Audited Financial Statements

Banco ABC BRASIL S.A.

December 31, 2011 and 2010
with Independent Auditor's Report

BANCO ABC BRASIL S.A.

Financial statements

December 31, 2011 and 2010

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by Central Bank of Brazil

Independent Auditor's Report

To the
Directors and Shareholders of
Banco ABC Brasil S.A.

We have audited the financial statements of Banco ABC Brasil S.A. and the consolidated financial statements of Banco ABC Brasil S.A. and subsidiaries, which comprise the balance sheet as at December 31, 2011, and the related statements of income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management of Banco ABC Brasil S.A. and subsidiaries is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by Central Bank of Brazil (BACEN), as well as for such internal control as management determines is necessary to enable the preparation of these 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 consolidated financial statements are free from material misstatement.

Uma empresa-membro da Ernst & Young Global Limited

An audit involves performing procedures selected 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 preparation and fair presentation of the financial statements of Banco ABC Brasil S.A. and the consolidated financial statements of Banco ABC Brasil S.A. and subsidiaries 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 internal controls of Banco ABC Brasil S.A. and subsidiaries. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco ABC Brasil S.A., and the consolidated financial position of Banco ABC Brasil S.A. and subsidiaries as at December 31, 2011, and their financial performance and cash flows for year then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by Central Bank of Brazil.

Statements of value added

We have also audited the statements of value added (SVA) for the year ended December 31, 2011, the presentation of which is required by Brazilian corporation law for publicly-held companies. These statements have been subject to the same auditing procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the overall financial statements.

São Paulo, February 2, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Eduardo Wellichen
Accountant CRC-1SP184050/O-6

BANCO ABC BRASIL S.A.

Balance sheets
December 31, 2011 and 2010
(In thousands of reais)

Assets	Notes	Bank		Consolidated	
		2011	2010	2011	2010
Current assets		**7,226,247**	6,563,398	**7,291,202**	6,604,537
Cash and banks		**21,201**	21,529	**21,201**	21,529
Interbank investments	4	**1,042,344**	878,837	**1,042,344**	878,837
Money market investments		**403,157**	458,025	**403,157**	458,025
Interbank deposits		**517,130**	326,357	**517,130**	326,357
Foreign investments		**122,057**	94,455	**122,057**	94,455
Marketable securities and derivative instruments	5	**1,009,909**	865,759	**1,065,193**	915,231
Own portfolio		**775,165**	626,996	**830,449**	676,468
Linked to guarantees given		**140,568**	146,904	**140,568**	146,904
Derivative financial instruments		**94,176**	91,859	**94,176**	91,859
Interbank accounts	6	**106,550**	80,859	**106,550**	80,859
Interbank onlendings		**53,585**	32,195	**53,585**	32,195
Reserve requirements – Central Bank Deposits		**52,965**	48,664	**52,965**	48,664
Lending operations		**4,359,958**	4,082,746	**4,359,958**	4,082,746
Loans - public sector	7	**-**	1,669	**-**	1,669
Loans - private sector	7	**4,436,128**	4,146,919	**4,436,128**	4,146,919
Allowance for loan losses	8	**(76,170)**	(65,842)	**(76,170)**	(65,842)
Other credits		**667,789**	631,113	**677,460**	622,780
Credits and aval credits		**881**	-	**881**	-
Foreign exchange portfolio	9.a	**500,266**	470,754	**500,266**	470,756
Receivables		**7,731**	5,682	**7,731**	5,682
Trading and intermediation of securities	9.b	**23,092**	21,035	**23,092**	21,035
Sundry	9.c	**149,136**	147,625	**158,807**	139,290
Allowance for losses on other credits	8	**(13,317)**	(13,983)	**(13,317)**	(13,983)
Other assets		**18,496**	2,555	**18,496**	2,555
Other assets		**17,360**	2,480	**17,360**	2,480
Prepaid expenses		**1,136**	75	**1,136**	75
Noncurrent assets		**3,123,876**	3,108,804	**3,199,036**	3,193,621
Interbank investments	4	**-**	6,964	**-**	6,964
Interbank deposits		**-**	6,964	**-**	6,964
Marketable securities and derivative instruments	5	**298,682**	110,781	**373,842**	178,937
Own portfolio		**181,330**	83,839	**256,490**	151,995
Linked to guarantees given		**18,517**	18,127	**18,517**	18,127
Derivative financial instruments		**98,835**	8,815	**98,835**	8,815
Lending operations		**2,765,890**	2,957,861	**2,765,890**	2,957,861
Loans - public sector	7	**940**	834	**940**	834
Loans - private sector	7	**2,802,902**	2,991,836	**2,802,902**	2,991,836
Allowance for loan losses	8	**(37,952)**	(34,809)	**(37,952)**	(34,809)
Other credits		**54,627**	31,762	**54,627**	48,423
Receivables		**1,068**	795	**1,068**	795
Trading and intermediation of securities	9.b	**93**	-	**93**	-
Sundry	9.c	**59,149**	40,275	**59,149**	56,936
Allowance for losses on other credits	8	**(5,683)**	(9,308)	**(5,683)**	(9,308)
Other assets		**4,677**	1,436	**4,677**	1,436
Temporary investments		**1,436**	1,436	**1,436**	1,436
Prepaid expenses		**3,241**	-	**3,241**	-
Permanent assets		**149,861**	135,236	**20,577**	18,730
Investments		**129,696**	119,304	**412**	412
Investments in subsidiaries and affiliates - Domestic	10	**129,302**	118,910		-
Other investments		**394**	394	**412**	412
Fixed assets	13	**15,044**	11,126	**15,044**	13,512
Other fixed assets		**23,327**	17,335	**23,327**	21,350
Accumulated depreciation		**(8,283)**	(6,209)	**(8,283)**	(7,838)
Deferred charges	13	**495**	890	**495**	890
Organization and expansion costs		**4,390**	4,390	**4,390**	4,390
Accumulated amortization		**(3,895)**	(3,500)	**(3,895)**	(3,500)
Intangible	13	**4,626**	3,916	**4,626**	3,916
Intangible assets		**11,057**	8,424	**11,057**	8,424
Accumulated amortization		**(6,431)**	(4,508)	**(6,431)**	(4,508)
Total assets		**10,499,984**	9,807,438	**10,510,815**	9,816,888

BANCO ABC BRASIL S.A.

Balance sheets
December 31, 2011 and 2010
(In thousands of reais)

Liabilities and equity	Notes	Bank		Consolidated	
		2011	2010	2011	2010
Current liabilities		**6,546,252**	5,716,563	**6,557,083**	5,724,668
Deposits	14	**2,859,640**	2,139,858	**2,859,373**	2,139,766
Demand deposits		**189,496**	183,394	**189,229**	183,302
Interbank deposits		**675,247**	361,281	**675,247**	361,281
Time deposits		**1,994,897**	1,595,166	**1,994,897**	1,595,166
Other deposits		**-**	17	**-**	17
Funds from acceptance and issue of securities	15	**861,220**	747,819	**861,220**	747,819
Real estate, mortgage, credit an similar notes		**861,220**	747,819	**861,220**	747,819
Interbank accounts		**-**	5	**-**	5
Unsettled receipts ad payments		**-**	5	**-**	5
Interbranch accounts		**25,066**	37,651	**25,066**	37,651
Third party funds in transit		**25,066**	37,651	**25,066**	37,651
Borrowings	16	**1,415,125**	1,293,808	**1,415,125**	1,293,808
Foreign borrowings		**1,415,125**	1,293,808	**1,415,125**	1,293,808
Onlendings in Brazil – government agencies	16	**912,364**	1,033,904	**912,364**	1,033,904
BNDES		**600,772**	765,073	**600,772**	765,073
FINAME		**267,027**	263,799	**267,027**	263,799
Other institutions		**44,565**	5,032	**44,565**	5,032
Derivative financial instruments	5	**89,319**	78,512	**89,319**	78,512
Derivative financial instruments		**89,319**	78,512	**89,319**	78,512
Other liabilities		**383,518**	385,006	**394,616**	393,203
Collection of taxes		**3,140**	1,459	**3,140**	1,459
Foreign exchange portfolio	17.a	**64,368**	123,105	**64,368**	123,105
Social and statutory		**28,820**	16,074	**28,820**	16,074
Taxes and social security	17.b	**219,327**	172,072	**230,393**	180,262
Trading and intermediation of securities		**715**	15,478	**715**	15,478
Subordinated debts	17.c	**10,094**	8,966	**10,094**	8,966
Sundry	17.d	**57,054**	47,852	**57,086**	47,859
Noncurrent liabilities		**2,432,280**	2,723,317	**2,432,280**	2,724,662
Deposits	14	**456,386**	796,653	**456,386**	796,653
Interbank deposits		**243,763**	216,979	**243,763**	216,979
Time deposits		**212,623**	579,674	**212,623**	579,674
Funds from acceptance and issue of securities	15	**70,410**	8,371	**70,410**	8,371
Real estate, mortgage, credit an similar notes		**70,410**	8,371	**70,410**	8,371
Borrowings	16	**5,688**	51,582	**5,688**	51,582
Foreign borrowings		**5,688**	51,582	**5,688**	51,582
Onlendings in Brazil – government agencies	16	**1,269,129**	1,352,830	**1,269,129**	1,352,830
BNDES		**566,255**	897,808	**566,255**	897,808
FINAME		**701,224**	450,022	**701,224**	450,022
Other institutions		**1,650**	5,000	**1,650**	5,000
Derivative financial instruments	5	**3,887**	19,483	**3,887**	19,483
Derivative financial instruments		**3,887**	19,483	**3,887**	19,483
Other liabilities		**626,780**	494,398	**626,780**	495,743
Social and statutory		**-**	315	**-**	315
Taxes and social security	17.b	**25,192**	11,310	**25,192**	12,655
Trading and intermediation of securities		**-**	2,625	**-**	2,625
Subordinated debts	17.c	**600,170**	479,393	**600,170**	479,393
Sundry	17.d	**1,418**	755	**1,418**	755
Deferred income		**21,846**	19,640	**21,846**	19,640
Deferred income		**21,846**	19,640	**21,846**	19,640
Equity	25	**1,499,606**	1,347,918	**1,499,606**	1,347,918
Capital:		**1,004,400**	1,004,400	**1,004,400**	1,004,400
Brazilian residents		**441,936**	441,936	**441,936**	441,936
Foreign residents		**562,464**	562,464	**562,464**	562,464
Capital reserve		**671**	671	**671**	671
Income reserves		**505,210**	349,728	**505,210**	349,728
Equity valuation adjustment		**322**	(23)	**322**	(23)
Treasury stock		**(10,997)**	(6,858)	**(10,997)**	(6,858)
Total Liabilities		**10,499,984**	9,807,438	**10,510,815**	9,816,888

See accompanying notes.

BANCO ABC BRASIL S.A.

Income Statements
Years ended December 31, 2011 and 2010 and
six-month period ended December 31, 2011
(In thousands of reais, except net earnings per share)

	Bank			Consolidated	
	2nd Half	Year		Year	
	2011	2011	2010	2011	2010
Income from financial intermediation	**693,131**	**1,213,536**	923,496	**1,230,500**	933,915
Lending operations	**514,436**	**917,426**	747,574	**917,426**	747,573
Marketable securities	**114,479**	**217,077**	165,647	**234,041**	176,066
Gain (losses) on derivative financial instruments	**164,228**	**155,889**	(26,318)	**155,889**	(26,318)
Foreign exchange operations	**(100,012)**	**(76,856)**	36,593	**(76,856)**	36,594
Expenses from financial intermediation	**(486,323)**	**(749,558)**	(512,448)	**(749,682)**	(511,580)
Funding expenses	**(360,540)**	**(539,025)**	(333,384)	**(539,025)**	(332,516)
Borrowings and onlendings	**(87,385)**	**(158,109)**	(134,627)	**(158,233)**	(134,627)
Allowance for loan losses	**(37,696)**	**(51,722)**	(44,579)	**(51,722)**	(44,579)
Allowance for loan losses – Exchange rate variation on credit assignment operations	**(702)**	**(702)**	142	**(702)**	142
Gross income from financial intermediation	**206,808**	**463,978**	411,048	**480,818**	422,335
Other operating income (expenses)	**(14,834)**	**(64,550)**	(67,076)	**(75,499)**	(73,873)
Income from services rendered	**64,865**	**125,365**	108,148	**125,365**	108,148
Personnel expenses	**(60,337)**	**(113,692)**	(91,726)	**(113,962)**	(92,070)
Other administrative expenses	**(32,639)**	**(64,865)**	(57,667)	**(64,935)**	(57,716)
Taxes	**(19,505)**	**(39,767)**	(33,781)	**(40,283)**	(34,160)
Equity pick-up in subsidiaries	**5,417**	**10,393**	7,598	**-**	-
Other operating income	**30,098**	**27,029**	12,212	**27,332**	13,130
Other operating expenses	**(2,733)**	**(9,013)**	(11,860)	**(9,016)**	(11,205)
Operating Income	**191,974**	**399,428**	343,972	**405,319**	348,462
Non-operating Income	**(1,600)**	**(5,980)**	(2,426)	**(5,876)**	(2,426)
Income before taxes and profit sharing	**190,374**	**393,448**	341,546	**399,443**	346,036
Income and social contribution taxes	**(36,215)**	**(88,013)**	(74,221)	**(94,008)**	(78,711)
Provision for income tax	**(30,581)**	**(67,035)**	(42,500)	**(70,707)**	(44,915)
Provision for social contribution tax	**(18,899)**	**(41,039)**	(26,287)	**(42,871)**	(27,554)
Deferred tax credits	**13,265**	**20,061**	(5,434)	**19,570**	(6,242)
Variable compensation	**(35,027)**	**(69,398)**	(65,101)	**(69,398)**	(65,101)
Net income for the six-month period / year	**119,132**	**236,037**	202,224	**236,037**	202,224
Net earnings per share – in Brazilian Reais – 134,013,539 shares (134,451,439 in 2010)	**0.89**	**1.76**	**1.50**		

See accompanying notes.

