods.

(b) Consolidated financial statements

The consolidated financial statements comprise the financial statements of Banco Indusval S.A., its branch abroad and the other subsidiaries: Indusval S.A. Corretora de Títulos e Valores Mobiliários (Indusval & Partners Corretora), BIM Promotora de Vendas Ltda. and Serglobal Comércio Cereais Ltda.

The Institution's investments in the subsidiaries, as well as the assets and liabilities, income and expenses and the unrealized results of intercompany transactions, were eliminated upon consolidation.

The Cayman Branch was authorized to operate by BACEN on March 5, 2008, and at December 31, 2011, its total assets amounted to R\$ 200,775, equity was R\$ 39,472 and loss was R\$ (284) for 2011.

3 Summary of Significant Accounting Practices

(a) Determination of the results of operations

Income and expenses are recorded on the accrual basis of accounting.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash in local and foreign currency, investments in the open market (except for financed positions) and investments in interbank deposits (except for rural Interbank Deposit Certificates (CDI)), with maturities at the original investment date equal to or less than 90 days and which present an immaterial risk of change in fair value. These are used by the Institution to manage its short-term commitments.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(c) Short-term interbank investments

Short-term interbank investments are recorded at cost plus related earnings up to the balance sheet date, less a provision for losses, where applicable.

(d) Marketable securities and derivative financial instruments

Marketable securities are classified and valued as follows:

- Trading securities - securities acquired to be traded on a frequent and active basis, adjusted to market value against results for the year.
- Securities available for sale - securities which are neither trading securities nor securities held to maturity, adjusted to market value against a specific equity account, net of tax effects.
- Securities held to maturity - securities which management acquires with the intention and financial ability to hold up to maturity, recorded at acquisition cost plus related earnings with a contra-entry to results for the year.

Derivative financial instruments are classified at the inception of the transaction, considering management's intention to use them as hedge instruments or not.

The derivative financial instruments used for protection against risk exposure or for modifying the characteristics of financial assets and liabilities, and which are: (i) highly correlated, as regards the changes in their market value in relation to the market value of the item being protected, at both the inception and over the contract duration; and (ii) considered effective in mitigating the risk associated with the exposure in question, are classified as hedges according to their nature:

- Fair value hedge - the financial assets and liabilities subject to hedge and their respective derivative financial instruments are recorded at market value, with the corresponding valuations or devaluations recognized in results for the year.
- Cash flow hedge – the financial assets and liabilities subject to hedge and their respective derivative financial instruments are recorded at market value, with the corresponding valuations or devaluations, net of tax effects, recognized in a specific equity account called "Carrying value adjustment". The non-effective hedge portion is recognized directly in results for the year.

Derivative financial instruments which do not meet the hedging criteria established by BACEN, particularly derivatives used to manage overall risk exposure, are recorded at market value, and valuations or devaluations are recognized directly in results for the year.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(e) Loan operations

The loans, in their various modes, are recorded at present value, including income accrued up to the balance sheet date when at floating interest rates, and net of unearned income, calculated based on the terms of the transactions, when at fixed interest rates.

The restatement of overdue loans is recorded as income from loans up to the 60th day, and as unearned income as from the 61st day.

Loans in arrears classified as level "H" are held in this classification for six months, after which they are written off against the existing allowance and controlled, for up to five years, in memorandum accounts and no longer presented in the balance sheet.

Renegotiated loans are held at the same level at which they were previously classified. Renegotiations of loans that had already been written off against the allowance and which were recorded in memorandum accounts, are classified as level "H", and any gains on renegotiation are only recognized when actually received.

The allowance for loan losses is calculated case by case based on management's analysis of the loans in order to determine the amount necessary and takes into consideration the economic environment, past experience and the specific and overall portfolio risks, as well as the rules established by BACEN Resolution 2682/99 and in accordance with the provisions of BACEN Circular 2974/00. The customer risk ratings are established based on a credit score model, with no possibility that the credit committee can interfere to improve the rating assigned.

The positive or negative results of loan assignments are appropriated as an increase in income on loan operations or as a reversal thereof, in compliance with the provisions of BACEN Circular 3213/03.

In accordance with BACEN Resolution 3533/08, the information on each of the categories used to classify financial asset sales must be disclosed in the notes to the financial statements (Note 6(j)). These categories include the following:

- Transactions with substantial transfer of risks and rewards
- Transactions with neither substantial transfer nor retention of risks and rewards
- Transactions with substantial retention of risks and rewards
- Transactions with neither substantial transfer nor retention of risks and rewards, and for which control was retained

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(f) Prepaid expenses

Include the investment of resources, the benefits of which will occur in future periods.

(g) Investments

The investments in subsidiaries are evaluated based on the equity method of accounting. The other investments are stated at cost.

The goodwill on acquisition of subsidiary and associated companies, based on expected future profits, was determined by the difference between the amount paid and the carrying amount on that date and is being amortized over 10 years.

(h) Property and equipment

Property and equipment are stated at cost plus price-level restatements up to December 31, 1995 plus revaluation of properties for own use (Note 13(c)). Depreciation is computed on the straight-line method at the annual rates of 4% for buildings, 20% for vehicles and data processing systems and 10% for other items. The fixed assets are tested for impairment at least annually or when there is objective evidence of loss (Note 3(n)).

Intangible assets are recorded at cost of acquisition and are amortized over 10 years. When there is objective evidence of loss an impairment test is performed (Note 3(n)).

(i) Interbank and time deposits, funds obtained in the open market and from financial and agribusiness letters of credit

These deposits and the funds obtained in the open market and from agribusiness and financial letters of credit are stated at their corresponding contractual amounts plus accrued charges, in proportion to the time elapsed from the day on which they were contracted.

(j) Borrowings and onlendings

Borrowings and onlendings are stated at present value, including the charges incurred up to the balance sheet date, and restated at the rates in effect on the reporting dates.

(k) Share loan contract liabilities

Share loan contract liabilities, recorded under "Other liabilities - negotiation and intermediation of securities", in current liabilities, are stated at their contractual amounts,

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

which are adjusted monthly based on the market value of the shares and by the respective adjustments of the related derivatives (hedges).

(l) Income tax and social contribution (asset and liability)

Deferred income tax and social contribution, calculated on temporary differences, are recorded in the "Other receivables – sundry" account. Deferred tax assets on temporary additions are realized upon the use and/or reversal of the corresponding provisions on which they were recorded.

The provision for income tax (IRPJ) was calculated at the rate of 15% of taxable income, plus a 10% surcharge. The provision for social contribution was calculated at the rate of 15%.

In accordance with Law 11941/09, the changes in the criteria used to recognize revenue, costs and expenses for the year, as introduced by Law 11638/07 and by Articles 36 and 37 of the former, may be ignored for purposes of calculating the taxable income if companies elect to use the Transitional Tax System (RTT). In this case, for tax purposes, the accounting methods and criteria in force at December 31, 2007 shall be followed. For accounting purposes, the tax effects of adopting Law 11638/07 are recorded in the corresponding deferred tax assets and liabilities.

(m) Contingent assets and liabilities and legal obligations - taxes and social security contributions

These are measured, recognized and disclosed in accordance with the criteria established by CVM Deliberation 594/09 and ratified by BACEN Resolution 3823/09.

(i) Contingent assets and liabilities

These comprise potential rights and obligations arising from past events, the occurrence of which depends on future events.

- Contingent assets are not recorded except when there is evidence which assures a high degree of confidence that they will be realized, normally through a final and unappealable court decision, and the confirmation of recoverability through receipt or offset against another liability.
- Contingent liabilities arise mainly from civil, labor, and tax lawsuits, which are inherent to the normal course of business, filed at the judicial and administrative levels by third parties, former employees and public bodies, as well as from other risks. The evaluation of these contingencies is carried out by legal advisors on a basis which is consistent with adopted conservative practices and considers the probability that financial resources

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

will be required to settle the obligations and that their amounts can be reliably estimated. Contingencies are classified as probable, for which provisions are recorded; possible, which are disclosed but for which no provisions are recorded; and remote, which require neither provisions nor disclosure. The contingency amounts are measured using models and criteria which permit adequate estimates, despite the inherent uncertainty regarding terms and amounts.

(ii) Legal obligations - tax and social security

These are tax liabilities, the legality or constitutionality of which is being contested in court, and which are recorded at the full amount in dispute.

(n) Impairment of non-financial assets

The amounts of non-financial assets, except other assets and deferred tax assets, are tested, at least annually, to determine whether there is any impairment loss, which is recognized in results for the period if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

(o) Share-based compensation

Banco Indusval & Partners operates share-based compensation plans, under which the Institution awards stock options (equity instruments) as consideration for employee services. The fair value of the employee services received is recognized as an expense, and the corresponding grant of shares in a specific equity account, based on the fair value of the options granted, excluding the effects of any vesting conditions based on the service and performance which are not market variables. These are included in the assumptions regarding the number of options expected to vest.

The total amount of the expense is recognized during the vesting period (the period over which the specific vesting conditions should be met). At the reporting date, the entity reviews the estimated number of options expected to vest based on the vesting conditions which are not market variables.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

4 Cash and Cash Equivalents and Short-Term Interbank Investments

(a) Cash and cash equivalents

	Indusval & Partners		Indusval & Partners Consolidated	
	2011	2010	2011	2010
Cash	45,451	7,081	45,455	7,081
Short-term interbank investments (cash equivalents)	168,878	31,818	168,878	31,818
Cash and cash equivalents	<u>214,329</u>	<u>38,899</u>	<u>214,333</u>	<u>38,899</u>

(b) Short-term interbank investments

	Indusval & Partners and Consolidated	
	2011	2010
Open market investments	<u>229,694</u>	<u>22,507</u>
Own portfolio position	107,040	22,507
Financial Treasury Bills (LFT)	6,001	1,502
National Treasury Bills (LTN)	4,801	15,005
Federal Treasury Notes (NTN)	96,238	6,000
Third-party portfolio position	122,654	
NTN	122,654	
Interbank deposits	<u>76,139</u>	<u>22,141</u>
Interbank	76,139	21,901
Unrelated CDI	61,838	9,071
Rural CDI	14,301	12,830
Foreign currency investments		240
	<u>305,833</u>	<u>44,648</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

5 Marketable Securities and Derivative Financial Instruments

(a) Valuation, classification and risk management

The valuations of the positions of fixed income securities and derivative financial instruments are obtained from the markets with greatest liquidity or, in their absence, from related markets, including through interpolation and extrapolation of the terms. The portfolio of share loan contracts (Note 3(k)) is sold in the spot market, with simultaneous purchase of call options and sale of put options, resulting in a funding transaction at fixed rates, the results of which are recognized over the term of the transactions.

