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International Accounting Standards Board 30 Cannon Street London EC4M6XH

Financial Accounting Standard Board 401 Merrit 7 P.O. Box 5166 Norwalk, CT 06856-5116

Dear IASB and FASB members

We would like to thank the opportunity to participate with our comments on the document "Supplement to ED/2009/12 – Financial Instruments: Amortised Cost and Impairment". We believe it is of utmost importance the participation of stakeholders, as well as large institutions, aiming to improve standards dealing with financial instruments.

CAIXA is the largest public bank in Latin America. Numbers and achievements of the first half of 2010 show that. Its customer base is currently over 51 million people between depositors and savers of all income levels.

The total deposits reached R \$ 195.9 million, representing an increase of 11.3% over the same period in 2009. Saving a balance of \$ 116.3 billion, 18.3% increase over the previous year.

Consolidated assets totaled CAIXA \$ 380.5 billion, up 11.3% in the half. In addition, net income for the first half of 2010 reached R \$ 1.7 billion and shareholders' equity reached R \$ 14.3 billion, 44.1% of variation and 5.9% respectively.

Below are our responses to issues and considerations discussed in the supplement.

Question 1

Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (ie delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

Yes, however, we would like to make the following considerations:

- IAS 39 prescribes the categorization of the analysis into individual and collective, and that the provision is through the evidence of loss (loss incurred) and the amount of the provision taking into account the receipt of money over time;
- The new methodology proposes the separation of good and bad, bad provisioning by the value of the loss immediately (it was not clear whether the amount would total debt) and good for a percentage (minimum expected loss or floor);
- Even if the supplement is intended for the open portfolio, we can infer that it is the collective analysis, it is unclear whether the segregation individual and collective will remain. If so, it must determine if the individual returns to the collective analysis when there is no evidence of loss, or should be a minimum wage;
- Segregation of good and bad can cause volatility in allowance that can occur once the migration / return from one group to another;

- The criterion to define good / bad for appropriating the value of loss suggests the creation of different assumptions on the market, given that the definition can be according to the risk management framework of the IF, which makes even the audit work. The segregation of good and bad, can mingle with the default within the institution;
- Depending on the expected loss and the average maturity of the portfolio, your floor can be quite flexible;
- Segregation of good and bad should look at the spread in the number and volume / amount of it, not a segregated, exclusive of good and bad;
- There should also be segregated according to the segmentation proposed by Basel (wholesale and retail, among others) and not only by operation or group operation. In addition, issues addressed in Basel II, and the expected loss (differently), should be addressed to the composition of IFRS;
- The issue of security and the market situation for complex composition of the provision is to be implemented.

Question 2

Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not? Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

We believe that our model can be applied to the closed portfolio, but implementation is complex even for this type of portfolio, although there is the volatility of incoming, ie, the portfolio tends to be extinguished by payment or low.

Question 3

Do you agree that for financial assets in the 'good book' it is appropriate to recognise the impairment allowance using the approach described above? Why or why not?

In some situations, ownership in a short period of time, does not apply, because some operations have a long grace period, for example, the mortgage corporation - up to 24 months of work, as well as transactions in tranches, project finance, among others.

Question 4

Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

We believe so, although it is costly in view of the need for two calculations for "Good Book" and one for "Bad Book", by portfolio. Still, one should take into account the need for internal and external data. Would be operational, but very complex institution with a large portfolio diversification.

Question 5

Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

Yes. However it can cause conflicts in the product launch, since the requirement with some products can be launched with a recognition of impairment more than the revenues. In this sense, the institutions will have to focus on business plans and analysis of investment projects aiming at the average time to reverse this reality.

Question 6

Is the requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

No. The standard distinguishes good from bad segregated portfolio assets between them which is appropriate to recognize credit losses expected over a period of "other assets. We understand that the rule should be explicit, segregating the assets directly between good and bad portfolio in accordance with the criteria used by the institution.

Question 7

Is the requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

In the case of internal audit we believe so. With the caveat that these portfolios have a tendency to float towards the contracts that become delinquent and then one or more periods return to timely payments. However there is need for testing to confirm. With regard to external audit may hamper the comparability in view of flexibility in determining periods.

Question 8

Do you agree with the proposed requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

Yes, considering the above in Question 1.

Question 9

The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this model. Specifically, on the following issues:

(a) Do you agree with the proposal to require a floor for the impairment allowance related to the 'good book'? Why or why not?

Yes, the floor is interesting that there is a mattress that supports any mismatch in monitoring contracts and prevent the market in the event of crisis.

However, we believe that if there is no history of loss of market fluctuation, it is difficult to measure a minimum wage for certain types of portfolio.

(b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the 'good book' only in circumstances in which there is evidence of an early loss pattern?

No. For prudential measure, we believe that financial institutions should be able to stipulate a minimum wage regardless of whether or not evidence of a pattern of initial loss, since in many cases no suitable parameter for comparison to stipulate the level of loss given portfolio

(c) If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the

minimum allowance to be determined and why?

As stated earlier, for the portfolio with no history would be difficult to measure a minimum floor. If so the provision should be for a term of the portfolio.

Extreme market situations should be evaluated for measuring and creating a contingency fund, not the provision of credit, a flow of short-term as proposed, for example - 12 months.