BANCO ABC BRASIL S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2011 and 2010 and
six-month period ended December 31, 2011
(In thousands of reais)

			Income reserves						
	Capital	Capital reserve	Legal reserve	Dividends equalization	Share buyback	Equity valuation adjustment	Retained earnings	Treasury stock	Total
Balances at December 31, 2009	1,004,400	671	41,469	178,638	-	121	-	(6,658)	1,218,441
Adjustment to market value – securities and derivatives	-	-	-	-	-	(144)	-	-	(144)
Net income for the year	-	-	-	-	-	-	202,224	-	202,224
Interest on equity capital	-	-	-	-	-	-	(72,603)	-	(72,603)
Allocation – Legal reserve	-	-	10,111	-	-	-	(10,111)	-	-
Establishment of reserves	-	-	-	49,510	70,000	-	(119,510)	-	-
Balances at December 31, 2010	1,004,400	671	51,580	228,148	70,000	(23)	-	(6,858)	1,347,918
Adjustment to market value – securities and derivatives	-	-	-	-	-	**345**	-	-	**345**
Acquisition of treasury shares	-	-	-	-	-	-	-	**(4,139)**	**(4,139)**
Net income for the year	-	-	-	-	-	-	**236,037**	-	**236,037**
Interest on equity capital	-	-	-	-	-	-	**(80,555)**	-	**(80,555)**
Allocation – Legal reserve	-	-	**11,802**	-	-	-	**(11,802)**	-	-
Establishment of reserves	-	-	-	**158,680**	**(15,000)**	-	**(143,680)**	-	-
Balances at December 31, 2011	**1,004,400**	**671**	**63,382**	**386,828**	**55,000**	**322**	-	**(10,997)**	**1,499,606**
Balances at June 30, 2011	**1,004,400**	**671**	**57,425**	**243,148**	**55,000**	**(267)**	**70,725**	**(6,858)**	**1,424,244**
Mark-to-market – marketable securities and derivatives	-	-	-	-	-	**589**	-	-	**589**
Acquisition of treasury shares	-	-	-	-	-	-	-	**(4,139)**	**(4,139)**
Net income for the period	-	-	-	-	-	-	**119,132**	-	**119,132**
Interest on equity capital	-	-	-	-	-	-	**(40,220)**	-	**(40,220)**
Allocation – Legal reserve	-	-	**5,957**	-	-	-	**(5,957)**	-	-
Establishment of reserves	-	-	-	**143,680**	-	-	**(143,680)**	-	-
Balances at December 31, 2011	**1,004,400**	**671**	**63,382**	**386,828**	**55,000**	**322**	-	**(10,997)**	**1,499,606**

See accompanying notes.

BANCO ABC BRASIL S.A.

Cash flow statements – indirect method
Years ended December 31, 2011 and 2010 and
six-month period ended December 31, 2011
(In thousands of reais)

	Bank			Consolidated	
	2nd Half	Year		Year	
	2011	2011	2010	2011	2010
Operating activities					
Adjusted net income for the six-month period / year	**160,323**	**295,320**	249,085	**305,652**	256,778
Net income for the six-month period / year	**119,132**	**236,037**	202,224	**236,037**	202,224
Adjustment to net income:	**41,191**	**59,283**	46,861	**69,615**	54,554
Depreciation and amortization	**2,429**	**4,837**	3,542	**4,882**	3,633
Equity pick-up in subsidiaries	**(5,417)**	**(10,393)**	(7,598)	**-**	-
Income (loss) on disposal of assets not used in banking operations	**(423)**	**(240)**	817	**(240)**	817
Loss on disposal fixed assets and intangibles	**-**	**-**	-	**(106)**	-
Provision for impairment of assets not of own use	**2,115**	**6,404**	1,609	**6,404**	1,609
Allowance for loan losses	**38,398**	**52,424**	44,579	**52,424**	44,579
Provision for contingent liabilities	**3,500**	**5,906**	4,056	**5,906**	4,060
Mark-to-market – marketable securities and derivatives	**589**	**345**	(144)	**345**	(144)
Changes in assets and liabilities	**(511,434)**	**(438,889)**	(1,508,415)	**(451,493)**	(1,603,583)
(Increase) decrease in interbank investments	**(74,946)**	**16,777**	(230,250)	**16,777**	(230,250)
(Increase) decrease in marketable securities and derivative financial instruments (assets/liabilities)	**(233,569)**	**(336,840)**	117,484	**(349,656)**	20,162
(Increase) in lending operations	**(352,320)**	**(137,665)**	(1,986,538)	**(137,665)**	(1,986,538)
(Increase) decrease in other credits and assets	**139,627**	**(70,074)**	(43,411)	**(71,420)**	(42,455)
(Increase) in interbank accounts (assets/liabilities)	**(32,532)**	**(25,696)**	(12,807)	**(25,696)**	(12,807)
(Decrease) increase in interbranch accounts	**(26,125)**	**(12,586)**	29,019	**(12,586)**	29,019
(Increase) in other liabilities	**65,279**	**124,989**	617,138	**126,547**	618,336
(Increase) in deferred income	**3,152**	**2,206**	950	**2,206**	950
Cash flow used in operating activities	**(351,111)**	**(143,569)**	(1,259,330)	**(145,841)**	(1,346,805)
Investing activities					
Acquisition of investments	**-**	**-**	(5)	**-**	(5)
Acquisition of fixed assets and intangibles	**(6,095)**	**(9,123)**	(4,734)	**(9,123)**	(4,734)
Acquisition of assets not used in banking operations	**(17,290)**	**(17,486)**	(6,760)	**(17,486)**	(6,760)
Disposal of fixed assets for own use and intangible assets	**-**	**52**	507	**2,499**	507
Disposal of assets not used in banking operations	**2,291**	**2,676**	8,207	**2,676**	8,207
Capital increase in subsidiaries	**-**	**-**	(80,000)	**-**	-
Cash flow used in investing activities	**(21,094)**	**(23,881)**	(82,785)	**(21,434)**	(2,785)
Financing activities					
(Decrease) Increase in deposits	**424,412**	**379,515**	(94,131)	**379,340**	(86,656)
Decrease in open market funding	**(185,002)**	**-**	-	**-**	-
(Decrease) Increase in liabilities for borrowings and onlending	**(274,404)**	**(129,820)**	1,415,406	**(129,820)**	1,415,406
Increase in acceptance and issue of securities	**179,419**	**175,441**	254,390	**175,441**	254,390
Treasury shares	**(4,139)**	**(4,139)**	-	**(4,139)**	-
Interest on equity capital	**(40,220)**	**(80,555)**	(72,603)	**(80,555)**	(72,603)
Cash from financing activities	**100,066**	**340,442**	1,503,062	**340,267**	1,510,537
Increase (Decrease) in cash and cash equivalents	**(272,139)**	**172,992**	160,947	**172,992**	160,947
Cash and cash equivalents					
At the beginning of the period	**924.141**	**479,010**	318,063	**479,010**	318,063
At the end of the period	**652.002**	**652,002**	479,010	**652,002**	479,010
	(272,139)	**172,992**	160,947	**172,992**	160,947

See accompanying notes.

BANCO ABC BRASIL S.A.

Statements of value added
Years ended December 31, 2011 and 2010 and
six-month period ended December 31, 2011
(In thousand of reais)

	Bank			Consolidated	
	2nd Half	Year		Year	
	2011	2011	2010	2011	2010
Determination of value added					
Income	**749,696**	**1,313,506**	999,277	**1,330,773**	1,010,614
Income from financial intermediation	**693,131**	**1,213,536**	923,496	**1,230,500**	933,915
Income from services rendered	**64,865**	**125,365**	108,148	**125,365**	108,148
Set-up of allowance for loan losses	**(38,398)**	**(52,424)**	(44,579)	**(52,424)**	(44,579)
Other operating income	**30,098**	**27,029**	12,212	**27,332**	13,130
Expenses from financial intermediation	**(447,925)**	**(697,134)**	(467,869)	**(697,258)**	(467,001)
Assets acquired from third parties	**(30,391)**	**(67,013)**	(62,860)	**(66,937)**	(62,163)
Data Processing and Telecommunications	**(4,497)**	**(8,723)**	(7,440)	**(8,778)**	(7,498)
Services provided by third parties	**(3,361)**	**(5,899)**	(8,439)	**(5,660)**	(8,333)
Financial services	**(5,260)**	**(10,596)**	(8,785)	**(10,607)**	(8,792)
Specialized technical services	**(3,351)**	**(8,288)**	(6,642)	**(8,336)**	(6,694)
Travel expenses	**(2,025)**	**(3,602)**	(3,598)	**(3,602)**	(3,598)
Promotions and public relations	**(572)**	**(2,631)**	(1,985)	**(2,631)**	(1,985)
Other operating expenses	**(2,733)**	**(9,013)**	(11,860)	**(9,016)**	(11,205)
Non-operating Income	**(1,600)**	**(5,980)**	(2,426)	**(5,876)**	(2,426)
Other administrative expenses	**(6,992)**	**(12,281)**	(11,685)	**(12,431)**	(11,632)
Retained earnings	**(2,429)**	**(4,838)**	(3,542)	**(4,882)**	(3,633)
Depreciation and amortization	**(2,429)**	**(4,838)**	(3,542)	**(4,882)**	(3,633)
Net value added	**268,951**	**544,521**	465,006	**561,696**	477,817
Equity pickup in subsidiaries	**5,417**	**10,393**	7,598	**-**	-
Total value added to be distributed	**274,368**	**554,914**	472,604	**561,696**	477,817
Distribution of value added	**274,368**	**554,914**	472,604	**561,696**	477,817
Salaries and social charges	**86,324**	**165,961**	142,387	**166,186**	142,671
Direct remuneration	**39,142**	**74,407**	60,019	**74,591**	60,266
Benefits	**8,317**	**15,070**	11,187	**15,099**	11,213
Social Charges - FGTS	**3,034**	**5,763**	4,574	**5,775**	4,585
Training	**804**	**1,323**	1,506	**1,323**	1,506
Profit sharing	**35,027**	**69,398**	65,101	**69,398**	65,101
Taxes, charges and compulsory contributions	**64,760**	**144,909**	122,442	**151,466**	127,371
Federal	**62,911**	**141,230**	119,103	**147,781**	124,027
State	**117**	**189**	287	**189**	287
Municipal	**1,732**	**3,490**	3,052	**3,496**	3,057
Remuneration of third party capital	**4,152**	**8,007**	5,551	**8,007**	5,551
Rent	**4,152**	**8,007**	5,551	**8,007**	5,551
Remuneration of shareholders	**119,132**	**236,037**	202,224	**236,037**	202,224
Interest on equity capital	**40,220**	**80,555**	72,603	**80,555**	72,603
Retained profit	**78,912**	**155,482**	129,621	**155,482**	129,621

See accompanying notes.

1. Operations

The Bank is a publicly-traded corporation and a subsidiary of The Arab Banking Corporation, based in Bahrain. In Brazil, the Bank is engaged in asset and liability operations inherent to multiple bank activities, being authorized to operate with commercial, foreign exchange, investment, credit and financing, and housing financing portfolios.

The Bank's operations are conducted through branches in Brazil and abroad through an overseas branch located in Georgetown, Grand Cayman Islands (Note 12).