The risk management structure, as well as the methodology adopted for calculating capital are available for consultation on the Institution's website at the following address:

<http://www.indusval.com.br/port/institucional/indusval/gestao.asp>

(b) Marketable securities

(i) Indusval & Partners

			2011			2010
	Cost	Market/ book value	Maturity (days)	Mark-to- market adjustment	Market/ book value	
Trading securities						
Financial Treasury Bills (LFT)	12,488	12,486	Up to 360	(2)	53,574	
Financial Treasury Bills (LFT)	104,243	104,236	More than 360	(7)	306,021	
National Treasury Bills (LTN)	8,725	8,731	Up to 360	6	929	
National Treasury Bills (LTN)	599,122	597,023	More than 360	(2,099)	133,509	
Federal Treasury Notes (NTN)	367	367	Up to 360			
Federal Treasury Notes (NTN)	160,864	160,603	More than 360	(261)	583,273	
Agricultural Product Bonds (CPR)	112,983	112,692	Up to 360	(291)		
Agricultural Product Bonds (CPR)	1,208	1,232	More than 360	24		
Variable income securities	69,899	69,493	No stated maturity	(406)	130,284	
Investment fund quotas	126	126	No stated maturity		2,128	
Promissory Notes	10,443	10,443	Up to 360			
Available-for-sale securities						
Federal Treasury Notes (NTN)	<u>309,172</u>	<u>308,352</u>	More than 360	<u>(820)</u>		
	<u>1,389,640</u>	<u>1,385,784</u>		<u>(3,856)</u>	<u>1,209,718</u>	

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(ii) Indusval & Partners Consolidated

	2011			2010	
	Cost	Market/ book value	Maturity (days)	Mark-to- market adjustment	Market/ book value
Trading securities					
Financial Treasury Bills (LFT)	28,293	28,291	Up to 360	(2)	53,574
Financial Treasury Bills (LFT)	105,900	105,893	More than 360	(7)	315,951
National Treasury Bills (LTN)	8,725	8,731	Up to 360	6	929
National Treasury Bills (LTN)	599,122	597,023	More than 360	(2,099)	133,509
Federal Treasury Notes (NTN)	367	367	Up to 360		
Federal Treasury Notes (NTN)	160,864	160,603	More than 360	(261)	583,273
Agricultural Product Bonds (CPR)	113,748	113,276	Up to 360	(472)	
Agricultural Product Bonds (CPR)	1,208	1,232	More than 360	24	
Variable income securities	69,905	69,498	No stated maturity	(407)	130,284
Investment fund quotas	126	126	No stated maturity		2,128
Promissory notes	10,443	10,443	Up to 360		
Available-for-sale securities					
Federal Treasury Notes (NTN)	309,172	308,352	More than 360	(820)	
Securities held to maturity					
Agricultural Debt Securities (TDA)	11	11	Up to 360		5
Agricultural Debt Securities (TDA)	<u>52</u>	<u>52</u>	More than 360		<u>31</u>
	<u>1,407,936</u>	<u>1,403,898</u>		<u>(4,038)</u>	<u>1,219,684</u>

(c) Derivative financial instruments and hedge accounting

Banco Indusval uses derivative financial instruments, according to its risk management policy, with the objective of hedging risks and mitigating exposure mainly resulting from the fluctuation of interest and foreign exchange rates. The derivative instruments used are designed to meet its needs for managing its overall exposure and to meet its customers' needs for hedging their exposure. The treasury department adopts an essentially passive attitude and generally does not enter into speculative transactions. The derivatives include interest rate swaps, currency swaps, cash flow swaps, futures, forwards and options.

Derivative financial instruments are presented in the consolidated balance sheet at market value, usually based on price quotations or market price quotations for assets or liabilities with similar characteristics. When these are not available, the market values are based on pricing models, discounted cash flow and market operators' quotations.

The contracts of traded derivatives are registered at the São Paulo Stock, Commodities and Futures Exchange (BM&FBOVESPA) or at the Central System for Custody and Financial Settlement of Securities (CETIP). The transaction amounts are determined based on available

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

information disclosed by BM&FBOVESPA or by external providers (brokerage firms, banks and others).

The Risk Management Area is responsible for the pricing of all derivative financial instruments, using both the mark-to-market (MtM) parameters and the original (curve value) parameters. The market parameters are updated daily in the process of pricing the instruments to market value, including the forward structures of interest rates for all the Brazilian indices. The mark-to-market models determine the values of the derivative instruments based on the current market conditions for all the indices, as well as for the sovereign debt securities and Eurobonds of Brazilian companies, and the duration (average term) of the portfolio and of the groups of analysis.

(i) Position

	2011		
	Indusval & Partners and Consolidated		
	Long position	Short position	Maturity (days)
Swap			
Interest rate	1,280		Up to 360
Interest rate	15,030		More than 360
Currencies	2,423	11,999	Up to 360
Currencies	7,140		More than 360
Indices	7		Up to 360
Indices	66	15	More than 360
Forward			
Shares	8,890	8,416	Up to 360
Currencies	1,962	326	Up to 360
Financial assets and commodities		(5)	Up to 360
Futures			
Interest rate	1,981,382	318,489	Up to 360
Interest rate	7,368	725,004	More than 360
Currencies	61,562	91,817	Up to 360
Currencies	9,980		More than 360
Indices	22,840		Up to 360
Financial assets and commodities		21,703	Up to 360
Options			
Shares	1,724	3,317	Up to 360
Currencies	724	558	Up to 360

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

	2010		
	Indusval & Partners and Consolidated		
	Long position	Short position	Maturity (days)
Swap			
Currencies	3,694	2,744	Up to 360
Indices	6,120		More than 360
Forward			
Shares	28,281	27,907	Up to 360
Currencies		53	Up to 360
Futures			
Interest rate	40,476		Up to 360
Interest rate	30,077	635,652	More than 360
Currencies	3,783	78,435	Up to 360
Options			
Shares	3,292	3,391	Up to 360
Indices	186	89	Up to 360

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(ii) Position of contracts

	2011			
	Indusval & Partners and Consolidated			
	Assets	Liabilities	Amount of contracts recorded	Results
Swap	25,946	12,014	482,704	2,134
DI vs. US\$		8,401	65,493	
DI vs. Fixed rate	73		9,500	
US\$ vs. DI	260		13,685	
US\$ vs. Fixed rate	3,701		43,080	
Fixed rate vs. US\$		3,598	43,086	
Cash flow swaps (*) (**)	21,912	15	307,860	
Forward	10,852	8,737	107,901	3,894
Shares	8,890	8,416	8,930	
Currencies	1,962	326	98,867	
Financial assets and commodities		(5)	104	
Futures			3,240,145	(40,239)
Interest rate			3,032,243	
Currencies			163,359	
Indices			22,840	
Financial assets and commodities			21,703	
Options	2,448	3,875	26,570,160	(4,035)
Shares	1,724	3,317	56,905	
Index			26,496,500	
Currencies	724	558	16,755	
	<u>39,246</u>	<u>24,626</u>	<u>30,400,910</u>	<u>(38,246)</u>

(*) US\$ (+) LIBOR vs. DI

(**) Extended Consumer Price Index (IPCA) and General Market Price Index (IGPM) vs. DI

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

	2010			
	Indusval & Partners and Consolidated			
	Assets	Liabilities	Amount of contracts recorded	Results
Swap	9,814	2,744	253,625	791
DI vs. US\$	3,694		52,886	
US\$ vs. DI		2,744	26,339	
Cash flow swaps (**)	6,120		174,400	
Forward	28,281	27,960	31,056	3,399
Shares	28,281	27,907	28,489	
Currencies		53	2,567	
Futures			788,423	9,114
CDI			706,205	
US\$			77,841	
Mini-US\$			4,377	
Options	3,478	3,480	4,376,020	(337)
Shares	3,292	3,391	74,250	
Index	186	89	4,301,770	
	<u>41,573</u>	<u>34,184</u>	<u>5,449,124</u>	<u>12,967</u>

(**) IPCA (IGPM) vs. DI

(iii) Guarantees

	2011		
	Indusval & Partners		
	Clearing of derivatives	Clearing of shares	Total
Marketable securities	107,473	72,082	179,555
Sureties	19,859	13,594	33,453
	<u>127,332</u>	<u>85,676</u>	<u>213,008</u>
	2010		
	Indusval & Partners		
	Clearing of derivatives	Clearing of shares	Total
Marketable securities	46,611	32,778	79,389
Sureties	3,000	11,500	14,500
	<u>49,611</u>	<u>44,278</u>	<u>93,889</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(iv) Cash flow hedge accounting

The loans and funds obtained by the Institution are exposed to market risk including changes in market indices of products, fixed interest rates, foreign currency coupons, long-term interest rate (TJLP), reference rate (TR), share prices, commodity price indices and foreign exchange rates.

The treasury department, with its conservative profile, is responsible for hedging all flows originated by the area responsible for granting credit and obtaining funds using derivative financial instruments, such as swaps and options, contracted as from the time these transactions are effective.

Banco Indusval carries out cash flow hedging of CDBs and DPGEs indexed to the IPCA and IGPM indexes using swaps as the hedge instruments. In addition, the Institution carries out cash flow hedging of foreign loans, designed to protect itself from the variations in LIBOR and exchange coupon. The relationship between the hedge instrument and the underlying object, as well as the risk management and policies and objectives, were documented at the inception of the transaction. The initial and prospective effectiveness tests were also documented, and it was confirmed that the designated derivatives would be highly effective for offsetting the changes in the cash flows of the funding transaction and the time deposits indexed to IPCA and IGPM.

In 2011, an amount of R\$ 6,015 (2010 – R\$ 1,347) was recorded in equity, arising from the marking to market of hedge instruments (swaps) in cash flow hedge accounting transactions, which at December 31, 2011, were valued at R\$ 21,912 (asset) and R\$ 15 (liability) (2010 – R\$ 6,120 (asset)).

(v) Sensitivity analysis

Factors	Risk	Probable position	Deterioration of 25%	Deterioration of 50%
Trading portfolio				
Fixed rate	Fixed interest rates in reais	(1,498)	(46,976)	(90,728)
Exchange coupon	Foreign currency coupon rates	(339)	(8,077)	(16,220)
Foreign currency	Exchange variation	522	(11,463)	(22,610)
Price indices	Price index coupon rates	(529)	(12,901)	(25,131)
TR and TJLP	TR and TJLP coupon rates		(8)	(16)
Variable income	Share prices	1,840	(455)	(952)
Trading and banking portfolio				
Fixed rate	Fixed interest rates in reais	27	(10,190)	(20,049)
Exchange coupon	Foreign currency coupon rates	131	(4,241)	(9,139)
Foreign currency	Exchange variation	(553)	(1,965)	(3,577)
Price indices	Price index coupon rates	2,444	(4,269)	(8,810)
TR and TJLP	TR and TJLP coupon rates	(7)	(177)	(340)
Variable income	Share prices	1,840	(455)	(952)

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

In compliance with the classification criteria of the transactions addressed in BACEN Resolution 3464/07 and Circular 3354/074 and in the Basel II Accord, the financial instruments of Banco Indusval & Partners are segregated between the Trading Portfolio (for trade) and the Banking Portfolio (structural).

The sensitivity analysis considered the risk factor stress scenarios in all of the Institution's transactions. The high stress reference curve scenarios are generally used when the Institution has a net debt exposure in a particular risk factor. On the other hand, the low risk reference curve scenarios are used when there is a net credit exposure in each risk factor considered for the analysis.