(d) For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?

We do not believe to be the best way considering the cost of information and difficulty in integrating internal and external data. Moreover, we believe that this point could be better detailed in the standard.

Case prevails could be one of the premises not only will we have to consider the portfolio and pricing model within the financial institution.

(e) Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide

data to support your response, including details of particular portfolios for which you believe this will be the case.

As already outlined in this document fit our considerations regarding the contingency reserve, operations / operations group, with operations grace period / tranches, and no history of loss. In addition, the foreseeable future must take into account the pricing method of the financial institution.

Therefore, we do not need at this time, nor provide details of the portfolio, to predict whether a period of 12 months is adequate for the foreseeable future.

(f) If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a 'ceiling' should be established for determining the amount of credit impairment to be recognised under the 'floor' requirement (for example, no more than three years after an entity's reporting date)? If so, please provide data and/or reasons to support your response.

No. We believe that there should be no ceiling for the foreseeable future, with each entity to define it according to the characteristics of your portfolio, even though there may be reduction of comparability among financial institutions.

Question 10

Do you believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

We have no time for search of specific portfolios, but we can infer that depending on the term of the portfolio (expected life), and definitions of financial institution, such value may be higher or lower.

Question 11

The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:

- (a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the approach described in paragraph B8(a)? Why or why not? Considering the different characteristics of each entity, it is possible for different situations an undiscounted estimate may reflect a better way for the expected loss of the institution Since the very justification of operational complexity, where the effective rate of IAS 39.
- (b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?

Yes, because of the very flexibility. However, the opening for any reasonable rate between the risk-free rate and an effective interest rate allows different interpretations between different financial institutions, which may hamper the comparability in the market.

Approaches developed by the IASB and FASB separately

The joint proposal for a "bad book" is fitting. However, to the good portfolio, we consider relevant to the proposal of the IASB, and our considerations with reference to the authority are reported herein.

Would you prefer the IASB approach for open portfolios of financial assets measured at amortised cost to the common proposal in this document? Why or why not? If you would not prefer this specific IASB approach, do you prefer the general concept of the IASB approach (ie to recognise expected credit losses over the life of the assets)? Why or why not?

Applies the above comment, considering the segregation of portfolios.

Question 13

Would you prefer the FASB approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific FASB approach, do you prefer the general concept of this FASB approach (ie to recognise currently credit losses expected to occur in the foreseeable future)? Why or why not?

Applies the comment of question 11, considering the segregation of portfolios.

Additional Comments

We believe that more must be very detailed considerations relating to economic conditions that must be considered in calculating the expected loss order identifiably and the reasonableness of the information.

If the proposal is maintained in item 2, maybe there would be more reasonable if instead of considering most of the expected loss 2 (i) and 2 (ii) be held an average of the two values calculated.

The possibility of projections according to the individual reality of each institution may hamper the comparability in the market, since deadlines may vary for the same portfolio depending on the interpretation of the Institution.

Question 14Z

Do you agree that the determination of the effective interest rate should be separate from the consideration of expected losses, as opposed to the original IASB proposal, which incorporated expected credit losses in the calculation of the effective interest rate? Why or why not?

We believe so, because the operationalization of this process (incorporate expected credit loss in the calculation of the effective interest rate) makes the determination of expected loss rate very difficult, and the high costs to enact this proposal would make it unfeasible.

Question 15Z

Should all loan commitments that are not accounted for at fair value through profit or loss (whether within the scope of IAS 39 and IFRS 9 or IAS 37) be subject to the impairment requirements proposed in the supplementary document? Why or why not?

Yes, because the repo (no fair value) may represent a default risk to the institution, although its operation is complex. The cost-benefit ratio (volume x amount x loan portfolio) should also be considered as a prerogative for the applicability of the methodology.

Question 16Z

Would the proposed requirements be operational if applied to loan commitments and financial guarantee contracts? Why or why not?

In the case of repo, only as above. In the case of financial security we do not have time to make a conclusive demonstration, given the complexity of the topic.

Question 17Z

Do you agree with the proposed presentation requirements? If not, what presentation would you prefer instead and why?

The presentation requirements should include the information deemed relevant by the institution. With the new model, the entity shall disclose information concerning the effective interest rate and impairment separately.

Question 18Z

(a) Do you agree with the proposed disclosure requirements? If not, which disclosure requirements do you disagree with and why?

We agree with the proposed disclosure requirements, except for item (b) and (c). In a large institution that separation of the portfolio by age requires a much larger effort, since the amount and complexity of these. In the case of item (c) we believe that disclosure of such information should be optional, depending on the evaluation of each entity in relation to the relevance of such disclosure.

(b) What other disclosures would you prefer (whether in addition to or instead of the proposed disclosures) for the proposed impairment model and why?

None.

Question 19Z

Do you agree with the proposal to transfer an amount of the related allowance reflecting the age of the financial asset when transferring financial assets between the two groups? Why or why not? If not, would you instead prefer to transfer all or none of the expected credit loss of the financial asset?

We agree with the proposed transfer, depending on volume of transaction ie, the relevance of this movement. We believe that there must be a better clarification on the completion of the transfer, given the complexity of its operations.