2. Financial statements presentation, consolidation criteria and significant accounting practices

I Financial statements presentation and consolidation criteria

The financial statements (individual and consolidated) were prepared in accordance with accounting practices adopted in Brazil, in light of accounting guidelines contained in Law No. 6404/76 with amendments introduced by Law No. 11638/07 and 11941/09, and the standards and instructions of the Central Bank of Brazil (BACEN) and the Brazilian Securities and Exchange Commission (CVM). The consolidated financial statements include the financial statements of Banco ABC BRASIL S.A. and those of the subsidiaries ABC BRASIL Distribuidora de Títulos e Valores Mobiliários S.A. and ABC BRASIL Administração e Participações Ltda., for which the direct and indirect ownership interest as of December 31, 2011, is equivalent to approximately 100%. These financial statements were approved by the Board of Directors on February 2, 2012.

The accounting practices adopted to record operations and assess the Bank's assets, including operations conducted by the overseas branch and its consolidated subsidiaries were consistently applied, and investments, rights, obligations and transactions between consolidated entities have been eliminated.

The preparation of the financial statements (individual and consolidated) in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, require that management use assumptions and professional judgment in determining amounts and in recording of accounting estimates, such as the allowance for loan losses, deferred income tax, provision for contingencies and valuation of derivative instruments receivable and payable. Settlement of these transactions involving these estimates may result in amounts different from those estimated, due to the uncertainties related to the determination process.

2. Financial statements presentation, consolidation criteria and significant accounting practices (Continued)

II Significant accounting practices

The Bank adjusted funding operations with BNDES and FINAME between short and long-term operations, which is now considering the installments maturities instead of the operation maturity. For comparison purposes, balances at December 31, 2010 were reclassified as follows:

	Bank			Consolidated		
	Prior Release	Adjustment	Adjusted Balance	Prior Release	Adjustment	Adjusted Balance
Current liabilities	5,068,432	648,131	5,716,563	5,076,537	648,131	5,724,668
Onlending liabilities	385,773	648,131	1,033,904	385,773	648,131	1,033,904
BNDES	357,878	407,195	765,073	357,878	407,195	765,073
FINAME	27,895	235,904	263,799	27,895	235,904	263,799
Other institutions	-	5,032	5,032	-	5,032	5,032
Noncurrent liabilities	3,371,448	(648,131)	2,723,317	3,372,793	(648,131)	2,724,662
Onlending liabilities	2,000,961	(648,131)	1,352,830	2,000,961	(648,131)	1,352,830
BNDES	1,305,003	(407,195)	897,808	1,305,003	(407,195)	897,808
FINAME	685,926	(235,904)	450,022	685,926	(235,904)	450,022
Other institutions	10,032	(5,032)	5,000	10,032	(5,032)	5,000

Significant accounting practices are summarized as follows:

a) *Asset valuation criteria*

Interbank investments, loans and other rights, except for marketable securities and derivative financial instruments, are stated at cost of acquisition, of investment or release, plus exchange rate variation, monetary restatement and contractual interest. Allowances are recognized for adjustment to realizable value when market value is lower.

Marketable securities and derivative financial instruments are classified in accordance with management's intention to hold them in the portfolio, or their availability for sale, and are recorded as follows:

Trading securities: are acquired for the purpose of being actively and frequently traded. They are adjusted to market value with the related gain or loss recognized directly in the statements of income for the period.

Held to maturity: marketable securities for which the Bank has the intent and ability to maintain in portfolio to maturity are stated at cost, plus earnings reflected in the statements of income for the period. Permanent losses are recognized in P&L for the year.

2. Financial statements presentation, consolidation criteria and significant accounting practices (Continued)

II Significant accounting practices--(Continued)

a) *Asset valuation criteria--Continued*

Available for sale: marketable securities which cannot be classified as either trading securities or as held to maturity are adjusted to market value. The difference between the amounts restated by the yield curve of the security and market value is recorded under a separate account in shareholders' equity, net of tax effects, and transferred to the statements of income for the period when effectively realized.

Derivative financial instruments: marked to market against P&L for the period.

Forward operations are recorded at final contracted value, less the difference between such value and cash value of the asset or right. This difference is recognized as income or expenses based on the agreement effective terms.

Option transactions are recorded at the value of premiums paid or received through effective exercise thereof reduction restated at market value. They are then written off as a decrease or increase in asset or right cost, for the effective exercise thereof, or as income or expenses if not exercised.

Futures transactions are recorded at daily adjustment values, allocated as income or expenses.

Swap operations are recorded at the value of the receivables-payables difference, which is allocated as income or expenses;

Operations with other derivative financial instruments are recorded based on the agreement characteristics.

The allowance for loan losses is recognized at an amount considered sufficient to cover potential losses on the Bank's loan portfolio, based on past experience, assessment of delinquent accounts and collateral risks, as well as specific terms and conditions of the operations, in conformity with BACEN Resolution No. 2682.

2. Financial statements presentation, consolidation criteria and significant accounting practices (Continued)

II Significant accounting practices (Continued)

a) *Asset valuation criteria--Continued*

Investments in subsidiaries are stated by the equity method in proportion to the Bank's ownership interest; other investments are stated at cost of acquisition, less a reserve, where applicable, to cover permanent losses.

Assets and rights, classified under fixed assets in use are stated at cost of acquisition, less depreciation, where applicable, provided under the straight line method using rates that take the useful lives of the assets into consideration.

Deferred charges are stated at cost less accumulated amortization computed under the straight line method.

Intangible assets are stated at cost of acquisition, less amortization, where applicable, provided under the straight-line method over the estimated useful lives of the assets, as from the date these were made available for use.

b) *Cash and cash equivalents*

Cash and cash equivalents, as established in CMN Resolution No. 3604/08 include cash, bank deposits, short-term highly liquid investments, with insignificant risks of changes in value, with maturity equal to or less than 90 days.

c) *Liability valuation criteria*

Obligations, charges and measurable or known risks, including income taxes for the period are stated at the amounts updated through to the balance sheet date.

Foreign-currency obligations are translated into local currency at the exchange rate in force on the balance sheet date as disclosed by the Central Bank of Brazil. Liabilities subject to monetary restatement based on contractual clauses are stated at amounts updated through to the balance sheet date.

2. Financial statements presentation, consolidation criteria and significant accounting practices (Continued)

II Significant accounting practices (Continued)

d) Hedge Accounting

Considering the exposure to currency risk and the conditions of loan market abroad through long-term subordinated debt instruments, the Bank has selected some derivative financial instruments to total hedge (fair value hedge) the principal amounts of loans taken out and related interest due. In order to equalize the effects of mark to market of the derivative financial instruments selected for hedge, the principal hedged amount, plus interest due, is stated at fair value and also mark to market.

The variation in the fair value of hedge derivatives is recognized in the income statement. However, the variation in the fair value of the hedged item attributed to the hedged risk is accounted for as part of its book value, also recognized in the statement of income for the year. When a hedge instrument matures or is sold, cancelled or exercised, or when it does not meet hedge accounting requirements, the hedge strategy ends.

The objectives of this operation and the hedging strategy for such risks during the entire operation are duly documented, together with the assessment, both at the beginning of the hedge transaction and on an ongoing basis, confirming that derivative financial instruments of the hedging operations are highly effective in the offset of variations in the fair value (mark to market) of the hedged item. A hedge instrument is considered highly effective when the variation in the fair value or cash flow of the coverage risk during the hedging period reduces 80% to 125% of the risk variation.

The fair value of the derivative financial instruments used as hedge, as well as the market value of the loan subject to hedge, are disclosed in notes 5.b and 17.c respectively.

Other financial instruments and exposures of trading books and banking books do not follow a specific hedge accounting policy. Risks to which such portfolios are mitigated by diverse financial instruments (Note 5.b).

2. Financial statements presentation, consolidation criteria and significant accounting practices (Continued)

II Significant accounting practices (Continued)

e) *Classification of current and noncurrent/long-term assets and liabilities*

Operating assets and liabilities with maturities or effective possibility of settlement up to one year from the balance sheet date are classified as current and those with later maturities or effective possibility of settlement are classified as noncurrent/long-term.

f) *Recognition of revenues and expenses*

Revenues and expenses, including income, charges, monetary or exchange variances of inflation indices or official exchange rates applicable to current and noncurrent/long-term assets and liabilities, are recognized on accrual basis. Income and expenses also include the effects of asset adjustments to market or realizable value. Interest on past-due loan installments outstanding for over 60 days is recognized only when the respective amount is received.

Deferred income and social contribution taxes on temporary differences arising from nontaxable or nondeductible income and expenses, the future additions or exclusions of which are authorized by tax legislation, are also determined on the accrual basis.

g) *Contingent assets, contingent liabilities and legal, tax and social security liabilities*

The recognition, measurement and disclosure of contingent assets and liabilities, and legal liabilities take place according to the criteria described below:

- Contingent assets – are not recognized in the financial statements, except when there is evidence providing guarantee of their realization, on which further appeals can no longer be filed.

2. Financial statements presentation, consolidation criteria and significant accounting practices (Continued)

II Significant accounting practices (Continued)

g) *Contingent assets, contingent liabilities and legal, tax and social security liabilities--Continued*

- Contingent liabilities – are recognized in the financial statements when, based on the opinion of legal advisors and the Bank's management, the risk of loss of a legal or administrative proceeding is regarded as probable, with a probable outflow of funds for settling the liabilities, and when the amounts involved may be measured with sufficient accuracy. Contingent liabilities classified by legal advisors as possible losses are only disclosed in notes, whereas those classified as remote losses do not require provision or disclosure.

- Legal liabilities – tax and social security – refer to lawsuits aiming to challenge the legality and constitutionality of certain taxes and contributions.

h) *Impairment*

An impairment loss is recognized if the book value of an asset, or its cash-generating unit, exceeds its recoverable amount. An impairment loss is recognized in profit or loss.

i) *Income and Social Contribution Taxes*

Income tax is calculated at 15%, with a 10% surtax on taxable income in excess of R$ 240 for the year, adjusted by additions and exclusions prescribed by legislation. Social contribution tax is calculated on net income adjusted as allowed by ruling legislation at 15%. Tax credits on income and social contribution tax losses and temporarily nondeductible expenses were computed using the aforementioned tax rates for income tax and social contribution tax.

Pursuant to Law No. 11941/09, changes in the criteria to recognize revenues, costs and expenses computed upon calculation of net income for the year, introduced by Law No. 11638/07 and articles 36 and 37 of referred Law No. 11941/09, shall not be effective for the purpose of computing taxable profit of legal entities who opt for the Transition Tax Regime (RTT); for tax purposes, the accounting methods and criteria effective for the year ended December 31, 2007 (Note 22) should be taken into consideration.

3. Cash and equivalents

Cash and cash equivalent components:

	Bank and consolidated	
	2011	2010
Cash and banks	**21,201**	21,529
Interbank investments	**630,801**	457,481
. Foreign investments	**122,057**	94,455
. Other investments with maturity equal to or less than 90 days	**508,744**	363,026
Total cash and cash equivalents	**652,002**	479,010

4. Interbank investments

Money market investments are backed by government securities and have one-day maturities. Interbank deposits mature until October 2012.

5. Marketable securities and derivative financial instruments

a) Marketable securities

As of December 31, 2011 and 2010 the classification of marketable securities is stated as follows:

	2011				2010	
	Bank		Consolidated		Bank	Consolidated
	Cost	Market	Cost	Market	Market	Market
Trading securities						
Financial treasury bills	**24,162**	**24,159**	**24,162**	**24,159**	15,689	29,021
Eurobonus	**20,984**	**21,001**	**20,984**	**21,001**	11,961	11,961
National treasury notes - "NTN - B"	**-**	**-**	**-**	**-**	5,973	5,973
National treasury notes - "NTN - A"	**47,168**	**47,489**	**47,168**	**47,489**	41,101	41,101
Publicly-held company shares	**69**	**66**	**69**	**66**	315	315
Subtotal – Trading securities	**92,383**	**92,715**	**92,383**	**92,715**	75,039	88,371
Securities available for sale						
Financial treasury bills	**666,736**	**666,653**	**710,257**	**710,172**	618,102	623,356
Eurobonus	**8,558**	**8,595**	**8,558**	**8,595**	8,798	8,798
National treasury notes - "NTN - B"	**37,582**	**38,402**	**37,582**	**38,402**	-	-
Bank deposit certificates	**24,362**	**24,577**	**111,285**	**111,502**	21,305	120,347
Credit assignment investment fund shares	**-**	**-**	**-**	**-**	16,684	16,684
Debentures	**210,149**	**209,696**	**210,149**	**209,696**	75,741	75,741
Promissory notes	**74,941**	**74,942**	**74,941**	**74,942**	60,197	60,197
Subtotal - Securities available for sale	**1,022,328**	**1,022,865**	**1,152,772**	**1,153,309**	800,827	905,123
Total	**1,114,711**	**1,115,580**	**1,245,155**	**1,246,024**	875,866	993,494

At December 31, 2011, unrealized results on securities classified as available for sale totaled a net gain of R$ 537 (R$ 38 net loss in 2010), which is recorded in equity under the account "Equity valuation adjustment" net of tax effects, amounting to R$ 322 (R$ 23 in 2010).