Scenario I considers the variations expected by the Institution in relation to the market reference curves used for marking these products to market. Senior management attributes to Scenario I the variations expected for each risk factor, either above or below the reference factors. Scenarios II and III are defined in accordance with CVM Instruction 475, which establishes that the high risk scenarios should consider variations of +25% and +50% and the low risk scenarios variations of -25% and -50%. As a result, scenarios II are defined by the variation of +/- 25% in relation to the market value of the products comprising each risk factor and scenarios III by the variation of +/- 50% in relation to the market value of the products of each risk factor.

We stress that the variations in the scenarios are based on the expectation of an immediate settlement of all of the Institution's assets and liabilities, and may not necessarily represent a loss or gain since it is a hypothetical situation.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

**6 Loan Operations - Indusval & Partners and
Indusval & Partners Consolidated**

(a) Analysis of the loan portfolio by type of operation and allowance for loan losses

Transactions	December 31, 2011									
										Levels
	AA	A	B	C	D	E	F	G	H	Total
Loans and discounted bills	48,279	742,940	300,485	282,694	36,282	77,677	12,133	13,928	69,601	1,584,019
Foreign currency financing		30,704	54,806	24,570	379				655	111,114
BNDES/FINAME		58,290	101,868	42,882	1,065		1,448		1,417	206,970
Consumer lending (CDC) - vehicles		463	107	159	123	204	107	66	592	1,821
Other financing				376						376
Total loan operations	<u>48,279</u>	<u>832,397</u>	<u>457,266</u>	<u>350,681</u>	<u>37,849</u>	<u>77,881</u>	<u>13,688</u>	<u>13,994</u>	<u>72,265</u>	<u>1,904,300</u>
Advances on foreign exchange contracts		52,272	177,856	99,205	16,191		994			346,518
Sales financing for non-operating assets		15,011	1,258							16,269
Total credit	<u>48,279</u>	<u>899,680</u>	<u>636,380</u>	<u>449,886</u>	<u>54,040</u>	<u>77,881</u>	<u>14,682</u>	<u>13,994</u>	<u>72,265</u>	<u>2,267,087</u>
Assignments with co-obligation		1,843	124	213	73	39	32	22	157	2,503
CDC - Vehicles		1,843	124	213	73	39	32	22	157	2,503
Total credit including assignments with co-obligation	<u>48,279</u>	<u>901,523</u>	<u>636,504</u>	<u>450,099</u>	<u>54,113</u>	<u>77,920</u>	<u>14,714</u>	<u>14,016</u>	<u>72,422</u>	<u>2,269,590</u>
Guarantees provided (Note 19(a))		79,702	49,458	10,662						139,822
Total portfolio	<u>48,279</u>	<u>981,225</u>	<u>685,962</u>	<u>460,761</u>	<u>54,113</u>	<u>77,920</u>	<u>14,714</u>	<u>14,016</u>	<u>72,422</u>	<u>2,409,412</u>
Allowance for loan losses		4,498	6,364	13,497	5,404	23,364	7,341	9,797	72,265	142,530
Provision for credits assigned with co-obligation		9	1	6	7	12	16	15	157	223
Total provision		<u>4,507</u>	<u>6,365</u>	<u>13,503</u>	<u>5,411</u>	<u>23,376</u>	<u>7,357</u>	<u>9,812</u>	<u>72,422</u>	<u>142,753</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

	December 31, 2010									
	Levels									
Transactions	AA	A	B	C	D	E	F	G	H	Total
Loans and discounted bills	47,803	483,849	264,431	324,255	83,153	61,840	37,517	18,649	32,042	1,353,539
Foreign currency financing		7,208	25,881	18,852						51,941
BNDÉS/FINAME		26,502	48,266	34,186		3,284		387		112,625
Consumer lending (CDC) - vehicles		1,398	596	514	362	218	224	290	2,623	6,225
Other financing		12,859		533	806					14,198
Total loan operations	47,803	531,816	339,174	378,340	84,321	65,342	37,741	19,326	34,665	1,538,528
Advances on foreign exchange contracts		117,509	137,228	38,199	23,301					316,237
Sales financing of non-operating assets		8,300	1,486							9,786
Total credit	47,803	657,625	477,888	416,539	107,622	65,342	37,741	19,326	34,665	1,864,551
Assignments with co-obligation		6,781	2,814	598	238	153	101	849	837	12,371
Loans		252	2,369	132				637		3,390
CDC - vehicles		6,529	445	466	238	153	101	212	837	8,981
Total credit including assignments with co-obligation	47,803	664,406	480,702	417,137	107,860	65,495	37,842	20,175	35,502	1,876,922
Guarantees provided (Note 19(a))		44,523	19,739							64,262
Total portfolio	47,803	708,929	500,441	417,137	107,860	65,495	37,842	20,175	35,502	1,941,184
Allowance for loan losses		3,288	4,779	12,496	10,762	19,603	18,870	13,528	34,665	117,991
Provision for credits assigned with co-obligation		34	28	18	24	46	51	595	837	1,633
Total provision		3,322	4,807	12,514	10,786	19,649	18,921	14,123	35,502	119,624

The allowance for loan losses recorded for the year was R\$ 118,105 (2010 - R\$ 49,008).

The amount of loans written off against the allowance for loan losses was R\$ 94,976 (2010 - R\$ 62,778), and the amount of loans recovered was R\$ 11,444 (2010 - R\$ 7,921). At December 31, 2011, the portfolio of renegotiated loans amounted to R\$ 228,708 (2010 - R\$ 241,354).

(b) Analysis of loan operations by business sector

	2011	2010
Manufacturing	1,261,652	1,044,225
Commercial	334,721	209,857
Financial intermediaries	9,352	61,763
Other services	545,712	423,609
Individuals (*)	118,153	137,468
	2,269,590	1,876,922

(*) Of the total balance of individuals, R\$ 77,759 (December 31, 2010 - R\$ 64,635) comprises middle market loans and R\$ 40,394 (December 31, 2010 - R\$ 72,883) retail loans.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(c) Analysis of loan operations by index

	<u>2011</u>	<u>2010</u>
Fixed rate	830,429	640,044
Floating rate (Interbank Deposit Certificate (CDI))	1,273,139	1,160,577
Reference rate (TR)/Basic financial rate (TBF)	3,154	3,035
Other	162,868	73,266
	<u>2,269,590</u>	<u>1,876,922</u>

(d) Analysis of loan operations by installment maturity

	<u>2011</u>	<u>2010</u>
Overdue		
From 15 to 60 days	22,902	14,928
From 61 to 180 days	19,789	27,823
More than 180 days	27,524	4,439
	<u>70,215</u>	<u>47,190</u>
Maturing		
Up to 90 days	831,155	686,944
From 91 to 180 days	433,714	343,438
From 181 to 360 days	338,460	248,493
More than 360 days	596,046	550,857
	<u>2,199,375</u>	<u>1,829,732</u>
	<u>2,269,590</u>	<u>1,876,922</u>

(e) Concentration of loans

<u>Customers</u>	<u>2011</u>			<u>2010</u>		
	<u>Amount</u>	<u>%</u>	<u>% accumulated</u>	<u>Amount</u>	<u>%</u>	<u>% accumulated</u>
10 largest customers	380,743	16.78	16.78	382,420	20.37	20.37
11th to 60th largest	725,924	31.98	48.76	590,790	31.48	51.85
61 st to 160th largest customers	608,984	26.83	75.59	442,032	23.55	75.40
Other	553,939	24.41	100.00	461,680	24.60	100.00
	<u>2,269,590</u>			<u>1,876,922</u>		

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(f) Analysis of loans classified from D to H

Only a portion of the total transactions rated from D to H in the following table is past due for more than 60 days and is accordingly classified as non-performing. The other transactions are performing normally but remain classified at these levels as a result of the criteria used for credit analysis.

2011						
<u>Level</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>Total</u>
Performing	31,715	69,518	11,909	2,773	2,981	118,896
Non- performing	22,398	8,402	2,805	11,243	69,441	114,289
	<u>54,113</u>	<u>77,920</u>	<u>14,714</u>	<u>14,016</u>	<u>72,422</u>	<u>233,185</u>
2010						
<u>Level</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>Total</u>
Performing	97,314	59,231	10,288	10,969	16,831	194,633
Non- performing	10,546	6,264	27,554	9,206	18,671	72,241
	<u>107,860</u>	<u>65,495</u>	<u>37,842</u>	<u>20,175</u>	<u>35,502</u>	<u>266,874</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(g) Loan operations by segment

	<u>2011</u>	<u>% of portfolio</u>	<u>2010</u>	<u>% of portfolio</u>
Middle market	<u>1,571,841</u>	<u>69.25</u>	<u>1,538,538</u>	<u>81.97</u>
In reais				
Loans and discounts	1,136,929	50.08	1,139,337	60.70
Financing	376	0.02	14,198	0.76
BNDES/FINAME	155,201	6.84	99,933	5.32
In foreign currency				
ACC/ACE/FINIMP	279,335	12.31	285,070	15.19
Corporate(*)	<u>641,287</u>	<u>28.26</u>	<u>256,501</u>	<u>13.67</u>
In reais				
Loans and discounts	411,221	18.12	160,701	8.56
BNDES/FINAME	51,769	2.28	12,692	0.68
In foreign currency				
ACC/ACE/FINIMP	178,297	7.86	83,108	4.43
Other	<u>56,462</u>	<u>2.49</u>	<u>81,883</u>	<u>4.36</u>
Loans and financing - acquired	35,869	1.58	56,891	3.03
CDC - vehicles	4,324	0.19	15,206	0.81
Sales financing for non-operating assets	<u>16,269</u>	<u>0.72</u>	<u>9,786</u>	<u>0.52</u>
	<u>2,269,590</u>		<u>1,876,922</u>	

(*) The segment referred to as "Corporate" by the Institution corresponds to transactions carried out with corporate customers whose annual billings are predominantly in excess of R\$ 400 million. This expansion of the Institution's business platform commenced in July 2010 as a complement to its operations which have traditionally focused on middle market companies.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(h) Loans – average balances and terms

	2011					
	<u>Total amount</u>	<u>Number of customers</u>	<u>Number of contracts</u>	<u>Average balance per customer</u>	<u>Average balance per contract</u>	<u>Average term</u>
Loans, financing and discounted bills	<u>1,548,526</u>					
Overdraft accounts	178,311	181	191	985	934	106
Loans	1,324,463	595	908	2,226	1,459	576
Discounted bills	45,752	1,081	1,265	42	36	126
BNDES/FINAME	<u>206,970</u>	121	521	1,710	397	796
ACC/ACE/FINIMP	<u>457,632</u>	98	332	4,670	1,378	201
Other	<u>56,462</u>					
Loans and financing - acquired	35,869					
CDC - vehicles	4,324					
Sales financing for non-operating assets	<u>16,269</u>					
	<u><u>2,269,590</u></u>					