5. Marketable securities and derivative financial instruments – (Continued)

a) Marketable securities - Continued

Considering maturity, the portfolio at December 31, 2011 is broken down as follows:

	Bank						
	2011						
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
Trading securities							
Financial treasury bills	-	24,159	-	-	-	-	24,159
Eurobonus	-	-	-	5,758	-	15,243	21,001
National treasury notes - "NTN - A"	-	-	-	-	-	47,489	47,489
Publicly-held company shares	66	-	-	-	-	-	66
Subtotal – Trading securities	66	24,159	-	5,758	-	62,732	92,715
Securities available for sale							
Financial treasury bills	-	5,126	-	94,211	567,316	-	666,653
Eurobonus	-	-	-	-	4,707	3,888	8,595
National treasury notes - "NTN - B"	-	-	-	-	21,636	16,766	38,402
Bank deposit certificates	-	-	-	6,059	18,518	-	24,577
Debentures	-	-	833	36,128	164,979	7,756	209,696
Promissory notes	-	-	64,933	10,009	-	-	74,942
Subtotal - Securities available for sale	-	5,126	65,766	146,407	777,156	28,410	1,022,865
Total – 2011	66	29,285	65,766	152,165	777,156	91,142	1,115,580
Total – 2010	315	-	60,197	26,535	721,739	67,080	875,866

	Consolidated						
	2011						
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
Trading securities							
Financial treasury bills	-	24,159	-	-	-	-	24,159
Eurobonus	-	-	-	5,758	-	15,243	21,001
National treasury notes - "NTN - A"	-	-	-	-	-	47,489	47,489
Publicly-held company shares	66	-	-	-	-	-	66
Subtotal - Securities available for sale	66	24,159	-	5,758	-	62,732	92,715
Securities available for sale							
Financial treasury bills	-	5,964	-	112,963	591,245	-	710,172
Eurobonus	-	-	-	-	4,707	3,888	8,595
National treasury notes - "NTN - B"	-	-	-	-	21,636	16,766	38,402
Bank deposit certificates	1,459	1,483	2,941	11,942	73,917	19,760	111,502
Debentures	-	-	833	36,128	164,979	7,756	209,696
Promissory notes	-	-	64,933	10,009	-	-	74,942
Subtotal - Securities available for sale	1,459	7,447	68,707	171,042	856,484	48,170	1,153,309
Total – 2011	1,525	31,606	68,707	176,800	856,484	110,902	1,246,024
Total – 2010	315	1,289	78,985	37,344	777,248	98,313	993,494

To guarantee derivative financial operations the Bank linked public securities to the Futures and Commodities Exchange (BM&FBovespa) amounting to R$ 159,085 at December 31, 2011 (R$ 165,031 in 2010).

5. Marketable securities and derivative financial instruments – (Continued)

b) Derivative financial instruments

The Bank operates in the derivatives market to hedge against market price variances and to reduce currency and exchange rate risks of its assets and liabilities and cash flows contracted under compatible terms, rates and amounts.

Derivatives are used as a risk transfer tool aimed to cover Banking Book and Trading Book portfolio positions. In addition, highly liquid derivatives traded on stock exchanges are used, within strict limits and with regular review, in order to manage Trading Book portfolio exposures.

In order to manage risks arising therefrom, internal limits for global exposure and by portfolio have been set, which are monitored on a daily basis. Considering the likelihood of existing limits that have been exceeded due to not anticipated issues, management has defined internal policies that require that realigning conditions be immediately defined. These risks are monitored by a function independent from the operating functions and are reported to top management on a daily basis.

Risk exposure is based on the Value at Risk (VaR) calculation over a time horizon of one year through historical simulation of one-day periods and a level of probability of 99%.

5. Marketable securities and derivative financial instruments (Continued)

b) Derivative financial instruments (Continued)

Derivatives operations have a counterparty credit limit set according to the customer's profile and are reviewed periodically by credit committees with participation from senior management.

The operations are under the custody of the Futures and Commodities Exchange (BM&FBovespa) or the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP) as well as the Chicago Stock Exchange.

The market values of these derivative financial instruments are determined based on quotations disclosed by specialized stock exchanges and, in certain cases, when there is no liquidity or market quotation, estimates of present values and other pricing techniques are used.

The bases adopted for determining market prices are as follows:

- Futures: stock exchange quotations;

- Options: determined based on the criteria set forth in the contracts;

- Swaps: cash flows for each contract are discounted to present value, in accordance with the respective interest rate curves, obtained based on BM&FBovespa prices;

- Forward: the future value of the transaction discounted to present value as rates obtained at BM&FBovespa or stock exchange of reference.

5. Marketable securities and derivative financial instruments (Continued)

b) Derivative financial instruments (Continued)

Differentials and adjustments to derivative financial instruments are recorded in the respective balance sheet accounts, and matched against the result of operations. They are adjusted to market value and the notional value of financial instruments is recorded in memorandum accounts, as follows:

	Bank and consolidated					
	2011			2010		
Derivatives held for trading	**Notional value**	**Cost – Receivable /received (Payable/paid)**	**Market value**	Notional value	**Cost – Receivable /received (Payable/paid)**	**Market value**
Future contracts	**2,070,352**			3,503,460	**-**	-
Purchase commitments	**659,141**	**-**	-	1,411,563	**-**	-
Interbank market	**296,098**	**-**	-	1,316,665	**-**	-
Foreign currency	**362,498**	**-**	-	94,898	**-**	-
Others	**545**	**-**	-	-	**-**	-
Sales commitments	**1,411,211**	**-**	-	2,091,897	**-**	-
Interbank market	**553,925**	**-**	-	1,355,694	**-**	-
Foreign currency	**857,286**	**-**	-	736,203	**-**	-
Asset position	**1,686,751**	**94,229**	**108,978**	1,097,923	106,781	100,674
Swap contracts	**521,635**	**5,321**	**19,551**	615,516	2,174	16,973
Interbank market	324,656	2,496	8,825	513,419	2,177	13,965
Foreign currency	73,587	836	4,347	14,680	97	182
Fixed rates	78,031	1,185	3,674	63,295	(102)	2,139
Others	45,361	804	2,705	24,122	2	687
Options contracts	**581,128**	**462**	**455**	71,949	60	1,568
Purchase commitments	10,000	448	440	53,902	(123)	661
Shares	**-**	**-**	**-**	10,498	216	579
Financial assets	10,000	448	440	43,404	(339)	82
Sale commitment	571,128	14	15	18,047	183	907
Financial assets	571,128	14	15	18,047	183	907
Other financial instruments	**583,988**	**88,446**	**88,972**	410,458	104,547	82,133
Non-deliverable forwards (NDF)	531,921	19,858	21,082	304,117	12,990	17,048
Forward operations	**52,067**	**68,588**	**67,890**	106,341	91,557	65,085

5. Marketable securities and derivative financial instruments (Continued)

b) Derivative financial instruments (Continued)

	Bank and consolidated					
	2011			2010		
	Notional value	Cost – Receivable /received (Payable/paid)	Market value	Notional value	Cost – Receivable /received (Payable/paid)	Market value
Liability position	**561,126**	**(92,415)**	**(93,206)**	678,215	(70,077)	(82,191)
Swap contracts	**127,574**	**(2,641)**	**(4,603)**	87,840	(2,610)	(3,286)
Interbank market	**108,894**	**(2,215)**	**(4,252)**	9,983	(8)	(244)
Foreign currency	**108**	**(46)**	**-**	64,711	(2,608)	(2,986)
Fixed rates	**12,952**	**(334)**	**(22)**	13,146	6	(56)
Others	**5,620**	**(46)**	**(329)**	-	-	-
Options contracts	**21,580**	**(1,008)**	**(973)**	255,569	934	(6,358)
Purchase commitments	**10,000**	**(303)**	**(440)**	139,658	1,603	(5,780)
Financial assets	**10,000**	**(303)**	**(440)**	139,658	1,603	(5,780)
Sales commitments	**11,580**	**(705)**	**(533)**	115,911	(669)	(578)
Financial assets	**11,580**	**(705)**	**(533)**	115,911	(669)	(578)
Other financial instruments	**411,972**	**(88,766)**	**(87,630)**	334,806	(68,401)	(72,547)
Non-deliverable forwards (NDF)	**310,316**	**(15,836)**	**(14,683)**	301,050	(10,436)	(14,100)
Forward operations	**101,656**	**(72,930)**	**(72,947)**	33,756	(57,965)	(58,447)

5. Marketable securities and derivative financial instruments (Continued)

b) Derivative financial instruments (Continued)

		Bank and consolidated		
		2011		
Derivatives used as fair value hedge	**Notional value**	**Curve Yield**	**Market value**	**MTM**
Hedge instruments				
Swap contracts	**647,456**	**56,215**	**84,033**	**27,818**
Foreign currency – US dollar	**647,456**	**56,215**	**84,033**	**27,818**
Subject to hedge				
Subordinate loan (Note 17.c)	**570,213**	**(570,213)**	**(598,031)**	**(27,818)**
Foreign currency – US dollar	**570,213**	**(570,213)**	**(598,031)**	**(27,818)**

		Bank and consolidated		
		2010		
Derivatives used as fair value hedge	**Notional value**	**Curve Yield**	**Market value**	**MTM**
Hedge instruments				
Swap contracts	333,976	(6,418)	(15,804)	(9,386)
Foreign currency – US dollar	333,976	(6,418)	(15,804)	(9,386)
Subject to hedge				
Subordinate loan (Note 17.c)	327,690	(333,967)	(324,581)	9,386
Foreign currency – US dollar	327,690	(333,967)	(324,581)	9,386

Management decided to assign the financial instruments above to hedge the principal amount, as well as contractual interests, to mitigate risks of the subordinated loan transaction.

Considering that cash flows (Principal and Interests) of the hedged item (Subordinated Debt) and cash flows of designated swaps are identical, effectiveness expected from the time such hedge instruments are designated and during the transaction is in conformity with the provisions set forth by the Central Bank of Brazil.

5. Marketable securities and derivative financial instruments (Continued)

b) Derivative financial instruments (Continued)

Derivative financial instruments by maturity, as of December 31, 2011 and 2010, are as follows:

	Bank and consolidated							
	2011							2010
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 3 years**	**Over 3 years**	**Total**	Total
Off Balance								
Futures contracts	**545,737**	**312,384**	**45,614**	**184,331**	**474,978**	**507,308**	**2,070,352**	3,503,459
Swap contracts	**63,379**	**62,657**	**105,921**	**136,609**	**213,037**	**715,062**	**1,296,665**	1,037,332
Option contracts	**128**	**295,000**	**296,000**	**11,580**	**-**	**-**	**602,708**	327,519
Other financial instruments	**218,992**	**298,623**	**186,050**	**191,918**	**100,377**	**-**	**995,960**	745,264
Total – 2011	**828,236**	**968,664**	**633,585**	**524,438**	**788,392**	**1,222,370**	**4,965,685**	
Total – 2010	2,464,940	826,893	349,476	397,271	1,113,502	461,492	-	5,613,574
- Asset position								
Swap contracts	**717**	**774**	**1,441**	**3,969**	**9,054**	**87,629**	**103,584**	16,973
Option contracts	**15**	**440**	**-**	**-**	**-**	**-**	**455**	1,569
Other financial instruments	**38,334**	**38,126**	**3,883**	**6,477**	**2,152**	**-**	**88,972**	82,132
Total – 2011	**39,066**	**39,340**	**5,324**	**10,446**	**11,206**	**87,629**	**193,011**	-
Total – 2010	7,493	60,307	19,565	4,494	8,482	333	-	100,674
- Liability position								
Swap contracts	**(558)**	**(1,025)**	**(829)**	**(913)**	**(568)**	**(710)**	**(4,603)**	(19,091)
Option contracts	**-**	**-**	**(533)**	**(440)**	**-**	**-**	**(973)**	(6,358)
Other financial instruments	**(42,641)**	**(36,214)**	**(4,476)**	**(1,899)**	**(2,400)**	**-**	**(87,630)**	(72,546)
Total – 2011	**(43,199)**	**(37,239)**	**(5,838)**	**(3,252)**	**(2,968)**	**(710)**	**(93,206)**	-
Total – 2010	(6,135)	(46,263)	(15,426)	(10,688)	(3,678)	(15,805)	-	(97,995)

Gains (losses) on derivative financial instruments for the year ended December 31, 2011 and 2010 are as follows:

	2011			2010
	Bank and consolidated			**Bank and consolidated**
	Gains	**Losses**	**Net**	**Net**
Swaps	**294,262**	**(117,533)**	**176,729**	(18,045)
Futures	**745,855**	**(793,532)**	**(47,677)**	(13,536)
Options	**21,320**	**(18,477)**	**2,843**	(2,839)
Non-deliverable forwards (NDF)	**260,685**	**(236,691)**	**23,994**	8,074
Credit derivative	**-**	**-**	**-**	28
Total	**1,322,122**	**(1,166,233)**	**155,889**	(26,318)

5. Marketable securities and derivative financial instruments (Continued)

Risk sensitivity analysis in financial instrument operations

In accordance with CVM Rule No. 475/08, the Bank disclosed a sensitivity analysis to all types of market risk stemming from financial instruments considered significant by management. The table below sets out the most probable scenario in management's assessment and two additional scenarios. The probable scenario considers prices in contracts and, where applicable, indicators from various external sources or pricing models adopted to calculate the fair value of financial instruments at the balance sheet date. Scenario II considers a 25% deterioration in risk variables in view of the nature of financial instrument risk. Scenario III considers a 50% deterioration in the same variables.