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

	2010					
	<u>Total amount</u>	<u>Number of customers</u>	<u>Number of contracts</u>	<u>Average balance per customer</u>	<u>Average balance per contract</u>	<u>Average term</u>
Loans, financing and discounted bills	<u>1,314,236</u>					
Overdraft accounts	145,064	274	288	529	504	110
Loans	1,124,975	579	1,079	1,943	1,043	589
Discounted bills	44,197	1,397	1,867	32	24	95
 BNDES/FINAME	<u>112,625</u>	72	228	1,564	494	810
 ACC/ACE/FINIMP	<u>368,178</u>	123	431	2,993	854	216
 Other	<u>81,883</u>					
Loans and financing - acquired	56,891					
CDC - vehicles	15,206					
 Sales financing for non-operating assets	<u>9,786</u>					
	<u><u>1,876,922</u></u>					

(i) Corporate customer guarantees

	2011							
<u>Transactions</u>	<u>Total transactions</u>	<u>Guaranteed by receivables</u>	<u>Monitored lien/ warrants and CPRs</u>	<u>Other types of lien</u>	<u>Liens on properties</u>	<u>Liens on vehicles</u>	<u>Securities/ shares/ CDB</u>	<u>Total guarantees</u>
Loans, financing and discounted bills								
Overdraft accounts	178,311	130,771	102	358	27,410	1,866	120	160,627
Loans	1,324,463	560,068	25,756	39,577	151,442	16,852	30,242	823,937
Discounted bills	45,752	45,752						45,752
 BNDES/FINAME	206,970	27,746	10,922	55,638	12,848	51,698		158,852
 ACC/ACE/FINIMP	457,632	56,503	73,962	47,433			16,996	194,894
 Other								
Loans and financing - acquired	35,869	35,869						35,869
CDC - vehicles	4,324					4,324		4,324
Sales financing of non-operating assets	<u>16,269</u>			<u>16,268</u>				<u>16,268</u>
	<u><u>2,269,590</u></u>	<u><u>856,709</u></u>	<u><u>110,742</u></u>	<u><u>159,274</u></u>	<u><u>191,700</u></u>	<u><u>74,740</u></u>	<u><u>47,358</u></u>	<u><u>1,440,523</u></u>
 Percentage (%)	100.00	37.75	4.88	7.02	8.45	3.29	2.09	63.47

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

	2010							
Transactions	Total transactions	Guaranteed by receivables	Monitored lien/warrants and CPRs	Other types of loans	Liens on properties	Liens on vehicles	Securities/shares/CDB	Total guarantees
Loans, financing and discounted bills								
Overdraft accounts	145,064	118,559	1,644	38	15,587	2,064	338	138,230
Loans	1,124,975	604,318	92,999	22,736	143,390	23,988	10,490	897,921
Discounted bills	44,197	44,197						44,197
BNDES/FINAME	112,625	27,191		31,667	2,978	28,518		90,354
ACC/ACE/FINIMP	368,178	74,840	49,534	20,542			41,889	186,805
Other								
Loans and financing - acquired	56,891	56,891						56,891
CDC - vehicles	15,206					15,206		15,206
Sales financing for non-operating assets	9,786			9,786				9,786
	<u>1,876,922</u>	<u>925,996</u>	<u>144,177</u>	<u>84,769</u>	<u>161,955</u>	<u>69,776</u>	<u>52,717</u>	<u>1,439,390</u>
Percentage (%)	100.00	49.34	7.68	4.52	8.63	3.72	2.81	76.69

(j) Composition of assigned loans by type of loan and nature of risk

	2011		
Category	Type	Result of assignment	Amount of the liability assumed
Loans with substantial retention of risks and rewards	Loans CDC - vehicles		3,334
			<u>3,334</u>
			<u>2,503</u>
			<u>2,503</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

<u>Category</u>	<u>Type</u>	<u>2010</u>		
		<u>Result of assignment</u>	<u>Asset amount</u>	<u>Amount of the liability assumed</u>
Loans with substantial transfer of risks and rewards	Loans	107		
Loans with substantial retention of risks and rewards	Loans CDC - vehicles		3,390 8,981	3,462 10,751
		<u>107</u>	<u>12,371</u>	<u>14,213</u>

There were no new assignments with co-obligation for 2011, only the loading of loans assigned in prior years, accordingly no income was earned on these assignments.

7 Foreign Exchange Portfolio

	<u>Indusval & Partners and Consolidated</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Exchange purchases pending settlement	405,483	313,537
Rights on sales of exchange	29,783	7,425
Advances in local currency	(297)	(1,246)
Other	<u>7,853</u>	<u>5,870</u>
	<u>442,822</u>	<u>325,586</u>
Liabilities		
Exchange sales pending settlement	30,713	7,390
Liabilities for purchases of exchange	369,696	324,977
Advances on foreign exchange contracts	(338,665)	(310,372)
Other	<u>7</u>	<u>7</u>
	<u>61,744</u>	<u>22,002</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

8 Other Receivables and Other Assets

(a) Other receivables - Sundry

	Indusval & Partners		Indusval & Partners and Consolidated	
	2011	2010	2011	2010
Deferred tax assets (Note 11(b))	94,550	54,532	96,683	54,532
Debtors for purchase of assets (Note 6)	16,269	9,786	16,269	9,786
Credit instruments receivable	7,103		7,103	
Deposits in guarantee	10,687	10,387	10,719	10,387
Taxes and contributions available for offset	1,415	1,099	1,499	1,139
Sundry debtors – local and other	3,137	1,468	3,441	1,415
	<u>133,161</u>	<u>77,272</u>	<u>135,714</u>	<u>77,259</u>
Current assets	7,795	4,770	8,200	4,756
Long-term receivables	125,366	72,502	127,514	72,503

(b) Other assets – Indusval & Partners Consolidated

	2011	2010
Property	50,750	38,272
Vehicles	10,131	4,991
Machinery and equipment	1,367	275
Other	3,801	
	<u>61,301</u>	<u>41,623</u>
Allowance for losses	<u>(4,748)</u>	<u>(1,915)</u>
	<u>63,704</u>	<u>44,004</u>
Prepaid expenses	2,403	2,381
	<u>63,704</u>	<u>44,004</u>
Current assets	63,116	43,108
Long-term receivables	588	896

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

9 Permanent Assets

(a) Investments in subsidiary and associated companies - Indusval & Partners

	Subsidiaries			Associated companies		Total
	Indusval S.A. CTVM(1)	BIM Promotora de Vendas Ltda.	Serglobal Comércio Cereais Ltda. (2)	Sertrading S.A. (3)	Brasil Agrosec Securitizadora (4)	
Capital	13,838	500	20,788	41,351	2,097	
Shares/quotas owned (number)	520	500	20,788	506,575	4,037	
Equity	21,241	88	18,086	45,087	1,622	
Net income (loss)						
Second half of 2011	(276)	2	413	6,183	(475)	
2011	(553)	4	(30)	15,635	(475)	
Holding at December 31, 2011 (%)	100	100	100	17.73	23.07	
Holding at December 31, 2010 (%)	51.15	100				
Equity in the results						
Second half of 2011	(276)	2	413	1,172	(67)	1,244
2011	(515)	4	186	1,056	(67)	664
Investment						
December 31, 2011	23,633	88	18,086	22,467	374	64,648
December 31, 2010	11,149	84				11,233

(1) Indusval S.A. Corretora de Títulos e Valores Mobiliários (Indusval & Partners Corretora)

On June 1, 2009, Serendipity acquired 254 common shares comprising 97.69% of the voting capital and 48.85% of the total capital of the “Corretora”. The Institution had 6 common shares and 260 preferred shares, corresponding to 2.31% of voting capital and 51.15% of the total capital of this brokerage company.

On June 15, 2011, Banco Indusval S.A. repurchased the shares owned by Serendipity for R\$ 13,000, and recorded goodwill of R\$ 2,391 on the date of the acquisition.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(2) Serglobal Comércio Cereais Ltda.

In April 2011, Banco Indusval S.A. acquired all of the quotas of Serglobal Comércio Cereais Ltda., a company specialized in investments in agricultural securities with capital comprising 4,788,074 quotas, for the amount of R\$ 1,900 corresponding to that company's equity on April 5, 2011, in line with its objective of competing in the Rural Product Note (CPR) market (Note 5 (b)).

In 2011, Serglobal's capital was increased by an amount of R\$ 16,000, through the issue of 16,000,000, new quotas, all of which were subscribed by Banco Indusval.

(3) Sertrading S.A.

In the first half of 2011, Banco Indusval made an investment of R\$ 25,000 through the subscription of common shares as a capital increase in Sertrading, one of the largest foreign trade logistics and service companies in Brazil. The company's equity on the acquisition date was R\$ 7,616 and goodwill for future profitability on acquisition was determined in the amount of R\$ 17,384. Goodwill is amortized based on a technical study and recognized in the "Other operating expenses" account in the statement of operations.

Sertrading's capital comprised 2,857,104 shares, of which Banco Indusval S.A. acquired 506,575. This investment represents a non-controlling interest of 17.73% in the capital of Sertrading. Banco Indusval signed a shareholders' agreement with the current stockholders of Sertrading, regulating the rights related to (i) the Institution's option to acquire the remaining capital of Sertrading within the next two years, (ii) the indication by the Institution of two members of Sertrading's Board of Directors and (iii) the power to veto specific decisions relating to certain matters such as mergers and acquisitions and significant indebtedness, among others usual in this type of investment.

Banco Indusval also entered into an operating agreement with Sertrading, with a five-year term, through which the Institution will have the right of first refusal in the acquisition of receivables of Sertrading, arising from their foreign trade operations.

The financial statements considered for calculating equity in results of investees were those prepared as at November 30, 2011.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(4) Brasil Agrosec Securitizadora

On September 5, 2011, Banco Indusval acquired a stake in Brasil Agrosec Companhia Securitizadora through the subscription of 4,037 nominative common shares in the amount of R\$ 513. The financial statements considered for calculating equity in results of investees were those prepared as at November 30, 2011.

(b) Intangible assets

(i) Goodwill on acquisition of subsidiary and associated companies.

The Institution acquired the shares of the brokerage company in June 2011 and once again became the sole holder of this company's shares. This purchase generated goodwill of R \$ 2,391 on the date of the acquisition and was classified in the Investments account in the parent company's balance sheet and transferred to Intangible assets account on a consolidated basis. This goodwill is not amortized but is tested for impairment at least annually.

(ii) Other intangible assets

Refers to the purchase of the Rural Credit Notes (CPR) business activity for the amount of R\$ 13,100 and the seller's commitment not to compete over a period of 10 years, which is also the period over which the amount will be amortized. In 2011, an amount of R\$ 983 was recorded as amortization in income.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

10 Deposits, Funds Obtained and Onlendings

(a) Analysis of deposits, funds obtained abroad and onlendings by maturity - Indusval & Partners Consolidated

2011						
						Term (in days)
Deposits, funds obtained and onlendings	No stated maturity	Up to 90	From 91 to 180	From 181 to 360	More than 360	Total
Demand	53,435					53,435
Interbank		14,645	33,166	37,864	2,804	88,479
Time (*)		271,145	233,370	147,533	838,990	1,491,038
Total deposits	53,435	285,790	266,536	185,397	841,794	1,632,952
Agribusiness and financial letters of credit		133,013	61,656	23,548		218,217
Local onlendings		14,057	18,617	48,737	136,816	218,227
Foreign borrowings		164,914	165,674	86,687	46,504	463,779
	<u>53,435</u>	<u>597,774</u>	<u>512,483</u>	<u>344,369</u>	<u>1,025,114</u>	<u>2,533,175</u>
2010						
						Term (in days)
Deposits, funds obtained and onlendings	No stated maturity	Up to 90	From 91 to 180	From 181 to 360	More than 360	Total
Demand	47,682					47,682
Interbank		29,894	65,187	10,312	11,088	116,481
Time (*)		248,088	280,407	138,638	663,853	1,330,986
Other	471					471
Total deposits	48,153	277,982	345,594	148,950	674,941	1,495,620
Agribusiness and financial letters of credit		37,540	8,204	28,904	7,345	81,993
Local onlendings		10,819	11,594	20,884	84,354	127,651
Foreign borrowings		138,681	154,282	31,837	549	325,349
	<u>48,153</u>	<u>465,022</u>	<u>519,674</u>	<u>230,575</u>	<u>767,189</u>	<u>2,030,613</u>

(*) Of total time deposits at December 31, 2011, R\$ 748,055 (2010 - R\$ 591,037) comprises time deposits (CDB) with special guarantee (DPGE).

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(b) Analysis of major customers – time deposits

Customers	2011			2010		
	Amount	%	% Accumulate	Amount	%	% Accumulate
10 largest customers	264,421	17.73	17.73	274,550	20.63	20.63
11th to 60th largest customers	593,399	39.79	57.52	538,301	40.44	61.07
61st to 160th largest customers	445,966	29.91	87.43	373,548	28.07	89.13
Other	<u>187,252</u>	12.57	100.00	<u>144,587</u>	10.87	100.00
	<u>1,491,03</u>			<u>1,330,98</u>		

(c) Funds obtained in the market

	Indusval & Partners and Consolidated	
	2011	2010
Own portfolio	<u>747,830</u>	<u>538,580</u>
Financial Treasury Bills (LFT)	10,609	234,607
National Treasury Bills (LTN)	487,084	123,900
Federal Treasury Notes (NTN)	250,137	180,073
Unrestricted portfolio	<u>120,066</u>	
LTN	<u>120,066</u>	
	<u>867,896</u>	<u>538,580</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

11 Income Tax and Social Contribution – Indusval & Partners

(a) Calculation of benefit (expense)

	<u>2011</u>	<u>2010</u>
Profit (loss) before income tax and social contribution and after profit sharing and contributions	(70,129)	33,946
Provision for income tax and social contribution at the statutory rates (40%)	(28,052)	13,578
Effect of additions and deductions in the calculation of taxes		
Investments in subsidiary and associated companies	(266)	(63)
Interest on own capital paid (Note 13(e))	(11,136)	(10,045)
Other	1,070	1,467
Income tax and social contribution benefit (expense) for the period	<u>(38,384)</u>	<u>4,937</u>
Allowance for loan losses	9,948	(7,292)
Provision for tax risks and contingencies	1,166	1,986
Mark-to-market adjustment – securities and derivatives	(174)	461
Income tax and social contribution losses	27,660	
Amortization of goodwill	620	
Share-based compensation	1,362	
Other	(2,198)	(92)
Total	<u>38,384</u>	<u>(4,937)</u>

(b) Changes in deferred tax assets

	<u>2011</u>	<u>2010</u>
Opening balance	54,532	60,286
Additions (reductions)	40,018	(5,754)
Total deferred tax assets (Note 8)	<u>94,550</u>	<u>54,532</u>
Deferred tax liabilities (Note 12 (c))	(2,779)	(1,143)
Deferred tax assets, net of deferred tax liabilities	<u>91,771</u>	<u>53,389</u>
Percentage of equity	<u>15.90</u>	<u>12.52</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(c) Projected realization of deferred tax assets

	<u>Balance at December 31, 2011</u>	<u>Up to 360 days</u>	<u>From 361 to 720 days</u>	<u>From 721 to 1800 days</u>	<u>More than 1800 days</u>
Allowance for loan losses	60,798	47,792	4,902	6,756	1,348
Tax losses (IRPJ and CSLL)	27,660	4,200	5,460	18,000	
Adjustment to market value	2,149	2,149			
Other	<u>3,943</u>	<u>2,373</u>	<u>1,570</u>		
	<u>94,550</u>	<u>56,514</u>	<u>11,932</u>	<u>24,756</u>	<u>1,348</u>

(d) Estimates of realization

The Institution's management, based on a technical study which considers the continuation of the history of profitability and the generation of future tax liabilities, estimates the realization of the deferred tax assets within a maximum period of five years. The present value of the deferred tax assets, based on the Long-term Interest Rate (TJLP), is R\$ 84,854.

12 Other Liabilities

(a) Negotiation and intermediation of securities

	<u>Indusval & Partners</u>		<u>Indusval & Partners and Consolidated</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Creditors – pending settlement account	45,759	123,856	24,637	107,188
Clearing house account			44,308	23,736
Creditors for share loans	80,012	63,432	80,012	63,432
Transactions with financial assets to be settled				178
Other liabilities – negotiation and intermediation of securities	511		510	
Other			<u>1,511</u>	<u>782</u>
	<u>126,282</u>	<u>187,288</u>	<u>150,978</u>	<u>195,316</u>

(b) Provision for contingent assets and liabilities

In the normal course of its activities, the Institution is involved in the following contingencies:

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(i) Contingent assets

No contingent assets were recognized, and there are no significant lawsuits classified as of probable realization.

(ii) Contingent liabilities

Contingencies classified as probable are generally recorded as a provision and amount to R\$ 1,570 at December 31, 2011. The most significant are as follows:

- Sundry labor claim sentences in the amount of R\$ 1,184
- Sundry civil suit sentences in the amount of R\$ 386

Contingencies classified as possible do not need to be recorded as a provision pursuant to legislation. The Institution and its subsidiaries are parties to the following lawsuits presenting risk of possible loss:

- Corporate Income Tax (IRPJ) credit compensation in the amount of R\$ 3,774, arising from overpayments resulting from the recalculation of the effects of discontinuing the suit related to Law 8200.
- Services Tax (ISS) levied on income from the trading of marketable securities in the Commodities Exchange, in the amount of R\$ 3,826 (case distributed in 1988)
- Voluntary disclosure involving interest on arrears of IRPJ, Social Contribution on Net Income (CSLL), Social Integration Program (PIS) and Social Contribution on Revenues (COFINS), in the amount of R\$ 2,950.
- Challenging the levying of IRPJ and CSLL on the indexation, in the reserve account, of exchange membership certificates of BMF S.A. and Bovespa S.A., arising from demutualization, in the amount of R\$ 16,526 in Indusval S.A. – CTVM.
- Challenging the levying of PIS and COFINS on the sale of shares of BMFBovespa S.A., arising from the conversion of shares of CBLC, in the amount of R\$ 1,503 in Indusval S.A. – CTVM.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(c) Taxes and social security – legal obligations

	2011		2010	
	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated
Taxes and contributions on profits		1		18
Taxes and contributions payable	4,401	4,894	4,283	4,456
Deferred taxes and contributions (Note 11(b))	2,779	2,932	1,143	1,328
Legal obligations	<u>4,731</u>	<u>4,731</u>	<u>4,319</u>	<u>4,319</u>
	<u>11,911</u>	<u>12,558</u>	<u>9,745</u>	<u>10,121</u>
Current liabilities	4,401	4,895	4,283	4,474
Long-term liabilities	7,510	7,663	5,462	5,647

Changes in legal obligations for the year may be summarized as follows:

Opening balance at December 31, 2010	4,319
Activity for the period reflected in results	
Amount recorded	<u>412</u>
Closing balance at December 31, 2011	<u>4,731</u>

The balance comprises the following:

- ISS - Complementary Law 116/03 - R\$ 1,189: challenging the levying of this tax on the means, instruments and stages of the financial transactions carried out by the Institution.
- PIS – R\$ 1,688: declaration of the non-existence of a legal-tax relationship between the parties, regarding the application of Constitutional Amendment 1/94 and Provisional Measure 636/94 (and successive republications), permitting the Institution to pay PIS contributions in accordance with the provisions of Complementary Law 7/70.
- INSS – SAT/FAP – R\$ 1,853: challenging the increase in the Work Accident Insurance (SAT) rate and the accident prevention factor (FAP).

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

13 Equity

(a) Capital

Fully subscribed and paid-up capital comprises 63,105,693 shares, of which 36,945,649 are common and 26,160,044 are preferred shares with no par value.

At December 31, 2011, 746,853 preferred shares (December 31, 2010 – 746,797 shares) were held in treasury.

On March 23, 2011, approval was given by the Board of Directors for a capital increase in Banco Indusval, through the private subscription of shares, up to the limit of authorized capital, in the total amount of up to R\$ 289,215 with the possibility of partial ratification in the event of a subscription of at least R\$ 200,999. This increase will consist of the issuance of up to 9,945,649 new common shares and of up to 21,490,821 new preferred shares, identical to the current shares, at an issuance price of R\$ 9.20 per share, through the partial assignment of the preemptive right of the Institution's controlling stockholders and that of other related stockholders. Up to December 31, 2011, the amount of R\$ 201,413 was subscribed and paid up as follows: (i) Warburg Pincus, through WP X Fundo de Investimento em Participações, subscribed common and preferred shares of the Institution in the total amount of R\$ 150,000, (ii) the stockholders of Sertrading subscribed and paid up common and preferred shares of the Institution in the amount of R\$ 30,000 and (iii) the Institution's controlling stockholders subscribed and paid up common shares of the Institution in the total amount of R\$ 21,413. This capital increase was ratified by BACEN on September 2, 2011 and published in the Official Gazette on September 8, 2011.

In 2011, 56 preferred shares were repurchased for the amount of R\$ 1 (2010 – 970,276 for the amount of R\$ 13,051).

(b) Capital reserve

(i) Premium Warrants

As a result of the capital increase in the Institution, 19,779 preferred share warrants were issued and 19,622 were subscribed (at a unit price of R\$ 14.39), whereby each one will entitle holders with a share position at November 8, 2011, to subscribe one hundred preferred (PN) shares. The Institution's stockholders are entitled to subscribe 0.00031717 of a warrant for each share held; accordingly, a holder of 3,152 shares may subscribe one share warrant. The exercise price will correspond to the net asset value of the PN share reported in the quarterly balance sheet published prior to the date of exercise. These may be exercised at any time, as from the date of acquisition up to their expiry on November 8, 2016.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(ii) Share-based compensation

The following Stock Option Plans were approved for the Institution's Directors and management-level employees, as well as individuals who provide services to the Institution or the companies under its control:

- Stock Option Plan I approved at the Extraordinary General Meeting on March 26, 2008.
- Stock Option Plan II approved at the AGE of April 29, 2011 and amended at the AGE of December 22, 2011.
- Stock Option Plan III approved at the AGE of April 29, 2011 and amended at the AGE of December 22, 2011.

The Board of Directors, based on the recommendation of the Compensation Committee, establishes the Stock Option Plans and approves the half yearly option programs.