	Exposure		
	Probable Scenario	**Scenario II**	**Scenario III**
i) *Interest rate*			
Net exposure to fixed interest rates (Pjur1)	982	2,960	4,825
Net exposure of currency coupons (Pjur2)	3,547	4,336	5,140
Net exposure of index coupons (Pjur3)	3,743	5,395	6,793
Total interest rate exposure (Note 26)	8,272	12,691	16,758
ii) Foreign exchange rate			
Total exposure purchased at exchange rates	18,756	14,067	9,378

i) Interest rates:

According to criteria established by the Central Bank of Brazil through Resolution No. 3464/07 and Circular No. 3354/07 financial instruments classified under trading books represent exposure that would have an impact on an organization's income by mark to market or when realized or settled. Financial instruments indexed to interest rates pose potential risk from market fluctuations. These risks are managed through a methodology set out by the Central Bank of Brazil and the result of this analysis is considered when determining the minimum capital base required of financial institutions.

In order to comply with CVM Rule No. 475/08 as regards risk sensitivity, the interest rate at December 31, 2011, was taken into account in order to calculate the minimum capital base required and scenario analysis was undertaken.

5. Marketable securities and derivative financial instruments (Continued)

b) Derivative financial instruments (Continued)

ii) Foreign exchange rate:

Net exposure to exchange rates is regulated by the Central Bank of Brazil through Resolution No. 3490/07 and Circular No. 3568/11. These procedures set the maximum level of exposure at 30% of capital base.

The risk exposure calculation criteria as set out by the Central Bank of Brazil and in accordance with CVM Rule No. 475/08 were taken into account in the scenario analysis of net exposure at December 31, 2011.

iii) Banking Book:

These refer to operations that are not classified in the trading book, resulting from Bank business lines and their possible hedge instruments. Measurement and valuation of interest rate risk of banking book operations are regulated by the Central Bank of Brazil through Circular No. 3365/07 that sets criteria and assumptions to gauge the degree of risk including stress tests whose results could indicate how much regulatory capital is required to cover such risks. Results of these procedures having no relevance on accounting practices regarding the recording and valuation of banking book operations are reported to the Central Bank of Brazil and at December 31, 2011 an exposure of R$ 31,073 was stated, which also takes into account interest rate risk of the aforementioned banking book in alternative scenarios according to methodologies set out by the regulatory body.

In order to carry out a risk sensitivity analysis, foreign exchange mismatch risk in the banking book is considered in the foreign exchange rate position as set out in item II.

6. Interbank accounts

Interbank accounts at December 31, 2011 and 2010, are as follows:

	Bank and consolidated	
	2011	2010
Compulsory – demand deposits	**50,925**	46,934
Interbank onlendings	**53,585**	32,195
Compulsory microfinance	**2,040**	1,429
Others	**-**	301
	106,550	80,859

7. Lending operations, guarantees and responsibilities

Loans, other credits, guarantees and responsibilities are as follows:

	Bank and consolidated							
	2011							2010
	Private sector							
	Financial intermediaries	Industry	Commercial	Services	Individuals	Public sector	Total	Total
Loans								
Loans	**43,803**	**862,531**	**913,314**	**612,192**	**82,510**	**-**	**2,514,350**	2,473,160
Payroll deduction loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	6
Financing – BNDES/Finame	**-**	**1,252,925**	**748,265**	**55,768**	**22,629**	**940**	**2,080,527**	2,336,374
Export finance	**-**	**488,332**	**111,892**	**21,714**	**105,949**	**-**	**727,887**	447,441
Onlending of foreign funds	**-**	**36,483**	**35,052**	**31,413**	**-**	**-**	**102,948**	36,753
Foreign currency loans	**2,960**	**665,188**	**103,011**	**10,840**	**181**	**-**	**782,180**	722,261
Discounted securities	**-**	**-**	**3,024**	**18,239**	**-**	**-**	**21,263**	57,304
Financing with intervenience	**256,350**	**-**	**-**	**-**	**-**	**-**	**256,350**	329,520
Secured accounts	**46,457**	**149,686**	**111,044**	**35,065**	**8,827**	**-**	**351,079**	387,411
Credit right assignment	**235,657**	**27,442**	**13,204**	**581**	**-**	**-**	**276,884**	272,329
Financing – rural and agribusiness	**-**	**33,598**	**63,799**	**1,005**	**11,043**	**-**	**109,445**	61,840
Other financing	**-**	**-**	**-**	**-**	**17,057**	**-**	**17,057**	16,859
Subtotal - loans	**585,227**	**3,516,185**	**2,102,605**	**786,817**	**248,196**	**940**	**7,239,970**	7,141,258
Other receivables								
Advances on export contracts and interest (a)	**-**	**224,208**	**184,872**	**-**	**-**	**-**	**409,080**	455,179
Notes and loans receivable	**-**	**5,518**	**12,062**	**2,117**	**4,245**	**-**	**23,942**	33,017
Other receivables	**-**	**881**	**-**	**-**	**-**	**-**	**881**	-
Subtotal – Other receivables	**-**	**230,607**	**196,934**	**2,117**	**4,245**	**-**	**433,903**	488,196
Subtotal – Loans and other credits	**585,227**	**3,746,792**	**2,299,539**	**788,934**	**252,441**	**940**	**7,673,873**	7,629,454
Guarantees and responsibilities								
Guarantees provided on behalf of clients (b)	**1,313,965**	**1,397,670**	**1,878,560**	**474,326**	**21,907**	**75,358**	**5,161,786**	3,948,662
Import credit facilities	**-**	**6,802**	**10,798**	**-**	**-**	**-**	**17,600**	8,074
Confirmed export credits	**1,509**	**-**	**-**	**-**	**-**	**-**	**1,509**	2,190
Subtotal - Guarantees and responsibilities	**1,315,474**	**1,404,472**	**1,889,358**	**474,326**	**21,907**	**75,358**	**5,180,895**	3,958,926
Total - 2011	**1,900,701**	**5,151,264**	**4,188,897**	**1,263,260**	**274,348**	**76,298**	**12,854,768**	-
Total - 2010	**1,816,286**	**5,019,569**	**3,630,112**	**862,175**	**193,045**	**67,193**	-	11,588,380

(a) Balance comprised of advance for R$ 400,026 (R$ 448,567 in 2010), shown as a contra Other liabilities account (Note 17. a) plus R$ 9,054 (R$ 6,612 in 2010) of income receivable from such advances shown in Other Credits (Note 9.a).

(b) The guarantees provided on behalf of clients are subject to charges and counter-guarantees by its beneficiaries. No losses are expected on these operations.

7. Lending operations, guarantees and responsibilities (Continued)

Loans, guarantees and responsibilities, by maturity, are as follows:

	Bank and consolidated							
	2011							
	A vencer							
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Overdue after 15 days	Total
Loans	550,201	1,121,749	1,244,699	1,500,204	2,234,089	569,753	19,275	7,239,970
Other credits	63,133	101,087	85,962	170,736	7,993	1,451	3,541	433,903
Subtotal – Loans and other credits	613,334	1,222,836	1,330,661	1,670,940	2,242,082	571,204	22,816	7,673,873
Guarantees and responsibilities	490,292	556,533	1,091,316	2,094,433	929,022	19,299	-	5,180,895
Total – 2011	1,103,626	1,779,369	2,421,977	3,765,373	3,171,104	590,503	22,816	12,854,768
Total – 2010	1,024,780	1,605,496	2,037,437	3,119,306	3,169,911	619,073	12,377	11,588,380

Over the year ended December 31, 2011, credit assignment operations, without coobrigation, were carried out under Resolution No. 2.836/01 of the Central Bank of Brazil, in the amount of R$ 36,563 (R$ 49,889 in 2010).

The effect of such operations on P&L for the year of 2011 was R$ 488 (R$ 589 in 2010).

Credit risk concentration is as follows:

	Bank and consolidated					
	2011			2010		
	Balance	% of portfolio (1)	% of equity	Balance	% of portfolio (1)	% of equity
Main debtor	**154,356**	**2.01**	**10.29**	229,679	3.01	17.04
10 main debtors	**1,015,600**	**13.23**	**67.72**	1,043,389	13.68	77.41
20 main debtors	**1,657,555**	**21.60**	**110.53**	1,631,085	21.38	121.01

(1) Total portfolio without taking the balances of guarantees and responsibilities into consideration

8. Allowance for loan and other credit losses

At December 31, 2011 and 2010, the portfolio of loans and other assets, and the allowance for loan and other credit losses, are as follows:

		Bank and consolidated			
		2011			
		Total operations			Allowance
Risk rating	Level of allowance	Normal course	Past due	Total	Res. 2682
AA	-	**815,277**	**-**	**815,277**	**-**
A	0,5%	**2,886,922**	**-**	**2,886,922**	**14,435**
B	1,0%	**3,000,945**	**157**	**3,001,102**	**30,011**
C	3,0%	**785,309**	**3,123**	**788,432**	**23,653**
D	10,0%	**57,294**	**3,574**	**60,868**	**6,087**
E	30,0%	**65,886**	**2,340**	**68,226**	**20,468**
F	50,0%	**19,459**	**3,368**	**22,827**	**11,413**
G	70,0%	**8,661**	**1,886**	**10,547**	**7,383**
H	100,0%	**11,304**	**8,368**	**19,672**	**19,672**
Total		**7,651,057**	**22,816**	**7,673,873**	**133,122**

		Bank and consolidated					
		2010					
		Total operations			Allowance		
Risk rating	Level of allowance	Normal course	Past due	Total	Res. 2682	Additional	Total
AA	-	1,108,694	-	1,108,694	-	-	-
A	0,5%	3,016,040	-	3,016,040	15,080	-	15,080
B	1,0%	2,746,242	617	2,746,859	27,469	3,134	30,603
C	3,0%	594,592	135	594,727	17,842	1,250	19,092
D	10,0%	54,266	2,856	57,122	5,712	-	5,712
E	30,0%	62,999	589	63,588	19,076	-	19,076
F	50,0%	9,714	1,001	10,715	5,357	-	5,357
G	70,0%	7,222	1,735	8,957	6,270	-	6,270
H	100,0%	17,308	5,444	22,752	22,752	-	22,752
Total		7,617,077	12,377	7,629,454	119,558	4,384	123,942

Additional allowance

At December 31, 2010, considering possible increases in the level of credit risk due to uncertainties over the economic scenario, additional allowances were set up preventively by the Bank at the minimum percentages required by Resolution No, 2682 of the Central Bank of Brazil.

These allowances were concentrated in the B and C ratings, supplementing the minimum percentages required at these levels

8. Allowance for loan and other credit losses (Continued)

Changes in the allowances for loan and other credit losses for the years ended December 31, 2011 and 2010 were as follows:

	Bank and consolidated			
	2011			2010
	Loans	Other credits	Total	Total
Balances at the beginning of the period	**100,651**	**23,291**	**123,942**	127,189
Set up	**36,582**	**15,140**	**51,722**	44,579
Sale of the payroll deduction loan portfolio	**-**	**-**	**-**	(2,714)
Classified as deferred income	**-**	**(194)**	**(194)**	370
Loans written off as losses	**(23,111)**	**(19,237)**	**(42,348)**	(45,482)
Balances at the end of the period	**114,122**	**19,000**	**133,122**	123,942

At December 31, 2011, balance of renegotiated loans amounted to R$ 123,221 (R$ 77,719 in 2010) – Bank and Consolidated, total loan transactions renegotiated over the year ended December 31, 2011 amounted to R$ 86,789 (R$ 42,828 in 2010).

The amount of loans recovered for year ended December 31, 2011, previously offset against the provision, was R$ 5,971 (R$ 10,480 in 2010).

9. Other credits

a) The balance of the foreign exchange portfolio is as under:

	Bank and consolidated	
	2011	2010
Foreign exchange purchased to be settled (CCL)	**465,308**	442,800
Allowance for exchange variation of CCL	**(702)**	(2)
Rights on foreign exchange sale	**33,092**	115,579
Advances received	**(6,486)**	(94,235)
Income receivable from advances on exchange	**9,054**	6,612
Total	**500,266**	470,754

b) Trading account is substantially represented by receivables from the settlement of operations with financial assets recorded on stock exchanges.

9. Other credits (Continued)

b) The breakdown of other sundry credits is as follows:

	Bank		Consolidated	
	2011	**2010**	**2011**	**2010**
Tax credits (Note 22)	**80,427**	60,297	**80,448**	60,807
Guarantee deposit debtors	**49,658**	53,284	**57,564**	60,954
Taxes and contributions to be offset	**40,991**	31,034	**42,698**	31,034
Taxes and contributions recoverable	**99**	72	**99**	186
Securities and loans receivable	**24,698**	34,901	**24,698**	34,901
Sales of shares	**3,382**	6,730	**3,382**	6,730
Other	**9,030**	1,582	**9,067**	1,614
Total	**208,285**	187,900	**217,956**	196,226

10. Investments

	ABC BRASIL Distribuidora de Títulos e Valores Mobiliários S.A.	**ABC BRASIL Administração e Participações Ltda.**	**2011**	**2010**
			Total	**Total**
Capital	49,600	55,632		
Equity	66,483	62,819		
Income for the year	4,875	5,518		
Number of common shares owned	24,980,054	-		
Number of preferred shares owned	24,980,055	-		
Number of shares owned	-	55,631,814		
Ownership interest (%)	100.00	99.99		
Book value	66,483	62,819	**129,302**	118,910
Equity pickup	4,875	5,518	**10,393**	7,598

11. Related parties

a) Subsidiaries and related companies

The amounts below refer to the Bank's transactions with subsidiaries and related companies. These operations were carried out under normal market conditions and rates of the dates of the respective transactions. For the year ended December 31, 2011 and 2010, transactions between related parties are as follows:

	2011				2010	
Transactions / Related parties	**Relationship**	**Maturity**	**Assets / (Liabilities)**	**Income / (Expenses) Period**	**Assets / (Liabilities)**	**Income / (Expenses) Period**
Demand deposits						
- ABC BRASIL Adm. e Participações Ltda.	Subsidiary	No maturity	**(189)**	**-**	(64)	-
- ABC BRASIL Distr. Tits. e Vals. Mobiliários S.A.	Subsidiary	No maturity	**(78)**	**-**	(27)	-
- Marsau Uruguay Holdings Sociedad Anonima	Shareholder	No maturity	**(26)**	**-**	-	-
- Marsau Comercial Exp. e Importadora Ltda.	Related	No maturity	**(1,764)**	**-**	(797)	-
			(2,057)	**-**	(888)	-
Time deposits						
- Marsau Uruguay Holdings Sociedad Anonima	Shareholder	03/26/2012	**(2,905)**	**(28)**	(3,702)	(42)
Borrowings						
- Arab Banking Corporation (ABC)	Holding	02/29/2012	**(217,133)**	**(1,980)**	-	-
Dividends and interest on equity capital						
- Marsau Uruguay Holdings Sociedad Anonima	Shareholder	01/11/2012	**(20,759)**	**-**	(9,437)	-
Other liabilities						
- ABC BRASIL Adm. e Participações Ltda. - Services	Subsidiary	01/08/2012	**(20)**	**(240)**	(18)	(216)

11. Related parties (Continued)

b) Fees of key members of management

Fees for key members of management for the year ended December 31, 2011 were R$ 55,917 (R$ 50,877 in 2010), which are considered short-term benefits.

12. Overseas branch

The transactions with third parties carried out by the overseas branch at December 31, 2011 and 2010 are as follows:

	2011		2010	
	US$	**R$**	**US$**	**R$**
Assets				
Cash and banks	**2,609**	**4,894**	1,073	1,788
Interbank investments	**54,453**	**102,143**	52,261	87,077
Marketable securities and derivative financial instruments	**60,153**	**112,835**	53,297	88,803
Lending operations - net	**496,388**	**931,125**	538,903	897,920
Other receivables, amounts and assets	**4,957**	**9,298**	4,039	6,730
Total	**618,560**	**1,160,295**	649,573	1,082,318
Liabilities				
Demand deposits	**1,021**	**1,915**	523	871
Time deposits	**85,844**	**161,026**	140,086	233,411
Foreign borrowings	**526,736**	**988,051**	527,602	879,090
Derivative financial instruments	**38,421**	**72,070**	35,888	59,797
Other liabilities	**96**	**180**	445	741
Total	**652,118**	**1,223,242**	704,544	1,173,910

13. Fixed, deferred and intangible assets

Fixed assets are depreciated using the straight line method at the following annual rates: installations, furniture, communication and security systems - 10%;

Such rates represent fairly the economic useful life of assets.

In compliance to Resolution No. 3617 of the Central Bank of Brazil, up to September 2008, organizational and expansion expenses, represented by leasehold improvements, were recorded as deferred asset and amortization thereof were based on lease agreements expiration date.

Intangible assets correspond to acquisition and development of computer software and operating systems, amortized under the straight-line method at annual rate of 20%.

14. Deposits

Interbank, time deposits and money market funding are made at prevailing market rates, with maturities as follows:

	Bank							Consolidated	
	2011						2010	2011	2010
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total	Total	Total	Total
Demand deposits	**189,496**	**-**	**-**	**-**	**-**	**189,496**	**183,394**	**189,229**	**183,302**
Interbank deposits	**-**	**185,108**	**490,139**	**223,733**	**20,030**	**919,010**	**578,260**	**919,010**	**578,260**
Time deposits	**-**	**894,138**	**1,100,759**	**212,623**	**-**	**2,207,520**	**2,174,840**	**2,207,520**	**2,174,840**
Other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Total – 2011	**189,496**	**1,079,246**	**1,590,898**	**436,356**	**20,030**	**3,316,026**	-	**3,315,759**	-
Total – 2010	**183,411**	**1,048,096**	**908,351**	**720,788**	**75,865**	-	**2,936,511**	-	**2,936,419**

15. Acceptance and issuance of securities

Funds from acceptances and issue of securities are traded at market interest rates and mature as follows:

	Bank and consolidated					
	2011					2010
	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total	Total
Real estate credit bill	**32,928**	**45,290**	**122**	**-**	**78,340**	146,716
Agribusiness credit bills	**441,412**	**333,673**	**34,220**	**-**	**809,305**	602,435
Financial bills	**-**	**7,917**	**36,068**	**-**	**43,985**	7,039
Total – 2011	**474,340**	**386,880**	**70,410**		**931,630**	**-**
Total – 2010	412.163	335,656	8,371	-	-	756,190

16. Borrowings and onlendings

Borrowings and onlendings by maturity are as follows:

	Bank and consolidated					
	2011					
	Up to 3 months	**3 to 12 months**	**1 to 3 years**	**Over 3 years**	**Total**	2010 Total
Borrowings:						
Foreign	**742,363**	**672,762**	**5,688**	**-**	**1,420,813**	1,345,390
Onlendings – Domestic:						
BNDES	**187,645**	**413,127**	**421,970**	**144,285**	**1,167,027**	1,662,881
FINAME	**66,069**	**200,958**	**472,114**	**229,110**	**968,251**	713,821
Other institutions	**8,791**	**35,774**	**1,650**		**46,215**	10,032
Total – 2011	**1,004,868**	**1,322,621**	**901,422**	**373,395**	**3,602,306**	-
Total – 2010	640,334	1,687,378	1,083,757	320,655	-	3,732,124

Foreign borrowings represent funds obtained on the international market for use in commercial foreign exchange operations related to import and export financing as well as onlendings and financing in foreign currencies, These liabilities are subject to exchange rate variance as well as interest rates on the international market and are restated by exchange rate variation plus financial charges incurred through to the balance sheet date.

Domestic onlending liabilities are represented by funds and special programs managed by government institutions which are passed onto final borrowers and are adjusted based on official indices and financial charges up to the balance sheet date.

17. Other liabilities

a) The foreign exchange liability portfolio is as follows:

	Bank and consolidated	
	2011	2010
Foreign exchange sold	**33,304**	114,517
Foreign exchange purchase liabilities	**431,090**	457,155
Advances on foreign exchange contracts	**(400,026)**	(448,567)
Total	**64,368**	123,105

17. Other liabilities (Continued)

b) Tax and social security balances are as follows

	Bank		Consolidated	
	2011	**2010**	**2011**	**2010**
Allowance for income and social contribution taxes on income	**104,979**	53,254	**110,483**	56,186
Taxes and contributions on profit payable	**286**	-	**570**	-
Taxes and contributions payable	**105,581**	102,557	**110,810**	107,766
Allowance for deferred income and social contribution taxes (Note 22)	**27,177**	22,605	**27,177**	22,605
Provision for other deferred taxes	**30**		**30**	
Allowance for civil and tax risks	**6,466**	4,966	**6,515**	6,360
Total	**244,519**	183,382	**255,585**	192,917

c) Subordinated debts

The bank raised funds in Brazil through the issue of Subordinated Bank Deposit Certificates, restated by 106.5% of CDI, maturing in 2013. These deposits were approved by the Central Bank of Brazil as eligible for Reference Equity Tier II. At December 31, 2011, these operations amounted to R$ 7,649 (R$ 6,805 in 2010).

On April 8, 2010, Banco ABC BRASIL S.A., raised funds by issuing Subordinated Bonds abroad, in the amount of US$ 300 million, maturing in April 2020 and annual interest rate of 7.875%, to be paid on a semiannual basis. It was approved by BACEN on April 30, 2010 and, under the terms of Resolution No. 3444/07, the referred subordinated debt instruments will be included in the Reference Equity Tier II for the restated principal amount of the taken out debt. At December 31, 2011, the breakdown of these liabilities balance is as follows:

	Bank and consolidated	
	2011	**2010**
Principal amount net of interests and capital raising expenses	**554,878**	492,034
Deferred fund-raising expenses (1)	**(8,981)**	(10,060)
Deferred hedge accounting P&L	**1,850**	-
Provision for interest	**10,094**	8,966
Subtotal	**557,841**	490,940
Adjustment to market value (“Hedge Accounting”) – Notes 2.II.d and 5.b	**27,818**	(9,386)
Total	**585,659**	481,554

(1) Fund-raising expenses is allocated on a pro rata daily basis, according the transaction term.

17. Other liabilities (Continued)

c) Subordinated debts (Continued)

In April 2011, Banco ABC BRASIL S.A. raised funds by issuing financial bills including a subordinated clause for R$ 15,406, R$ 10,000 of which maturing in 2021 and annual interest of 8.6% and R$ 5,406 maturing in 2017 and annual interest of 9.1%. On September 29, 2011, the Central Bank of Brazil approved, pursuant to Resolution Nº 3444/07, that such financial bills become an integral part of the Reference Equity Tier II. At December 31, 2011 the balance is R$ 16,956.

d) Balance and other sundry liabilities are as follows

	Bank		Consolidated	
	2011	**2010**	**2011**	**2010**
Allowance for payments to be settled	**49,408**	42,639	**49,460**	42,663
Sundry domestic creditors	**3,707**	3,250	**3,707**	3,250
Sundry creditors – abroad	**1,876**	-	**1,876**	-
Provision for contingent liabilities	**3,461**	1,979	**3,461**	1,979
Payables	**20**	739	**-**	722
Total	**58,472**	48,607	**58,504**	48,614

18. Income from services rendered

Income from services rendered, for the year ended December 31, 2011 and 2010, is composed as follows:

	Bank and consolidated	
	2011	**2010**
Income from guarantees given	**90,683**	69,848
Fees related to credit operations	**5,651**	14,082
Collection fees	**10,227**	7,495
Bank fees	**4,299**	3,931
Income from commissioning and security placement	**14,420**	12,675
Income from other services	**85**	117
Total	**125,365**	108,148

19. Other administrative expenses

Other administrative expenses in the year ended as of December 31, 2011 and 2010 are composed as follows:

	Bank		Consolidated	
	2011	**2010**	**2011**	**2010**
Third party services	**5,899**	8,439	**5,660**	8,333
Financial system services	**10,596**	8,785	**10,607**	8,792
Rentals	**8,007**	5,551	**8,007**	5,551
Specialist technical services	**8,288**	6,642	**8,336**	6,694
Data processing	**5,574**	4,749	**5,574**	4,749
Communication	**3,149**	2,691	**3,204**	2,749
Travel expenses	**3,602**	3,598	**3,602**	3,598
Depreciation and amortization	**4,837**	3,542	**4,882**	3,633
Promotions and public relations	**2,631**	1,985	**2,631**	1,985
Publications	**1,317**	933	**1,396**	965
Philanthropic contributions	**1,742**	2,489	**1,762**	2,489
Transportation	**1,902**	1,749	**1,902**	1,749
Asset maintenance and conservation	**1,009**	899	**1,009**	899
Other	**6,312**	5,615	**6,363**	5,530
Total	**64,865**	57,667	**64,935**	57,716