Main Objectives of the Stock Option Plans: (i) drive expansion and compliance with the Institution's established business goals, through the creation of incentives that promote integration between plan participants and stockholders; (ii) enable the Institution to attract and retain participants, offering them, as an additional benefit, the opportunity to become stockholders of the Institution; (iii) promote the achievement of good performance by the Institution and the interests of the stockholders through a long-term commitment by the participants; and (iv) enable employees to take part in the Institution's development, aligning their interests with those of the stockholders.

Alignment of interests: from this perspective, these shares and stock options serve to align interests, discourage speculative behavior, maximize good conduct and achieve short, medium and long-term high-performance levels.

Maximum number of shares covered and options granted:

Plan I: limited to a maximum number of options which result in a dilution of up to 1.25% of the Institution's capital for each year of the Plan's duration, observing a maximum limit at any time of 5% of this capital. The dilution corresponds to the percentage comprising the number of shares underlying the options, considering all of the options granted in the Plan, already exercisable or not, by the total number of shares of the Institution.

Plan II: limited to the number of options which result in a maximum dilution of up to 5% of the Institution's capital, after BACEN's ratification of the capital increase approved by the Institution's Board of Directors on March 23, 2011. The dilution corresponds to the percentage comprising the number of shares underlying the options considering all of the options granted in the Plan, already exercisable or not, by the total number of shares of the Institution.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

Plan III: limited to the number of options comprising the subscription of 1,850,786 common shares and 1,850,786 preferred shares of the Institution.

Exercise price: the exercise price of the options to be paid by the participants shall be established in accordance with the following guidelines:

Plan I:

Plan duration	Exercise price
First year (first program)	Carrying amount of the Institution shares awarded as options on grant date
First year (second program) Second year (third and fourth programs)	Market value, as defined below
Third year (fifth and sixth programs)	Market value, as defined below
As from fourth year (as from seventh program)	Market value, as defined below

The Compensation and Benefits Committee may, at its own discretion, establish an adjustment of up to 10% (either up or down) to the average price calculated as established in the following paragraph, as well as determine that the exercise price should be adjusted for inflation, as from the date of its calculation, based on a price index to be defined by the Committee under each Program or even establish an exercise price with a pre-defined inflation adjustment.

For purposes of the above rules, market value is considered as the average price, weighted by the number of trades, of the closing quotes of the Institution's shares, awarded as options, in BOVESPA, over the last fifteen trading sessions prior to the grant date of the option.

Plan II: the option exercise price shall be R\$ 4.60 for each share, subscribed and paid-up.

Plan III: the option exercise price shall be R\$ 0.92 for each share subscribed and paid up.

Vesting: the Committee will establish the inception of vesting which will occur in three annual, equal and consecutive installments of 33.33%, the first of which to be defined in the minutes of the Committee Meeting and the remaining two as from the subsequent anniversaries. At its own discretion, the Committee may in exceptional circumstances shorten the vesting period of the options granted.

Plan I: the options may be exercised by the participant over the term established by the Committee for each Program and the maximum exercise term shall be five years, in Plan I, from the grant date of the options of each Program. The Compensation and Benefits Committee may establish and communicate the terms for the exercise of the options by the participants, so that Banco Indusval S.A. will have enough time to issue the new shares. The

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

Investor Relations Officer may establish, at any time, additional restrictions on the exercise of the options on dates which precede the disclosure of any material facts by the Institution, including, but not limited to dates preceding the fiscal year-end closing and the publication of the Institution's financial statements, dates between decisions related to capital increases, dividend payments, share bonuses or stock splits and the publication of the corresponding notices or announcements and other dates on which the suspension of the exercise of the options is advisable.

Plan II: the options may be exercised by the Participant over a maximum five-year term from May 1, 2011. The option term may be automatically extended for a further two years, to a total of seven years, provided that at no time during the five year period counted from May 1, 2011, the average daily volume of trades of common shares of the Institution, in 180 days, is seen to exceed R\$ 2,000 (ON Liquidity Criteria) at the trading sessions of the São Paulo Stock, Commodities and Futures Exchange (BM&FBOVESPA), excluding, for purposes of this calculation, any sales by stockholders participating in the control block in transactions considered as block trades.

Plan III: provided that the vesting rules above are observed, the options may be exercised by the participant over a seven-year term from May 1, 2011. The exercise of the options, within the exercise period, may occur from May 1 to May 5 and from November 1 to November 5 of each year, unless otherwise established by decision of the Committee.

Term:

Plan I: four years from its approval at the Institution's General Meeting held on March 26, 2008.

Plan II: the Plan comes into force immediately after its approval by the Institution's Extraordinary General Meeting and will have a five-year term counted from its approval at the Institution's General Meeting held on April 29, 2011. We stress however that the Plan's term may be automatically extended to seven years, under the terms of Clause 10.2 of this plan.

Plan III: the Plan comes into force immediately after its approval by the Institution's Extraordinary General Meeting and will have a five-year term counted from its approval at the Institution's General Meeting held on April 29, 2011.

Expiry of Options: the options which remain unexercised during the exercise period shall automatically and lawfully expire, irrespective of any prior notice or indemnification. Should the final authorized exercise date established during the option period coincide with a period during which the trading of securities of the Institution is prohibited, pursuant to its Policy for Disclosure of Material Events or Facts or applicable legislation, the option period shall be extended until the following date established by the Committee for exercise of the options.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

Effects of withdrawal: options whose holders resign or who are terminated from Banco Indusval S.A. and/or its subsidiaries and cease to hold executive functions in any member company of this Group will be lawfully cancelled in advance. The options of officers will be cancelled on the date on which they cease to hold office, either by resignation or at the initiative of the body that elected them. In the case of an employee, the options will be cancelled on the date the employment agreement is terminated.

Transfer restrictions: the Plan options will be granted to the beneficiaries on a strictly personal basis and may not be pledged, assigned or transferred to third parties, except (i) in the event of death, as explicitly established in the Plan and (ii) if the Committee at its own discretion, authorizes the transfer of vest or unvested options between the participants of an options Program.

Eight stock option grants were made as described below:

Grant date	Plan (*)	Fair value at grant date - in reais	Exercise price (in reais)	Number			Vesting		
				Number granted	Exercised	Expired	Un-exercised	% exercisable	From:
22/07/2008	I	7.293	10.07	161,896			161,896	33.33% 66.66% 100.00%	22/07/2009 22/07/2010 22/07/2011
10/02/2009	I	3.08	5.06	229,067	25,600	10	203,457	33.33% 66.66% 100.00%	10/02/2010 10/02/2011 10/02/2012
22/02/2010	I	4.62	8.56	525,585		69,482	456,103	33.33% 66.66% 100.00%	22/02/2011 22/02/2012 22/02/2013
06/08/2010	I	3.94	7.72	261,960		25,639	236,321	33.33% 66.66% 100.00%	06/08/2011 06/08/2012 06/08/2013
09/02/2011	I	3.79	8.01	243,241		32,023	211,218	33.33% 66.66% 100.00%	09/02/2012 09/02/2013 09/02/2014
01/07/2011	II	4.72	4.6	1,167,463		126,212	1,041,251	33.33% 66.66% 100.00%	01/05/2012 01/05/2013 01/05/2014
23/12/2011	II	2.55	4.6	435,322			435,322	33.33% 66.66% 100.00%	01/05/2012 01/05/2013 01/05/2014
23/12/2011	III	5.48	0.92	1,850,786			1,850,786	33.33% 66.66% 100.00%	01/05/2012 01/05/2013 01/05/2014
				<u>4,875,320</u>	<u>25,600</u>	<u>253,366</u>	<u>4,596,354</u>		

(*) Plans I and II have a vesting period of three years and maximum exercise term of five years, and Plan III has a vesting period of three years and a maximum exercise term of seven years.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

The Black-Scholes method was used for option pricing. The data and assumptions used under this model were as follows:

- (a) option calculation date;
- (b) option expiry date;
- (c) fixed rate projected by BMF DI futures for the term of the option = risk-free rate;
- (d) average price weighted by the trading volume of shares over the prior 15 days;
- (e) option exercise price corresponds to the price of the share at its net asset value;
- (f) volatility is that disclosed by BM&FBOVESPA for a one-year period. When this information is unavailable, the EWMA method is used with a lambda of 0.94 and 252 samples for calculating the expected volatility;
- (g) under this model, expected dividends are not considered, as the dividends paid will be subtracted from the exercise price over the option term.

The Black-Scholes model does not account for the early exercise of a stock option, since over the life of the option it will be more favorable to sell rather than exercise the option. Accordingly, when the binomial model is used, which takes into account the early exercise dates, the fair value of the option is the same as that determined using the Black-Scholes model.

We present below the fair values of the options at December 31:

Grants	2011	2010
July 22, 2008	4.96	2.67
February 10, 2009	5.31	5.56
February 22, 2010	5.92	3.25
August 6, 2010	6.17	3.72
February 9, 2011	6.40	
July 1, 2011	6.48	
December 23, 2011	6.65	
December 23, 2011	6.65	

In 2011, an amount of R\$ 3,405 (2010 – R\$ 1,433) was recorded as expense for benefits against the capital reserve related to the incentive stock option plan.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(c) Revaluation reserve

The Institution carried out a revaluation of properties in the first half of 2005 (properties in use), based on an appraisal report issued by qualified experts, approved by the stockholders at an Extraordinary General Meeting.

In 2011, a portion of the revalued property was sold for the amount of R\$ 3,040 and a gain was determined in the amount of R\$ 1,536.

The revaluation reserve, for own assets and those of the associated companies, is realized based on the depreciation, disposal or sale of the corresponding revalued assets, through transfers to retained earnings, net of the tax effects. The realized reserve for 2011 was R\$ 539. The balance of the reserve is R\$ 1,389.

(d) Revenue reserves and accumulated deficit

The Institution's by-laws provide for the appropriation of annual net income to the following reserves: (a) reserve for equalization of dividends for the purpose of ensuring the regular payment of dividends to stockholders, and (b) the reserve for working capital reinforcement to ensure that the Institution has the financial means for its continued operation.

The loss reported for 2011 was absorbed by the revenue reserves (legal reserve - R\$ 11,853 and statutory reserve - R\$ 43,959), and accordingly there are no balances recorded in these accounts and the additional balance of loss was recorded in the accumulated deficit account in the amount of R\$ 3,233.

(e) Dividends and interest on own capital

The Institution's by-laws provide for the distribution of a minimum annual dividend of 25% of net income adjusted in accordance with Article 202 of Law 6404/76 and subsequent amendments.

During the year ended December 31, 2011, interest on own capital was approved and paid in the total amount of R\$ 27,839 (2010 - R\$ 25,113), calculated based on the Long-term Interest Rate (TJLP), pursuant to Article 9 of Law 9249/95 and recognized for tax purposes as a financial expense. The tax benefit arising from this distribution was R\$ 11,136 (2010 - R\$ 10,045).

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

14 Employee Benefits

(a) Personnel

				2011
<u>Employees</u>	<u>Banco Indusval & Partners</u>	<u>Indusval & Partners Corretora</u>	<u>Serglobal Comércio Cereais</u>	<u>Total</u>
Operational	200	13	2	215
Support and control	188	18		206
	<u>388</u>	<u>31</u>	<u>2</u>	<u>421</u>
				2010
<u>Employees</u>	<u>Banco Indusval & Partners</u>	<u>Indusval & Partners Corretora</u>	<u>Total</u>	
Operational	165	12	177	
Support and control	169	16	185	
	<u>334</u>	<u>28</u>	<u>362</u>	

(b) Private pension plan

Banco Indusval S.A. and its subsidiaries offer their employees a supplementary pension plan with a defined contribution, managed by a private entity. The program commenced in September 2008, and is sponsored by the Institution and its subsidiaries and employees. During the year ended December 31, 2011, contributions totaled R\$ 499 (2010 - R\$ 526) in Banco Indusval and R\$ 550 (2010 - R\$ 550) on a consolidated basis.

(c) Contributions and profit sharing

Since 2006, the Institution has adopted its own model for the payment of profit sharing using criteria and parameters established in accordance with the agreement approved by the Ministry of Labor. It has also established the payment of profit sharing to the officers.

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

15 Analysis of the accounts in the Statement of Operations

(a) Income from financial intermediation

	Six-month Periods Ended December 31				Years ended December 31			
	2011		2010		2011		2010	
	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated
Loan operations	157,071	157,071	140,752	140,752	283,461	283,461	267,535	267,535
Advance to depositors	133	133	83	83	291	291	104	104
Loans	125,763	125,763	118,668	118,668	239,927	239,927	225,735	225,735
Discounted bills	3,994	3,994	5,611	5,611	7,586	7,586	10,493	10,493
Financing	16,858	16,858	12,413	12,413	23,835	23,835	23,282	23,282
Recovery of receivables	10,323	10,323	3,977	3,977	11,822	11,822	7,921	7,921
Results of securities	151,623	153,546	68,178	69,461	255,463	258,182	110,805	113,008
Short-term interbank investments	28,112	28,112	7,908	7,908	50,014	50,014	23,940	23,940
Fixed income securities	63,605	64,322	40,043	40,498	122,645	124,066	61,674	61,714
Variable income securities	57,080	58,290	20,204	21,028	84,931	86,235	24,977	27,164
Investment funds	2	2	243	243	40	40	308	308
Mark-to-market adjustment - securities	2,820	2,816	(220)	(216)	(2,171)	(2,177)	(96)	(120)
Foreign investments	4	4			4	4	2	2
Results of derivative financial instruments	(35,806)	(35,097)	1,821	2,350	(38,923)	(38,246)	10,596	11,546
Swap	(3,963)	(3,897)	(962)	(486)	2,063	2,134	49	791
Futures	(32,179)	(31,536)	3,386	1,211	(40,847)	(40,239)	7,473	7,693
Options	(2,030)	(2,030)	(256)	(257)	(4,033)	(4,035)	(325)	(337)
Forward	2,366	2,366	1,882	1,882	3,894	3,894	3,399	3,399
Results of foreign exchange	112,951	112,951	15,288	15,288	128,261	128,261	61,685	61,685
Export	13,520	13,520	11,509	11,509	24,451	24,451	24,383	24,383
Import	490	490	760	760	1,216	1,216	1,242	1,242
Financial	(35)	(35)	(114)	(114)	(88)	(88)	(180)	(180)
Rate variations	97,026	97,026	2,433	2,433	100,719	100,719	33,350	33,350
Funds available in foreign currency	1,950	1,950	700	700	1,963	1,963	2,890	2,890
	<u>385,839</u>	<u>388,471</u>	<u>226,039</u>	<u>227,851</u>	<u>628,262</u>	<u>631,658</u>	<u>450,621</u>	<u>453,774</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(b) Expenses for financial intermediation

	Six-month periods ended December 31				Years ended December 31			
	2011		2010		2011		2010	
	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated
Funds obtained in the open market	(167,813)	(167,119)	(115,449)	(115,266)	(325,111)	(324,069)	(200,367)	(200,017)
Interbank deposits	(4,880)	(4,569)	(3,957)	(3,778)	(11,504)	(10,971)	(6,307)	(5,939)
Time deposits	(88,651)	(88,233)	(77,070)	(77,066)	(181,240)	(180,696)	(140,308)	(140,301)
Purchase and sale commitments	(64,573)	(64,608)	(31,895)	(31,895)	(117,262)	(117,297)	(50,762)	(50,787)
Agribusiness letters of credit	(9,224)	(9,224)	(2,382)	(2,382)	(14,158)	(14,158)	(2,845)	(2,845)
Financial notes	(485)	(485)	(145)	(145)	(947)	(947)	(145)	(145)
Loans, assignments and onlendings	(126,989)	(126,989)	(15,940)	(15,940)	(137,007)	(137,007)	(63,542)	(63,542)
Local borrowings	(180)	(180)	(28)	(28)	(346)	(346)	(60)	(60)
Foreign borrowings	(121,070)	(121,070)	(7,358)	(7,358)	(126,859)	(126,859)	(50,426)	(50,426)
Local onlendings (PSH)	(390)	(390)	(516)	(516)	(850)	(850)	(1,182)	(1,182)
Local onlendings (BNDES)	(2,403)	(2,403)	(5,386)	(5,386)	(3,573)	(3,573)	(6,869)	(6,869)
Local onlendings (FINAME)	(2,946)	(2,946)	(2,652)	(2,652)	(5,379)	(5,379)	(5,005)	(5,005)
Allowance for loan losses	(14,927)	(14,927)	(24,894)	(24,894)	(118,105)	(118,105)	(49,008)	(49,008)
Loan operations and other receivables	(14,927)	(14,927)	(24,894)	(24,894)	(118,105)	(118,105)	(49,008)	(49,008)
	(309,729)	(309,035)	(156,283)	(156,100)	(580,223)	(579,181)	(312,917)	(312,567)

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(c) Revenues from services rendered and bank charges

	Six-month periods ended December 31				Years ended December 31			
	2011		2010		2011		2010	
	Indusval Partners	Consolidated	Indusval Partners	Consolidated	Indusval Partners	Consolidated	Indusval Partners	Consolidated
Management of funds	27	296	48	286	59	510	98	524
Collection	1,264	1,264	1,610	1,610	2,632	2,632	2,847	2,847
Transfer of funds	16	16	17	17	31	31	30	30
Guarantees provided	737	737	709	709	1,280	1,280	1,271	1,271
Custody services		8		38		8	1	68
Stock exchange brokerage services		7,023		3,722		11,621		6,187
Other services	736	3,008	196	895	1,345	3,845	336	1,827
	2,780	12,352	2,580	7,277	5,347	19,927	4,583	12,754
Bank charges	374	374	537	537	851	851	982	982
	3,154	12,726	3,117	7,814	6,198	20,778	5,565	13,736

(d) Personnel expenses

	Six-month periods ended December 31				Years ended December 31			
	2011		2010		2011		2010	
	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated
Salaries	(17,599)	(19,111)	(13,950)	(14,552)	(33,760)	(36,216)	(26,295)	(27,714)
Fees	(3,618)	(4,449)	(3,584)	(4,010)	(7,350)	(8,579)	(6,926)	(7,628)
Benefits	(6,429)	(6,979)	(4,282)	(4,549)	(10,562)	(11,419)	(8,011)	(8,550)
Social charges	(6,895)	(7,643)	(5,960)	(6,294)	(13,128)	(14,260)	(11,379)	(12,040)
Training	(627)	(635)	(223)	(227)	(785)	(796)	(365)	(371)
Interns	(301)	(319)	(83)	(91)	(396)	(424)	(148)	(175)
	(35,469)	(39,136)	(28,082)	(29,723)	(65,981)	(71,694)	(53,124)	(56,478)

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

(e) Other administrative expenses

	Six-month Periods Ended December 31				Years ended December 31			
	2011		2010		2011		2010	
	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated
Water, electricity and gas	(170)	(179)	(163)	(167)	(352)	(366)	(335)	(345)
Rents	(2,307)	(2,713)	(725)	(885)	(3,001)	(3,603)	(1,404)	(1,727)
Communications	(1,227)	(1,781)	(1,268)	(1,452)	(2,382)	(3,287)	(2,560)	(2,854)
Social responsibility	(162)	(162)	(167)	(167)	(348)	(348)	(345)	(345)
Maintenance and repair of assets	(188)	(235)	(169)	(191)	(535)	(607)	(589)	(674)
Material	(145)	(159)	(117)	(122)	(258)	(284)	(226)	(239)
Data processing	(1,147)	(1,829)	(802)	(1,178)	(2,220)	(3,323)	(1,480)	(2,174)
Promotions and public relations	(609)	(644)	(318)	(336)	(1,060)	(1,125)	(379)	(407)
Advertising and publicity	(96)	(97)		(1)	(96)	(101)		(1)
Publications	(251)	(288)	(184)	(194)	(573)	(641)	(521)	(558)
Insurance	(190)	(190)	(131)	(131)	(234)	(248)	(141)	(146)
Financial system services	(1,506)	(2,288)	(1,387)	(1,619)	(3,044)	(4,155)	(2,628)	(3,042)
Third-party services	(4,212)	(9,548)	(6,079)	(8,846)	(10,743)	(18,414)	(10,986)	(15,554)
Surveillance and security	(52)	(54)	(214)	(219)	(88)	(91)	(252)	(258)
Specialized technical services	(1,801)	(1,913)	(2,199)	(2,282)	(4,486)	(4,750)	(4,169)	(4,309)
Transportation	(599)	(613)	(206)	(216)	(859)	(886)	(487)	(502)
Travel	(786)	(815)	(699)	(715)	(1,539)	(1,588)	(1,282)	(1,319)
Other	(3,096)	(3,352)	(2,239)	(2,398)	(6,108)	(6,577)	(4,592)	(4,945)
	<u>(18,544)</u>	<u>(26,860)</u>	<u>(17,067)</u>	<u>(21,119)</u>	<u>(37,926)</u>	<u>(50,394)</u>	<u>(32,376)</u>	<u>(39,399)</u>

(f) Tax expenses

	Six-month periods ended December 31				Years ended December 31			
	2011		2010		2011		2010	
	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated	Indusval & Partners	Consolidated
Service tax (ISS)	(163)	(602)	(161)	(377)	(319)	(989)	(290)	(681)
Social integration program (PIS)	(482)	(560)	(657)	(701)	(1,023)	(1,142)	(1,207)	(1,288)
Social contribution on revenues(COFINS)	(2,968)	(3,449)	(4,045)	(4,311)	(6,297)	(7,031)	(7,432)	(7,916)
Other	(1,817)	(2,104)	(4,134)	(4,162)	(3,684)	(4,029)	(5,392)	(5,434)
	<u>(5,430)</u>	<u>(6,715)</u>	<u>(8,997)</u>	<u>(9,551)</u>	<u>(11,323)</u>	<u>(13,191)</u>	<u>(14,321)</u>	<u>(15,319)</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

16 Operating Limits – Indusval & Partners Consolidated

At December 31, 2011, the Institution's Basel ratio was 18.20% (2010 – 17.59%), calculated based on the consolidated financial information.