20. Other operating income

The breakdown of other operating income, for the year ended December 31, 2011 and 2010 are as follows:

	Bank		Consolidated	
	2011	**2010**	**2011**	**2010**
Tax amnesty – Law No. 11941/09	**-**	**-**	**-**	674
Interests and monetary correction of assets	**5,097**	8,346	**5,350**	8,552
Reversal of provision	**-**	1,653	**-**	1,653
Income from sale of investments	**580**	-	**580**	-
Recovery of charges and expenses	**197**	468	**197**	468
Exchange variation	**18,677**	-	**18,677**	-
Other	**2,478**	1,745	**2,528**	1,783
Total	**27,029**	12,212	**27,332**	13,130

21. Other operating expenses

Other operating expenses for the year ended December 31, 2011 and 2010 are as follows:

	Bank		Consolidated	
	2011	**2010**	**2011**	**2010**
Exchange variation	**-**	5,097	**-**	5,097
Establishment of provisions	**3,906**	4,056	**3,906**	3,396
Commissioning linked to operations	**2,002**	1,793	**2,002**	1,793
Discounts granted	**1,658**	215	**1,658**	215
Other expenses	**1,447**	699	**1,450**	704
Total	**9,013**	11,860	**9,016**	11,205

22. Income and social contributions taxes

The nature and origin of tax credits and deferred tax liabilities, as well as the changes occurred therein during the year are stated as follows:

	12/31/2010	Additions	Write-offs	12/31/2011
Tax credits				
Temporary differences:				
Allowance for loan losses and others	51,724	67,996	(57,482)	**62,238**
Adjustment to market value - securities and derivatives	6,760	16,037	(5,191)	**17,606**
Unrealized gains (losses) on futures market	1,733	255	(1,681)	**307**
Adjustment to market value – available for sale securities	80	276	(80)	**276**
	60,297	84,564	(64,434)	**80,427**
Deferred tax liabilities				
Temporary differences:				
Adjustments market value – securities and derivatives	(17,474)	(20,285)	15,102	**(22,657)**
Unrealized gains (losses) on futures market	(1,042)	(253)	860	**(435)**
Adjustment to market value – available for sale securities	(65)	(493)	65	**(493)**
Adjustment resulting from the transition tax regime – RTT (1)	(4,024)	(4)	436	**(3,592)**
	(22,605)	(21,035)	16,463	**(27,177)**
Net balance	37,692	63,529	(47,971)	**53,250**

(1) see note 2.II.i) on accounting practices.

22. Income and social contributions taxes (Continued)

The consolidated financial statements include further to the amounts presented in the table above, (i) credits related to tax losses (R$ 33 in 2010) it was reversed the amount of R$ 33 (R$ 514 in 2010) in the year, (ii) temporary differences with allowances for loan losses and other amounting to R$ 21 (R$ 477 in 2010), being R$ 456 (R$ 295 in 2010) reserved in the year.

The net balance of tax credits and tax liabilities is stated as follows:

	Bank		Consolidated	
	2011	2010	**2011**	2010
Other credits - sundry - tax credits (Note 9.c)	**80,427**	60,297	**80,448**	60,807
Other liabilities – provision for deferred taxes and contributions (Note 17.b)	**(27,177)**	(22,605)	**(27,177)**	(22,605)
	53,250	37,692	**53,271**	38,202

The realization of credits and deferred tax liabilities at December 31, 2011 based on the history of profitability and estimated realization is stated as follows:

	Bank			Consolidated
Year	**Assets**	**Liabilities**	**Net**	**Net**
2012	**31,151**	**(4,037)**	**27,114**	**27,135**
2013	**24,288**	**(3,035)**	**21,253**	**21,253**
2014	**5,211**	**(1,530)**	**3,681**	**3,681**
2015	**2,878**	**(983)**	**1,895**	**1,895**
2016	**1,209**	**(1,128)**	**81**	**81**
2017 through 2020	**15,690**	**(16,464)**	**(774)**	**(774)**
Total	**80,427**	**(27,177)**	**53,250**	**53,271**
Present value - Selic	**63,447**	**(17,576)**	**45,871**	**45,889**

22. Income and social contributions taxes (Continued)

Expenses with income and social contribution taxes on the years ended December 31, 2011 and 2010 are calculated as follows:

	Bank		Consolidated	
	2011	2010	**2011**	2010
Income before taxation less profit sharing	**324,050**	276,445	**330,045**	280,935
Total income and social contributions taxes	**129,620**	110,578	**135,676**	115,111
Net income from write-offs and write-ups of deferred liabilities net of tax credits	**15,916**	(21,715)	**15,425**	(22,524)
Nontaxable revenues/expenses net of nondeductible expenses	**(2,150)**	(2,298)	**(6,301)**	(5,337)
Equity pick up in subsidiaries	**(4,157)**	(3,039)	**-**	-
Interest on equity capital	**(32,222)**	(29,042)	**(32,222)**	(29,042)
Amnesty effects Law No. 11941/09	**(202)**	-	**(202)**	(270)
Other amounts	**(2,876)**	(1,490)	**(2,977)**	(2,054)
Total income and social contribution taxes – current	**103,929**	52,994	**109,399**	55,884
Deferred tax effect on income and social contribution tax losses	-	-	**34**	514
Deferred taxes and contributions				
Tax liabilities set up in the year	**20,542**	22,595	**20,542**	22,595
Tax liabilities realized in the year	**(16,397)**	(2,289)	**(16,397)**	(2,289)
Tax credits set up in the year	**(84,414)**	(63,127)	**(84,414)**	(62,831)
Tax credits realized in the year	**64,353**	64,536	**64,844**	65,049
Total deferred taxes and contributions	**(15,916)**	21,715	**(15,425)**	22,524
Prior year adjustment		(488)		(211)
Total income and social contribution taxes	**88,013**	74,221	**94,008**	78,711

23. Profit sharing

An allowance for profit sharing was established based on the Variable Compensation Program set up by Banco ABC BRASIL S.A. and its people strength, that takes into consideration activities developed by the Bank in various areas, the degree of responsibility, the degree of influence on earnings, as well as qualitative and quantitative targets set with individual Bank employees

24. Contingent assets and liabilities and legal, fiscal and social security obligations

The Bank and its subsidiaries are involved in judicial and administrative proceedings of tax, labor and civil nature, both as plaintiff or claimer. Note 2.II.g) explains the criteria for recognizing and measuring these suits and proceedings.

Amnesty program – Brazilian IRS (RFB)

Considering terms and advantages provided by the tax amnesty program established by Brazil's Federal Government, through Law No. 11941/09, the Bank's management and its legal advisors reassessed how convenient it would be to enter the referred to program. As a result, it has been decided that several proceedings filed by the Bank would be ended. Major proceedings included in the amnesty program were: i) Offset of taxes acquired from third parties with other taxes, ii) Social Contribution Tax on Gross Revenue for Social Security Financing ("COFINS") – Law No. 9718/98, iii) Social Contribution Tax on Net Profit ("CSLL") – 8% rate, iv) Social Contribution Tax on Gross Revenue for Social Integration Program ("PIS"), v) Corporate Income Tax (IRPJ) – Non-existing tax loss, and vi) Social Contribution Tax on Net Profit ("CSLL") – Non-employer entity.

The amounts payable referring to the proceedings included in the tax amnesty program have been provisioned and a position from Brazilian IRS is being awaited to allow financial settlement thereof.

See below major lawsuits and proceedings whose likelihood of an unfavorable outcome had been rated as possible:

Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) related to non-taxation of retained earnings of a foreign subsidiary

In 2001, the Bank filed a petition for writ of mandamus seeking a preliminary injunction that ensured the right not to add to its P&L figures, for the purposes of determination of IRPJ and CSLL, retained earnings that were never actually made available by ABC BRASIL Banking Ltd, upon the divestiture of interest in that company. Currently the decision at first jurisdiction level is favorable. Total contingency corresponds to R$ 8,487, with chances of loss assessed as possible.

24. Contingent assets and liabilities and legal, fiscal and social security obligations (Continued)

Tax on Financial Transactions ("IOF")

In 1994, the Bank filed a lawsuit to ensure its right not to pay IOF on the equivalent amount in Cruzeiros of the foreign currency that entered the Country, intended as loan, for payment within 48 hours after settlement of the foreign exchange contracts. Currently the decisions at first and second jurisdiction level are unfavorable to the Bank, and we are awaiting the Federal Supreme Court's pronouncement on this new appeal.

The total contingency amounts to approximately R$ 8,830, which likelihood of loss is rated as possible.

Service Tax ("ISS")

These are judicial proceedings involving ISS payment, mainly in connection with guarantees given (collateral signature and surety) referring to the period from 1994 to 2011, corresponding to R$ 13,535 and the chances of loss on this case are assessed as possible.

Social Contribution Tax on Gross Revenue for Social Integration Program ("PIS")

Exemption from contribution to PIS calculated based on Constitutional Amendments No. 10/96 and No. 17/97, during the period in which it was collected based on Supplementary Law No. 7/70. Tax credit payment is suspended by virtue of a second level favorable decision, which confirmed the security granting decision. The total contingency amounts to approximately R$ 2,260, which likelihood of loss is rated as possible.

Social Security's Charges ("INSS")

The Bank is currently a defendant in a lawsuit related to payment of pension charges, mainly on profit sharing related to 2006 to 2008 exercises, amounting to R$ 29,066, whose loss is rated as possible

Labor

At December 31, 2011, the Bank was defendant in 33 labor claims in progress, whose contingency amounted to R$ 3,461. A provision was set up for total contingency value, considering the likelihood of unfavorable outcomes of the referred to claims.

24. Contingent assets and liabilities and legal, fiscal and social security obligations (Continued)

Civil

At December 31, 2011, the Bank and its subsidiaries were plaintiffs and defendants in civil claims amounting to R$ 23,343. Below, we summarize key claims in which the Bank and its subsidiaries are defendants, and whose likelihood of unfavorable outcomes had been rated as possible.

a) claim aiming the payment of sale price differences of securities offered to settle loans, whose discussed amount totals R$ 8,209. Through the date, the first level decision is favorable to the Bank;

b) claim involving the request for annulment of a debt in the current account of a company guaranteeing a loan transaction. The contingency amounts to R$ 12,870 and the likelihood of loss was rated as possible.

Changes in provisions

	Bank			Consolidated		
	Labor	**Tax**	**Civil**	**Labor**	**Tax**	**Civil**
At the beginning of the period	1,979	4,736	230	1,979	4,785	1,575
Set up	2,294	1,500	-	2,294	1,500	-
Reversal	(498)	-	-	(498)	-	-
Write-off	(314)	-	-	(314)	-	(1,345)
At the end of the period	**3,461**	**6,236**	**230**	**3,461**	**6,285**	**230**

25. Equity

a) Capital

Capital comprises 135,644,240 registered and uncertified shares, without par value, being 67,822,120 common shares and 67,822,120 preferred shares.

b) Dividends and interest on equity capital

As established in the Bank's articles of incorporation, shareholders are entitled to an annual dividend of not less than 25% of net income adjusted as provided for in applicable law. Such dividend can, alternatively, be distributed in the form of interest on equity capital.

25. Equity (Continued)

b) Dividends and interest on equity capital (Continued)

For the year ended December 31, 2011 and 2010 shareholders resolved to distribute interest on equity capital, calculated according with established by Law 9249/95, as follows:

Resolution approval date	Interest on equity capital	Reduction in expenses with income and social contributions taxes
03/31/2011	**18,823**	**7,529**
06/30/2011	**20,168**	**8,067**
09/30/2011	**20,122**	**8,049**
12/29/2011	**21,442**	**8,577**
Total – 2011	**80,555**	**32,222**
03/31/2010	17,479	6,992
06/30/2010	17,479	6,992
09/30/2010	18,823	7,529
12/30/2010	18,822	7,529
Total – 2010	72,603	29,042

Interest on equity is calculated on net equity accounts and limited to the long-term interest rate, conditioned to the existence of profit calculated before deduction or retained earnings and income reserves in amount equal or two times higher its amount.

c) Destination of earnings

i) *Income reserve – Dividend equalization*

At the Annual and Special Shareholders' Meetings held on April 30, 2008, the shareholders approved the creation of the account Income Reserve for Dividend Equalization, to which the retained earnings account balance is allocated, the latter of which is set up to maintain the shareholder payment flow.

ii) *Income reserve – repurchase of shares*

The reserve for repurchase of shares is set up to support the possible opening, after approval by the Board of Directors, of the program for repurchase of the Bank's shares, should market conditions indicate such possibility.

25. Equity (Continued)

c) Destination of earnings

iii) *Allocation of the results determined at December 31, 2010*

At the Shareholders' Meetings held on April 29, 2011, the shareholders approved the proposal submitted by the Board of Directors referring to allocation of the income at December 31, 2010. The total amount shall be maintained in the income reserves account (legal reserve, dividends equalization and share buyback): R$ 10,111 shall be allocated for Legal Reserve, R$ 64,510 for Income Reserves – Dividends Equalization and R$ 55,000 for Income Reserves – Share Buyback.

d) Treasury shares

On September 09, 2011 a Board of Directors' meeting unanimously voted to allow the Bank to acquire up to ten per cent (10%) of its outstanding registered preferred shares, represented by up to 3,803,483 preferred own issue shares. The main objective is to maximize value for the Company's shareholders. The shares will be acquired to be maintained in treasury for later sale or cancellation with no reduction in own capital, in accordance with Article 19, subheading "m", of the Bank's Charter and CVM Instruction No. 10/80, later amended by CVM Rule No. 268/97 and No, 390/03.

For the year, 437,900 preferred shares were repurchased, totaling 1,630,701 treasury shares. At December 31, 2011 the total amount of treasury shares is R$10,997 (R$ 6,858 in 2010).

26. Operational limits – The Basel Accord

The Central Bank of Brazil, through Resolution No. 3490/07, instituted a new form of calculation for Required Capital Base (PRE) which came into effect on July 1, 2008. The Basel index for December 31, 2011 is 15.62% (16.04% in 2010). The table below sets out the calculation of PRE according to the new formula:

	2011	**2010**
Credit risk	**1,378,787**	1,196,237
Interest rate	**8,272**	2,180
Commodities	**2,445**	-
Operating risk	**69,960**	64,622
Shares	**274**	371
Required capital base (PRE)	**1,459,738**	1,263,410
Reference equity (PR)	**2,072,475**	1,841,810
Excess of equity in relation to limit	**612,737**	578,400

27. Other information

Offset and settlement of liabilities agreement – the Bank has an agreement on the offset and settlement of liabilities under the Brazilian National Financial System, in accordance with CMN Resolution No. 3263/05, resulting in added guarantees of settlement of their assets with financial institutions that are party to the agreement.

28. Reconciliation of Equity and Net Profit, under BRGAAP and IFRS

We present below the major adjustments identified between the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil ("BRGAAP") and the IFRS for the year ended December 31, 2011 and 2010.

		2011	2010
Net equity under BRGAAP		**1,499,606**	1,347,918
IFRS adjustments net of taxes:			
Allowance for losses on loans and advances to clients	a	40,010	37,883
Net equity under IFRS		**1,539,616**	1,385,801

		2011	2010
Net income under BRGAAP		**236,037**	202,224
IFRS adjustments net of taxes:			
Allowance for losses on loans and advances to clients	a	2,127	(431)
Sale of financial assets with retention risks and benefits	b	-	964
Exchange rate fluctuation on investment abroad	c	(2,565)	1,318
Net income under IFRS		**235,599**	204,075

a) Allowance for losses on loans and advances to clients

According to IFRS, based on guidance provided by IAS 39 "Financial Instruments: Recognition and Measurement", the Bank sets up allowance for loan losses based on individual assessment of operations, considering circumstances that are known at the time of assessment. Such criteria differ in certain aspects from BR GAAP, which adopts specific rules defined by the Central Bank of Brazil for calculation of the allowance.

28. Reconciliation of Equity and Net Profit, under BR GAAP and IFRS (Continued)

b) Sale of financial assets with retention risks and benefits

According to IFRS, upon sale of financial assets with retention of risks and benefits, the underlying asset must remain recorded under assets, and any income resulting therefrom is allocated over the remaining term of the sale operation. In such cases, the amount received upon sale should be recorded under liabilities, and costs are allocated over the remaining term of the operation. Under BR GAAP, such assets are written off and the positive or negative result determined upon sale should be posted to P&L for the period on the date of the operation

c) Exchange rate fluctuation on investment abroad

Pursuant to IFRS guidance, based on IAS 21 “Effects of Exchange Rate Fluctuations”, assets and liabilities of the subsidiaries abroad are translated to reais at the rate ruling on the balance sheet date, and P&L is translated to reais at the average exchange rates for the period, whilst the exchange rate fluctuation in connection with the translation is recognized directly in equity, as comprehensive income.

BANCO ABC BRASIL S,A,

MANAGEMENT REPORT
Performance 2011

We submit to your consideration the individual and consolidated Financial Information for the year 2011 of Banco ABC BRASIL S.A.

Banco ABC BRASIL S.A.

We are a multiple bank with expertise in granting credit and performing services for medium and large-sized enterprises. We have one of the most varied customer portfolios among medium-sized banks. We have a broad product portfolio, fast decision making, and deep expertise in credit analysis, which allow us to obtain results consistent with the loss ratios notably low. We are one of the few Brazilian medium banks with an international control and local autonomy.

We have built a strong customer base over the last 22 years, providing our customers with financial products of higher value added and oriented to their specific needs. Therefore, we believe that we are able to compete, with expressive advantages, in the market we operate.

The operating and financial support of our controlling shareholder, Arab Banking Corporation, jointly with our knowledge of the Brazilian market, guarantee us the highest risk classification among public medium banks granted by Moody's Investors Services, equal to "**Aa1.br**", on a **national** level, and "**Baa.3**", on a **global** scale, and by Fitch Ratings, Inc, equal to "**AA-**", on a **national** level, and "**BB+**", on a **global** scale.

Banco ABC BRASIL S.A. is listed in the **Level 2 of Corporate Governance** of São Paulo Stock Exchange (BM&FBOVESPA).

Shareholding Structure

The shareholding structure as of December 31, 2011 was as follows: ABC (BSC): 57.25%; Market: 33.41%; Management and Board of Directors and Associates: 8.14%, Treasury: 1.20%.

BANCO ABC BRASIL S,A,

MANAGEMENT REPORT
Performance 2011

Business Profitability

Banco ABC BRASIL S.A. presented a net profit of R$ 236.0 million in the year (R$ 202.2 million in 2010 and R$ 151.2 million in 2009), representing an annualized profitability on the average equity of 16.6% in the period (15.8% in 2010 and 12.1% in 2009).

The increase in the Bank's net income in 2011 from prior year arose mainly from the financial margin up 20.5% for the period and from the 15.9% expansion in service revenues.

The shareholders received, as Interest on Own Capital, the total gross amount of R$ 80.6 million, which represents a gross amount of R$ 0.60 for each common share and each preferred share, in compliance with legal provisions inherent to tax withholding, with interest inherent to the year of 2011.

Credit Portfolio

The credit portfolio including collaterals amounted to R$ 12,854.8 million late in 2011 (R$ 11,588.4 million late in 2010 and R$ 8,509.2 million late in 2009). At the end of 2011 the credit portfolio's rate ranged from AA to C in relation to the total credit portfolio of 97.6% (97.9% late in 2010 and 95.9% late in 2009). The balance of the allowance for doubtful accounts accounted for 1.73% of total portfolio late in 2011 (1.62% late in 2010 and 2.25% late in 2009).

CVM 381/03

In compliance with CVM Ruling No. 381 of January 14, 2003, which provides for the need to disclose, by audited entities, information on service performance by the Independent Auditor, Banco ABC BRASIL S.A. informs that independent audit services of the financial statements of the Bank and its controlled companies are provided by Ernst & Young Terco Auditores Independentes S.S.

No services unrelated to audit were performed.

The policy adopted meets the principles that preserve Auditor's independence, in accordance with criteria internationally accepted. These principles are as follows: 1) the auditor must not audit his/her own work; 2) the auditor must not perform managerial activities in his/her customer; 3) the auditor must not promote his/her customer's interests.

BANCO ABC BRASIL S,A,

MANAGEMENT REPORT
Performance 2011

Securities Portfolio

Banco ABC BRASIL S.A. does not have, in its financial statements (individual and consolidated), securities classified as “held to maturity”, in accordance with Circular No. 3068 of November 8, 2001 of the Central Bank of Brazil.

Arbitration Clause

Banco ABC BRASIL S.A. is subject to arbitration in the Market Arbitration Chamber, in accordance with the Arbitration Clause contained in its Articles of Association.

Risk management

Risk management information (Central Bank of Brazil Circular Nº 3477) is available on the Banco ABC Brasil S.A. website (www.abcbrasil.com.br - Investor Relations - Corporate Governance).

1) Corporate risk:

Banco ABC Brasil S.A. understands that risk management is a process intended to create and preserve the institution’s value, providing reasonable guarantee that events that may impact the institution will be identified and continuously managed in accordance with the risk management procedures. Accordingly, Banco ABC Brasil S.A. maintains specific structures to meet Resolutions Nos. 3380, 3464, and 3721 of the Central Bank of Brazil, which govern operating, market, and credit risk management activities, respectively.

All areas and associates are liable for Corporate Risk Management, which must perform their activities as good as they can and timely identify control risks, failures, and deficiencies to areas to be able to solve them. However, it is performed on a centralized basis in Risk Management, Credit Management, Compliance and Audit Areas, which strictly report to the Presidency.

The governance structure of the Bank is based on the regulation of the São Paulo Stock Exchange, Brazilian SEC (CVM), and Central Bank of Brazil, having authorities such as the Board of Directors, Audit Committee, and Supervisory Board, in addition to internal colleges, such as the Board Risk Committee, College of Directors, and other operating committees.

The Board of Directors is liable for defining the Institution’s risk appetite by the approval of business strategies and maintenance of high governance standards. It must guarantee the effectiveness of the risk management structure, providing independence and resources for the good operation thereof. Accordingly, it is supported by authorities and committees created for such purpose.

The Executive Board is liable for defining the Board of Directors and managing the activities of the institution.

2) Operating risk

The Bank acknowledges that Operating Risk is a specific category and should be managed as such. It should cover the institution as a whole and involve all of its people, including third-party services and considering its processes, activities, systems, products and physical structure. Operating risk management also includes legal risks and relies on its own Legal Counsel.

Operating risk management is organized in three defense lines: 1) managers of several functions; 2) Risk Management Function and Operating Risk Committee and 3) the Internal Audit and the External Audit, the latter ones being in charge of monitoring the business or support areas, as well as the control and risk management areas.

Management is based on ongoing identification, assessment, monitoring, control and mitigation of risks through specific tools. Effectiveness of actions is reinforced by timely communication to management, involvement of people, and the efforts to spread a risk management culture.

3) Market and liquidity risks

Market and liquidity risks are managed by management, through internal information and tools operated by the Risk Management Function, which centralizes control activities, and monitors portfolio exposures, as well as current and future acceptable liquidity levels.

The Financial Committee is authorized by management to manage these risks on its behalf. Treasury executes decisions made by said committee and manages proprietary positions within limits determined for its performance, and also manages fund raising and investments, as well as inflow and outflow mismatches. The Financial Committee formally discusses such exposures in its weekly meetings and designs a strategy for the subsequent period.

The Risk Management Function provides management, treasury, financial committee members and controlling shareholder with daily information, and prepares specific reports for the Board of Directors and the Audit Committee. In addition, it has to disclose the Bank’s risk appetite to the functions involved in liquidity and market risk management and in new product or activity design.

4) Credit risk

Because the Bank operates with large and medium-sized legal entities, it decided to create two independent structures to analyze and grant loans, so as to become more efficient and accurate in analyzing, setting limits and defining guarantees required.

The Credit Committee is in charge of approving credit lines for customers in general and the financial industry, respectively, up to the limits under their jurisdictions. Amounts over such jurisdiction are the sole responsibility of the Board of Director's Risk Committee.

Management is the responsibility of the Credit Functions – Corporate and Middle-Market – as far as individual lines to customers and economic groups are concerned. They rely on the support provided by the Operational Functions to ensure that risks are within established limits and that guarantees are within the required coverage and quality levels.

The Risk Management Function monitors credit from a portfolio perspective, monitors concentrations, and assesses adverse scenario impacts. Reports generated are regularly submitted to the Board of Director's Risk Committee, the Audit Committee and Executive Officers.

5) Compliance risk

The Compliance Function is in charge of examining compliance with internal standards and legislators' and regulators' requirements, in addition to guaranteeing that the internal control system works properly. In addition, it assesses and monitors the Bank's exposure to money laundry practices, and supports Business Functions, which should document and evidence the knowledge they have of customers.

Sao Paulo, February 2, 2012
The management

BANCO ABC BRASIL S,A,

Summary report of the Audit Committee

In meeting held on February 2, 2012, the Audit Committee, based on information provided by the management of the Bank and its subsidiaries, by the independent auditors, internal audit function, by those in charge of risk management and internal controls, and on its own analysis and diligence, recommended that the Board of Directors approve the audited financial statements (Bank and Consolidated) of Banco ABC BRASIL S.A. for the years ended December 31, 2011 and 2010.

The Audit Committee's full report dated February 2, 2012, including the details and the scope of its services and diligences, will be available on Banco ABC BRASIL S.A. website (www.abcbrasil.com.br) and available for interested in it with those in charge of Investor Relationship.

São Paulo, February 2, 2012.

The Audit Committee