	<u>2011</u>	<u>2010</u>
Reference equity (PR)	574,744	426,425
Tier I	569,104	423,050
Equity	577,135	426,425
Revaluation reserves	(1,389)	(1,928)
Mark-to-market adjustments	(6,642)	(1,447)
Tier II	8,031	3,375
Revaluation reserves	1,389	1,928
Mark-to-market adjustments	6,642	1,447
Deduction PR	2,391	
Required regulatory capital (PRE)	347,466	266,649
Credit risk	303,898	245,411
Market risk	34,279	5,289
Operational risk	9,289	15,949
Surplus PR	<u>227,278</u>	<u>159,776</u>
Basel ratio	18.20	17.59

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

17 Related Parties

(a) Subsidiaries

The transactions between the parent company and its subsidiaries were carried out at normal market rates and terms on a commutative basis, and comprise the following:

	2011		2010	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Demand deposits	(2,536)		(116)	
Time deposits	(12,041)	(418)	(74)	(4)
Interbank deposits	(12,815)	(311)	(3,295)	(180)
Negotiation and intermediation of securities	(31,137)		(25,263)	(60)
Intangible assets	13,100			

(b) Compensation of key management personnel

	2011	2010
Short-term benefits	8,458	7,259
Long-term benefits	56	101
Share-based compensation	2,784	1,121
	11,298	8,481

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

**(c) Other transactions with related parties
- intergroup contract balances**

Link with company	Contract objective and characteristics	2011	2010
Directors	Demand deposits	156	454
	Time deposits: 14% p.a. fixed rate and from 105% to 115% of CDI after grace period	30,817	27,187
	LCA: from 100% to 103% of CDI at maturity	<u>12,522</u>	<u>19,047</u>
Companies linked to directors	Demand deposits	2,630	202
	Time deposits: from 104% to 115% of CDI after grace period	<u>19,416</u>	<u>23,747</u>
People linked to directors	Demand deposits	474	648
	Time deposits: from 104% to 115% of CDI after grace period	32,125	22,408
	LCA: 103% of CDI at maturity	<u>8,786</u>	<u>10,837</u>
Associated companies	Demand deposits	<u>2</u>	
		<u>106,928</u>	<u>104,530</u>

18 Management of Investment Funds

	2011	2010
Valeu FIM, Crédito Privado, Investimento no Exterior e Longo Prazo	10,048	21,161
Comercial Master FIA	4,611	7,600
Agrisus FIA Investimentos no Exterior	5,616	5,484
GSS FIM, Crédito Privado, Investimento no Exterior e Longo Prazo	6,426	4,988
Stock FIM, Crédito Privado, Investimento No Exterior e Longo Prazo	4,863	
Multi FI Renda Fixa Indusval Crédito Privado	<u>3,675</u>	<u>3,765</u>
	<u>35,239</u>	<u>42,998</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

19 Supplementary Information

(a) Guarantees and sureties

	<u>2011</u>	<u>2010</u>
Sureties - financial institutions	41,067	29,705
Sureties – individuals and non-financial companies	85,339	33,706
Loans for imports	<u>13,416</u>	<u>851</u>
	<u>139,822</u>	<u>64,262</u>

(b) Indusval & Partners Corretora

The subsidiary Indusval & Partners Corretora operates as an intermediary in the trading of contracts in the forward, futures and options markets totaling R\$ 9,120,494 in 2011 (2010 - R\$ 9,002,468). It is also responsible for the custody of customers' securities totaling R\$ 844,692 in 2011 (2010 - R\$ 1,020,985), deposited with the Brazilian Clearing and Depository Corporation (CBLC).

(c) Free cash - Indusval & Partners Consolidated

	<u>2011</u>	<u>2010</u>
Cash	45,455	7,081
Short-term interbank investments	305,833	44,648
Marketable securities	1,403,898	1,219,684
Funds obtained in the open market	<u>(867,896)</u>	<u>(538,580)</u>
Free cash	<u>887,290</u>	<u>732,833</u>

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

**(d) Financial instruments - Indusval
& Partners Consolidated**

	2011		2010	
	Carrying amount	Market value	Carrying amount	Market value
Assets				
Interbank deposits	76,139	76,139	21,901	21,901
Investments in foreign currency			240	240
Marketable securities	1,403,898	1,403,898	1,219,684	1,219,684
Loan operations				
Originated loans	1,771,765	1,762,557	1,433,257	1,410,838
Trade finance	457,632	463,084	368,178	367,113
Purchased credits	35,869	36,140	56,891	56,383
CDC - vehicles	1,821	2,099	6,225	7,636
Derivatives				
Interest rate	1,988,750	1,988,750	70,553	70,553
Currencies (futures)	71,542	71,542	1,691	1,691
Indices	22,840	22,840		
Swaps	25,946	25,946	9,814	9,814
Forward	10,852	10,852	28,281	28,281
Options	2,448	2,448	3,478	3,478
Liabilities				
Interbank deposits	88,479	88,708	116,481	116,618
Time deposits	1,491,038	1,495,279	1,330,986	1,329,780
Agribusiness and financial letters of credit	218,217	174,478	81,993	81,993
Onlendings	218,227	218,227	127,651	127,637
Foreign liabilities	463,779	464,266	325,349	326,257
Share loans	80,012	80,012	63,432	63,432
Equity securities (short sales)	5,499	5,499	73,928	73,928
Derivatives				
Interest rate	1,043,493	1,043,493	635,652	635,652
Currencies (futures)	91,817	91,817	75,899	75,899
Financial assets and merchandise	21,703	21,703		
Swaps	12,014	12,014	2,744	2,744
Forward	8,737	8,737	27,960	27,960
Options	3,875	3,875	3,480	3,480

The market value of the financial instruments was calculated based on the following parameters:

- Interbank deposits: calculated in accordance with the investment curve
- Marketable securities: determined based on the prices disclosed by ANBIMA for the established date

**Banco Indusval S.A. (Indusval & Partners)
and Banco Indusval S.A. and Subsidiaries
(Indusval & Partners Consolidated)**

**Notes to the Financial Statements
at December 31, 2011 and 2010
In thousands of reais**

- Loan operations, interbank deposits, time deposits, foreign liabilities, onlendings and agribusiness and financial letters of credit: calculated based on the monthly average rate of the last month of the year for each type of transaction
- Derivatives, purchased credits and funds obtained through options: market value was determined based on the internal pricing model, using data supplied by BM&FBovespa as parameters.

(e) Service agreement – CVM Instruction 381

The policy of the Institution and its subsidiaries for contracting services unrelated to the external audit from the independent auditors is based on the applicable regulations and on internationally accepted principles which safeguard the independence of the auditors. These principles establish that the auditors: (i) should not audit their own work; (ii) should not perform managerial functions for their clients; and (iii) should not promote the interests of their clients.

During 2011 and 2010, the independent auditors and related parties did not render services unrelated to the external audit at a level higher than 5% of the total fees related to external audit services.

(f) Insurance coverage

Banco Indusval has insurance contracts to cover risks related to property and equipment. Management considers the amount sufficient to cover potential losses.

(g) New name of the Institution

The Institution has adopted the trade name of Banco Indusval & Partners, while maintaining Banco Indusval S.A. as its company name .

* * *

(A free translation of the original in Portuguese)

Independent Auditor's Report

To the Board of Directors and Stockholders
Banco Indusval S.A.

We have audited the accompanying financial statements of Banco Indusval S.A. ("Indusval & Partners" or the "Institution") standing alone, which comprise the balance sheet as at December 31, 2011 and the statements of operations, changes in equity and cash flows for the year and six-month period then ended, as well as the accompanying consolidated financial statements of Banco Indusval S.A. and its subsidiaries ("Indusval & Partners Consolidated"), which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated statements of operations, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institution's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Indusval S.A. (Indusval & Partners) standing alone and of Banco Indusval S.A. and its subsidiaries (Indusval & Partners Consolidated) as at December 31, 2011, and the Institution's financial performance and cash flows, for the year and six-month period then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by BACEN.

Other matters

Statement of value added

We have also audited the Institution's and the consolidated statements of value added for the year ended December 31, 2011, as well as the consolidated statements of value added for the six-month period ended December 31, 2011, prepared under management's responsibility, the presentation of which is required by Brazilian corporate legislation for listed companies. These statements were subjected to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, February 15, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Sérgio Antonio Dias da Silva
Contador CRC 1RJ062926/O-9 "S" SP

(Free translation of the original in Portuguese)

FISCAL BOARD OPINION

The Fiscal Board of Banco Indusval S.A., in compliance with legal and statutory provisions, reviewed the Management Report and Financial Statements for the year ended December 31, 2011. Based on the examinations performed, also considering the report of the independent auditors, PricewaterhouseCoopers Auditores Independentes, dated February 15, 2012, as well as the information and explanations received during the year, believes that these documents are adequate to be submitted to the Annual Shareholders Meeting.

São Paulo (SP), February 15, 2012

Francisco de Paula dos Reis Junior
Member

Jairo da Rocha Soares
Member

Luiz Alberto de Castro Falleiros
Member

STATEMENT

The undersigned members of the Executive Board of Banco Indusval S.A., under the terms of Article 25 paragraph 1 item V of CVM Instruction 480 dated December 7, 2009, STATE that to the best of their knowledge and based on the work plan presented by the independent auditors and the discussions held on the results of the auditing process, they agree with the opinion issued by PricewaterhouseCoopers Auditores Independentes.

São Paulo, February 15, 2012

JAIR RIBEIRO DA SILVA NETO
CPF/MF 022.718-058-56

LUIZ MASAGÃO RIBEIRO
CPF/MF 525.253.688-00

ANDRE JACINTHO MESQUITA
CPF/MF 071.767.968-31

CLAUDIO ROBERTO CUSIN
CPF/MF 051.156.318-30

ELIEZER LIZARDO R. DA SILVA
CPF/MF 054.523.998-28

FRANCISCO PAULO COTE GIL
CPF/MF 364.203.608-20

GILBERTO BARSHAD FAIWICHOW
CPF/MF 014.509.978-48

JAIR DA COSTA BALMA
CPF/MF 783.929.188-00

KATIA AP. ROCHA MORONI
CPF/MF 049.415.308-37

STATEMENT

The undersigned members of the Executive Board of Banco Indusval S.A., under the terms of Article 25 paragraph 1 item VI of CVM Instruction 480 dated December 7, 2009, STATE that they revised the Financial Statements of Banco Indusval S.A. for the second half and fiscal year ended December 31, 2011 and based on the discussions held, they agree that the Financial Statements adequately reflect the relevant aspects and the financial position of the Bank for the period reported.

São Paulo, February 15, 2012

JAIR RIBEIRO DA SILVA NETO
CPF/MF 022.718-058-56

LUIZ MASAGÃO RIBEIRO
CPF/MF 525.253.688-00

ANDRE JACINTHO MESQUITA
CPF/MF 071.767.968-31

CLAUDIO ROBERTO CUSIN
CPF/MF 051.156.318-30

ELIEZER LIZARDO R. DA SILVA
CPF/MF 054.523.998-28

FRANCISCO PAULO COTE GIL
CPF/MF 364.203.608-20

GILBERTO BARSHAD FAIWICHOW
CPF/MF 014.509.978-48

JAIR DA COSTA BALMA
CPF/MF 783.929.188-00

KATIA AP. ROCHA MORONI
CPF/MF 049.415.308-37